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2021 OPERATING BUDGET BRIEFING NOTE

Equity Impacts of Changes in the 2021 Operating Budget

Issue/Background:

Equity Responsive Budgeting at the City of Toronto embeds equity impact analyses throughout the development and decision-making stages of the budget process. Staff review and report on how efficiencies, service level reductions, revenue changes, and new/enhanced services in the Operating Budget impact Indigenous, Black and equity-seeking groups.

This Briefing Note:

- provides an overview of Equity Responsive Budgeting,
- outlines the process City staff used to identify the potential equity impacts of changes in the 2021 Operating Budget,
- summarizes budget changes with significant equity impacts, and
- highlights key feedback from the External Review Panel that was convened to contribute to the equity impact analysis.

The implementation of the Equity Responsive Budgeting process is led by Social Development, Finance and Administration in collaboration with the Financial Planning Division and People and Equity Division.

Equity Responsive Budgeting at the City of Toronto

Equity Responsive Budgeting is a process adopted in many jurisdictions across the globe that aims to support informed budget decisions that both protect Indigenous, Black and equity-seeking groups and advance equity and reconciliation priorities. At the City of Toronto, the focus of Equity Responsive Budgeting has been to generate analyses of how service level changes, efficiencies, revenue changes, and new investments in the Operating Budget impact Indigenous, Black and equity-seeking groups. This analysis is provided to inform the budget development, debate and decision-making processes.

Only the staff-recommended changes to the Operating Budget are assessed for equity impacts. Equity impact statements are not included in any changes proposed by Council unless requested.

At present, the City's approach to budgeting is to support Council approved policies, strategies and service plans. The budget itself does not set new policies, strategies or service plans.

Equity Responsive Budgeting at the City of Toronto has progressed significantly since it began in 2016. Initially, a panel of subject matter experts and representatives from organizations serving Indigenous, Black and equity-seeking groups analysed the equity impacts of a narrow scope of budget proposals in the Operating Budget.

Since then:

- the scope of the budget under review has increased,
- City staff are undertaking the equity impact analysis and,
- equity impact analyses has been incorporated into the analytical and reporting systems of the City's budget development process.

This year, as a result of the constraints of COVID-19, the External Review Panel was virtually convened. In the past, the panellists received all proposed changes to the Operating Budget and had the opportunity to review budget cases and provide feedback. For the 2021 Operating Budget, panellists received presentations from select Divisions and Agencies whose proposed budget changes have equity impacts. To strengthen and validate the analyses, Panel members provided feedback on the quality of the staff generated equity impact analyses and commented on the potential equity impacts of proposed budget changes.

For a list of members that participated in this year's External Review Panel, see Attachment B.

Implementation

All City Programs and Agencies are required to apply an equity impact analysis to budget change proposals in the Operating Budget, including:

- efficiency savings (changes that produce savings and maintain service levels),
- service level changes (reduction in existing program or services),
- new and enhanced services (new programs/services, expansion of existing programs/services),
- revenue changes (changes in user fees beyond inflation).

For each of the above budget proposals, staff prepare an equity impact statement that:

- indicates whether the proposal will have a negative, positive or no impact on equity,
- identifies the affected Indigenous, Black or equity-seeking group(s),
- describes how the proposal decreases or increases barriers to equity and,
- evaluates the level of impact (low, medium, high).

The equity impact statements accompany the budget change proposals and are reported to senior staff throughout the budget development process to support their decision-making. The final statements for budget changes included in the Operating

Budget are included in the Programs and Agencies Budget Notes. They are also summarized in this Budget Briefing Note, along with the feedback from the External Review Panel.

To support completing the equity impact analyses, staff had access to training opportunities and an online Equity Lens Tool to help them examine the potential impact of budget proposals on Indigenous, Black and equity-seeking groups. Programs and Agencies were also supported by a small, dedicated team comprised of staff from the People and Equity Division, Social Development, Finance & Administration, and Financial Planning to support them with completing their equity impact analysis. This team maintained oversight over equity impact statements to ensure consistency and standardization across Programs and Agencies.

Challenges and Opportunities

COVID-19 impacted the implementation of the 2020-2021 Equity Responsive Budgeting process. This year, given the effects of COVID-19 on many City Programs and Agencies, there were significant financial pressures facing the City throughout 2020 that created additional challenges for the 2021 budget. As a result of the focus on COVID-19 impacts of 2020, many 2021 budget changes were completed within the base budget, which is out of scope for the Equity Responsive Budgeting process as it focusses on service level changes within the Operating Budget. This complicated the process for 2021 as the equity impact statements included in Program and Agency budget notes do not account for these changes in a consistent manner.

In preparing the 2021 Operating Budget, priority was given to maintaining critical services and avoiding significant service level reductions. While staff had to prepare for various scenarios, the 2021 Operating Budget succeeds in avoiding significant service level reductions. As a result, there are fewer budget changes that fall within the purview of Equity Responsive Budgeting than there typically are.

Given the tight timelines and physical restrictions regarding in-person meetings, the process of training staff and engaging the External Review Panel was also adjusted. Specialized in-person training for staff was replaced with online training, for which there were approximately 100 participants. A recording of the training was also made available to staff.

For the External Review Panel, it was not possible to distribute the budget proposals to Panel members in advance of the meeting, nor to meet in-person. Instead, the Panel virtually convened for a four hour online meeting where select Programs and Agencies presented on the changes to their Operating Budget that had an equity impacts. In some cases, Programs and Agencies presented on base budget changes with equity impacts. The Panel was given an opportunity to ask questions of staff presenters. Feedback and comments from Panel members is summarized below.

Moving forward, staff will be reviewing opportunities to strengthen Equity Responsive Budgeting process, including examining how it can be embedded in the City's Budget Modernization project, support Outcomes-Based budgeting, leverage the City's new Data for Equity Strategy, and be expanded to consider the equity impacts of changes made within base budgets. Consideration will be given to expand the equity impacts analysis to projects in the 10-Year Capital Budget and Plan.

Equity Impacts of Changes to the 2021 Operating Budget

The 2021 Operating Budget avoids significant service level reductions and majority of the budget proposals have positive equity impacts. Many of the changes are intended to maintain or adjust existing service levels that were affected by the COVID-19 pandemic.

The Operating Budget includes thirty-four equity impacts, with the majority of the changes demonstrating positive equity impacts. Six of the thirty-four demonstrated a negative equity impact. There are, however, no major service level changes with negative equity impacts.

For a full list of budget cases with equity impacts, see Attachment A.

Summary of Budget Changes with Positive Equity Impacts

In the 2021 Operating Budget, all proposals with major service level changes and high equity impacts are positive. Below is a summary of the budget changes with high and medium positive equity impacts.

- **Investments in Housing**

The 2021 Operating Budget includes key investments to support low income residents as well as those experiencing homelessness. An investment to Shelter, Support and Housing Administration will create 3000 temporary shelter beds to account for public health guidelines and the need to physically distance.

In addition, investments in the Housing Now Action Plan will support the creation of new staff positions across multiple City Programs to further develop the initiative. It also includes \$2,000,000 in community grants for housing organizations to complete pre-development and pre-acquisition work required to advance affordable housing projects.

- **Investments in Transit Access**

As part of the continued growth of the Fair Pass Transit Discount program, the 2021 Operating Budget includes investments to implement Phase 2 of the program and extends eligibility to approximately 25,000 low-income residents in receipt of housing supports to access affordable transit. This will have a positive impact on low income residents, specifically those in subsidized housing.

- **Investments in Violence Interruption**

The 2021 Operating Budget includes an investment to Social Development, Finance and Administration's budget to establish TOwards Peace, which will enable the development and implementation of an integrated violence interruption model geared at meeting the needs of youth most vulnerable or involved in serious violence and crime. This will have a positive impact on youth, particularly those who are Black or racialized.

- **Investments in Policing Reform**

As part of the Policing Reform Project, the Operating Budget includes funding to support the Community-Based Crisis Response Pilots, which will establish a crisis response program in four areas of the City for residents experiencing mental health and other non-violent crisis. This will build confidence in public safety and potentially lead to better outcomes for Indigenous, Black, and equity-seeking communities that face over-policing and have concerns with police interactions.

Summary of Business Cases with Medium Positive Equity Impacts

- **Investments in Equity and Reconciliation Priorities**

The 2021 Operating Budget includes proposals that aim to enhance the City of Toronto's equity infrastructure and improve outcomes for Indigenous, Black and equity-seeking populations. This includes resources to establish a Data for Equity Unit within the People and Equity Division to support Divisions in collecting socio-demographic data and using the data to identify equity and prosperity goals, monitor progress and assess impacts on Indigenous, Black and equity-seeking populations.

Also included in the 2021 Operating Budget is funding for the Indigenous Affairs Office to advance the City's Indigenous Place-Making Strategy and funding for Social Development, Finance and Administration to advance the Toronto Action Plan to Confront Anti-Black Racism. These investments will provide the staff resources necessary to successfully implement these initiatives and build the appropriate structures to ensure positive impacts on Indigenous and Black communities.

- **Investments in Inclusive Economic Development**

The 2021 Operating Budget includes funding to advance the Community Benefits Framework and the Poverty Reduction Strategy. These investments will provide the staff resources necessary to successfully implement these initiatives and build the appropriate structures to ensure positive impacts on Indigenous, Black and equity-seeking communities.

There are an additional two budget cases with medium positive equity impacts, which are funding for the Creation of Interactive Digital Media Unit and the Creation of Community Economic Development Grants through the Economic Development and Culture division. These use reallocated funds to increase access to economic development, training, and/or employment opportunities for Indigenous, Black and equity-seeking populations.

- **Investments in Civic Engagement**

The 2021 Operating Budget also includes funding for an 18-month Civic Engagement and Insights Project to develop a civic engagement strategy that will guide how the City engages and consults with Indigenous, Black, and racialized communities, as well as other equity-seeking groups in City decision-making.

Summary of Budget Changes with Negative Equity Impacts

There is one initiative indicating a medium negative equity impact:

- Provincial policy changes have an impact on the Toronto Employment and Social Services budget. While the effects of this provincial change will not materially impact approved service levels related to core Ontario Works services, there may be a modest increase to service wait times for certain specialized services for single-parent families on Ontario Works, most of whom are women.

The remaining five budget changes with negative equity impacts are all considered low impact. These proposals include:

- the elimination of print versions of Park, Forestry, and Recreation's FUN Guide,
- a 15% increase in user fees for Cedar Ridge Creative Centre,
- the realignment of management staff at Toronto Employment and Social Services,
- the elimination of the rental of parking spaces from a third party operator at North York Civic Centre, and
- reduced access to pre-charge diversion workshops for youth.

The Operating Budgets for the Accountability Offices do not include an equity impact analysis because the Offices determined that they were outside the purview of the equity responsive budgeting process, at this time.

Due to timing, staff did not have the opportunity to review the equity impact statements included in the Toronto Transit Commission's Budget Notes.

External Review Panel – Key Comments

The External Review Panel met twice virtually in December, 2020 to receive information about the City's 2021 Operating Budget and the impact of proposed changes on Indigenous, Black and equity-seeking communities. Select City Programs and Agencies presented their overall Operating Budgets to the panel and highlighted notable service level changes with equity impacts, including the equity impact statements that staff prepared. Panel members signed confidentiality agreements to ensure information was not released before the public launch of the City Budget.

The External Review Panel noted that, despite the challenges created by the COVID-19 pandemic, the Equity Responsive Budgeting process continues to improve. They confirmed the quality of staff equity analyses is good and recognized that it has

continued to progress over the past four years. Some panel members commented that the presentations from Programs and Agencies show a tangible improvement in the City's internal capacity to understand issues related to equity and reconciliation, and to generate adequate analyses. However, members of the Panel also noted that in addition to the need for a common equity language, more insight is required on how the City distinguishes between equity and reconciliation priorities. In particular, a better assessment of the impact of service changes on Indigenous populations is needed.

Although the Panel was encouraged by the lack of service cuts in the 2021 Operating Budget, they highlighted that maintaining existing service levels in the absence of data on service needs, particularly the demand for services arising from the pandemic, may have negative equity impacts. Panel members indicated interest in better understanding service levels relative to demand and how they correspond to the Operating Budget. The Panel was also interested in the impacts of COVID-19 on the City's multi-year investments, as pausing them may similarly have unaccounted equity impacts.

Additionally, the Panel was interested in the City's plans for multi-year budgeting and opportunities to make long-term and sustained investments in equity and reconciliation priorities, including how the needs of Indigenous, Black and equity seeking populations can be forecasted and addressed.

The Panel reinforced the need to embed equity considerations into all of the City's decision making processes, from early development stages to monitoring, evaluation and reporting. They recommended that equity considerations be a formative part of the development of budgets as well as service planning and strategy discussions. As Equity Responsive Budgeting presently only considers service-level changes, efficiencies, revenue changes, and new investments to the Operating Budget, members of the Panel recommended that changes to base budgets be brought within the purview of equity impact analyses, pointing out that there were many significant changes to base budgets in the 2021 Operating Budget. The Panel made particular note of the changes to the base budget of the Toronto Police Service, who included an equity impact analysis of these changes. Furthermore, Panel Members indicated that Capital Budgets should also be subject to an equity impact analysis, noting that Transportation Services has already begun this work with very encouraging results.

Moving forward, the Panel indicated the City needs to be more explicit and specific regarding its equity and reconciliation priorities, and how they are reflected in budgetary decisions, with clear mention in Programs' and Agencies' budget notes.

Next Steps

There is positive momentum for Equity Responsive Budgeting at the City of Toronto. While disruptions caused by the COVID-19 pandemic have posed challenges to the implementation of Equity Responsive Budgeting, the pandemic has reinforced the need for equity and reconciliation efforts at the City to be prioritized, better coordinated, and effectively communicated.

A key step to advancing Equity Responsive Budgeting will be to embed the process into the larger budget modernization process, which is currently underway. In light of this, the future role of the External Review Panel will be examined and their recommendations on improving the Equity Responsive Budgeting process will be considered.

Attachments

Attachment A: List of 2021 Operating Budget Changes with Equity Impacts

Attachment B: List of External Review Panel Members

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