



John Tory
Mayor

February 1, 2023

Re: Proposed 2023 Operating and Capital Budgets

Dear Councillors,

I write to you to present the City of Toronto's proposed 2023 Operating and Capital Budgets.

As you know, the City faces a series of unprecedented challenges as we work to recover from the COVID-19 pandemic that has made the task of preparing a balanced operating budget even more difficult: rising inflation, increased fuel costs, interest rate hikes, and supply chain challenges - not to mention increased shelter costs and decreased TTC fare box revenues as a result of the City's ongoing COVID-19 "hangover". These challenges require us to balance the need to protect frontline services with residents' affordability concerns, and underscores the urgency of achieving a new landmark fiscal framework that will provide cities like Toronto with appropriate revenue streams to manage the responsibilities that are placed on Canada's largest cities.

I have carefully considered the Budget Committee's recommendations, which reflect the outcome of extensive public reviews and a wealth of evidence contained in briefing notes from City Staff. The Budget Committee plays an invaluable role in providing crucial feedback, and I believe that the budget being presented is in line with the Committee's recommendations and direction, which I detail below.

I believe much of the feedback we heard from residents during this process supports the argument that there must be a new fiscal framework for Toronto so that we can make sure we are addressing the future needs of our city.

Recognizing the Need for a New Fiscal Framework for Cities

There is an undeniable consensus that Canada desperately needs a new fiscal framework to fund our cities. It is 2023, not 1867, and yet the way we finance cities has been frozen in time, without regard for the modern challenges and problems that we need to address. Toronto is the largest city in the country, one of the largest cities in North America, and the economic engine of Canada and our current and future success will have a great deal to do with the economic recovery of the entire country. In the last election, the current federal government committed to continue doing whatever it would take to support cities through the pandemic. In the last three years, we rolled up our

sleeves and did whatever it took to keep our residents safe, including running emergency shelters with physical distancing and keeping transit running despite severe ridership losses. Both the federal and provincial government recognized the fairness and good sense of assisting cities including Toronto in both 2020 and 2021, assistance which was much-needed and gratefully received. Three years later, while the City economy rebounds, we are left with a \$1.56 billion COVID-19 “hangover” together with an obvious lack of revenue tools and fiscal powers that other governments have to properly address that shortfall. While the Province has agreed to come to the table to assist us with some funding, the Federal government has yet to join them.

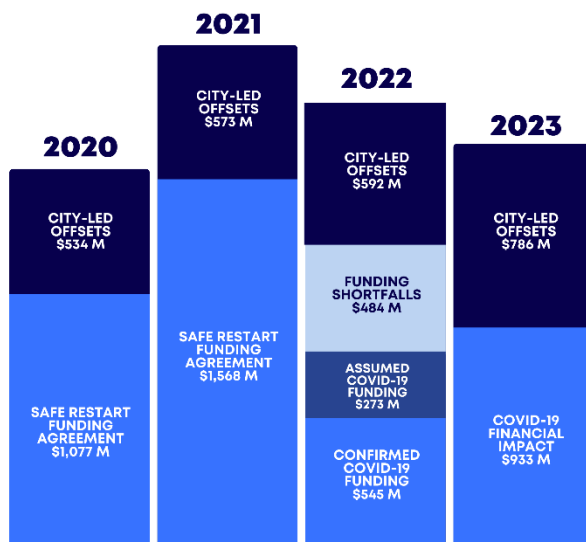
COVID-19 IMPACTS CONTINUE

The pandemic has had a disproportionate impact on the City of Toronto due to the scope of services delivered such as transit and shelters.

Since 2020, the City has experienced:

- \$5.5 billion in total COVID-19 financial impacts
- \$2.5 billion in City-led offsets and mitigation strategies
- \$3.5 billion in funding received from other orders of government including assumed reimbursement of \$273 million in 2022.

The City requires support from other orders of government towards \$1.4 billion in COVID-19 impacts (\$484 million for 2022 shortfall plus \$933 million for 2023) to address pressures and support the continuance of service delivery.

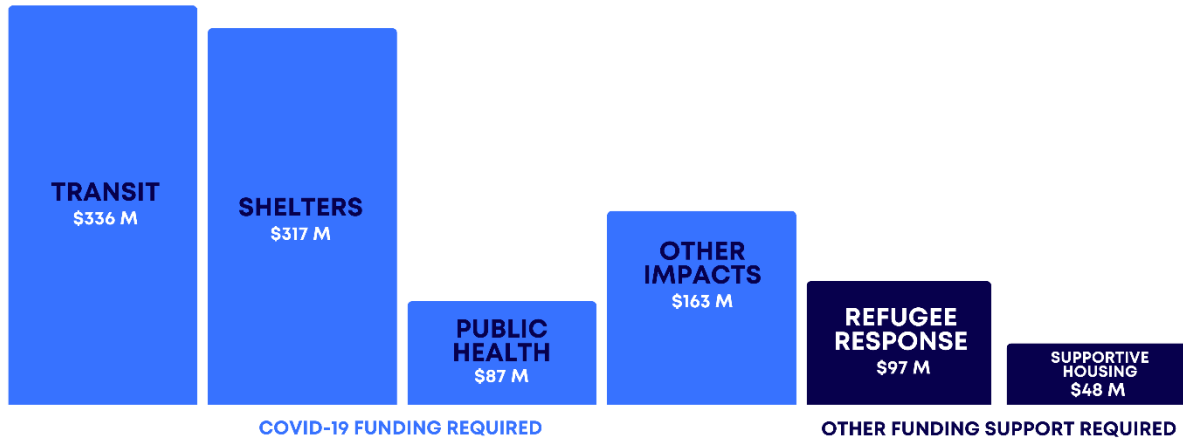


We saw unprecedented intergovernmental collaboration through the pandemic and it is my sincere hope that this will continue in the months and years ahead. Not just for these COVID-19 financial impacts, but also for funding and support to house refugees, and for supportive housing so we can continue to create pathways out of chronic homelessness for some of our most vulnerable residents.

Last week, the Federation of Canadian Municipalities and Ontario Big City Mayors expressed their support for my call for a National Summit on Mental Health. We are facing a mental health crisis across our country, and as mental health remains woefully underfunded, the responsibility is offloaded to municipalities and people in need of support turn to our streets, our transit systems, and our emergency rooms as a last resort. The mental health transfer the federal governing party promised in the last election would be a good step if fully realized.

CONTINUED FEDERAL AND PROVINCIAL SUPPORT REQUIRED

FOR 2023, THE CITY REQUIRES SUPPORT TOWARDS \$933 MILLION IN COVID-19 FUNDING AND \$145 MILLION IN OTHER FUNDING FROM THE FEDERAL AND PROVINCIAL GOVERNMENTS



We are not passing the buck to other governments, but are simply recognizing our very real financial and jurisdictional limitations as a City. I am committed to exploring new sources of revenue in the coming weeks and months that we can implement in my final term as Mayor to generate much-needed revenue to go towards social supports, housing, transit, and other areas where we need greater investments.

Balancing Affordability with the Need to Protect Frontline Services

Right now, we are budgeting for the current reality of our situation as a city.

We have to balance affordability with the need to protect frontline services and this budget does that.

As I committed to residents in last year's election, we have worked hard to keep any increases to taxes or fees as low as possible so as to help address the affordability challenges that residents continue to face. In line with the Budget Committee's recommendations, the operating budget is based on a property tax increase of 5.5%, and the capital budget and plan is based on a proposed 10-year extension of the City-building levy. In line with the City Council's direction last December, rate increases to water and solid waste were also kept below inflation, at 3% each. These are not decisions that were taken lightly, but I believe we have appropriately balanced affordability concerns with the need to provide revenues so we can keep City services running and advance important priorities.

I will oppose any proposal to further increase property taxes or rates above these levels, as any larger such increase would put too much burden on residents and households trying to make ends meet in the face of rising costs of living.

While Councillors might have differing views on what specific City initiatives to prioritize over others, nearly every Councillor who spoke at the Budget Committee recognized

that the fiscal challenges we have faced as a city are due both to the archaic and unsustainable way in which we as a city are financed, and the tremendous financial burden we shouldered through the pandemic to keep our residents safe.

I am confident that if we remain united as a City Council – as we did during the pandemic – we can secure a fiscal framework focused on the future but in the meantime I believe it is important that this budget protects our frontline services and makes careful investments where they are needed.

Despite these challenges, and the limited financial tools that we are legally permitted to implement, we have continued to find efficiencies and savings and have worked to ensure we can protect frontline services - from parks and libraries to snow clearing and youth spaces - while making critical new investments in housing, community safety, and transit that will ensure our City can continue to grow.

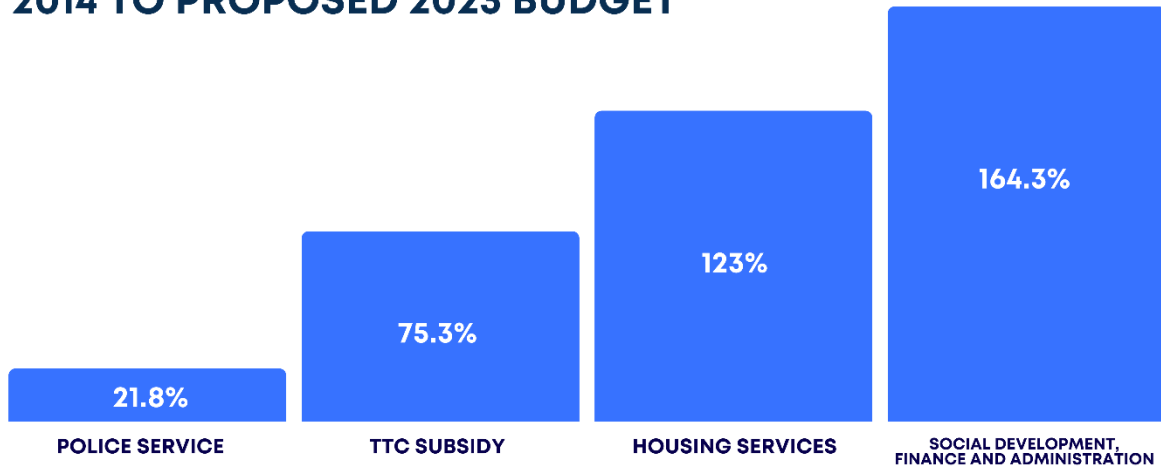
Supporting both Community Safety and Social Investments

I have heard from the Budget Committee that they oppose treating community safety and well-being as an either/or choice between funding the Toronto Police Service and funding social supports. They supported *both*: the Police Budget as approved by the Police Board, which would provide the resources for an additional 200 police officers to help address 911 response times, expand neighbourhood policing crucial to building trust in neighbourhoods, and fulfill the recommendations of the *Missing & Missed* report regarding major case management; as well as funding community and social investments to address the root causes of violence. I agree entirely with this approach, which is consistent with my promise to voters during the last election and consistent with the last eight City budgets.

Since I became Mayor in 2014, City spending on the Police Service has increased modestly by 22% over eight years, while spending on transit (through the City's subsidy to the TTC) has increased by 75%, spending on housing increased by 123%, and spending on the City's Social Development, Finance and Administration division (which leads our equity initiatives and the Toronto Community Crisis Service) has increased by 164% - and these do not even factor the enormous additional spending on shelters and the TTC as a result of the COVID-19 pandemic. Given this, I believe we have struck the right balance with regards to the Police Service budget, and I will oppose any efforts to defund the police - especially given very real concerns around 911 response times and community safety.

CITY NET OPERATING BUDGET SPENDING INCREASE

2014 TO PROPOSED 2023 BUDGET



We are lifting with all of our might given the revenue tools at our disposal, but we cannot do it alone. Many of the longstanding and emerging social issues in Toronto require all orders of government working together - on mental health, on criminal justice, on income inequality, and on education - as the federal and provincial governments have the necessary levers that municipalities lack to properly solve those issues. While the City has the explicit responsibility for emergency services and will continue to fulfill that responsibility, we are often the government tasked with service delivery when other levels of government fall short, but actually lack the legal, constitutional, and fiscal powers that are necessary to provide long-term solutions to social issues - with other levels of government resistant to give cities those powers.

Investing in Additional City Priorities

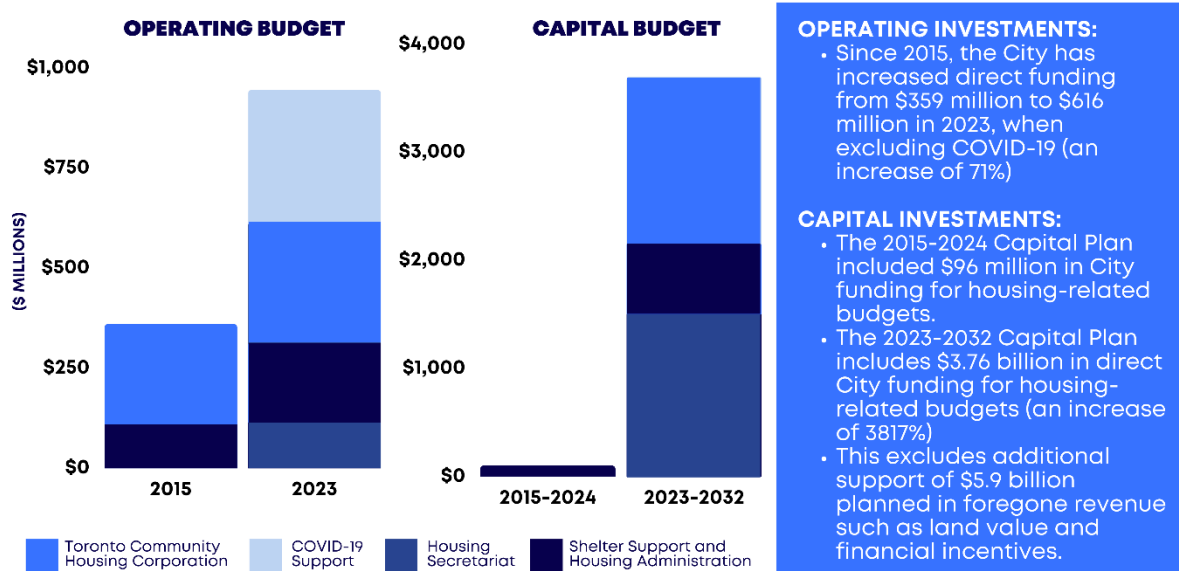
Throughout the budget process, City Staff have been hard at work to find savings, efficiencies, and offsets. I am pleased to report, consistent with the Budget Committee's recommendation to continue that work, that City Staff have identified a further approximately \$6 million in offsets to be used to fund additional City priorities – including a reduction I have requested to overall consultant costs. I look forward to a thoughtful City Council debate on February 14 to determine specifically which initiatives these additional funds should support.

I believe this is an important discussion for Council to have together. Based on the feedback from both the Budget Committee and the public, I would be willing to support amendments to the budget that would allocate these additional funds towards housing, transit, climate, affordability measures, community safety and wellbeing, community grants and programming, and other key priorities that were raised during the budget process.

I look forward to this discussion on February 14 and to detailing the other investments this budget does make in key areas.

This budget invests in housing and continues the work we have done. Since 2015, the City has increased direct funding from \$359 million to \$616 million. The 10-year capital plan has grown from \$96 million in 2015 to \$3.76 billion in direct City funding for housing-related budgets.

CITY-FUNDED INVESTMENTS IN HOUSING

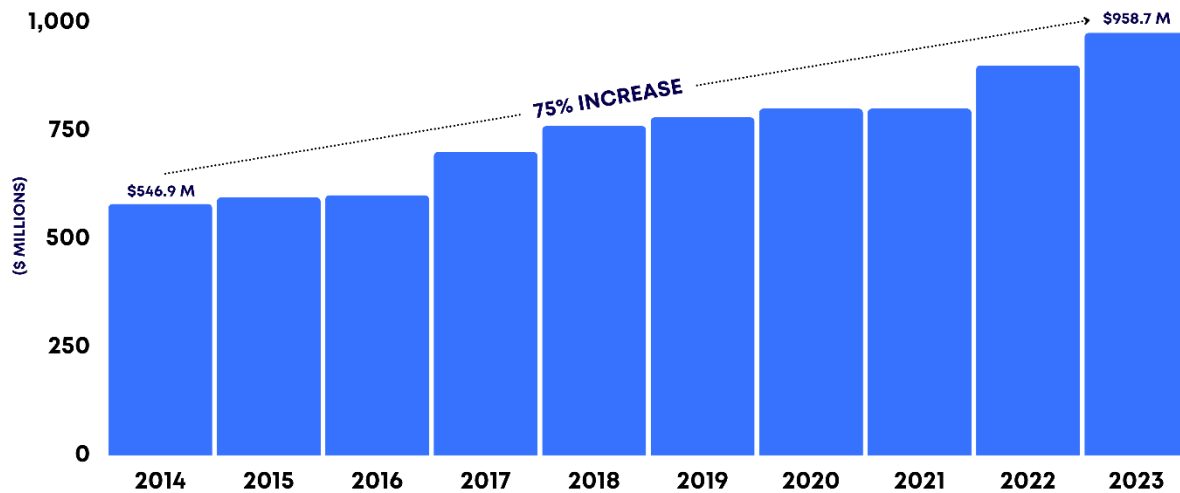


We have managed to protect vital programs like the Eviction Prevention in the Community Program, allocate funding to legalize multi-tenant housing city-wide for the first time in Toronto's history, and continue investments in the City's Multi-Unit Residential Acquisition (MURA) program. Consistent with the Budget Committee's recommendation, I confirm that this proposed budget contributes \$10 million from expected Vacant Homes Tax revenues towards MURA - a vital program that helps preserve the City's rental housing stock which I am proud to have introduced.

In addition, this budget will invest more in landmark initiatives like the Toronto Community Crisis Service (TCCS), which sends non-police responses to persons in crisis. We have fully funded TCCS with all of the additional funding they have requested to carefully begin scaling up this program across the city.

CITY SUBSIDIES TO THE TTC

CITY SUBSIDIES TO THE TTC HAVE INCREASED FROM \$546.9 MILLION IN 2014 TO \$958.7 MILLION IN 2023, EXCLUDING COVID-19 FUNDING



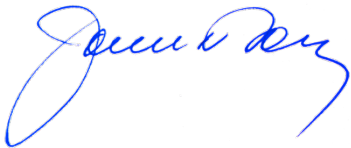
We have also prioritized our transit system by investing an additional \$53 million in the City's subsidy to the TTC, bringing the total subsidy to nearly \$1 billion. This will help ensure the TTC can continue to maintain service levels well above ridership levels, which have suffered significantly through the pandemic. It will also help ensure we can deliver on building more transit and operating new lines coming online, hiring an additional 50 Special Constables and 10 Streets to Homes workers, and allocate \$3 million to enhance service *above* pre-pandemic levels on our busiest routes that serve communities in the most need. It is crucial for our recovery that we continue to offer service above ridership as we currently are, so that we are ready when ridership is fully back. I will continue to listen closely to the experiences of residents and operators and work closely and collaboratively with the TTC, the Police Service, and TTC union leadership so that we can best respond to the safety needs of our transit system.

Despite the challenge of balancing affordability concerns with the importance of maintaining frontline services, we have to keep making long-term investments, especially towards advancing our housing and transit priorities. Crucially, our proposed 10-year expansion of the City Building Levy will fund an additional \$6.1 billion for those housing and transit priorities in our 10-year capital budget and plan. These investments, coupled with the City's historic Housing Action Plan and the priority transit expansion projects currently underway, are necessary for creating the transit-oriented, low-carbon neighbourhoods that will help us achieve both our housing and our climate objectives.

I sincerely look forward to continuing our work together in the coming year to keep our city safe, to build more housing, and to get transit built, while protecting the services our residents rely on.

I want to once again thank all Toronto residents who participated in the 2023 Budget process, as well as the Budget Committee members and hardworking City staff who have made it all possible. I would also like to thank in particular Budget Chair Gary Crawford for his steady leadership overseeing the budget process now for the ninth time.

Sincerely,



John Tory
Mayor of Toronto

