
2024 OPERATING BUDGET BRIEFING NOTE

Budget Reductions and Offsets

Issue/Background:

- At the Budget Committee meeting of January 10, 2024, as part of the 2024 Budget Launch Presentation, the City Manager and Chief Financial Officer and Treasurer noted that the 2024 Staff-Prepared Operating Budget identifies a **total of \$620 million in various reductions and offsets**.
- In an effort to further support consideration of the 2024 budget, this briefing note was developed to provide a breakdown and further details on the \$620 million in reductions and offsets, summarized in the table below:

Table 1: 2024 Reductions and Offsets (\$620 million)

Category	Amount Identified (\$ millions)
Line-by-Line Reviews	(\$180.0)
Long-Term Financial Plan Actions	(\$30.0)
Revenue Adjustments	(\$50.0)
Service Changes	(\$16.8)
Sustained Pandemic Impact Reviews	(\$112.1)
Program and Agency Reviews	(\$199.9)
Other	(\$31.2)
Total Reductions and Offsets:	(\$620.0)

Key Points:

- As part of the City's annual budget process, Divisions and Agencies submit opening budget pressures for the upcoming year, including preliminary balancing actions. To further achieve a fiscally responsible and balanced budget, staff work collaboratively to undertake additional reviews and identify further opportunities for reductions and offsets.

- Together, this is achieved through a suite of affordability measures including: line-by-line reviews, program and agency focused reviews, identification of efficiencies or service changes, and revenue adjustments.

In total, the 2024 Staff-Prepared Operating Budget identifies **\$620 million in various reductions and offsets**, including \$244 million identified at the time of the 2024 budget submission and a further \$376 million identified during further in-depth review. The information below details the \$620 million in actions by reduction and offset category:

- **Line-by-Line Reviews (\$180 million)** – includes a detailed line-by-line review of program budgets to ensure that estimates reflect actual spending experience and projections.
 - Detailed line-by-line reviews consider historical actual spending over a three-to-five-year period at both the expenditure category level (e.g., “Materials and Supplies”) and at a specific commitment item level (e.g., “Stationery and Office Supplies”).
 - As part of this review, staff consider expected spending levels against inflationary cost increases, economic factors and one-time operational requirements.
 - Line-by-line review reductions also include \$30 million in savings from a continued focus on complement management practices. This involved a divisional and corporate review of projected salary and benefit spending and factors:
 - Continuation of the City’s hiring control practices restricting new hires to those with Council and budget authorities;
 - Realistic ability and timing to hire for vacant positions; and
 - Projected levels of 2024 staff turnover.
- **Long-Term Financial Plan Actions (\$30 million)** – Following Council’s adoption in September 2023, staff have implemented a series of actions which have resulted in both immediate and forecasted future year financial benefits, in support of the proposed multi-year budgeting strategy. The 2024 Operating Budget includes \$30 million in direct financial benefits associated with:
 - Implementation of the Graduated Municipal Land Transfer Tax rates on high-value residential properties (\$20 million in 2024);
 - Increased dividend contributions expected from Toronto Parking Authority resulting from on-street parking rate increases which were made possible due to the removal of the on-street parking rate cap (\$5 million in 2024); and

- An ongoing commitment to advance the City's procurement-related initiatives including category management, strategic sourcing, contract compliance and regional procurement efforts (estimated at an incremental \$5 million in support of the 2024 Operating Budget).
- **Revenue Adjustments (\$50 million)** – reflects incremental revenue changes anticipated in 2024 due to inflationary changes to user fees, expected changes in volume based on trends and actual experience, and other revenue adjustments.
 - On an annual basis, staff consider required adjustments to user fees based on cost-recovery models, alignment with market rates, and inflationary adjustments required to deliver services. For additional information on adjustments to user fees, staff have prepared a 2024 Budget Briefing Note #7: Summary of User Fee Adjustments in the Prepared Budget ([link here](#)).
 - It is important to note that for 2024, the City has preserved existing transit fares at their existing 2023 rates.
 - As part of the annual budget process, staff also review anticipated levels of volume when considering user fee revenues. For example, the Toronto Zoo has adjusted their revenue expectations to reflect their strong post-pandemic recovery in attendance, estimating an additional 80,000 guests in 2024 over 2023.
- **Service Changes (\$16.8 million)** – a guiding principle during the 2024 budget process was to preserve and maintain core services and service levels. The 2024 Staff-Prepared Budget includes minimal reductions to services, limiting total changes to the following three items:
 - *Windrow Clearing* – the Staff-Prepared Budget includes discontinuation of the winter windrow clearing service as of the 2024/2025 winter season. This would reflect a full year savings amount of \$16 million. In 2024, this includes direct savings of \$4.1 million and an additional \$11.9 million in one-time bridging strategies (reserve fund withdrawals) before full savings are realized in 2025.
 - *Reinstatement of 2023 One-Time Reductions in Economic Development & Culture* – the 2024 Budget continues 2023 budget reductions that were initially planned to be reversed in 2024, related to International Funding, Business Incubation and Commercialization (BIC) grants, the Info-to-Go program, and marketing expenditures to manage budget pressures (\$0.66 million total).
 - *Food Handler Training* – Toronto Public Health stopped providing this program during the pandemic and will no longer offer this service. The training program is being offered in the private sector at a lower cost to the public (\$0.109 million in net savings for 2024).

- **Sustained Pandemic Impact Reviews (\$112.1 million)** – throughout the budget process, staff have identified \$112 million in reductions or offsets associated with sustained pandemic impacts based on analysis of ongoing requirements, latest projections and ability to accommodate within existing operating models.
 - As pandemic impacts will be now transitioned permanently to the Tax-Supported Operating Budget, Programs and Agencies have been directed to identify opportunities to accommodate any prolonged or sustained impacts within their existing operations.
 - In addition, sustained impacts to transit and shelter services have continued to be further refined to ensure that estimates reflect the latest trends in ridership revenue and shelter demand, respectively. Since the time of budget submission, transit ridership estimates continue to evolve based on return-to-office trends.
- **Program and Agency Reviews (\$199.9 million)** – this includes an in-depth evaluation of City services and programs to ensure intended outcomes are achieved in an efficient and effective manner.
 - Following the budget submission, corporate and program staff work collaboratively to validate all budget assumptions and estimates, providing a ‘challenge’ function. This includes prioritization of expenditures while considering the affordability of the initiative and validating timing and cost assumptions.
 - Through this function, staff identified approximately \$200 million in reductions and offsets for 2024. This may include applying one-time eligible funding sources to one-time costs in order to mitigate 2024 budget pressures, or a review of economic assumptions. For example, from the time of budget submission, fuel price assumptions may change.
- **Other Offsets (\$31.2 million)** – other reductions primarily reflect the City’s expected assessment growth of \$53.5 million, offset by various cost increases or budget pressures added during the review process (following initial budget submissions).
 - Assessment impacts reflect changes in the City’s property tax base due to new construction, renovation, demolition or property value appeals.
 - While staff identify opportunities for reductions or offsets throughout the process, there may also be reasons for increases to the budget pressure. This may include economic factors, additional operational requirements, or decisions made which have a future year impact.

- In addition to reductions and offsets of \$620 million, the City also has undertaken a series of actions to balance the 2024 Operating Budget including multi-year bridging strategies (\$388 million), application of new (\$382 million) and required (\$250 million) intergovernmental funding, and generation of incremental property tax funding (380 million) to offset the \$1.776 billion opening budget pressure and prepare a balanced 2024 Operating Budget.

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