
2025 OPERATING BUDGET BRIEFING NOTE

Budget Reductions and Offsets

Issue/Background:

- The 2025 Staff-Prepared Operating Budget identifies a total of **\$680 million in various reductions and offsets**.
- This briefing note provides the breakdown and further details on the \$680 million in reductions and offsets.

Table 1: 2025 Reductions and Offsets (\$680 million)

Category	Amount Identified (\$ millions)
Line-by-Line Reviews	\$93
Program and Agency Reviews	\$294
Revenue Adjustments	\$219
Efficiencies	\$41
Other	\$33
Total Reductions and Offsets:	\$680

Key Points:

- As part of the City's annual budget process, Divisions and Agencies submit their initial budget pressures for the upcoming year, along with preliminary balancing actions. To ensure a fiscally responsible and balanced budget, staff collaborate to conduct additional reviews and identify further opportunities for reductions and offsets.
- This is achieved through a range of affordability measures including, line-by-line reviews, program and agency evaluations, identification of efficiencies or service changes, and revenue adjustments.

- The \$680 million in reductions and offsets includes \$152 million identified when divisions and agencies submitted their budgets at the start of the budget process and an additional \$528 million was identified through further review and analysis. The information below details the \$680 million in actions by reduction and offset category:
 - **Line-by-Line Reviews (\$93 million)** – This 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 examine historical spending over a three-to-five-year period, looking at both expenditure categories (e.g., “Materials and Supplies”) and specific commitment items (e.g., “Stationery and Office Supplies”).
 - During the review, staff assess expected spending levels while accounting for inflationary cost increases, economic factors and one-time operational needs.
 - **Program and Agency Reviews (\$294 million)** – This includes an in-depth evaluation of City services and programs to ensure intended outcomes are achieved efficiently and effectively.
 - After the budget submission, corporate and program staff collaborate to validate all budget assumptions and estimates, providing a critical ‘challenge’ function. This process prioritizes expenditures while considering the affordability of the initiatives and verifying timing of cost assumptions.
 - Through this function, staff identified approximately \$294 million in reductions and offsets for 2025. Some key measures included applying one-time eligible funding sources to cover one-time costs, reviewing staffing needs and expected turnover, factoring in realistic ability and timing to fill positions, or revising economic assumptions. For instance, from the time budgets were submission, fuel pricing assumptions were more favourable.
 - **Efficiencies (\$41 million)** – This includes management actions that result in permanent cost reductions without compromising services or service levels.
 - Efficiencies are achieved through improved processes, technology adoption, and resource optimization.
 - These actions focus on long-term savings by streamlining operations (e.g., replacing contracted janitorial services with in-house cleaning staff), improving procurement practices (e.g., securing better contract pricing), and maximizing the use of City assets while maintaining service standards (e.g., savings in costs through preventative maintenance, reassigning under-utilized vehicles and achieving fuel cost savings by transitioning to electric vehicles).
 - **Revenue Adjustments (\$219 million)** – reflects incremental revenue changes anticipated in 2025 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 2025 Budget Briefing Note #11: Summary of User Fee Adjustments in the Prepared Budget ([link here](#)).
 - ❖ It is important to note that for 2025, the Toronto Transit Commission transit fares will remain at the existing 2024 transit fares, making 2025 the second-year transit fares have not increased.
- 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 increasing attendance levels, with forecasted 2025 attendance at 1.39 million guests, an increase of 3.0% over 2024 projected actual of 1.35 million (6.9% above 2024 budgeted attendance of 1.3 million).
- **Other Offsets (\$33 million)** – These reductions primarily reflect the City’s expected assessment growth of \$84 million, offset by various cost increases or budget pressures identified during the review process following initial budget submissions.
 - Assessment impacts account for changes in the City’s property tax base due to new construction, renovations, 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. These can result from economic factors, additional operational needs, or decisions that have future implications.
- In addition to reductions and offsets of \$680 million, the City has undertaken several actions to address the \$1.2 billion opening budget pressure and achieve a balanced 2025 Operating Budget, including:
 - Continuing the implementation of actions from the Long-Term Financial Plan (\$41 million), building on previous financial benefits to support the City's fiscal sustainability.
 - Utilizing temporary bridging strategies, such as drawing from reserves to support operational needs (\$330 million).
 - Applying new funding sources (\$50 million).
 - Generation of incremental property tax funding (\$251 million).

Prepared by: Althea Hutchinson Executive Director, Financial Planning,
(416) 338-7840, althea.hutchinson@toronto.ca

Further information: Stephen Conforti, Chief Financial Officer & Treasurer,
(416) 397-4229, Stephen.Conforti@toronto.ca

Date: January 12, 2025