

Tax Supported 2025 Operating Budget and 2025-2034 Capital Budget and Plan

Date: January 11, 2025
To: Budget Committee
From: City Manager and Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report presents the City Staff Prepared 2025 Operating Budget and 2025-2034 Capital Budget and Plan for Tax-Supported Programs, including detailed accounts of Non-Program Expenditures and Revenues.

The Tax Supported 2025 Operating Budget and the 2025-2034 Capital Budget and Plan enable the City of Toronto to provide over 150+ distinct services, often reflecting the services provided 24 hours a day and 7 days a week that are relied on by residents, businesses, and visitors of Toronto.

As the largest city in Canada, Toronto challenges are systemic and complex. These challenges include, but are not limited to, limited revenue tools while delivering services that provide regional benefits in the absence of commensurate funding, operating the largest public transit systems, growing demand for service, and providing the most shelter beds per capita.

Toronto, as Canada's economic engine, generates substantial national benefits. These include nearly \$60 billion in planned capital investments, hosting national and international headquarters and events, contributing billions annually in sales and income taxes, and serving as a major gateway for immigration. The City of Toronto delivers services, initiatives and projects that far exceed the traditional role of municipal government, which substantially benefits other orders of government.

The City employs a multi-year financial planning and budgeting practice that is transparent, accessible, and focused on service outcomes and accountability. This approach prioritizes public needs and ensures resources are used efficiently for effective service delivery and stewardship of City assets. Grounded in good governance, the City's budgeting practices aim to secure a financially stable and sustainable future for the City of Toronto.

The 2025 Operating Budget seeks to balance increased demand for services with the City's commitment to fiscal responsibility. The 2025 Operating Budget was developed in collaboration with the Mayor and the Budget Chair, focusing on:

- Maintaining and preserving services relied upon by Torontonians.
- Supporting new investments informed by public consultation.
- Developing multi-year strategy to address the financial challenges.
- Implementing Long-Term Financial Plan initiatives.

The 2025-2034 Capital Budget and Plan focuses on achievability and affordability by:

- Increasing critical state of good repair (SOGR) investments to flatten the growing SOGR backlog curve.
- Leveraging the City Building Fund to support transit and housing demands.
- Maximizing growth-related funding tools to support necessary investments.
- Applying a whole-of-government approach, reallocating Gardiner Expressway funds, and leveraging federal subway car funding.
- Maintaining the debt service ratio below 15% annually.
- Strengthening climate-focused capital planning through an enhanced carbon budget lens under the [TransformTO Net Zero Strategy](#).

Despite these proactive measures, the City's continues to navigate fiscal challenges, influenced by factors such as rising inflation, increasing costs and a growing SOGR backlog.

While the recommended actions lay a strong foundation, achieving long-term financial sustainability will benefit from continued collaborative support from other levels of government. Partnering with provincial and federal counterparts will help ensure that essential services and key capital projects, such as those in emergency, housing, transit, and shelter services are maintained and expanded to meet shared objectives.

RECOMMENDATIONS

The City Manager and the Chief Financial Officer and Treasurer have prepared the following:

1. The 2025 Operating Budget for Corporate Accounts of \$2.529 billion gross, \$3.190 billion revenue and \$0.662 billion net revenue comprised of the following accounts:

Accounts	Gross Expenditure (\$000s)	Revenue (\$000s)	Net Exp. / (Revenue) (\$000s)
Capital and Corporate Financing	1,270,786	391,053	879,733
Non-Program Expenditures	808,293	199,437	608,856
Non-Program Revenues	425,017	2,589,520	(2,164,503)
Association of Community Centres	13,280	372	12,909
Arena Boards of Management	11,523	10,065	1,459
Total Non-Program Budget	2,528,899	3,190,447	(661,548)

- The above includes a 2025 budgeted staff complement comprised of operating positions for Parking Tag Operations of 394, Association of Community Centres of 98.9, and Arena Boards of Management of 68. The details of 2025 Budget by Service for Association of Community Centres and Arena Boards of Management can be found in Appendices 4 and 5, respectively. The details of Parking Tag Operations 2025 Budget can be found in a standalone Briefing Note provided to Budget Committee.
2. The contribution of \$383.757 million to the City Building Reserve Fund from the dedicated City Building levy for priority transit and housing capital projects.
 3. The contribution of \$40.699 million to the Scarborough Transit Reserve Fund from the dedicated special property tax levy, in support of commitments to transit investments.
 4. The 2025 Capital Budget and Plan for Corporate Initiatives with cash flows and future year commitments totaling \$0.805 million as detailed in Appendix 2.1.
 5. The contributions and withdrawals to/from reserves in Corporate Accounts as indicated in Appendix 3.
 6. The continuation of the existing Solid Waste Rebates for Low Income Seniors, Disabled and Multi-Residential customers as outlined in Appendix 6.

FINANCIAL IMPACT

Tax Supported 2025 Operating Budget and 2025-2034 Capital Budget and Plan Summary

This report outlines the 2025 Staff Prepared Corporate Accounts Budget, with expenditures of \$2.529 billion and revenues of \$3.190 billion, including the Operating Budgets for the Association of Community Centres and Arena Boards of Management.

Corporate Accounts, covering Capital and Corporate Financing, and Non-Program Expenditures and Revenues, form part of the City's overall Operating Budget and are detailed in Appendix 1.

This report also summarizes corporate capital initiatives, totalling \$0.805 million in cash flow funding, detailed in Appendix 2.1, as part of the City's 10-year capital program.

Table 1 provides a summary of the 2025 Operating Budget and the 2025-2034 Capital Budget and Plan, including gross and net expenditures, as well as debt requirements for City Operations, City Agencies, and Corporate Accounts.

Table 1: Staff Prepared 2025 Operating Budget and 2025-2034 Capital Budget and Plan

Total Tax-Supported Budget and Plan (\$M)	Operating Budget		Capital Budget and Plan			
	2025		2025		2025-2034	
Programs	Gross	Net*	Gross	Debt	Gross	Debt
City Operations	9,047	3,330	2,116	840	21,159**	10,276
City Agencies	5,032	2,970	1,877	277	19,059	3,830
Corporate Accounts and Capital Financing	2,529	(662)	N/A			
Total Tax Supported Budget	16,608	5,638	3,993	1,117	40,218	14,106
Rate Supported Programs***	2,241	0	1,252		19,379	
Total Tax & Rate	18,849	5,638	5,245	1,117	59,597	14,106

*Excludes special dedicated levy

**Includes \$0.805 million for Corporate Capital Initiatives

***2025 Gross Expenditure Operating Budget includes capital reserve contribution to fund the 10-Year Capital Plan

Tax Supported 2025 Operating Budget Overview

The Tax Supported 2025 Operating Budget totals to \$16.608 billion gross and \$5.639 billion net. This represents a \$1.724 billion or 11.6% increase in gross expenditures (when including additional intergovernmental flow through funding and internal; City transfers) and a \$0.298 billion or 5.6% increase in net expenditures over the 2024 Budget. While maintaining and preserving the services Torontonians rely on, this budget addresses key priorities, which includes implementation of new initiatives to support

added investments strategically in transit, affordable housing, and public safety. A comprehensive list of new initiatives in the 2025 Staff Prepared Operating Budget can be found in Appendix 1.4.

On a gross expenditure side, the Tax-Supported 2025 Operating Budget primarily allocates funds to Cost-Shared Social Programs (27%), Transit (15%), and Emergency Services (13%), with the remaining 45% allocated to other City Programs and Agencies. On the revenue side, the main funding source comes from Property Taxes (30%), Federal and Provincial revenues (25%), and the remaining 45% is generated through fees, investments, and reserve draws.

Tax Supported 2025-2034 Capital Budget and Plan Overview

The Tax-Supported 2025-2034 Capital Budget and Plan totalling \$40.218 billion reflects a \$7.161 billion increase over the previously approved 10-Year Capital Plan with additional priority investments in transit, housing, and community services. Capital projects are financed by various sources, with the City prioritizing and maximizing use of external and non-debt funding before resorting to debt issuance. The Tax-Supported 2025- 2034 Capital Budget and Plan will require \$14.106 billion in all combined forms of debt financing. After offset by Capital from Current as part of the non-debt financing strategies, the base tax levy funded debt will be \$10.524 billion over the 10 years.

The Tax-Supported 2025-2034 Capital Budget and Plan invests \$16.954 billion in Transit, \$6.119 billion in Transportation, \$4.488 billion in Housing (plus a further \$4.524 billion provided through foregone revenues). The plan represents a \$5.374 billion increase in SOGR investments which will flatten the backlog growth curve over the 10 years when comparing to last year's plan. The added SOGR investments are made available by a combination of the City's own funding and other orders of government including the reallocation of Gardiner Expressway funding.

The 10-year Capital Plan incorporates a carbon budget lens with enhanced climate focus in the decision-making process. The City's investment in climate mitigation and adaptation actions aims at reducing ~160,725 tonnes/CO2 while improving resilience to climate change.

The 2025-2034 Capital Budget and Plan continues to balance the City's growing infrastructure needs while taking into consideration capital delivery capacity and affordability. The 2025- 2034 Capital Budget and Plan also aims to: ensure the City's aging infrastructure is in a state of good repair to deliver critical services, and advance investments towards transit and traffic improvement as well as housing and community services to meet the diverse and growing needs from population growth, rising costs, and delivery of Council priorities.

DECISION HISTORY

At its meeting on July 24, 2024, City Council endorsed a plan to reallocate the funds resulting from the upload of the Gardiner Expressway and Don Valley Parkway (DVP) to the Province of Ontario. The upload of the Gardiner and DVP allows for approximately \$1.9 billion to be re-invested in existing and unfunded City infrastructure priorities over the next 10-year planning period, subject to a third-party due diligence assessment. The report identifies priority areas in the City that require a significant state of good repair investment. The Executive Director, Financial Planning, and the Chief Financial Officer and Treasurer will work with relevant City Divisions and Agencies to invest in priority infrastructure renewal projects over the 10-year planning period through the 2025 Budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX16.2>

At its meeting on May 22, 2024, City Council adopted the 2024 Corporate Asset Management Plan (AMP) which encompasses 25 City Divisions, Agencies, and Corporations that hold ownership and/or responsibility over City-owned municipal infrastructure assets. The City's 2024 Corporate AMP builds upon previous divisional asset management plans and establishes a critical baseline to identify areas for improvement in asset lifecycle management, capital planning, and forecasting across the City. These will be crucial instruments for the 2025 planning process and beyond to inform strategic investment decisions including both the funded and unfunded portions, during the City's annual budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX14.6>

At its meeting on April 9, 2024, Executive Committee adopted a comprehensive framework for capital prioritization which is intended to provide the City with an objective tool and approach for prioritizing capital projects within the City's financial and project delivery capacity, based on a set of weighted criteria. Development of a capital prioritization framework will positively contribute to the City's long-term financial sustainability and advance the strategic directions and goals of City Council, by effectively allocating and prioritizing available capital funding during the City's 10-Year Capital Plan during the annual budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX13.6>

On September 6, 2023, City Council adopted the Updated Long-Term Financial Plan which directed staff to make specific requests of the provincial and federal governments in recognition of the City's immediate and ongoing financial challenges, including: funding for transit operations and maintenance of Eglinton Crosstown (Line 5) and Finch West (Line 6); a new funding model for transit operations; uploading of responsibility for the Frederick G. Gardiner Expressway and the Don Valley Parkway; and to continue to advocate for a new fiscal framework commensurate with the complexity and scope of municipal services delivered by the City of Toronto.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

COMMENTS

Multi-Year Strategy

The 2025 Opening Budget pressure is \$1.2 billion. The City continues to face affordability challenges due to growth, increased demand for services, and rising costs. These financial pressures cannot be solved in one year.

A multi-year strategy originally developed as part of the 2024 process continues as part of the 2025 Budget process, to enhance financial stability over the next few years. The strategy includes the following actions:

- Identifying sustainable versus bridging offsets to model multi-year budget impacts.
- Ongoing implementation of recommended of Long-Term Financial Plan actions.
- Modelling multi-year property tax increases.
- Maximize funding support provided by the Province of Ontario and the Government of Canada, such as New Deal funding, and continue ongoing discussions with our intergovernmental partners on future required funding support.

Single Family Residential Low Income Relief Program

As part of the City's water rate structure, since January 1, 2008, City Council approved a [Toronto Water Rebate Program](#) for low-income seniors and low-income persons with disabilities who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. To mitigate the impact of reductions to the Solid Waste Rebate on low-income ratepayers, Solid Waste Management Services implemented a Single Family Residential Low Income Relief Program which was incorporated into the existing Toronto Water Rebate Program and as defined in Municipal Code, Chapter 844-30.1.

Solid Waste Management Services' Single Family Residential Low Income Relief Program applies to all eligible bin customers that currently receive a rebate which includes only small, medium, large bin and bag only customers and incorporates other Toronto Water Rebate Program criteria, such as income levels. Customers with a small, medium, or large bin who are already enrolled in the Water Rebate Program are automatically enrolled in the Single Family Residential Low Income Relief Program.

As recommended, the Solid Waste Rebates for Low Income Seniors, Disabled and Multi-Residential customers are to continue as an on-going program.

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SIGNATURE

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ATTACHMENTS

Appendix 1: Tax Supported 2025 Operating Budget

- 1.1: 2025 Gross Expenditure Budget
- 1.2: 2025 Revenue Budget
- 1.3: 2025 Net Expenditure Budget
- 1.4: 2025 Total New and Enhanced Service Priorities

Appendix 2: 2025-2034 Capital Budget and Plan

- 2.1: 2025 Cash Flow and Future Year Commitments for Corporate Initiatives

Appendix 3: Contributions and Withdrawals to/from Reserves in Corporate Accounts

Appendix 4: 2025 Operating Budget for Association of Community Centres

Appendix 5: 2025 Operating Budget for Arena Boards of Management

Appendix 6: 2025 SWMS Rebates for Low Income Seniors, Disabled & Multi-Res