

Toronto 2018 BUDGET



OPERATING BUDGET NOTES



Toronto Atmospheric Fund

2018 OPERATING BUDGET OVERVIEW

Toronto Atmospheric Fund (TAF) assists in slowing global climate change and improving air quality.

TAF collaborates with non-government organizations, governments, corporations, official committees, neighbourhood organizations, universities, public and private schools, investors and other stakeholders to demonstrate, de-risk, and help advance social, financial, policy and technological innovations that reduce air pollution and greenhouse gas emissions. TAF's ultimate goal is reducing carbon emissions by 80 per cent by 2050 in the Greater Toronto and Hamilton Area – informs all actions. This target isn't simply another milestone. It's a vision for a climate-smart urban region that functions within its environmental means and is a leader among climate-friendly urban centres around the world.

2018 Budget Summary

The total cost to deliver these services to Toronto residents is \$4.400 million gross and \$0 million net as shown below:

(in \$000's)	2017 Budget	2018 Preliminary Budget	Change	
			\$	%
Gross Expenditures	3,710.0	4,400.0	690.0	18.6%
Revenues	3,710.0	4,400.0	690.0	18.6%
Net Expenditures	0.0	0.0	0.0	0.0%

In 2018, Toronto Atmospheric Fund (TAF), a self-funding organization, increased its operating budget by \$0.690 million primarily due to incremental program delivery costs. This increase will be offset by earnings from their investment portfolio and external fundraising.

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7. 2018 User Fee Rate Changes N/A

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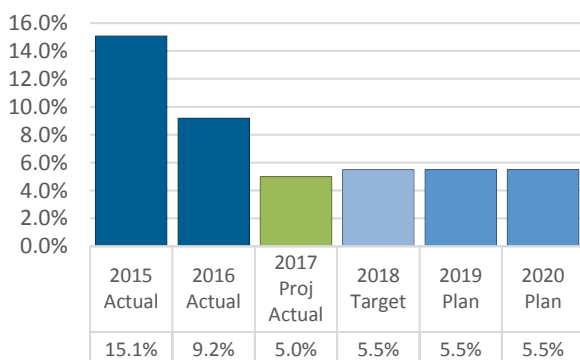
FAST FACTS

- Over the past 26 years, TAF has provided over \$60 million in grants and financing support to the City of Toronto and its residents and businesses to reduce air pollution and GHG emissions.
- TAF co-managed the development of, TransformTO, a plan approved by City Council for how the City achievement of its GHG reduction targets of 30% by 2020 and 80% by 2050.
- TAF received a \$17 million endowment fund from the Province of Ontario in 2016, which expands TAF's urban climate solutions mandate to the Greater Toronto and Hamilton Area (GTHA).
- Toronto Atmospheric Fund has been rebranded under the operating name The Atmospheric Fund as approved by Council as part of approval of the Transfer Payment Agreement with the Province in October 2016.

TRENDS

- TAF's marketable investments portfolio has an average return of 14% over 2013 - 2016. The annual revenue projection is based on a 5.5% return to be conservative.
- TAF continues to attract external revenues for specific projects from various external sources.
- Over the long-term, TAF's Stabilization Fund mitigates exposure to the variability of investment earnings from year to year. The Council-approved policy guides TAF's investments, including marketable securities and direct investment in mandate-aligned projects.

Portfolio Average Yield (%)



KEY SERVICE DELIVERABLES FOR 2018

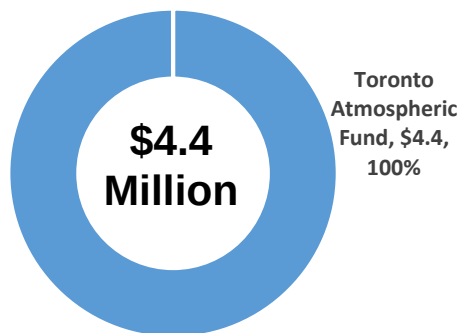
Toronto Atmospheric Fund facilitates global climate stabilization by the reduction of local greenhouse gas (GHG) emissions by advancing policy changes, mobilizing financial and social capital to incubate and commercialize low carbon, and transferring knowledge and insights to achieve the objectives.

The 2018 Operating Budget will enable TAF to:

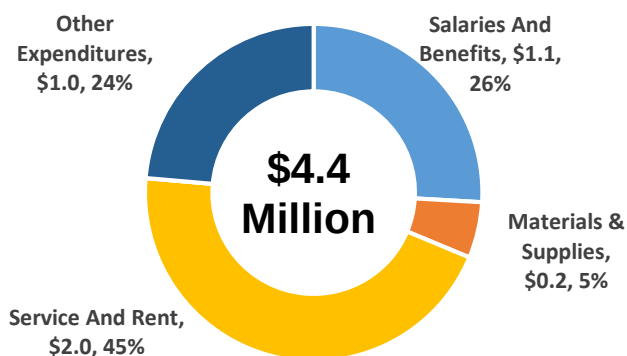
- Expand TAF's capacity to operate throughout the Greater Toronto and Hamilton Area (GTHA) to address regional opportunities for GHF reduction.
- Design, develop and implement the Business Plan, including TowerWise, advancing TransformTO, impact investing and financial innovation.
- Provide support and funding for projects related to energy efficiency, global climate stabilization and air quality improvement in co-operation with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities, and public and private schools.
- Administer/manage a diversified investment portfolio with oversight by TAF's Board and Investment Committee.
- Continue to generate substantive ideas, stimulate collaborations, and engage more stakeholders to envision and implement low-carbon solutions in Toronto.
- Support TAF's Board and Committees who provide good governance and accountability to the City of Toronto, Province of Ontario, and other supporters.

Where the money goes:

2018 Budget by Service

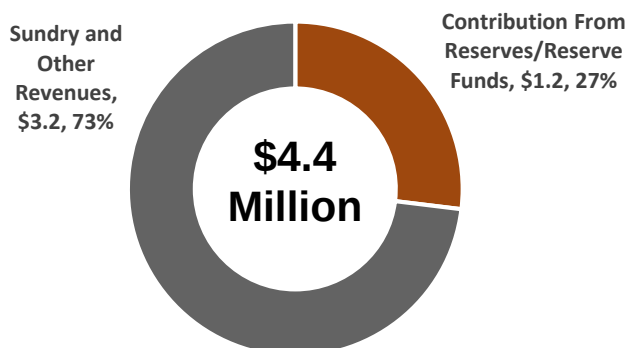


2018 Budget by Expenditure Category



Where the money comes from:

2018 Budget by Funding Source



OUR KEY ISSUES & PRIORITY ACTIONS

- **Organizational development to deliver Service Objectives:**
 - Enhance capacity to implement programs, including the GTHA, by adding 2 core positions in 2019 and utilizing contract employees
 - Improve working environment through renovation of premises and IT services
- **Leverage success and City of Toronto leadership role:**
 - Increase profile and recognition, leveraging TAF's accomplishments and expansion
 - Share TAF's model, insights and expertise
 - Attract additional resources to enhance impact

2018 OPERATING BUDGET HIGHLIGHTS

- The 2018 Preliminary Operating Budget of \$4.40 million in gross expenditures provides funding for projects related to energy efficiency, electrification of transportation and advancing the multiple benefits associated with transitioning to a low carbon economy.
- TAF's Operating Budget is funded by investment income earned from its endowment funds, Stabilization Fund and external fundraising. TAF is not funded from the City's tax base.
- TAF received a new provincial endowment of \$17 million in November 2016 to expand its program mandate to operate throughout the Greater Toronto and Hamilton Area (GTHA).
- TAF has allocated an additional \$0.690 million in their 2018 Operating Budget for Program Delivery Expenses resulting from its expanded mandate.

Actions for Consideration

Approval of the 2018 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2018 Preliminary Operating Budget for Toronto Atmospheric Fund of \$4.400 million gross, \$0 million net for the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Toronto Atmospheric Fund:	<u>4,400.0</u>	<u>0.0</u>
Total Program Budget	<u><u>4,400.0</u></u>	<u><u>0.0</u></u>

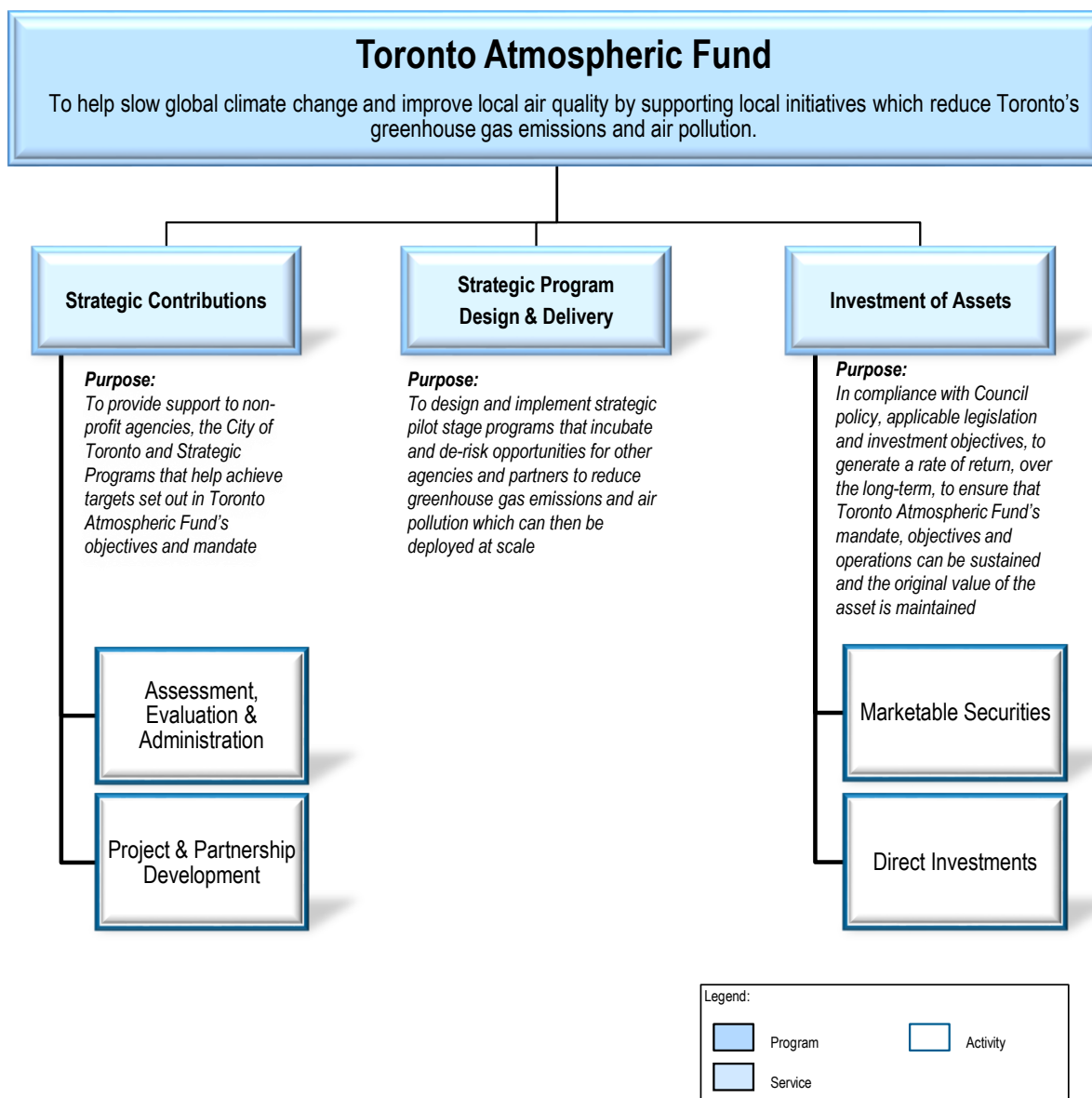
2. City Council approve the 2018 service levels for Toronto Atmospheric Fund as outlined on page 6 of this report, and the associated staff complement of 10.0 positions, entirely comprised of operating service delivery positions.



Part 1

2018-2020 Service Overview and Plan

Program Map



Service Customer

Strategic Contributions

- Staff - City Divisions
- Staff - Agencies and Boards
- Non-Profit Organizations
- Public Sector Institutions

Indirect (Beneficiary)

- Residents
- Businesses
- Institutions and non-profit organizations

Strategic Program Design & Delivery

- Staff - City Divisions
- Staff - Agencies and Boards
- High Rise Property Management
- Non-Profit Organizations
- Public Sector Agencies
- Fleet Managers & Suppliers
- Provincial & Federal Governments

Indirect (Beneficiary)

- Residents
- Businesses
- Institutions and non-profit organizations

Investment of Assets

- Staff - City Divisions
- Chief Financial Officer
- Investment Management Firms
- Businesses with low-Carbon projects
- Provincial & Federal Governments

Indirect (Beneficiary)

- Residents
- Businesses
- Institutions and non-profit organizations

Table 1
2018 Preliminary Operating Budget and Plan by Service

(In \$000s)	2017		2018 Preliminary Operating Budget			2018 Preliminary vs. 2017 Budget Change		Incremental Change			
	Budget	Projected Actual	Base	New/Enhanced	Total Budget			2019 Plan		2020 Plan	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
Toronto Atmospheric Fund											
Gross Expenditures	3,710.0	3,710.0	4,400.0	0.0	4,400.0	690.0	18.6%	280.0	6.4%	70.0	1.5%
Revenue	3,710.0	4,280.0	4,400.0	0.0	4,400.0	690.0	18.6%	280.0	6.4%	70.0	1.5%
Net Expenditures	0.0	(570.0)	0.0	0.0	0.0	0.0	-	0.0		0.0	
Total											
Gross Expenditures	3,710.0	3,710.0	4,400.0	0.0	4,400.0	690.0	18.6%	280.0	6.4%	70.0	1.5%
Revenue	3,710.0	4,280.0	4,400.0	0.0	4,400.0	690.0	18.6%	280.0	6.4%	70.0	1.5%
Total Net Expenditures	0.0	(570.0)	0.0	0.0	0.0	0.0		0.0		0.0	
Approved Positions	10.0	10.0	10.0	0.0	10.0	0.0		2.0	20.0%	0.0	

TAF's 2018 Preliminary Operating Budget is \$4.400 million gross and \$0 million net, representing an increase of \$0.690 million or 18.6% to the 2017 Approved Gross Operating Budget.

- Base pressures are mainly attributable to increases in program delivery costs due to the expanded mandate to operate throughout the Greater Toronto and Hamilton Area (GTHA).
- The above pressures have been offset by increased investment income (including revenues from marketable securities and direct investments in energy efficiency retrofit projects) and external fundraising.
- The 2019 and 2020 Plan increases are attributable to the projected need for 2.0 additional positions and the salary and benefit increases for COLA and Progression Pay, which will be offset by the additional investment income from TAF's larger endowment fund and external fundraising.

The following graph summarizes the operating budget pressures for this Program and the actions taken to offset/reduce these pressures to meet the budget reduction target.

Key Cost Drivers

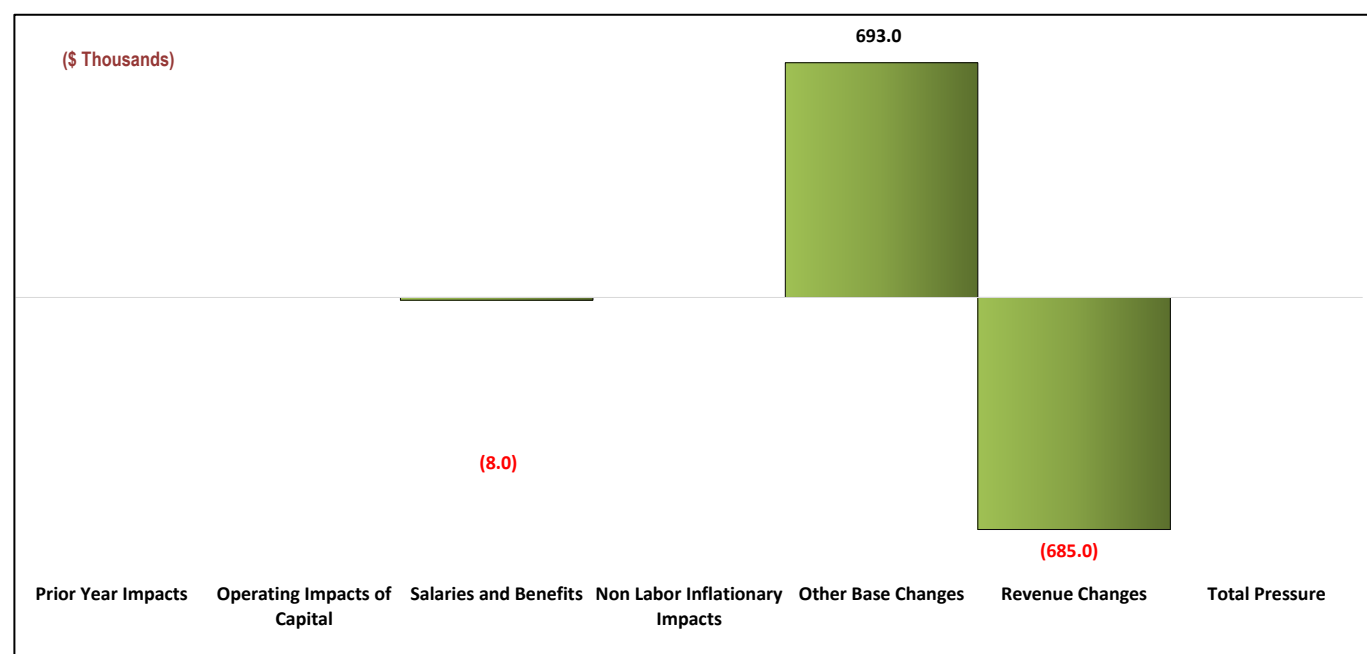


Table 2
Key Cost Drivers

(In \$000s)	Operating	Total	
	Toronto Atmospheric Fund		
	\$	\$	Position
Gross Expenditure Changes			
Salaries and Benefits			
Salaries and Benefits Adjustment	(8.0)	(8.0)	
Other Base Expenditure Changes			
Program Delivery Expenditures	693.0	693.0	
Total Gross Expenditure Changes	685.0	685.0	
Revenue Changes			
Base Revenue Changes			
Investment Income and External Fundraising	685.0	685.0	
Total Revenue Changes	685.0	685.0	
Net Expenditure Changes			

Key cost drivers for TAF are discussed below:

Gross Expenditure Changes

- Salaries and Benefits
 - The realignment of pay grades based on actual experience, partially offset by the inflationary increase in salaries and benefits including COLA, progression pay and associated benefits, results in a reduction of \$0.008 million for 2018.
- Other Base Expenditure Changes
 - Program Delivery Expenditures will increase by \$0.690 million for external lawyers, accountants, subject matter experts and grants to qualified organizations and partners, resulting from the expanded TAF mandate beyond Toronto to the GTHA. These increases will be fully offset by the incremental Investment Income from the larger endowment fund and external fundraising.

Revenue Changes

- Additional Investment Income and External Fundraising of \$0.685 million is budgeted for 2018 based on actual experience. The average return per annum in the past four years is 14% while invested within the City-approved parameters.

Table 5
2019 and 2020 Plan by Program

Description (\$000s)	2019 - Incremental Increase					2020 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
Known Impacts:										
Salaries and Benefits										
COLA, Progression Pay and Benefits	45.0		45.0		2.0	70.0		70.0		
Additional Positions	235.0		235.0							
Revenue (specify)										
Investment Income and Fundraising Revenue		280.0	(280.0)				70.0	(70.0)		
Sub-Total	280.0	280.0	-		2.0	70.0	70.0	-		
Total Incremental Impact	280.0	280.0	-		2.0	70.0	70.0	-		

Future year incremental costs are primarily attributable to the following:

Known Impacts:

- The inflationary increase for Salary and Benefits for COLA and Progression Pay is anticipated to be \$0.045 million in 2019 and \$0.070 million in 2020.
- Two new permanent full time positions will be required in 2019 to support TAF's mandate expansion to the GTHA.

Anticipated Impacts:

- Incremental revenues are projected to be \$0.280 million in 2019 and \$0.070 million in 2020 based on anticipated increases in investment income and fundraising initiatives.



Part 3

Issues for Discussion

Issues Impacting the 2018 Budget

Budget Target

- At its meeting on May 24, 2017, the "2018 Budget Process - Budget Directions and Schedule" staff report (EX25.18) was submitted for consideration and adopted by City Council regarding the establishment of the 2018 Budget Process and the scheduling of the review and approval of the Tax and Rate Supported 2018 Operating Budget and 2018-2027 Capital Budget and Plan for the City of Toronto.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18>
- City Council directed all City Programs and Agencies to provide their 2018 Net Operating Budget equal to the 2017 Approved Net Operating Budget through cost containment, service efficiency, modernization, service level and revenue strategies.
- Toronto Atmospheric Fund's 2018 Operating Budget is \$4.400 million gross and \$0 million net. The increase of \$0.690 million in gross expenditures for Program Delivery is due to the expansion of TAF's mandate from Toronto to the Greater Toronto and Hamilton Area. These expenditures will be fully offset by the incremental revenues from external fundraising initiatives and investment income which will be derived from TAF's endowment fund that was increased by the Province by \$17 million in late 2016. The additional funds are being deployed into investments as per TAF's Council-approved investment policy.

Expanded Mandate into Greater Toronto and Hamilton Area (GTHA)

- As reported last year, the \$17 million strategic endowment from the Province of Ontario has been added to the original endowment that was provided by the City of Toronto in 1991, which increased the program's endowment capital to \$45 million. The investment proceeds from the new endowment is expected to increase by \$0.690 million in 2018, which will provide the funding for program delivery costs for expanding the mandate into Greater Toronto and Hamilton Area.



Appendices

Appendix 1

2017 Service Performance

Key Service Accomplishments

In 2017, TAF made significant progress and/or accomplished the following:

- ✓ Implemented Regional Program for Greater Toronto and Hamilton Area (GTHA) including development of a GTHA cultivation and outreach strategy, collection of existing emissions studies in the GTHA, creation of a contract position to liaise with regional stakeholders and grant seekers, establishment of a line of credit (parallel to Toronto endowment) and establish separate fund accounting.
- ✓ Initiated and implemented TransformTO in partnership with the Energy & Environment Division to advance a roadmap for how the City can achieve its ambitious GHG reduction targets: 30% by 2020 and 80% by 2050.
- ✓ Provided an urban focus for Ontario's climate change plan and participated in multi-stakeholder Clean Economy Alliance with over 100 organizations.
- ✓ TAF Vice President of Impact Investing has been appointed to the Board of the Green Ontario Fund (GreenON) which will deploy Cap & Trade revenues to reduce emissions.
- ✓ Achieved an average return of 14% for the past four years on investment portfolio while maintaining compliance with the City-approved investment policy.
- ✓ Implemented deep energy efficiency retrofits in 10 high-rise buildings under TowerWise project (including 7 TCHC and 3 housing co-operatives), and undertook leading-edge indoor air quality study of TCHC buildings to combine with air-quality improvements.
- ✓ Commercialized retrofit financing options for large buildings.
- ✓ Developed recommendations for stakeholder support for the 2018 Energy Reporting & Benchmarking requirement for large buildings.
- ✓ Completed IESO-funded study demonstrating the technical and business case for retrofitting electrically-heated buildings with heat pumps.
- ✓ Developed a national action plan for accelerating energy efficiency in the buildings sector and secured 11 signatories that was well-received in Pan-Canadian context.
- ✓ Developed BEE-Cal tool for locally assessing benefits of retrofit policies.

Appendix 2

2018 Preliminary Operating Budget by Expenditure Category

Program Summary by Expenditure Category

Category of Expense (\$000's)	2015 Actual	2016 Actual	2017 Budget	2017 Projected Actual *	2018 Preliminary Budget	2018 Change from 2017 Approved Budget		Plan	
	\$	\$	\$	\$	\$	\$	%	2019	2020
Salaries And Benefits	805.0	965.0	1,148.0	1,148.0	1,140.0	(8.0)	(0.7%)	1,420.0	1,490.0
Materials & Supplies									
Equipment									
Service And Rent									
Contribution To Reserves/Reserve Funds									
Other Expenditures	1,338.0	1,647.0	2,562.0	2,562.0	3,260.0	698.0	27.2%	3,260.0	3,260.0
Inter-Divisional Charges									
Total Gross Expenditures	2,143.0	2,612.0	3,710.0	3,710.0	4,400.0	690.0	18.6%	4,680.0	4,750.0
Inter-Divisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
User Fees & Donations									
Transfers From Capital									
Contribution From Reserves/Reserve Funds									
Sundry and Other Revenues	4,526.0	2,612.0	3,710.0	4,280.0	4,400.0	690.0	18.6%	4,680.0	4,750.0
Total Revenues	4,526.0	2,612.0	3,710.0	4,280.0	4,400.0	690.0	18.6%	4,680.0	4,750.0
Total Net Expenditures	(2,383.0)			(570.0)					
Approved Positions	8.0	8.0	7.8	10.0	10.0	2.2	28.2%	12.0	

* Based on the 9-month Operating Variance Report

For additional information regarding the 2017 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2017" considered by City Council at its meeting on November 27, 2017:

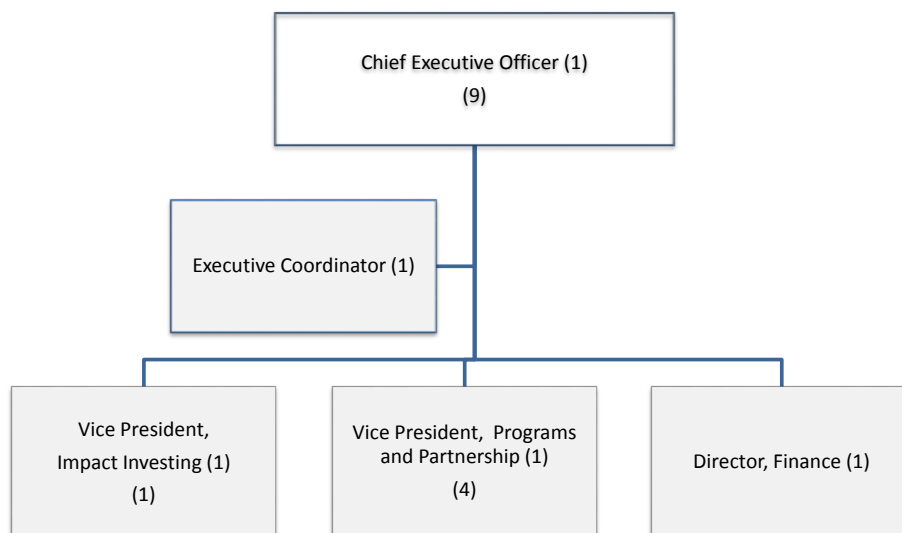
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BU37.2>

Impact of 2017 Operating Variance on the 2018 Preliminary Operating Budget

- The 2017 Year-End is projected to be favourable over budget by \$0.570 million due to higher investment income. The 2018 Preliminary Operating Budget has increased the revenue by \$0.690 million based on actual experience.

Appendix 3

2018 Organization Chart



2018 Total Complement

	Category	Senior Management	Management with Direct Reports	Management without Direct Reports/Exempt Professional & Clerical	Union	Total
Operating	Permanent	4.0		6.0		10.0
	Temporary					
	Total Operating	4.0		6.0		10.0
Capital	Permanent					
	Temporary					
	Total Capital					
Grand Total		4.0		6.0		10.0