

OVERVIEW

Toronto is a thriving and growing city. As Canada's largest city and the fourth largest in North America, it is home to 2.8 million residents and nearly 90,000 businesses. Toronto invests in quality of life – socially, economically, culturally and environmentally – to make Toronto a desirable place to live, prosper and visit.

Each year through the budget process, the City strives to balance the need to provide high-quality services and invest in infrastructure to support city-building, while keeping the city affordable for businesses and residents.

The budget outlook for 2017 continues to be challenging. The demand for public services is rising, especially in the areas of public safety, transit, housing and poverty reduction. The City also has substantial capital needs for both new infrastructure and state of good repair; a significant portion of these capital projects remain unfunded.

Work is underway to update the Long-Term Financial Plan which will help address the City's structural financial challenges. The plan will present options and a roadmap to achieve long-term sustainability through asset optimization as well as multi-year expense and revenue management strategies. It is essential that the decisions made in the 2017 budget are consistent with the City's long-term financial objectives and that the City takes a strategic approach to ensure alignment between expectations and resources.

THE CHALLENGE

Toronto, like other large cities, is facing urban challenges that include population growth, aging infrastructure, traffic congestion, lack of investment in social housing, poverty and the distribution of community services. Consequently, the City must fund and deliver a wide range of programs and services that extend beyond the mandate of smaller municipalities. Council has adopted ambitious plans to address these issues and lead Toronto forward, however the City needs to identify new revenue options to fund many of these solutions.

The pressure on expenses continues to increase faster than revenues. Although residential taxes have been rising higher than inflation, when combined with taxes on non-residential properties, the overall tax increase has consistently risen at a rate below inflation. Despite efficiencies and unprecedented gains in Municipal Land Transfer Tax (MLTT), each year there is a significant gap that needs to be bridged in order to balance the operating budget. As a result, important capital projects are often deferred.

GROWING BUDGET GAP



2017 PRELIMINARY TAX SUPPORTED OPERATING BUDGET

The 2017 Preliminary Tax Supported Operating Budget is \$10.46 billion gross to provide the day-to-day services that keep the city’s homes and neighbourhoods safe and vibrant, encourage business growth and investment, and make Toronto a welcoming destination for visitors.

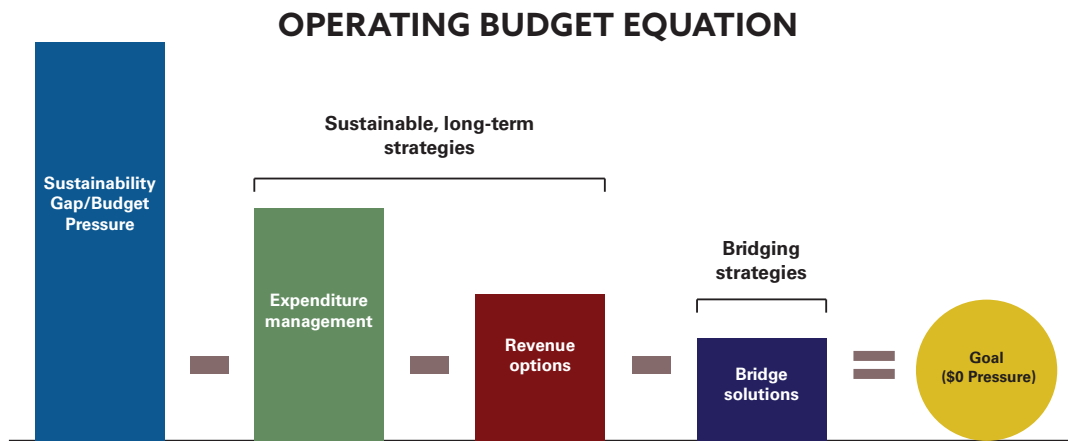
In July, City Council approved an across the board 2.6 per cent net reduction over the 2016 approved budgets for all City programs and agencies. The 2017 budget process is focused on expense management to find sustainable savings across City divisions and agencies while trying to maintain current service levels.

At the beginning of the internal budget process, the City was faced with an expenditure pressure of \$731 million. Much of the expenditure pressure was due to agency pressures and Council-approved service levels, the deferral of capital projects from prior years and measures which

were phased-in from prior years that continue to exert pressure in 2017.

In addition to expense management, a number of balancing strategies have been applied to reduce the budget pressure to help keep the residential property tax increase at the rate of inflation. They include increased Municipal Land Transfer Tax (MLTT) revenue, uploading of social services and court security costs to the Province, and a TTC fare increase and ridership growth. Combined with savings, reductions and assessment growth, these strategies have lowered the overall pressure to \$91 million.

Council will be provided with a range of options to close the residual gap, including expenditure management options (e.g. service reductions), revenue options and/or additional bridging solutions.



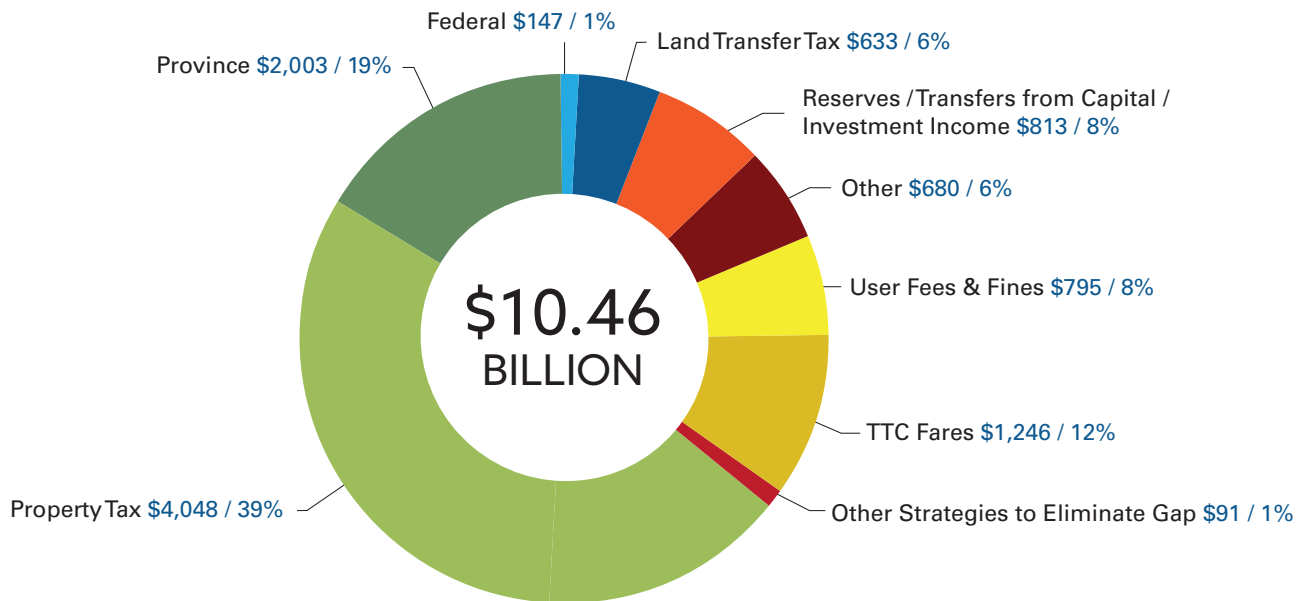
WHAT'S IN THE 2017 OPERATING BUDGET

The tax supported operating budget maintains existing service levels while making significant investments in key strategic priorities for the City’s future such as:

- providing transit services to an anticipated 545 million riders and expanding service capability in accordance with Accessibility for Ontarians with Disabilities Act (AODA) legislation
- traffic congestion management plan, implementing a road safety plan and continuing to develop and renew the city’s cycling infrastructure
- anti-poverty initiatives to help make Toronto a city where everyone has access to good jobs, adequate income, stable housing, affordable transportation, nutritious food and supportive services.

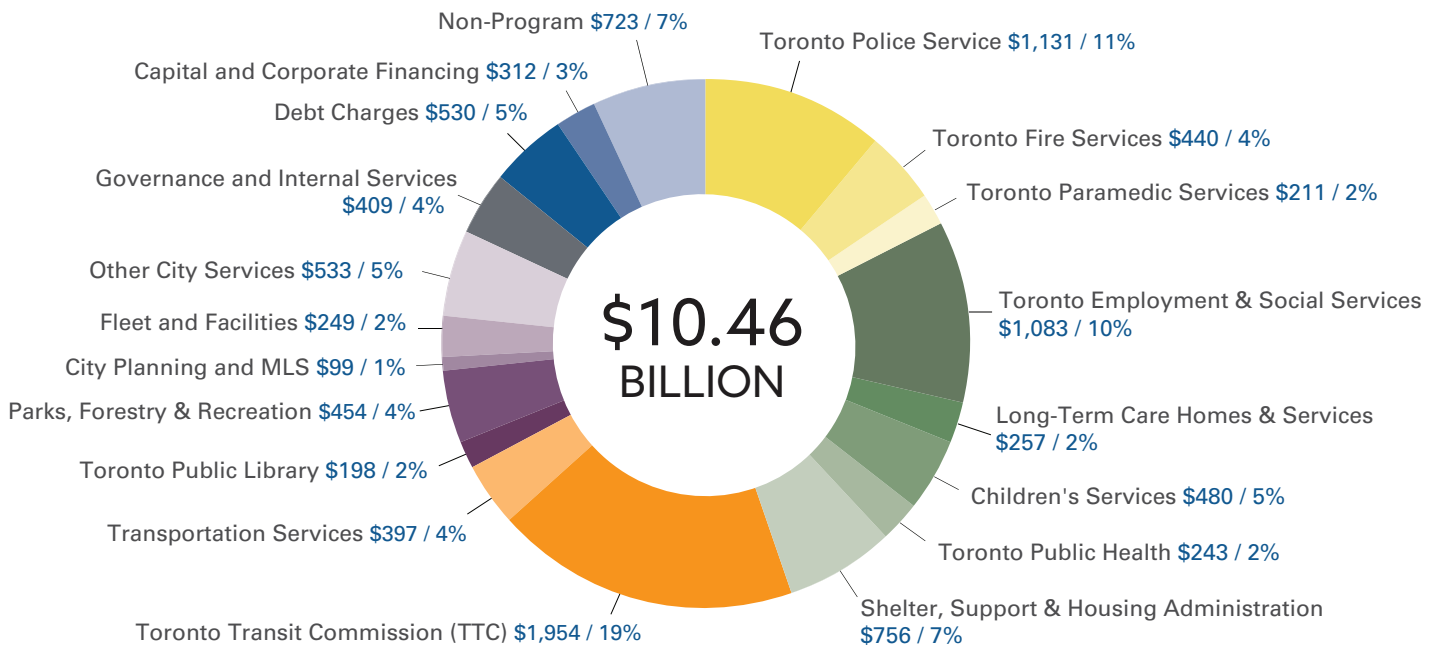
WHERE THE MONEY COMES FROM

2017 Tax Supported Operating Budget (\$ Millions)



WHERE THE MONEY GOES

2017 Tax Supported Operating Budget (\$ Millions)



For 2017, the only new and enhanced services that have been included in the preliminary budget are those that are fully funded by a third party or that generate revenue that covers operating costs. These include:

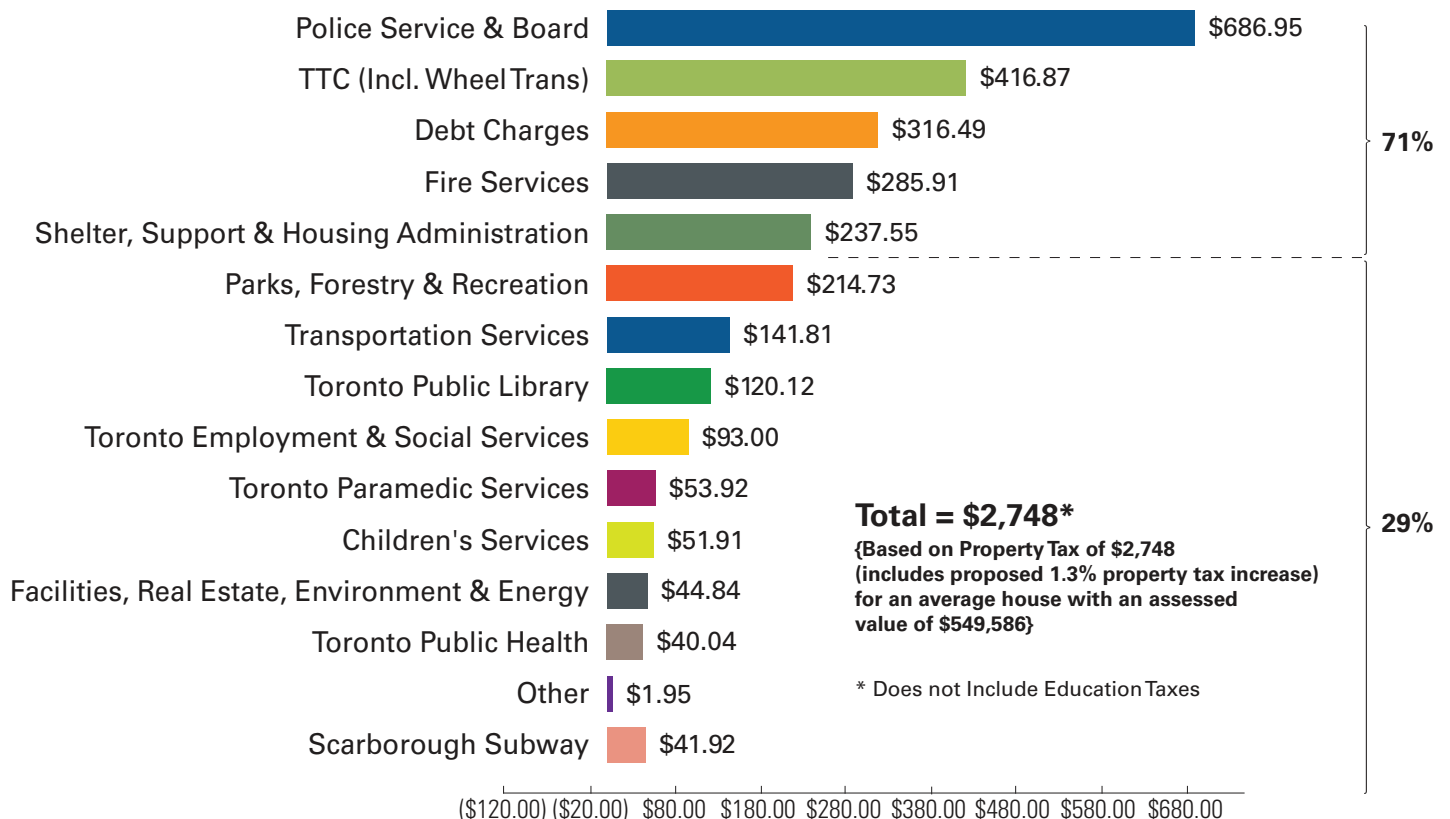
- resources to support Tower Renewal Energy Retrofit program and Youth Civic Engagement Food Justice project
- funding for the tree canopy and maintenance
- 11 positions to support the cycling network plan & road safety plan
- court, legal and corporate positions to support and administer Administrative Penalty System for Parking Violations

- seven provincially funded positions to meet standards for Long-Term Care Homes and Services
- a tennis pilot project and community recreation programming development.

Other new and enhanced services and initiatives that were referred to the budget process have not been included in the budget. Budget Committee and City Council will debate and determine what new and enhanced services to include in the final budget and how they will be funded.

YOUR 2016 TAX DOLLARS AT WORK

In 2016, the average house assessed at \$549,586, paid \$2,748 in municipal property taxes. The chart below illustrates the breakdown of how the City spent the revenue it received from property taxes from Toronto residents and businesses in 2016. Seventy-one per cent of the tax levy was spent on the Police Service, TTC, debt charges, Fire Services and Shelter, Support and Housing Administration.



2017 PRELIMINARY TAX SUPPORTED CAPITAL BUDGET AND PLAN

The City's capital plan is focused on building the necessary social and physical infrastructure to support Toronto's growth and maintain the City's aging infrastructure. It is funded from reserves, development charges, other levels of government and by borrowing funds or taking on debt.

The 2017 Preliminary Tax Supported 10-Year Capital Budget and Plan is \$26.5 billion, of which about 60 per cent is allocated to maintaining and investing in the City's state of good repair.

Currently, Toronto has more than \$75 Billion in existing infrastructure. Transportation and transit comprise 75 per cent of the City's 10-year capital budget and plan. Nearly \$20 billion of this investment is to keep existing transit, roads and bridges running properly.



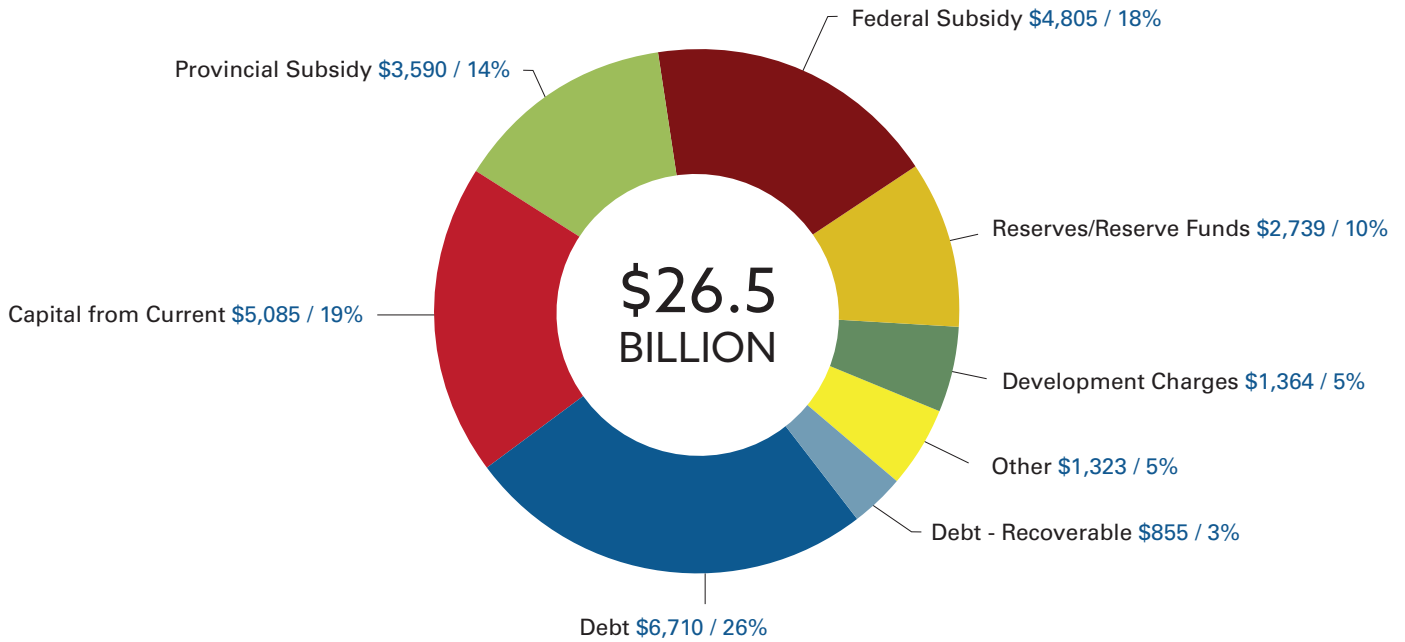
FUNDING PRIORITY PROJECTS IN THE 10-YEAR CAPITAL BUDGET AND PLAN

The capital budget and plan continues to fund the City's two largest transit investments, the Toronto-York Spadina Subway Extension and the Scarborough Subway Extension. In addition, the 2017-2026 Capital Budget and Plan provides \$5.8 billion in funding for important capital projects. The extra capital work will require \$3.3 billion in additional debt as a result of our work on aligning budgets with actuals, leveraging our debt capacity and accounting for the 0.5 per cent City Building Fund.

New capital spending includes \$1.84 Billion to build SmartTrack (including grade separation and GO Transit expansion) and \$863 million for the F.G. Gardiner Expressway rehabilitation. The capital plan invests \$513 million in Provincial Transit Infrastructure Funding (PTIF) projects and now includes much needed funding of \$47 million for the Portland Flood Protection to ensure that the Portlands can be safely developed in the future. As well, \$19 million has been allocated to address the Toronto Public Library's multi-branch state of good repair.

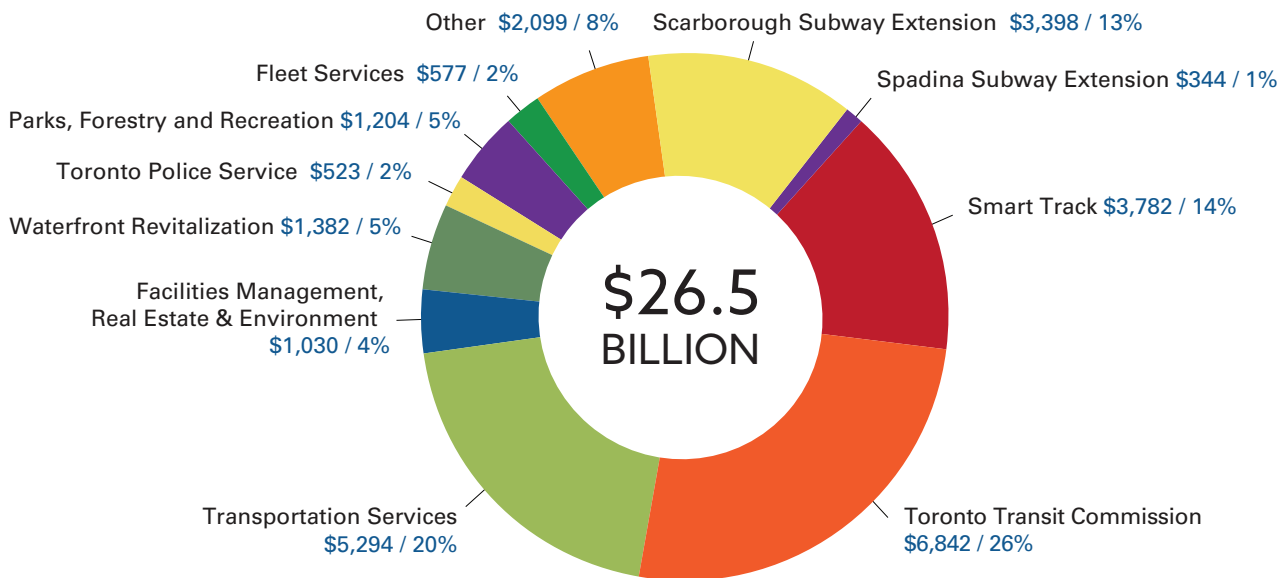
WHERE THE MONEY COMES FROM

2017 – 2026 Tax Supported Capital Budget and Plan (\$ Millions)



WHERE THE MONEY GOES

2017 – 2026 Tax Supported Capital Budget and Plan (\$ Millions)

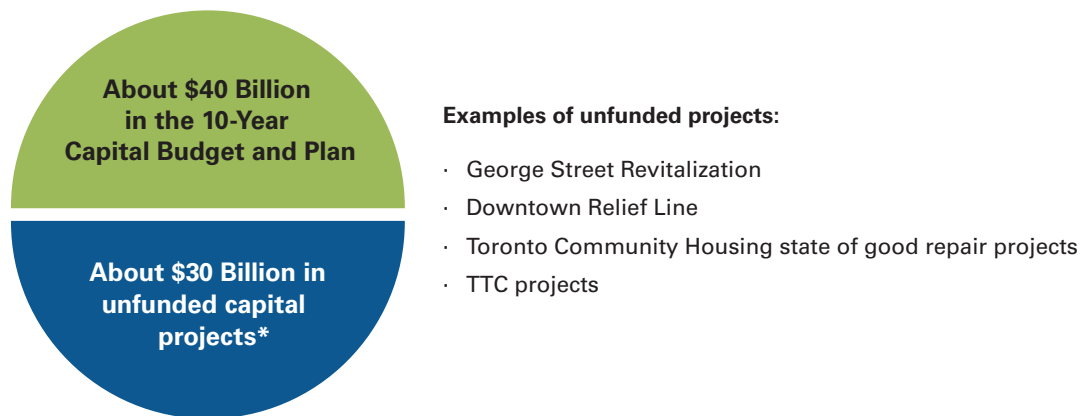


UNFUNDED CAPITAL PROJECTS

While the City has a capital plan to fund infrastructure, the financial impacts of a growing and aging city are evident in the capital program. The value of capital projects under consideration, but unfunded is approximately \$30 billion.

Toronto must prioritize critical below-the-line capital projects and identify ways to fund them. While the City will seek support from both the provincial and federal governments for specific projects, that will not likely be adequate to bridge the gap.

UNFUNDED OR BELOW-THE-LINE CAPITAL PROJECTS



* Includes amounts that may be funded by other levels of governments.

The City's capital needs far exceed revenues from the property tax base. In order to provide sustainable funding for capital projects, Council will need to consider additional revenue options.

As part of the Long-Term Financial Plan update, Council will be presented with revenue options to begin to address the unfunded capital projects. These options include road tolls, a capital levy to be directed to the City Building Fund and an increase in the City's debt ceiling to fund critical capital projects related to accessibility, long-term care homes, the George Street Revitalization and social housing.

MOVING FORWARD THROUGH THE BUDGET PROCESS

Over the next few months, Budget Committee, Executive Committee and City Council will review, debate, change and approve the 2017 budget. Council members will address the challenges faced in the operating budget, determine what new and enhanced services to include and match them to funding. They will also look at prioritizing and providing sustainable funding for capital projects.

Details on when and where committee and council meetings are held are available at toronto.ca/council. More information about the 2017 budget and how the public can share its views is available at toronto.ca/budget2017.

Residents and businesses can make a presentation to the Budget Committee at the public consultations on January 5, 9 and 10. More information about how to make a public deputation is available at app.toronto.ca/tmmis.

More information on the City's Long-Term Financial Plan and public consultations is available at investinginto.ca.