

Toronto 2016 BUDGET

2016 Preliminary Budget Overview

With almost three million residents, Toronto is a thriving and growing city. The City strives to balance the need to provide high quality, affordable services and invest in infrastructure to support city building, while keeping taxes low for businesses and residents.

The budget outlook for 2016 and forward is 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 these capital projects remain unfunded.

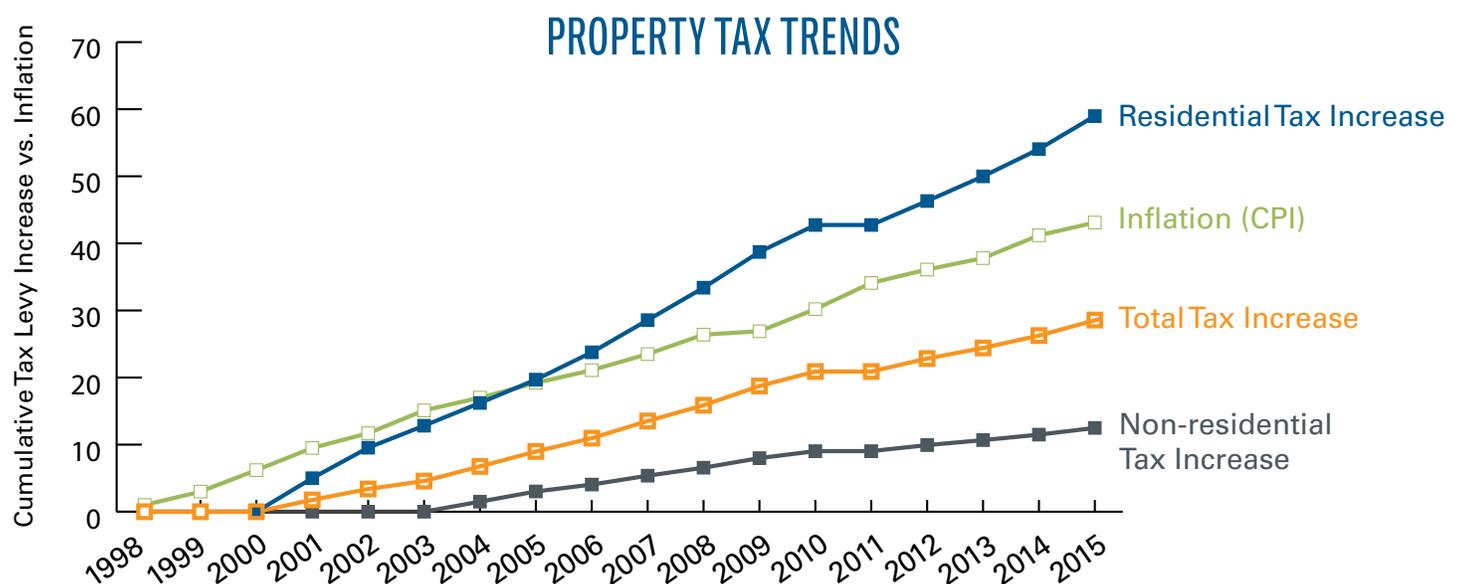
Beginning with the 2016 budget process, the City will take a more fundamental perspective on

revenue, operating and capital expenses. Moving forward, Council is encouraged to take a strategic approach to better focus on the City's operating and capital cost drivers, and to match funding to council-directed priorities for services and infrastructure.

The Challenge

The City has established ambitious plans to provide comprehensive services to its residents. Toronto, like other large cities, is addressing urban challenges that include population growth, aging infrastructure, traffic congestion, lack of investment in social housing, poverty, and the distribution of community services.

Pressures on expenses are increasing faster than revenues. Further, while residential taxes have been rising higher than inflation, when combined with non-residential properties, the overall tax increase has consistently risen at a rate below inflation.



The City has benefited from significant revenue growth from the Municipal Land Transfer Tax (MLTT) and the provincial uploading of social services and court security costs. Further choices and discussions around the City's long-term financial position are required. Council has an opportunity to take a more fundamental look at its revenue and net expense goals, as well as the City's overall fiscal condition.

2016 Preliminary Tax Supported Operating Budget

The 2016 budget is focused on providing stable funding, sustainable savings and maintaining current service levels. The 2016 Preliminary Tax Supported Operating Budget is \$10.1 billion gross, including the Scarborough Subway Extension special levy.

At the start of the internal budget process, the City was faced with an expenditure pressure of \$426.1 million. Much of the expenditure pressure was due to Toronto Transit Commission (TTC), Toronto Police Services and other agencies, capital financing requirements, as well as the impact from prior years' decisions such as the TTC service changes introduced in 2015.

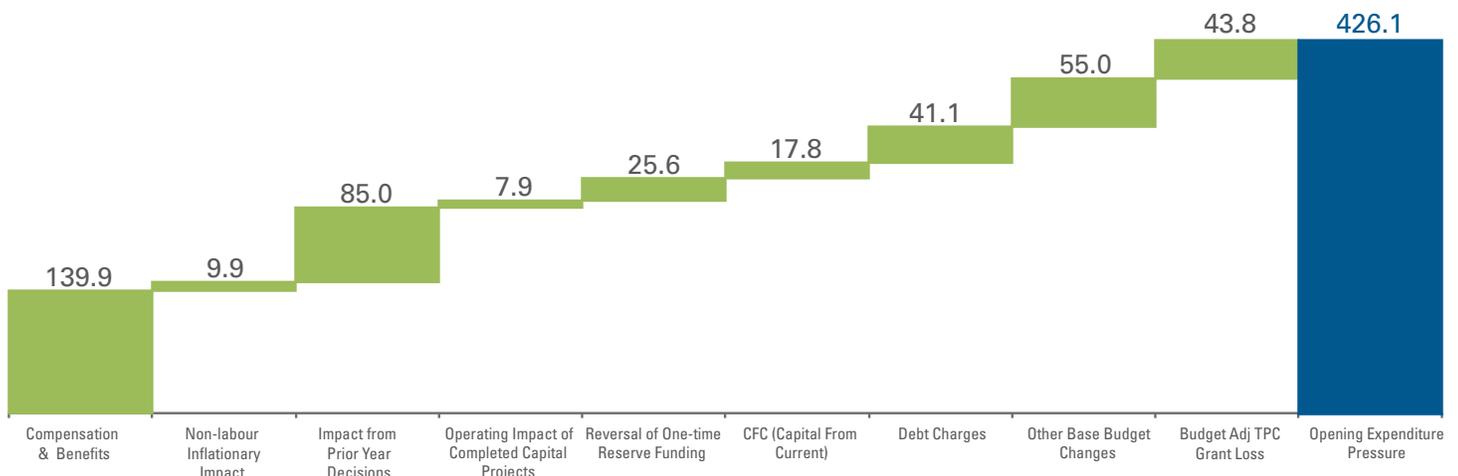
Keeping Taxes Low

A number of balancing strategies have been applied to reduce the budget pressure. They include increased revenue for MLTT, 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 preliminary budget gap to \$57.4 million.

New and Enhanced Services

Council approved \$11 million gross and \$0.6 million net in new and enhanced services for the 2016 budget. Council, boards and agencies have additional lists of new and enhanced service proposals that were referred to the Budget Committee. Committee and Council will consider what additional new and enhanced services, if any, to include in the final budget and how they will be funded.

COST DRIVERS FOR THE 2016 TAX SUPPORTED OPERATING BUDGET PRESSURE (\$ MILLIONS)



Your Tax Dollars At Work

The chart below illustrates the breakdown of how the City spent the revenue it receives from property taxes from Toronto residents and businesses in 2015. Seventy per cent of the tax levy was spent on Police Services, TTC, debt charges, Fire Services and Parks, Forestry & Recreation.

HOW YOUR TAX DOLLARS WORKED FOR YOU IN 2015



2016 Preliminary Tax Supported Capital Budget and Plan

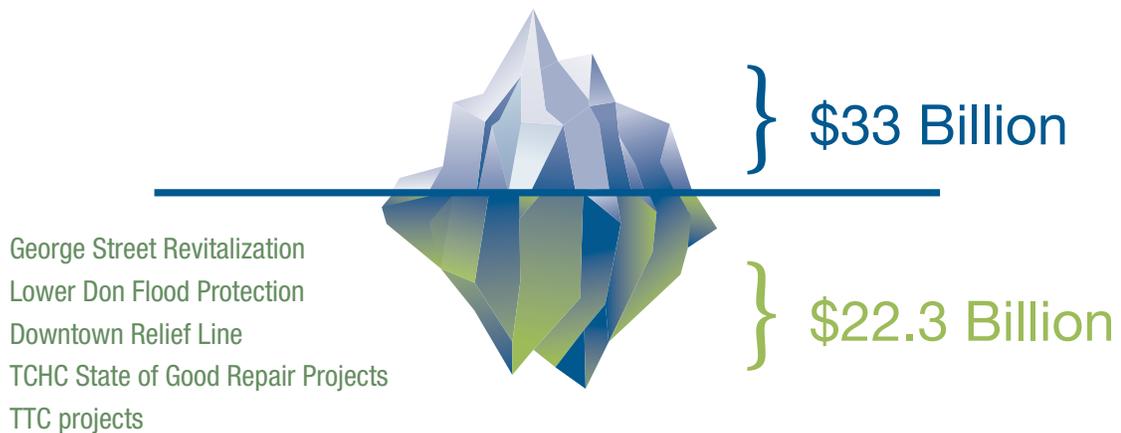
The City is focused on building the necessary social and physical infrastructure to support Toronto's growth and maintain the City's aging infrastructure in a state of good repair.

The 2016 Preliminary Tax Supported 10-Year Capital Budget and Plan is \$20.9 billion, of which about 63 per cent is allocated to maintaining and investing in the City's state of good repair. The 2016-2025 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.

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 number of capital projects currently under consideration, but unfunded is approximately \$22.3 billion.

UNFUNDED OR BELOW THE LINE CAPITAL PROJECTS



The City needs to prioritize critical below the line capital projects and identify ways to fund them.

There is a limit to the amount of debt that the City can manage. With the City's policy that debt charges be limited to 15 per cent of property tax revenue, Toronto's capital needs are too large to be supported by new debt financing alone. 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. The City will need to consider additional revenue sources dedicated to capital. It will also be up to Council to determine what projects will be approved and need to proceed.

Options to Address Unmet Capital Needs

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 dedicated property tax levies and other potential revenue tools including additional debt financing, asset sales, road tolls and developer funding. The City will also require incremental revenues to match future capital requirements.

More municipalities are considering dedicated property tax levies to fund major capital

infrastructure as they continue to grow and maintain aging infrastructure. The City of Toronto currently has a dedicated property tax levy (1.6 per cent residential and 0.4 per cent non-residential) to help fund the Scarborough Subway project. Water and solid waste fee increases have also been used to maintain water infrastructure and support the long-term plan for solid waste management.

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 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 meetings are held are available at toronto.ca/council. More information about the 2016 budget and how the public can share its views can be found at toronto.ca/budget2016.