

## 2020 Program Summary

### Office of the Chief Financial Officer & Treasurer

*While we aim to provide fully accessible content, there is no text alternative available for some of the content within these pages. If you require alternate formats or need assistance understanding our charts, graphs, or any other content, please contact us at [FPD@toronto.ca](mailto:FPD@toronto.ca).*

#### What we do

We provide quality financial services; corporate strategic advice; financial and risk management expertise; and corporate financial planning, management, reporting and control services to Divisions, Agencies, City Council and the public. We deliver the following services:

- Finance & Administration
  - Corporate Finance
  - Financial Planning
  - Internal Audit
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#### Why we do it

We ensure the effective use of the Corporation's financial resources by providing sound financial planning management and advice; maintaining financial control and developing and implementing effective financial strategies to ensure the fiscal sustainability of the City in delivering programs and services to the public.

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#### Who we serve

- City Council and Committees
- City Manager & DCMs
- Staff - City Divisions
- Staff – Agencies & Boards
- Toronto Investment Board
- Enterprise Risk Assurance Committee

#### **Beneficiaries**

- Residents / Taxpayers
  - Businesses
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## Budget at a glance

OPERATING BUDGET				10-YEAR CAPITAL PLAN			
\$Million	2020	2021	2022	\$Million	2020	2021-2029	Total
Revenues	\$ 3.8	\$ 4.1	\$ 4.1	Please refer to Financial Services' 2020-2029 Capital Plan for details.			
Gross Expenditures	\$16.6	\$17.7	\$18.2				
Net Expenditures	\$12.8	\$13.6	\$14.1				
Approved Positions	112.0	112.0	112.0				

## Key service outcomes

Outcomes	Description
<b>Financial Transformation</b>	Advance the transformation, modernization and accountability agenda for the City's financial systems, processes and budget activities. Strengthen public trust and confidence in the City through improved transparency and accountability
<b>Enhance Annual Return on City Investments</b>	City implementing new authorities to invest in a broader range of financial instruments under the guidance of an independent Investment Board and transition to external investment managers – objective is to achieve higher returns without incurring higher risk
<b>Provide sound financial advice to achieve fiscal sustainability</b>	Ensures effective and efficient management of the City's financial resources. Minimize operating budget variances and maximize capital budget spend rates

## Goals and metrics

Planned Activities to Achieve Outcomes		2018 Actual	2019 Proj. Actual	2020 Target	Status
	Credit rating (S&P / DBRS)	AA	AA	AA	
	Number of reports drafted and reviewed by Financial Planning	1,672	1,690	1,750	
	Percentage of Internal Audit recommendations implemented	96%	95%	95%	

## Our experience and success

- Issued a \$200 million, 20-year Green bond yielding lowest ever cost of capital, and published City's first Green Bond Newsletter to support City's Green Bond Program
- Initiated year one of Budget Modernization, with focus on delivering a more efficient and simplified process that will create greater opportunities for public participation through inclusive and outcome-focused budget materials
- Submitted the 2020 operating and capital budgets for Finance & Treasury Services on time and in accordance with the new modernized budget process
- Enhanced integrity and reliability of financial information by assessing the effectiveness of financial controls in the City-wide Financial Statement review and advice on the Financial Control By-Law

## Key challenges and risks

- Identification of revenue and savings strategies to offset budget pressures from provincial announcements
- Aging workforce – significant number of staff (including senior management staff) have retired or are eligible to retire over the next 5 years
- State-of-Good-Repair and transit expansion projects are driving up debt requirements beyond Council approved limits

## Priority actions

- E&Y has provided recommendations for phased budget process modernization to achieve a multi-year, service-based budget with simpler and less technical tools to increase the understanding of Council and the Public, resulting in enhanced transparency, trust and confidence
- Work with City Debt Syndicate and key programs to support the issuance of more Green Bonds for key green house gas reduction projects
- Create a City-wide policy and framework on Enterprise Risk Management and related directives

## Our key service levels



Internally manages the City's short term and trust funds totalling \$4.7 billion



Provides financial oversight of the City's Operating Budget of over \$13.0 billion and a 10-year Capital Budget and Plan of over \$40.0 billion



Insures \$16.7 billion worth of property

## Key service deliverables

- Deliver budget process for City's Tax & Rate Supported Operating Budgets and 10-Year Capital Plans
- Provide objective assurance and advice to mitigate business risks, improve operations, and promote accountability
- Maintain positive relations with the City's credit rating agencies
- Oversight and quality assurance of financial/administrative controls to promote compliance with corporate policies
- Develop new guidelines and procedures to support the budget process transformation to achieve financial sustainability and public transparency

## RECOMMENDATIONS

City Council approved the following recommendations:

1. City Council approve the 2020 Operating Budget for Office of the Chief Financial Officer & Treasurer of \$16.6 million gross, \$12.8 million net for the following services:

<b>Service:</b>	<b>Gross (\$000s)</b>	<b>Revenue (\$000s)</b>	<b>Net (\$000s)</b>
Finance & Administration	1,483.0	87.3	1,395.7
Corporate Finance	3,381.4	1,953.9	1,427.5
Financial Planning	9,913.7	1,519.3	8,394.4
Internal Audit	1,789.5	255.7	1,533.8
<b>Total Program Budget</b>	<b>16,567.6</b>	<b>3,816.2</b>	<b>12,751.4</b>

2. City Council approve the 2020 staff complement for Office of the Chief Financial Officer & Treasurer of 112.0 positions, comprising 6.0 capital positions and 106.0 operating positions.

# **2020 OPERATING BUDGET**

## 2020 OPERATING BUDGET OVERVIEW

Table 1: 2020 Operating Budget by Service

(\$000s)	2018 Actual	2019 Projected Actual*	2020 Base Budget	2020 New / Enhanced	2020 Budget	Change v. 2019 Projected Actual	
By Service	\$	\$	\$	\$	\$	\$	%
<b>Revenues</b>							
Finance & Administration	87.3	87.3	87.3		87.3	0.0	0.0%
Corporate Finance	1,789.4	1,888.6	1,953.9		1,953.9	65.3	3.5%
Financial Planning	1,640.8	1,173.2	1,519.3		1,519.3	346.1	29.5%
Internal Audit	164.3	169.8	255.7		255.7	85.9	50.6%
<b>Total Revenues</b>	<b>3,681.8</b>	<b>3,318.9</b>	<b>3,816.2</b>	<b>0.0</b>	<b>3,816.2</b>	<b>497.3</b>	<b>15.0%</b>
<b>Expenditures</b>							
Finance & Administration	807.3	953.8	1,483.0		1,483.0	529.2	55.5%
Corporate Finance	2,896.7	3,025.0	3,381.4		3,381.4	356.4	11.8%
Financial Planning	9,045.3	9,036.4	9,913.7		9,913.7	877.3	9.7%
Internal Audit	1,664.0	1,723.5	1,789.5		1,789.5	66.0	3.8%
<b>Total Gross Expenditures</b>	<b>14,413.3</b>	<b>14,738.7</b>	<b>16,567.6</b>	<b>0.0</b>	<b>16,567.6</b>	<b>1,828.9</b>	<b>12.4%</b>
<b>Net Expenditures</b>	<b>10,731.5</b>	<b>11,419.8</b>	<b>12,751.4</b>	<b>0.0</b>	<b>12,751.4</b>	<b>1,331.6</b>	<b>11.7%</b>
<b>Approved Positions</b>	<b>116.0</b>	<b>129.0</b>	<b>112.0</b>		<b>112.0</b>	<b>(17.0)</b>	<b>(13.2%)</b>

\*2019 Projected Actual (based on Q3 2019) adjusted retroactively to remove interdepartmental charges and recoveries.

### COSTS TO MAINTAIN EXISTING SERVICES

**Total 2020 Base Budget** expenditures of \$16.6 million gross reflecting an increase of \$1.8 million in spending above 2019 projected year-end actuals (prior to enhancements), predominantly arising from salary & benefit increases for progression pay/step as well as annualization of positions filled part year in 2019.

The 2020 base budget includes a decrease of 17 approved positions from 2019. This is primarily due to the deletion of 17 temporary capital positions that are no longer required.

### COSTS TO ENHANCE SERVICES

Office of the Chief Financial Officer & Treasurer does not have **New and Enhanced Service** expenditures in 2020.

### EQUITY IMPACTS OF BUDGET CHANGES

**No significant equity impacts:** The changes in Office of the Chief Financial Officer & Treasurer's 2020 Operating Budget do not have any significant equity impacts

**2020 OPERATING BUDGET KEY DRIVERS**

The 2020 Operating Budget for Office of the Chief Financial Officer & Treasurer is \$16.6 million gross or 12.4% higher than the 2019 Projected Actuals. Table 2a below summarizes the key cost drivers for the base budget.

**Table 2a: 2020 Key Drivers – Base Budget**

Key Cost Drivers (\$000)		2018 Actual	2019 Proj. Actual	2020 Budget	Year over Year Changes	
					\$	%
Expenditures						
1	Salaries and Benefits	13,669.3	14,052.5	15,768.9	1,716.4	12.2%
2	Materials & Supplies	10.4	22.8	23.1	0.3	1.3%
3	Equipment	49.4	48.4	36.5	(11.9)	(24.6%)
4	Service and Rent	604.0	566.5	700.4	133.9	23.6%
5	Contribution To Capital				0.0	0.0%
6	Contribution To Reserves	80.1	38.5	38.2	(0.3)	(0.8%)
7	Other Expenditures	0.1	10.0	0.5	(9.5)	(95.0%)
Total Expenditures		14,413.3	14,738.7	16,567.6	1,828.9	12.4%
Revenues						
1	Provincial Subsidies				0.0	0.0%
2	Federal Subsidies				0.0	0.0%
3	User Fees & Donations				0.0	0.0%
4	Transfers From Capital	853.5	365.5	672.0	306.5	83.9%
5	Other Revenues	2,828.3	2,953.4	3,144.2	190.8	6.5%
Total Revenues		3,681.8	3,318.9	3,816.2	497.3	15.0%
Net Expenditures		10,731.5	11,419.8	12,751.4	1,331.6	11.7%

\*2018 Actual and 2019 Q3 Proj Actual adjusted retroactively to remove interdepartmental charges and recoveries

**Salaries & Benefits:**

Includes progression pay/step and benefit increases, as well as annualization of positions filled part year in 2019.

**Services & Rents:**

Includes \$0.137 million for short term credit rating services, in support of the Council approved Promissory Note Program (EX 1.8, Jan 30, 2019)

**Revenue Changes:**

Increased recoveries from Capital, Rate Programs and Reserve/Reserve Funds for direct support to those functions.

**Note:**

- For additional information on 2020 key cost drivers refer to [Appendix 1](#).

**Table 2b: Value Based Outcome Review Recommendation and Other Efficiencies / Savings**

N/A

**Table 2c: 2020 Key Drivers – New / Enhanced**

N/A

**2021 & 2022 OUTLOOKS****Table 3: 2021 and 2022 Outlooks**

<b>(\$000s)</b>	<b>2019 Projected Actual*</b>	<b>2020 Budget</b>	<b>2021 Outlook</b>	<b>2022 Outlook</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	3,318.9	3,816.2	4,050.9	4,077.9
Gross Expenditures	14,738.7	16,567.6	17,689.4	18,159.8
<b>Net Expenditures</b>	<b>11,419.8</b>	<b>12,751.4</b>	<b>13,638.5</b>	<b>14,081.9</b>
<b>Approved Positions</b>	<b>129.0</b>	<b>112.0</b>	<b>112.0</b>	<b>112.0</b>

\*2019 Q3 Projected Actual adjusted retroactively to remove interdepartmental charges and recoveries

**Key 2021 drivers**

- The 2021 Outlook with total gross expenditures of \$17.7 million reflects an anticipated increase of \$1.1 million or 6.8% above the 2020 Approved Budget. The increase is primarily due to increases in salaries and benefits resulting from annualizations and progression pay/step increases.

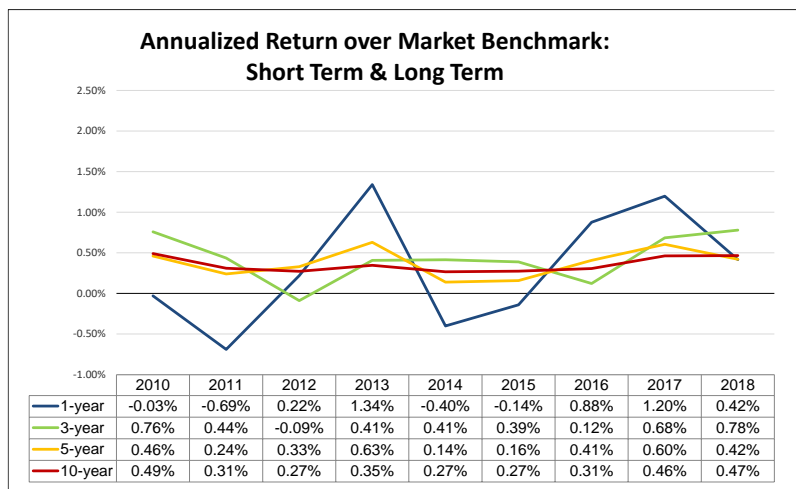
**Key 2022 drivers**

- The 2022 Outlook with total gross expenditures of \$18.2 million reflects an anticipated increase of \$0.5 million or 2.7% above the 2021 Outlook. The increase is primarily due to salary increases for progression pay/step.



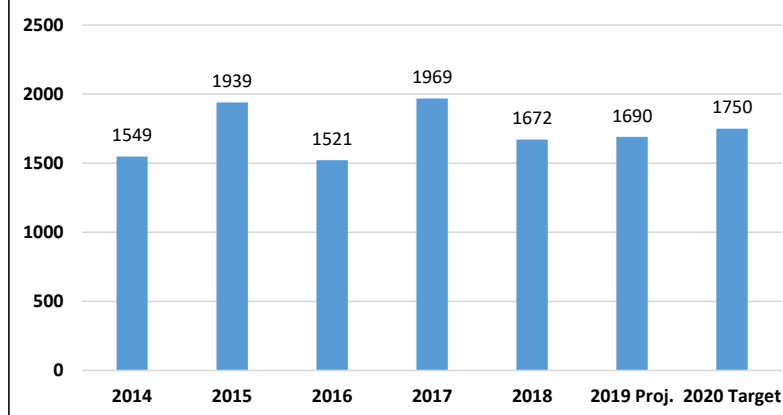
## How well we are doing

### Performance measures



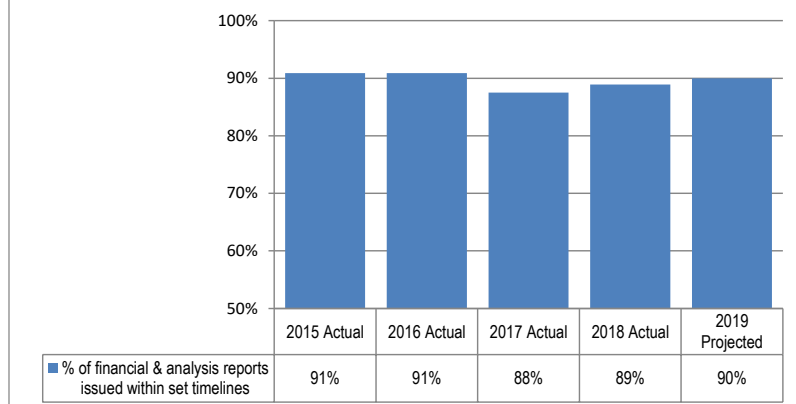
- This chart compares the City's General Group of Funds' performance relative to the benchmark over the short-term (one-year), mid-term (three-year, five-year) and long-term (ten-year) investment horizons. As demonstrated below, the City's investment portfolio continues to outperform the benchmark while the short-term return shows more volatility than the long-term return over time.

### # of Reports Drafted & Reviewed



- As part of Financial Planning Division's role in the City's financial management and control process, the Division reviews reports or notice of motions submitted to Council for financial impact. This process ensures funding for initiatives are addressed properly and Council is well informed for decision making.
- The number of reports reviewed or drafted by the Division is consistently kept at a high level of over 1,500, which represents the Division's contribution to the City's financial sustainability over time.

### % of Financial Analysis Reports Issued Within Set Timelines



- Tracking of actuals for issuance of Financial Analysis Reports is consistent with the prior years' actuals
- Finance & Administration is expecting to achieve 90% in 2019

## APPENDICES

## Appendix 1

### 2020 Operating Budget by Expenditure Category

Category (\$000s)	2017 Actual*	2018 Actual*	2019 Budget*	2019 Projected Actual**	2020 Budget	2020 Change from 2019 Projected Actual	
	\$	\$	\$	\$	\$	\$	%
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations							
Licences & Permits Revenue							
Transfers From Capital	1,078.8	853.5	2,663.9	365.5	672.0	306.5	83.9%
Contribution From Reserves/Reserve Funds	1,572.3	1,753.5	2,591.1	1,858.2	1,942.4	84.2	4.5%
Sundry and Other Revenues	45.7	17.0	42.1	20.0	20.0		
Inter-Divisional Recoveries	960.5	1,057.8	1,138.7	1,075.2	1,181.8	106.6	9.9%
<b>Total Revenues</b>	<b>3,657.3</b>	<b>3,681.8</b>	<b>6,435.8</b>	<b>3,318.9</b>	<b>3,816.2</b>	<b>497.3</b>	<b>15.0%</b>
Salaries and Benefits	12,861.4	13,669.3	17,303.9	14,052.5	15,768.9	1,716.4	12.2%
Materials & Supplies	10.7	10.4	23.1	22.8	23.1	0.3	1.3%
Equipment	14.5	49.4	37.4	48.4	36.5	(11.9)	(24.6%)
Service and Rent	612.8	604.0	647.9	566.5	700.4	133.9	23.6%
Contribution To Capital							
Contribution To Reserves/Reserve Funds	80.1	80.1	38.2	38.5	38.2	(0.3)	(0.8%)
Other Expenditures		0.1	0.5	10.0	0.5	(9.5)	(95.0%)
Inter-Divisional Charges							
<b>Total Gross Expenditures</b>	<b>13,579.5</b>	<b>14,413.3</b>	<b>18,051.0</b>	<b>14,738.7</b>	<b>16,567.6</b>	<b>1,828.9</b>	<b>12.4%</b>
<b>Net Expenditures</b>	<b>9,922.2</b>	<b>10,731.5</b>	<b>11,615.2</b>	<b>11,419.8</b>	<b>12,751.4</b>	<b>1,331.6</b>	<b>11.7%</b>
<b>Approved Positions</b>	<b>113.0</b>	<b>116.0</b>	<b>129.0</b>	<b>129.0</b>	<b>112.0</b>	<b>(17.0)</b>	<b>(13.2%)</b>

\* Actuals and 2019 Budget adjusted retroactively to remove interdepartmental charges and recoveries

\*\* Year-End Projection Based on Q3 2019 Variance Report

## **Appendix 2**

### **Summary of 2020 Service Changes**

N/A

## **Appendix 3**

### **Summary of 2020 New / Enhanced Service Priorities Included in Budget**

N/A

## **Appendix 4**

### **Summary of 2020 New / Enhanced Service Priorities Not Included in Budget**

N/A

## **Appendix 5**

### **2020 Capital Budget: 2021 – 2029 Capital Plan Including Carry Forward Funding**

Please refer to Financial Services' 2020-2029 Capital Plan for details

## **Appendix 5a**

### **2020 Cash Flow and Future Year Commitments Including Carry Forward Funding**

Please refer to Financial Services' 2020-2029 Capital Plan for details

## **Appendix 5b**

### **2021 – 2029 Capital Plan**

Please refer to Financial Services' 2020-2029 Capital Plan for details

## **Appendix 6**

### **Reporting on Major Capital Projects: Status Update**

Please refer to Financial Services' 2020-2029 Capital Plan for details

## **Appendix 7**

### **Summary of Capital Needs Constraints**

Please refer to Financial Services' 2020-2029 Capital Plan for details

## **Appendix 8**

### **2020 User Fee Changes**

(Excludes User Fees Adjusted for Inflation)

N/A

## Appendix 9

### Inflows and Outflows to/from Reserves and Reserve Funds

#### 2020 Operating Budget

#### Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2019 *	Withdrawals (-) / Contributions (+)		
			2020	2021	2022
		\$	\$	\$	\$
<b>Beginning Balance</b>			<b>29,462.4</b>	<b>26,035.0</b>	<b>22,540.0</b>
Insurance Reserve Fund	XR1010				
<i>Withdrawals (-)</i>			(1,997.5)	(1,997.5)	(1,997.5)
<i>Contributions (+)</i>			38.2	38.2	38.2
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>-</b>	<b>27,503.1</b>	<b>24,075.7</b>	<b>20,580.7</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>			<b>(1,468.1)</b>	<b>(1,535.7)</b>	<b>(1,188.7)</b>
<b>Balance at Year-End</b>		<b>29,462.4</b>	<b>26,035.0</b>	<b>22,540.0</b>	<b>19,392.0</b>

\* Based on 9-month 2019 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2019 *	Withdrawals (-) / Contributions (+)		
			2020	2021	2022
		\$	\$	\$	\$
<b>Beginning Balance</b>			<b>263,394.9</b>	<b>252,610.0</b>	<b>228,237.0</b>
Section 37 Reserve Fund	XR3026				
<i>Withdrawals (-)</i>			(123.4)	(123.4)	(123.4)
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>-</b>	<b>263,271.5</b>	<b>252,486.6</b>	<b>228,113.6</b>
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>			<b>(10,661.5)</b>	<b>(24,249.6)</b>	<b>(14,683.6)</b>
<b>Balance at Year-End</b>		<b>263,394.9</b>	<b>252,610.0</b>	<b>228,237.0</b>	<b>213,430.0</b>

\* Based on 9-month 2019 Reserve Fund Variance Report

## Appendix 10

### Glossary of Terms

**Approved Position:** Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

**Actuals:** An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

**Capacity to Spend:** Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

**Capital Budget:** A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

**Capital Needs Constraints:** The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

**Complement:** Positions that support the delivery of City services and service levels as approved by Council.

**DBRS:** Dominion Bond Rating Service

**Efficiencies:** Reductions in the cost of delivering a service without a reduction in service level.

**New / Enhanced:** New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

**Operating Budget:** An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provide services; an example of an operating cost would be the cost to run the TTC subways.

**Operating Impact of Completed Capital Projects:** The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

**Rate Supported Budget:** Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

**S&P:** Standard & Poor's

**State of Good Repair (SOGR):** The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes

**Tax Supported Budget:** Budget funded by property taxes.

**User Fees:** Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).

**Value Based Outcome Review (VBOR):** The City conducted a Value Based Outcome Review in 2019 for all of its operations and agencies to identify specific opportunities and strategies to maximize the use of tax dollars, enhance its financial sustainability while achieving service outcomes. These opportunities will help the City chart its financial course in the next four years.