

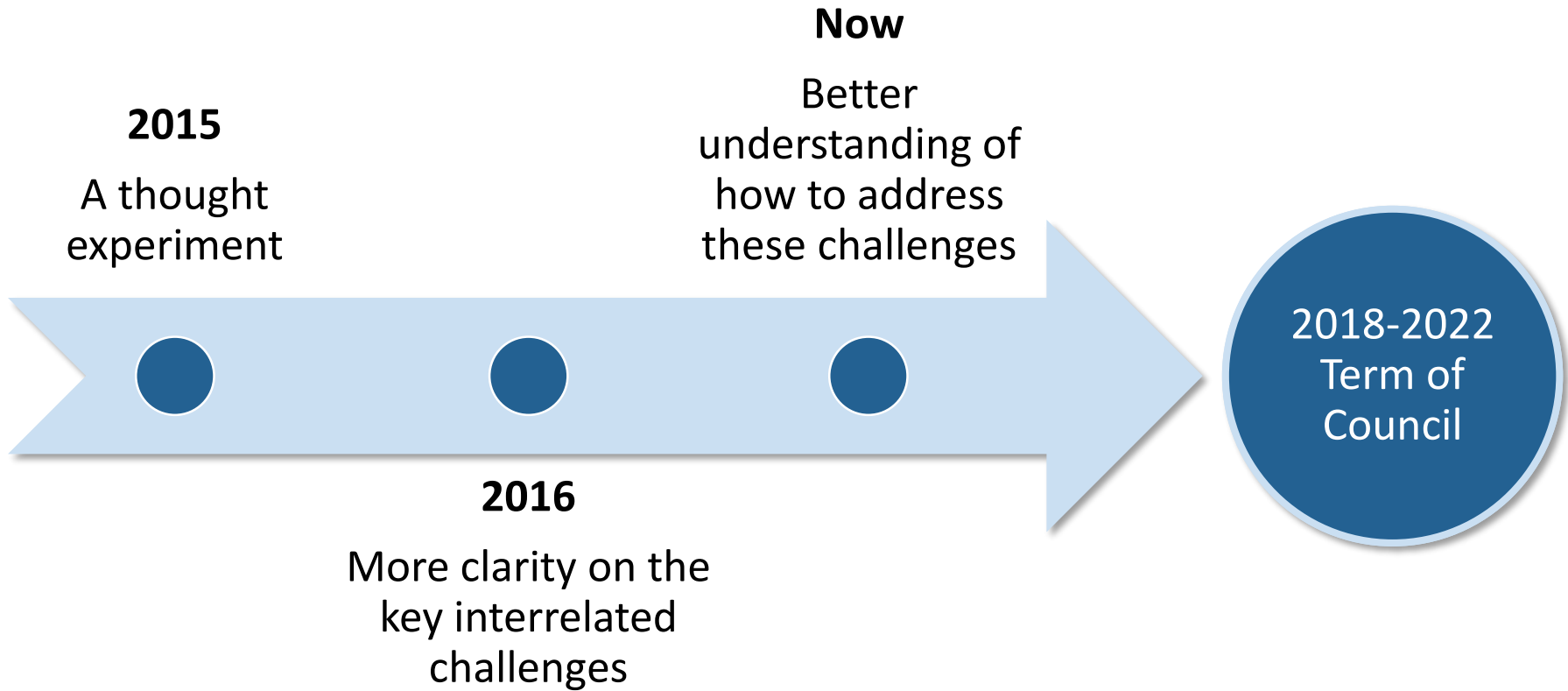
# Investing in Toronto's Future

## Toronto City Manager's 6<sup>th</sup> Annual IMFG Address

PETER WALLACE | TORONTO CITY  
MANAGER | OCTOBER 26, 2017

TORONTO

# IMFG Addresses



# Toronto is an exceptional city

Global,  
international city

- Global experiment in living together
- Exceptional growth
- Ontario and national anchor

Dealing with real  
issues and prior  
underinvestment

- Congestion and transit
- Housing
- Child poverty

# Council's direction

## Active and positive strategies

- Local orientation: Solid waste, police, parks and ravines, etc.
- Regional / provincial orientation: Transportation and Transit Network, TO Prosperity, Tenants First, TransformTO, etc.

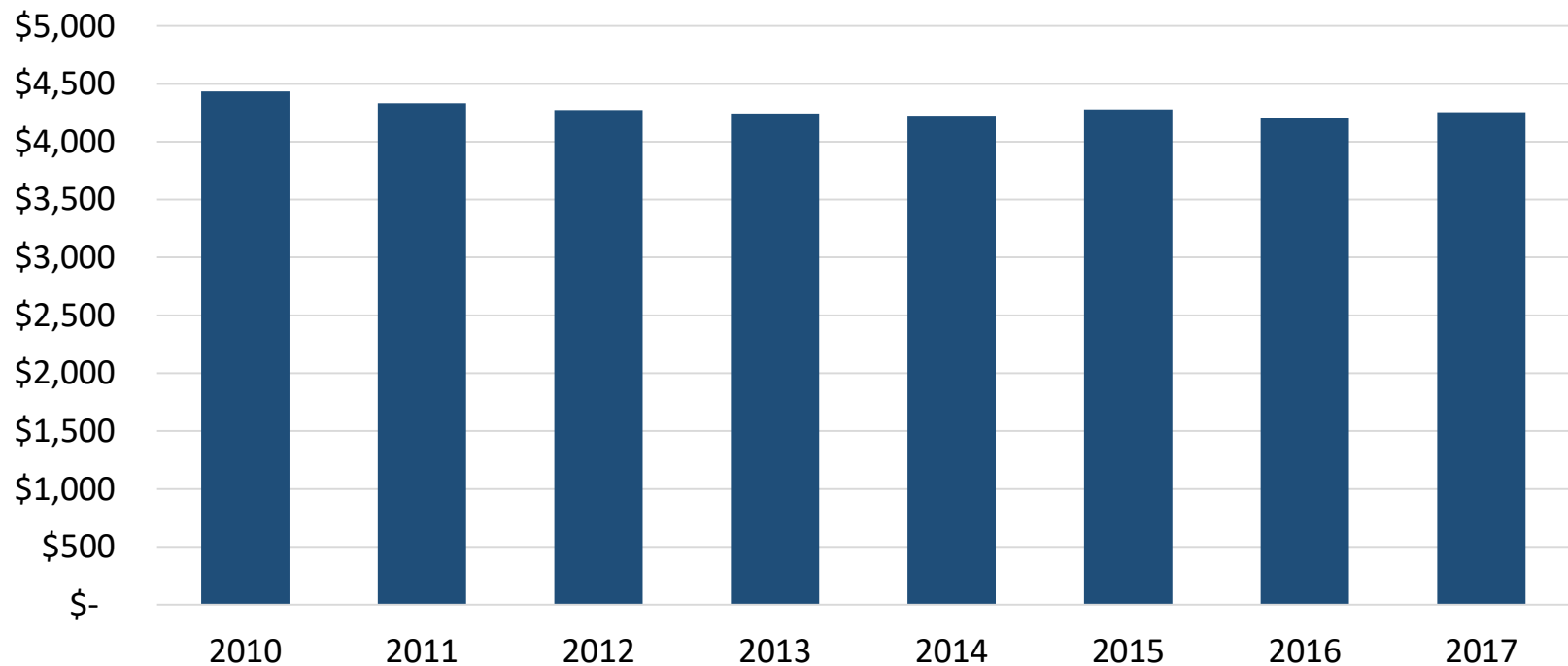
## Focus on affordability

- Annual expense constraint
- Residential property tax indexed to inflation

# Annual cost control

Toronto has demonstrated consistent success in year-over-year cost control

Expense history - Real per capita



# Good outcomes and solid plans



# Challenges to delivering on Council's plans

1

The City has taken on moderate but growing levels of risk each year to balance the budget

- Reliance on unplanned increases in Municipal Land Transfer Tax
- Deferring known costs and underinvestment

2

Limited savings and efficiency opportunities

- Reaching the limits of squeeze strategies
- Budget tends to reproduce the status quo

3

Revenue adequacy and fairness

- Narrow revenue base
- Constraints in provincial oversight

4

Toronto-Ontario fiscal framework

- Toronto role in provincial and national priorities





## Anticipation of a new term of Council

- Great plans, too many barriers, not enough money, not enough time
- Important to sit back and figure out how to deliver on real and important aspirations
- Realizing inherent capacity in the amalgamated City of Toronto



## Establishing priorities

*“The Mayor should deliver an annual Mayor’s Address to Council in early Spring that lays out his or her strategic priorities and public commitments for the coming year and remaining term of Council.”*

- A Practical Blueprint for Change: Final Report from the City Hall Task Force (2017). *School of Public Policy and Governance, University of Toronto.*

# Three future policy paths – Illustrating choice

	A	B	C
	<p><b>Focus on services to property</b></p>	<p><b>Maintain existing service levels</b></p>	<p><b>Broader city building</b></p>
<b>Impact on service</b>	<ul style="list-style-type: none"> <li>- Decrease service levels to meet available tax room</li> <li>- Will require stepping away from some service areas</li> </ul>	<ul style="list-style-type: none"> <li>- Adjust spending to pay for existing service levels</li> <li>- Limited expansion of broader investments</li> </ul>	<ul style="list-style-type: none"> <li>- Increase spending to pay for existing service levels, deferred costs, and Council's approved strategies and plans</li> </ul>
<b>Impact on revenue</b>	<ul style="list-style-type: none"> <li>- Smaller footprint</li> </ul>	<ul style="list-style-type: none"> <li>- Modest increase to revenue to meet existing service levels, manage risk</li> </ul>	<ul style="list-style-type: none"> <li>- Increase revenue to meet Council's unfunded commitments</li> </ul>

# Priority setting and implementation

Required first step

Levers

Council agenda  
and priorities

1

Better information to support strategic decision-making

2

Value for money

3

Adequate, fair, and efficient revenue

4

Balance sheet and financial health

5

Toronto-Ontario fiscal and delivery framework

# Lever 1: Better information to support strategic decision-making

## Strategic perspectives and appropriate oversight

The right information, perspectives, and governance framework to implement strategic change

## Operating budget process

Multi-year, whole-of-government view and oversight, as well as better integration of:

- Policy process
- Key agency and corporation plans
- Equity, gender, and economic lenses

## Capital budget process

Effective mechanisms to support Council to:

- Set priorities
- Assess risk of funding
- Understand impact of capital projects on other key priorities – including operating impact

## Civic engagement is critical to decision-making

Engage and incorporate feedback across multiple, complex issues

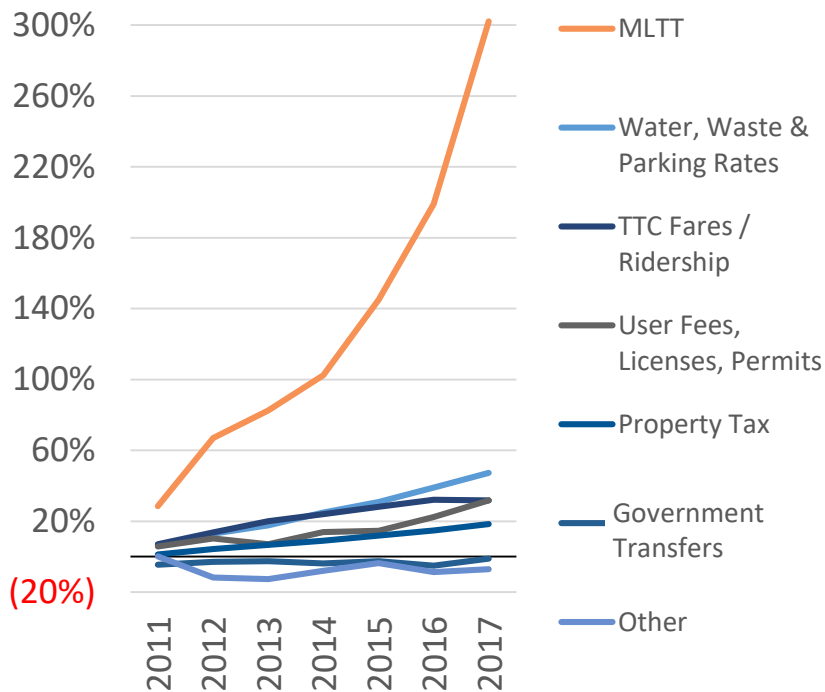
## Lever 2: Value for money

The City must achieve deep cost control and value for money by:

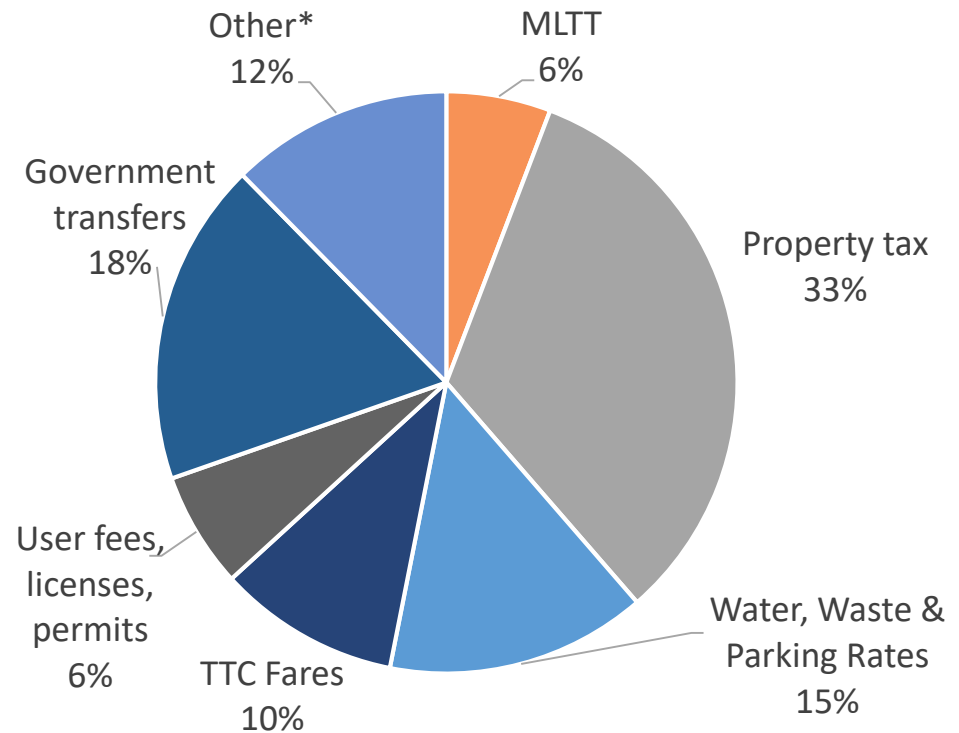
- **Managing human resourcing and staffing costs** – Largest single budgeted item – \$5.5 billion in 2017.
- **Transforming procurement** – \$2.6 billion in 2017.
- **Addressing longer-term agency and corporation certainty (especially TTC and TCHC)** – Agencies and corporations account for 40% of forecasted expenditure growth; City divisions account for 26%.
- **Modernizing government** – Services must be smart, innovative, streamlined and provide full value for money.
- **Addressing capital financing and funding costs** – Continuing to rise.

# Lever 3: Adequate, fair, and efficient revenue

Revenue history – Nominal cumulative % increase



2017 Operating Revenues (\$M)



\*Other: Includes reserves, investment income, transfers from capital, inter-divisional recoveries

# Lever 3: Adequate, fair, and efficient revenue

	Challenge
Property tax	Expenditures rising faster than property tax. Poor fit for broad social and economic investments, and impact on renters and businesses.
Municipal Land Transfer Tax	Above forecasted MLTT revenue used to help fund the budget – \$75 million, \$101 million, and \$182 million in 2015, 2016, and 2017.
Application of user fees	Should be applied consistently across City services. For example, transit fares vs. parking fees and road use.
Tax expenditures	Sizeable cost in foregone revenue. In some cases the policy objectives are poorly understood.
Opportunities to broaden the tax base	Should continue to consider revenue options focusing on revenue quality and stability.



## Lever 4: Balance sheet and financial health

The City's financial assets and liabilities are critical to financial health, but often deferred.

### Potential strategies

Debt

Reserves

Revenue  
assets

Financial  
health  
indicators

# Lever 5: Toronto-Ontario fiscal and delivery framework

- Toronto delivers services that benefit the region and province.
  - 90% of the public housing in the GTA and 37% of the total social housing in the province
  - 60% of all transit ridership of the province is carried by the TTC
  - 20.7% of children are living below the Low Income Cut Off (After Tax) in Toronto, compared to 9.4% in the rest of Ontario.
- Provincial priorities depend critically on Toronto funded and delivered outcomes
  - For example: transit and transportation network, long-term care homes, housing and homelessness supports, climate change, newcomer integration

# Lever 5: Toronto-Ontario fiscal and delivery framework

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Moving forward

Chance to do better

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Match progressive or growing revenue sources with provincial and regional outcomes

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Will require Toronto leadership, cooperation, and investment to lever provincial change

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# Capacity and timing

- Upcoming new term of Council, beginning in the fall of 2018
  - Offers an appropriate opportunity to implement needed changes
  - Begin the sustained journey to more strategic governance and decision-making.
- The City's capacity to deliver on these changes will depend on Council's direction and priorities.
- Achieving these goals and strategies will require the Toronto Public Service and all agency and corporation staff working together strategically and collaboratively.

# Thank you

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