



# Defining the Realm of the Possible: Opportunities and Challenges for Toronto

Toronto City Manager's 4th Annual IMFG Address

Peter Wallace | Toronto City Manager  
October 14, 2015



#IMFGtalks

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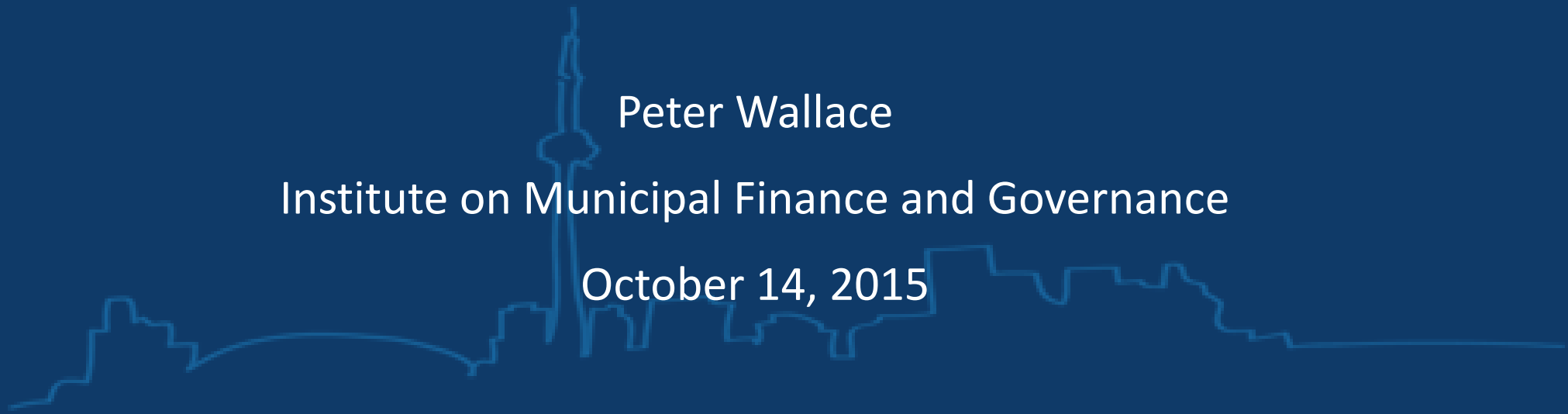
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# Defining the Realm of the Possible: Opportunities and Challenges for Toronto

Peter Wallace

Institute on Municipal Finance and Governance

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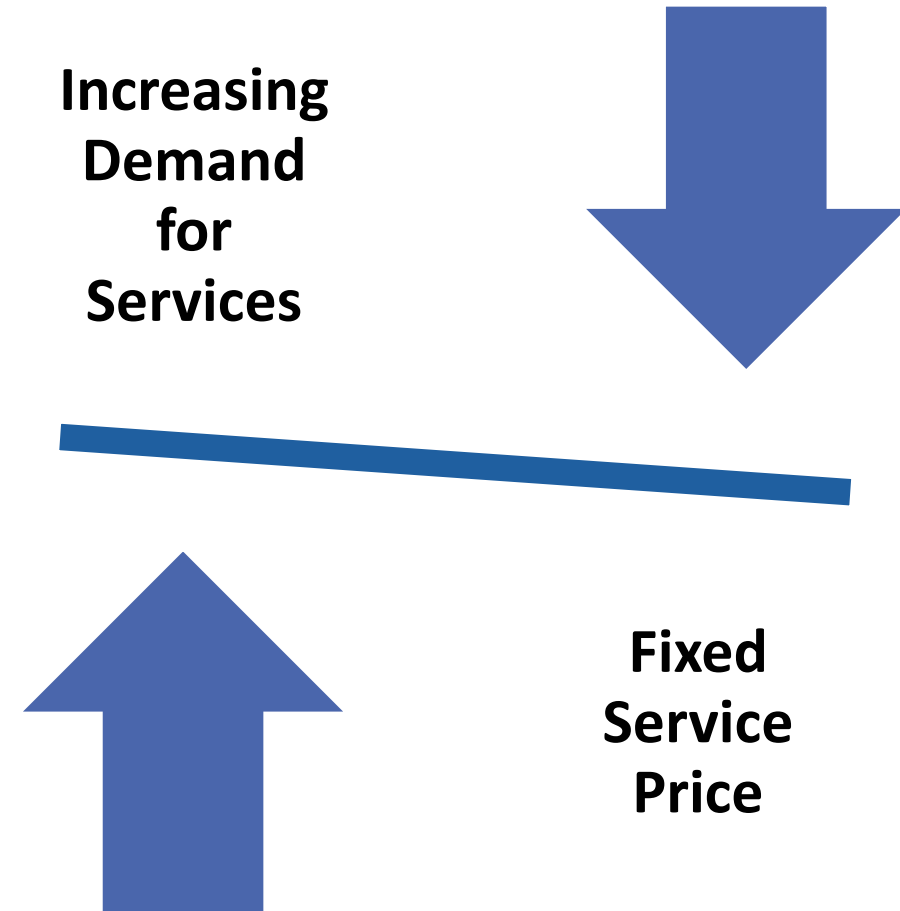


# Context

- Big place, big government
  - 4<sup>th</sup> largest municipality in North America
  - 55 thousand staff, \$11 billion operating budget, \$32 billion capital plan
- What we do matters
  - hard services and infrastructure – water, waste, roads, public transit
  - human services and quality of life – housing, green space, public safety

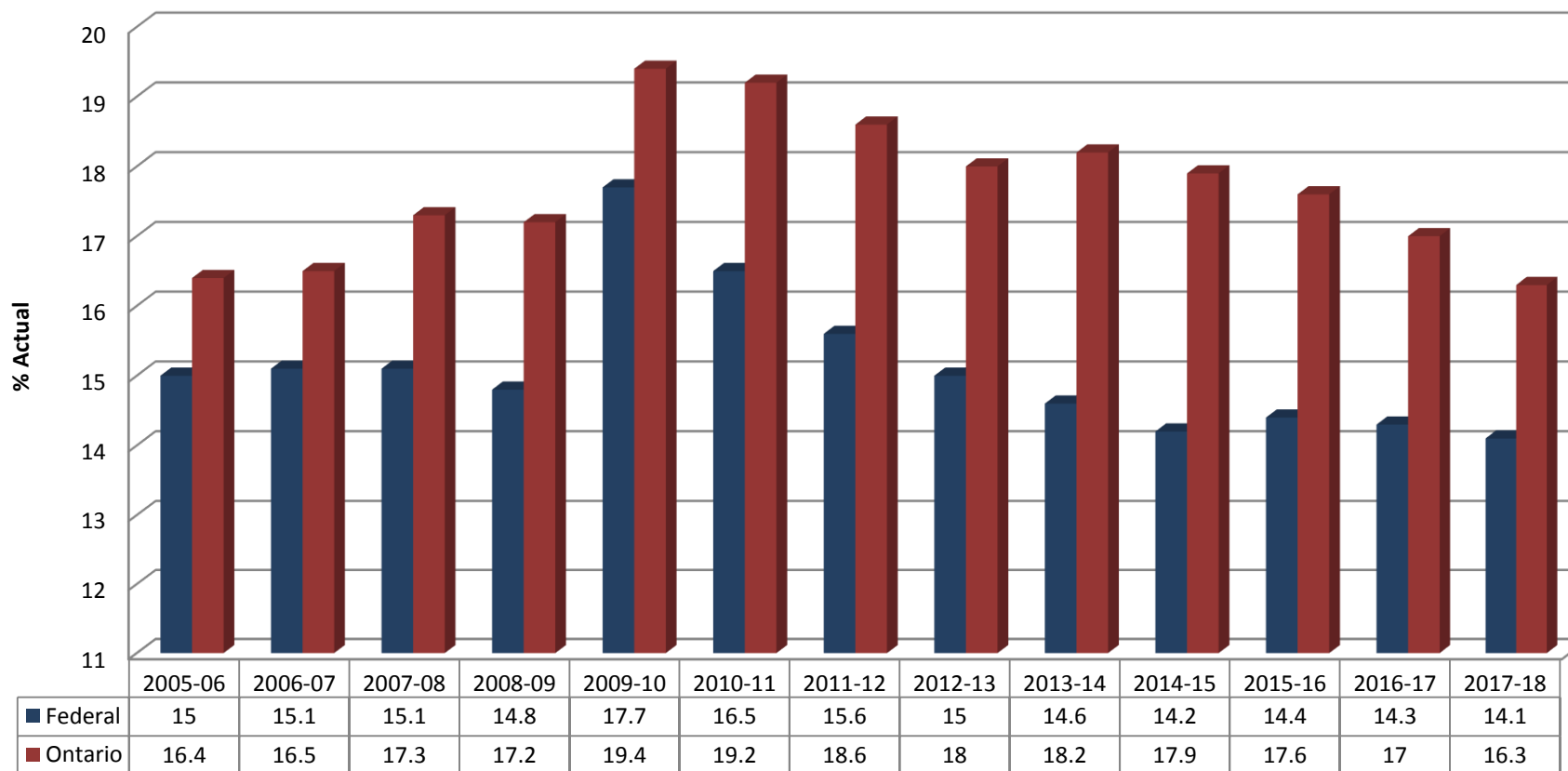
# Public Sector Governance – A Familiar Dilemma

- Increasing demand for public goods
  - safety and security
  - environment
  - health and education
- Little appetite for rising tax/GDP
  - stagnant real incomes for many
  - some can limit tax and regulatory exposure



# Federal and Ontario Approach

**Program Expenses Relative to GDP**



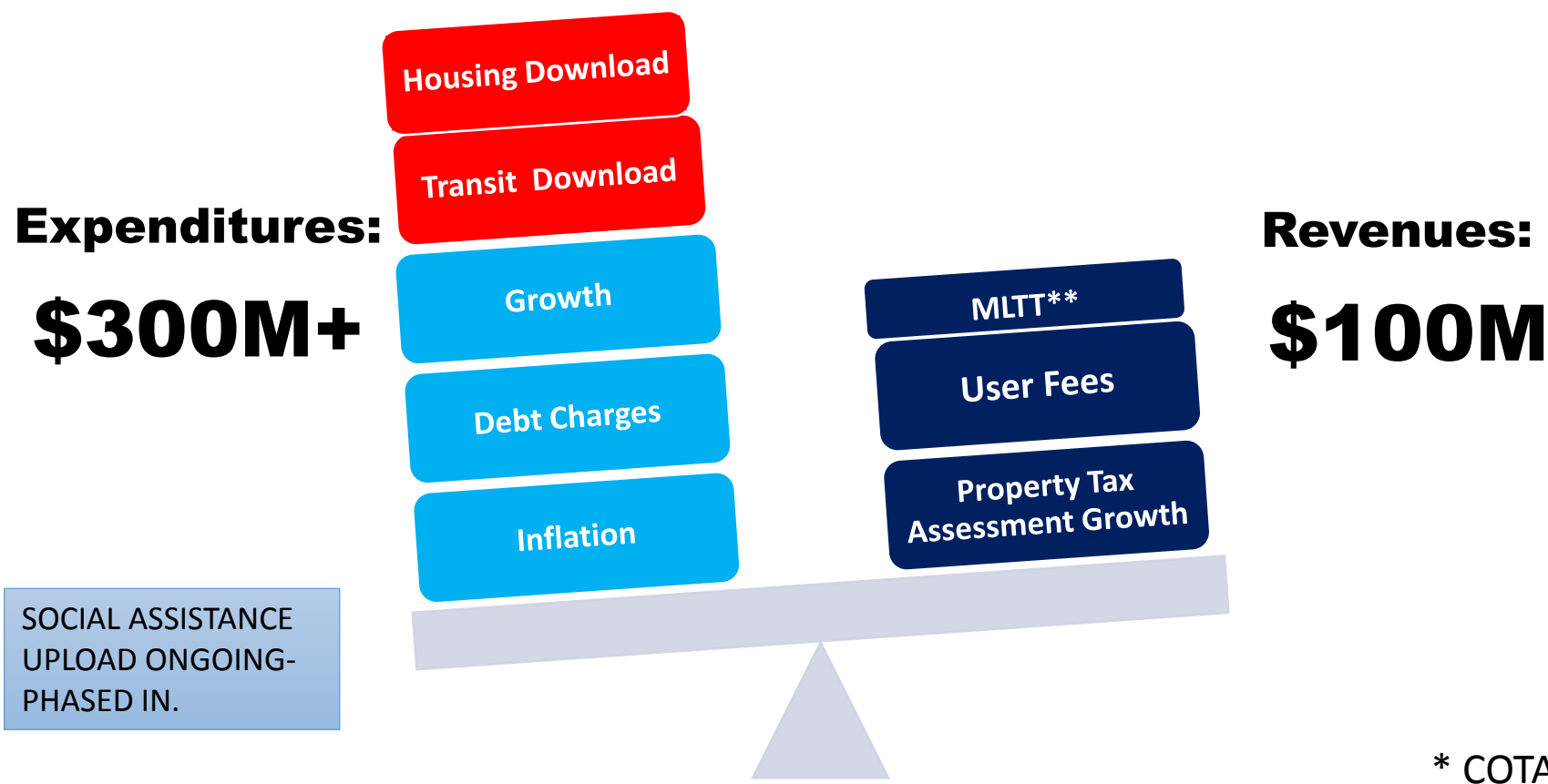
Source: RBC Economics, September 2015

# Annual Cycle

- Shortfall identified by staff, driven by:
  - Cost of service
  - Baseline revenue
  - 2016 projected shortfall: 3.1% of operating
- Lengthy process of pressure minimization / deferral
- Also revenue adjustments / proposals
- Leads to “staff recommended” budget
- Council budget
- In-year management
- Surplus retained for capital

# Operating Budget – Annual Structural Deficit 1998-2013

**\$200M+ Structural Deficit**

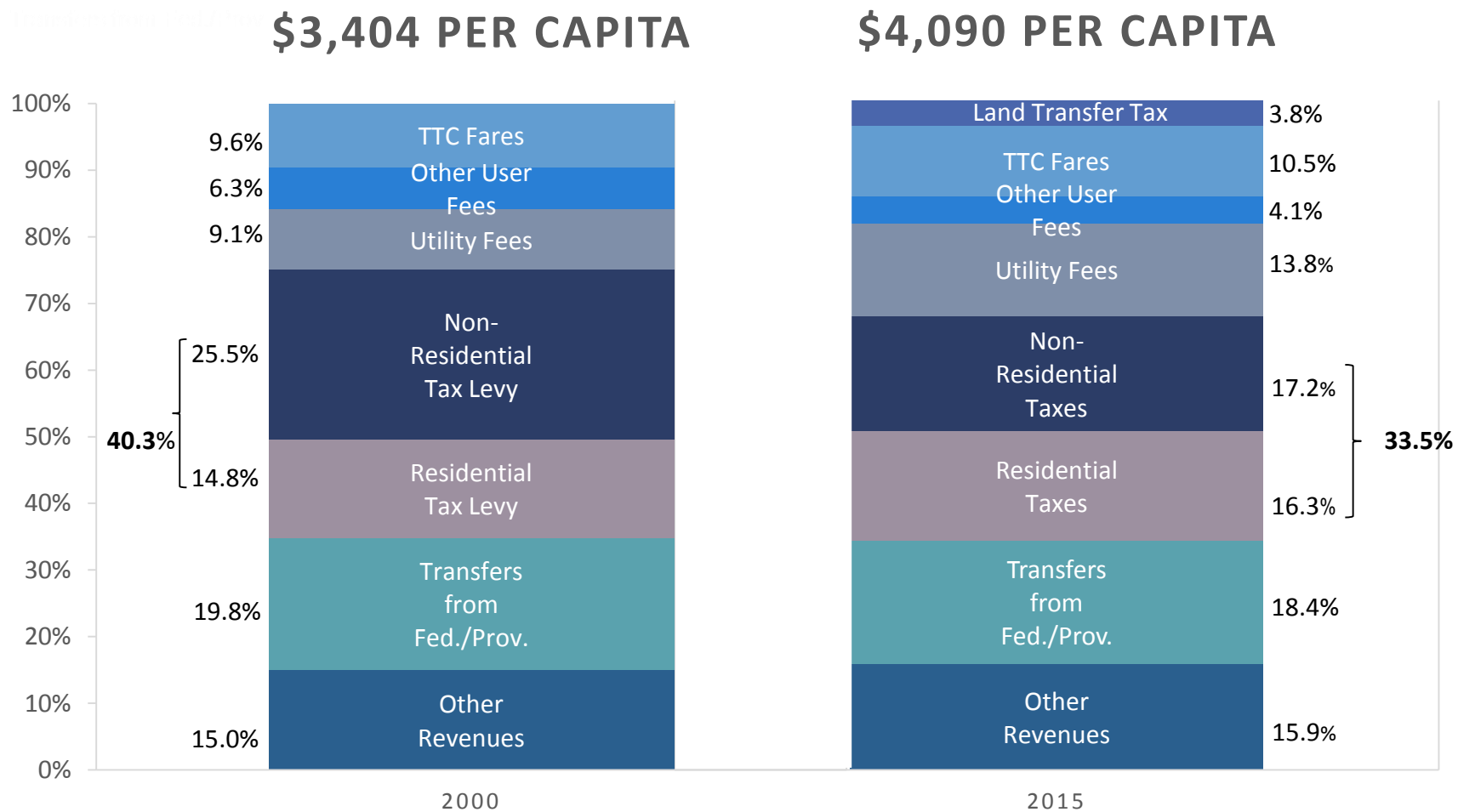


# Step Back – What’s Happening



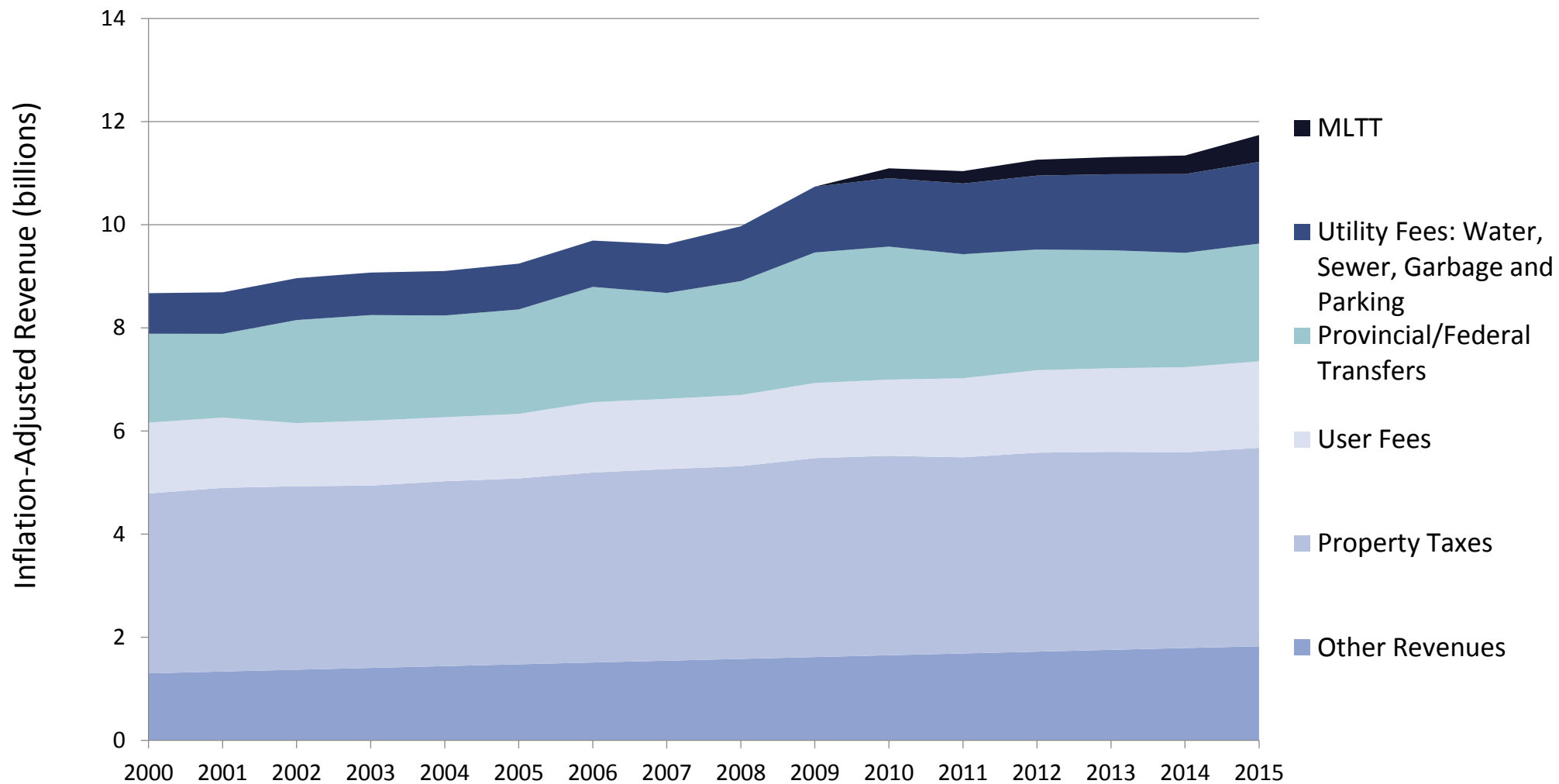


# Revenue Trend (2015\$)



Source: Financial Planning Division

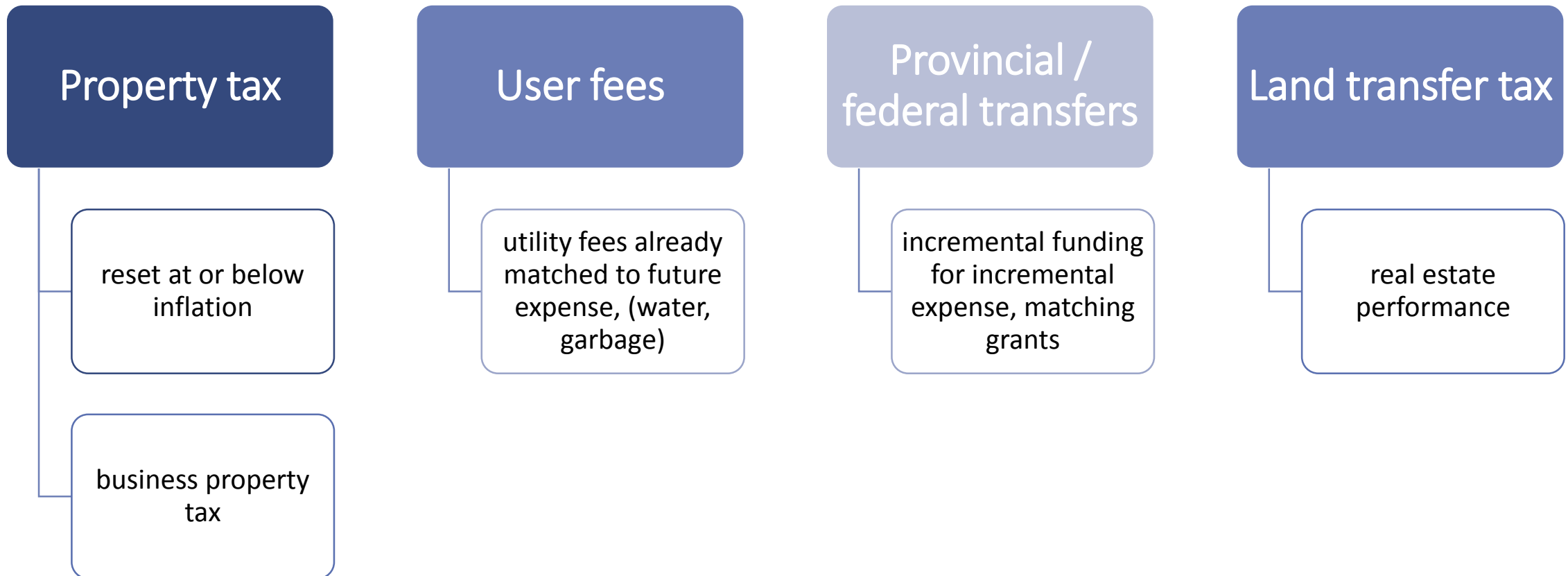
# Changing Revenue Base



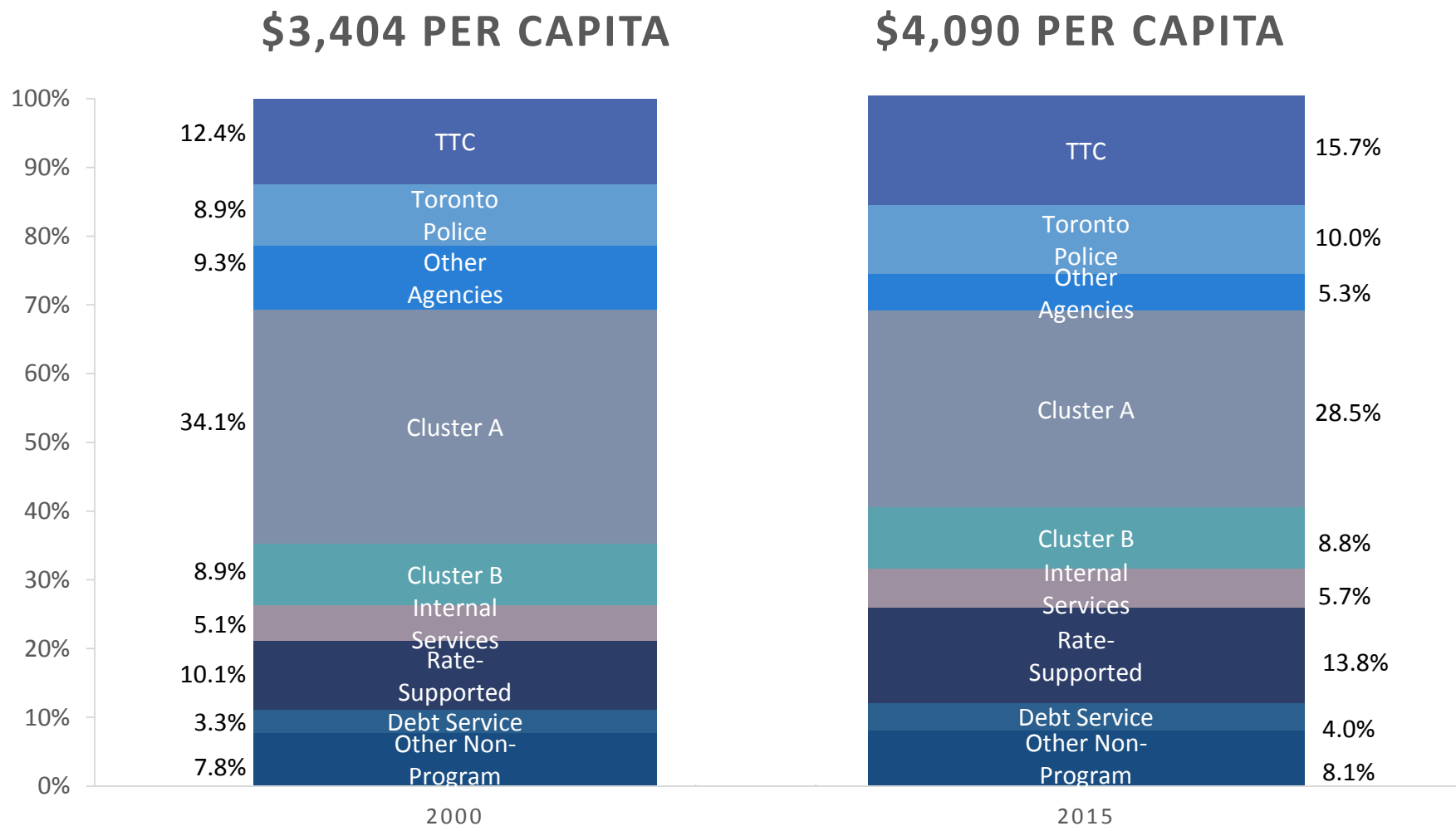
Source: Financial Planning Division

# Thought Experiment: Revenue Forecast

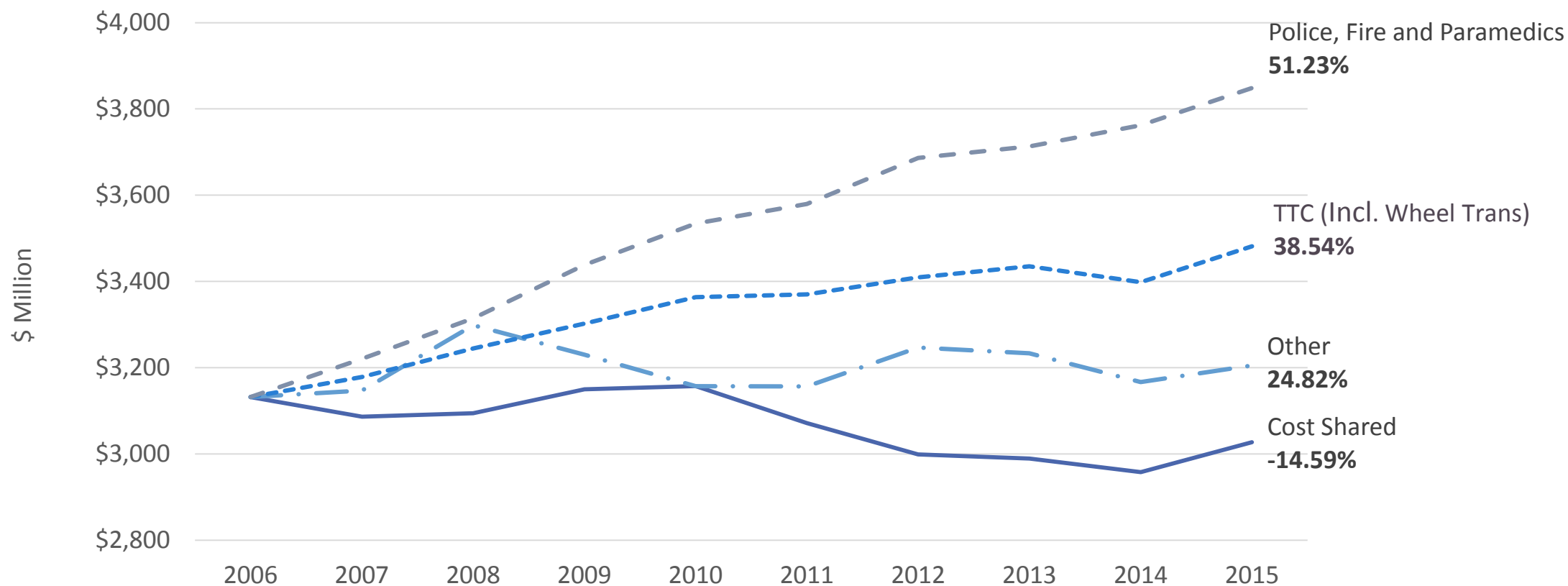
## *Selected Streams*



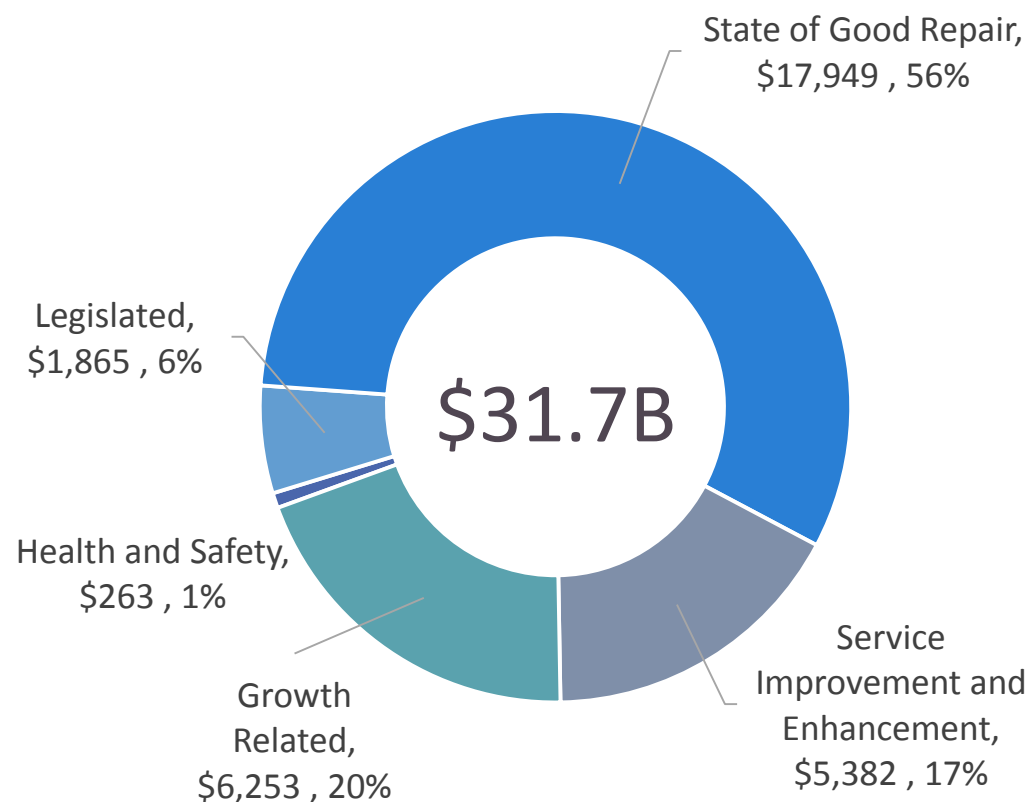
# Operating Expenditure Patterns (2015\$)



# 91% of Net Expenditure Growth From Emergency Services & TTC



# 2015-2024 Capital Plan



Source: Financial Planning Division

## Examples of 'Below the Line' Projects\*

- TTC SOGR and fleet
- Gardiner East Deck
- Don flood protection
- Long term care – regulatory requirements

\*Incremental to approved Capital Plan

# Thought Experiment: Expense Forecast

- Operating at above nominal GDP growth
- Major additional capital needs unfunded
  - state of good repair
  - highly desirable transit and housing expansion

# Diminished Toolkit

- At debt service limit
- Lower housing reserves
- Limited transformational investment
- Annualized costs
- Service level pressure / core service priorities



# Multi-year Perspective

- Growth and city-building
- Financing
  - intergovernmental requests
  - existing toolkit
  - incremental measures

Thank you

