

2019 OPERATING BUDGET BRIEFING NOTE

PROPOSED RESOLUTION TO AUGMENT CITY OF TORONTO OPERATING LEVY FUNDING

Issue/Background:

Under the powers bestowed upon TRCA by the Conservation Authorities Act, TRCA has the ability to levy its partner municipalities for their proportion of operating costs. The exact value is determined based on a Current Value Assessment (CVA) formula which uses property assessments to calculate the distribution of the levy, which requires Toronto to pay 64.3% of the total CVA levy as follows:

2019	Total CVA Levy	% of CVA
Adjala-Tosrontio	\$ 885	0.01%
Durham	\$ 388,732	2.81%
Toronto	\$ 8,904,221	64.30%
Mono	\$ 1,144	0.01%
Peel	\$ 1,541,082	11.13%
York	\$ 3,012,643	21.75%
	<u>\$ 13,848,707</u>	

The issue is that due to budgetary constraints, the City of Toronto has failed to increase its payments in proportion to the other partner municipalities in recent years. TRCA quantifies municipal levy payments in excess of the proportionate CVA calculation as “non-CVA levy” in their budget documents. Since 2011, the non-CVA levy has grown from \$21,700 to \$643,164, funded by the regions of Durham, Peel and York.

Partner Municipality	2018 Operating Levy	% of Total Share	Calculation of 2019 Levy				
			CVA Levy*	Municipal Property Tax Adjustment	Non-CVA Levy (Rate- Adjusted)	TOTAL OPERATING LEVY	% of Total
	\$		\$	\$		\$	
Adjala-Tosorontio	870	0.01%	885	-		885	0.01%
Region of Durham	539,120	3.76%	388,732	96,452	67,416	552,600	3.73%
City of Toronto	8,602,100	60.06%	8,904,221	4,114		8,908,335	60.09%
Town of Mono	1,710	0.01%	1,144	336		1,480	0.01%
Region of Peel	1,856,000	12.96%	1,541,082	48,785	327,133	1,917,000	12.93%
Region of York	3,322,000	23.20%	3,012,643	182,742	248,615	3,444,000	23.23%
Total	14,321,800	100.00%	13,848,707	332,429	643,164	14,824,300	100.00%

Every year that Toronto holds budgetary growth below that of TRCA's partner municipalities, the Non-CVA levy increases, due to the essence of the funding calculation. Looking to the next three years, TRCA's partner municipalities are projecting the following operating levy growth (excluding the municipal property tax adjustment):

	2019	2020	2021	2022
Adjala-Tosrontio	1.72%	3.62%	3.49%	3.48%
Durham	2.80%	3.81%	3.80%	3.87%
Toronto	3.52%	3.55%	3.54%	3.53%
Mono	3.06%	3.50%	3.46%	3.51%
Peel	3.69%	3.37%	3.37%	3.36%
York	3.10%	2.99%	2.90%	2.82%

If this projection holds true, the Non-CVA Levy would decrease by \$29,931 in the year 2022, however, the issue at hand would remain:

Projected 2022	Total CVA Levy	% of CVA	Non-CVA Levy
Adjala-Tosrontio	\$ 982	0.01%	
Durham	\$ 431,507	2.81%	\$ 79,041
Toronto	\$ 9,884,011	64.30%	
Mono	\$ 1,268	0.01%	
Peel	\$ 1,710,657	11.13%	\$ 352,558
York	\$ 3,344,143	21.75%	\$ 181,634
	<u>\$ 15,372,568</u>		<u>\$ 613,233</u>

Due to the nature of the CVA Levy formula, the advocated method to eliminate the Non-CVA Levy would be for all of the partner municipalities to align to the Region of Peel's levy funding, which would bring the total CVA Levy to \$18,537,421 in the year 2022:

Projected 2022	Existing Projection	Proposed Levy	Additional Funding
Adjala-Tosrontio	\$ 982	\$ 1,184	\$ 202
Durham	\$ 510,548	\$ 520,438	\$ 9,890
Toronto	\$ 9,884,011	\$ 11,921,057	\$ 2,037,046
Mono	\$ 1,268	\$ 1,529	\$ 261
Peel	\$ 2,063,215	\$ 2,063,215	\$ -
York	\$ 3,525,777	\$ 4,033,354	\$ 507,577
	<u>\$ 15,985,801</u>	<u>\$ 18,540,779</u>	<u>\$ 2,554,978</u>

In order to accomplish this alignment, a Budget Note (BN) request has been made regarding the cost of eliminating the Non-CVA levy by the end of the current term of council in 2022. TRCA proposes the following growth to the City of Toronto's CVA Levy:

Toronto	Existing Projection	Proposed Levy	Additional Funding
2019	\$8,904,221	\$8,904,221	\$ -
2020	\$9,220,459	\$9,904,221	\$683,762
2021	\$9,546,937	\$10,904,221	\$1,357,284
2022	\$9,884,011	\$11,921,057	\$2,037,046

Assuming this proposal is approved by City council, the next step will be to work with all of our partner municipalities to develop proposals to achieve the additional annual funding ask by 2022.

Further, TRCA will work with our partner municipalities to develop a consistent operating levy strategy to ensure that such an issue does not recur in the future (i.e. Having each partner municipality approve an annual operating levy increase of 3.5% for a period of 4 years to match the term of council).

Key Points:

TRCA has always taken a pragmatic approach to the apportionment by working with partner municipalities' staff and decision making bodies through their unique budget processes to determine what CVA/Non-CVA levy payments are financially sustainable from their perspectives.

TRCA has never levied an amount in excess of this limit, and it is not the organization's intention to start such a practice, however, in working around the City's budgetary constraints, the non-CVA levy has increased by almost 30x in the past 8 years.

In order to accommodate our partner municipalities budgets, TRCA has made sacrifices which negatively impacted its operational capacity during a time of substantial growth for the organization. Subsequent to the creation of TRCA's Corporate Services division in March 2018, these matters were brought to City staff through the budget process, with the explanation that the additional operational funding would be crucial to improving service delivery.

In assessing its corporate needs, TRCA has determined that an additional \$2,500,000 a year, approximately 2.5% of the organization's annual operating budget, in order to procure additional corporate service staffing, enhance technological capabilities and support modernization efforts. This could be achieved fairly for our partner municipalities through the strict enforcement of the CVA levy formula, which would lead to the elimination of the non-CVA levy component.

Questions/Answers:

Not applicable.

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