

Section III – Items for the Information of the Board

TO: Chair and Members of the Executive Committee
Meeting #11/19, Friday, February 07, 2020

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **2020 GENERAL AND CAPITAL LEVY UPDATE**

KEY ISSUE

An update on TRCA's preliminary 2020 General and Capital levies for informational purposes.

RECOMMENDATION

IT IS RECOMMENDED THAT the preliminary 2020 General and Capital Levy Update be received.

BACKGROUND

Preliminary levies are prepared each year for submission to Toronto and Region Conservation Authority's (TRCA) partner municipalities. Staff meet with partner municipality staff throughout the year, as required by the budget processes and schedules that are set out by each participating municipality. Presentations are made to partner municipality staff and their respective committees and councils, as required.

RATIONALE

TRCA has met all budget targets set out by partner municipalities, for proposed levies. The funding identified in the recommended apportionment of the levies reflects the amounts that TRCA's partner municipalities are in the process of approving in their 2020 budgets. Regions of Peel and York have approved TRCA's 2020 budget which includes minor reductions from TRCA's preliminary submissions. Contributions from the Region of Durham, and the City of Toronto (the City) have been received by the respective municipalities and are in the process of being reviewed and approved. A detailed 2020 TRCA budget document will be presented to the Board of Directors following all municipal council approvals and will reflect TRCA's comprehensive revenues and expenditures.

Transfer Payments

The provincial transfer payments to conservation authorities must be matched with Levy. The 2020 budget includes a provision for Ministry of Natural Resources and Forestry (MNRF) transfer payments at an amount equal to \$399,692.

Current Value Assessment (CVA) and Non-CVA Levy

CVA apportionment is based on the most available property assessment levels for each participating municipality. The raw CVA factors are then modified by regulation and provided to each conservation authority by MNRF, usually in the fall of each year. Due to varying assessment growth rates for each municipality there will occur minor changes in the annual allocations. Approximately 94% of TRCA's general levy is allocated using this approach. Approximately 3.5% of the levy is allocated using Authority policy with respect to property taxes, whereby the levy required to pay for taxes is charged back to the municipality where the property is located. The balance, or 2.5%, is an allocation based on "ability to pay" and is generally referred to as "non-CVA levy." This latter component is the adjustment to the levy that allows TRCA to meet varying annual levy guidelines from each partner municipality.

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Each of TRCA's partner municipalities has its own unique budget requirements and annual budgetary pressures. TRCA has met each of the individual partner municipality's requirements. The 2020 general levy anticipates a provision, approximately \$493,000 referred to as "Non-CVA Levy". The non-CVA levy adjusts the amount of the general levy that relates to maintenance costs that would otherwise be apportioned using CVA as the basis and allows TRCA to meet the unique funding guidelines of each participating partner municipality.

Due to budgetary constraints, the City has been challenged to increase its payments in proportion to the other partner municipalities in recent years. This has resulted in the City's under contribution against its 64.2% proportion and the need for TRCA to introduce a non-CVA levy, which represents the amount that TRCA's partner municipalities are paying in excess to the City of Toronto's ratio. The cost of addressing the existing funding imbalance would require the City of Toronto to consider additional funding of \$1.890 million between 2020 and 2022.

City staff anticipate that this may be resolved over the next three years as the matter is currently being considered through the City's budget process. All levy formulas may be impacted, in 2021 due to potential changes in the Conservation Authorities Act and associated regulations but the changes are still unknown. Unfortunately, due to pressures experienced by the City moving into 2020, the City has determined that they need to defer \$400,000 from 2020 to future years, resulting in the phasing approach outlined below:

2020	2021	2022	Total
243,159	727,500	727,500	\$1,698,159

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategy set forth in the TRCA 2013-2022 Strategic Plan:
Strategy 9 – Measure performance

FINANCIAL DETAILS

General Levy Budget Summary

After considering all the factors that affect the general levy, including tax and interest adjustments, year over year shifts in CVA and individual partner municipality targets, TRCA is anticipating total general levy funding in the amount estimated at \$15,000,000 representing an average increase over 2019 of 2.5%. Reduction targets, which were requested to accommodate property tax adjustments, were made from the Regions of Peel and York, after the preliminary levy was presented to the Board. The general levy will be allocated to the participating partner municipalities as follows:

Partner Municipality	2019 General Levy \$	Preliminary 2020 General Levy \$	Revised 2020 General Levy \$	2020 Reduction \$	Change Over 2019 %
Adjala-Tosorontio	885	906	906	-	2.4
Durham	581,850	596,000	596,000	-	2.4
Mono	1,480	1,670	1,670	-	12.8
Peel	1,917,000	1,980,000	1,920,355	(59,645)	0.2

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Toronto	8,908,335	8,984,109	9,227,253	243,144	3.6
York	3,418,630	3,515,000	3,458,490	(56,510)	1.2
TOTAL	14,828,180	15,077,685	15,204,674	126,989	2.5

The City of Toronto anticipates incorporating an additional contribution of approximately \$243,000 to the 2020 operating budget for TRCA's Administrative Office Building. This contribution was reduced by \$400,000 during the 2020 budget process; the City is aiming to repay the outstanding balance owed by 2022, thereby eliminating the future interest payments on their debt to TRCA

Capital Levy Budget Summary

The 2020 capital levy budget is set at \$48 million, approximately \$3.2 million higher than the 2019 capital levy budget. Minor reductions to the 2020 capital levy were made following requests from Durham Region and adjustments to the 2020 CVA allocations (which funded capital programs) for York and Peel regions:

Partner Municipality	2019 Capital Levy	Preliminary 2020 Capital Levy \$	Revised 2020 Capital Levy \$	2020 Reduction \$	Change Over 2019 %
Durham	1,060,000	1,176,000	1,076,000	100,000	1.5
Peel	16,740,000	17,121,500	17,118,500	3,000	2.2
Toronto	22,081,000	24,825,000	24,825,000	0	12*
York	4,898,000	5,004,000	4,992,000	12,000	1.9
TOTAL	44,779,000	48,126,500	48,011,500	115,000	7

*12% increase in 2020 Capital Funding is largely driven by waterfront park projects.

DETAILS OF WORK TO BE DONE

Staff will bring forward a detailed 2020 budget document following all municipal council approvals. As required by regulation, TRCA will provide 30 days' written notice to its partner municipalities of the date of the meeting at which the Board of Directors will consider the levy for approval.

TRCA will continue to work with partner municipalities, including lower tier municipalities, to undertake contract services/special projects wherein TRCA has significant, specialized expertise. These engagements may include, but are not limited to, erosion work, construction of trails, bridges and wetlands, and tree planting. TRCA anticipates that contract services will continue to be an important aspect of organizational financial sustainability and growth, as changes to the *Conservation Authorities Act* and associated regulations come forward.

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