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## City of Toronto 2000 budget information

### Backgrounder

February 21, 2000

### City of Toronto Outlines Action Plan to Offset Budget Shortfall

In order to sustain a zero property tax increase for residents, the City operating budget must remain at 1999 levels. Staff have worked to meet competing objectives, which included maintaining core services, enhancing services where possible, maintaining services to the most vulnerable and continuing to seek maximum savings from efficiencies. Provincial downloading pressures and agency spending have made this impossible without some hard decisions.

#### ***Options for Action***

The Chief Administrative Officer, Michael R. Garrett, proposed an action plan that included asking the province to reverse its recent downloading decisions; a review of the budgets of agencies, boards and commissions and further prioritization of City programs.

#### ***Background on Fiscal Pressures***

When the new City of Toronto was created on January 1, 1998, it was the recipient of the transfer of social housing and withdrawal of transit capital funding from the province. These responsibilities and the commitment by the new mayor to a zero per cent property tax increase in the three years of his mandate have made for a tight fiscal environment for the new City.

Savings from amalgamation have been achieved. By the end of 2000 more than \$301 million will have been saved, but those savings have been consumed by provincially downloaded responsibilities. The province has had to assist in offsetting the costs of downloading. Changes in the funding relationship with the province and increased demand for services have meant that downloading has not been revenue neutral.

Council is further constrained by a restricted tax base which limits any increases to the residential base. In this environment, a one per cent increase only raises \$9.4 million. By comparison, an increase on residential and commercial at the same rate would raise \$25 million.

#### ***Successes***

Despite pressures, there have been notable successes. Saving targets set by the City for amalgamation have been largely met. Quality of life has been maintained and in many ways improved. Enhanced services included an expanded litter program, improved snow clearing, more shelters, more ambulance services, more police services and more planners to meet the increasing demand of development. Innovations in service delivery and cost reductions across the City's six departments have occurred and continue.

Corporate objectives contained in the ***Status Report on***

**Amalgamation** of June 1999, include:

- continuing to strengthen the fiscal capacity of the Corporation without impacting negatively on property taxes
- addressing difficult choices with respect to core programs and service delivery options
- completing the harmonization of service levels and integration of operations
- further consolidating key corporate assets including yards, fleet and facilities
- negotiating first collective agreements and harmonizing compensation and benefit plans
- further streamlining selected agencies, boards and commissions

**Background**

The operating budget of the City of Toronto funds City departments, agencies, boards and commissions, which provide a wide range of services to residents and businesses. The services and programs include:

- fire, ambulance and police services,
- public transit, road and sidewalk maintenance,
- traffic control,
- social services and public health programs,
- children's services,
- homes for the aged,
- parks,
- recreation programs,
- garbage and recycling collection and disposal
- water and sewers,
- libraries,
- urban planning, and
- support for the arts and heritage.

The operating budget is funded through a combination of property taxes, provincial grants, program fees and other revenues. Property taxes account for just under half of budget revenues.

As a group, directly-controlled programs (DCPs), which account for 21 per cent of the operating budget and are directly operated by the City, reached their budget goal of a zero increase in 1999.

However, DCPs are only 21 per cent of the picture. Thirty-nine per cent of City services are now mandated by the province and another 29 per cent are agencies, boards and commissions (ABCs) such as the police, TTC, library, public health and the zoo. The remaining 11 per cent of the budget is primarily for capital financing.

New downloading from the province has significantly added to the City's operating costs and consumed savings from amalgamation. For example, changed revenue sharing in children's services has added significant costs. Additionally, the police budget is adding significant pressure to the operating budget.

This places the City in the situation of having to make some tough choices. The Chief Administrative Officer and the Chief Financial Officer and Treasurer are responsible for outlining the situation facing the City and recommending a range of options.

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