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City of Toronto 2002 budget information

Financial sustainability and City debt

"Sustainability is dependent on the City's ability to maintain programs without increasing debt or allowing physical or financial assets to deteriorate," said Budget Chair Councillor David Shiner. "Long-term solutions are required for the City to maintain reasonable debt levels based upon affordability and the protection of its credit rating," said the Councillor.

The City of Toronto will borrow \$161 million in 2002 to provide basic maintenance to the transit system infrastructure and maintain other needed maintenance to City assets.

Ontario municipalities can borrow money for capital (e.g. roads, bridges, equipment, facilities) purposes. Unlike the provincial or federal governments, cities cannot borrow to fund regular operations. Debt can only be used to pay for capital projects that are approved by City Council. Debt charges, consisting of payment of principal and interest, are funded from the operating budget and make up 10 per cent of the 2002 proposed operating budget.

The City of Toronto uses debt along with other methods of capital financing, such as contributions from current operations and reserves and reserve funds, to pay for the City's infrastructure requirements.

As of December 31, 2001 the City's total debt was forecasted to be \$1.5 billion gross (\$1.1 million net). This amount will double in five years unless capital expenditures are reduced and sustainable funding is established.

While the City has been able to use one time funding sources such as the OMERS pension contribution holiday, loans of \$200 million, asset sales of \$50 million, dedicated reserve funds and revenue from Toronto Hydro over the past few years to manage the cost of our capital program, this is clearly not sustainable.

The City will avail itself of all funding programs such as the provincial SuperBuild Fund and federal infrastructure initiatives in order to reduce this capital funding shortfall over the next few years. A permanent increase to available funding is the only way to avoid serious debt consequences for the City. In the absence of federal and provincial assistance to ensure a stable source of funding, major reductions in service and/or additional tax revenues may be necessary.