City of Toronto 2003 budget information

Questions and answers

Q. How did the City develop its 2003 Capital and Operating Budgets?

Capital Budget:

Three principles guided the creation of the $965M 2003 capital budget:

- capital programs must remain affordable and add no new debt (except TTC)
- minimize the impact of the capital budget on the operating budget
- current capital assets must be maintained in a state of good repair

However, at the current level of funding, the City can only undertake 70 per cent of the required state of good repair projects to maintain the City's infrastructure.

Infrastructure pressures in transit are the single biggest expenditures – $320M vs. 645M for all other City departments.

Operating Budget

The major change in the development of the City's operating budget was to base the 2003 proposed budget on 2002 actual expenditures and not the 2002 budgeted expenditures. 2002 service levels were protected wherever possible and any service cuts were minimized.

Departments, agencies, boards and commissions submitted a total of $261.7 million in new pressures for 2003.

The Executive Management Team (CAO and Commissioners) implemented efficiencies and continuous improvements, and made reductions of $66.8 million.

Prior to Standing Committee reviews, the TTC Commission worked to reduce the TTC budget pressure from $78 million to $30 million ($48 million was found through efficiencies including $21 million in revenue from a 10 cent fare increase).

The Budget Advisory Committee Chair also recommended the Toronto Police Services (TPS) budget be increased by only 4.5 per cent reducing the TPS request from $44 million to $26 million.

Using this approach, overall program pressures were reduced by $132.8 million, leaving an outstanding pressure of $128.9 million. A projected 3 per cent property tax increase reduces the City's shortfall to $95 million.

While departments submitted proposed budgets that absorbed most labour and cost of living increases and still remained at less than a 1 per cent increase over last year, three extraordinary pressures were beyond the City's control - the impact of closing the Keele Valley landfill site, transit operating costs and salary adjustments above 3 per cent for the three emergency services.

Q. Since the provincial contribution falls short of the City's $95M request, how will the City make up the difference?

The City has been working with the province for some time to address the budget shortfall. On February 20, 2003, the Premier announced $64 million in one-time assistance to the City of Toronto for the budget year 2003.

The province has recognized the unique needs of Toronto. More importantly the province has acknowledged the need to secure a long-term understanding about what tools large municipalities need to sustain their standard of living and compete in the 21st century. Both announcements are welcomed by the City.

During Standing Committee reviews, the Budget Advisory Committee identified an additional $9M in savings. The City is using one-time solutions to fund the remaining shortfall, with the expectation that by this time next year, the City and the province will have put new long-term funding arrangements into place.

The one-time funding of $64 million in provincial assistance, along with the City's decision to use one-time funding of $19.9 million from the 2002 surplus and apply a portion of the Hydro rate freeze to make up the remainder, will not be sustainable for next year.

If these one-time funding sources are not replaced, it will result in basic service cuts next year.

Since amalgamation the City has had to rely on these one-time solutions to fund on-going financial challenges. Unless the City and the province have a new, long-term, sustainable funding arrangement in place, this approach only defer cuts until next year.

Q. How does Toronto compare to other municipalities?

When compared to other Ontario municipalities, Toronto compares well, operating efficiently and effectively in delivering services to residents and businesses.

Toronto's results under the provincially-mandated Municipal Performance Measurement Program can be summarized as follows:

Result	Number of Measures
Toronto achieved the maximum possible result	4
Toronto had the top result of the Ontario municipalities included in the analysis	3
Toronto was within the top quartile (25%) of the municipalities included in the analysis	3
Toronto's result was better than the municipal average	8
Toronto's result was slightly less favourable than, but within 5% of the municipal average	4
Toronto was within the third quartile of municipalities with a result less favourable than the municipal average	2
Toronto was within the bottom quartile of municipalities	4

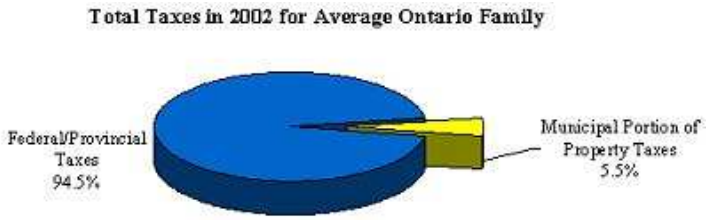
Total number of measures	28

In 64 per cent of the performance measures reported under the provincially-mandated Municipal Performance Measurement Program (MPMP), Toronto rated better than the municipal average.

For example, in 2001, Toronto:

- Managed the largest drinking water treatment system in Canada at the lowest cost per mega- litre of any municipality, and at the same time, had a perfect record for water quality with standards above those required in provincial regulations
- Was below the municipal average cost per tonne for solid waste management which includes waste collection, transfer and disposal as well as recycling and other waste diversion activities
- Kept governance and corporate management costs low - with only 2.3 per cent of total operating costs going to this area; Toronto is well below the municipal average
- Provided a multi-modal transit system with the lowest cost per trip and highest utilization of Public transit per person in the province.

Q. Do Toronto's citizens get value for their municipal tax dollar?



- How your tax dollars will work for you in 2003

The average Ontario family pays 94.5 per cent of all their tax dollars to the provincial and federal government. For the remaining 5.5 per cent paid in municipal taxes, City of Toronto residents receive many key services affecting their daily lives. These include: waste collection and recycling, libraries, public transit, parks and recreation, police, fire and paramedic service, social services.

Q. Wasn't amalgamation supposed to save money?

Yes. Amalgamation saved the City of Toronto $153 million per year. However, these savings were then used to pay for programs downloaded to the City by the province.

It must be recognized that only 27 per cent of the new City's gross expenditures were in amalgamating programs. The City's largest programs such as Police, TTC and social programs were already amalgamated.

Amalgamation did save money with the following reductions in amalgamating programs:

- Saved $153 million per year or 9 per cent of gross expenditures
- Reduced staffing by over 9 per cent
- Executive management positions were reduced (to Director level) by 60 per cent
- Management positions (to Supervisor level) were reduced by 34 per cent
- The number of departments was reduced by 88 per cent
- The number of divisions was reduced by 82 per cent
- Office space was reduced by 8.3 per cent or 143,000 sq. ft.

Q. Why has the City increased staffing by a total of 826 positions when amalgamation was supposed to lead to reduced staffing?

From 1998 to 2002, more than 2,700 positions were eliminated through amalgamation and other efficiencies. During the same period, approximately 3,600 staff have been added to:

1. improve service in programs that were already amalgamated, e.g. Police and TTC
2. to provide service in programs that have been downloaded by the province, are provincially required or cost shared, e.g. Court Services, Social Services to enhance services in other programs approved by Toronto City Council, e.g. Parks and Recreation

Specific examples include:

- Court Services - 196 positions added through downloading
- Shelter Housing and Support - more than 200 positions added for hostels
- Social Services - 151 positions added due to downloading by the province
- Police - a net of 413 positions added to return to the service to former staffing levels
- TTC - a net of 711 positions added for service improvements and the Sheppard Subway
- Fire - 125 staff added to respond to service requirements
- Public Health - 446 positions added to improve service
- Parks and Recreation - 176 positions added for programming in new facilities and other service enhancements

Change in Approved Positions by Time Period	All City Programs		
	Amalgamation Period 1998, 1999 & 2000	Post-Amalgamation Period 2001 & 2002	Five-Year Period 1998 through 2002
Amalgamating Programs (e.g. corporate services, finance, works and emergency services (except EMS) urban development, economic development, culture and tourism, public health, library, Toronto housing)			
Increases	212	218	430
· Prov. Mandated/Cost Shared	154	491	645
	-	-	-
· Council Directed	(2,023)	(556)	(2,579)
Decreases			
Net Increase (Decrease)	(1,657)	153	(1,504)

Previously Amalgamated Programs (community and neighbourhood services, EMS, police, TTC, ABC's) Increases			
· Prov. Mandated/Cost Shared	486	612	1,098
· Council Directed	782	631	1,413
Decreases	-	-	-
Net Increase (Decrease)	(90)	(91)	(181)
	-	-	-
	1,178	1,152	2,330
All City Programs Increases			
· Prov. Mandated/Cost Shared	698	830	1,528
· Council Directed	936	1,122	2,058
Decreases	-	-	-
Net Increase (Decrease)	(2,113)	(647)	(2,760)
			-
	(479)	1,305	826

These figures indicate for the five-year period of 1998 through 2002 that:

- Reductions in staffing of amalgamating programs over the first five years of the new City were significant. However they were more than offset by staff increases in previously amalgamated programs resulting in an overall net increase in staffing of 826 positions.
- There was a net decrease in amalgamating programs of 1,504 positions
- Amalgamating programs have not replaced those positions originally downsized. New positions added in these programs were for service enhancements directed by Council in areas such as Fire, Parks and Recreation and Public Health.
- Previously amalgamated programs were the primary area of growth for the new City with a net increase of over 2,330 positions for the five years.

For 2003 the recommended budget includes a total increase of 31 staff for City Departments - bringing the total number of approved positions to 23,825.

In addition, the 2003 recommended budget includes an increase of 144 positions within Agencies, Boards and Commissions (ABC) bringing the total number of approved positions within ABC's to 23,298. The increases to ABC's include 116 new positions in the Toronto Transit Commission and 37 new positions in the Toronto Police Service.

Q. How do credit rating agencies view Toronto?

Moody's Investors Service in November 2002 upgraded Toronto's credit

rating from Aa2 to Aa1. Highlights of the report noted:

- that the stable rating reflects City management's commitment to maintaining fiscal discipline;
- that maintaining fiscal discipline along with municipal infrastructure support from the higher levels of government could favourably impact the City's credit rating in the medium term;
- that Moody's recognizes that the recent provincial decision to re-assume the financial responsibility for the operation and maintenance of GO Transit is a step in that direction and thereby has provided some immediate relief to the City's operating and capital budgets;
- the importance of accessing a new revenue source to lessen municipal reliance on property taxes and provide more flexibility in budgeting.

Standard and Poors Ratings Services reaffirmed Toronto's AA credit rating in January 2003. Their report noted:

- that Toronto has a stable outlook supported by, "Toronto's powerful, diverse and growing economy; moderate but increasing debt burden and solid cash and investment balances."
- that in the absence of additional funding from senior levels of government, the failure to implement measures that will increase fiscal flexibility and bring sustainable improvements to the City's operating performances in the middle term and beyond could result in an outlook or ratings revision.

Q. Why aren't the City's revenues sufficient to fund City programs and services?

In recent years the Toronto economy has thrived and contributed significantly to the increased revenues that other levels of government have experienced from the various forms of income and consumption-based taxation at their disposal. From 1992 to 2001, provincial and federal revenues increased by 55 per cent and 50 per cent respectively, in large part solving their deficit issues.

On the other hand, the City of Toronto's only source of taxation revenues is property taxes, which only increased by 14.5 per cent from 1992 to 2001 in an environment where there was 20.6 per cent inflation. Provincial and federal revenue from income and sales taxes grows automatically as the economy expands and/or inflation increases. Revenue to the City from property taxes does not increase with inflation, while the cost of delivering services rises with inflation and other pressures.

Consequently, the municipal level of government has not had the opportunity to benefit from Toronto's thriving economy despite the billions of tax outflows generated from the City every year.

Comparatively, American cities have many more financial tools at their disposal such as sales taxes, income taxes and much larger amounts of federal government funding.

In 2003, the City of Toronto faces three extraordinary pressures affecting the operating budget, transit operating costs, the closing of the Keele Valley landfill site and salary settlements and arbitration awards above 3 per cent for the City's three emergency services.

In most Ontario municipalities, property tax increases are spread across the total tax base. Homeowners and businesses (commercial/industrial and multi-residential) pay equal shares of any tax increase. However, in Toronto only homeowners carry the full burden of any tax increase. This is a result of provincial legislation (Bill 140) that decreed taxes could not be increased on two-thirds of the City's tax base, representing commercial, industrial and multi-residential classes because the province deemed these rates to be too high.

A 1 per cent tax increase on residential property produces $10.7 million in revenue. Because the commercial/industrial and multi-residential sector is exempt from increases, the City must impose a 3 per cent increase on homeowners to raise $32.1 million instead of a 1.1 per cent tax increase on all taxpayers, including the commercial/industrial and multi-residential sector, to raise the same amount of revenue.

The 2003 recommended property tax increase of 3 per cent would be reduced to 1.1 per cent, less than the rate of inflation, if the City had the ability to spread tax increases across the total tax base. This increase would also be far lower than other GTA municipalities as illustrated in the table below.

Proposed 2003 Taxation Levels for Toronto and GTA municipalities:

Toronto and Hamilton are the largest local municipalities affected by the restrictions of Bill 140.

In the GTA region, property tax increases are a combination of the regional and local municipal increase. For example, homeowners in Mississauga pay taxes to both the City of Mississauga and Peel Region. In 2003, Mississauga, Burlington and Richmond Hill are projected to receive a property tax increase in excess of 3 per cent.

Municipality	Budget Increase	Assessment Growth (Note1)	C & I Tax Increase (Note 2)	Residential Tax Increase	Tax Increase on Total Tax Base (Note 3)
Toronto	1.35%	0.24%	0.00%	3.00%	1.11%
Hamilton	4.50%	1.00%	0.00%	5.90%	3.50%
Peel Region	5.70%	3.10%	2.60%	2.60%	2.60%
Mississauga		2.80%			3.80%
York Region					5.70%
Richmond Hill	5.02%	3.50%			1.52%
Halton Region	5.25%	3.25%		2.00%	2.00%
Burlington					5.00%

Note 1: Assessment growth is the rate by which the total number of properties upon which taxes are assessed will increase during the year. Toronto's assessment growth is low when compared to other GTA municipalities.

Note 2: Projected commercial / industrial tax increase is the size of the increase to commercial industrial taxpayers. Provincial law does permit Toronto to impose tax increases on this sector and forces all tax increases to be paid by homeowners.

Note 3: Tax Increase on Total Tax Base - this is the size of the tax increase that would take place if a municipality has access to the full tax base.

Toronto's increase would be only slightly more than 1 per cent if the tax increase could be shared by all taxpayers.

Q. If the City's budget is under pressure why does the City continue to give grants to outside groups?

Funding community groups and agencies, to provide or assist in the delivery of programs and services, saves the City money. With the majority of grant funding going directly to providing services to residents, the City leverages the involvement of partners, volunteers and the experience of the community to deliver services that would not otherwise be possible or would require greater funding if provided directly by the City. Making the most of community experience and volunteers ensures these valuable community services are provided to those most in need. As part of the grants review process, measures to increase the accountability of those receiving grants ensures that funded organizations operate in a manner aligned with City objectives. The City also continues to co-ordinate the assistance it provides to community groups with other levels of government to ensure City dollars go where they can be of the most benefit.

Service agreements with organizations that are funded by the City provide the terms for how grant funding is utilized and the type of reporting that is required.

The total 2003 recommended Consolidated Grants budget is $34.6 million.

The City provides grants for many organizations with a variety of goals. Some of the programs funded last year included:

- Centres for Senior Citizens
- Organizations for Youth
- Lifeskills centres
- Welcome Babies programs
- Boys and Girls Clubs
- Services for low-income/unemployed young people
- Business Improvement Associations
- Major cultural organizations like the Toronto Symphony and Opera
- Harbourfront
- Numerous arts organizations across the city
- Drug and violence prevention programs
- AIDS education and prevention programs

Q. Why doesn't the City sell surplus assets like Metro Hall to make up for the budget shortfall?

Since 1998, the City has generated more than $138 million through the selling of more than 220 surplus properties. The City has reduced office space by over 160,000 square feet. Selling property that houses staff providing services to make up shortfalls in an operating budget does not solve any problems, in fact it creates them. If the City was to sell Metro Hall the City would require space for the more than 2,300 staff that now work in Metro Hall to continue providing services. The City would have to pay for this space either through leasing new space or purchasing another office building. The City requires an on-going sustainable source of funding upon which it can rely to deliver services. One-time sources of funding will not solve long term financial challenges. The City actively reviews its portfolio of properties and will continue to seek the sale of any property that Council deems is surplus.

As of November 26, 2002, the City owned approximately 5,023 properties. As of November 26, 2002, 172 properties remained on the surplus property list and the sale of these properties is actively being sought.