



## CITY COUNCIL

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## City of Toronto 2003 budget information

### Toronto's Fiscal Pressures

During the budget process, Council must make some difficult decisions as it sets overall priorities for the City. In 2003, the focus remains on finding greater efficiencies and cost savings, and setting service priorities, service levels and performance measures that track productivity and promote accountability.

The City of Toronto faces extraordinary pressures affecting the operating budget. The proposed budget maintains 2002 service levels wherever possible while absorbing the pressures anticipated within 2003. There are three key budget pressures in 2003: transit operating costs; the closing of the Keele Valley landfill site; and salary settlements and arbitration awards above three per cent for the City's three emergency services - police, fire and emergency medical services.

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

The 2003 recommended property tax increase of three per cent would be reduced to 1.1%, less than the rate of inflation, if the City had the ability to spread tax increases across the total tax base. As the City has access to only one-third of the tax base, the impact of any proposed increase is tripled.

Other cities in the United States and Europe have an array of financial arrangements including a portion of the sales tax and income tax as well as programs to draw on. However, the City receives only 5.1 per cent of the total taxes paid by an average Toronto family - the provincial and federal governments receive 94.9 per cent. In addition, the province's Bill 140 restricts municipalities' tax increases to single family dwellings where in Toronto a one per cent tax increase produces only \$10 million dollars in revenue.

The City is engaged in productive discussions with the province to seek assistance in offsetting some of the extraordinary operating budget pressures in 2003.

Council began examining the 2003 City Budget on December 3, 2002 and Standing Committee reviews began the week of December 9. Final approval of the capital and operating budgets by Council is scheduled for February 24-28, 2003.