

# **A Report to the Residents of Toronto on the City of Toronto's 2004 Performance**

## **September 30, 2005**

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This summary is intended to provide background information on the different types and amounts of taxes an average family will pay to all three levels of governments in 2005 and the services provided for their municipal tax dollars. It includes information on the performance of the City of Toronto including 2004 results under the Municipal Performance Measurement Program (MPMP).

### **Context**

The primary goal of all three levels of government, federal, provincial and municipal is to provide or fund public services that are critical in the day to day lives of citizens and to deliver these services in an efficient and effective manner. In order for citizens to assess the value they are receiving for their tax dollar, it is important to have a general understanding of:

- how much and what different types of taxes they pay over the course of a year
- what level of government these taxes are paid to and in what proportions
- how these tax dollars are used by each of the three levels of government

### **How Much and What Types of Taxes Will an Ontario Family Pay in 2005**

Families pay taxes regularly throughout the year in many different forms. Some taxes such as income tax, employment insurance and Canada Pension Plan premiums are deducted directly from gross salaries. Other consumption-based taxes like GST and PST are paid at the point of purchase and can amount to 15% of the purchase price while others such as gasoline, liquor and tobacco taxes are embedded in the purchase price and as a result are not always evident. Property tax is based on a percentage of the assessed value of land and buildings, with two thirds of the bill utilized for municipal purposes and the remainder for educational purposes. Property tax is also highly visible and is the only form of tax where taxpayers receive a bill they are required to pay usually through a cheque or pre-authorized bank withdrawal.

In recent years, the Toronto economy has thrived and contributed significantly to the large increases in total revenues that the provincial and federal levels of government have realized from the various forms of income and consumption-based taxation at their disposal. As incomes, prices and consumer purchase volumes rise in Toronto and elsewhere in the country, so do provincial and federal income and sales taxes and these increased revenues in large part have helped to address their deficit issues.

On the other hand, the City of Toronto's only source of taxation revenue is property tax, which does not increase with inflation and is unrelated to the levels of incomes or purchases in the City. Consequently, the municipal level of government has not benefited to the same extent from Toronto's thriving economy.

Charts 1 and 2 below provide summaries based on the work of the Fraser Institute, the types and amounts of all taxes paid by an average Ontario family with two or more individuals. In 2005, it is estimated an average family with a total income of \$83,265 will pay approximately \$38,837 in total taxes to all levels of government. Of this amount, only \$2,130 or 5.5% of the total taxes paid is for municipal property tax, which as noted earlier, is the only form of taxation available to municipalities in Ontario. (In Toronto this \$2,130 in 2005 municipal property taxes is generated from a home with an assessed value of \$348,750).

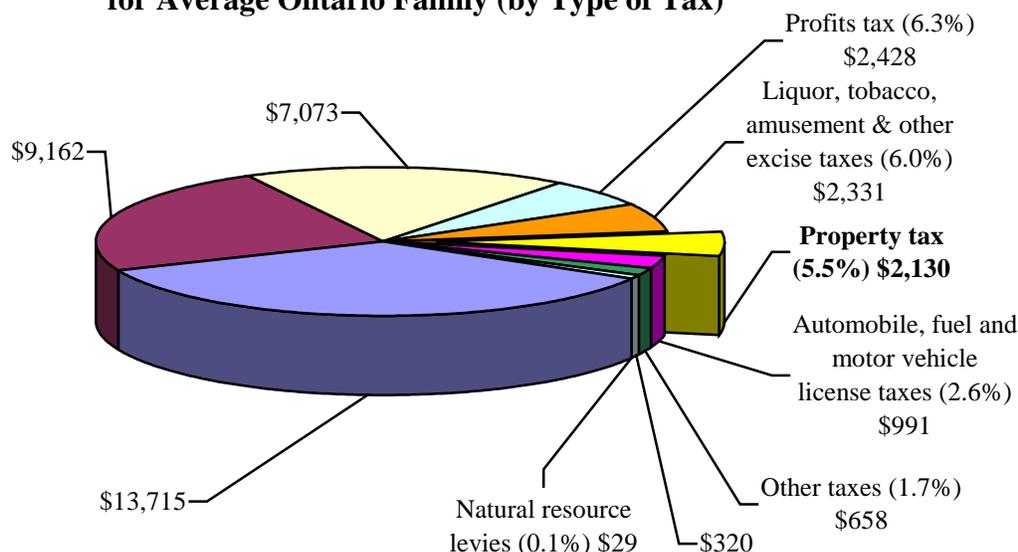
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**Chart 1**  
**Total Taxes Paid in 2005**  
(for an Avg. Ontario Family with Two or More Individuals and a Cash Income of \$83,265)

Applicable Tax	Taxes Paid \$	Applicable Tax as % of Total Taxes	Applicable Tax as % of Total Cash Income of \$83,265
<b>Cash income</b>	83,265	n/a	n/a
<b>Applicable Taxes</b>			
Income tax	13,715	35.3%	16.5%
Social security, pension, medical and hospital taxes	9,162	23.6%	11.0%
Sales taxes	7,073	18.2%	8.5%
Profits tax	2,428	6.3%	2.9%
Liquor, tobacco, amusement & other excise taxes	2,331	6.0%	2.8%
<b>Property tax</b>	<b>2,130</b>	<b>5.5%</b>	<b>2.6%</b>
Automobile, fuel and motor vehicle license taxes	991	2.6%	1.2%
Other taxes	658	1.7%	0.8%
Import duties	320	0.8%	0.4%
Natural resource levies	29	0.1%	0.0%
<b>Total taxes</b>	<b>38,837</b>	<b>100.0%</b>	<b>46.6%</b>
<b>Cash Income after taxes</b>	<b>44,428</b>	<b>n/a</b>	<b>n/a</b>

Source: The Fraser Institute, June 24, 2005

**Chart 2**  
**Total Taxes Paid (\$38,837) in 2005**  
**for Average Ontario Family (by Type of Tax)**



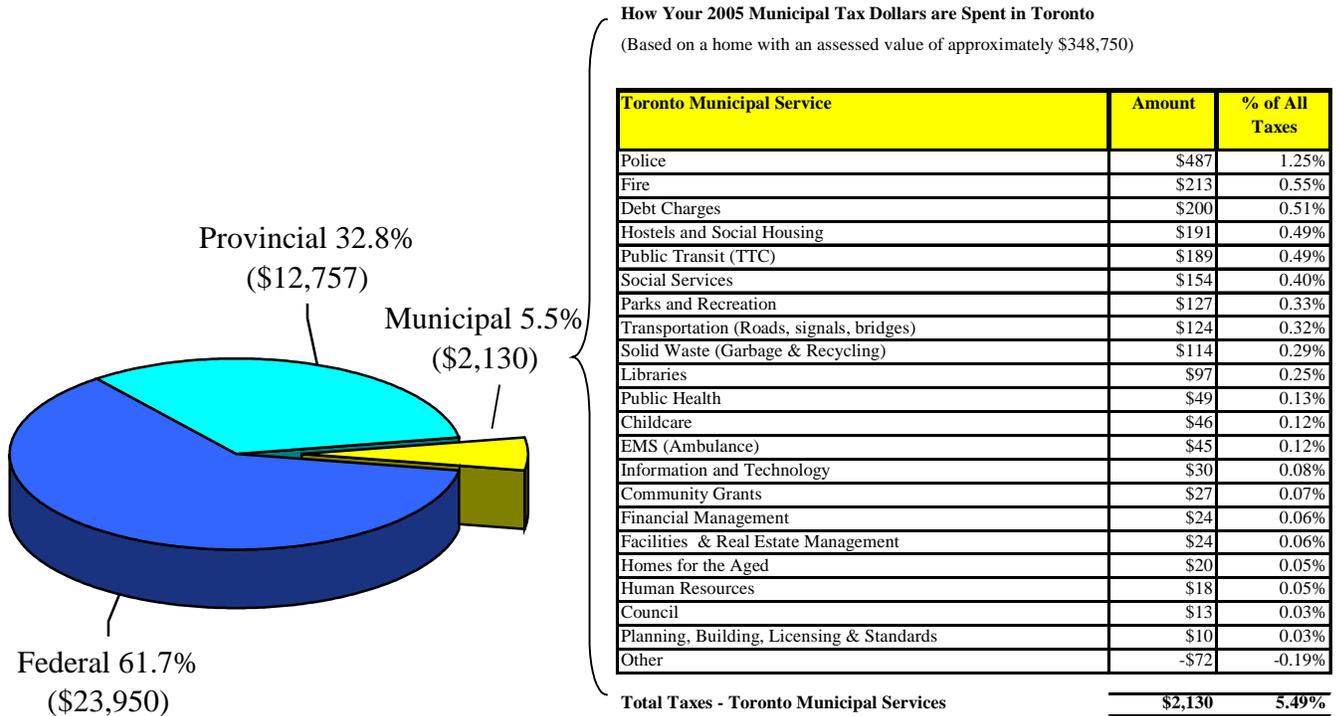
Source: The Fraser Institute, June 24, 2005

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**To What Level of Government do These Tax Dollars Go To**

Chart 3, below, takes the information on the various types and amounts of taxes reflected in charts 1 and 2 and categorizes it according to what level of government receives it.

**Chart 3  
Total Taxes Paid (\$38,837) in 2005  
by Average Ontario Family (by Level of Government)**



Source: The Fraser Institute, June 24, 2005 & Toronto Finance Department

Note: The average home in Toronto has an assessed value of \$330,700. To conform with the property tax figures used in the Fraser Institute's work, the figures for Toronto's municipal services above, have been based on a home assessed at \$348,750.

As can be seen, municipalities receive by far the lowest portion of an average family’s total taxes at 5.5% or \$2,130 of the \$38,837 in taxes paid to all levels of government.

**How Your Municipal Tax Dollars are Used in the City of Toronto**

Chart 3 above, also illustrates the cost of the various municipal services that are provided to citizens in Toronto for the \$2,130 in municipal property taxes. Upon review of this data, it becomes apparent that Toronto’s revenue sources are not commensurate with its responsibility for delivery of such a wide variety of critical services to its citizens. This disparity is not sustainable.

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## **The Contribution Toronto's Economy Makes to Ontario and Canada**

The Federation of Canadian Municipalities, the Association of Municipalities of Ontario, the Toronto Dominion Bank, the Toronto Board of Trade, as well as the City of Toronto have all recognized the need for new tools and a new deal with the other orders of government in order for large municipalities to remain successful in the 21st century. Toronto is the key economic engine of Ontario with an estimated Gross Domestic Product (GDP) of \$98 billion (2001) which alone contributes one fifth of Ontario's GDP and one-tenth of Canada's GDP. This contribution is contrasted against the findings of research done by the Toronto Board of Trade in June 2002 which estimated that, based on 2000 data, the federal and provincial governments collected \$7.6 billion and \$1.4 billion respectively (\$9 billion in total) more in taxes each year from Toronto than they spent or invested in the City. Toronto's economic engine must be maintained and fueled so that it can continue to prosper in the future.

## **The Municipal Performance Measurement Program (MPMP)**

The Province of Ontario introduced the Municipal Performance Measurement Program (MPMP) in 2000 with the purpose of "enhancing accountability" in the municipal sector. Additional provincial objectives for MPMP are to improve service delivery, share best practices within and among municipalities and to increase taxpayer awareness.

This program requires mandatory reporting by all Ontario municipalities, of 2004 MPMP results to the Ministry of Municipal Affairs & Housing by May 31st and to taxpayers by September 30<sup>th</sup> of the following year. Since the original introduction of the program in 2000, the program has been expanded from sixteen performance measures, to forty-six (forty-three of which are applicable to Toronto) for the 2004 reporting year.

The twelve service areas currently included under MPMP are listed below, however, they only cover a portion of the municipal services provided by Toronto.

1. Local Government
2. Fire
3. Police
4. Roads
5. Public Transit
6. Wastewater
7. Stormwater
8. Water
9. Solid Waste
10. Land-Use Planning
11. Parks and Recreation (added in 2004)
12. Libraries (added in 2004)

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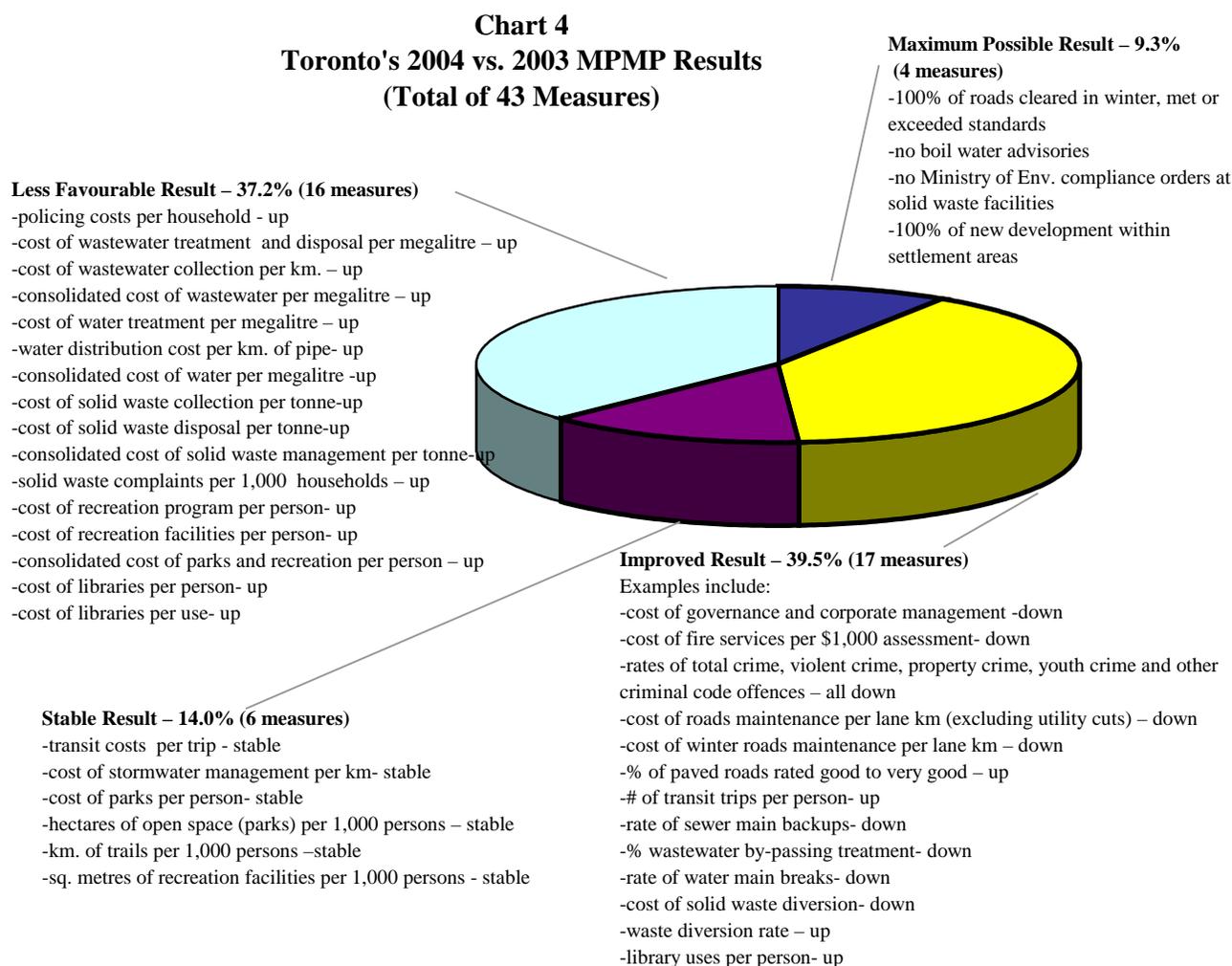
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There are two ways to evaluate the City's performance using MPMP results:

- Internally through comparing the city's own year over year results
- Externally by comparing Toronto's results with the trends of other Ontario municipalities while taking into consideration factors unique to Toronto that influence the City's results

### Toronto's 2004 MPMP Results Versus 2003

Of the 43 measures in the MPMP applicable to Toronto, approximately 63% have results in 2004, that are either the highest possible result, an improved result or a stable result relative to 2003. These results are summarized in Chart 4 below.

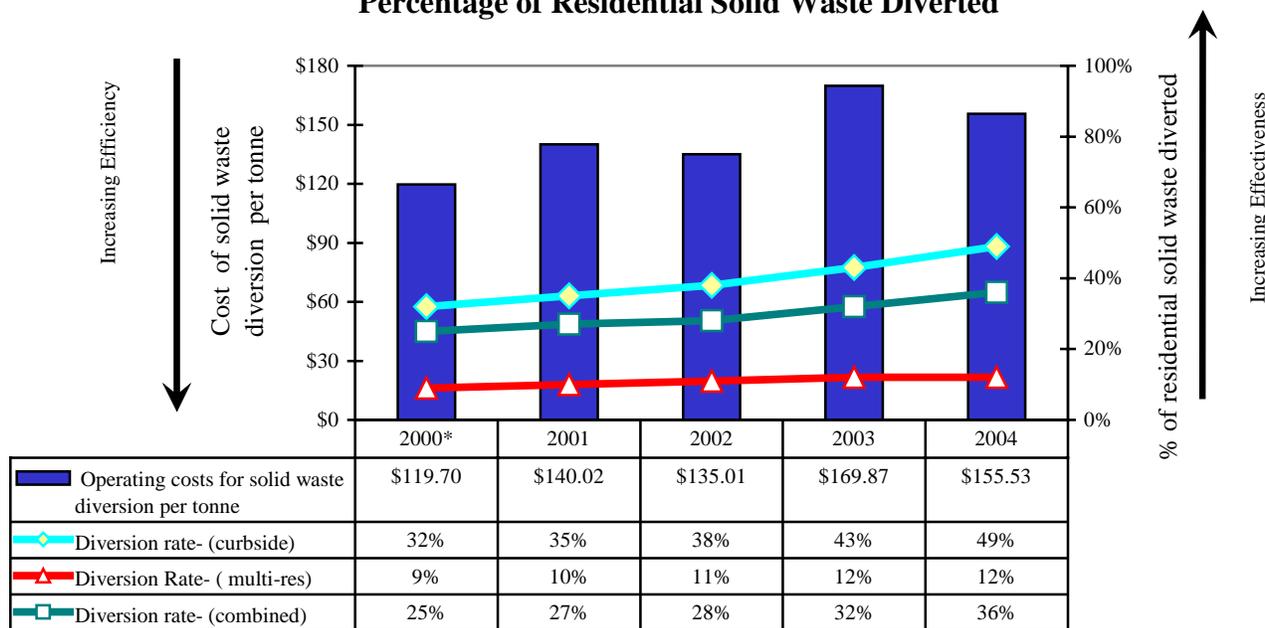


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With this year's MPMP results we now have sufficient data to examine Toronto's five-year trends covering the period 2000 through to 2004. Chart 5 below, shows an example from Appendix B of the June 27, 2005 report noted below, that has been prepared to highlight changes in MPMP results over this five-year period in each of the key program areas.

**Chart 5**  
**City of Toronto's Five-Year MPMP Results – 2000 through 2004**  
**Operating Cost of Solid Waste Diversion per Tonne and**  
**Percentage of Residential Solid Waste Diverted**



\* The 2000 cost per tonne figure has been restated to remove unfunded liabilities so that it is comparable to subsequent years.

Toronto's 2004 MPMP results are available in either a summary or detailed version.

- The [Summary Version of Toronto's 2004 MPMP Results](#) is 55 pages in length and includes, for each of the measures reported, a one page background of the key factors that influence Toronto's results relative to other municipalities.
- A more detailed June 27, 2005 report "[The Provincial Requirement to Report 2004 Results Under the Municipal Performance Measurement Program \(MPMP\)](#)", is 134 pages in length and includes full explanations for all of the major factors influencing Toronto's results. In addition to the main report it includes:
  - [Appendix A](#) - Municipal Performance Measurement Program (MPMP) - Summary of Toronto's 2004 versus 2003 Results
  - [Appendix B](#) - City of Toronto's Five-Year MPMP Results - 2000 through 2004
  - [Appendix C](#) - Detailed Narratives Supporting Toronto's 2004 Municipal Performance Measurement Program (MPMP) Results, which includes full explanations for all of the major factors influencing Toronto's results.

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### ***Toronto's 2003 MPMP Results Versus Other Municipalities***

Making meaningful comparisons of performance measurement results from one municipality to another is a complex process. Each municipality in Ontario has its own unique factors that must be taken into consideration when examining and comparing performance measurement results. These factors impact each municipality differently and include:

- Services provided in some regions by a single tier of municipal government versus two tiers in other regions. For some measures it may be necessary to combine both regional and local results in comparisons with Toronto.
- Different service levels and standards.
- Differences in the age of infrastructure and the intensity of use of that infrastructure.
- Different socio-demographic composition and related service needs.
- Different urban and rural forms and the related impact on services.
- Different financial policies such as the dollar threshold established for capital expenditures.

Without a clear understanding of these environmental and policy factors unique to each municipality, premature conclusions about performance measurement comparisons could be made out of context. For example, if municipality A has a better performance measurement result it does not necessarily mean that it is more efficient. It may have a lower service level or standard than other municipalities or a different urban form that influences its result.

Toronto is also unique among Ontario municipalities because of its size and its role as the centre of business, culture, entertainment, sporting and provincial and international governance activities in the Greater Toronto Area. Approximately 18 million tourists visit Toronto each year and there is a daily influx of 286,900 vehicles and 351,300 persons from surrounding regions into Toronto during the morning rush hours. All of these factors pose special demands on Toronto's municipal services and are outlined in Toronto's detailed MPMP report for 2003.

The January 12, 2005 report entitled, [Toronto's 2003 Results under the Municipal Performance Measurement Program \(MPMP\) Relative to Other Ontario Municipalities](#), provides results for each of the thirty-three MPMP measures as well as the major factors influencing Toronto's results in relation to other municipalities. A similar report examining 2004 MPMP results is expected to be completed by the end of 2005.

Despite some of the limitations noted above in comparing MPMP results, it is felt that these comparisons are important to gain a greater understanding of Toronto's performance. To do this comparison 2003 MPMP results were obtained from forty-eight of the larger regional, local and single tier municipalities in the Greater Toronto Area and the province. In total 54.6% of Toronto's MPMP results were better than the municipal average as summarized in chart 6 below.

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**Chart 6**  
**Toronto's 2003 MPMP Results Versus Other Ontario Municipalities**  
**(33 Measures)**

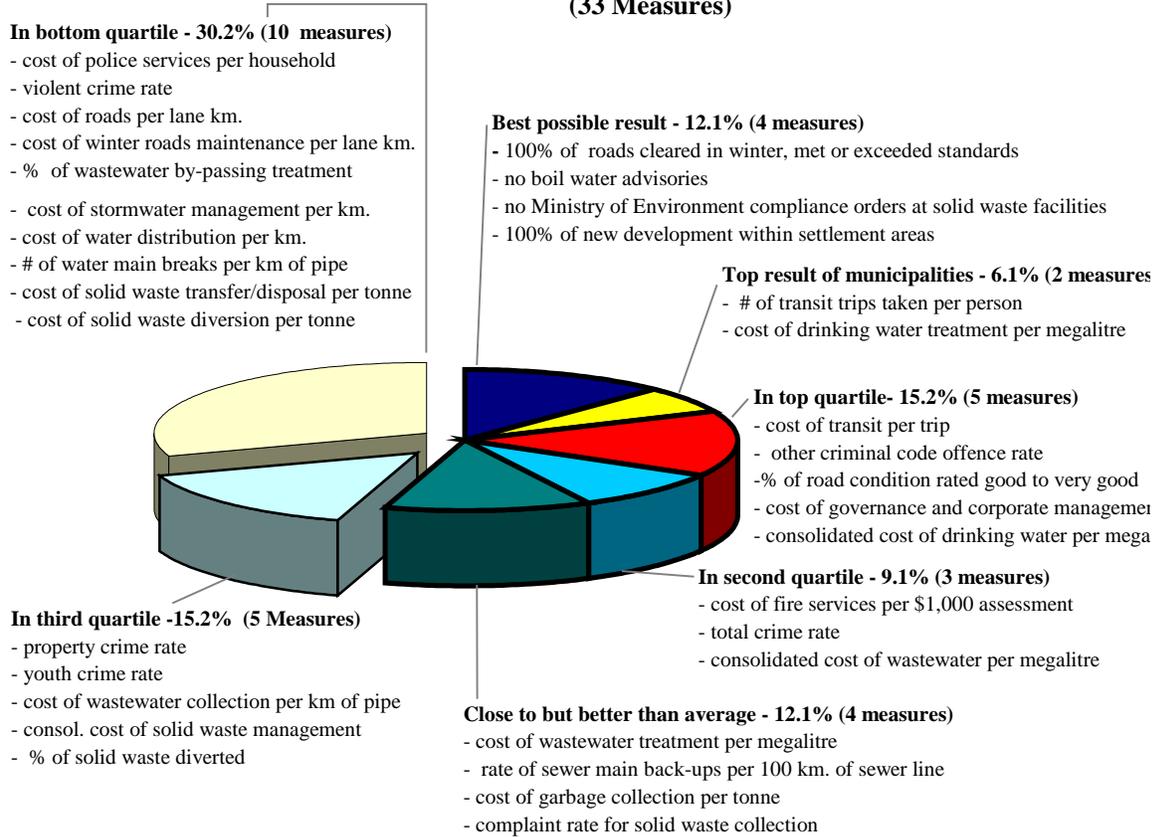
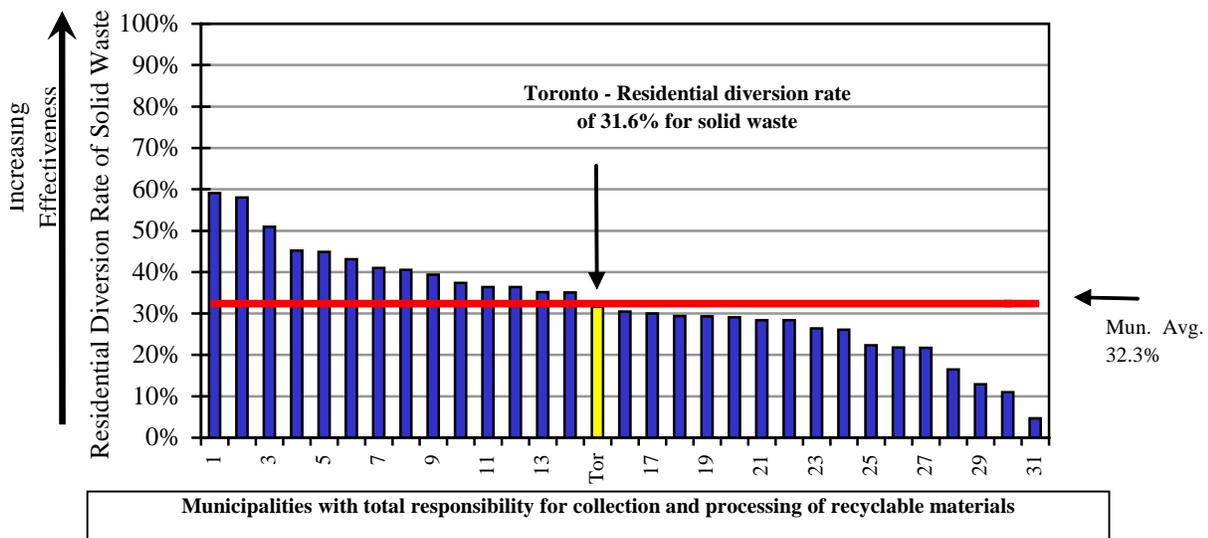


Chart 7 below provides an example from the report showing the percentage of solid waste diversion in Toronto relative to other Ontario municipalities.

**Chart 7**  
**MPMP - Percentage of Residential Solid Waste**  
**Diverted from Disposal in 2003**



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## **Other Methods of Assessing Toronto's Performance**

MPMP is not the only way to demonstrate municipal accountability but rather one addition to an already complex and thorough accountability framework. In examining municipal performance, all aspects of service delivery must be considered. These include efficiency, customer service, quality and the impact our programs are having on communities. Toronto as well as other Ontario municipalities have been using performance measurement for many years. In the 2005 operating budget of the City of Toronto, over 800 performance measures were included.

Performance also can't be evaluated solely on quantitative factors. Achievements, accomplishments and completion of initiatives are equally important factors that must also be considered. An example of this are the 9 awards in 2004 and 25 awards in 2005, that were received for initiatives of the City of Toronto at the Public Sector Quality Fair (PSQF) which showcases service quality excellence in government, health-care and education sectors across Ontario. A description of these award winning initiatives can be found at [http://www.toronto.ca/city\\_manager/psqf/2005\\_winners.htm](http://www.toronto.ca/city_manager/psqf/2005_winners.htm)

## **Working with Other Municipalities**

For a number of years the City has been an active participant in the Ontario Municipal CAOs Benchmarking Initiative (OMBI). This initiative includes the Regional Municipalities of Peel, Durham, York, Halton, Waterloo, and Niagara and the Cities of Toronto, London, Ottawa, Hamilton, Sudbury, Kingston and Thunder Bay and represents approximately 80 per cent of Ontario residents.

The purpose of this initiative is to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results, in order to identify best practices of service efficiency and quality in participating municipalities. OMBI expert panels have been established in a number of different service areas and are examining performance at the service and activity levels, as opposed to MPMP, which has established broad performance measures at the much higher program level. The work undertaken by these expert panels will be a key source of information for the Ontario Centre for Municipal Best Practices (OCMBP), discussed below, given that best practices are most likely to be identified through examination of operations at the more detailed service and activity levels.

The Ontario Centre for Municipal Best Practices (OCMBP) was established in June 2002, and is a collaborative effort between the Province, the Association of Municipalities of Ontario (AMO) and other key stakeholders from the municipal sector in Ontario.

Using the results of OMBI, MPMP and other data sources, the Centre is responsible for reviewing this data, identifying "best practice" municipalities, performing due diligence reviews, and drafting reports on best practices. The best practice results are then communicated to municipalities offering guidance for municipal practitioners in support of continuous improvement in municipal service delivery. Close to forty best practices have been identified and published to date, which are available on the OCMBP web site at [http://www.amo.on.ca//AM/Template.cfm?Section=About\\_Us4](http://www.amo.on.ca//AM/Template.cfm?Section=About_Us4)

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### **Citizen Expectations and Thoughts About Government Service**

Citizens First 3 (<http://iccs-isac.org/eng/cf-02.htm>), released by the Institute for Citizen Centered Service in January 2003, was based on the results of questions asked in 2002 of a representative sample of 9,000 Canadians in every province and territory. It provides comprehensive information on how citizens and clients perceive the services they receive from governments at the municipal, provincial/ territorial, and federal levels. Some of its main findings are:

- Citizens recognize that governments have a more difficult job than the private sector.
- Citizens expect as good or better service quality from governments as from the private sector.
- Expectations of public sector service quality have increased steadily since 1998.
- The public sector in Canada is making progress. Scores on service quality reputation - the overall ratings of satisfaction - are going up for all levels of government. In addition, ratings for many specific services have also improved. Of the three levels of government, municipalities scored the highest.

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