

April 28, 2004

How the City balanced the budget

The City of Toronto began preparing the 2004 operating budget using four guiding principles:

- all departments and city agencies were to maintain 2003 approved service levels wherever possible
- programs had to achieve budget savings through continuous improvement initiatives
- budget increase requests had to be justified in light of historical spending trends
- stakeholders would have opportunities to participate in the budget process

The major pressures that resulted in the 2004 operating budget shortfall of \$344 million were driven primarily by increases in the budgets of the three emergency services, increases in transit and public health budgets, combined with one time revenue sources in 2003 that were no longer available.

The 2004 operating budget maintains core services delivered by City programs and agencies. This was achieved through continuous improvements and efficiencies, provincial assistance and reductions with minor service impacts.

Because Council directly controls only 25% of the \$6.6 billion approved operating budget, opportunities for savings and flexibility are constrained. More than one third of the budget (36%) pays for provincially mandated programs such as children's services, homes for the aged, social services and public health. Special purpose bodies such as the TTC, police and library account for another 30 per cent. The remaining nine per cent of the operating budget is dedicated to capital and corporate financing and non-program expenditures.

The Province has recognized the need for all taxpayers to share in any tax increases required to sustain city services and has amended Bill 140 accordingly. This amendment only applies to the 2004 taxation year. As a result, the 2004 City of Toronto budget includes a residential property tax increase of three per cent and a non-residential property tax increase of 1.5 per cent.

The budget also relies on other one-time solutions to offset the shortfall. These include a provincial deferral of a \$20 million loan repayment from the City, the one-time only ability to tax the non-residential classes (\$26 million), and revenues from Toronto Hydro normally directed to capital programs (\$92 million). These one-time funding solutions total \$138 million.

Total provincial funding assistance in 2004 is \$110 million. This is made up of the \$20 million loan deferral mentioned above, a \$70 million operating subsidy for the TTC and a \$20 million gas tax commitment. Federal funding assistance towards the operating budget is \$26 million in GST rebates.

Total Operating Budget Pressure	344m
Further departmental / non-program service efficiencies and improvements and other BAC reductions	(24)
Limit ABC increase to COLA and prior year impact only	(11)
Hydro revenue utilization	(92)
Deferral of provincial loan repayment	(20)
Provincial TTC operating subsidy	(70)
Down payment on the gas tax	(20)
GST rebate	(26)
Assessment Growth	(22)
Sub-total reductions	(285)
	59
Residential property tax increase	(33)
Commercial / Industrial Property Tax increase	(26)
Net Operating Pressure	0

The total capital budget for 2004 is \$1.15 billion, \$206 million of which is rate supported and \$908 million tax supported. The recommended tax supported capital budget of \$908 million is a decrease from \$965 million in 2003. The largest single portion, \$487 million, is directed to meet the needs of the TTC (\$285 million) and the backlog of infrastructure maintenance, (\$202 million) that is required to keep the City's transportation network in a state of good repair.

Funding for the capital program comes from reserve funds, current revenues, the issuance of new debt and other financing. The City requires capital funding assistance from senior levels of government to maintain the transit system in a state-of-good repair. Taking on significant new debt to fund the annual capital program is not a long-term option for the City of Toronto. Negotiations with both the provincial and federal government will continue to secure one third capital funding for the TTC.

Balancing the City's 2004 budget still must rely upon many one-time revenues to fix a systemic lack of ongoing, predictable revenue sources. A New Deal with the other levels of government continues to be crucial for the future of the City. Toronto needs the tools, both financial and legislative, to deliver on its responsibilities, maintain the city's infrastructure and plan for growth.