

2006 Budget Update

February 14, 2006

The Fiscal Imbalance (\$Millions)

Operating Budget Shortfall	<u>532.0</u>
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Annual City Cost of Provincial Responsibilities:

Social Housing Annual City Cost	(218.0)
TTC Operating Subsidy: 50% Share	(180.0)
Ontario Drug Benefit / Ontario Disability Support Program City Cost	(167.3)
Social Services Capping and Shortfall	(59.6)
Emergency Medical Services Capping	(12.3)
Security for Courtrooms, and Community Policing Capping	(42.6)
Amalgamation Loan Payment Deferral	(20.0)
Miscellaneous Other Programs	<u>(31.9)</u>

Total Annual City Cost of Provincial Responsibilities	<u>(731.7)</u>
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2006 Proposed Operating Budget – Balancing Strategies (\$Millions)

Municipal Options:

One Time Transitioning Options:

Monetizing Hydro Bond: maximum \$980 million

Reserve Draws: maximum \$160 million

Tax Increase:

- for every 3% res plus 1% non-res = \$53 million

Further Efficiencies and User Fee Increases (50.0)

Further Possible Increase in Hydro Dividends (13.0)

Further Assessment Growth (10.0)

2006 BAC Operating Budget Update - Net Expenditures

(\$000's)	2005 Approved Budget	2006 BAC Rec'd Total Budget		
		2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
CITY OPERATIONS				
Citizen Centred Services "A"	897,888.5	973,922.6	76,034.1	8.5%
Citizen Centred Services "B"	682,385.9	709,082.6	26,696.6	3.9%
Internal Services, City Manager & Human Resources (Cluster "C")	175,588.3	179,596.3	4,008.0	2.0%
Other City Programs & City Clerk's Office	62,243.9	72,282.7	10,038.8	16.1%
City Operations	1,818,106.7	1,934,884.2	116,777.5	6.4%
Special Purpose Bodies	1,235,322.9	1,293,109.0	57,786.2	4.7%
Capital & Corporate Financing	432,464.7	496,546.8	64,082.1	14.8%
Non Program	(469,411.2)	(292,774.6)	176,636.6	(37.6%)
Levy Operating Budget - Before Assessment Growth	3,016,483.0	3,431,765.5	415,282.4	13.8%

60% of Programs & ABCs achieved 2% Targets

• Children Services	0.7%
• Homes for the Aged	0.3%
• Shelter, Support and Housing Administration	1.9%
• Internal Services – all Programs	1.7%
• City Manager's Office	1.8%
• Buildings	(0.5%)
• Transportation	2.0%
• Toronto Zoo	1.1%
• TRCA	0%

Investments in Our Future

	2006/5 <u>Increase (\$M's)</u>	2006/5 <u>%Increase</u>
• Police	\$35.5	5.0%
• Fire	12.0	4.0
• Solid Waste	9.5	5.8
• Parks, Forestry and Recreation	8.1	4.0
• TTC	24.0	8.5

2001 – 2006 Provincial Assistance and City Internal One-time Funding

	\$Millions				
	2001	2002	2003	2004	2005
Provincial Assistance:					
Deferral of Provincial Loan Repayment			10	20	20
Provincial Subsidy	50		64	70	45
Total Provincial Assistance	50	0	74	90	65
Internal Funding Initiatives:					
Continuous Improvement / Efficiency	40	45	50	60	60
One Time Internal Funding:					
Reserves	41	72	99	69	87
Hydro Revenues				92	195
Other One Time					
Total One Time Internal Funding	41	72	99	161	282
Property Taxes:					
Tax Increase	48	44	32	59	62
Assessment Growth / Change	26	8	33	27	13
Total Property Taxes	74	52	65	86	75
Total Internal Funding Initiatives:	155	169	214	307	417
Total Provincial and Internal	205	169	288	397	482

Operating Budget Policy Options

		\$Millions
Opening Pressure		532.4
BAC Reductions:		
Cluster A	}	
Cluster B		
Cluster C		
ABCs		
Non Program		
		<hr/>
		415.2
Financial Decisions:		
Hydro Dividends		(13.0)
Assessment Growth		(30.0)
Reserves		(160.0)
		<hr/>
		(203.0)
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		212.2

Provincial Responsibilites

Additional City Policy Options:

Tax Increases (each 3% res, 1% non res = \$54M)

Further Reductions

Hydro Bond (maximum \$980 million)

A five-year plan to put Toronto on stable, sustainable financial footing 06-01-30

A 2005 Conference Board of Canada study shows that the City of Toronto faces an annual imbalance of \$1.1 billion between the cost of its service responsibilities, and the amount of money it raises to provide those services. The study also indicates that the imbalance will grow

by over \$100 million each year unless property taxes are able to rise by the same amount. The reason for the imbalance is in part because the City is required to pay for services, such as social programs, when they should be paid for by the Province, as in the rest of Canada.

Also, the City has no access to growing revenue sources, such as sales or income taxes, unlike many other large North American cities. Nor will the new City of Toronto Act provide the means to address the fiscal imbalance.

Here is a proposal to return the City to a sustainable financial footing. The first step is for the Province to establish a joint task force to review the proposal and then adopt a plan for legislative change before another year goes by.

TORONTO'S FISCAL SITUATION IN 2005	YEAR ONE – 2006 CITY ACTIONS	YEAR TWO – 2007 CITY ACTIONS	YEAR THREE – 2008 CITY ACTIONS	YEAR FOUR – 2009 CITY ACTIONS	YEAR FIVE – 2010 CITY ACTIONS	TORONTO'S FISCAL SITUATION IN 2010
PUBLIC TRANSIT <ul style="list-style-type: none"> TTC operating subsidy: City funds 58% TTC capital subsidy: City funds 36% GO Transit expansion: City Funds 15% of GTA costs SOCIAL SERVICES <ul style="list-style-type: none"> Social Housing: City funds 48% of Toronto costs Social Assistance: City pays 27% of OW, ODSP, ODB Toronto costs Health: City funds 55% of EMS Land Services, 15 % of CACC; 45% of public health Revenues <ul style="list-style-type: none"> City limited to property tax, fees and charges plus share of gas tax (1¢ Provincial, 1.5¢ Federal) Unfunded Liabilities/Debt <ul style="list-style-type: none"> Extensive & growing unfunded liabilities Growing debt burden 	<ul style="list-style-type: none"> Restrict program-spending growth to 2% Continue to manage imbalance through increased debt, deferred expenditures and use of non-recurring funding sources Modest increase in City building initiatives PROVINCIAL ACTIONS <ul style="list-style-type: none"> Implement new City of Toronto Act Honor program cost sharing Fund 100% ODSP/ODB Admin. & Mandatory Benefits Programs Forgive transition loan payments Increase base gas tax transfer for transit to 1.5¢ Initiate phase-in to achieve 50:50 City/Prov funding for TTC operating Adopt 5 year plan to change City's structural imbalance FEDERAL ACTIONS <ul style="list-style-type: none"> 1.5¢ gas tax transfer for transit (population based) Bill C48 gas tax transfer for transit (ridership based) 	<ul style="list-style-type: none"> Restrict program-spending growth to 0% Continue to manage imbalance through interim measures Modest increase in City building initiatives First potential use of new revenues under Toronto Act PROVINCIAL ACTIONS <ul style="list-style-type: none"> Phase-in upload of ODSP/ODB benefits (90:10 Prov / City) Transfer growth in PST (and/or comparable GST) revenue collected in Toronto Increase base gas tax transfer to 2¢ Continue phase-in (50:50) TTC operating funding Take back GO Transit expansion cost FEDERAL ACTIONS <ul style="list-style-type: none"> Share GST (and/or PST) Increase base gas tax transfer to 2¢ Extend Bill C48 transit funding indefinitely (1¢ of gas tax) 	<ul style="list-style-type: none"> Restrict program-spending growth to 0% Continues to manage imbalance through interim measures Modest increase in City building initiatives Further use of new City of Toronto Act revenues PROVINCIAL ACTIONS <ul style="list-style-type: none"> Fund 100% of ODSP/ODB benefits Increase public housing funding from 0% (after federal subsidy) to 100% Increase land ambulance funding to 75% from 50% Increase sales tax transfer to 1/16th of PST (1/2%) (and/or comparable GST) collected in Toronto Continue 2¢ gas tax Continue phase-in (50:50) TTC operating funding FEDERAL ACTIONS <ul style="list-style-type: none"> Share GST (and/or PST) Increase base gas tax transfer to 2.5¢ Bill C48 funding becomes permanent 	<ul style="list-style-type: none"> Continued fiscal restraint Continue to manage imbalance through interim measures Modest increase in City building initiatives PROVINCIAL ACTIONS <ul style="list-style-type: none"> Fund 100% of all social housing costs (GTA housing equalization ends) Increase sales tax transfer to 1/8th (1%) of Toronto based PST revenue (and/or comparable GST) Continue 2¢ gas tax Continue phase-in (50:50) TTC operating funding FEDERAL ACTIONS <ul style="list-style-type: none"> Share GST (and/or PST) Increase gas tax transfer to 5¢ 	<ul style="list-style-type: none"> Continued fiscal restraint Modest increase in City building initiatives PROVINCIAL ACTIONS <ul style="list-style-type: none"> Fund 100% of OW, GTA equalization ends Continue transfer of 1% of 8% PST (and/or comparable GST) indefinitely Extend 2¢ gas tax transfer indefinitely Phase-in (50:50) of TTC operating funding completed FEDERAL ACTIONS <ul style="list-style-type: none"> Share GST (and/or PST) Extend 5¢ gas tax transfer indefinitely 	PUBLIC TRANSIT <ul style="list-style-type: none"> TTC operating subsidy: City funds 50% TTC capital subsidy: City funds 25% GO Transit expansion: City funds 0% SOCIAL SERVICES <ul style="list-style-type: none"> Social Housing: 0% of costs funded by City Social Assistance: 0% of costs funded by City Health: City funds 25% of EMS-Land Services, 0% CACC; 25% of public health Revenues <ul style="list-style-type: none"> New revenue options under City of Toronto Act Share of gas taxes from Province (2¢) and Federal government (6¢) PST sharing (and/or GST) equivalent to \$1 of every \$8 of PST generated within the City 50% of TTC operating subsidy funded by the Province Unfunded Liabilities/Debt <ul style="list-style-type: none"> Employment & other liability contributions stabilized Debt levels stabilized
Fiscal imbalance: \$1.1 billion	Fiscal imbalance: \$496 million	Fiscal imbalance: \$445 million	Fiscal imbalance: \$190 million	Fiscal imbalance: \$155 million	Fiscal imbalance: \$ 0	Fiscal imbalance: \$ 0

GTA = Greater Toronto Area; OW = Ontario Works; ODSP = Ontario Disability Support Program; ODB = Ontario Drug Benefit; EMS = Emergency Medical Services; CACC = Central Ambulance Communications Centre; PST = Provincial sales tax

TORONTO'S FISCAL SITUATION IN 2005

PUBLIC TRANSIT

- TTC operating subsidy: City funds 58%
- TTC capital subsidy: City funds 36%
- GO Transit expansion: City Funds 15% of GTA costs

SOCIAL SERVICES

- Social Housing: City funds 48% of Toronto costs
- Social Assistance: City pays 27% of OW, ODSP, ODB Toronto costs
- Health: City funds 55% of EMS Land Services, 15 % of CACC; 45% of public health

Revenues

- City limited to property tax, fees and charges plus share of gas tax (1¢ Provincial, 1.5¢ Federal)

Unfunded Liabilities/Debt

- Extensive & growing unfunded liabilities
- Growing debt burden

YEAR ONE – 2006

CITY ACTIONS

- Restrict program-spending growth to 2%
- Continue to manage imbalance through increased debt, deferred expenditures and use of non-recurring funding sources
- Modest increase in City building initiatives

PROVINCIAL ACTIONS

- Implement new City of Toronto Act
- Honor program cost sharing
- Fund 100% ODSP/ODB Admin. & Mandatory Benefits Programs
- Forgive transition loan payments
- Increase base gas tax transfer for transit to 1.5¢
- Initiate phase-in to achieve 50:50 City/Prov funding for TTC operating
- Adopt 5 year plan to change City's structural imbalance

FEDERAL ACTIONS

- 1.5¢ gas tax transfer for transit (population based)
- Bill C48 gas tax transfer for transit (ridership based)

YEAR TWO – 2007

CITY ACTIONS

- Restrict program-spending growth to 0%
- Continue to manage imbalance through interim measures
- Modest increase in City building initiatives
- First potential use of new revenues under Toronto Act

PROVINCIAL ACTIONS

- Phase-in upload of ODSP/ODB benefits (90:10 Prov / City)
- Transfer growth in PST (and/or comparable GST) revenue collected in Toronto
- Increase base gas tax transfer to 2¢
- Continue phase-in (50:50) TTC operating funding
- Take back GO Transit expansion cost

FEDERAL ACTIONS

- Share GST (and/or PST)
- Increase base gas tax transfer to 2¢
- Extend Bill C48 transit funding indefinitely (1¢ of gas tax)

YEAR THREE – 2008

CITY ACTIONS

- Restrict program-spending growth to 0%.
- Continues to manage imbalance through interim measures
- Modest increase in City building initiatives
- Further use of new City of Toronto Act revenues

PROVINCIAL ACTIONS

- Fund 100% of ODSP/ODB benefits
- Increase public housing funding from 0% (after federal subsidy) to 100%
- Increase land ambulance funding to 75% from 50%
- Increase sales tax transfer to 1/16th of PST (1/2%) (and/or comparable GST) collected in Toronto
- Continue 2¢ gas tax
- Continue phase-in (50:50) TTC operating funding

FEDERAL ACTIONS

- Share GST (and/or PST)
- Increase base gas tax transfer to 2.5¢
- Bill C48 funding becomes permanent

Fiscal imbalance:
\$1.1 billion

Fiscal imbalance:
\$496 million

Fiscal imbalance:
\$445 million

Fiscal imbalance:
\$190 million

YEAR FOUR – 2009

CITY ACTIONS

- Continued fiscal restraint
- Continue to manage imbalance through interim measures
- Modest increase in City building initiatives

PROVINCIAL ACTIONS

- Fund 100% of all social housing costs (GTA housing equalization ends)
- Increase sales tax transfer to 1/8th (1%) of Toronto based PST revenue (and/or comparable GST)
- Continue 2¢ gas tax
- Continue phase-in (50:50) TTC operating funding

FEDERAL ACTIONS

- Share GST (and/or PST)
- Increase gas tax transfer to 5¢

Fiscal imbalance:
\$155 million

YEAR FIVE – 2010

CITY ACTIONS

- Continued fiscal restraint
- Modest increase in City building initiatives

PROVINCIAL ACTIONS

- Fund 100% of OW, GTA equalization ends
- Continue transfer of 1% of 8% PST (and/or comparable GST) indefinitely
- Extend 2¢ gas tax transfer indefinitely
- Phase-in (50:50) of TTC operating funding completed

FEDERAL ACTIONS

- Share GST (and/or PST)
- Extend 5¢ gas tax transfer indefinitely

Fiscal imbalance:
\$ 0

TORONTO'S FISCAL SITUATION IN 2010

PUBLIC TRANSIT

- TTC operating subsidy: City funds 50%
- TTC capital subsidy: City funds 25%
- GO Transit expansion: City funds 0%

SOCIAL SERVICES

- Social Housing: 0% of costs funded by City
- Social Assistance: 0% of costs funded by City
- Health: City funds 25% of EMS-Land Services, 0% CACC; 25% of public health

Revenues

- New revenue options under City of Toronto Act
- Share of gas taxes from Province (2¢) and Federal government (6¢)
- PST sharing (and/or GST) equivalent to \$1 of every \$8 of PST generated within the City
- 50% of TTC operating subsidy funded by the Province

Unfunded Liabilities/Debt

- Employment & other liability contributions stabilized
- Debt levels stabilized

Fiscal imbalance:
\$ 0