

CITY OF TORONTO

# 2007 Budget Summary



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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
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Award*

PRESENTED TO

**City of Toronto  
Ontario**

For the Fiscal Year Beginning

**January 1, 2006**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **City of Toronto, Ontario** for the Annual Budget beginning **January 01, 2006**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

## A MESSAGE FROM TORONTO MAYOR DAVID MILLER



We are at an exciting time as we finally lay the foundation for Toronto's success in the 21st Century. Not just for Torontonians, but for Ontario and indeed all of Canada because Canada and Ontario will only succeed when Toronto succeeds. This budget is a plan that's part of this foundation, (as it summarizes Toronto's Capital and Operating Budget.)

The City of Toronto government today is like no other in Canada. We accommodate more people in our public housing than live in the province of Prince Edward Island. We carry more passengers on the Toronto transit system each day than live in any other Canadian city except Montreal. It is also Canada's sixth largest government with responsibilities that are not unlike those of a provincial legislature. Social services, child care, housing, recreation, public health, transit, policing and public safety are just a few of the obligations the City has a duty to fulfill for the benefit of its citizens.

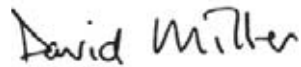
To their credit, Premier McGuinty and the government of Ontario realized this and on January 1, 2007 a new City of Toronto Act was proclaimed and placed Toronto in a position to realize its tremendous potential as a world city. This legislation will provide the government of Toronto with the legal ability and enhanced powers to respond to the expectations of its residents in creative and effective ways.

However, despite having a new Act that supports stronger inter-governmental relations and broader powers for Toronto it does not address the City's long-term fiscal imbalance. Toronto residents and businesses continue to cover the costs of provincially required programs putting a strain of approximately \$728 million on the City's 2007 Operating Budget. While the province has partnered with the City in providing funding for TTC's Capital program and has recently made a commitment to taking back the costs of some social programs over the next four years, the City continues to need a longer-term commitment in other areas like transit operations and court security. It's time for the Province to pay these bills in full since – Ontario is the ONLY province in Canada that forces municipalities to pay for social programs. We can do our part through new taxes available under the Act, but the province must do its part as well.

As a result, in 2007 the budget committee began the reviews with pressures that could have forced service cuts, fee increases and an overwhelming tax burden. In the end, the City used significant reserve fund draws – a practice that is no longer available given the depletion of discretionary reserve funds.

In 2005 the Conference Board of Canada estimated that the annual funding shortfall to pay for Toronto's responsibilities is \$1.1 billion. The City will only succeed with five pillars for action – finally, create new revenue tools and taxation that will allow us to build the necessary infrastructure, for Toronto to succeed. The first pillar is for the provincial government to upload the cost of programs that they mandate. The second pillar is the re-establishment of 50% provincial funding of transit operations to ensure a long-term financial commitment to transit to meet environmental objectives and stop the annual ad hoc funding nature of transit operations, and the third and fourth pillars are part of a joint strategy with mayors from across Canada: to create a National Transit Strategy to support transit in Canada as it is supported in Europe and even the United States; and to campaign for one cent of the GST to leave some of the billions of tax revenue that is generated in Canadian cities in those cities to allow the kind of investments needed.

Everyone agrees that action is needed in order for Toronto to remain the economic engine of the Province of Ontario and Canada – and be a place that provides prosperity, liveability and opportunity for all.

A handwritten signature in black ink that reads "David Miller". The signature is written in a cursive, slightly slanted style.

David Miller, Mayor  
City of Toronto



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## A MESSAGE FROM THE CITY MANAGER



I am pleased to present the City of Toronto's 2007 Budget Summary Book – a document that shows where money comes from and where money goes to provide the quality of life for Toronto's 2.5 million residents.

On March 7, 2007 City Council approved its first five-year capital plan of \$6.7 billion that includes projects to invest in the Mayor's priorities of making Toronto a safer, cleaner, greener and beautiful city. Some of these projects include new light rail vehicles and buses, energy-use reduction projects for City buildings, and investing in trails and parkland. While the 2007 Capital Budget's major focus is on infrastructure maintenance, there continues to be limited investment in fulfilling the service demands of a growing Toronto. This is because the City continues to grapple between the cost of maintaining city assets like roads, community centres and facilities, and managing debt at an affordable level without new sources of sustained funding.

On the operating side, City Council approved a \$7.8 billion Operating Budget that protects City services and operations as the City continues to grow. Modest improvements were available in specific areas to support key city-building initiatives that are aligned with the Mayor's mandate and Council's policy agenda. Other modest improvements were also made to support the growth in transit ridership, the three emergency services, and areas such as solid waste collection and recycling as well as parks, forestry and recreation.

Without the provincial upload of social service costs in 2007, however, the Operating Budget was balanced with property tax increases of 3.8 per cent for residential and 1.267 per cent for non-residential properties, and, the use of \$278 million from its reserve funds as a one-time solution. For 2007, a 3.8% residential municipal tax rate increase results in an impact of \$81.19 on the average household assessed at \$369,300 bringing the average Toronto residential tax bill to \$2,174.60.

It is regrettable that, Toronto taxpayers continue to cover the costs of provincially required social programs putting a strain of more than \$700 million on the City's 2007 Operating Budget each year. This fundamental structural financial problem of the City and indeed all Ontario municipalities has been recognized by the Board of Trade, Conference Board of Canada and TD Bank as the key to beginning a long-term fiscal plan for the City of Toronto.

During our budget process, the Mayor asked the public to support a number of short-term and long-term plans that address the City's next steps for fiscal sustainability. For the 2008 budget and future

years, the plans call for continuous City service improvements, the uploading of social service costs to the Province, new revenues that grow with economic activity, creation of the national transit strategy and new taxation tools granted by the new City of Toronto Act.

I'm pleased to advise that despite our fiscal challenges the City continues to maintain favourable service performance. The 2007 Operating Budget required a 1.8 per cent increase over the 2006 budget, demonstrating the City's efforts to control expenditures while maintaining quality services. Recent results from the Ontario Municipal CAOs Benchmarking Initiative (OMBI) and the City's Performance Measurement and Benchmarking Report also confirms Toronto's stable performance levels as compared to other Ontario municipalities in terms of service level, efficiency, customer service and community impact performance indicators. As well as external comparisons, the City has initiated regular reviews of its own major programs under a formal Program Review Framework to ensure that Toronto services continue to be relevant and are delivered effectively and efficiently.

I'd like to extend my sincere thanks to City staff who continue to provide exemplary service for the people of Toronto. Through your ongoing commitment I know that we will succeed in facing the future challenges.

A handwritten signature in black ink, appearing to read 'Shirley H', with a stylized flourish at the end.

Shirley Hoy  
City Manager

## EXECUTIVE SUMMARY

### TORONTO'S 2007 CAPITAL BUDGET AND 2008-2011 CAPITAL PLAN

The 2007 Capital Budget and 2008 – 2011 Capital Plan sets the foundation to realize the Mayor's vision and mandate, and Toronto Council's policy agenda. Of the 2007 \$1.432 billion Tax Supported Capital Budget, 75% or \$1.075 billion is targeted to the City's spending needs for health and safety, legislated spending and state of good repair. Of the total Five-Year Capital Plan of \$6.704 billion, the amount dedicated to these project categories was \$5.344 billion or 80%.

While priority has been placed on maintaining the City's infrastructure, the capital plan also provides for growth in strategic areas and for service expansion in key program areas to accommodate service demands and expectations of the Toronto public. Included in the Five-Year Capital Plan are investments in projects that contribute to the Mayor's priorities of making Toronto safer, a clean, green and beautiful city, and transit strategic directions in accordance with Council's Official Plan.

Financing the City's capital budget and plan, however, continues to be a major challenge, particularly because of diminished capital reserves and reduced non-debt funding sources. As a result, a major influencing factor in developing the 2007 Capital Budget and 2008 – 2011 Capital Plan is the need to manage the City's debt burden without compromising the state of good repair of existing assets or the health and safety of its citizens. Debt financing totals \$2.630 billion or 39% of the total funding requirement proposed in the Five-Year Capital Plan. However, when the projected debt retirement of \$1.0 billion (or \$200 million per year) is taken into account, new debt is approximately \$1.60 billion.

Even with this significant investment, there continues to be a gap between capital spending needs and affordable funding estimates. This funding gap has resulted in a growing backlog that is estimated at \$1.392 billion at the end of 2011, despite increased spending on infrastructure maintenance. Notwithstanding this gap, the City has made significant strides in limiting the backlog to about 5% of the total estimated asset value of about \$30.0 billion (excluding Toronto Water assets).

#### Key Themes for infrastructure projects in the 2007 Capital Budget

The following key themes guided the approval of projects in the 2007 Capital Budget:

##### Public Spaces

- *Investment in public spaces is crucial to ensuring that parks, streets, squares and other shared common spaces are well designed, developed and maintained and clean and beautiful for the general betterment and wellness of the community.*

##### Environment

- *City Council has recognized the need to spend on projects that would set the stage for environmental improvement, while achieving the City's infrastructure maintenance and development objectives.*

##### Improved Public Service

- *One of the Mayor's visions is to work with people – to get results for people.*

### Community and Recreation Services

- *The City offers programs and services that improve the quality of life of all its citizens, and ensures opportunity for all.*

### Public Works & Infrastructure

- *The City has a massive and aging infrastructure which has to be managed effectively to ensure that the services required by its citizens continue to be provided. The 2007 Capital Budget contributes to an effective road network to support delivery of an expansive transportation program, the management of solid waste in an environmentally friendly manner and the general provision of core municipal services.*

### Public Safety and Emergency Services

- *Quality and effective emergency services and public safety is a major demand of the citizens of Toronto.*

### Transit

- *A major priority of the Mayor is to make Toronto a city that moves people by transit. The goal is to have a comprehensive network of dedicated transit routes that move people quickly, efficiently and affordably through all parts of the city.*

### Toronto's 2007 Operating Budget

The 2007 Operating Gross Budget is \$7.797 billion, which represents a \$190.611 million or 2.5% increase over 2006 in gross expenditures. The 2007 Operating Budget was funded primarily by user fees and charges of \$1.205 billion, Provincial and Federal Grants and Subsidies of \$1.944 billion and Property Taxes of \$3.221 billion with the latter representing 41% of total revenues.

After applying non-tax revenues including provincial and federal subsidies, user fees and reserve draws, the remaining gross operating budget is funded by property taxes (referred to as the net budget). The 2007 Net Operating Budget of \$3.221 billion includes an increase of \$89 million or 2.8% over the 2006 property tax base.

The 2007 Operating Budget also includes an assessment growth of \$16.214 million, and property tax increases of \$72.618 million generated from a 3.8% or \$49.114 million increase on residential properties and a 1.267% or \$23.504 million increase on commercial, industrial and multi-residential properties.

To deliver services approved by City Council in 2006, the total 2007 budget includes a base budget of \$7.746 billion that reflects a gross expenditure increase of \$139.343 million or 1.8%, compared to 2006. This confirms that City spending has been contained through continuous improvement and efficiency initiatives.

### Balancing the 2007 Operating Budget

The 2007 Operating Base Budget starting pressure was \$548 million. The Budget Committee recommended moderate investment in new and enhanced City building initiatives that fulfill Council and the Mayor's

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priorities totalling \$51.183 million gross expenditures and \$14.363 million net. As a result, the budget pressure was increased to \$562 million.

Reducing the budget pressure began with using savings resulting from efficiency reviews, service and service level adjustments, and other cost control initiatives totalling \$85 million. The Executive Committee directed that Hydro Revenues of \$106 million, which in accordance with Council approved policy had been earmarked for funding capital expenditures, be utilized once again in the operating budget. Also, \$80 million of social services reserve funds were utilized for a total of \$271 million of reserve adjustments and savings. Finally, the only remaining reduction strategy includes further use of reserve funds of \$172 million and the Move Ontario Trust of \$30 million.

#### **Where the 2007 Gross Expenditures are Spent**

- Only 18% of the 2007 Operating Budget is allocated to municipal services.
- Provincially Mandated Programs represent approximately one-third of the budget which confirms that much of the City's resources is diverted from core municipal services.
- Together, Transit and Emergency Services account for another 32% of the City's total expenditure budget.

The above pattern is consistent with prior years. Going back to 1998, Transit, Emergency Services, and Provincially Mandated Programs account for approximated 70% of the City's expenditures.

#### **Where the money comes from**

- User Fees make up \$1.2 billion or 15% of total revenues.
- Reserves and Reserve Funds make up \$0.5 billion or 6%.
- Grants and Subsidies from other orders of government account for \$1.9 billion or 25%.
- Other Revenues total \$1.0 billion or 13% of total revenues.
- The largest revenue source is municipal taxes which amount to \$3.2 billion or 42% of total revenues.

#### **Impacts to the average Toronto household**

For 2007, a 3.8% residential municipal tax rate increase results in an impact of \$81.19 on the average household assessed at \$369,300 (all residential types including condominiums and detached homes) resulting in an average residential tax bill of \$2,174.60.

#### **Fiscal Challenges**

As a result of ongoing fiscal challenges, the City has been relying on one-time revenue sources to balance its annual budget. This practice has resulted in a significant \$273 million revenue shortfall for 2007.

On the expenditure side, uncontrollable costs such as inflation, debt service charges and other expenditures to maintain services approved in 2006 amounted to \$275 million. Together, the impact of one-time revenues, the cost of maintaining the existing services and service levels, along with moderate investments in new and enhanced services resulted in a budget pressure of \$562 million for 2007.

A major contributor to the City's fiscal challenges is the imbalance between the cost of downloaded provincially mandated programs and provincial funding. As a result, the City continues to redirect property tax revenue to fund provincially mandated services. In 2007 alone, the City will divert \$175 million from scarce property tax revenues to pay for the provincial costs for the Ontario Disability Support Program (ODSP) and the Ontario Disability Benefits (ODB) program.

Under-funded provincially mandated services that are funded by property tax revenues total \$127 million, due to the Province unilaterally capping its share of social services costs. The cost of social housing is an additional \$329 million for City taxpayers. The Province has thus transferred a burden (exclusive of GTA pooling) of well over \$500 million onto the City's property tax revenue base. This practice of re-directing property tax revenues to fund provincially mandated, income redistribution programs has depleted the scarce recurring resources available to deliver core municipal services, putting the City of Toronto into a structural deficit position.

Independent studies by the Conference Board of Canada and the Toronto Board of Trade separately confirmed that the City has a structural deficit problem of approximately \$1.1 billion per annum.

### **What's in the 2007 Operating Budget**

The 2007 Operating Budget is a viable and prudent budget that maintains core services, and demonstrates the City's commitment to addressing residents' needs in a cost-effective manner.

Though limited, the 2007 Operating Budget contains investments in key city-building initiatives that are aligned with the Mayor's mandate and Council's policy agenda. Investments in new and enhanced services that are aligned to Council priorities and the Mayor's mandate total \$51.183 million gross and \$14.363 million net.

The 2007 Operating Budget contains key city-building initiatives in the following areas:

Public Safety	Transit and Transportation
Environment	Public Space Improvements
Public Service Improvements	Community and Neighbourhood Leisure and Wellness

### **2008 Outlook**

For 2008 the starting (known) budget pressure is \$681.7 million. This is due to factors such as the annualized cost of base budget changes and the in-year implementation of new and enhanced services.

Council has directed that the 2008 Operating Budget be held at a zero increase over 2007. Given a starting budget pressure of \$681.7 million, the City will continue to face a major challenge in balancing the 2008 budget. To complement the cost controls, service and program reviews, and continuous improvement initiatives in place, it is urgent that the City finds sustainable revenue solutions. As discussed above, to fix the structural deficit, which results in significant budget pressures year after year, will require revenues that grow with the economy, upload of provincially mandated social service costs, creation of a National Transit Strategy and new taxation measures under the City of Toronto Act.

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## Performance Measurement: How Toronto Performs

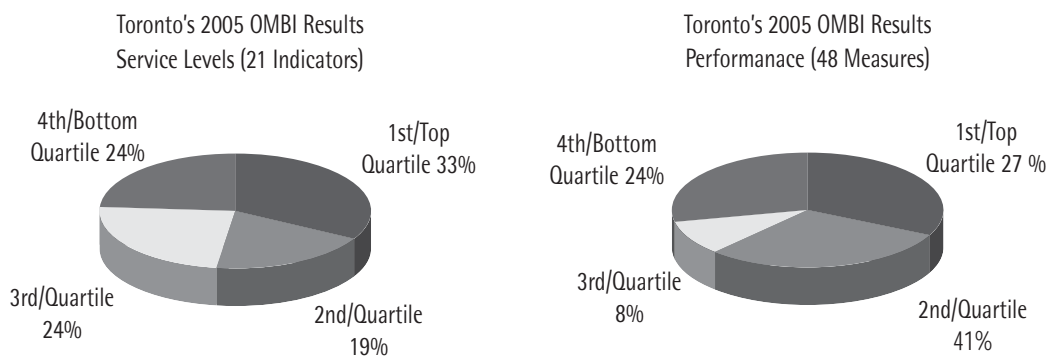
The City of Toronto continues to promote a continuous improvement culture in order to provide the best value in service with municipal tax dollars.

The 2005 Performance Measurement and Benchmarking Report provides service level and performance measurement results in seventeen service areas to examine internal trends, and compare results externally to fourteen other municipalities using the Ontario Municipal CAOs Benchmarking Initiative (OMBI) data. This information is then used to improve transparency in the way Toronto's performance measures are reported, and provides context when developing the City's capital and operating budgets.

Results show that for 91% of the service level indicators, Toronto's service levels have been maintained (stable) or have increased in recent years. In comparison to other municipalities, Toronto is higher than the OMBI median for 58% of the service level indicators.

Toronto's internal trends in performance measurement results (efficiency, customer service and community impact) indicate that 67% of the measures had results that were either improved or stable in recent years. In relation to other municipalities Toronto is better than the OMBI median for 51% of these performance measures, which is comparable to the other large single-tier municipalities in OMBI who also have responsibility for a full range of services.

### Toronto's 2005 OMBI Results



- For service levels, results have been sorted highest service levels being the desired goal
- Higher than median in 52% of service level indicators.
- Better than median in 52% of efficiency, customer service and community impact measures

All program areas continue to examine operations for ways to improve the efficiency and effectiveness of operations in order to become more efficient in all programs. Examples of initiatives that have improved the efficiency of operations include:

- **Road maintenance** – new street sweeping equipment, technology and routing expected to reduce costs and also examining alternatives for diversion of residual material.

- **Winter maintenance of roads** – salt management initiatives to optimize salt usage through the use of technology on vehicles, and pre-wetting of salt to make it more effective.
- **Solid Waste Diversion** – implement efficiencies at Organics Processing Facility to increase the processing capacity of source separated organics. Examining optical sorting technology to improve mechanical sorting of single stream materials.
- **Solid Waste Disposal** – compress hours of operation at transfer stations to eliminate need for night shift.
- **Wastewater Treatment** – have implemented energy efficiency measures and are continuing to do so where possible.

The City will continue to refine its performance measures with a focus on ensuring that it delivers services effectively.

### Financial Condition

The City's efforts in expenditure restraint and long-term financial planning have been positively received by the City's independent rating agencies. Strong stable credit ratings of AA and AA+ reflect the City's financial endurance and optimistic outlook for working with other orders of government. Some of this work includes the use of the City's Long-Term Fiscal Plan as a guide in implementing tax policies that enhance economic competitiveness, user rate adjustments for environment and cost control purposes, and efforts with the Province to upload the cost of social service programs in 2008 and beyond. High credit ratings and relatively low debt levels highlighted by independent credit rating agencies reflect the City's prudent financial management that continues to yield positive results for city building.

The potential for a greater Toronto that provides prosperity, opportunity and liveability for all became more attainable when the newly elected Toronto City Council inherited broader powers, through the Province's new City of Toronto Act on January 1, 2007.

The City of Toronto now has the financial flexibility to establish new revenue tools to support its priorities and goals such as improving the environment. Although the new City of Toronto Act provides broader powers for the future it does not address the current fiscal imbalance that continues to affect the way the City is able to fund its municipal services. It is with regret that Toronto taxpayers continue to cover the costs of provincially required social programs putting a strain of approximately \$600 million on the City's finances each year. This fundamental structural financial problem of the City has been recognized by the Board of Trade, Conference Board of Canada and TD Bank.

In preparation for the new powers, the Toronto government established a new governance structure and is now in the process of creating new accountability measures and council procedures. Toronto is now the first city in Canada to appoint an integrity commissioner and to establish a municipal lobbyist registry. The auditor general, the ombudsman and the City's code of conduct are also key elements in the City's plan to implement one of the strictest sets of accountability measures in Canadian municipal government to ensure accountability to the people of Toronto.



**CITY OF TORONTO**

# 2007

**Budget Summary**

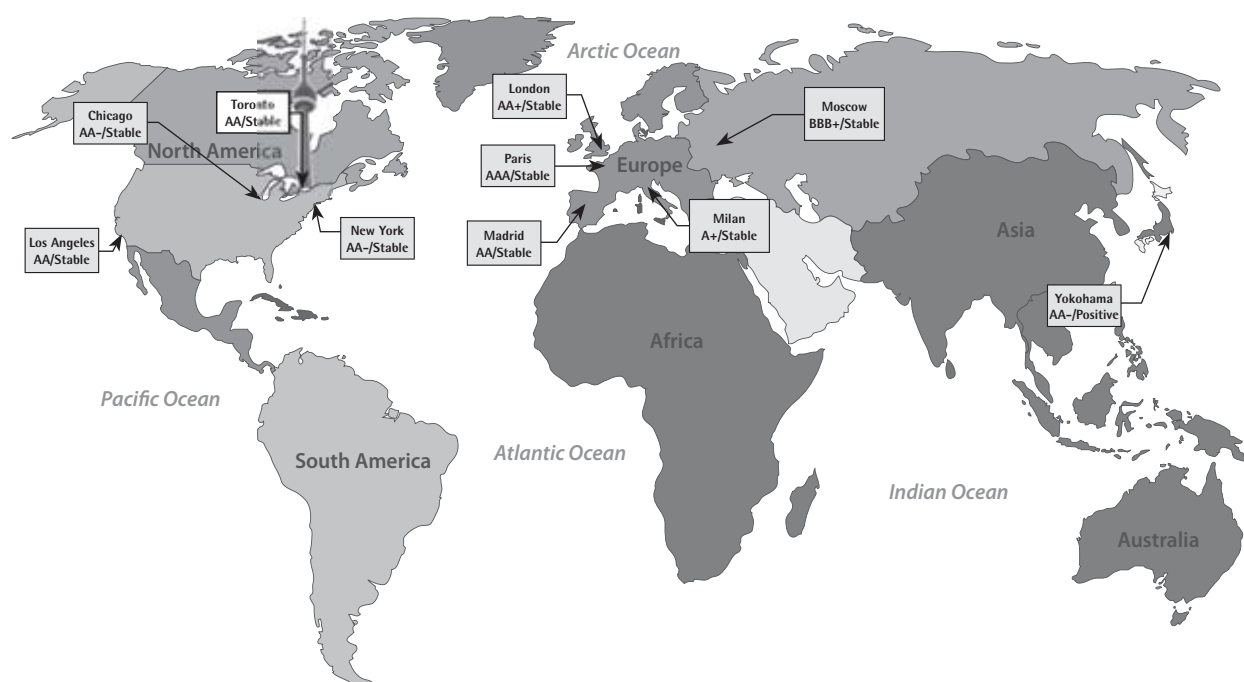
## Introduction



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## A PROFILE OF TORONTO

- Toronto is one of the world's top ten economic centres as rated by Standard and Poor's (S&P's). In a report released November 2006, S&P's rated Toronto as one of the World's Top 10 Economic Centers amongst over 15,000 local, state, and regional governments in the U.S. and more than 340 in 27 different countries in the world, including cities such as Paris, London, Madrid, Los Angeles, New York, Chicago, Yokohama, Milan and Moscow. The criteria for selection were:
  - > the economic importance of the countries in which they are located (all of which are G8 members);
  - > their role as the major economic centre(s) in their respective country. This sometimes coincides with being the capital city (Paris, Madrid, London, Moscow), but not always. The U.S. cities represent the three most-populous in the U.S.
  - > the depth of the services that each city provides economically to its respective service area and to the country as a whole; and
  - > their size – all selected cities have more than one million inhabitants.



- Toronto ranks second in the London Financial Times' North American Cities of the Future 2007/2008, behind Chicago. London Financial Times' Foreign Direct Investment (fDi) cites Toronto's good affordable housing, low crime rates, strong health and education sectors, and falling unemployment rates. Toronto has a strong and innovative environmental program and it topped fDi's shortlist with the best quality of life of any major city.
- Toronto ranks fifteenth in a global Mercer Human Resources Consulting city survey in overall quality of life, second in Canada behind Vancouver. The survey rated 215 cities based on 39 quality-of-life determinants including social, economic, environmental and safety factors.

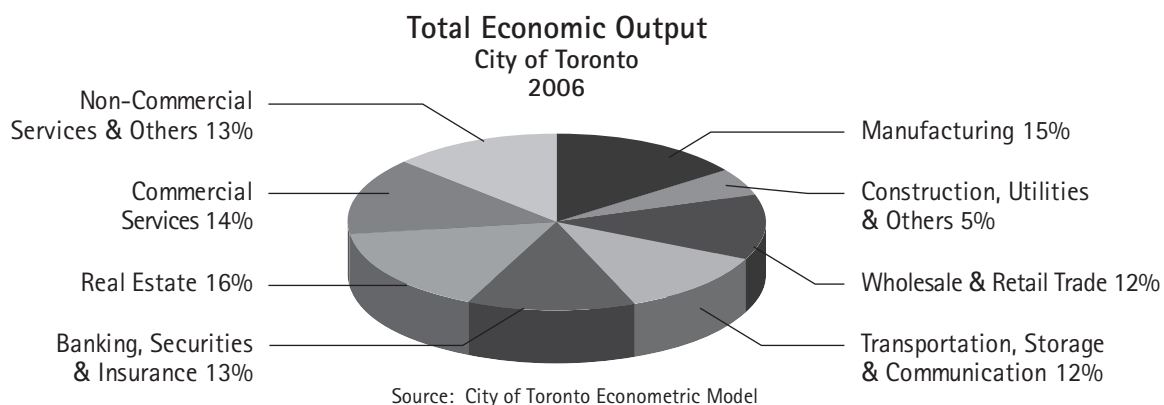
- Toronto ranks second overall in ease of doing business in a Price Waterhouse Coopers study comparing 11 global cities to see which is business-ready for the next 100 years. The study "Cities of Opportunity: Business-readiness indicators for the 21st Century" rated indicators such as corporate tax rates, ease of hiring, work/life benefits and separation requirements.
- 

The City of Toronto is Canada's largest city with a population of 2.6 million residents. It is the heart of a large urban agglomeration of 5.7 million called the Greater Toronto Area (GTA)<sup>1</sup>. The GTA is located on the north western shore of Lake Ontario and is part of an even larger urban complex stretching from the western end of the Lake through Southern Ontario to the Michigan border.

Toronto, with 76,000 businesses, is the major economic engine of Canada. The City is both the political capital of the Province of Ontario and the corporate capital of the country as well as the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the most diverse economies in North America, characterized by highly specialized knowledge-based jobs. An estimated \$263 billion of goods and services (GDP 2006) are produced in the Toronto Census Metropolitan Area (CMA<sup>2</sup>). The City of Toronto accounts for slightly less than half of this total (2006: \$130 billion).

Key industry clusters in the region comprise business and financial services, information and communication technology, biomedical and biotechnology, and film and television, to name a few. Within the City, the main drivers in Toronto's economy are manufacturing and financial business services. Manufacturing (including the head offices of manufacturing firms) generates \$20 billion of annual output, an amount that is about the same as financial services (banking, securities and insurance).



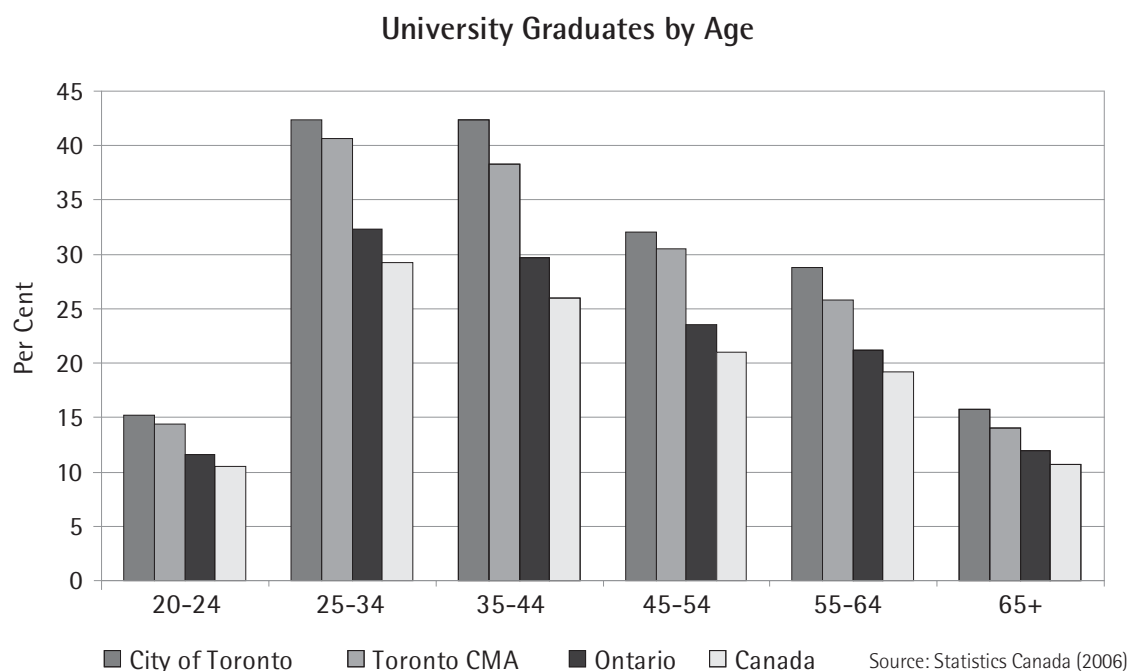
1 Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

2 Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises of the City of Toronto and 23 other municipalities.

Manufacturing is somewhat more concentrated in the rest of the GTA, while financial and business services are predominately clustered in the City itself. The City also contains a concentration of health and education jobs. Manufacturing in the GTA is dominated by the auto sector and also contains a disproportionate share of related jobs in machinery and equipment, as well as primary and fabricated metals.

The medical community in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with seven million square feet of facilities – Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, a new Faculty of Pharmacy at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. In addition, Toronto is undergoing a cultural renaissance with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (expansions to the Royal Ontario Museum), the Art Gallery of Ontario, and the Four Seasons Centre for the Performing Arts which is also the new home of the National Ballet of Canada, as well as the Canadian Opera Company (COC).

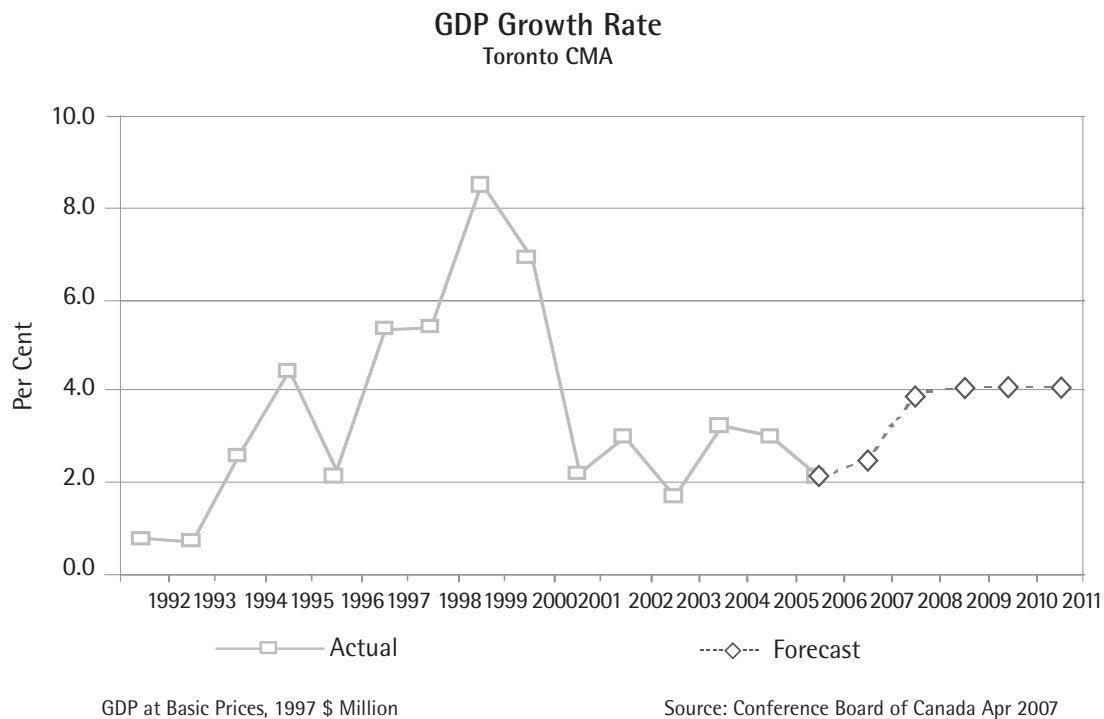
Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (OCAD, Ryerson, U of T and York), four community colleges (Centennial, George Brown, Humber and Seneca) and one arts college. In fact, it has the most educated workforce in North America. Close to 63% of the City's labour force has completed a post-secondary degree, diploma or certificate.



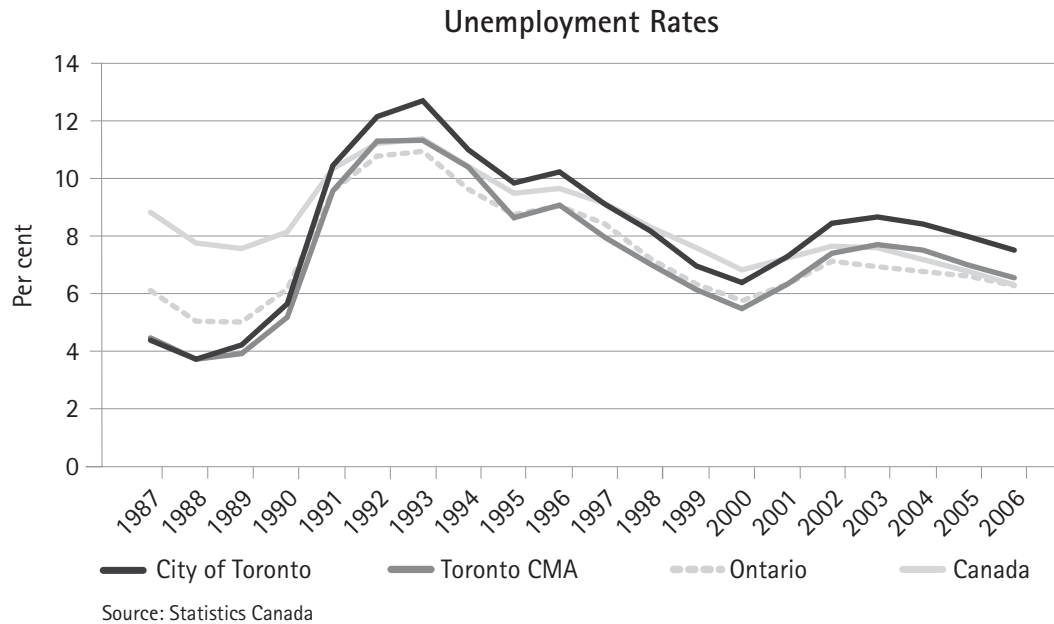
With an estimated 1.4 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The regions outside of the city are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming

themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour both from the city and surrounding regions outside of the GTA.

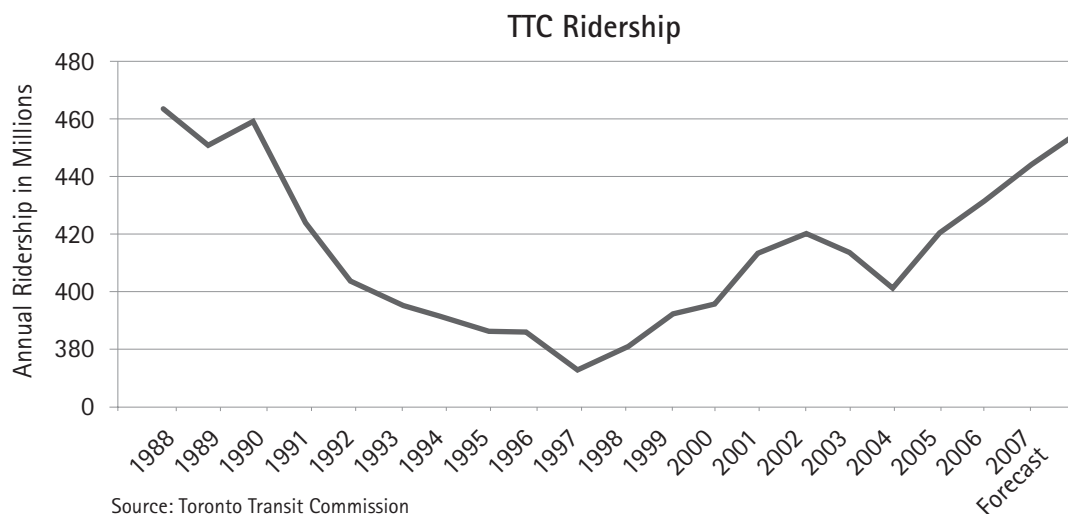
The Toronto region enjoyed a remarkable economic growth from the mid 1990s to 2000. However, the impact of the strong Canadian dollar on industries sensitive to foreign trade, especially manufacturing and tourism, has dampened overall economic growth in the Toronto region since 2001. The manufacturing sector has struggled with plant closings and job cuts. Output in the transportation, storage and communications sector and the commercial services sector were modest as compared with the vigorous growth in the wholesale and retail trade sector. In the construction sector, housing starts have slowed, while non-residential investment activity is expected to stay healthy. The economy expanded by a modest 2.1% in 2006, and is forecasted by the Conference Board of Canada to grow by 2.5% in 2007. But the economy is expected to get back on track in 2008, with an average growth rate of 4.0% annually through to 2011.



In Toronto, employment has continued to improve. After reaching a high of 9.3% in September 2003, the unemployment rate continued to come down to 7.5% in 2006, a level not seen in four years.

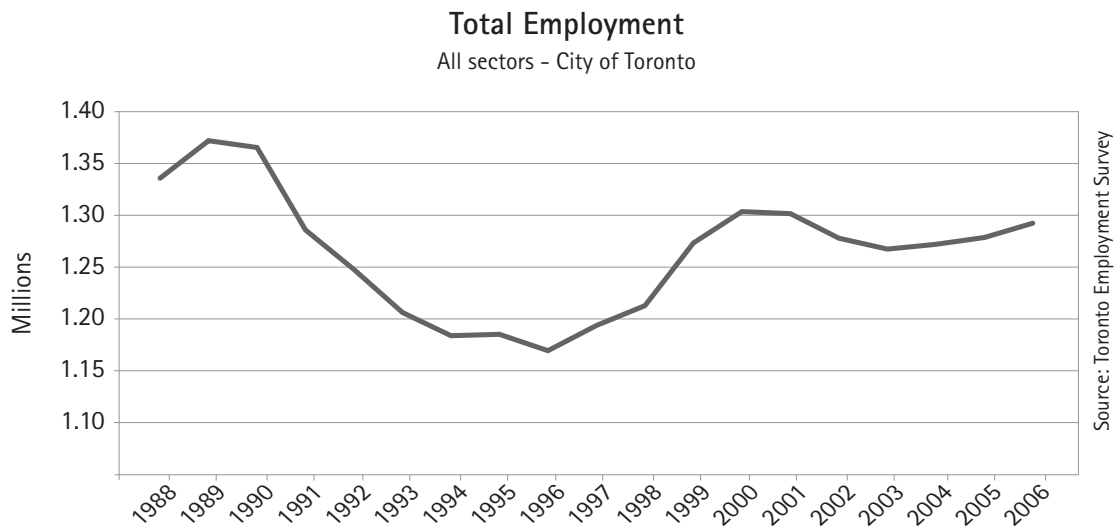


The active labour market has had a positive impact on City services such as transit ridership. In fact, TTC ridership is projected to return to a level not seen since 1991 when the last recession hit. Improved employment has also benefited downtown office vacancy rate which decreased to 5.6% in the first quarter of 2007 compared to 7.6% a year ago and 9.5% two years ago. Downtown non-residential construction, particularly the hotel and office sector, is expected to stay healthy in 2007 and 2008.



One of the key indicators of economic strength is employment. Total employment in the City peaked in 1989, but over the next seven years came down substantially. Most of the job losses were in goods production, but financial services and retail also experienced significant declines, which were attributed to the impact of economic restructuring associated with free trade and a cyclical recession. From 1996

to 2000, the City's economy staged a strong recovery. Total employment in manufacturing jobs expanded faster than all employment, as vacant industrial buildings in the City were quickly filled up. Within the Greater Toronto Area, the economic growth of the City has been lagging behind the rest of the region, particularly between 2000 and 2003 when employment in the City declined, with the majority of job losses in manufacturing, construction, transportation and warehousing as well as business services. Since 2003 the City's economy has bounced back with a services-based recovery. There have been noticeably steady gains in employment in the city. Together with the recent announcements of various investments in physical infrastructure by governments at all levels, the city's economy will grow at a healthy and sustainable pace.





## FAST FACTS

### On Toronto's Economy

- With 76,000 businesses, Toronto generates about 45 per cent of Ontario's Gross Domestic Product (GDP), making it the economic engine of both Ontario and Canada.
- The City of Toronto has been ranked as one of the World's Top 10 Economic Centres with a strong credit rating of AA (Standard & Poor's, 2006 – see page 46)
- Key industry clusters in the region are made up of business and financial services, information and communication technology, biomedical and biotechnology, and film and television, to name a few. Within the City, the main drivers in Toronto's economy are manufacturing and financial business services.
- Toronto is home to 50 per cent of the region's employment but occupies only 10 per cent of the land area (Toronto accounts for 630 sq. km; Peel, Halton, York and Durham account for nearly 6,500 sq km.)
- Approximately 19.7 million tourists visited Toronto in 2005 and there is an estimated daily influx of 356,000 non-resident vehicles entering the City from surrounding regions during the morning rush hours, in addition to non-residents entering the City through public transit.
- Toronto was ranked as the world's third most desirable destination for business travel according to The Economist Intelligence Unit's business trip index, 2006.

### On City Government

- The City of Toronto ranks as the fifth largest municipality in North America (by governed population) after Mexico City, New York City, Los Angeles and Chicago.
- In Canada, only the federal government and the provinces of Ontario, Quebec, B.C. and Alberta govern more people than Toronto's city government.
- Toronto's funding responsibilities, at around eight billion dollars, are greater than the combined budgets of the cities of Vancouver, Calgary, Regina, Winnipeg, Halifax and Ottawa.
- The City owns a significant amount of physical assets, comprising roads, expressways, bridges, street lighting and traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of \$61 billion.
- As it stands now, 35 per cent of the City's Operating Budget is devoted to provincially-mandated programs, while another 24 per cent goes to the TTC and Toronto Police.
- It's estimated by the Toronto Board of Trade that there is a \$6.7 billion gap in what the City sends to the federal government alone in taxes versus what is reinvested in Toronto.

### On Quality of Life

- Toronto ranked second in North America and placed 15th world-wide in the Mercer Human Resources Quality of Living Survey 2007.
- The City of Toronto delivers more than 40 critical front line services delivered by 48,500 full and part-time employees and its agencies – making it the largest employer in the City.
- Toronto is identified by The Carbon Group as one of the leading cities in the world in terms of reducing carbon emissions.

### On City Services

- The City of Toronto's average monthly administration cost per case is \$206.95, which is 16.4% lower than the average of 13 other municipalities participating in the Ontario Municipal CAOs Benchmarking Initiative (OMBI) survey (page 9).
- Toronto's Emergency Medical Services (EMS) operates the largest paramedic training academy in Canada.
- The Toronto Public Library (TPL) manages over 30 million items, in-person visits, virtual visits and programs in circulation.
- Improvements in TPL public workstations were completed in 2006 and now provide increased multilingual capabilities (in 33 languages) and word processing in all 99 branches.
- TPL's 2007 Operating Budget provides 4.2 million computer sessions for the public.
- Toronto's FUN Unlimited is the largest registration tool for recreation programs in the world! Residents can browse, register and make payment for over 66,000 recreation programs a year.
- The City recently won 25 awards at the province-wide Public Sector Quality Fair which recognizes excellence in public service delivery. This incredible achievement is a major testimonial to the level of expertise and commitment demonstrated by our staff. It indicates that our employees have a great deal of enthusiasm and pride in the work they are doing and in serving this great City and its residents.



## TORONTO CITY COUNCIL



Mayor David Miller

For information on how to contact a member of Council, visit the City's website at [www.toronto.ca](http://www.toronto.ca)



Ward 1  
Suzan Hall



Ward 2  
Rob Ford



Ward 3  
Doug Holyday



Ward 4  
Gloria Lindsay Luby



Ward 5  
Peter Milczyn



Ward 6  
Mark Grimes



Ward 7  
Giorgio Mammoliti



Ward 8  
Anthony Perruzza



Ward 9  
Maria Augimeri



Ward 10  
Michael Feldman



Ward 11  
Frances Nunziata



Ward 12  
Frank Di Giorgio



Ward 13  
Bill Saunderson



Ward 14  
Gord Perks



Ward 15  
Howard Moscoe



Ward 16  
Karen Stintz



Ward 17  
Cesar Palacio



Ward 18  
Adam Giambrone



Ward 19  
Joe Pantalone



Ward 20  
Adam Vaughan



Ward 21  
Joe Mihevc



Ward 22  
Michael Walker



Ward 23  
John Fillion



Ward 24  
David Shiner



Ward 25  
Clifford Jenkins



Ward 26  
John Parker



Ward 27  
Kyle Rae



Ward 28  
Pam McConnell



Ward 29  
Case Ootes



Ward 30  
Paula Fletcher



Ward 31  
Janet Davis



Ward 32  
Sandra Bussin



Ward 33  
Shelley Carroll



Ward 34  
Denzil Minnan-Wong



Ward 35  
Adrian Heaps



Ward 36  
Brian Ashton



Ward 37  
Michael Thompson



Ward 38  
Glenn De Baeremaeker



Ward 39  
Mike Del Grande



Ward 40  
Norman Kelly



Ward 41  
Chin Lee



Ward 42  
Raymond Cho

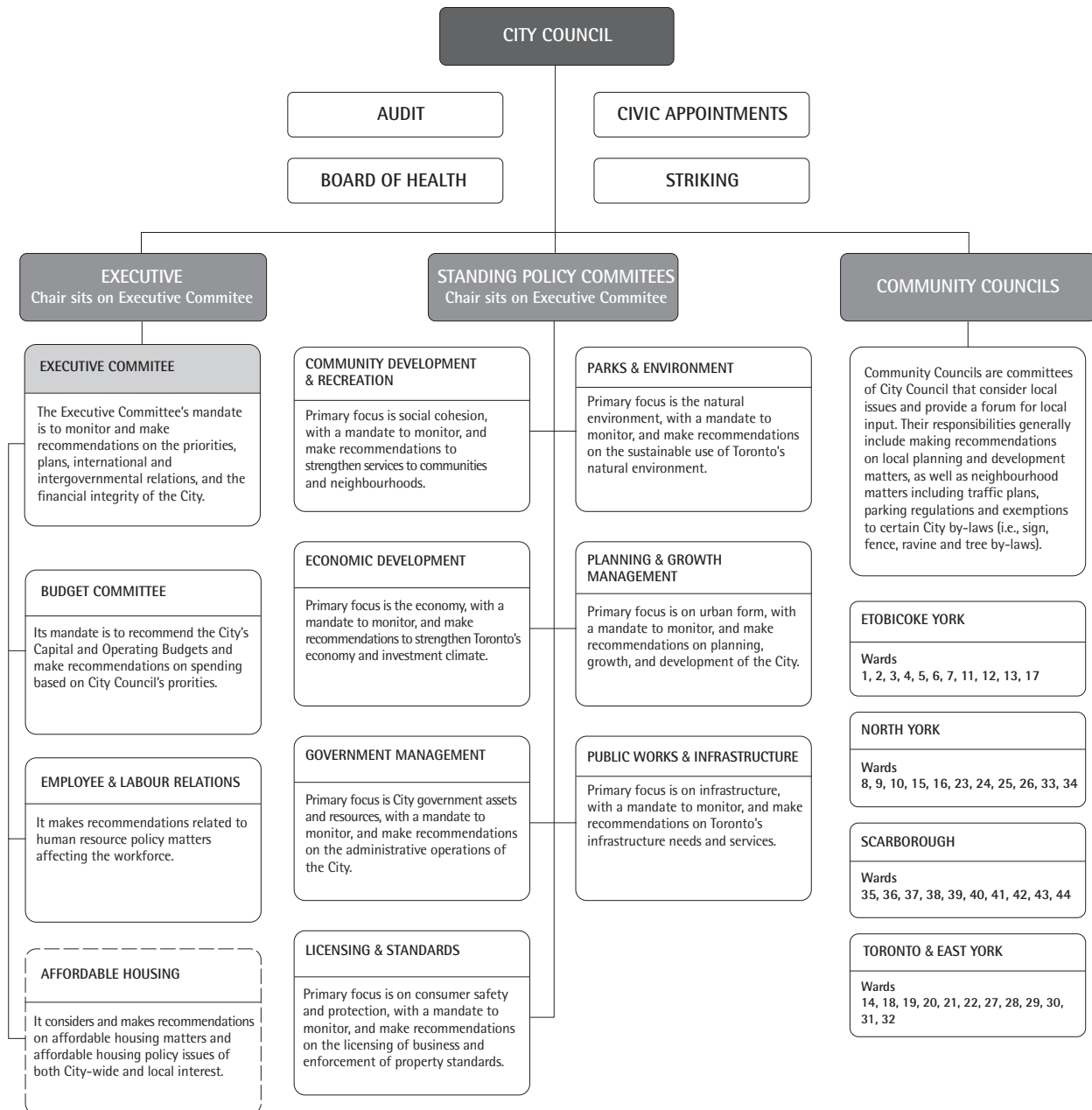


Ward 43  
Paul Ainslie



Ward 44  
Ron Moeser

## COUNCIL-COMMITTEE STRUCTURE AND MANDATES

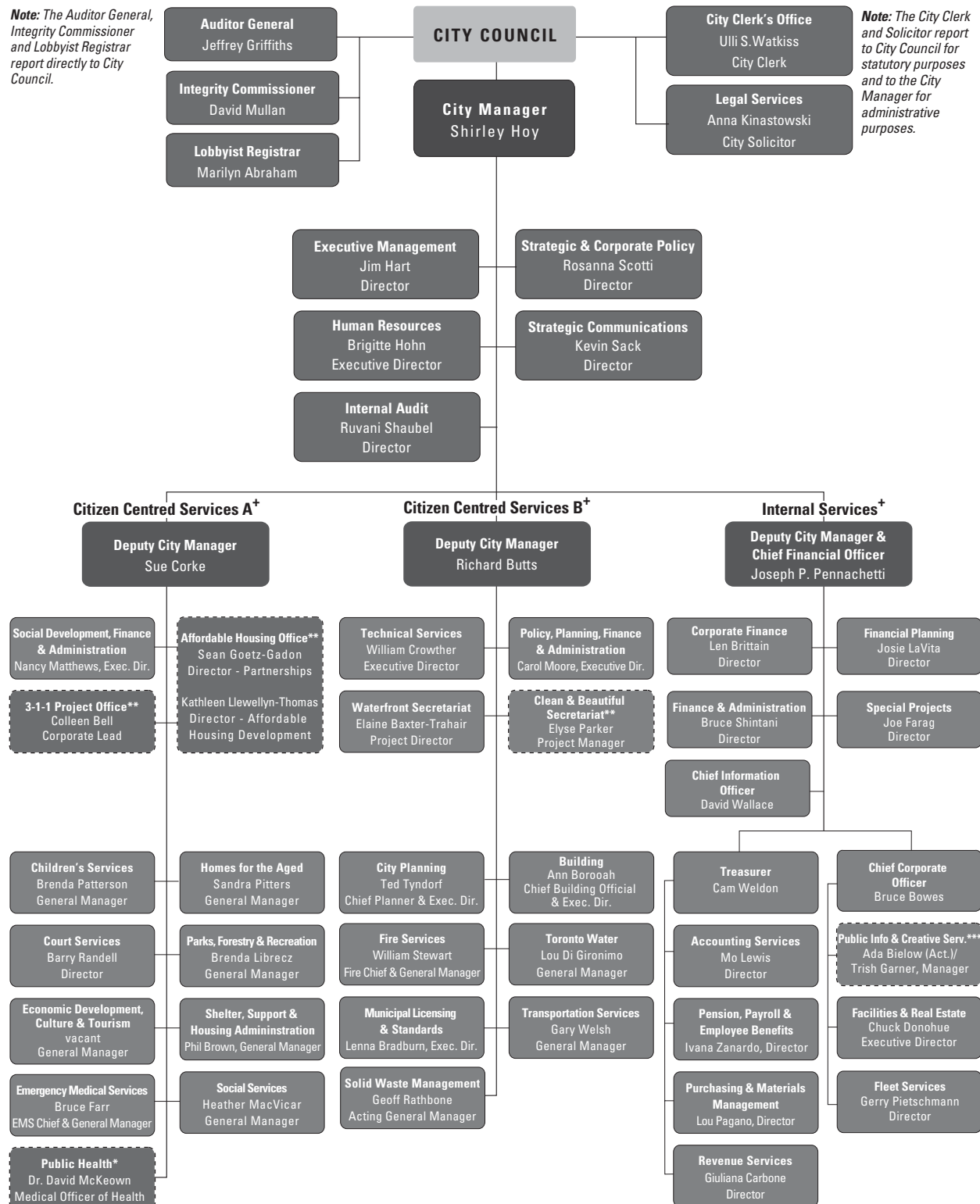


# CITY ADMINISTRATIVE STRUCTURE

As of June 2007

**Note:** The Auditor General, Integrity Commissioner and Lobbyist Registrar report directly to City Council.

**Note:** The City Clerk and Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes.



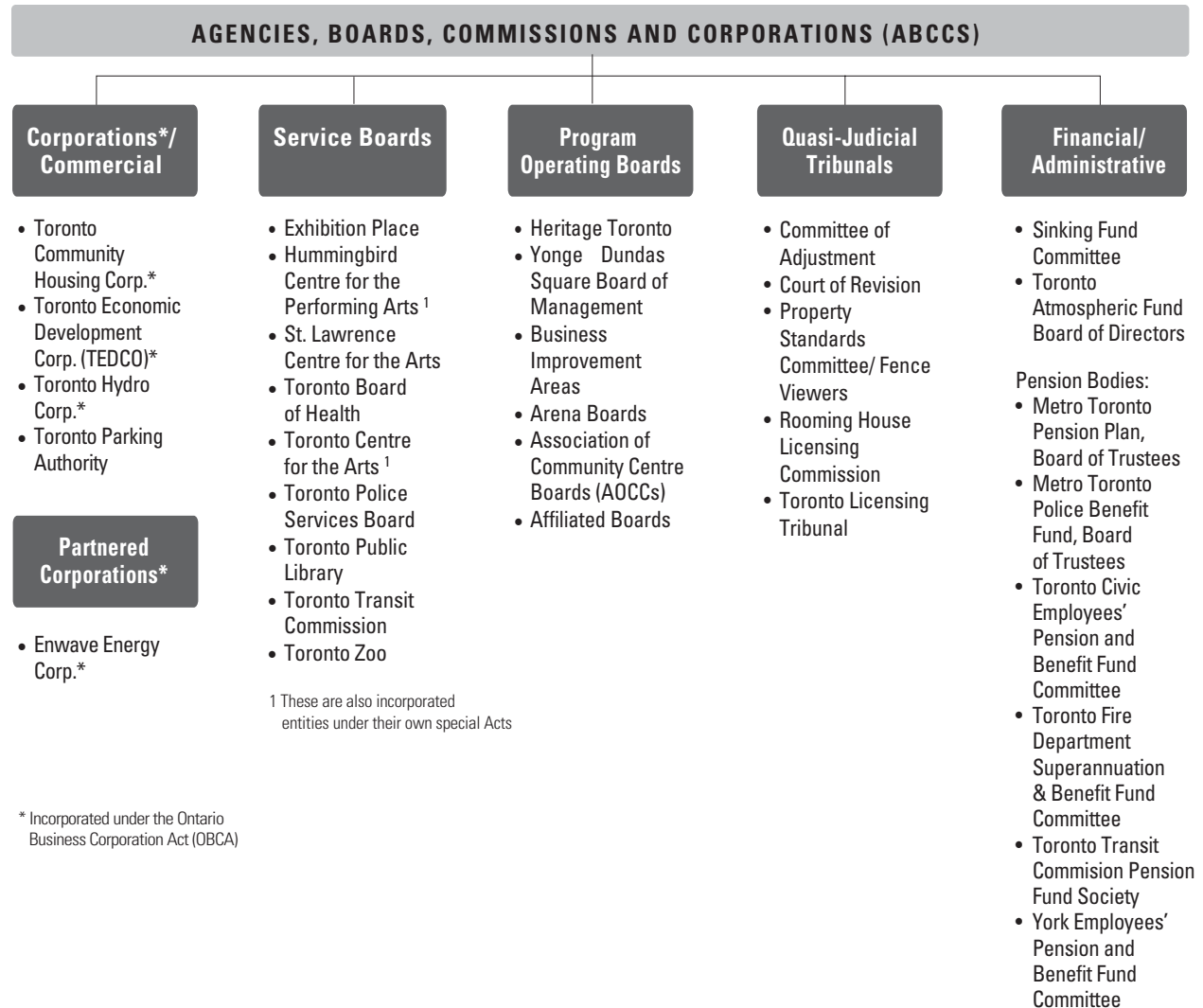
\* The Medical Officer of Health reports to City Council through the Board of Health

\*\* Special Project Offices

\*\*\* Interim reporting relationship pending establishment of 3-1-1 and review of communications support functions

+ Denotes interim title

## CITY OF TORONTO'S SPECIAL PURPOSE BODIES





## EXTERNAL AND PARTNERED ORGANIZATIONS

12 Alexander Street Project	Centre Corporation Moving the Economy
Art Gallery of Ontario	Municipal Property Assessment Corp. Museum of Contemporary Canadian Art
Arts Etobicoke	National Ballet of Canada
Arts York	North York Historical Society
Association française des municipalités de l'Ontario (Francophone Association of Municipalities of Ontario)	Rouge Park Alliance
Bridgepoint Hospital, Board of Governors	Royal Agricultural Winter Fair
Campbell House, Board of Management Canadian Film Centre	Runnymede Hospital, Board of Directors
Canadian National Exhibition Association	Scarborough Arts Council
Canadian Opera House Corp.	Social Housing Services Corp. The Scarborough Hospital, Board of Directors
Canadian Stage Company	The Salvation Army Toronto Grace Health Centre, Board of Trustees
Caribbean Cultural Committee	Toronto and Region Conservation Authority
Crescent Town Club Inc.	Toronto Arts Council
Design Exchange	Toronto Artscape
Dora Mavor Moore Awards	Toronto Business Development Centre
Dragon Boats 2006 – Great White North Dragon Boat Challenge	Toronto Child Abuse Centre
East Metro Youth Services	Toronto Financial Services Alliance
East York Foundation Nominating Committee	Toronto Foundation for Student Success
Foodshare	Toronto Humane Society
Friends of Maple Leaf Cottage	Toronto International Film Festival Group
George R. Gardiner Museum of Ceramic Art	Toronto Public Library Foundation
Greater Toronto Airports Authority	Toronto Symphony Orchestra
Greater Toronto Marketing Alliance	Toronto Waterfront Revitalization Corp.*
Green Tourism Association	Toronto Zoo Foundation
Harbourfront Centre	Tourism Toronto
Hockey Hall of Fame, Board of Directors	Town of York Historical Society
ICLEI – Local Governments for Sustainability	Urban Arts Community Arts Council
Lorraine Kimsa Theatre for Young People	Woman Abuse Council
Metropolitan Toronto Convention	York Community Information
	Young Ambassadors Selection – Committee for Learnx Foundation

\* Incorporated under the Ontario Business Corporation Act (OBCA)

## KEY CITY BUILDING INITIATIVES

The following Key City Building Initiatives are aligned with the Mayor's mandate, Council-approved policy agenda and the mandates of Toronto's Standing Committees.

### **The Economy**

Strengthen Toronto's economy and investment climate

### **Social Cohesion**

Strengthen services to the communities and neighbourhood.

### **Infrastructure**

Monitor and make recommendations on Toronto's infrastructure needs and services.

### **Urban Form**

Monitor and make recommendations on the planning, growth and development of the City of Toronto.

### **Consumer Safety and Protection**

Monitor and make recommendations on the licensing of businesses and enforcement of property standards.

### **The Natural Environment**

Monitor and make recommendations on the sustainable use of Toronto's natural environment.

### **Government Assets and Resources**

Monitor and make recommendations on the administrative operations of the City,

### **Strategic Direction; Governance & Finance**

Monitor and make recommendations on the priorities, plans, intergovernmental and international relations and financial integrity of the City

## TORONTO'S OFFICIAL PLAN

Toronto's future prospects are important for Canada because successful cities are vital to a nation's prosperity. Their success, in turn, is based on their high quality of life, which attracts people, jobs and investment. What kind of city will Toronto be in the twenty-first century? This question affects us all. It is a question the Official Plan addresses. The Plan sets out the choices that, during extensive public consultations, citizens indicated would create the most prosperous Toronto.

### VISION

The vision of the Plan is about creating an attractive and safe city that evokes pride, passion and a sense of belonging – a city where people of all ages and abilities can enjoy a good quality of life.

A city with:

- vibrant neighbourhoods that are part of complete communities
- affordable housing choices that meet the needs of everyone throughout their life
- attractive, tree-lined streets with shops and housing that are made for walking
- a comprehensive and high quality affordable transit system that lets people move around the city quickly and conveniently
- a strong and competitive economy with a vital downtown that creates and sustains well-paid, stable, safe and fulfilling employment opportunities for all Torontonians
- clean air, land and water
- green spaces of all sizes and public squares that bring people together
- a wealth of recreational opportunities that promotes health and wellness
- a spectacular waterfront that is healthy, diverse, public and beautiful
- cultural facilities that celebrate the best of city living
- beautiful architecture and excellent urban design that astonishes and inspires

In keeping with City Council's Strategic Plan, the Toronto Official Plan's vision is all about ensuring Toronto remains an attractive and safe city that evokes pride, passion and a sense of belonging. It proposes some fundamental social, environmental and economic choices that will help meet the needs of today and ensure that future generations have the ability to meet their needs. The Plan will preserve and strengthen the character of the City's neighbourhoods, parks, ravines and open spaces, which together make up about 75 per cent of the city. The Plan directs growth to the remaining 25 per cent of the City – areas like downtown and the main roads.

### PRINCIPLES

The Plan is based on four core principles:

- Diversity and opportunity – diversity is Toronto's strength because it means vibrancy, inclusiveness and adaptability, and enables the city to offer a dynamic mixture of opportunities for everyone to live, work, learn and play here.
- Beauty – all successful cities astonish with their human-made and natural beauty. People want to live in cities that understand their past and push their creative limits.

- Connectivity – the choices we make about where we live, how we travel, where we work, shop and play all have an impact on, and are affected by, other choices.
- Leadership and stewardship – leadership and stewardship in the successful city are not confined to elected officials but include everyone, from volunteers in grassroots community organizations to the chief executive officers of our largest corporations.

*Updates to the City of Toronto's Official Plan can be found at <http://www.toronto.ca/torontoplan>.*

**CITY OF TORONTO**

# 2007

**Budget Summary**

## **Financial Condition & Performance**



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## MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER



While significant financing challenges exist in 2007, the City of Toronto continues to make financially strategic advancements for establishing long-term financial plans which are reflected in the 2007 Capital and Operating Budgets.

Toronto City Council approved their first Five-Year Capital Plan of \$6.7 billion with a major focus on improving city transit and transportation (two-thirds of the budget), and the environment for a safer, cleaner, greener and beautiful city. The Five-Year Capital Plan also addresses the City's state of good repair capital requirements within debt affordability guidelines and limits the growth in infrastructure repair backlogs.

Although the City was able to balance affordable debt limits against the maintenance of City assets, without sustained new sources of funding, the debt burden for capital expenditures will continue to rise and the City will be unable to provide the new services or facilities required to meet growth demands. This highlights the need for a national transit strategy in order to sustain the City's plans for transit infrastructure and the Toronto Transit Commission (TTC) which makes up fifty per cent of the Capital Plan.

Going forward, the preliminary estimates show that the City's net debt will escalate significantly. Gas tax funding from the federal and provincial governments has alleviated some of the capital financing pressures and will help to lessen future debt requirements. However, debt charges continue to be the second largest component of the property tax bill, behind Police Services. The infrastructure demands can only be met through new revenue sources which requires sharing of sales taxes to ensure long-term plans are properly funded.

While the Province has partnered with the City in providing funding for TTC's capital program, the City needs a long-term commitment to fund 50% of transit operations in 2008 and to upload the funding for social service programs over the next three years (2008-10).

Results from independent credit rating agencies reaffirm the City's efforts in expenditure restraints and sound financial planning. Strong stable credit ratings of AA and AA+ reflect the City's financial endurance and optimistic outlook for work being done both within and with other orders of government. High credit ratings and relatively low debt levels highlighted by independent credit rating

agencies also note prudent financial management that continues to yield positive, stable results and a large diverse economy.

The potential for a stronger Toronto through the new City of Toronto Act and revenue tools to support city-building initiatives and priorities should be realized in 2008.

Although these taxation powers do not address the City's long-term fiscal imbalance, they do support a more optimistic financial future, with stronger inter-governmental relations and agreements needed for financial sustainability. This outlook, combined with ongoing prudent financial planning and continued review of service efficiencies will deliver the best value in services for Toronto's residents and businesses and indeed for the economic benefit of Ontario and Canada.



Joseph P. Pennachetti

Deputy City Manager and Chief Financial Officer



## FISCAL CAPACITY

Every year, the City faces the challenge of matching its spending needs to its ability to raise revenues. There is a permanent or "structural" mismatch between spending and revenues. This has been caused by:

- The City's primary revenue sources, property taxes and user fees, do not grow with the economy like income and sales taxes do. The City is not allowed to collect income and sales taxes. Property taxes and user fee increases over the years have generally followed the rate of general inflation.
- The City's operating costs have been increasing faster than the rate of general inflation because of population growth, higher construction, energy and labour costs, and because of increasing demands for service.
- The City's physical infrastructure is getting older and is not being repaired and replaced as fast as it should be.
- High property tax yielding industrial properties are being converted to low tax yielding residential properties.

The Conference Board of Canada provided a clear and objective analysis of this issue. In its June 2005 report titled "Measuring Toronto's Fiscal Capacity: An Executive Summary," it indicated that the City faced a combined capital and operating annual fiscal shortfall of \$1.1 billion in 2006 to fulfill its current program responsibilities and begin to address its infrastructure gap. The study also indicated that the imbalance would grow by over \$100 million each year unless property taxes were able to grow by the same amount. The study identified an upload of financial responsibilities and/or transfer of sales or income tax revenue capacity from the provincial or federal government as a solution to the shortfall.

## PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets, comprising roads, expressways, bridges and traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of \$61 billion. The City's capital program is driven largely by the costs of maintaining its physical assets in a state of good repair.

	Estimated Asset Value
Transportation Infrastructure	\$10 Billion
Water & Wastewater Infrastructure	\$27 Billion
Public Transit System	\$9 Billion
Buildings, Facilities & Fleet	\$9 Billion
Housing Infrastructure	\$6 Billion
<b>Total (excluding land)</b>	<b>\$61 Billion ++</b>

The City's road network, the majority of which was constructed in the 1950s and 1960s, is in need of major repair and rehabilitation. The City's water and wastewater network is similarly aged – 50% of the water pipes and 30% of wastewater pipes are more than 50 years old, while 7% of watermains and 3% of wastewater infrastructure are more than 100 years old. Due to fiscal constraints, the City's current spending in the capital program is less than ideal. Insufficient funding to the state of good repair for all programs has created repair and replacement backlogs worth \$1.1 billion, which will grow to 1.4 billion by 2011, an increase of \$300 million as shown in the table below. The current backlog of Transportation Services alone is estimated to be \$301 million, made up of \$163 million in roads and sidewalks, \$49 million in bridge rehabilitation, and \$89 million related to the western Gardiner Expressway. In addition, capital requirements resulting from population growth and demographic changes further exacerbate capital underfunding. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More buses, social housing, recreation centres, etc., are required, which will put pressures on the City's capital and operating budgets.

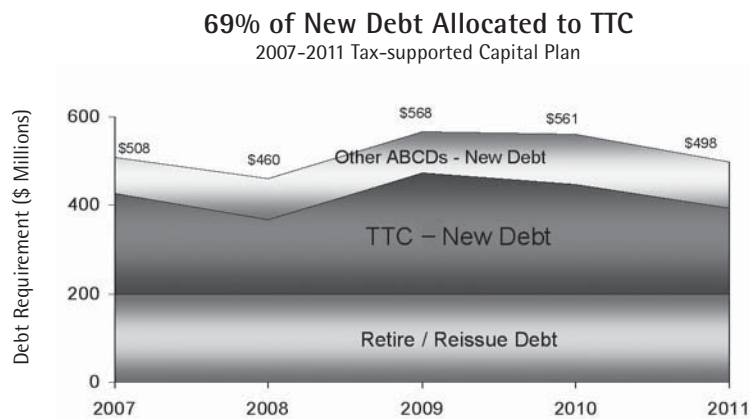
### State of Good Repair Backlog (\$000s)

Category	2006	2007	2008	2009	2010	2011	2011 Change from 2006 Increase (Decrease)
Citizen Centred Services – A	229,967	283,080	294,895	308,768	331,376	351,327	121,360
Citizen Centred Services – B	305,800	310,092	322,335	349,052	399,029	420,291	114,491
Internal Services	222,820	203,585	178,699	161,020	137,172	108,424	(114,395)
Other City Programs	11,925	7,925	3,975	1,125	550	830	(11,095)
<b>Total – City Operations</b>	<b>770,512</b>	<b>804,682</b>	<b>799,904</b>	<b>819,965</b>	<b>868,127</b>	<b>880,872</b>	<b>110,360</b>
Special Purpose Bodies	325,181	362,886	400,298	443,541	483,989	510,841	185,660
<b>Total – Tax Supported Programs</b>	<b>1,095,693</b>	<b>1,167,568</b>	<b>1,200,202</b>	<b>1,263,506</b>	<b>1,352,116</b>	<b>1,391,713</b>	<b>296,020</b>

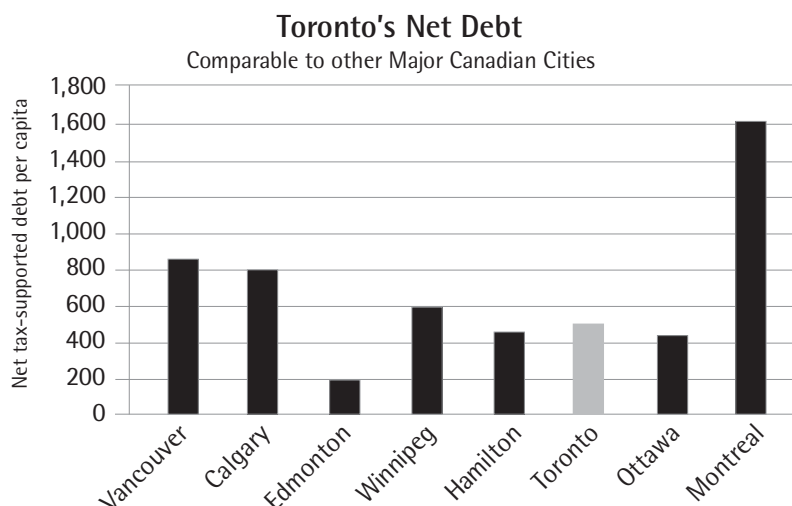
## CAPITAL FINANCING AND DEBT

At the beginning of 2006, the City authorized the issuance of up to \$500 million in debentures in order to fulfill a portion of its capital financing requirements. In July, 2006, the City issued \$300 million sinking fund debentures with a term of 10 years and an interest rate of 4.85% per annum. In September, 2006, a total of \$200 million in sinking fund debentures consisting of \$100 million for a term of five years and a yield of 4.20% per annum and \$100 million for a 10 year term and an interest rate of \$4.50% per annum.

Like other Ontario municipalities, the City is only allowed to borrow to fund capital expenditures. Toronto has enjoyed relatively low debt levels; however, there is a sizeable gap between future capital expenditure needs and ongoing revenue sources. For the next five years, the Toronto Transit Commission (TTC) is driving the majority of the new debt required. In fact, 69% of the new debt is allocated to the TTC.

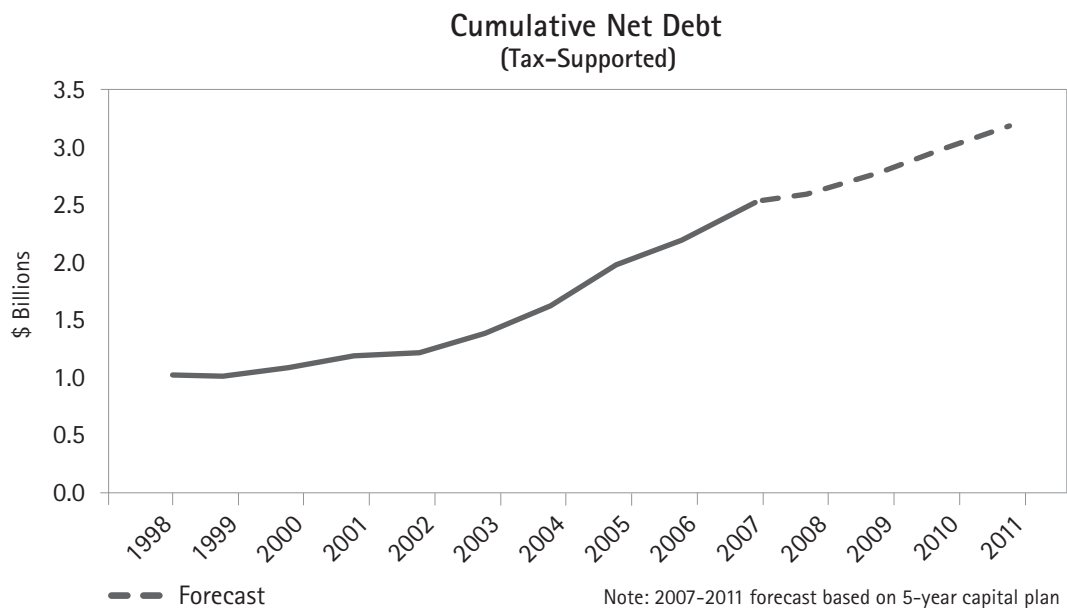


Toronto's net tax-supported debt per capita is comparable to other major Canadian municipalities.

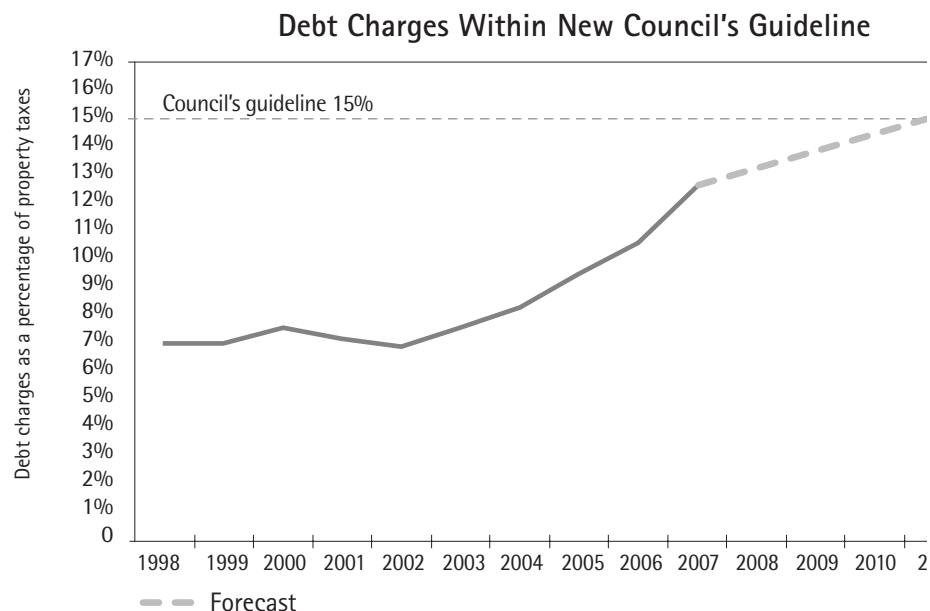


Source: DBRS Canadian Municipal Government Fact Sheet February 2007

Going forward, preliminary estimates show that the City's net debt will escalate significantly if all capital needs that have been identified were to be funded. Gas tax funding from the federal and provincial governments has eased some of the capital financing pressures and will help to lessen future debt requirements. The City is currently reviewing the five-year capital plan in order to limit debt to a more affordable and sustainable level.

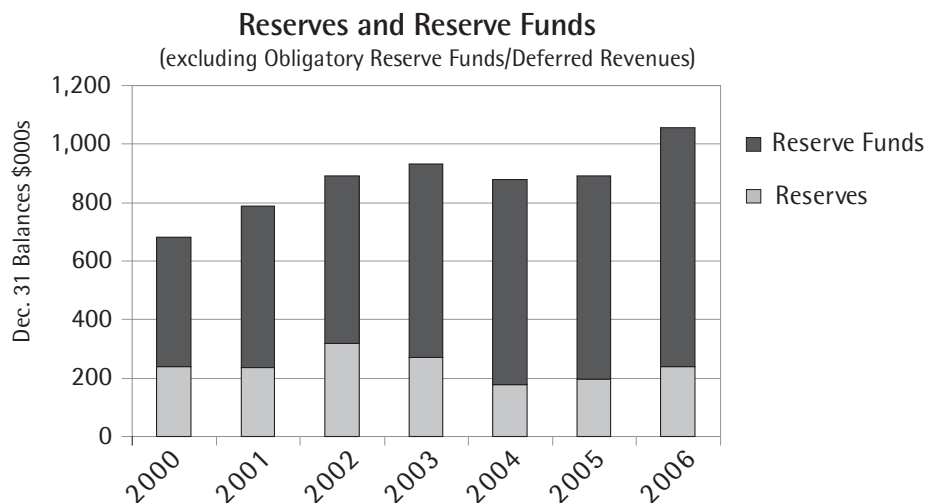


Debt charges are the second largest part of the property tax bill (behind police services). In 2006, City Council approved a new debt service guideline of 15 per cent (up from 10 per cent) of property tax revenues in a given year. Although only a guideline, this limit means that at least 85 cents on each tax dollar raised is available for operating purposes. Current forecast shows that the City's debt charges will fall within this guideline in the next few years, but could reach the target as early as 2011.



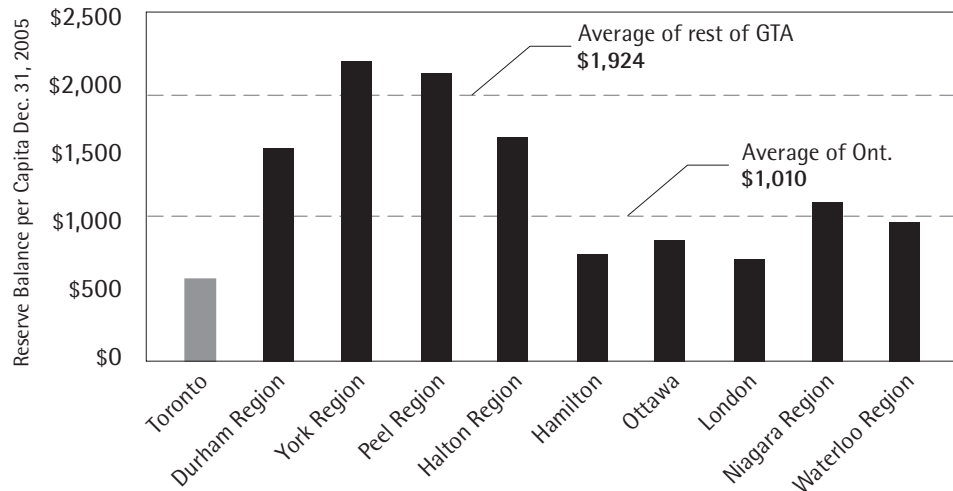
## RESERVES AND RESERVE FUNDS

As at December 31, 2006, the City had \$1.1 billion in Council-directed reserves and reserve funds, comprising \$238.9 million in Reserves and \$818.6 million in Reserve Funds. These funds have been set aside by Council to pay certain liabilities, to defend the City against an economic downturn or other factors that result in a budget deficit, to smooth out program expenditures which may fluctuate from one year to the next, and to accumulate funds for future capital requirements. While the reserves and reserve funds balance would appear to be a large sum, the City's liabilities that the reserves and reserve funds are associated with are currently estimated to be in excess of \$2.5 billion. The lion's share of the liability is for employee benefits that have been earned but are payable in the future when employees leave the City's workforce.



On a comparative basis, the City's overall fund balance on a per capita basis is much lower than most Ontario municipalities – just over half of the Ontario average and just over a quarter of the average of the rest of the Greater Toronto Area (GTA), as shown in the following figure. If the City were to have the same reserve per capita as the average of the rest of GTA, it would have over \$5 billion in reserves, more than enough to offset its outstanding debt and fully fund its employee liabilities. The City is in the process of establishing a long-term reserve strategy to address and mitigate the inadequacy.

### Reserve Levels are Lower than Other Municipalities



Source: Ontario Ministry of Municipal Affairs & Housing, City of Toronto  
 Regional data consolidated for upper and lower tiers  
 Balances include Obligatory Reserve Funds/Deferred Revenues

## DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds set aside relating to Development Charges, Parkland Acquisition, Homes for the Aged, and Social Housing. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. The balance of such funds as at December 31, 2006 was \$640.5 million. These funds are all committed and are not available at Council's discretion.

## REVENUES

### 2006 Property Taxes and Assessment

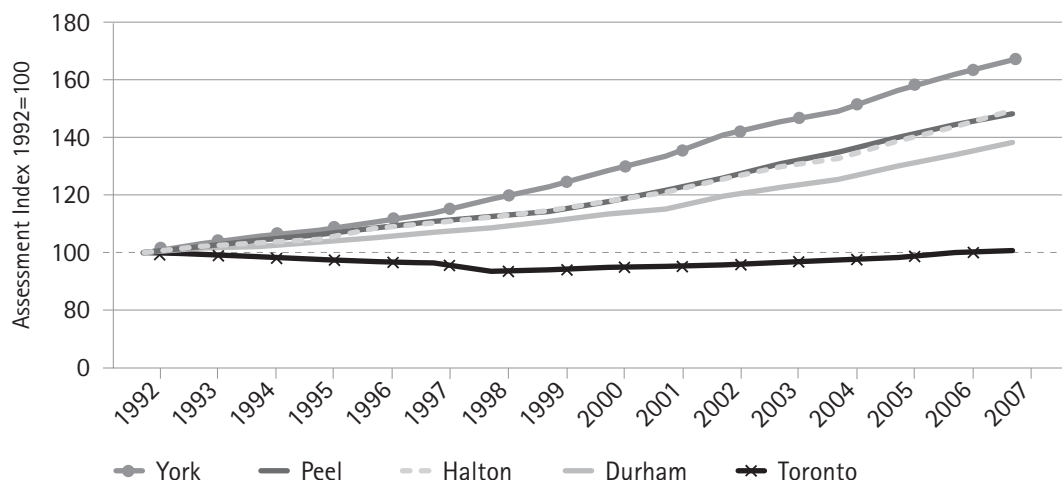
Property tax revenue is the City's single largest source of revenue. The City collects over \$3.2 billion from residential and business property owners, which represented over 41% of the total operating revenues.

In each year, the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates prescribed by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential). The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to fund the costs of education.

Over the last fifteen years, the Greater Toronto Area experienced quite remarkable economic and population growth following the recession of the 1990s. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada between 2001 and 2006. The bulk of the new construction and the associated assessment increase are located in the surrounding areas in the GTA. For example, York Region's total assessment increased by more than 67% during this period, as shown in the following chart. By comparison, the City of Toronto saw a gradual decline in assessment from 1992 to 1998, and there has been only a minimal increase since then. In fact, Toronto's property assessment has just returned to its 1992 level.

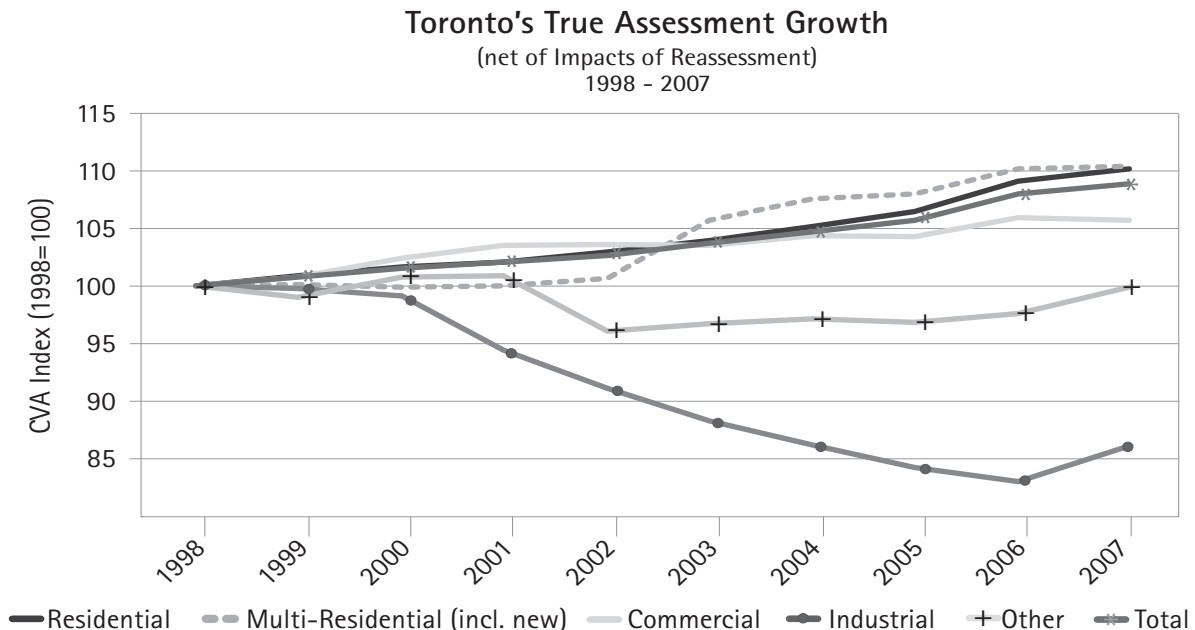
**Unlike the Rest of GTA Enjoying Sizable Assessment Growth,  
Toronto Has Just Returned to its 1992 Level**



Source: MMAH's MARS, MPAC, Annual Financial Reports of the respective regions and survey.

From 1998 to 2007 the total property assessment of the City's properties saw a total true net growth of 9% when the impacts of property reassessment are removed. Within the various property classes, the residential and multi-residential property classes each saw an increase of about 10%. For the non-residential

properties, commercial properties increased by a modest 5.6% and industrial properties had a net decrease of almost 14%. This is illustrated in the chart below.



In 1998, the Province of Ontario reformed the property assessment and taxation system in Ontario with the implementation of the Current Value Assessment (CVA) system. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time. The Municipal Property Assessment Corporation (MPAC) is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities.

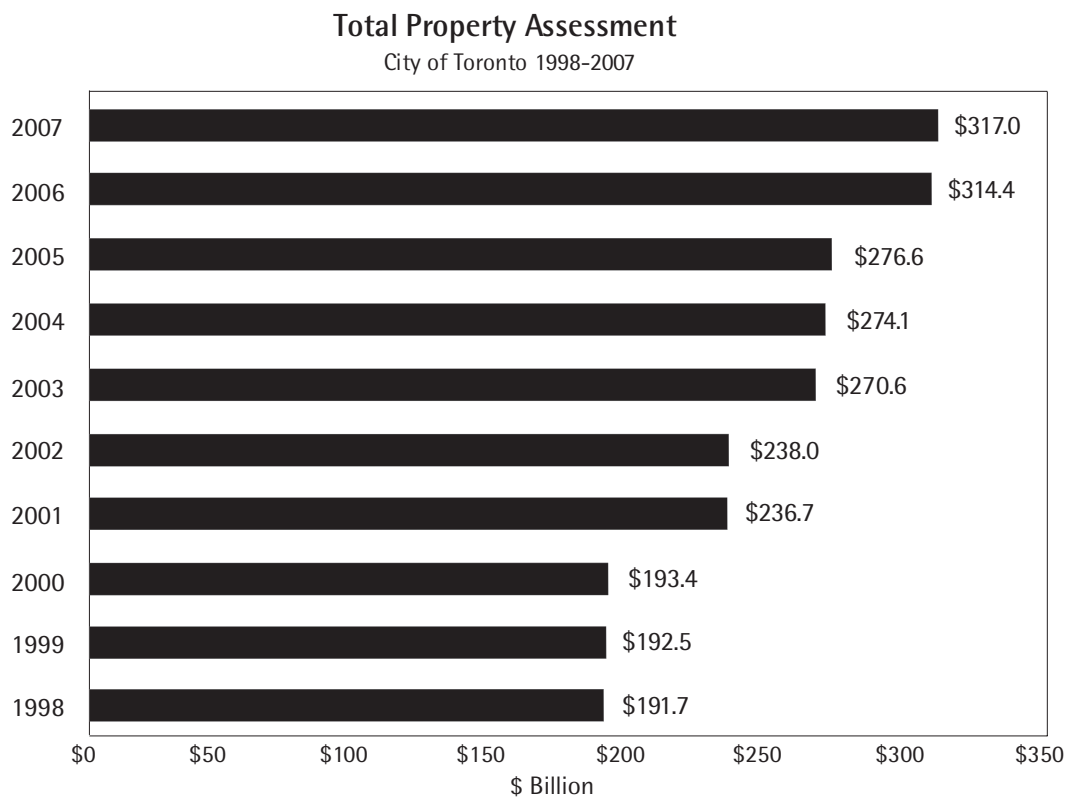
Up until 2004, Toronto had been the only municipality in the GTA that was prohibited by provincial legislation from increasing property tax levies on businesses for budgetary reasons. Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, are restricted from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceeded the provincial thresholds which meant that no municipal levy increases could be passed on to these classes. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class. While each one percent property tax increase would generate \$32 million if the whole assessment base could be accessed, when the budgeting increases are not levied on businesses, the City could raise only \$12 million from the residential class.

Since 2004, the Ontario Government has on an annual basis passed special regulations which allowed Toronto's tax rate increases on the non-residential classes to be no more than 50% of the rate for the residential tax class. However, as part of a plan to improve business competitiveness, starting in 2006, Toronto's commercial, industrial and multi-residential tax rate increase is limited to one-third of any year-over-year increase in residential tax rates.



In 2006 the Provincial Ombudsman reviewed the Municipal Property Assessment Corporation (MPAC), and the Province subsequently suspended all property reassessment until 2009, at which time the values will be updated to reflect the January 1, 2008 valuation date. Reassessments will take place every four years thereafter. With each reassessment, tax rates are adjusted or reduced to reflect CVA changes. For 2006 and 2007 property values were based on January 1, 2005 valuation date and were used to calculate property taxes.

The City of Toronto Act mandates limits on re-assessment related tax increases to 5% per year for the commercial, industrial and multi-residential property classes. Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also required.



The chart below illustrates the 2006 taxes payable for the average household in Toronto with an assessed value of \$369,300.

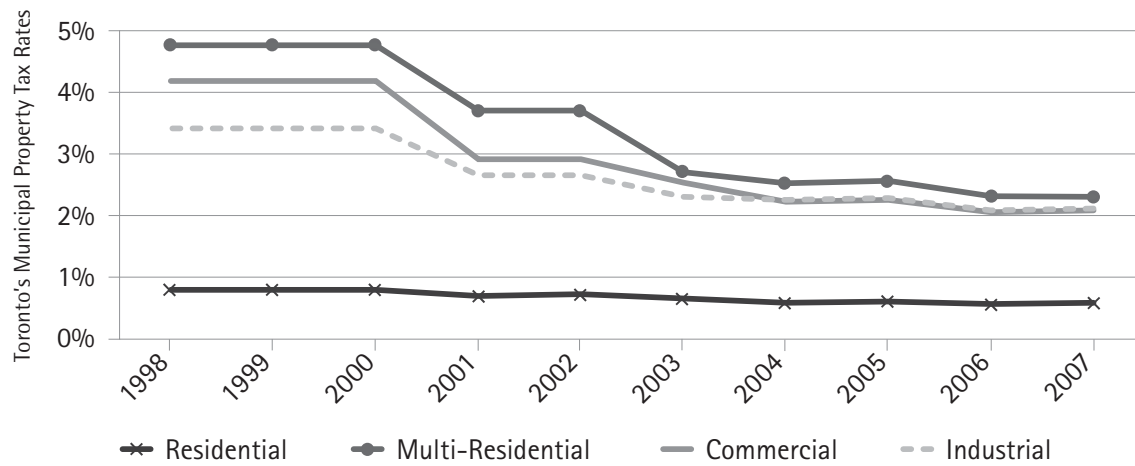
**Chart 2: 2006 Average Household Property Taxes**  
Average residential assessed value – \$369,300

	2006 Tax Rate	2006 Property Tax
Municipal Purposes	0.5668587%	\$2,093
Education Purposes	0.2640000%	\$975
<b>Total</b>	<b>0.8308587%</b>	<b>\$3,068</b>

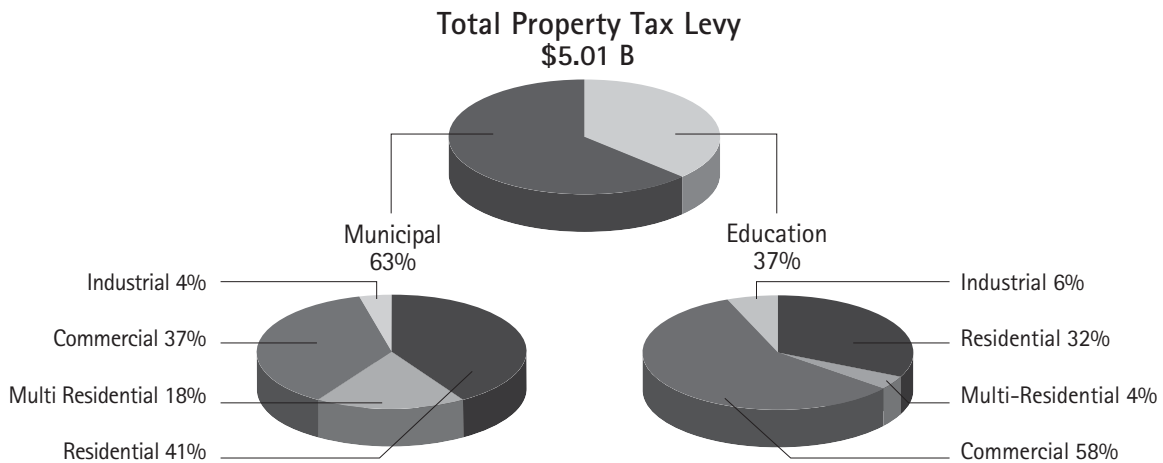
### Toronto's Tax Ratios vs. Provincial Theshold Ratios (Municipal Portion Only)

	Taxation Year						Provincial Threshold Ratios
	2001 Taxation Year	2002 Taxation Year	2003 Taxation Year	2004 Taxation Year	2005 Taxation Year	2006 Taxation Year	
Multi-Residential	4.174	4.001	3.870	3.802	3.761	3.707	2.74
Commercial	3.798	3.513	3.516	3.762	3.802	3.746	1.98
Industrial	5.301	4.120	4.120	4.273	4.273	4.171	2.63

### Toronto Tax Rate Comparison 1998-2007 (%CVA)



### Toronto 2006 Property Tax Levy



### Property Tax Relief for Businesses and Seniors

In late 2005 Council approved a comprehensive property tax policy to improve the business climate in the City, and consequently in 2006 implemented the policy of allowing for up to one-third of any residential tax rate increase to be applied to the Commercial, Neighbourhood Retail, Industrial, and Multi-Residential tax classes (i.e. a one percent non-residential tax increase for a residential tax increase of three percent), which would reduce its non-residential tax ratios to 2.5 times the residential rate over 15 years. Other tax strategies include tax relief for neighborhood retail properties, and a lower tax rate for new non-retail commercial and industrial developments.

This tax policy will reduce businesses' taxes by an estimated \$300 million. Other tax strategies include tax relief for neighbourhood retail properties, and a lower tax rate for new non-retail commercial and industrial developments.

Tax relief policies in effect for 2007 include:

- The cancellation of any tax increase for seniors aged 65 or older, or disabled person living with a household income of \$26,000 or less, which residential property assessed value is less than \$454,000 and have occupied his home for at least one year.
- The interest free deferral of any tax increase for seniors aged 50 years or older or disabled persons, whose household income is \$40,000 or less and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

### User Fees

User fees are the City's second largest source of revenue. Total user fee revenues including water and wastewater charges were \$1.9 billion, representing almost 23% of total operating revenues. The City's current user fee structures, such as transit fares, public swimming and skating fees, and water and wastewater rates, are at levels generally comparable to, and competitive with, the surrounding municipalities. There is very limited room for rate increases or significant additional sources of revenues.

### Other Revenues

The City receives other revenues such as grants and subsidies from other orders of government which are mainly for mandated programs such as social assistance, as well as other income such as parking fines and investment income. Under provincial rules, costs for Social Assistance and Social Housing are pooled amongst the GTA municipalities, and then allocated to the City of Toronto and the other regions using a formula based on weighted property assessment.

## CREDIT RATING

The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to the City's access to the most cost-effective world capital markets.

Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management; strength of economy; level of reserves, state of repair of assets and debt levels. The rating indicates the City's ability to make payments on the debt now and in the future.

The credit rating also establishes the City's cost of borrowing. A higher rating means less risk for investors. Investors are willing to collect lower interest on lower risk investments.

Currently, the City of Toronto's credit ratings are:

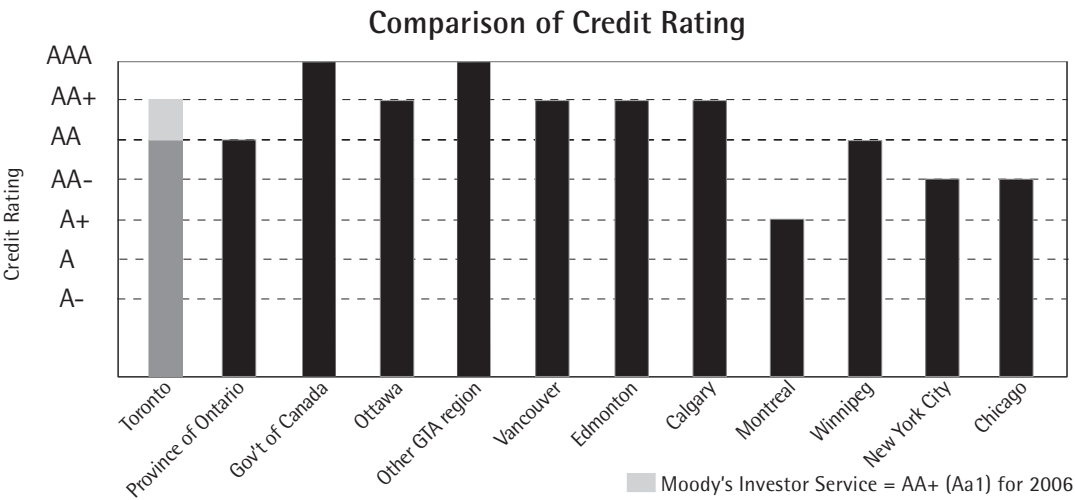
- Aa1 with a stable outlook from Moody's Investor Service – reaffirmed February 12, 2007
- AA with a stable trend from the Dominion Bond Rating Service Ltd. (DBRS) – reaffirmed April 19, 2006
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – reaffirmed March 10, 2006

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
DBRS	AA	AA	AA	AA	AA	AA(high)	AA(high)	AA(high)	AA(high)	AAA
Standard and Poor's	AA	AA	AA	AA	AA	AA+	AA+	AA+	AA+	AA+/AAA
Moody's Investors Service	Aa1	Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	Aa2	Aa2	Aa2

In reaffirming the City of Toronto's Aa1 rating and stable outlook in February 2007, Moody's Investors' Services wrote "Toronto's Aa1 debt rating, with stable outlook, is supported by a history of strong fiscal results, despite ongoing operating pressures, a large, diverse economy and a growing but manageable debt burden."

In its Public Finance Report Card: Canadian Municipalities released May 2006, Moody's wrote "Toronto financial flexibility has increased as it has benefited from new provincial and federal grant programs aimed at helping municipalities address infrastructure funding shortfalls. It is expected that a new provincial statute (City of Toronto Act) will expand the City's state of powers, giving it the ability to levy (new) taxes."

The City's credit rating remains among the highest of comparably sized or larger North American cities such as New York and Montreal.



## TORONTO'S 2005 PERFORMANCE MEASUREMENT AND BENCHMARKING REPORT

The City of Toronto continues to promote a continuous improvement culture in order to provide the best service value with municipal tax dollars. One way of assessing how well the City is using its resources is through the examination of performance measurement results.

For the past five years the City Manager has prepared a series of reports on Toronto's performance measurement results under the Municipal Performance Measurement Program (MPMP), a provincially-mandated program that requires all Ontario municipalities to report annually to the Ministry of Municipal Affairs & Housing on forty-four performance measures in twelve different service areas.

In April 2007, Toronto issued its *2005 Performance Measurement and Benchmarking Report* which strengthened accountability and enhanced the level of transparency in the way performance measures are reported. This report can be accessed through the following link

[http://www.toronto.ca/city\\_performance/pdf/2005-ombi-measure-benchmark.pdf](http://www.toronto.ca/city_performance/pdf/2005-ombi-measure-benchmark.pdf).

The report includes:

- five-year trends in Toronto's internal performance measurement results and a description of those trends as favourable, stable or unfavourable
- an external comparison of Toronto's results to other Ontario municipalities and the ranking of Toronto by quartile
- results for over a hundred service level indicators and performance measures in seventeen different service areas, each supported by detailed charts and narratives

Noted below is a summary and highlights of this report.

### Background

Toronto is 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. Given Toronto's unique nature, examining Toronto's own year-over-year performance and longer-term historical trends is important, and provides the most comparable performance information.

### Toronto's Performance Measurement framework

Toronto's performance measurement framework for service delivery includes the following four categories of indicators and measures:

- **Service Level Indicators** – provide an indication of the service levels, or amount of resources approved by Council or volumes of service delivered to residents. For the purposes of comparing to other municipalities it is often expressed on a common basis, such as the number of units of service per 100,000 population.
- **Performance Measures**
  - > *Efficiency* – compares the resources used to the number of units of service provided or delivered. Typically this is expressed in terms of cost per unit of service.
  - > *Customer Service* – measures the quality of service delivered relative to service standards or the customer's needs and expectations.

- > *CommunityImpact* – measures the outcome, impact or benefit the City program is having on the communities they serve in relation to the intended purpose or societal outcomes expected. These often tie to the mission statements of the program or service.

It is the responsibility of staff, with the financial resources and associated service levels and/or standards approved by Council, to deliver service as efficiently, and with the highest customer service and/or positive impact on the community, as possible.

Balancing the optimal combination of efficiency and customer service is an ongoing challenge. Too much focus on efficiency, in isolation, may have an adverse impact on customer service or community impact, and vice versa.

With respect to community impact measures, it is also a challenge to separate the portion of these impacts or outcomes that are related to City programs versus the efforts or responsibilities of partners, such as other orders of government or the private sector.

Using this performance measurement framework, Toronto's results can be examined internally over a period of years or externally in relation to other municipalities.

There are also a number of qualitative factors, such as achievements or innovative initiatives currently being piloted, that are not captured in performance measurement results. This information is equally as important and must also be considered in any evaluation. In the past three years for example, Toronto has won more than 50 awards for quality and innovation in delivering public services.

### External Comparison Through OMBI

There is also value in comparing Toronto's service level and performance measurement results externally to other municipalities, in order to provide a better understanding of Toronto's own municipal performance.

For a number of years, Toronto has been working with fourteen other municipalities as part of the Ontario Municipal CAOs Benchmarking Initiative (OMBI), which together serve more than 9.1 million residents or 72% of Ontario's population. Through the joint work of municipalities undertaken through OMBI, Toronto's service levels and performance measurement results can be compared to similar information provided by other municipalities.

With the development of the Ontario Municipal CAOs Benchmarking Initiative (OMBI), which is more comprehensive than MPMP, the City of Toronto will continue to focus on the reporting of OMBI results.

The approach and methodologies developed through OMBI, have been constructed over a number of years to enhance the comparability of information and include:

- detailed technical definitions for each performance measure
- costing methodologies based on the Financial Information Return (FIR)
- a methodology to allocate program support costs (such as Human Resources and Information &

Technology) to operating programs (In this way, differences in organizational structure (centralized, de-centralized or mixed program support model) are not a factor in comparisons of costs)

- identification of factors that can influence municipal results for each measure
- a web-based data warehouse used to collect and share information

Panels of experts in each service area have been established with representatives from member municipalities meeting on a periodic basis, to plan for, and review data that has been collected.

In January 2007, OMBI released its first joint report from its fifteen member municipalities, entitled OMBI 2005 Performance Benchmarking Report (OMBI Joint Report), which can be found on the City's website at [http://www.toronto.ca/city\\_performance/pdf/OMBI-public-report-2007-01-08.pdf](http://www.toronto.ca/city_performance/pdf/OMBI-public-report-2007-01-08.pdf).

The benefits of this collaboration through OMBI extend beyond the generation of performance measurement results to the identification and sharing of best practices that contribute to superior performance measurement results. A number of best practices have been identified in the roads, solid waste management and water and wastewater service areas, which are listed in Appendix D of the Joint OMBI Report.

There are also a number of qualitative factors, such as achievements or innovative initiatives currently being piloted, that are not captured in performance measurement results. This information is equally as important and must also be considered in any evaluation.

#### **What Servicers are Included in Toronto's 2005 Performance Measurement and Benchmarking Report?**

Toronto's 2005 Performance Measurement and Benchmarking Report builds on the OMBI Joint Report and includes five-year internal trends and external comparisons for over 100 indicators and measures in the following 17 service areas:

Child Care Services	Road/Transportation Services
Court /POA Services	Social Assistance Services
Emergency Medical Services	Social Housing Services
Fire Services	Solid Waste Management Services
Governance and Corporate Management	Sports and Recreation Services
Hostel Services	Transit Services
Library Services	Wastewater Services
Long Term Care/Homes for the Aged	Water Services
Police Services	

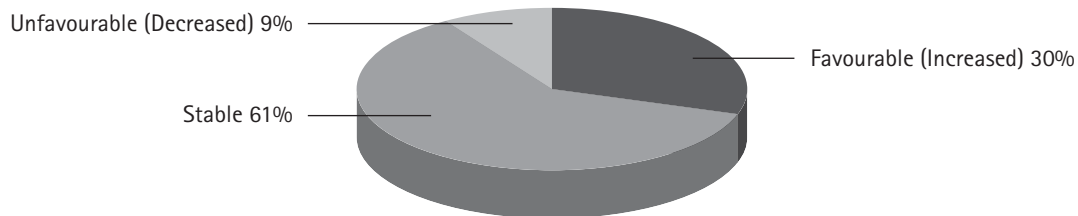
#### **How Have Toronto's Service Levels Changed Over the Past Few Years?**

Figure 1 below, provides a summary of Toronto's internal trends for 23 service level indicators included in Toronto's 2005 Performance Measurement and Benchmarking Report. Examples of service level indicators are the lane kilometres of roads per 1,000 persons or the in-service transit vehicle hours per capita.

Results show that for 91% of the service level indicators, Toronto's service levels have been maintained (stable) or have increased (favourable) in recent years.



**Figure 1**  
**Toronto Report – Internal Historical Trends**  
**Service Levels (23 Indicators)**

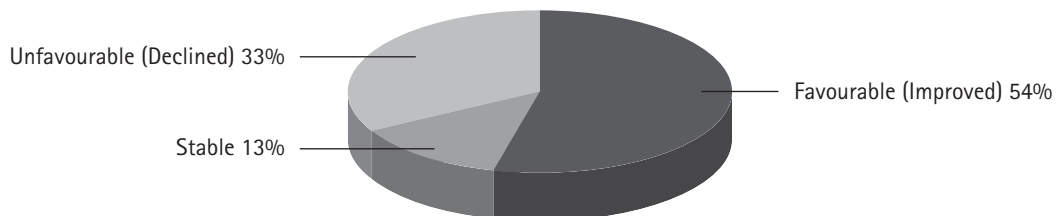


### What Are the Internal Trends in Toronto's Performance Measurement Results Over the Past Few Years?

Figure 2 below, provides a summary of Toronto's internal trends over the past few years, of 61 performance measurement results included in Toronto's 2005 Performance Measurement and Benchmarking Report. This includes efficiency, customer service and community impact measures.

Results indicate that 67% of the performance measures examined, had results that were either improved or stable in recent years.

**Figure 2**  
**Toronto Report – Internal Historical Trends**  
**Performance Measures (61 Measures)**



Examples of areas in which Toronto's performance has improved include:

- increasing supply of regulated and subsidized child care spaces relative to the child population
- decreasing costs of court services, per charge filed
- decreasing rates of residential structural fires, and fire related injuries and fatalities
- increasing usage by residents of electronic and non-electronic library services, and decreasing costs per library use
- continuing high rate of resident satisfaction in homes for the aged
- decreasing total (non-traffic) crime and property crime rates
- decreasing vehicle collision rate
- improving pavement condition of Toronto's roads system
- decreasing (improving) response times for eligibility notification of Social Assistance clients, and decreasing administration costs per case
- increasing solid waste diversion rates

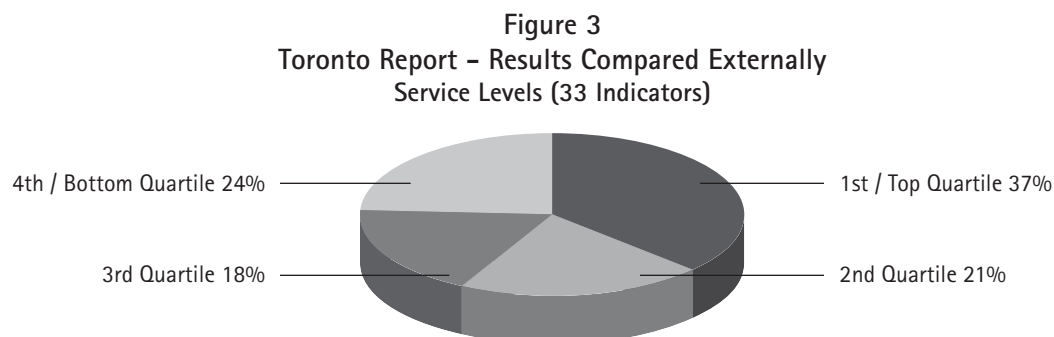
- increasing use per capita (participant hours), of registered sports and recreation programs
- increasing transit trips per person
- decreasing rates of sewer back ups
- decreasing rate of wastewater by-passing treatment

The areas where the internal trends in Toronto's performance measurement results are unfavourable or have declined include:

- twelve efficiency measures, where costs are increasing each year, primarily due to wage increases in collective agreements
- longer response times in EMS (hospital offload delays) and Fire
- the time to trial for POA offences has increased due to shortages of Justices of the Peace
- increased violent crime rate in 2005 (prior to 2005 there had been a decreasing trend)

### How Do Toronto's 2005 Service Levels Compare to Other Municipalities?

Figure 3 below, summarizes Toronto's 2005 service levels in relation to other OMBI municipalities. Of the 33 service level indicators, Toronto is higher than the OMBI median (the 1st and 2nd quartiles) for 58% of the indicators.



Most of the areas where Toronto's service levels are high (1st quartile) relative to the other municipalities, can generally be attributed to:

- services where Toronto's size and high population density requires higher service levels which are indicative of large cities
  - > high number of police staff (officers and civilians) per 100,000 population and high policing costs per capita
  - > high number of transit vehicle hours per capita, because of Toronto's multi-modal system and high transit use
  - > high number of library holdings (collection) per capita, due to our extensive research and reference collections, electronic products and multilingual collections
  - > high number of POA charges filed per capita, along with higher amounts of court hours per 1,000 persons

- Higher need or demand for social services in large cities
  - > high childcare investment per child
  - > high rate of social assistance cases per 100,000 households
  - > high number of emergency shelter beds per 100,000 population
  - > high number of social housing units per 1,000 households
- Service delivery model
  - > Toronto has a high number of medical incidents responded to by fire, per 1,000 population
  - > high rate of registered sports and recreation programming (participant hours) offered per capita

Areas where Toronto's service levels appear to be low (4th quartile) relative to other municipalities, are primarily related to much higher population densities in Toronto than in the other OMBI municipalities.

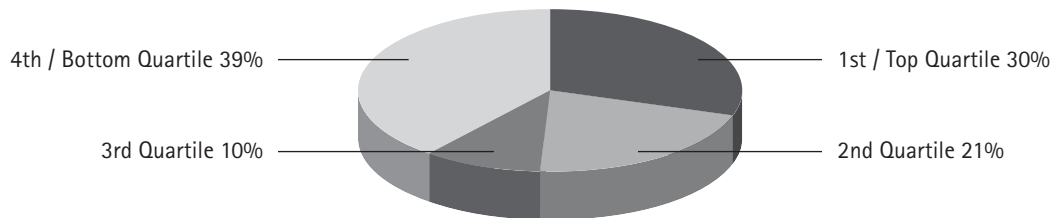
This includes:

- fewer facilities or less infrastructure required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents
  - > low number of large and small sports and recreation community centres, and indoor ice pads per 100,000 population
  - > low number of library hours per capita (impacted by number of library branches)
  - > low number of road lane km. per 1,000 population
- fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto for emergency response because of the close proximity of vehicles and stations to residents (Those municipalities with lower population densities (including rural areas in some municipalities) may require proportionately more vehicle hours in order to provide acceptable response times.)
  - > low number of fire vehicle hours per capita
  - > low number of EMS vehicle hours per 1,000 population

### How Do Toronto's 2005 Performance Measurement Results Compare to Other Municipalities?

Figure 4 summarizes Toronto's 2005 performance measurement results in relation to other OMBI municipalities, for seventy-one measures of efficiency, customer service and community impact. Results indicate that Toronto is better than the OMBI median (1st and 2nd quartile) for 51% of these performance measures. These results are comparable to the other large single-tier municipalities in OMBI who also have responsibility for the full range of services included in this report.

Figure 4  
Toronto Report – Results Compared Externally  
Performance Measures (71 Measures)



Some of the areas in which Toronto is performing well include:

- performance measures where Toronto has the top/best result of the OMBI municipalities:
  - > highest collection rate for POA fines (court services)
  - > lowest rate of residential fire related injuries per 100,000 population
  - > lowest rate of governance and corporate management costs as a percentage of total operating expenditures (single-tier municipalities)
  - > highest rate of total library uses and electronic library uses per capita, as well as the highest turnover rate (number of times an item is borrowed) of the circulating collection
  - > within 0.01% of having the highest rate of long term care resident satisfaction (98%)
  - > highest pavement quality rating for our roads system
  - > highest possible result (100%), for the number of winter event responses on roads meeting standard
  - > highest rate of residential solid waste diversion for houses
  - > highest rate of transit trips per capita
  - > lowest cost of providing transit services per passenger trip
  - > lowest cost of drinking water treatment per megalitre
  - > best possible result for drinking water quality (no boil water advisories)
- Performance measures where Toronto's result is better than the median (1st or 2nd quartile) of the other OMBI municipalities include:
  - > higher number of regulated child care spaces per 1,000 children and higher number of subsidized spaces per 1,000 children from low income families, as well as lower child care costs per subsidized space
  - > lower costs of court/POA services per charge filed
  - > lower rate of residential structural fires (at median), lower rate of fire related fatalities and a lower/better fire response time to emergencies
  - > higher occupancy rate of emergency shelters
  - > higher rate of non-electronic library use and lower cost per library use
  - > lower long-term care costs per bed-day
  - > lower property crime rate and lower youth crime rate (based on youths cleared by charge or cleared otherwise)
  - > lower administration cost of social assistance per case, and lower (shorter) response times for eligibility notification of social assistance clients

- > lower overall residential (houses and apartments) solid waste diversion rate and lower solid waste collection costs per tonne
- > higher participant hour usage per capita, of registered sports and recreation programs
- > lower amounts of wastewater by-passing treatment
- > lower water use per household

There are also a number of the areas in which Toronto's performance measurement results fall below, or are not as good as the OMBI median, falling in the 3rd or 4th quartile.

Some of these results can be attributed to the following factors:

- Measures that Toronto has little control over:
  - > high wait time, for trial of POA offences, due to shortage of Justices of the Peace
  - > higher benefits and total cost per social assistance cases due to a greater percentage of Toronto's clients reaching the maximum of the shelter component resulting from higher housing costs in Toronto
  - > low percentage of the social housing waiting list is placed annually (longer wait times) because of a shortage of social housing
  - > high length of stay in Toronto's emergency shelters due to shortage of available social housing and the availability of transitional shelter beds in Toronto, which have longer stays
  - > a lower rate of long term care beds (both municipal and other providers) as a percentage of the population age 75 and over
  - > higher subsidy costs per social housing unit because initial land and construction costs were higher in Toronto (resulting in higher mortgage costs) and a higher proportion of Rent Geared to Income (RGI) units with RGI costs directly related to the high market rents in Toronto
- Measures impacted by Toronto's high density urban form include:
  - > higher violent crime and total (non-traffic) crime rate and a higher rate of increase in the 2005 violent crime rate (Densely populated municipalities tend to have higher violent crime rates. Toronto's results compare favourably to other heavily urbanized municipalities in Canada and the United States.)
  - > higher cost of solid waste transfer/disposal per tonne (Without our own local municipal landfill site, which is not practical in this urban setting, Toronto's cost of waste transfer and disposal will always be higher than those municipalities that have the advantage of a local landfill site.)
  - > high rate of traffic congestion on roads and a higher vehicle collision rate on these congested roads
- Measures where Toronto's less favourable results are heavily influenced by the advanced age of our infrastructure:
  - > higher cost of water distribution per km. of pipe and higher number of water main breaks per km. of pipe (More than 20% of Toronto's water system is over 80 years old, leading to more watermain breaks and higher costs relative to municipalities with newer water distribution systems.)
  - > higher cost of wastewater collection per km. of pipe and higher rate of sewer back-ups per 100 km. of sewer line (More than 30% of the Toronto sewer system is over 50 years old and 24% of it is combined sanitary/storm sewers, requiring higher and more costly maintenance levels. There are also

approximately 80,000 homes which have downspouts connected to the sanitary/storm sewer system, leading to sewer back-ups especially during storm events.)

> higher costs of wastewater treatment per megalitre, due to the age of our plants (the oldest has been in operation since 1929)

- Measures with high costs required for effective service delivery:
  - > high costs for solid waste diversion per tonne but Toronto also has the highest diversion rate for houses of the OMBI municipalities
  - > Toronto has high costs of roads maintenance but also has the highest pavement condition rating of the OMBI municipalities
  - > higher cost of winter roads maintenance per lane km. but Toronto also has high winter maintenance standards and our urban form, including narrow streets, on-street parking and traffic congestion during storm events, add to our costs
  - > high transit cost per vehicle hour and per revenue vehicle hour, however this is due to Toronto's multi-modal system with subways, streetcars and the light rail transit more expensive to maintain than buses which are used exclusively in other municipalities (This multi-modal system leads to the highest transit use per capita of the OMBI municipalities.)
- Other performance measures where Toronto falls below the OMBI median:
  - > higher Emergency Medical Services cost per in-service vehicle hour
  - > higher fire costs per in-service vehicle hour
  - > lower clearance rates for total (non-traffic) crime and violent crime
  - > lower number of criminal code incidents in the municipality per police officer
  - > rate of decrease in Toronto's 2005 total (non-traffic) crime rate and property crime rate was not as large as the decrease in other municipalities
  - > Toronto's 2005 youth crime rate (cleared by charge or cleared otherwise) increased slightly from 2004 but in most other municipalities youth crime decreased in 2005 (excluding the 2005 vs. 2004 change Toronto's 2005 youth crime rate is still low, in the top quartile of the municipalities).
  - > higher average time period that an individual or family receives social assistance – Toronto staff that support social assistance cases, carry a high case load in relation to other municipalities which could be a factor
  - > lower percentage of the population using registered sports and recreation programs at least once

### Continuous Improvement

The City continues to look for ways in which performance can be improved. Examples of some of the initiatives that have or are taking place include:

- Winter maintenance of roads – in 2005, Toronto received a gold award at the Public Sector Quality Fair for our salt management plan which has reduced the volume of salt used while maintaining safe winter driving conditions for vehicular and pedestrian movements.
- Road maintenance – new street sweeping equipment, technology and routing is expected to reduce costs and alternatives are being examined for diversion of residual material.

- **Water and Wastewater**

- > Emerging technologies in the relining and trenchless technology field, may reduce the renewal costs and avoid the need for a complete system replacement.
- > Programs to reduce sewer back-ups include the free disconnection of downspouts for residents who request it, and a subsidized program to assist homeowners with the repair and replacement of sewer laterals, which are damaged or blocked by city trees.
- > Wastewater treatment plants have implemented energy efficiency measures and are continuing to do so as opportunities arise.

- **Solid Waste Diversion**

- > will be implementing efficiencies at organics processing facility to increase the processing capacity of source separated organics (Also are examining optical sorting technology to improve mechanical sorting of single stream materials.)
- > In 2005, the City instituted a single-stream recycling pick-up for residents allowing them to mix recyclables all in the same box. This has the dual advantage of making recycling easier for residents and improving collection efficiency. The City also utilizes co-collection vehicles to optimize collection activities, collecting garbage and green-bin materials on a single vehicle one week and then recyclables and green-bin materials on a single vehicle the next week.

- Solid Waste Disposal – compressed hours of operation at transfer stations to eliminate need for night shift.
- Solid Waste Collection – re-routing of collection routes.

## **Conclusion**

Further work is to be done with our municipal partners to expand the program areas we are able to report benchmarking results on, and identify and validate best practices that can lead to superior performance that can then be collectively shared.

The City continues to promote a continuous improvement culture in order to provide our citizens and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency and quality and beneficial impact on our communities.

For more detailed information on this report by specific service area visit  
[http://www.toronto.ca/city\\_performance/pdf/2005-ombi-measure-benchmark.pdf](http://www.toronto.ca/city_performance/pdf/2005-ombi-measure-benchmark.pdf).

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**CITY OF TORONTO**

# 2007

**Budget Summary**

## **Corporate Budget Overview**



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## 2007 OPERATING BUDGET SUMMARY

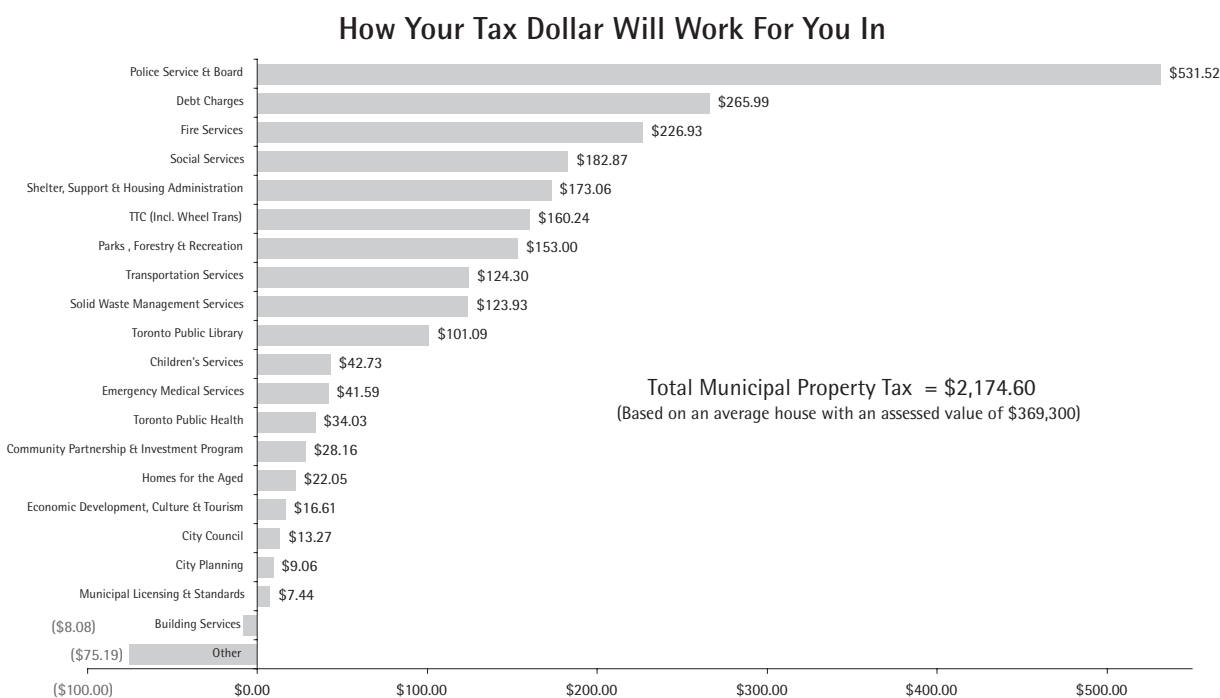
### TAX SUPPORTED PROGRAM – CORPORATE SUMMARY

On April 20 and 23, 2007, Toronto City Council approved the 2007 Operating Budget of \$7.797 billion gross, which represents a \$190.611 million or 2.5% increase over 2006. To deliver services approved by City Council in 2007 this budget includes a base budget of \$7.746 billion gross and \$3.206 billion net. Compared to 2006, the 2007 Approved Base Budget reflects a gross expenditure increase of \$139.428 million or 1.8%. This confirms that expenditures have been contained through the City's continuous improvement and efficiency initiatives. In addition, investments in new and enhanced services that are aligned to Council priorities and the Mayor's mandate total \$51.183 million gross and \$14.363 million net.

The 2007 Approved Operating Budget continues the strategic process of balancing short-term needs against long-term objectives. Furthermore, it sets the framework for implementing Council's policy agenda and the Mayor's commitment to a prosperous, inclusive city that is safe, economically strong, clean and green, transit friendly, creative and a place where everyone has a chance to succeed. This budget maintains service levels needed by residents and businesses. As has been the case in prior years, on average, more than 60% of property tax revenue is earmarked to pay for police, fire and emergency medical services, transit, garbage collection and recycling, libraries, parks and roads – services that impact the quality of life of residents.

### How 2007 Tax Dollars Will Be Spent

To finance the 2007 Approved Operating Budget, Council approved a tax levy of \$3.221 billion. This translates into a municipal property tax bill of \$2,174.60 on the average house with an assessment value of \$369,300. In effect, this represents an increase of \$81.19 over 2006. As shown in Chart 1, 24% or \$531.52 of the taxes paid by a taxpayer with an average house would be used to pay for Police Service, while \$265.99 or 12% would pay for debt charges.



## Fiscal Challenges

As a result of ongoing fiscal challenges, the City has been relying on non-recurring or one-time revenue sources to balance its budget. This practice has culminated in a significant and untenable \$273 million revenue shortfall for 2007. On the expenditure side, uncontrollable costs such as inflation, debt service charges and other expenditures just to maintain services approved in 2006 amounted to \$275 million. Together, the impact of non-recurring one-time revenues, the cost of maintaining the existing services and service levels, along with moderate investments in new and enhanced services resulted in a budget pressure of \$562 million (see Table 1).

**Table 1**  
**2007 Operating Budget Starting Pressure**

	\$ Million
<b>2007 Operational Impacts</b>	
COLA & Merit	120
Inflation – materials and services	27
Debt Service Charges	70
Prior Year Impacts and Other Base Changes	58
	<u>275</u>
<b>City/Hydro One-time Funds</b>	
Unsustainable 2006 Reserve Draws	160
Toronto Hydro Revenues	113
	<u>273</u>
<b>Total Base Pressure</b>	<b>548</b>
New and Enhanced Services	14
<b>Total Pressure</b>	<b><u>562</u></b>

A major contributor to the City's fiscal challenges is the continuing redirection of property tax revenue to fund provincially mandated services. In 2007 alone, the City will divert \$175 million from its already scarce property tax revenues to pay for the provincial costs for the Ontario Disability Support Program (ODSP) and the Ontario Disability Benefits (ODB) program. Under-funded provincially mandated services which will be paid for from property tax revenues total \$127 million due to the Province of Ontario unilaterally capping its share of the cost of social services. The cost of social housing approximates an additional \$329 million to City taxpayers. The Province has transferred a burden (exclusive of GTA pooling) of well over \$500 million onto the City's property tax revenue base. This practice of re-directing property tax revenues to fund provincially mandated, income redistribution programs has depleted the scarce recurring resources available to deliver core municipal services, thereby putting the City of Toronto into a structural deficit position.

Independent studies by the Conference Board of Canada and the Toronto Board of Trade separately confirmed that the City has a structural deficit problem, which approximates \$1.1 billion per annum. As indicated above, a significant contributor to this unsustainable fiscal problem is the imbalance between the cost of downloaded provincially mandated programs and provincial funding. This was confirmed in a 2001 audit report wherein the Provincial Auditor of Ontario concluded that evidence indicated that the Province "did not ensure the ongoing revenue neutrality" of the downloaded programs, "either as a whole or for individual municipalities, and that this problem had been growing over time." It is noted that the

Province has not acted to entirely resolve the revenue neutrality issues raised in the audit report, thereby prolonging the downloaded budget pressure on the City of Toronto.

Other contributors to the structural deficit include stagnant non-tax revenues, unpredictable assistance from the Province and the City's (already under-funded) reserves and assessment growth which is consistently less than the rate of inflation. Assessment growth is only 0.5% increase in 2007.

Given the above fiscal challenges, the Mayor's 2007 Operating Budget Directions and Guidelines on behalf of the City's Executive Committee (EC) emphasized fiscal constraint, maximization of efficiencies and cost containment measures. The Executive Committee directed that spending should be focused on maintaining core services approved in 2006 and on services that are aligned to the Mayor's mandate and Council's policy agenda, to increase user fees while protecting access for the most vulnerable and to consider service reductions. In addition, a target of zero percent increase over the 2006 Net (Tax Levy) Budget was approved for 2007 and 2008. Further, the Executive Committee directed staff and the Budget Committee to bring forward a balanced operating budget that begins the process of fixing the structural deficit problem within the next four years. These budgetary directions and guidelines complemented the City's ongoing continuous improvement program, program reviews, performance measurement and benchmarking against other organizations, as well as service and efficiency reviews.

**Table 2**  
**2007 Approved Operating Budget**

	2006 Budget \$Millions	2007 Budget		Change from 2006 (Unfavourable)	
		\$Millions	%	\$Millions	%
2007 Approved Budget (gross)	7,606.8	7,797.4	100.0	190.6	2.5
<i>Less:</i>					
User Fees and Charges	(1,176.1)	(1,204.7)	15.5	28.6	2.4
Provincial and Federal Grants and Subsidies	(1,893.0)	(1,943.6)	24.9	50.6	2.7
Reserves and Reserve Funds	(424.1)	(434.2)	5.6	10.1	2.4
Other Non-tax Revenues	(981.7)	(994.2)	12.8	12.5	1.3
<b>2007 Approved (Net) Levy Budget</b>	<b>(3,131.9)</b>	<b>(3,220.7)</b>	<b>41.3</b>	<b>88.8</b>	<b>2.8</b>

The 2007 Approved Operating Budget is summarized in Table 2. As shown in the table, the 2007 Expenditure Budget of \$7.797 billion represents a \$190.611 million or 2.5% increase over 2006. Primarily, User Fees and Charges of \$1.205 billion, Provincial and Federal Grants and Subsidies of \$1.944 billion, and Property Taxes of \$3.221 billion (with the latter representing 41% of total revenues) fund this budget.

Included in the 2007 Property Tax Revenue is assessment growth of \$16.214 million, and property tax increases of \$72.618 million, generated from a 3.8% or \$49.114 million increase on residential properties and a 1.267% or \$23.504 million increase on commercial, industrial and multi-residential properties. These tax rate increases are consistent with the Executive Committee's direction to keep any property tax increase generally in line with the City of Toronto rate of inflation. Including assessment growth and recommended tax increases, the 2007 Levy (Net) Budget is \$3.221 billion, representing an increase of \$88.832 million or 2.8% increase over the 2006 property tax base.

### How the 2007 Operating Budget was Balanced

The City Manager (CM) and Deputy City Manager & Chief Financial Officer (DCM & CFO) conducted an intensive and exhaustive review to confirm compliance with Council priorities, budget policies, directions and guidelines. As part of this review, the Financial Planning Division (FPD) first analyzed City Program and Agencies, Boards and Commissions (ABCs) submissions to establish that base services were maintained. FPD performed and verified efficiency reviews, evaluated performance outcomes and metrics in relation to resource requests, and in general determined the extent to which costs were contained. The review also verified that user fee revenues were maximized and new funding requests were justified. FPD findings were reported to the CM and DCM & CFO for consideration during their review of the budget.

The CM and DCM & CFO's budget review focused on four broad categories primarily because of unique factors associated with each of them: Provincially Mandated Services, Transit, Emergency Services and Municipal Services. The degree of control and the service mandate were principal factors influencing this approach. The CM and DCM & CFO review required each City Program and ABC to justify their budget submissions by describing the strategies used to achieve the net zero percent increase guideline. Further, each City Program and ABC discussed the relevance of their service goals and objectives, how these goals and objectives are linked to Council's priorities, actual performance and accomplishments in 2006 as well as benchmarking results and progress made on program review along with potential opportunities for more efficient service delivery emanating from these reviews.

As a result of this review, further service delivery efficiencies and other cost saving measures totalling \$85 million were achieved. This is especially significant since City Programs and ABCs had already incorporated significant cost containment measures in developing their budget submissions.

Despite protracted reviews and successes in cost containment, many City Programs and ABCs were not able to achieve the zero net budget target without cutting services and service levels essential to preserve the well being of the citizens of Toronto, and to achieve the Mayor and Council's priorities. In some cases, non-tax revenue stagnation or reduction resulted in increased net budgets. For example, while Municipal Licensing Services managed to contain its 2007 gross expenditures to a change of 0.1% (from \$33.61 million in 2006 to \$33.635 million in 2007), 2007 net expenditures increased by 18.1% due to reduced non-tax revenues.

As indicated earlier, the 2007 Base Budget starting pressure was \$548 million. The Budget Committee recommended moderate investment in new and enhanced City Building initiatives that fulfill Council and the Mayor's priorities totalling \$51.183 million gross and \$14.363 million net. As a result, the budget pressure was increased to \$562 million.

Table 3 shows how the budget was balanced. Firstly, savings resulting from efficiency reviews, service and service level adjustments, and other cost control initiatives totalling \$85 million were used to reduce the budget pressure. The Executive Committee directed that Hydro Revenues of \$106 million, which in accordance with Council approved policy had been earmarked for funding capital expenditures, be utilized once again in the operating budget. Also, \$80 million of social services reserve funds were utilized realizing a total of \$271 million of reserve adjustments and savings. Further reserves draws used to balance the 2007

budget pressures are illustrated in Table 3 and comprised of \$131.3 million from the Capital Financing Reserve and a total of \$71 million from an assortment of discretionary reserves. The City cannot continue to absorb budget pressures driven by provincial funding shortfalls for downloaded provincial services, and the Province not honouring legislated cost sharing formulae for social services programs.

**Table 3**  
**Budget Pressure Reduction Strategy**

		<u>\$Millions</u>
Starting Pressure		562
Less:		
Base Budget Efficiencies/Savings	(85)	
Hydro Revenues	(106)	
Reserve Draws – Cost Shared Programs	<u>(80)</u>	<u>(271)</u>
		291
<b>Financial Decisions:</b>		
Assessment Growth		(16)
Additional Reserve Draws:		
* Capital Financing Reserve		(131)
Offset of Provincial Legislated Social Services Shortfall:		
* Land Acquisition Reserve Fund	(33)	
* City Parking Reserve Fund	(5)	
* Social Services Stabilization reserve Fund	(3)	
* Move Ontario Trust	<u>(30)</u>	<u>(71)</u>
		73
<b>Additional City Policy Option:</b>		
Tax Increases – 3.8% residential; 1.267% non-residential		<u>(73)</u>
		0

While the City's 2007 financial burden resulting from downloaded provincially mandated programs exceeds \$500 million, the Province was asked to begin the process of paying its bills in full. Specifically, the City requested that the Province pay for the 2007 funding deficit of \$71.4 million resulting from unilateral provincial 'capping' of Ontario Works – Cost of Administration (\$29.3 million), Shelter Per Diem (\$29.1 million) and Child Care services which was not indexed to inflation and has been frozen at levels established in 1995 (\$13 million). Unfortunately, the Province was not forthcoming and did not remedy this revenue inequity; thereby forcing the City to drain its reserves to balance the 2007 Operating Budget.

### Fixing the Structural Deficit

Even with the substantive cost controls implemented since amalgamation, there is limited opportunity for the City of Toronto to solve what has now become a significant structural deficit problem without cutting services and/or service levels, or finding new sustainable revenue sources. The information in Table 4 confirms that the City has controlled its costs.

**Table 4**  
**2007 Gross Expenditure Budget**

(\$000s)	2006 Budget	2007 Base Budget	Change from 2006 Over/(Under)		New/ Enhanced	2007 Total Budget	Change from 2006 Over/(Under)	
			\$	%			\$	%
Citizen Centred Services "A"	2,856,823	2,831,634	(25,189)	-0.9%	17,701	2,849,335	(7,488)	(0.3%)
Citizen Centred Services "B"	1,018,355	1,037,770	19,415	1.9%	4,999	1,042,769	24,414	2.4%
Internal Services	286,293	295,082	8,790	3.1%	4,856	299,938	13,645	4.8%
City Manager	39,519	39,591	73	0.2%	0	39,591	73	0.2%
Other City Programs	98,724	97,485	(1,239)	-1.3%	721	98,206	(518)	(0.5%)
Council Appointed Programs	3,881	3,988	107	2.8%	241	4,229	348	9.0%
<b>Total City Operations</b>	<b>4,303,594</b>	<b>4,305,550</b>	<b>1,956</b>	<b>0.0%</b>	<b>28,518</b>	<b>4,334,068</b>	<b>30,474</b>	<b>0.7%</b>
Agencies, Boards and Commissions	2,432,363	2,518,306	85,943	3.5%	13,836	2,532,142	99,779	4.1%
Corporate Accounts	870,792	922,321	51,529	5.9%	8,829	931,150	60,358	6.9%
<b>Total Levy Operating Budget</b>	<b>7,606,748</b>	<b>7,746,177</b>	<b>139,428</b>	<b>1.8%</b>	<b>51,183</b>	<b>7,797,360</b>	<b>190,611</b>	<b>2.5%</b>

As evident in Table 4, expenditures for City Operations increased by only 0.7%, well below the rate of inflation. Overall, the 2007 Operating Budget increased by 2.5%, driven mostly by Agencies, Boards and Commissions (4.1%) over which the City has limited control, and by Corporate Accounts (6.9%) which mainly attributes to increased debt service charges.

Why is the City's budget pressure so significant? For the most part, it is because of the composition of the City's recurring revenues, which do not grow with the economy. More specifically:

- Non-tax revenues are generally stagnant. A significant proportion of the City's user fees and charges lag behind inflation either for policy reasons, or because of market consideration. On user fee revenues of approximately \$400 million (excluding Toronto Transit Commission) the City will realize increased revenues due to price increases of only \$4 million or 1% in 2007. This is well below the rate of inflation, despite best efforts to achieve the objective of ensuring that user fees are priced to recover the full cost of the relevant user fee.
- Assessment growth is quite minimal, approximating \$16 million in 2007. This represents 0.5% increase on the 2006 tax base of \$3.132 billion, again, well below the rate of inflation.
- Provincial under-funding of its mandated services is a principal cause of the structural deficit. As has already been discussed, the Provincial Auditor of Ontario has confirmed that downloaded provincial programs have not been revenue neutral. In fact, under-funded provincially mandated programs have contributed well over \$500 million to the City's annual fiscal problems. Yet, the Province has not been forthcoming with a commitment to fully pay its bills.

The City's continuous improvement, program reviews, service reviews and aggressive efficiency reviews were instrumental in assuring that the goal of managing controllable expenditures is achieved and that the right services are delivered for the best value. This has been demonstrated in this budget wherein City Operations kept its base expenditure budget increase at 0.05%.



Fixing the structural deficit will require implementation of one or more of the following strategies:

1. The Province of Ontario must *upload the cost of its social services that*, because of their significant draw on municipal property tax revenue, are the main cause of the City's structural deficit. This is likely to worsen, given that the social services reserves (which have been utilized to mitigate provincially downloaded programs budget pressure) have been depleted. Unfortunately, the 2007-2008 Provincial Budget did not address this problem; it included neither promise nor commitment to upload the cost of provincially mandated social services programs.
2. *New revenues that grow with economic activity* such as sales taxes and excise taxes. A sustainable share of the Goods and Services Tax (GST), for instance, would provide a predictable source of growth revenues that would reduce the demand for temporary or one-time funding to enable the city to provide the core municipal services that its citizens demand.
3. *Creation of a National Transit Strategy* would be useful in rationalizing the transit infrastructure and funding needs. To some degree, this strategy should influence the federal and provincial governments to recognize the economic and environmental value of public transit, and the need for them to share more equitably in the cost of providing transit services and investing in their growth.
4. *New taxation measures* under the authority granted by the City of Toronto Act (COTA). It is noted that COTA revenues should be targeted toward City building for core municipal services such as roads, parks, garbage collection and culture, and therefore would be only minimally available to address the existing structural deficit problem.

The above measures are urgent if the City must achieve Council's priorities and should continue to remain the economic engine of the Province of Ontario and Canada. Fixing the revenue deficit problem is necessary in the short-term to prevent the City from cutting core municipal services that are required for the health, safety and lasting economic well being of the citizens of Toronto. Too much of the property tax revenue is being diverted to social programs at the expense of improvement and growth in municipal services that the citizens of Toronto demand.

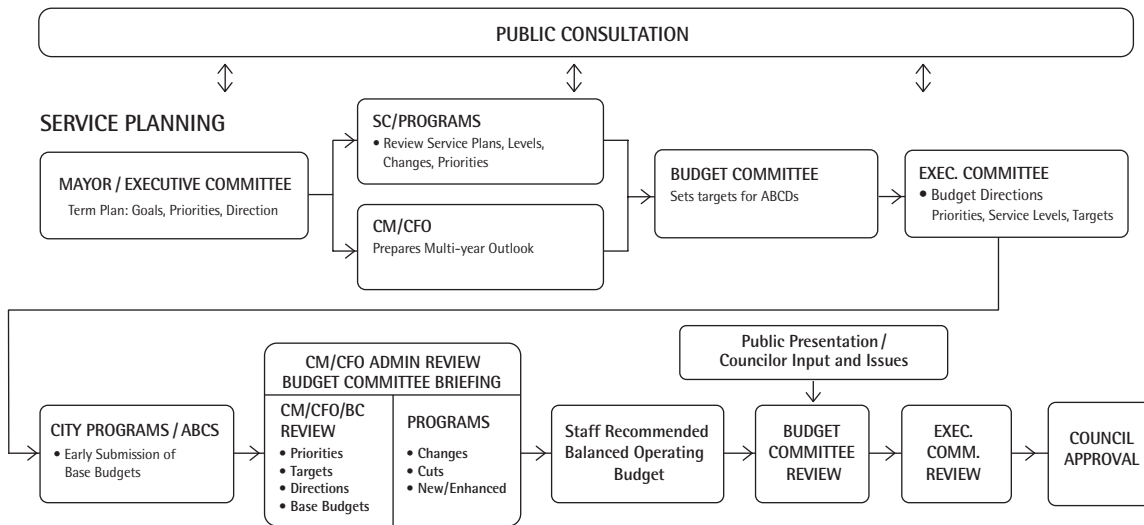
## 2007 OPERATING BUDGET PROCESS

The City of Toronto introduced a new governance model in 2006, which provided opportunities to improve fiscal management, and strategic planning by ensuring that financial planning and budgetary decision making is fully aligned with the Mayor and Council's vision and priorities. Toward this goal, Executive Committee in its strategic policy role reaffirmed the overall vision for the next term of Council.

The City's budget process was designed to ensure that scarce resources are utilized in a manner that produces results in a responsible and measurable way. Beginning in 2007, the City's operating and capital budgets will represent strategic financial plans that set the framework for fulfilling Council's goals and priorities.

## Chart 2

# City of Toronto Budget Process



Key elements of the 2007 Budget process included the following:

- On behalf of the Executive Committee, the Mayor gave staff upfront directions to bring forward a balanced operating budget to fulfill Council's strategic policy agenda by aligning resources to priorities that is based on sound financial management principles, and to meet budgetary targets.
- Prior to finalizing the recommended budget, the Budget Committee undertook detailed reviews of individual City Program and ABC budgets to ensure that Executive Committee's directions were met.
- The Budget Committee, on behalf of the Executive Committee, held formal meetings to receive public presentations/hearings and input from Councillors on matters and issues of interest and, where warranted, made changes to the staff recommended budget.
- The Budget Committee recommended a balanced budget to the Executive Committee. This budget reflects the strategic alignment of resources to Council priorities, highlights expected results and outcomes and confirms financial strategies.
- The Executive Committee's review of the budget focused on major fiscal and policy issues and to confirm the budget as a strategic financial plan that will implement Council policies and priorities.
- On behalf of the Executive Committee, the Mayor presented the 2007 Operating Budget to Council.

In 2008, the role of the Standing Committees established in the mature budget process will be reinstated. As well, public consultation will be held upfront to ensure that priorities reflect the needs and expectation of the citizens of Toronto.

Work to establish 2008 service priorities and financial targets will begin early in 2007. Guided by the Mayor's mandate, and Council's policy agenda, Standing Committees will, in the spring of 2007, review City Program and ABC service plans, assess service issues and outcomes to determine or reconfirm service priorities, and service levels that will be recommended to Executive Committee in advance of the 2008 budget process.

### Directions and Guidelines

Given the overall fiscal challenges, the 2007 Operating Budget directions and guidelines emphasized fiscal constraint, maximization of efficiencies and cost containment measures. Staff was directed to focus spending on maintaining core services approved in 2006 and on services that are aligned to the Mayor's mandate and Council's policy agenda, increase user fees while protecting access for the most vulnerable and consider service reductions. In addition, a target of zero percent increase over the 2006 Net (Tax Levy) Budget was approved for 2007 and 2008. Further, the Executive Committee directed staff and the Budget Committee to bring forward a balanced operating budget that begins the process of fixing the structural deficit problem within the next four years. These budgetary directions and guidelines complemented the City's ongoing continuous improvement program, program reviews, performance measurement and benchmarking against other organizations, as well as service and efficiency reviews.

On behalf of the Executive Committee, the Mayor provided budget guidelines that prescribed that the 2007 budget must focus on delivering the services that meet the expectations of our citizens, and build on progress made during the last term of Council. Further, the Mayor recognized the fact that since amalgamation, the City has been struggling with a structural fiscal deficit that continues to challenge its ability to provide the municipal services that citizens need and value. To address this fiscal challenge, staff and Budget Committee were directed to ensure that the 2007 Operating Budget begins the strategic process of balancing short-term needs against long-term objectives in a fiscally sustainable way. They were also directed to ensure that the 2007 Budget sets the framework for implementing the goals and priorities established for this term of Council and the City's commitment to a prosperous, inclusive city that is safe, economically strong, clean and green, transit friendly, creative and a place where everyone has a chance to succeed.

Guidelines for developing the 2007 Operating Budget included the following:

- The 2007 Operating Base Budget target be set at a zero net increase over the previous year for all City Programs, Agencies, Boards and Commissions.
- To achieve further service delivery efficiencies, the continuous improvement initiative be expanded to include program reviews and service rationalization.
- Services and service levels that are aligned to the Mayor's mandate for this term of Council must be protected.
- Only investments in new and enhanced service that deliver on the Mayor's mandate will be considered.
- Provincial cost-shared programs must not be funded from the property tax base; for 2007, Ontario Disability Support Payments (ODSP) and Ontario Drug Benefit (ODB) cost must be funded from the provincial income tax base.
- Given the significant structural deficit, the following measures be considered in order to protect City services in 2007:
  - > use Toronto Hydro Revenues (dividends and interest earnings) as a revenue source

- > use reserve and reserve funds to balance the 2007 Operating Budget
- that the residential property tax increase be generally in line with the City's rate of inflation

These budget guidelines aimed at ensuring that scarce resources are utilized to produce results in a responsible and measurable way. On behalf of the Executive Committee, the Mayor directed that the 2007 Operating Budget become a strategic financial plan that sets the framework for fulfilling Council's long-term goals and priorities. In conclusion, to alleviate the fiscal challenges associated with the inherited structural deficit, the Executive Committee's directions and guidelines reiterated the need to make hard decisions to get the City back on a sound fiscal footing and to provide the citizens of Toronto with the services they require and deserve.

### **Operating Budget Policies**

*Annual Operating Budget* – In compliance with the City of Toronto Act, 2006, City Council will adopt an operating budget in each year. The operating budget will include: estimates of all sums required during the year to pay for all debt falling due during that year; amounts required for sinking funds or retirement funds; and amounts required for agencies, boards and commissions.

*Balanced Budget* – The operating budget approved by Council in any given year must be balanced; which means that estimated revenues must be equal or in excess of estimated expenditures. Any in-year increase in operating expenditures or decrease in revenues that could result in a budget imbalance will require Council approval of appropriate budget revisions to ensure that the budget remains balanced.

*Diversified Revenue Sources* – Diversified and stable revenue sources will be encouraged in order to protect against short-term revenue fluctuations and uncertainty. Individual revenue sources have differing characteristics in terms of stability, growth, sensitivity to inflation, business cycle effects and impact on tax and ratepayers. A diversity of revenue sources should be considered in order to improve the city's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

*One-Time Revenues* – Use of one time revenues to fund ongoing expenditures should be restricted to extraordinary situations, which must be approved by Council on a case-by-case basis. One-time revenues should be more appropriately used for purposes such as early debt retirement, capital expenditures, and one-time expenditures.

*User Fees and Charges* – Where it is determined that a service provided by a City Program, Agency, Board or Commission confers a direct or special benefit to an individual, identifiable group or business, a user fee will be imposed to recover the cost of providing the service. User fees will be set to recover the full cost of providing related services. Exceptions to this include: instances where full cost recovery conflicts with a City's policy objective on community access to services, promotion of specified goals or regulatory practices; the cost of collecting specific user fees is not efficient or constitute a significant portion of the user fee revenue for the service; or other conditions exist that would justify the exception.

User fees should be reviewed and where warranted, adjusted annually as part of the budget process in order to determine the impact of inflation and other cost factors on the adequacy of the user fee to recover the full cost of the respective services, and to adjust the fee where appropriate.

*Surplus Management* – Any Operating Surplus realized by the City at year-end will be disposed of in priority order to (i) the Capital Financing Reserve Fund (at least 75% of the additional surplus); and (ii) to fund any under-funded liabilities, and/or reserves/reserve funds.

*Budget Development* – Consistent with prior years, the starting assumption for developing the 2007 Operating Budget was that services and service levels approved in 2006 would be maintained wherever possible. To estimate the cost of maintaining these services and service levels, the 2006 Approved Budget was adjusted to annualize part-year 2006 funding for Council service changes and reverse 2006 one-time expenditures and revenues. Next, the annualized base budget was adjusted for inflation. This exercise resulted in establishing the 2007 cost of continuing to provide the approved 2006 services and service levels.

The 2007 City Manager and Deputy City Manager & Chief Financial Officer's (CM and DCM & CFO) operating budget instructions required City Programs and ABCs to submit as separate budget packages, requests for any additional funding to maintain approved base services and service levels, as well as for new services and/or service enhancement initiatives. Further, the instructions required Programs and ABCs to clearly detail the service levels that would be provided with the resources requested, to demonstrate the intended outcomes and to link the resources requested with performance indicators and results. The 2007 Budget process, therefore, required information to support decision about base level services and sound justification for any change to the base, as well as for any proposed investment in new and enhanced services.

The inflation adjusted base budget was reviewed to remove inefficiencies, to incorporate continuous improvement initiatives and best service delivery practices. Driven by the administrative commitment to control cost and the guideline to achieve a zero net expenditure increase over 2006, senior staff of City Program and ABCs were directed to demonstrate to the CM and DCM & CFO that they had explored every opportunity to develop responsible and prudent operating budgets that related performance measures with resource requests, and achieved the Executive Committee directions and guidelines.

### **Inflation/Economic Factors**

The City consumes a wide range of commodities with varying inflationary impacts to provide its services. Therefore, a single rate of inflation cannot be applied to all commodities consumed by the City. For instance, the cost of living allowance (COLA) is set at a rate that is approximately 70% higher than the general rate of inflation; some contract prices are fixed for their duration, while others may have pre-established cost schedules that may not require adjustments greater than inflation until renewal. As well, some goods and services are more volatile than others, as has been the case with gas and oil products during the past two years. As a result, the City uses a commodity specific price schedule that is more reflective of the behaviour of specific items on which it spends substantive amounts.

Table 5 lists the commodity specific inflation rates utilized to develop the 2007 Operating Budget. These economic factors will continue to be reviewed and any significant changes that warrant in-year adjustments will be reported in the 2007 quarterly variance reports. In accordance with the City's strategy to closely monitor spending on furniture and consulting costs, these expenditures were zero-based.

**Table 5**  
**Economic Factors**

Expenditure	Economic Factor
Printing & Paper Products	2.50%
Food	2.10%
Hydro	9.70%
Gas	98 cents
Diesel – TTC	86 cents
Diesel – Other	90 cents
Natural Gas	0.00%
Steam Heating	0.00%
Water	9.00%
Postage	2.00%
Telephone	0.00%
Salt (City Contract)	5.00%
Medical Supplies	3.00%
General	1.90%

### 2007 Approved Gross Operating Budget

Table 6 shows the 2007 Operating Budget by Category. Salaries and benefits of \$3.760 billion constitute the largest expenditure component, approximating 48% of the gross expenditure budget. Salaries and benefits increased by \$155.6 million or 4.3% over 2006. The major funding sources for 2007 operating expenditures are property tax revenues, user fees and provincial and federal grants and subsidies. Note that there was virtually no growth in non-tax revenues.

As indicated in Table 6, the 2007 Approved Operating Budget (gross) increased by 2.5% over 2006. Most of the budget increase is attributed to Agencies, Boards, Commissions and Non Program budgets. City Operations expenditures increased by 0.7%, compared to 4.1% for ABCs and 6.9% in Non-Program Accounts.

**Table 6**  
**2007 Operating Budget – by Category**

	2006 Budget	2007 Approved Budget		Change from 2006 Budget	
		\$	%	\$	%
Salaries and Benefits	3,604.6	3,760.2	48.2	155.6	4.3
Materials and Supplies	432.9	448.7	5.8	15.8	3.6
Equipment	44.9	43.2	0.6	(1.7)	(3.8)
Services and Rents	1,130.7	1,094.3	14.0	(36.4)	(3.2)
Contribution and Transfers	2,131.1	2,194.5	28.1	63.4	3.0
Other (Includes IDCs)	262.6	256.5	3.3	(6.1)	(2.3)
<b>Total Gross Expenditures</b>	<b>7,606.8</b>	<b>7,797.4</b>	<b>100.0</b>	<b>190.6</b>	<b>2.5</b>

<b>Funded By:</b>					
Provincial and Federal Grants and Subsidies	1,893.0	1,872.6	24.0	(20.4)	(1.1)
User Fees	1,176.1	1,206.8	15.5	30.7	2.6
Reserves/Reserve Funds	424.1	471.5	6.0	47.4	11.2
Other (Includes IDRs)	981.7	1,025.8	13.2	44.1	4.5
<b>Total Non-tax Revenues</b>	<b>4,474.9</b>	<b>4,576.7</b>	<b>58.7</b>	<b>101.8</b>	<b>2.3</b>
<b>Net Budget</b>	<b>3,131.9</b>	<b>3,220.7</b>	<b>41.3</b>	<b>88.8</b>	<b>2.8</b>

The increase in City Operations is primarily driven by the following programs:

- Social Services (\$33.849 million gross or 3.3% increase): this is due to a legislated 2% rate increase for Ontario Works clients totalling \$2.7 million; higher ODSP and ODB costs of \$7.0 million; and, COLA, merit and step increase of \$6.1 million.
- Parks, Forestry and Recreation Services (\$14.743 million gross or 5.1% increase): the increase is due to collective agreement demands and other non-discretionary expenditures totalling \$12.5 million. These are partially offset by efficiencies of \$5.4 million and fee revenue increases of \$1.1 million.
- Fire Services (\$9.364 million gross or 2.8% increase): this is due to annualized costs for 2006 approvals, merit and step increases, COLA and inflation.
- Solid Waste Management Services (\$8.947 million gross or 3.9% increase): this is due to merit and step increases, union settlements and wage increases for exempt staff, non-salary inflationary increases, conversion of waste tonnage from disposal to higher diversion processing costs, and higher fuel and maintenance costs for the Solid Waste Management Services fleet.

The expenditure increase in the collective budgets of the City's Agencies, Boards and Commissions was primarily for Toronto Police Service, TTC, Toronto Public Library and Exhibition Place. Of the \$190.611 million total expenditure increase, 52% or \$99.779 million is attributed to ABCs compared to 16% for City Operations. The major contributors to the ABC increase are as follows:

- Toronto Public Library (\$5.775 million or 3.6% increase): primarily due to COLA, merit, step and fringe benefit increases totalling \$4.943 million; 2% increase for Library materials of \$0.331 million; other inflationary increases including utilities of \$0.528 million and operating impacts of capital projects such as costs from the Integrated Library System and Virtual Branch Services of \$0.2 million.
- Exhibition Place increase of \$6.151 million or 13% is due to salary and wage increases prescribed by collective agreements; increased utility costs; and increased contribution to the vehicle replacement reserve.
- Toronto Transit Commission (TTC): Conventional Services increase of \$44.902 million or 4.3% is attributed to annualized labour costs from the TTC's 2005 collective agreement and higher energy costs due to price increases in vehicle fuel, utilities and hydro. For the overall service budget, key cost drivers include the incremental cost of fully implementing the 2005 approved initiatives of the TTC's Ridership Growth Strategy to purchase and operate 100 new buses and to house them in the new Mount Dennis facility.
- TTC: Wheel Trans increase of \$5.762 million or 9.1% is primarily due to a 7.8% increase in trip demand to maintain a 2% unaccommodated rate and COLA.
- Toronto Police Service increase of \$33.272 million or 4.2% is attributed to annualized cost of 250 uniformed officers hired in 2006; uniformed and civilian salary settlement adjustments; and 90 new court security officers for 15 new Provincial courtrooms opening in 2007.

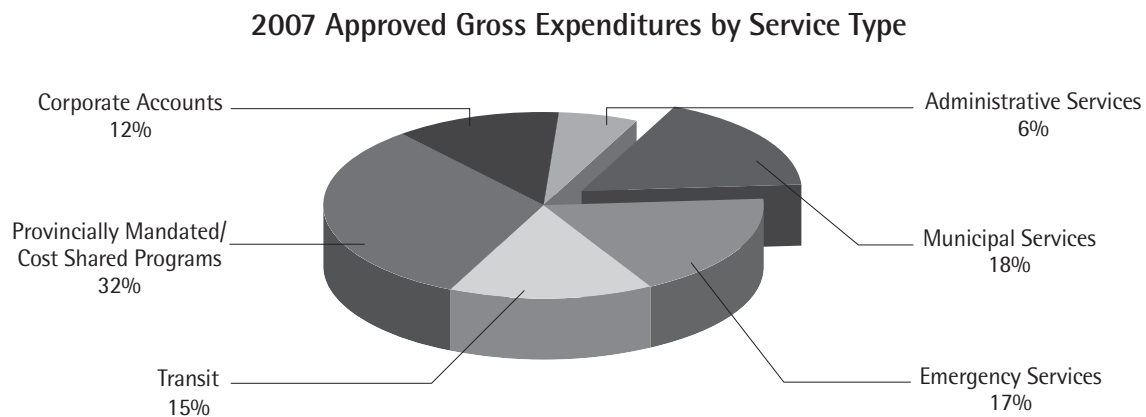


Corporate Accounts' expenditures increased by \$60.358 million representing 32% of the total 2007 Approved Gross Operating Budget change over 2006. Debt service charges were the principal cause of this increase. Debt service charges increased by \$69.61 million or 14.6% reflecting the annualized debt repayment of the 2006 Approved Capital Budget. This increase was partially offset by a decrease in Tax Deficiency Write-off expenses.

### Where the 2007 Budget is Spent

Chart 3 shows that only 18% of the 2007 Operating Budget is allocated to municipal services. Provincially Mandated Programs represent approximately one-third of the budget, which confirms that much of the City's resources is diverted from core municipal services. Together, Transit and Emergency Services account for another 32% of the City's total expenditure budget. This pattern is consistent with prior years. Going back to 1998, Transit, Emergency Services, and Provincially Mandated Programs have approximated 70% of the City's expenditures.

Chart 3



### 2007 Approved Operating Budget

After applying non-tax revenues including provincial and federal subsidies, user fees and reserve draws, the remaining gross operating budget is funded by property taxes (herein referred to as the net budget). The 2007 Approved Net Operating Budget is \$3.221 billion, representing an increase of \$88.832 million or 2.8% over 2006.

As a proportion of the gross operating budget, the net budget has declined consistently from a high of 46% in 1999 to 41% in 2007. This reflects the fact that the City has had to rely increasingly on non-tax revenues to fund operating budget increases. In particular, it has had to draw on reserves to fund the growing gap in recurring revenues.

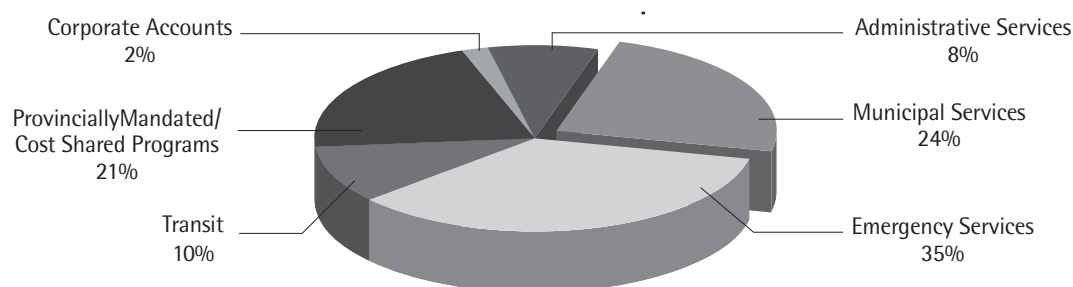
Chart 4 illustrates where the 2007 Approved Net Operating Budget will be spent. As indicated in the Chart, 24% of the net budget is committed to Municipal Services, compared to 35% to Emergency Services. Approximately one quarter of the net budget is allocated to Toronto Police Service. Note that 21% of the



net budget is allocated to fund provincially mandated programs. In effect, two-thirds of the 2007 property tax levy will be spent on Provincially Mandated Programs, Transit and Emergency Services. The Emergency Services, TTC and Provincially Mandated Programs continue to be the greatest pressures on the City's tax base.

**Chart 4**

**2007 Approved Net Operating Budget by Service Type**



Toronto Police Service and TTC's 2007 Net Operating Budgets increased by \$32.583 and \$31.041 million, respectively. Together, these ABCs' net budget increases total \$57.728 million and account for 65% of the approved tax increase of \$88.832 million.

#### **2007 Approved Operating Budget – Approved Positions**

In accordance with the City's Financial Policies, all approved positions are accounted for and tracked in the Operating Budget. In total 50,184.6 approved positions are recommended for the year 2007, representing an increase of 738.1 positions or 1.5%. Of the total, 1,851.6 positions are fully dedicated to the Capital Program. Approved positions to deliver City services and service levels total 48,333.0 of which 46,251.3 are for delivery of property tax levy supported Programs, and 2,081.7 for rate supported programs.

As shown in Table 7, approved positions for tax supported programs reflect an increase of 526.6 positions or 1.2%. The approved position increase for City Operations is 117.2 of which 111.1 or 95% is attributed to Citizen Centred Services "A". Position increases in Citizen Centred Services "A" are mainly in Parks, Forestry & Recreation for the second phase of the After-School Recreation and Child Care Program, the initial roll-out of the Program's Safety and Security Plan, continuing the Toronto Urban Farm initiative, cleaning up ravines/watercourses and instituting a Park Ranger Program as well as maintaining Toronto's beaches and waterfront, implementing the 'Investing in Families' program maintaining the City's natural environment areas and funding the operating impacts of capital projects. Citizen Centred Services "B's" approved positions include a net decrease of 20.1 positions primarily in Solid Waste Management Services.

**Table 7**  
**2007 Tax levy Operations Approved Positions**  
 (Operating Budget Positions Only)

City Program/ABCs	2006 Approved Positions	2007 Approved Positions	Change from 2006	% Change from 2006
Citizen Centred Services "A"	11,651.8	11,762.9	111.1	1.0
Citizen Centred Services "B"	7,343.5	7,323.4	(20.1)	(0.3)
Internal Services	2,135.4	2,159.6	24.2	1.1
City Manager's Office & Other City Programs	1,252.5	1,254.5	2.0	0.2
<b>Total City Operations</b>	<b>22,383.2</b>	<b>22,500.4</b>	<b>117.2</b>	<b>0.5</b>
Agencies, Boards & Commissions	23,341.5	23,750.9	409.4	1.8
<b>Total Levy Operations</b>	<b>45,724.7</b>	<b>46,251.3</b>	<b>526.6</b>	<b>1.2</b>
<b>Rate Supported Operations</b>	<b>2,076.1</b>	<b>2,081.7</b>	<b>5.6</b>	<b>0.3</b>
<b>Total Positions*</b>	<b>47,800.8</b>	<b>48,333.0</b>	<b>532.2</b>	<b>1.1</b>

\*Note that 1,851.6 positions dedicated to the Capital Program are not included in this Table.

Overall, approved positions for ABCs reflect an increase of 409.4 positions or 1.8% compared to 2006. This approximates 77% of the total increase of 532.2 positions. Increase in approved positions for the ABCs is mainly attributed to the following:

- Toronto Transit Commission (TTC): increase of 395 positions primarily to support ridership growth levels; operation of 100 new buses and opening of the Mount Dennis Bus Garage.
- Toronto Police Service: increase of 125 positions, of which 90 are due to increased Court Security Officer positions for 15 new Provincial courtrooms to comply with mandatory Provincial requirements.
- Toronto Public Health: decrease of 169.5 positions primarily due to the 5% cap of growth funding for mandatory cost-shared programs in the area of new/enhanced services that were approved in 2006.

In total, Council approved a complement of 48,333.0 positions to deliver services and service levels in the 2007 Operating Budget. This complement level represents an increase of 532.2 or 1.1% over the 2006 approved complement of 47,800.8 positions. A briefing note that discusses approved position changes incorporated in the 2007 Operating Budget is available on the City's website at [www.toronto.ca/budget2007/briefingnotes\\_operating](http://www.toronto.ca/budget2007/briefingnotes_operating).

#### *User Fees and Charges – Revenue Impact of Price Changes*

The City of Toronto Act 2006 empowers the City to impose user fees and charges, and to increase the price of such fees and charges in order to recover the cost of services. While a significant number of fees and charges have already been approved by City Council through the Planning Act, the Building Code and other specific City by-laws, several are being introduced in, or were referred to the 2007 Budget process.

Table 8 summarizes the reasons for user fee adjustments, and the resultant incremental revenue estimates to be generated in 2007. These price changes were required in order to achieve full cost recovery in accordance with Council's direction, to adjust for inflation, policy objectives, and service comparison with other suppliers. In most cases, the fees were increased by the rate of inflation.

**Table 8**  
**2007 Levy Operations User Fees and Charges**  
 Incremental Revenue Impact of Price Change

Program	Reason for Price Change	2007 Estimated Revenue Increase (\$Million)
Parks, Forestry and Recreation	Inflation, Cost Of Living, cost recovery	1.113
Emergency Medical Services	Cost recovery	0.063
Solid Waste Management Services	Inflation	0.010
City Planning	Inflation, Cost Of Living	0.707
Toronto Building	Cost Of Living	0.761
Municipal Licensing and Standards	Inflation	0.273
Transportation Services	Cost Of Living, full cost recovery, service fee comparison	0.181
Office of the Treasurer	Cost recovery	0.002
City Clerk's Office	Service fee Comparison	0.003
Toronto Public Health	Cost recovery	0.200
Exhibition Place	Service fee comparison	0.601
Theatres	Inflation	0.104
<b>Total 2007 Incremental Revenues</b>		<b>4.019</b>

The incremental revenues from increasing fees and charges are estimated at \$4.019 million. Increases in the majority of fees were based on the consumer price index and cost of living increases, such as recreation fees, building permits and zoning fees. However, a significant number of fees are being increased in order to achieve full cost recovery, for example, medical emergency services fees, golf fees, rifle range fees and Food Handler Training program fee. Exhibition Place admission and parking fee increases are primarily based on market comparison. New fees are recommended for Waterfront weekend parking and for Municipal Road Damage deposits.

Overall, 2007 budgeted revenues from user fees and charges total \$1.205 billion (inclusive of TTC). This represents an increase of \$28.6 million or 2.4%. User fee revenues generated from volume increases approximate \$24.7 million of this amount.

## 2007 HIGHLIGHTS

The 2007 Approved Operating Budget is a viable and prudent budget. It maintains core services, and demonstrates the City's commitment to delivering services that residents want in a cost effective manner. Though limited, this budget contains investments in key City building initiatives that are aligned with the Mayor's mandate and Council's policy agenda. The following highlights key services and initiatives included in the budget:

### Public Safety

- City funding for Toronto's Joint Chemical, Biological, Radiological and Nuclear Response (CBRN) Team will continue for 2007 with a request to the federal government to fund the Emergency Preparedness Program (\$0.348 million).

- The annualized cost of 250 new police officers hired and trained in 2006 will be funded to provide a full complement of 5,510 officers in 2007 (\$7.6 million).
- Ninety new court officers will be hired to provide court security in 15 new provincial courtrooms to accommodate the provincially mandated security requirements for the new provincial courtrooms within the City of Toronto (\$3.53 million gross and net).
- Eight paramedics will be added to improve EMS response time to 70% from 68% (in 2006) within nine minutes.
- Forty-four additional red light cameras (\$1.202 million gross, \$2.539 revenue for a net of -\$1.337 million) will be added to the current 47 cameras which will improve the safety at intersections controlled by traffic signals. The existing red-light cameras have been successful in reducing right-angle collisions resulting in personal injury or death by 48%.
- Eleven new special constables to support the TTC's Subway Zone Patrol Strategy will be added for a total of 125 constables (\$0.45 million).

#### Transit and Transportation

- The appearance of roadway and roadside areas will be improved by Mechanical Weed Control on sidewalks and boulevard as a Clean & Beautiful City Initiative (\$0.125 million gross and net).
- TTC transit services for 18 million additional riders will be provided for a total of 454 million riders to be serviced in 2007 (\$7.9 million gross).
- One hundred additional buses and a new Mt. Dennis Bus Garage to be operational in 2007, in keeping with the TTC's Ridership Growth Strategy (\$3.3 million gross).
- Wheel-Trans specialized fully accessible transit services will be provided for 164,200 additional riders and a 2% unaccommodated rate will be maintained (\$4.2 million gross, \$3.953 million net).
- Four by-law officers will be hired to enforce front yard parking infractions (\$0.05 million gross and net) and funding will be derived from front yard parking fee revenue.
- Two roads inspectors will be hired to administer the new Municipal Road Damage By-law (\$0.08 million gross and \$0.019 million net).

#### Environment

- A comprehensive Western Waterfront Master Plan (new funding of \$0.200 million in 2007) will develop the area from Marilyn Bell Park to the Humber River.
- Beach and Waterfront Maintenance (\$0.47 million gross and net) will improve the cleanliness of Toronto's 20 public beaches.
- Tree Service Delays will be reduced from 10–12 months to six months (\$0.932 gross and net).
- Ravine and Watercourse Maintenance with a Park Ranger Program (\$0.795 million gross and net) will put teams into the ravines and natural areas to clean up debris and reduce illegal dumping.
- New tree plantings will be maintained in natural environment areas (\$1.147 million gross and net) to give new trees and shrubs the care they require.
- The Toronto Energy Plan will guide future energy demand management and conservation initiatives will be developed in 2007 (\$0.57 million gross, \$0 net).
- Ontario Power Authority will provide incentives to achieve, through demand response measures, 20 MW of energy savings (\$0.15 million gross, \$0 net).

- The Toronto Green Development Standard to encourage the use of environmentally friendly design construction to reduce energy and water consumption, storm water runoff and the urban heat island effects will be implemented in 2007 (new funding of \$0.17 million gross, \$0 net).
- The City will host the Pedestrian Plan/Walk 21 International Conference to engage international pedestrian planning experts in the development of Toronto's Pedestrian Plan. (\$0.367 million gross and net).
- The Toronto Bike Plan implementation will be accelerated and a new Pedestrian Plan will be developed with four new funded staff positions to support these initiatives (\$0.287 million gross, \$0 net).

### Public Space Improvements

- A Design Review Pilot Project will be implemented in six pilot areas (\$0.025 million new funding to be added to base funding of \$0.09 million).
- A team for Union Station will be established to provide stewardship, renewal and revitalization of this heritage building (\$0.683 million gross, \$0 net).
- One additional full time staff will be hired to support a new Heritage Property Tax Rebate Program Initiative (\$0.058 million gross and \$0.018 million net) for applications estimated to total \$3.5 million in 2007.
- A Public Space Beautification Plan for 11 major cultural institutions will be developed during 2007 (\$0.125 million).
- Neighbourhood Beautification will be enhanced across the entire City through new funding of \$0.594 million to be added to base funding of \$0.066 million for a total of \$0.660 million (this will increase funding from \$1,500 to \$15,000 per ward).

### Community and Neighbourhood Leisure and Wellness

- 23,844 subsidized day care spaces will be maintained to provide 27% of the children in need of child care services through municipal and community child care centres.
- Phase 2 of the After School Recreation and Care Program (\$1.283 million gross, \$0 net) will serve up to 3,600 children in 13 priority neighbourhoods. Investing in Families (\$0.38 million, \$0 net) will work with single parent families on social assistance to provide needed social supports to stabilize their lives.
- Toronto Urban Farm, in the Jane-Finch neighbourhood, will continue to engage youth in farming, leadership development, and social entrepreneurship (\$0.188 million gross and net).
- Live with Culture will continue in 2007, continuing youth programs, and culture marketing as well as developing a web based portal, with \$0.59 million (gross and net) of funding applied from the International Profile initiative for no net budget increase.
- An expanded Nuit Blanche event will take place in 2007, with reallocated funds of \$0.321 million net and new funding of \$0.3 million net for a total of \$1.131 million gross and \$0.621 million net.
- A special Dinosaur Exhibit will animate the Zoo this summer (\$0.525 million gross, \$0.675 million net revenue).
- New Waterfront parklands and sports fields will be maintained (\$0.306 million gross and net).
- New facilities and new parklands will be maintained to City standards, including the maintenance of newly planted trees (\$1.035 million gross and \$1.023 million net).
- One hundred Ontario Works clients will be provided skill building, work experience and support to move to longer term jobs (\$2.0 million gross, \$0 net).

- An additional \$1.538 million will be invested in community capacity initiatives and culture activities within the Community Partnership and Investment Program.
- National Soccer Stadium will open this spring and will attract more visitors to Exhibition Place (\$3.642 million gross, \$0 net).

#### Public Service Improvements

- Six positions will be added in Toronto Building to increase the percentage of building permit applications issued within legislated timeframes to 90% (\$0.213 million gross, \$0 net).
- A project office will be established to implement recommendations of the IT Governance Review and improvement of the overall capability of IT services will be established (\$0.834 million gross, \$0 net).
- A corporate materials management strategy for divisional warehouse operations will be implemented (\$0.363 million gross, \$0 net).
- A Lobbyist Registrar's Office as mandated by the City of Toronto Act will become operational in 2007 (\$0.241 million gross and net). Funding is provided for the Lobbyist Registrar and an Administrative Assistant beginning April 1, 2007.

#### 2008 Outlook

The estimated incremental impact from the approval of the 2007 Operating Budget on the 2008 budget due to factors such as annualized cost of base budget changes and in-year implementation of new and enhanced services, are summarized in Table 9 below. In total, these initiatives will result in a starting (known) budget pressure of \$681.7 million in 2008.

For the most part, the budget pressure is driven by the use of one-time revenues in 2007. Draws from reserves of \$282.3 million used to balance the 2007 Operating Budget is non recurring and therefore will become an operating budget pressure in 2008. Similarly, in 2006 the Province provided non-recurring operating budget assistance for TTC of \$100 million for each of 2006 and 2007. In accordance with approved City policy, Toronto Hydro Revenues are to be used to fund the capital program. Therefore, compliance with this policy will contribute \$106 million to the 2008 starting budget pressure.

The incremental operating cost of providing the 2007 approved services and service levels including inflation, COLA, merit and annualization is estimated \$189.3 million. In addition, it is estimated that debt service charges will increase by \$47.5 million. All together, expenditure increases will contribute \$236.8 million to the 2008 budget pressure. Annualization of non-tax revenues from 2007 will generate additional revenues of \$43.1 million in 2008.

Council has directed that the 2008 Operating Budget be held at a zero increase over 2007. Given a starting budget pressure of \$681.7 million, the City will continue to face a major challenge to balance the 2008 budget through austerity measures only. To complement the cost controls, service and program reviews, and continuous improvement initiatives in place, it is urgent that the City finds sustainable revenue solutions. As discussed above, to fix the structural deficit, which results in significant budget pressures year after year, will require revenues that grow with the economy, upload of provincially mandated social service costs, creation of a National Transit Strategy and new taxation measures under the City of Toronto Act.

**Table 9**  
**2008 Outlook – Incremental Impacts**

	\$Millions	
Expenditures Increases:		
- Cost of Living Allowance/Merit	120.0	
- Inflation	27.0	
- Debt Service Cost	47.5	
- Annualization and Other	42.3	236.8
Non-Tax Revenue Increase		(43.1)
<b>Total Base Budget Impact</b>		<b>193.7</b>
<b>Unsustainable Budget Balancing Strategies:</b>		
Provincial Assistance – Transit Operations		100.0
City One-Time		
- Hydro Note Revenues – Interest and Dividends	106.0	
- Non Program Reserve Draws	252.0	
- Move Ontario Trust	30.0	388.0
<b>Total 2008 Outlook – Incremental Impacts</b>		<b>681.7</b>

## RATE SUPPORTED PROGRAM

Rate Supported Programs include Toronto Water and Toronto Parking Authority. The 2007 Approved Rate Supported Operating Budget totals \$706.027 million. Toronto Water's 2007 Approved Operating Budget totals \$648.221 million representing an increase of \$40.8 million or 6.1% of the rate supported program budget.

### Toronto Water

Toronto Water provides its customers with quality water services through supplying drinking water and treatment of wastewater essential for protecting public health and safety, in an environmentally responsible manner. To achieve its objectives, Toronto Water's 2007 Approved Operating Budget is \$648.221 million, representing an increase of \$37.771 million or 6.2% over 2006 (see Table 10). The most significant increase was the contribution to finance the Toronto Water Capital Budget which increased by 9.9% or \$24.198 million as shown in Table 10.

Toronto Water's 2007 Approved Operating Budget will result in the following outcomes:

- The pellitizer is expected to be operational in April of 2007 increasing the consumption of natural gas by \$1.882 million.
- Haulage of biosolids material costs is forecasted to increase as a result of the Carlton Farms Landfill Site not being able to accept biosolids as of August 1, 2006. Alternative sites had to be secured and the cost impact for 2007 will be approximately \$6.98 million.
- The increase in net cost of \$2.893 million for cut repair work which is managed by Transportation Services for Water Services reflects the escalated capital program which is primarily driven by state of good repair projects.
- Toronto Water has committed funding of \$3.766 million for the Toronto and Region Conservation Authority's 2007 Operating Budget.



All operating revenues received by Toronto Water are generated from user fees and charged for water consumption and sewage treatment. There is no reliance on the property tax base to support Toronto Water's services. To fund the operating requirements and capital contribution, a water rate increase of 9% was necessary and has been incorporated in the 2007 Approved Operating Budget.

**Table 10**  
**Toronto Water**  
**2007 Approved Operating Budget by Service**

Services	Approved Budget (\$000s)						Change over 2006			
	2005		2006		2007		Gross		Net	
	Gross	Net	Gross	Net	Gross	Net	\$	%	\$	%
Water Production	55,521.6	55,522	62,926	62,926	65,590	65,590	2,664	4.2	2,664	4.2
Wastewater Treatment	88,156.2	88,156	89,615	89,615	104,463	104,463	14,848	16.6	14,848	16.6
District Operations	110,751.9	110,752	106,099	106,099	110,589	110,589	4,489	4.2	4,489	4.2
Wastewater Infrastructure	3,667.6	3,668	5,637	5,637	6,673	6,673	1,036	18.4	1,036	18.4
Capital Financing	232,104.7	232,105	245,097	245,097	269,294	269,294	24,198	9.9	24,198	9.9
Business Unit Support	3,702.6	3,703	11,484	11,484	12,135	12,135	651	5.7	651	5.7
Operational Support	10,210.2	10,210	14,993	14,993	16,393	16,393	1,400	9.3	1,400	9.3
Program Support	70,367.2	70,367	74,600	74,600	63,085	63,085	(11,515)	(15.4)	(11,515)	(15.4)
Revenue		(574,482)		(610,451)		(648,221)	-	na	(37,771)	6.2
Total Program Budget	574,482	-	610,451	-	648,221	-	37,771	6.2	-	na

### Toronto Parking Authority (TPA)

Toronto Parking Authority exists to provide safe, attractive, self sustaining, conveniently located and competitively priced off-street and on-street public parking as an integral component of Toronto's transportation system. TPA's 2007 Operating Expenditure Budget is \$57.805 million, reflecting an increase of 5.5% over 2006 (See Table 11). The TPA revenues are exclusively generated from parking fees. In 2007, TPA will generate total revenues of \$102.234 million resulting in a net operating budget surplus of \$44.429 million.

Key services to be provided by the Toronto Parking Authority in 2007 include the following:

- Operations of approximately 20,000 off-street spaces in 180 facilities including 22 parking garages, as well as 18,000 on-street spaces controlled by pay-and-display technology or single spaced meters.
- On behalf of the Toronto Transit Commission, management of 14,000 spaces at their park-and-ride facilities, and parking areas on behalf of the Parks, Forestry and Recreation Program serving the waterfront parks during the summer season.



**Table 11**  
**Toronto Parking Authority 2007 Operating Budget**

	Approved Budget (\$000s)						Change over 2006			
	2005		2006		2007		Gross		Net	
Services	Gross	Net	Gross	Net	Gross	Net	\$	%	\$	%
Off-Street Parking	43,950	(16,899)	43,866	(15,318)	46,082	(18,153)	2,215	5.0	(2,834)	18.5
On-Street Parking	10,333	(25,989)	10,935	(25,065)	11,723	(26,277)	788	n/a	(1,212)	n/a
<b>Total Program Budget</b>	<b>54,282</b>	<b>(42,887)</b>	<b>54,801</b>	<b>(40,383)</b>	<b>57,805</b>	<b>(44,429)</b>	<b>3,003</b>	<b>5.5</b>	<b>(4,046)</b>	<b>10.0</b>

## SUMMARY

The City of Toronto's total 2007 approved tax levy and rate supported operating budget is \$8.503 billion as shown in Table 12. Gross expenditures increased by \$231.4 million or 2.8% when compared with 2006. This is a very modest increase, which is reflective of the effort made to find cost savings through efficiencies, and generally cost control. Table 12 also illustrates the 2007 approved levy net budget increase of 2.8%, which conforms to the strategic direction to raise property taxes by no more than the City of Toronto rate of inflation, if necessary. Despite successes in containing expenditures, it was necessary to use \$488.0 million of non-recurring revenues to balance the 2007 Tax Levy Operating Budget. To balance the Toronto Water Budget, a rate increase of 9% was required.

**Table 12**  
**2007 Approved Operating Budget**  
**Tax Levy and Rate Supported Programs (\$Millions)**

	2006		2007		Change over 2006			
	Gross	Net	Gross	Net	Gross		Net	
					\$	%	\$	%
Property Tax Levy Operations	7,606.7	3,131.8	7,797.4	3,220.7	190.6	2.5	88.8	2.8
Rate Supported Programs	665.3	(40.4)	706.0	(44.4)	40.8	6.1	(4.0)	10.0
<b>Total Budget</b>	<b>8,272.0</b>	<b>3,091.4</b>	<b>8,503.4</b>	<b>3,176.2</b>	<b>231.4</b>	<b>2.8</b>	<b>84.8</b>	<b>2.7</b>

Overall, the 2007 Approved Operating Budget balances short-term service needs against long-term objectives. It sets the framework for implementing Council's policy agenda and the Mayor's commitment to a prosperous, inclusive city that is safe, economically strong, clean and green, transit friendly, creative and a place where everyone has a chance to succeed. This budget maintains service levels needed by residents and businesses. As has been the case in prior years, on average, more than 60% of property tax revenue is earmarked to pay for police, fire and emergency medical services, transit, garbage collection and recycling, libraries, parks and roads – services that impact the quality of life of Toronto residents.

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## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Gross Expenditure and Comparison with 2006 and 2005

(In \$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Citizen Centred Services "A"</b>					
Affordable Housing Office	2,826.7	3,018.1	3,185.9	167.8	5.6%
Children's Services	332,235.7	379,350.7	335,796.3	(43,554.4)	(11.5%)
Court Services	29,428.5	32,459.3	34,769.9	2,310.6	7.1%
Economic Development, Culture & Tourism	31,825.1	36,509.4	33,276.8	(3,232.6)	(8.9%)
Emergency Medical Services	135,089.1	142,528.2	147,133.3	4,605.1	3.2%
Homes for the Aged	179,992.1	186,005.2	192,320.2	6,315.0	3.4%
Parks, Forestry & Recreation	276,580.5	289,166.3	296,884.4	7,718.1	2.7%
Shelter, Support & Housing Administration	674,817.5	717,764.9	689,684.7	(28,080.2)	(3.9%)
Social Development, Finance & Administration	30,432.9	27,954.9	27,732.2	(222.7)	(0.8%)
Social Services	972,119.2	1,037,486.7	1,067,833.1	30,346.4	2.9%
3-1-1 Customer Service Strategy	382.9	4,579.5	3,016.8	(1,562.7)	(34.1%)
Sub-Total Citizen Centred Services "A"	2,665,730.2	2,856,823.2	2,831,633.6	(25,189.6)	(0.9%)
<b>Citizen Centred Services "B"</b>					
City Planning	29,926.3	32,237.2	33,268.3	1,031.1	3.2%
Clean and Beautiful City Secretariat	326.5	347.3	472.3	125.0	36.0%
Fire Services	309,064.5	335,386.4	344,707.1	9,320.7	2.8%
Municipal Licensing & Standards	27,387.1	33,610.3	33,635.3	25.0	0.1%
Policy, Planning, Finance and Administration	9,787.5	13,720.3	12,967.3	(753.0)	(5.5%)
Solid Waste Management Services	225,219.5	228,849.4	237,796.3	8,946.9	3.9%
Technical Services	55,487.9	58,462.5	62,078.1	3,615.6	6.2%
Toronto Building	36,665.3	38,853.6	39,198.4	344.8	0.9%
Transportation Services	277,507.7	275,894.4	272,531.5	(3,362.9)	(1.2%)
Waterfront Secretariat	829.5	993.5	1,115.9	122.4	12.3%
Sub-Total Citizen Centred Services "B"	972,201.8	1,018,354.9	1,037,770.5	19,415.6	1.9%
<b>Internal Services</b>					
Office of the Chief Financial Officer	16,687.7	13,215.5	13,452.2	236.7	1.8%
Office of the Treasurer	60,452.2	63,157.7	65,528.0	2,370.3	3.8%
Pubic Information & Creative Services	6,873.1	4,808.4	4,765.3	(43.1)	(0.9%)
Facilities & Real Estate	111,602.6	117,761.2	120,629.9	2,868.7	2.4%
Fleet Services	34,001.1	34,688.2	35,650.3	962.1	2.8%
Information & Technology	52,162.0	52,661.6	55,056.5	2,394.9	4.5%
Sub-Total Internal Services	281,778.7	286,292.6	295,082.1	8,789.5	3.1%
<b>City Manager</b>					
City Manager's Office	34,378.3	39,518.5	39,591.2	72.7	0.2%
Sub-Total City Manager	34,378.3	39,518.5	39,591.2	72.7	0.2%
<b>Other City Programs</b>					
City Clerk's Office	40,838.2	48,655.3	44,259.6	(4,395.7)	(9.0%)
Legal Services	25,963.5	29,420.5	31,539.6	2,119.1	7.2%
Mayor's Office	1,855.8	1,886.2	2,036.2	150.0	8.0%
City Council	18,514.5	18,761.5	19,649.2	887.7	4.7%
Sub-Total Other City Programs	87,172.0	98,723.5	97,484.5	(1,239.0)	(1.3%)
<b>Council Appointed Programs</b>					
Auditor General's Office	3,566.4	3,881.2	3,988.4	107.2	2.8%
Lobbyist Registrar	0.0	0.0	0.0	0.0	n/a
Sub-Total Council Appointed Programs	3,566.4	3,881.2	3,988.4	107.2	2.8%
<b>TOTAL – CITY OPERATIONS</b>	<b>4,044,827.4</b>	<b>4,303,593.9</b>	<b>4,305,550.3</b>	<b>1,956.5</b>	<b>0.0%</b>
<b>Agencies, Boards and Commissions</b>					
Toronto Public Health	193,933.7	211,898.4	207,399.3	(4,499.0)	(2.1%)
Toronto Public Library	154,879.5	158,572.6	164,249.4	5,676.8	3.6%
Association of Community Centres	5,951.3	6,304.7	6,394.0	89.3	1.4%

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
0.0	3,185.9	167.8	5.6%
942.2	336,738.5	(42,612.2)	(11.2%)
327.4	35,097.3	2,638.0	8.1%
400.0	33,676.8	(2,832.6)	(7.8%)
2,063.2	149,196.5	6,668.3	4.7%
0.0	192,320.2	6,315.0	3.4%
7,024.9	303,909.2	14,743.0	5.1%
2,807.8	692,492.5	(25,272.4)	(3.5%)
632.8	28,365.0	410.1	1.5%
3,503.0	1,071,336.1	33,849.4	3.3%
0.0	3,016.8	(1,562.7)	(34.1%)
17,701.3	2,849,334.9	(7,488.3)	(0.3%)
617.1	33,885.4	1,648.2	5.1%
594.0	1,066.3	719.0	207.0%
43.6	344,750.7	9,364.3	2.8%
2.9	33,638.2	27.9	0.1%
972.0	13,939.3	219.0	1.6%
0.0	237,796.3	8,946.9	3.9%
418.0	62,496.1	4,033.6	6.9%
501.1	39,699.5	845.9	2.2%
1,650.1	274,181.6	(1,712.8)	(0.6%)
200.0	1,315.9	322.4	32.5%
4,998.8	1,042,769.3	24,414.4	2.4%
94.2	13,546.4	330.9	2.5%
1,166.3	66,694.3	3,536.6	5.6%
0.0	4,765.3	(43.1)	(0.9%)
1,791.1	122,421.0	4,659.8	4.0%
171.1	35,821.4	1,133.2	3.3%
1,633.0	56,689.5	4,027.9	7.6%
4,855.7	299,937.8	13,645.2	4.8%
0.0	39,591.2	72.7	0.2%
0.0	39,591.2	72.7	0.2%
41.5	44,301.1	(4,354.2)	(8.9%)
268.7	31,808.3	2,387.8	8.1%
410.9	2,447.1	560.9	29.7%
0.0	19,649.2	887.7	4.7%
721.1	98,205.6	(517.9)	(0.5%)
0.0	3,988.4	107.2	2.8%
241.0	241.0	241.0	n/a
241.0	4,229.4	348.2	9.0%
28,517.9	4,334,068.2	30,474.4	0.7%
3,107.3	210,506.6	(1,391.7)	(0.7%)
98.5	164,347.9	5,775.3	3.6%
0.0	6,394.0	89.3	1.4%

## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Gross Expenditure and Comparison with 2006 and 2005

(In \$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Agencies, Boards and Commissions</b> <i>continued</i>					
Exhibition Place	46,383.9	47,230.6	49,739.3	2,508.7	5.3%
Heritage Toronto	519.0	671.3	571.3	(100.0)	(14.9%)
Theatres	19,879.6	29,836.9	27,934.4	(1,902.5)	(6.4%)
Toronto Zoo	35,360.7	37,423.1	37,857.2	434.1	1.2%
Arena Boards of Management	5,490.1	5,680.8	5,969.3	288.5	5.1%
Yonge-Dundas Square	1,008.2	1,073.1	1,138.8	65.7	6.1%
Toronto & Region Conservation Authority	30,048.2	33,979.3	37,041.4	3,062.1	9.0%
Toronto Transit Commission – Conventional	970,666.2	1,037,991.9	1,082,353.5	44,361.6	4.3%
Toronto Transit Commission – Wheel-Trans	56,545.9	63,009.1	68,771.3	5,762.2	9.1%
Toronto Police Service	748,691.0	796,906.6	826,648.2	29,741.6	3.7%
Toronto Police Services Board	1,296.7	1,784.6	2,238.3	453.7	25.4%
<b>TOTAL – AGENCIES, BOARDS AND COMMISSIONS</b>	<b>2,270,654.0</b>	<b>2,432,363.0</b>	<b>2,518,305.8</b>	<b>85,942.8</b>	<b>3.5%</b>
<b>Corporate Accounts</b>					
Community Partnership and Investment Program	44,157.3	40,443.9	40,422.8	(21.1)	(0.1%)
Capital & Corporate Financing	455,964.7	477,442.3	547,052.5	69,610.2	14.6%
Non-Program Expenditures					
– Tax Deficiencies/Write-offs	95,171.0	89,894.8	75,000.0	(14,894.8)	(16.6%)
– Assessment Function (MPAC)	31,200.0	32,200.0	33,000.0	800.0	2.5%
– Temporary Borrowing	400.0	400.0	400.0	0.0	0.0%
– Funding of Employee Related Liabilities	35,487.6	35,487.6	35,494.3	6.7	0.0%
– Programs Funded from Reserve Fund	70,675.6	101,066.6	92,130.4	(8,936.2)	(8.8%)
– Other Corporate Expenditures	26,164.5	9,889.7	7,820.7	(2,069.0)	(20.9%)
– Insurance Premiums & Claims	300.0	306.7	3,306.7	3,000.0	978.2%
– Parking Tag Enforcement & Oper.	41,809.3	42,483.6	43,603.9	1,120.3	2.6%
– Vacancy Rebate Program	14,000.0	16,500.0	16,500.0	0.0	0.0%
– Corporate Utilities	0.0	0.0	1,500.0	1,500.0	n/a
– Computer Leasing & External Contract Inquiry	4,200.0	0.0	0.0	0.0	0.0%
– Heritage Property Taxes Rebate	0.0	718.3	718.3	0.0	0.0%
– Street & Expressway Lighting Services	0.0	23,453.6	24,857.8	1,404.2	6.0%
Non-Program Expenditures	319,408.0	352,400.9	334,332.1	(18,068.8)	(5.1%)
Non-Program Revenues					
– Payments in Lieu of Taxes		0.0	0.0	0.0	n/a
– Supplementary Taxes		0.0	0.0	0.0	n/a
– Tax Penalties		0.0	0.0	0.0	n/a
– Interest/Investment Earnings	0.0	504.5	513.3	8.8	1.7%
– Other Corporate Revenues		0.0	0.0	0.0	n/a
– Toronto Hydro Revenues		0.0	0.0	0.0	n/a
– Provincial Revenue		0.0	0.0	0.0	n/a
– Parking Authority Revenues		0.0	0.0	0.0	n/a
– Administrative Support Recoveries – Water		0.0	0.0	0.0	n/a
– Administrative Support Recoveries – Health & EMS		0.0	0.0	0.0	n/a
– Parking Tag Enforcement & Oper.		0.0	0.0	0.0	n/a
– Other Tax Revenues		0.0	0.0	0.0	n/a
– Woodbine Slots		0.0	0.0	0.0	n/a
Non-Program Revenues	0.0	504.5	513.3	8.8	1.7%
<b>TOTAL – CORPORATE ACCOUNTS</b>	<b>819,530.0</b>	<b>870,791.6</b>	<b>922,320.7</b>	<b>51,529.1</b>	<b>5.9%</b>
<b>TOTAL LEVY OPERATING BUDGET</b>	<b>7,135,011.4</b>	<b>7,606,748.4</b>	<b>7,746,176.8</b>	<b>139,428.4</b>	<b>1.8%</b>
<b>NON LEVY OPERATIONS</b>					
Toronto Parking Authority	54,281.8	54,801.3	57,494.7	2,693.4	4.9%
Toronto Water	586,050.3	610,450.7	638,840.9	28,390.2	4.7%
<b>TOTAL NON LEVY OPERATING BUDGET</b>	<b>640,332.1</b>	<b>665,252.0</b>	<b>696,335.6</b>	<b>31,083.6</b>	<b>4.7%</b>

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
3,642.4	53,381.7	6,151.1	13.0%
34.7	606.0	(65.3)	(9.7%)
2,670.0	30,604.4	767.5	2.6%
601.0	38,458.2	1,035.1	2.8%
0.0	5,969.3	288.5	5.1%
27.7	1,166.5	93.4	8.7%
(415.7)	36,625.7	2,646.4	7.8%
540.0	1,082,893.5	44,901.6	4.3%
0.0	68,771.3	5,762.2	9.1%
3,530.0	830,178.2	33,271.6	4.2%
0.0	2,238.3	453.7	25.4%
<b>13,835.9</b>	<b>2,532,141.7</b>	<b>99,778.7</b>	<b>4.1%</b>
1,538.4	41,961.2	1,517.3	3.8%
0.0	547,052.5	69,610.2	14.6%
0.0	75,000.0	(14,894.8)	(16.6%)
0.0	33,000.0	800.0	2.5%
0.0	400.0	0.0	0.0%
0.0	35,494.3	6.7	0.0%
0.0	92,130.4	(8,936.2)	(8.8%)
4,509.0	12,329.7	2,440.0	24.7%
0.0	3,306.7	3,000.0	978.2%
0.0	43,603.9	1,120.3	2.6%
0.0	16,500.0	0.0	0.0%
0.0	1,500.0	1,500.0	n/a
0.0	0.0	0.0	0.0%
2,781.7	3,500.0	2,781.7	387.3%
0.0	24,857.8	1,404.2	6.0%
<b>7,290.7</b>	<b>341,622.8</b>	<b>(10,778.1)</b>	<b>(3.1%)</b>
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	513.3	8.8	1.7%
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	513.3	8.8	1.7%
<b>8,829.1</b>	<b>931,149.8</b>	<b>60,358.2</b>	<b>6.9%</b>
<b>51,182.9</b>	<b>7,797,359.7</b>	<b>190,611.3</b>	<b>2.5%</b>
310.0	57,804.7	3,003.4	5.5%
9,380.4	648,221.3	37,770.6	6.2%
<b>9,690.4</b>	<b>706,026.0</b>	<b>40,774.0</b>	<b>6.1%</b>

## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Revenues and Comparison with 2006 and 2005

(In \$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Citizen Centred Services "A"</b>					
Affordable Housing Office	1,433.6	1,600.0	1,767.8	167.8	10.5%
Children's Services	264,112.1	311,059.7	266,771.5	(44,288.2)	(14.2%)
Court Services	38,462.9	41,959.3	43,838.2	1,878.9	4.5%
Economic Development, Culture & Tourism	9,513.0	12,212.5	8,979.9	(3,232.6)	(26.5%)
Emergency Medical Services	67,570.8	82,021.3	85,788.3	3,767.0	4.6%
Homes for the Aged	147,258.8	153,353.3	159,668.3	6,315.0	4.1%
Parks, Forestry & Recreation	73,072.6	72,961.5	74,632.8	1,671.3	2.3%
Shelter, Support & Housing Administration	404,885.2	441,191.2	413,302.8	(27,888.4)	(6.3%)
Social Development, Finance & Administration	10,090.5	12,029.7	11,807.1	(222.6)	(1.9%)
Social Services	751,059.4	759,609.7	773,548.4	13,938.7	1.8%
3-1-1 Customer Service Strategy	0.0	4,189.6	2,626.9	(1,562.7)	(37.3%)
Sub-Total Citizen Centred Services "A"	1,767,458.9	1,892,187.8	1,842,732.0	(49,455.8)	(2.6%)
<b>Citizen Centred Services "B"</b>					
City Planning	16,617.9	19,042.1	19,933.9	891.8	4.7%
Clean and Beautiful City Secretariat	0.0	30.0	30.0	0.0	0.0%
Fire Services	6,454.6	11,130.1	8,666.2	(2,463.9)	(22.1%)
Municipal Licensing & Standards	22,900.8	24,280.8	22,621.7	(1,659.1)	(6.8%)
Policy, Planning, Finance and Administration	686.8	1,120.1	367.1	(753.0)	(67.2%)
Solid Waste Management Services	59,931.2	57,923.1	54,254.9	(3,668.2)	(6.3%)
Technical Services	51,101.8	56,027.4	59,319.9	3,292.5	5.9%
Toronto Building	48,272.6	50,822.7	51,370.7	548.0	1.1%
Transportation Services	93,774.7	97,871.8	89,335.9	(8,535.9)	(8.7%)
Waterfront Secretariat	120.0	166.7	236.2	69.5	41.7%
Sub-Total Citizen Centred Services "B"	299,860.4	318,414.8	306,136.5	(12,278.3)	(3.9%)
<b>Internal Services</b>					
Office of the Chief Financial Officer	3,490.3	3,274.7	3,483.9	209.2	6.4%
Office of the Treasurer	30,126.7	31,620.8	33,584.6	1,963.8	6.2%
Pubic Information & Creative Services	57.0	186.1	143.1	(43.0)	(23.1%)
Facilities & Real Estate	60,361.0	64,800.3	66,867.7	2,067.4	3.2%
Fleet Services	34,001.1	34,688.2	35,650.3	962.1	2.8%
Information & Technology	10,426.8	6,160.0	7,219.7	1,059.7	17.2%
Sub-Total Internal Services	138,462.9	140,730.1	146,949.3	6,219.2	4.4%
<b>City Manager</b>					
City Manager's Office	2,105.8	2,546.3	2,453.8	(92.5)	(3.6%)
Sub-Total City Manager	2,105.8	2,546.3	2,453.8	(92.5)	(3.6%)
<b>Other City Programs</b>					
City Clerk's Office	20,931.0	18,058.9	12,859.6	(5,199.3)	(28.8%)
Legal Services	7,946.3	10,261.4	11,973.0	1,711.6	16.7%
Mayor's Office	0.0	0.0	0.0	0.0	n/a
City Council	0.0	0.0	0.0	0.0	n/a
Sub-Total Other City Programs	28,877.3	28,320.3	24,832.6	(3,487.7)	(12.3%)
<b>Council Appointed Programs</b>					
Auditor General's Office	0.0	0.0	0.0	0.0	n/a
Lobbyist Registrar	0.0	0.0	0.0	0.0	n/a
Sub-Total Council Appointed Programs	0.0	0.0	0.0	0.0	n/a
<b>TOTAL – CITY OPERATIONS</b>	<b>2,236,765.3</b>	<b>2,382,199.3</b>	<b>2,323,104.1</b>	<b>(59,095.1)</b>	<b>(2.5%)</b>
<b>Agencies, Boards and Commissions</b>					
Toronto Public Health	123,179.6	148,070.6	157,314.3	9,243.7	6.2%
Toronto Public Library	14,431.0	14,094.6	14,475.6	381.0	2.7%
Association of Community Centres	225.3	453.6	161.8	(291.8)	(64.3%)

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
0.0	1,767.8	167.8	10.5%
942.2	267,713.7	(43,346.0)	(13.9%)
2,388.5	46,226.7	4,267.4	10.2%
100.0	9,079.9	(3,132.6)	(25.7%)
1,818.7	87,607.0	5,585.7	6.8%
0.0	159,668.3	6,315.0	4.1%
2,675.2	77,308.0	4,346.5	6.0%
2,616.0	415,918.8	(25,272.4)	(5.7%)
632.8	12,439.9	410.2	3.4%
3,503.0	777,051.4	17,441.7	2.3%
0.0	2,626.9	(1,562.7)	(37.3%)
14,676.4	1,857,408.4	(34,779.4)	(1.8%)
532.7	20,466.6	1,424.5	7.5%
0.0	30.0	0.0	0.0%
0.0	8,666.2	(2,463.9)	(22.1%)
0.0	22,621.7	(1,659.1)	(6.8%)
972.0	1,339.1	219.0	19.6%
0.0	54,254.9	(3,668.2)	(6.3%)
70.0	59,389.9	3,362.5	6.0%
298.0	51,668.7	846.0	1.7%
753.7	90,089.6	(7,782.2)	(8.0%)
0.0	236.2	69.5	41.7%
2,626.4	308,762.9	(9,651.9)	(3.0%)
94.2	3,578.1	303.4	9.3%
1,150.8	34,735.4	3,114.6	9.8%
0.0	143.1	(43.0)	(23.1%)
1,609.1	68,476.8	3,676.5	5.7%
171.1	35,821.4	1,133.2	3.3%
1,415.0	8,634.7	2,474.7	40.2%
4,440.2	151,389.5	10,659.4	7.6%
0.0	2,453.8	(92.5)	(3.6%)
0.0	2,453.8	(92.5)	(3.6%)
41.5	12,901.1	(5,157.8)	(28.6%)
268.7	12,241.7	1,980.3	19.3%
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
310.2	25,142.8	(3,177.5)	(11.2%)
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
22,053.2	2,345,157.3	(37,041.9)	(1.6%)
2,794.9	160,109.2	12,038.6	8.1%
160.0	14,635.6	541.0	3.8%
0.0	161.8	(291.8)	(64.3%)



## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Revenues and Comparison with 2006 and 2005

(In \$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Agencies, Boards and Commissions</b> <i>continued</i>					
Exhibition Place	46,194.0	47,176.7	49,099.4	1,922.7	4.1%
Heritage Toronto	211.1	331.1	231.1	(100.0)	(30.2%)
Theatres	17,012.0	26,931.2	22,555.8	(4,375.4)	(16.2%)
Toronto Zoo	23,795.3	25,753.0	25,718.9	(34.1)	(0.1%)
Arena Boards of Management	5,228.6	5,554.3	5,787.7	233.4	4.2%
Yonge-Dundas Square	437.0	489.8	555.5	65.7	13.4%
Toronto & Region Conservation Authority	27,032.9	30,969.5	33,947.2	2,977.7	9.6%
Toronto Transit Commission – Conventional	742,186.2	791,685.4	811,112.3	19,426.9	2.5%
Toronto Transit Commission – Wheel-Trans	2,810.4	3,040.8	3,236.5	195.7	6.4%
Toronto Police Service	32,587.8	44,531.7	45,220.1	688.4	1.5%
Toronto Police Services Board	0.0	0.0	0.0	0.0	n/a
<b>TOTAL – AGENCIES, BOARDS AND COMMISSIONS</b>	<b>1,035,331.2</b>	<b>1,139,082.3</b>	<b>1,169,416.2</b>	<b>30,333.9</b>	<b>2.7%</b>
<b>Corporate Accounts</b>					
Community Partnership and Investment Program	5,295.2	269.0	259.0	(10.0)	(3.7%)
Capital & Corporate Financing	23,500.0	4,931.0	8,463.0	3,532.0	71.6%
<b>Non-Program Expenditures</b>					
– Tax Deficiencies/Write-offs	2,562.4	2,894.8	0.0	(2,894.8)	(100.0%)
– Assessment Function (MPAC)		0.0	0.0	0.0	n/a
– Temporary Borrowing		0.0	0.0	0.0	n/a
– Funding of Employee Related Liabilities		0.0	0.0	0.0	n/a
– Programs Funded from Reserve Fund	70,675.6	101,066.6	92,130.4	(8,936.2)	(8.8%)
– Other Corporate Expenditures	3,817.0	1,528.0	935.0	(593.0)	(38.8%)
– Insurance Premiums & Claims		0.0	0.0	0.0	n/a
– Parking Tag Enforcement & Oper.		0.0	0.0	0.0	n/a
– Vacancy Rebate Program		0.0	0.0	0.0	n/a
– Corporate Utilities		0.0	0.0	0.0	n/a
– Heritage Property Taxes Rebate		0.0	0.0	0.0	n/a
– Street & Expressway Lighting Services	0.0	880.0	880.0	0.0	0.0%
<b>Non-Program Expenditures</b>	<b>77,055.0</b>	<b>106,369.4</b>	<b>93,945.4</b>	<b>(12,424.0)</b>	<b>(11.7%)</b>
<b>Non-Program Revenues</b>					
– Payments in Lieu of Taxes	83,929.9	83,929.9	81,400.0	(2,529.9)	(3.0%)
– Supplementary Taxes	37,000.0	37,000.0	34,000.0	(3,000.0)	(8.1%)
– Tax Penalties	26,500.0	25,500.0	28,500.0	3,000.0	11.8%
– Interest/Investment Earnings	62,000.0	62,000.0	67,000.0	5,000.0	8.1%
– Other Corporate Revenues	23,178.6	122,500.6	211,889.0	89,388.4	73.0%
– Toronto Hydro Revenues	195,055.7	112,655.7	106,090.2	(6,565.5)	(5.8%)
– Provincial Revenue	136,600.0	226,600.0	241,053.2	14,453.2	6.4%
– Parking Authority Revenues	27,295.4	25,369.7	28,384.5	3,014.8	11.9%
– Administrative Support Recoveries – Water	18,973.0	18,973.0	18,973.0	0.0	0.0%
– Administrative Support Recoveries – Health & EMS	17,302.0	17,302.0	17,302.0	0.0	0.0%
– Parking Tag Enforcement & Oper.	82,787.0	80,550.0	80,000.0	(550.0)	(0.7%)
– Other Tax Revenues	14,260.1	15,688.3	15,600.0	(88.3)	(0.6%)
– Woodbine Slots	15,700.0	14,000.0	14,500.0	500.0	3.6%
<b>Non-Program Revenues</b>	<b>740,581.7</b>	<b>842,069.2</b>	<b>944,691.9</b>	<b>102,622.7</b>	<b>12.2%</b>
<b>TOTAL – CORPORATE ACCOUNTS</b>	<b>846,431.9</b>	<b>953,638.6</b>	<b>1,047,359.3</b>	<b>93,720.7</b>	<b>9.8%</b>
<b>TOTAL LEVY OPERATING BUDGET</b>	<b>4,118,528.4</b>	<b>4,474,920.1</b>	<b>4,539,879.6</b>	<b>64,959.5</b>	<b>1.5%</b>
<b>NON LEVY OPERATIONS</b>					
Toronto Parking Authority	97,169.0	95,184.6	102,234.1	7,049.5	7.4%
Toronto Water	586,050.3	610,450.7	638,840.9	28,390.2	4.7%
<b>TOTAL NON LEVY BUDGET</b>	<b>683,219.3</b>	<b>705,635.3</b>	<b>741,075.0</b>	<b>35,439.7</b>	<b>5.0%</b>

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
4,228.3	53,327.7	6,151.0	13.0%
5.0	236.1	(95.0)	(28.7%)
3,716.8	26,272.6	(658.6)	(2.4%)
1,200.0	26,918.9	1,165.9	4.5%
0.0	5,787.7	233.4	4.2%
27.7	583.2	93.4	19.1%
(415.7)	33,531.5	2,562.0	8.3%
0.0	811,112.3	19,426.9	2.5%
0.0	3,236.5	195.7	6.4%
0.0	45,220.1	688.4	1.5%
0.0	0.0	0.0	n/a
<b>11,717.0</b>	<b>1,181,133.2</b>	<b>42,050.9</b>	<b>3.7%</b>
0.0	259.0	(10.0)	(3.7%)
0.0	8,463.0	3,532.0	71.6%
0.0	0.0	(2,894.8)	(100.0%)
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	92,130.4	(8,936.2)	(8.8%)
3,050.0	3,985.0	2,457.0	160.8%
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	0.0	0.0	n/a
0.0	880.0	0.0	0.0%
<b>3,050.0</b>	<b>96,995.4</b>	<b>(9,374.0)</b>	<b>(8.8%)</b>
0.0	81,400.0	(2,529.9)	(3.0%)
0.0	34,000.0	(3,000.0)	(8.1%)
0.0	28,500.0	3,000.0	11.8%
0.0	67,000.0	5,000.0	8.1%
0.0	211,889.0	89,388.4	73.0%
0.0	106,090.2	(6,565.5)	(5.8%)
0.0	241,053.2	14,453.2	6.4%
0.0	28,384.5	3,014.8	11.9%
0.0	18,973.0	0.0	0.0%
0.0	17,302.0	0.0	0.0%
0.0	80,000.0	(550.0)	(0.7%)
0.0	15,600.0	(88.3)	(0.6%)
0.0	14,500.0	500.0	3.6%
<b>0.0</b>	<b>944,691.9</b>	<b>102,622.7</b>	<b>12.2%</b>
<b>3,050.0</b>	<b>1,050,409.3</b>	<b>96,770.7</b>	<b>10.1%</b>
<b>36,820.2</b>	<b>4,576,699.8</b>	<b>101,779.7</b>	<b>2.3%</b>
0.0	102,234.1	7,049.5	7.4%
9,380.4	648,221.3	37,770.6	6.2%
<b>9,380.4</b>	<b>750,455.4</b>	<b>44,820.1</b>	<b>6.4%</b>

## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Net Expenditures and Comparison with 2006 and 2005

In (\$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Citizen Centred Services "A"</b>					
Affordable Housing Office	1,393.1	1,418.1	1,418.1	0.0	0.0%
Children's Services	68,123.6	68,291.0	69,024.8	733.8	1.1%
Court Services	(9,034.4)	(9,500.0)	(9,068.3)	431.7	4.5%
Economic Development, Culture & Tourism	22,312.1	24,296.9	24,296.9	0.0	0.0%
Emergency Medical Services	67,518.3	60,506.9	61,345.0	838.1	1.4%
Homes for the Aged	32,733.3	32,651.9	32,651.9	0.0	0.0%
Parks, Forestry & Recreation	203,507.9	216,204.8	222,251.6	6,046.8	2.8%
Shelter, Support & Housing Administration	269,932.3	276,573.7	276,381.9	(191.8)	(0.1%)
Social Development, Finance & Administration	20,342.4	15,925.2	15,925.1	(0.1)	(0.0%)
Social Services	221,059.8	277,877.0	294,284.7	16,407.7	5.9%
3-1-1 Customer Service Strategy	382.9	389.9	389.9	0.0	0.0%
Sub-Total Citizen Centred Services "A"	898,271.3	964,635.4	988,901.6	24,266.2	2.5%
<b>Citizen Centred Services "B"</b>					
City Planning	13,308.4	13,195.1	13,334.4	139.3	1.1%
Clean and Beautiful City Secretariat	326.5	317.3	442.3	125.0	39.4%
Fire Services	302,609.9	324,256.3	336,040.9	11,784.6	3.6%
Municipal Licensing & Standards	4,486.3	9,329.5	11,013.6	1,684.1	18.1%
Policy, Planning, Finance and Administration	9,100.7	12,600.2	12,600.2	0.0	0.0%
Solid Waste Management Services	165,288.3	170,926.3	183,541.4	12,615.1	7.4%
Technical Services	4,386.1	2,435.1	2,758.2	323.1	13.3%
Toronto Building	-11,607.4	(11,969.1)	(12,172.3)	(203.2)	(1.7%)
Transportation Services	183,733.0	178,022.6	183,195.6	5,173.0	2.9%
Waterfront Secretariat	709.5	826.8	879.7	52.9	6.4%
Sub-Total Citizen Centred Services "B"	672,341.3	699,940.1	731,634.0	31,693.9	4.5%
<b>Internal Services</b>					
Office of the Chief Financial Officer	13,197.4	9,940.8	9,968.3	27.5	0.3%
Office of the Treasurer	30,325.5	31,536.9	31,943.4	406.5	1.3%
Pubic Information & Creative Services	6,816.1	4,622.3	4,622.2	(0.1)	(0.0%)
Facilities & Real Estate	51,241.6	52,960.9	53,762.2	801.3	1.5%
Fleet Services	0.0	0.0	0.0	0.0	n/a
Information & Technology	41,735.2	46,501.6	47,836.8	1,335.2	2.9%
Sub-Total Internal Services	143,315.8	145,562.5	148,132.9	2,570.4	1.8%
<b>City Manager</b>					
City Manager's Office	32,272.5	36,972.2	37,137.4	165.2	0.4%
Sub-Total City Manager	32,272.5	36,972.2	37,137.4	165.2	0.4%
<b>Other City Programs</b>					
City Clerk's Office	19,907.2	30,596.4	31,400.0	803.6	2.6%
Legal Services	18,017.2	19,159.1	19,566.6	407.5	2.1%
Mayor's Office	1,855.8	1,886.2	2,036.2	150.0	8.0%
City Council	18,514.5	18,761.5	19,649.2	887.7	4.7%
Sub-Total Other City Programs	58,294.7	70,403.2	72,652.0	2,248.8	3.2%
<b>TOTAL - CITY OPERATIONS</b>	<b>1,917,513.4</b>	<b>1,978,457.8</b>	<b>60,944.4</b>	<b>3.2%</b>	<b>6,223.7</b>
<b>Council Appointed Programs</b>					
Auditor General's Office	3,566.4	3,881.2	3,988.4	107.2	2.8%
Lobbyist Registrar	0.0	0.0	0.0	0.0	n/a
Sub-Total Council Appointed Programs	3,566.4	3,881.2	3,988.4	107.2	2.8%
<b>TOTAL - CITY OPERATIONS</b>	<b>1,808,062.0</b>	<b>1,921,394.6</b>	<b>1,982,446.2</b>	<b>61,051.6</b>	<b>3.2%</b>
<b>Agencies, Boards and Commissions</b>					
Toronto Public Health	70,754.1	63,827.8	50,085.0	(13,742.8)	(21.5%)
Toronto Public Library	140,448.5	144,478.0	149,773.8	5,295.8	3.7%
Association of Community Centres	5,726.0	5,851.1	6,232.2	381.1	6.5%

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
0.0	1,418.1	0.0	0.0%
0.0	69,024.8	733.8	1.1%
(2,061.1)	(11,129.4)	(1,629.4)	(17.2%)
300.0	24,596.9	300.0	1.2%
244.5	61,589.5	1,082.6	1.8%
0.0	32,651.9	0.0	0.0%
4,349.7	226,601.3	10,396.5	4.8%
191.8	276,573.7	0.0	0.0%
0.0	15,925.1	(0.1)	(0.0%)
0.0	294,284.7	16,407.7	5.9%
0.0	389.9	0.0	0.0%
3,024.9	991,926.5	27,291.1	2.8%
84.4	13,418.8	223.7	1.7%
594.0	1,036.3	719.0	226.6%
43.6	336,084.5	11,828.2	3.6%
2.9	11,016.5	1,687.0	18.1%
0.0	12,600.2	0.0	0.0%
0.0	183,541.4	12,615.1	7.4%
348.0	3,106.2	671.1	27.6%
203.1	(11,969.2)	(0.1)	(0.0%)
896.4	184,092.0	6,069.4	3.4%
200.0	1,079.7	252.9	30.6%
2,372.4	734,006.4	34,066.3	4.9%
0.0	9,968.3	27.5	0.3%
15.5	31,958.9	422.0	1.3%
0.0	4,622.2	(0.1)	(0.0%)
182.0	53,944.2	983.3	1.9%
0.0	0.0	0.0	n/a
218.0	48,054.8	1,553.2	3.3%
415.5	148,548.4	2,985.9	2.1%
0.0	37,137.4	165.2	0.4%
0.0	37,137.4	165.2	0.4%
0.0	31,400.0	803.6	2.6%
0.0	19,566.6	407.5	2.1%
410.9	2,447.1	560.9	29.7%
0.0	19,649.2	887.7	4.7%
410.9	73,062.9	2,659.7	3.8%
<b>1,984,681.5</b>	<b>67,168.1</b>	<b>3.5%</b>	<b>0.0</b>
0.0	3,988.4	107.2	2.8%
241.0	241.0	241.0	n/a
241.0	4,229.4	348.2	9.0%
<b>6,464.7</b>	<b>1,988,910.9</b>	<b>67,516.3</b>	<b>3.5%</b>
312.4	50,397.4	(13,430.4)	(21.0%)
(61.5)	149,712.3	5,234.3	3.6%
0.0	6,232.2	381.1	6.5%

## 2007 COUNCIL APPROVED OPERATING BUDGET SUMMARY BY CITY PROGRAM

Net Expenditures and Comparison with 2006 and 2005

In (\$000's)	2005 Approved Budget	2006 Approved Budget	2007 Approved Base Budget	Change from 2006 Approved Budget	
				\$ Incr/(Dcr)	%
<b>Agencies, Boards and Commissions</b> <i>continued</i>					
Exhibition Place	189.9	53.9	639.9	586.0	1087.2%
Heritage Toronto	307.9	340.2	340.2	0.0	0.0%
Theatres	2,867.6	2,905.7	5,378.6	2,472.9	85.1%
Toronto Zoo	11,565.4	11,670.1	12,138.3	468.2	4.0%
Arena Boards of Management	261.5	126.5	181.7	55.2	43.6%
Yonge-Dundas Square	571.2	583.3	583.3	0.0	0.0%
Toronto & Region Conservation Authority	3,015.3	3,009.8	3,094.2	84.4	2.8%
Toronto Transit Commission – Conventional	228,480.0	246,306.5	271,241.2	24,934.7	10.1%
Toronto Transit Commission – Wheel-Trans	53,735.5	59,968.3	65,534.8	5,566.5	9.3%
Toronto Police Service	716,103.2	752,374.9	781,428.1	29,053.2	3.9%
Toronto Police Services Board	1,296.7	1,784.6	2,238.3	453.7	25.4%
<b>TOTAL – AGENCIES, BOARDS AND COMMISSIONS</b>	<b>1,235,322.8</b>	<b>1,293,280.7</b>	<b>1,348,889.6</b>	<b>55,608.9</b>	<b>4.3%</b>
<b>Corporate Accounts</b>					
Community Partnership and Investment Program	38,862.1	40,174.9	40,163.8	(11.1)	(0.0%)
Capital & Corporate Financing	432,464.7	472,511.3	538,589.5	66,078.2	14.0%
<b>Non-Program Expenditures</b>					
– Tax Deficiencies/Write-offs	92,608.8	87,000.0	75,000.0	(12,000.0)	(13.8%)
– Assessment Function (MPAC)	31,200.0	32,200.0	33,000.0	800.0	2.5%
– Temporary Borrowing	400.0	400.0	400.0	0.0	0.0%
– Funding of Employee Related Liabilities	35,487.6	35,487.6	35,494.3	6.7	0.0%
– Programs Funded from Reserve Fund	0.0	0.0	0.0	0.0	n/a
– Other Corporate Expenditures	22,347.5	8,361.7	6,885.7	(1,476.0)	(17.7%)
– Insurance Premiums & Claims	300.0	306.7	3,306.7	3,000.0	978.2%
– Parking Tag Enforcement & Oper.	41,809.3	42,483.6	43,603.9	1,120.3	2.6%
– Vacancy Rebate Program	14,000.0	16,500.0	16,500.0	0.0	0.0%
– Corporate Utilities	0.0	0.0	1,500.0	1,500.0	n/a
– Computer Leasing & External Contract Inquiry	4,200.0	0.0	0.0	0.0	0.0%
– Heritage Property Taxes Rebate	0.0	718.3	718.3	0.0	0.0%
– Street & Expressway Lighting Services	0.0	22,573.6	23,977.8	1,404.2	6.2%
<b>Non-Program Expenditures</b>	<b>242,353.2</b>	<b>246,031.5</b>	<b>240,386.7</b>	<b>(5,644.8)</b>	<b>(2.3%)</b>
<b>Non-Program Revenues</b>					
– Payments in Lieu of Taxes	(83,929.9)	(83,929.9)	(81,400.0)	2,529.9	3.0%
– Supplementary Taxes	(37,000.0)	(37,000.0)	(34,000.0)	3,000.0	8.1%
– Tax Penalties	(26,500.0)	(25,500.0)	(28,500.0)	(3,000.0)	(11.8%)
– Interest/Investment Earnings	(62,000.0)	(61,495.5)	(66,486.7)	(4,991.2)	(8.1%)
– Other Corporate Revenues	(23,178.6)	(122,500.6)	(211,889.0)	(89,388.4)	(73.0%)
– Toronto Hydro Revenues	(195,055.7)	(112,655.7)	(106,090.2)	6,565.5	5.8%
– Provincial Revenue	(136,600.0)	(226,600.0)	(241,053.2)	(14,453.2)	(6.4%)
– Parking Authority Revenues	(27,295.4)	(25,369.7)	(28,384.5)	(3,014.8)	(11.9%)
– Administrative Support Recoveries – Water	(18,973.0)	(18,973.0)	(18,973.0)	0.0	0.0%
– Administrative Support Recoveries – Health & EMS	(17,302.0)	(17,302.0)	(17,302.0)	0.0	0.0%
– Parking Tag Enforcement & Oper.	(82,787.0)	(80,550.0)	(80,000.0)	550.0	0.7%
– Other Tax Revenues	(14,260.1)	(15,688.3)	(15,600.0)	88.3	0.6%
– Woodbine Slots	(15,700.0)	(14,000.0)	(14,500.0)	(500.0)	(3.6%)
<b>Non-Program Revenues</b>	<b>(740,581.7)</b>	<b>(841,564.7)</b>	<b>(944,178.6)</b>	<b>(102,613.9)</b>	<b>(12.2%)</b>
<b>TOTAL – CORPORATE ACCOUNTS</b>	<b>(26,901.7)</b>	<b>(82,847.0)</b>	<b>(125,038.6)</b>	<b>(42,191.6)</b>	<b>(50.9%)</b>
<b>TOTAL LEVY OPERATING BUDGET</b>	<b>3,016,483.1</b>	<b>3,131,828.3</b>	<b>3,206,297.2</b>	<b>74,468.9</b>	<b>2.4%</b>
<b>NON LEVY OPERATIONS</b>					
Toronto Parking Authority	(42,887.2)	(40,383.3)	(44,739.4)	(4,356.1)	(10.8%)
Toronto Water	0.0	0.0	0.0	0.0	n/a
<b>TOTAL NON LEVY OPERATING BUDGET</b>	<b>(42,887.2)</b>	<b>(40,383.3)</b>	<b>(44,739.4)</b>	<b>(4,356.1)</b>	<b>(10.8%)</b>

2007 Approved New/Enh. Budget	2007 Approved Total Budget	Change from 2006 Approved Budget	
		\$ Incr/(Dcr)	%
(585.9)	54.0	0.1	0.2%
29.7	369.9	29.7	8.7%
(1,046.8)	4,331.8	1,426.1	49.1%
(599.0)	11,539.3	(130.8)	(1.1%)
0.0	181.7	55.2	43.6%
0.0	583.3	0.0	0.0%
0.0	3,094.2	84.4	2.8%
540.0	271,781.2	25,474.7	10.3%
0.0	65,534.8	5,566.5	9.3%
3,530.0	784,958.1	32,583.2	4.3%
0.0	2,238.3	453.7	25.4%
<b>2,118.9</b>	<b>1,351,008.5</b>	<b>57,727.8</b>	<b>4.5%</b>
<b>1,538.4</b>	<b>41,702.2</b>	<b>1,527.3</b>	<b>3.8%</b>
<b>0.0</b>	<b>538,589.5</b>	<b>66,078.2</b>	<b>14.0%</b>
<b>0.0</b>	<b>75,000.0</b>	<b>(12,000.0)</b>	<b>(13.8%)</b>
<b>0.0</b>	<b>33,000.0</b>	<b>800.0</b>	<b>2.5%</b>
<b>0.0</b>	<b>400.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>0.0</b>	<b>35,494.3</b>	<b>6.7</b>	<b>0.0%</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>n/a</b>
<b>1,459.0</b>	<b>8,344.7</b>	<b>(17.0)</b>	<b>(0.2%)</b>
<b>0.0</b>	<b>3,306.7</b>	<b>3,000.0</b>	<b>978.2%</b>
<b>0.0</b>	<b>43,603.9</b>	<b>1,120.3</b>	<b>2.6%</b>
<b>0.0</b>	<b>16,500.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>0.0</b>	<b>1,500.0</b>	<b>1,500.0</b>	<b>n/a</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>2,781.7</b>	<b>3,500.0</b>	<b>2,781.7</b>	<b>387.3%</b>
<b>0.0</b>	<b>23,977.8</b>	<b>1,404.2</b>	<b>6.2%</b>
<b>4,240.7</b>	<b>244,627.4</b>	<b>(1,404.1)</b>	<b>(0.6%)</b>
<b>0.0</b>	<b>(81,400.0)</b>	<b>2,529.9</b>	<b>3.0%</b>
<b>0.0</b>	<b>(34,000.0)</b>	<b>3,000.0</b>	<b>8.1%</b>
<b>0.0</b>	<b>(28,500.0)</b>	<b>(3,000.0)</b>	<b>(11.8%)</b>
<b>0.0</b>	<b>(66,486.7)</b>	<b>(4,991.2)</b>	<b>(8.1%)</b>
<b>0.0</b>	<b>(211,889.0)</b>	<b>(89,388.4)</b>	<b>(73.0%)</b>
<b>0.0</b>	<b>(106,090.2)</b>	<b>6,565.5</b>	<b>5.8%</b>
<b>0.0</b>	<b>(241,053.2)</b>	<b>(14,453.2)</b>	<b>(6.4%)</b>
<b>0.0</b>	<b>(28,384.5)</b>	<b>(3,014.8)</b>	<b>(11.9%)</b>
<b>0.0</b>	<b>(18,973.0)</b>	<b>0.0</b>	<b>0.0%</b>
<b>0.0</b>	<b>(17,302.0)</b>	<b>0.0</b>	<b>0.0%</b>
<b>0.0</b>	<b>(80,000.0)</b>	<b>550.0</b>	<b>0.7%</b>
<b>0.0</b>	<b>(15,600.0)</b>	<b>88.3</b>	<b>0.6%</b>
<b>0.0</b>	<b>(14,500.0)</b>	<b>(500.0)</b>	<b>(3.6%)</b>
<b>0.0</b>	<b>(944,178.6)</b>	<b>(102,613.9)</b>	<b>(12.2%)</b>
<b>5,779.1</b>	<b>(119,259.5)</b>	<b>(36,412.5)</b>	<b>(44.0%)</b>
<b>14,362.7</b>	<b>3,220,659.9</b>	<b>88,831.6</b>	<b>2.8%</b>
<b>310.0</b>	<b>(44,429.4)</b>	<b>(4,046.1)</b>	<b>(10.0%)</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>n/a</b>
<b>310.0</b>	<b>(44,429.4)</b>	<b>(4,046.1)</b>	<b>(10.0%)</b>



## 2007 APPROVED CAPITAL BUDGET AND 2008-2011 CAPITAL PLAN

In accordance with approved directions and guidelines, the 2007 Approved Capital Budget and 2008-2011 Capital Plan is prioritized within five categories as shown in Table 1 below. The Council Approved Capital Budget and Plan focuses on maintaining and rehabilitating existing infrastructure in order to protect services that are needed by the citizens of Toronto. As shown in Table 1, \$1.075 billion or 75% of the 2007 Approved Capital Budget of \$1.432 billion is dedicated to maintaining existing assets in good repair [that is, State of Good Repair (SOGR) Legislated and Health and Safety projects]. This trend continues throughout the five-year term of the Capital Plan as graphically illustrated in Chart 1.

Table 1 also shows how the 2007 Approved Capital Budget and 2008-2011 Capital Plan is funded. The other orders of government are expected to fund approximately 33% or \$2.194 billion, primarily for planned transit capital expenditures. While this is a significant improvement from prior years, more is expected from both the provincial and federal governments to enable the City to mitigate the sizable and growing infrastructure gap – a gap caused by under-investment in key infrastructure which undermines the City of Toronto's competitiveness to remain the economic engine of the province and country.

Table 1

2007 Approved Capital Budget and 2008-2011 Capital Plan by Category and Financing Source  
(excl. Rate Supported Programs)

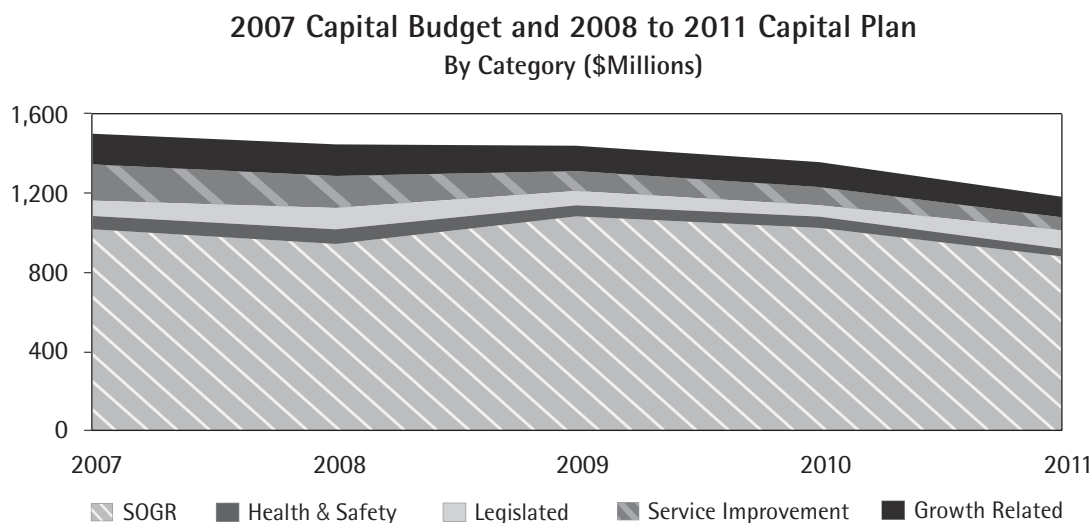
	\$Millions							
Expenditures	2007 Budget	2008	Capital Plan			TOTAL 2008-2011	TOTAL 2007-2011	Percent of Total
Health and Safety	47	42	35	36	38	151	198	3.0%
Legislated	72	82	66	70	82	300	372	5.6%
State of Good Repair	956	916	1,035	1,005	862	3,818	4,774	71.2%
Service Improvement	190	172	94	75	64	405	595	8.9%
Growth Related	167	189	163	134	110	596	763	11.4%
<b>Total Gross Expenditures</b>	<b>1,432</b>	<b>1,401</b>	<b>1,393</b>	<b>1,320</b>	<b>1,156</b>	<b>5,270</b>	<b>6,702</b>	<b>100.0%</b>
Funded By:								
Provincial	234	224	231	218	159	832	1,066	15.9%
Federal	230	250	228	213	207	898	1,128	16.8%
Reserves/Reserve Funds	182	174	140	121	107	542	724	10.8%
Other	137	139	108	81	69	397	534	8.0%
Capital from Current	124	124	124	124	124	496	620	9.3%
Debt	525	490	562	563	490	2,105	2,630	39.2%
<b>Total Funding</b>	<b>1,432</b>	<b>1,401</b>	<b>1,393</b>	<b>1,320</b>	<b>1,156</b>	<b>5,270</b>	<b>6,702</b>	<b>100.0%</b>

Financing the City's Capital Budget and Plan continued to be a major challenge, particularly because of diminished capital reserves and reduced non-debt funding sources. As a result, a major influencing factor in developing the 2007 Approved Capital Budget and 2008-2011 Capital Plan was the need to manage the City's debt burden without compromising the state of good repair of existing assets or the health and safety of its citizens. Debt financing totals \$2.63 billion or 39% of the total funding requirement proposed in the Approved Five-Year Capital Plan. However, when the projected debt retirement of \$1.0 billion (or \$200.0

million per year) is taken into account, new debt is approximately \$1.6 billion. Even with this significant investment, there continues to be a gap between capital spending needs and affordable funding estimates. This funding gap has resulted in a growing backlog that is estimated at \$1.392 billion at the end of 2011, despite increased spending on infrastructure maintenance. Notwithstanding this gap, the City has made significant strides in limiting the backlog to about 5% of the total estimated asset value of about \$30 billion (excluding Toronto Water assets).

Funding from reserves and reserve funds has decreased considerably due to declining contributions. Reserve and reserve funding for the 2007 Approved Capital Budget and 2008-2011 Capital Plan total \$724.0 million or approximately 11% of total funding requirements. Other funding sources total \$534.0 million, including development charges of \$125.239 million and unapplied capital financing of \$51.177 million. Unapplied capital financing refers mainly to unspent funds resulting from the completion of projects below budget.

Chart 1



While the focus has been on infrastructure maintenance, the Approved Five-Year Capital Plan also addresses the need for investments to fulfill the service demands of a growing population and changing priorities. Over the next five years, spending on growth related and service improvement projects will be \$1.358 billion, approximately 20% of planned total spending.

## DEBT FINANCING STRATEGY

Consistent with prior years, debt is the largest funding source for the 2007 Approved Capital Budget and 2008-2011 Capital Plan. As shown in Table 2, Council approved a debt affordability guideline of \$485 million for 2007 and a total of \$2.216 billion for 2007-2011. At the time these debt guidelines were established, it was estimated that, after adjusting for retired debt, the new debt requirement would be \$350 million in 2007 and \$1.541 million during the five years 2007-2011. Over the five-year term of the capital budget and plan, \$791 million or 51% of the new debt guideline would be allocated to the Toronto Transit Commission (TTC) (see Table 2).

**Table 2**  
**2007 Capital Budget and 2008-2011 Capital Plan**  
**Debt Request Versus Debt Guidelines**

	\$Million					Total
	2007	2008	2009	2010	2011	2007-2011
<b>Council Approved Debt Guideline:</b>						
Baseline Debt (Retire/Reissue)	135	135	135	135	135	675
New Debt:						
TTC	200	186	135	135	135	791
City	150	150	150	150	150	750
New (Affordable) Debt	350	336	285	285	285	1,541
<b>Total Debt Guideline</b>	<b>485</b>	<b>471</b>	<b>420</b>	<b>420</b>	<b>420</b>	<b>2,216</b>
Recommended Debt Requirement	525	490	562	563	499	2,639
<b>Over (Under) Debt Guideline</b>	<b>40</b>	<b>19</b>	<b>142</b>	<b>143</b>	<b>79</b>	<b>423</b>
Less: Additional Retire/Reissue Debt	(65)	(65)	(65)	(65)	(65)	(325)
<b>Net Over (Under) Debt Guideline</b>	<b>(25)</b>	<b>(46)</b>	<b>77</b>	<b>78</b>	<b>14</b>	<b>98</b>

The 2007 Council Approved Capital Budget includes debt of \$525 million, approximately 37% of the total funding requirement. This debt level exceeds the debt guideline by \$40 million and over the five-year period, by \$423 million. It is noted that \$318 million or 75% of the debt over-target amount is attributed to TTC. However, critical and ongoing analysis of the City's substantive infrastructure has confirmed that this level of spending is essential to achieve the long-term goal of keeping the City's assets in a necessary state of good repair.

Further analysis of the City's debt portfolio revealed that retiring debt will average \$200 million per year during the period 2007-2011. This is \$65 million per annum greater than the debt retirement forecast that was factored into the debt guidelines approved by Council in June of 2006. In effect, the City can borrow an additional \$325 million over the period 2007-2011 without changing the new debt guideline, or impairing the City's favourable credit rating.

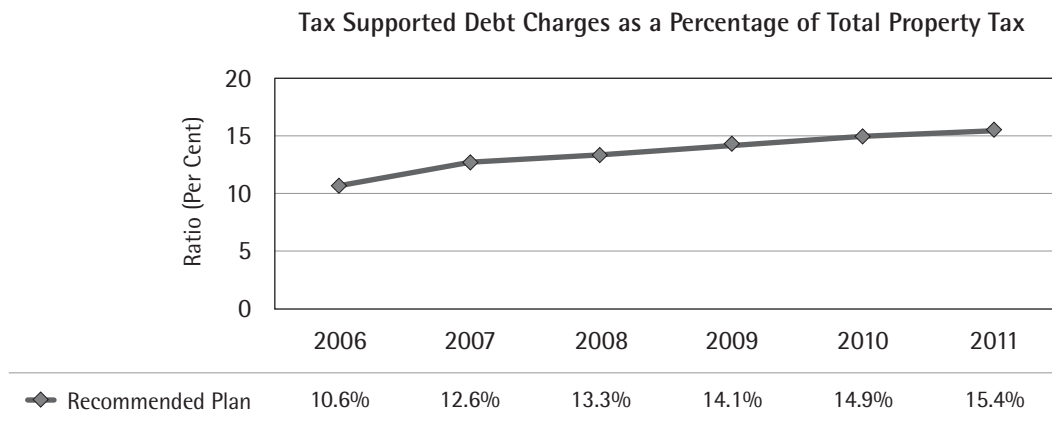
Given significant major maintenance backlog and the increasing demand for new investment in growth and service improvement projects, the additional debt funding of \$325 million discussed above was utilized to meet the increased capital spending needs included in the 2007 Approved Capital Budget and 2008-2011 Capital Plan. Thus, the Approved Five-Year Capital Plan is \$98 million over the adjusted debt guidelines as shown in Table 2. This additional debt will be managed annually during the budget process in order to meet the Council guidelines, and will not negatively impact the City's fiscal position.

### Debt Service Ratio

At its meeting of June 27-29, 2006 (Policy and Finance Committee, Report 5, Clause 25) City Council affirmed that the maximum limit of debt service charges as a percentage of total property tax be established at 15 percent as a benchmark for evaluating capital expenditure levels.

The staff report "Capital Financing and Debenture Authorities" which was before City Council at its meeting of March 7, 2007, confirmed that based on projected debt requirements of the Approved Five-Year Capital Plan, the City's debt service ratio will reach the 15% target in 2011 (see Chart 2). The Capital Plan is based on modest tax revenue growth in line with current assessment growth and inflationary rate increases. However, excluded from the Approved Five-Year Capital Plan is the impact of financing the recent Green Lane landfill purchase.

Chart 2



One reason that the Approved Five-Year Capital Plan will exceed the targeted ratio is that it does not incorporate increases in capital from current funding, even though the debt service ratio target was adopted in concert with a capital from current funding strategy that would have increased contributions by \$10 million each year. Unfortunately, these increases have not been affordable for inclusion in the operating budget. This situation is unlikely to change until uploading of income redistributive programs, and/or sharing of growth taxes, is achieved, in accordance with the City's multi-year Strategic Financial Plan. Alternatively, the City would have to cut expenditures by an additional \$100 million from the Approved Five-Year Capital Plan.

The Deputy City Manager & Chief Financial Officer (DCM & CFO) confirms that borrowing \$508 million to finance 2007 capital expenditures (i) can be financed by the issuance of debentures with terms that do not exceed 10 years; and, (ii) is within the City's updated debt and financial obligation limit. The DCM & CFO further confirms that funds are available from the other financing sources.

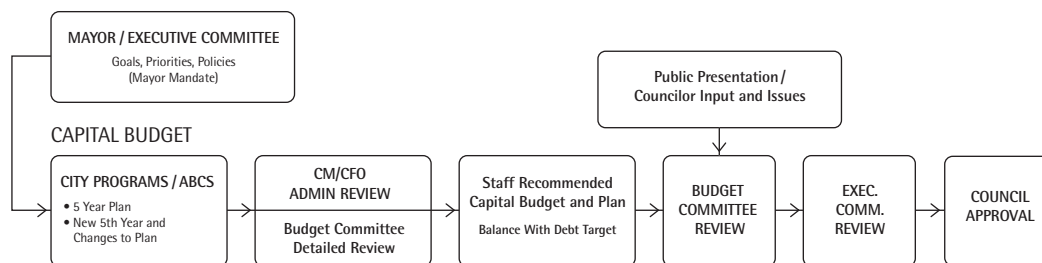
## THE 2007 CAPITAL BUDGET PROCESS

Chart 3 below illustrates the 2007 Capital Budget process. This budget process is transitional with the Mayor's directions and guidelines. Key elements of this budget process are highlighted below:

- On behalf of the Executive Committee, the Mayor provided staff with upfront direction to recommend: a balanced capital budget that implements Council's strategic policy agenda by aligning resources to priorities; that is based on sound financial management principles; and meets budgetary targets.
- Prior to finalizing the recommended budget, the Budget Committee performed detailed reviews of individual City Program and ABCs budget to ensure that Executive Committee's guidelines and directions were met.
- The Budget Committee, on behalf of the Executive Committee, held formal meetings to hear public presentations and to receive input from councillors on any issues that may raise, and if warranted, recommended amendments to the staff recommended budget.
- The Budget Committee recommended to the Executive Committee a Five-Year Capital Plan that reflects the strategic alignment of resources to Council priorities; highlights expected results and outcomes; and confirms recommended financial strategies.
- The Executive Committee review of the budget focussed on major fiscal and policy issues and will confirm the budget as a strategic financial plan that will implement Council policies and priorities.
- On behalf of the Executive Committee, the Mayor presented the 2007 Capital Budget and 2008-2011 Capital Plan to City Council.

Chart 3

### 2007 Capital Budget Process



Beginning with the 2008 Budget process, Standing Committees will, early in the year, review City Program and ABC service plans, assess service issues and outcomes to determine service priorities and service levels that will be recommended to Executive Committee in advance of the budget process. As well, public

consultation will be held upfront to ensure that priorities reflect the needs and expectation of the citizens of Toronto.

In June 2006, Council approved in principle the 2007-2010 Capital Plan. This plan fulfilled the need for a long-term financial planning perspective, and also developed a five-year capital plan in accordance with directions toward more strategic financial management and decision making. The 2007 Approved Capital Budget and 2008-2011 Capital Plan was developed by adding, a new fifth year (2011) and, where warranted, made changes that reflect more current information and assumptions.

To ensure the integrity of the Approved Five-Year Capital Plan, projects have been firmly placed in the year in which they will be implemented or developed, and the funding requirements must not change without approval. Some flexibility is provided by enabling acceleration or deferral of projects but only with the approval of Council. Furthermore, it must be ensured that any change in funding associated with acceleration or deferral of a project in any year, must be fully offset by shifting another project or projects with equal value.

#### **City Manager and Deputy City Manager & Chief Financial Officer (CM and DCM & CFO) Review**

To ensure compliance with capital and financial policies, Council guidelines and direction, and achievement of debt targets, the CM and DCM & CFO reviewed the capital plan submissions from City Programs and ABCs and recommended a balanced Five-Year Capital Plan to the Budget Committee. The CM and DCM & CFO reviews focused on the following:

- the extent to which assigned targets were met
- whether the capital plans achieved the objective of maintaining existing assets in a state of good repair while ensuring that reasonable service improvement and growth demands that achieve Council's priorities were addressed
- the impact on SOGR backlog and risks associated with the delayed maintenance of the City's aging infrastructure
- Major assumptions and rationale used to determine whether projects included in the capital plan were based on existing Council commitments, needs analysis, effective scheduling and ability to spend.
- the extent to which projects included in the capital plan were ready to proceed
- the degree to which cost shared partnerships had been explored in order to leverage capital program spending
- major challenges or impairment to achieving services and/or service levels

In general, City Programs and ABCs exercised due diligence in developing their capital plan. Despite major capital spending needs, most achieved their debt and CFC targets, and, where necessary, invested in service improvement and expansion projects in order to satisfy growth demands without compromising health and safety. Nonetheless, some challenges continue to exist: SOGR backlog will increase by about \$300 million from 2007 to 2011; there continues to be unmet service improvement needs; and the Solid Waste Management Diversion Strategy is expected to introduce additional funding pressures.

## CAPITAL BUDGET POLICIES

### Carry-Forward Funding for Previously Approved Projects

A capital carry-forward project is a previously approved project for instances where the desired outcome has not been achieved or when capital work was not completed on schedule. As a result, the associated cash flow budget was not fully spent in the year of approval and the unspent amount, or a portion thereof, is required in future years to complete the project. Key elements of the carry-forward policy include:

- Cash flow funding approval will continue to exist for one fiscal year in addition to the year in which the project/sub-project was approved. In effect, City Programs and ABCs will be allowed to carry-forward unspent funds for capital projects/sub-projects for a period of one year subsequent to the year of original approval.
- Carry-forward funding requests for projects approved in the previous fiscal year will not form part of the budget year debt affordability targets. However, Council approval to carry forward the unspent amount must be obtained in order to establish spending authority.
- Where a project is not completed and approved funds are still not fully spent by the end of the second fiscal year, any carry-forward funding request will be treated as new and any further spending/funding request will form part of that year's debt affordability targets.
- Change in cash flows and/or project costs related to Change in Scope projects will not constitute carry-forward funding, under the premises of the policy. Change in Scope projects are to be considered new capital projects requiring new funding authority.
- During the capital budget process, City Programs and ABCs will conduct a complete review of all previously approved projects to determine their completion status. Projects that will not be completed by the end of the current fiscal year should be identified for carry-forward spending approval in the next fiscal year; and
- On a project/sub-project basis, the carry-forward cash flow amount will not exceed the difference between the actual expenditures and the approved cash flow. Carry-forward requests included in the capital budget submissions are initially based on projected actuals. Therefore, during the capital budget review process, and again as part of the First Quarter Capital Variance Report of the budget year, City Programs and ABCs will be permitted to update their carry-forward requirements.

### Capital Expenditure and Financing Principles

#### *Capital Expenditures Defined*

For the City of Toronto, capital expenditures generally include any expenditure on an asset which has been acquired, constructed or developed with the intention of being used on a continuous basis beyond the current budget year. Capital expenditures also include improvements, the purpose of which is to alter or modernize an asset in order to substantially prolong its useful life or improve its physical output or service capacity. Capital expenditures are included in the capital budget and are financed from various sources of capital funds.

The City relies on a number of sources to fund its capital expenditures. These include reserves and reserve funds, provincial and federal grants, development charges, capital from current funding (or pay-as-you-go financing), debt and other funding sources not listed above, such as donations.

Guiding principles influencing the selection of funding sources for specific capital projects include the Equity principle, which is aimed at ensuring that direct beneficiaries or consumers of a capital asset or service pay for it. In effect, if a project provides benefits to a specific group, then that group is made to pay for the development and related capital costs through user fee development charges. Projects that benefit the entire community are appropriately funded from property tax revenues such as Capital from Current (CFC) funding.

The effective financing principle focuses on ensuring that sufficient funds are available when needed to proceed with a capital project. This principle recognizes that required funds are not always available from the operating budget to pay for capital projects. Therefore, the City must rely on other funding sources to generate the benefits required by its constituents such as debt and reserve and reserve funds.

In selecting amongst available funding sources, the City imputes the cost of borrowing along with other administrative costs associated with competing funding options. It also examines the impact of funding options on the operating budget with a view toward ensuring, in accordance with the efficiency principle, that the most cost effective funding source is utilized.

Annually, the City undertakes an affordability analysis to determine the amount of capital funds available for the capital budget and plan. This review assesses the amount of non-debt funds available, and the amount of debt that the City can afford based on its long-term fiscal plan, general state of its assets, and infrastructure expansion requirements to meet growing demands for services. Factors influencing the debt affordability determination include the cost of borrowing, policies on debenture/long term borrowing, the outstanding debt, the impact on credit ratings, and the impact of borrowing on the current account or operating budget.

### **Financing Sources**

Funding sources of a particular sub-project are explored and properly identified prior to considering debenture financing.

#### *Budgeting for Land Acquisition Costs*

Every proposed capital sub-project requiring the acquisition of land shall be accompanied by a separate cost estimate for the real estate acquisition portion of the sub-project.

Every proposed capital sub-project requiring the assignment of City owned land shall be accompanied by a valuation of the opportunity cost of that land according to the procedures of the Property Management Committee.

#### *Debt to be Used Only for Capital Financing*

The City is not authorized by legislation and will not issue debt obligations or use debt proceeds to finance current operations. The City will utilize debt for the acquisition, construction, renovation, repair or remodeling of capital works where the project cannot be funded from current operating revenues or other sources and where the Deputy City Manager and Chief Financial Officer considers it to be prudent to finance the project over the useful life of the asset.



*Capital From Current (CFC) Funding*

If economically feasible and determined to be affordable, Council will allocate funds from its operating budget to be contributed to funding capital expenditures on an annual basis which will reduce the required financing for capital expenditures.

*Debt Limits*

The annual costs associated with debt financing shall not exceed 15% of the tax levy and the City's total direct obligation debt shall not exceed \$3.5 billion over the term of Council, ending in November, 2010. The City shall finance, from time to time, capital works that the City considers necessary or desirable for the public, as included in its Five-Year Capital Plan, in accordance with applicable Generally Accepted Accounting Principles (GAAP) for local governments as recommended by the Canadian Institute of Chartered Accountants (CICA). The budgeted debt charges incurred due to debt issuance will be included in the annual operating budget.

The limit is subject to various factors such as the debt requirements contained in the capital budget, new projects that may not be contained in the approved capital budget but arise through unforeseen events, spending rates that affect capital project completion, the amount of unfinanced capital and capital market conditions such as the level of interest rates.

*Short-term Borrowing*

It is the City's practice to temporarily finance its capital expenditures from working capital until it is permanently financed, there are occasions when the City must borrow funds to finance these obligations on a short-term basis.

**2007 APPROVED CAPITAL BUDGET AND 2008–2011 CAPITAL PLAN**

The 2007 Council Approved Capital Budget and 2008–2011 Capital Plan satisfied the Mayor's guidelines and Council's policy agenda. It gave priority to projects that protect the health and safety of citizens, are legislated requirements, and those that maintain the City's infrastructure and capital assets in a State of Good Repair (SOGR). Balancing the capital spending demands of maintaining the City's massive and aging infrastructure against the growing demand for new investments to achieve emergent priorities was a challenge. However, the 2007 Approved Capital Budget and 2008–2011 Capital Plan strategically addresses these competing demands.

The 2007 Approved Capital Budget and 2008–2011 Plan achieves the following objectives:

- It focuses spending on maintaining and protecting the City's infrastructure in order to ensure that services demanded by the citizens of Toronto are delivered;
- It slows down the rate of growth of the SOGR backlog or deferred maintenance challenge. This Five-Year Capital Plan discloses that, due to the fiscal imbalance, the City is facing an infrastructure maintenance deficit that is impairing its ability to achieve its state of good repair goal;
- It aligns new investments to the Mayor's mandate and Council's policy agenda, and despite demands for SOGR spending, this capital budget and plan includes strategic spending on key priorities, such as

making a safe city safer, building a clean, green and beautiful waterfront, and making Toronto a transit city; and,

- With recommended adjustments, it meets Council approved 2007-2011 affordable debt and capital from current (CFC) guidelines.

The 2007 Approved Capital Budget and 2008-2011 Capital Plan, excluding rate supported, total \$6.702 billion as shown in Table 3. Of this amount, \$3.444 billion or 51% is allotted to the Toronto Transit Commission.

**Table 3**  
**2007 TAX SUPPORTED CAPITAL BUDGET AND 2008-2011 CAPITAL PLAN**  
**Commitments and Estimates (in \$000)**

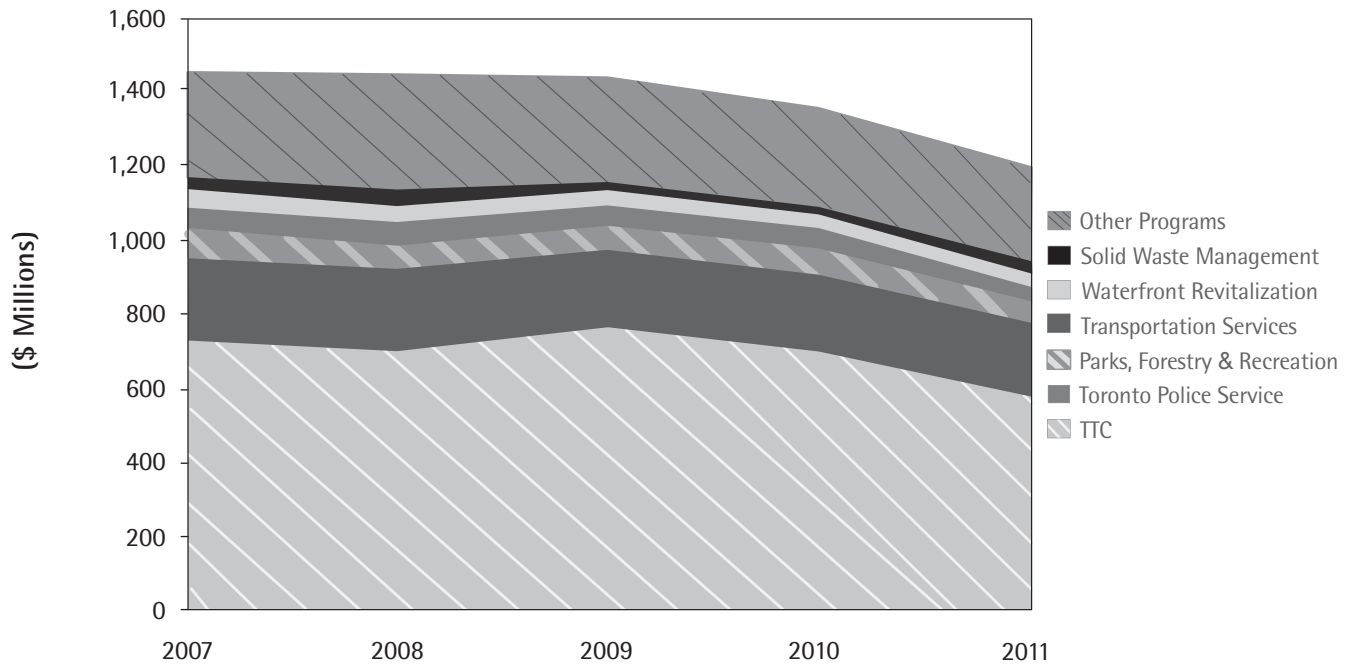
	Approved 2006	2007 Budget	Capital Plan					2007-2011
			2008	2009	2010	2011	2008-2011	
Citizen Centred Services "A"	111,970	115,647	97,102	94,739	92,283	79,269	363,393	479,040
Citizen Centred Services "B"	329,953	335,707	344,068	281,999	281,863	284,727	1,192,657	1,528,364
Internal Services	123,728	116,560	107,366	100,657	98,943	89,947	396,913	513,473
Other City Programs	22,982	22,358	22,463	10,839	9,513	7,546	50,361	72,719
Other Corporate Priorities		11,561	6,972	28,418	28,000	13,498	76,888	88,449
Agencies Boards & Commissions – Excl. TTC	109,142	113,181	126,864	111,412	115,159	109,524	462,959	576,140
Total Tax Supported Programs (Excl. Transit & TPA)	697,775	715,014	704,835	628,064	625,761	584,511	2,543,171	3,258,185
Toronto Transit Commission	552,435	717,304	696,413	764,664	694,171	571,490	2,726,738	3,444,042
Total Tax Supported Programs (Incl. Transit & TPA)	1,250,210	1,432,318	1,401,248	1,392,728	1,319,932	1,156,001	5,269,909	6,702,227
Toronto Parking Authority	33,796	17,681	35,934	26,350	27,100	27,000	116,384	134,065
Toronto Water	317,570	346,376	472,201	543,526	602,300	668,289	2,286,316	2,632,692
Total Rate Supported Programs	351,366	364,057	508,135	569,876	629,400	695,289	2,402,700	2,766,757
Total City	1,601,576	1,796,375	1,909,383	1,962,604	1,949,332	1,851,290	7,672,609	9,468,984

Chart 4 graphically illustrates the recommended allocations to major City Programs over the term of the capital budget and plan. Quite evident is the significant investment being made in transit consistently over the term of the Capital Plan.

Chart 4

**Five-Year Approved Capital Plan**

51% Allocated to TTC



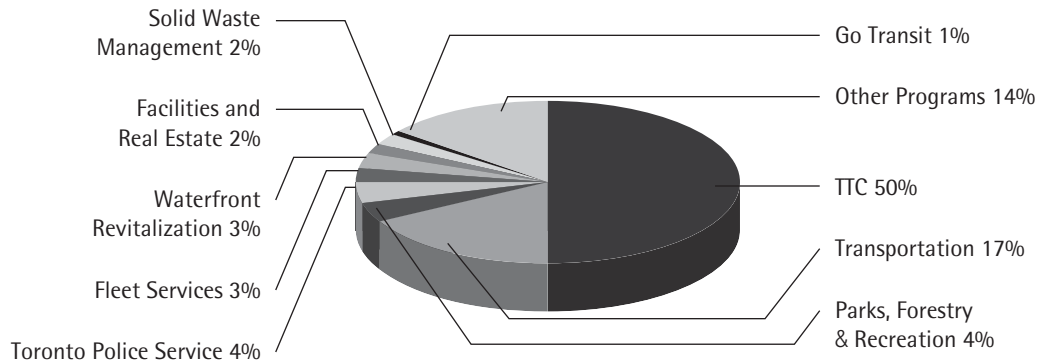
Transportation Services is the second largest capital program. In total, \$1.117 billion representing approximately 17% of the total Capital Plan is allocated to this Program. Together, TTC and Transportation Services make up well over two-thirds of the 2007 Council Approved Budget and 2008-2011 Capital Plan. The 2007 Council Approved Capital Budget and 2008-2011 Capital Plan for Toronto Water totals \$2.633 billion and the Toronto Parking Authority totals \$134.065 million (see Table 3).

**2007 TAX SUPPORTED CAPITAL BUDGET BY MAJOR PROGRAM**

Chart 5 illustrates the 2007 Approved Council Capital Budget of \$1.432 billion by major City Program and ABC. Note the similarity between the five-year allocation above and the 2007 Approved Capital Budget, wherein TTC represents 50% or \$717.304 million of the total 2007 Approved Capital Budget excluding Rate Supported Programs, followed by the 17% allocated to Transportation Services.

Chart 5

**2007 Council Approved Capital Budget Excluding Rate Supported Programs  
By Major City Programs and ABCs**

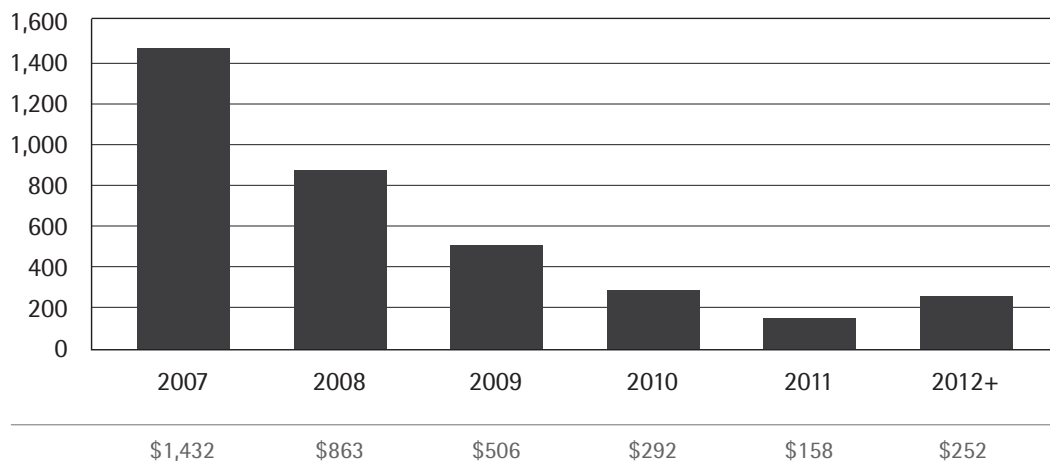


**2007 APPROVED CAPITAL BUDGET AND FUTURE YEAR COMMITMENTS**

As outlined in Chart 6 below, approval of the 2007 Approved Capital Budget will require the following total cash flow (excluding 2006 carry-forward projects) for 2007 and associated future year commitments: \$1.432 billion in 2007; \$877.920 million in 2008; \$494.784 million in 2009; \$298.180 million in 2010; \$162.745 million in 2011 and \$252.262 million in 2012 and beyond, for a total of \$3.518 billion.

Chart 6

**2007 Council Approved Capital Budget & Future Year Commitments  
Excludes Rate Supported & 2006 Carry Forward (\$3.504 Billion)**



## 2007 APPROVED CAPITAL BUDGET INCLUDING CARRY-FORWARD FUNDING

In accordance with the City's Carry-Forward Funding Policy, financing to continue work on 2006 projects that were not completed as planned has been approved by Council and is included in the 2007 approved cash flow. The key elements of this policy are as follows:

A capital carry forward project is a previously approved project for which the desired outcome has not been achieved or capital work was not completed on schedule and the associated cash flow budget was not fully spent in the year of approval and the unspent amount, or a portion thereof, is required in future years to complete the project.

Cash flow funding approval will continue to exist for one fiscal year in addition to the year in which the project/sub-project was approved. In effect, City Programs and ABCs will be allowed to carry forward unspent funds for capital projects/sub-projects for a period of one year subsequent to the year of original approval, after which they become part of the debt target.

Cash flow requirements for 2006 capital projects that were not completed as planned and for which work must continue in 2007 totals \$289 million. In summary, the 2007 approved cash flow totalling \$1.721 billion is comprised of the following: 2006 Carry Forward projects of \$289 million; New and Change in Scope projects of \$541 million; and, Previously Approved projects of \$891 million (see Table 4).

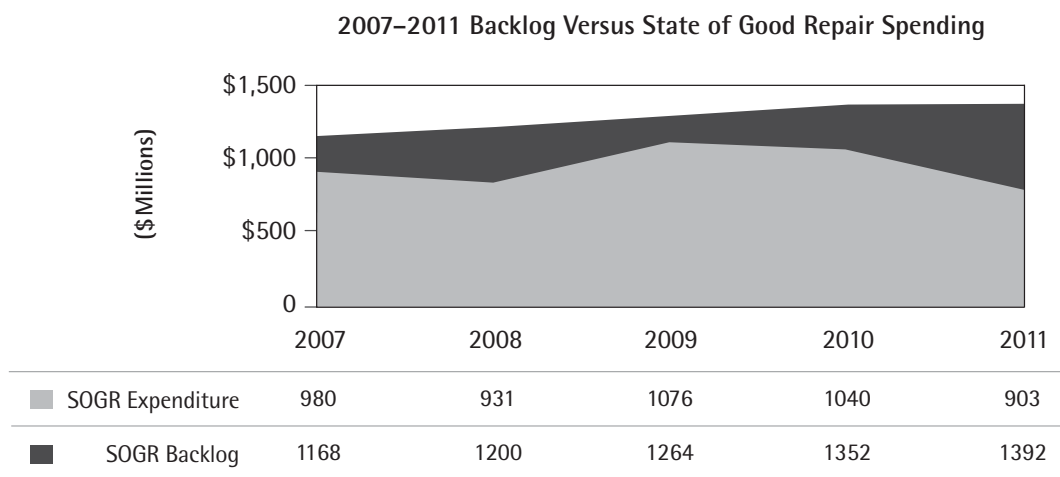
**Table 4**  
**2007 Approved Cash Flow**  
**Including 2006 Carry-Forward Funding (\$Millions)**

Programs/ABCs	2006 Council Approved Cash Flow	2007 Rec'd Cash Flow				
		2006 Carry Forward Funding	2007 Capital Budget			Total 2007 Cash Flow
			New and Change in Scope	Previously Approved Projects	2007 Capital Budget	
City Operations	722	256	345	257	602	858
Special Purpose Bodies – before Transit & TPA	108	33	57	33	90	123
<b>Tax Supported Program Before Transit &amp; TPA</b>	<b>830</b>	<b>289</b>	<b>402</b>	<b>290</b>	<b>692</b>	<b>981</b>
Toronto Transit Commission	553		116	601	717	717
GO Transit	20		20		20	20
Toronto Port Authority	3		3		3	3
Total – Transit & TPA	576	–	139	601	740	740
<b>Total – Tax Supported Program</b>	<b>1,406</b>	<b>289</b>	<b>541</b>	<b>891</b>	<b>1,432</b>	<b>1,721</b>

### State of Good Repair Backlog

A major objective of the 2007 Approved Capital Budget and 2008–2011 Capital Plan is to mitigate any significant increase in state of good repair backlog. However, despite substantive investments on projects that maintain and renew the City's infrastructure, the accumulated infrastructure maintenance backlog continues to grow, albeit at a slower rate than in the past. As evident in Chart 7 below, SOGR spending averages \$1 billion per annum during the five years 2007–2011. However, during that same period SOGR backlog will increase by \$224 million (from \$1.168 billion in 2007 to \$1.392 billion at the end of 2011).

Chart 7



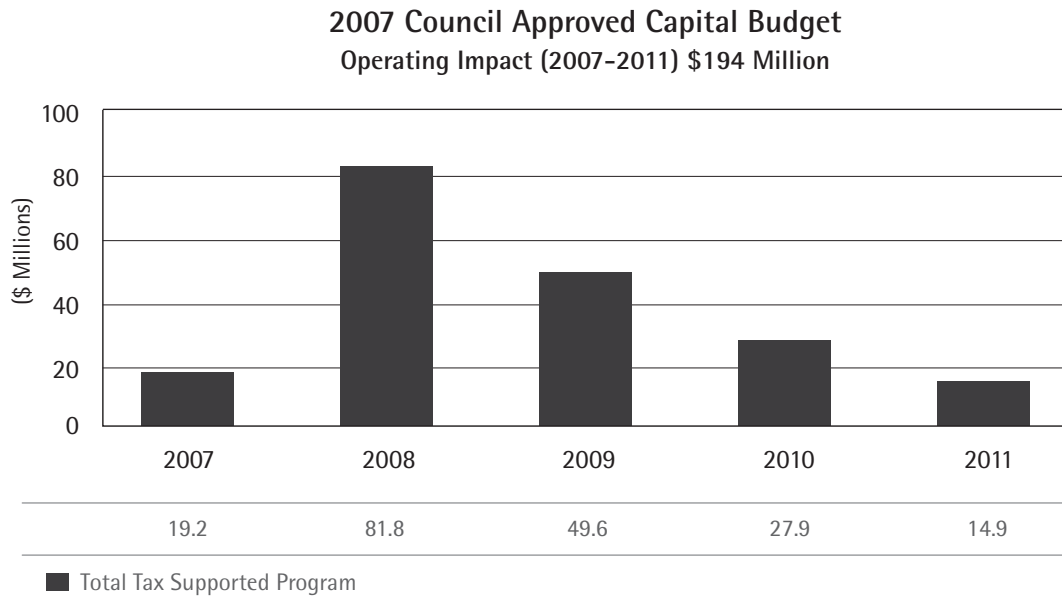
### Incremental Impact on the City's Operating Budget

The operating impact of capital projects is identified as part of the capital budget development and review process. Prior to recommending a capital project for Council approval, any incremental cost impact on the operating budget over the life of each project is evaluated. The objective of this evaluation is to ensure that operating cost increases associated with the capital budget and plan is affordable, and to factor these cost increases in the annual operating budget and multi-year forecasts. Operating impacts include:

- i. Principal repayment and/or interest payments on debt issued to finance the capital program;
- ii. Increased operating costs such as those required for new or expanded facilities;
- iii. Efficiency savings from investments that reduce operating costs; and,
- iv. Direct contributions to capital from the operating fund which reduce the annual borrowing requirements.

The incremental impact (including debt service charges) of the 2007 Approved Capital Budget on the Operating Budget during the period 2007–2011 totals \$193.413 million. Annual impacts range from a high of \$81.789 million in 2008 to a low of \$14.87 million in 2011. Program costs will be included in the operating budget of individual City Programs and ABCs and are driven mainly by the TTC operating impacts. Debt service costs will be included in the City's Capital and Corporate Financing accounts in the Non-Program Budget.

Chart 8



### Toronto Water

On February 5–8, 2007 City Council approved the 2007 Capital Budget and 2008–2011 Capital Plan – 2016 Capital Budget for Toronto Water with 2007 cash flow of \$346.376 million. A total amount of \$248.23 million or 72% has been dedicated to maintaining existing assets, that is, projects categorized as State of Good Repair. This trend will remain consistent over the Approved Five-Year Capital Plan. The Toronto Water capital budget is self-sustaining with no debenture financing and does not impact the municipal property tax levy.

The Approved Five-Year Capital Plan is aligned with the following Mayor's Mandates:

- Implementation of a ravine improvement team that will clean, beautify and improve access and stewardship to Toronto's ravines;
- Help to clean up Lake Ontario to make Toronto's beaches more swimmable;
- Implement the recently approved Toronto green building standard to ensure ecologically friendly buildings; and,
- Develop a comprehensive Climate Change Plan to cut greenhouse gas emissions to help combat global warming.

Environmental assessments and pre-design studies that are currently underway will provide the operating budget impacts over the five years.

## 2007 APPROVED CAPITAL BUDGET HIGHLIGHTS

Following are highlights of projects included in the 2007 Approved Capital Budget. These projects are listed under key themes, with indication of the project deliverable/outcome, delivery date, project cost and 2007 cash flow.

### Public Spaces

Investment in public spaces is crucial to ensuring that parks, streets, squares and other shared common spaces are well designed, developed and maintained, clean and beautiful for the general betterment and wellness of the community. The 2007 Approved Capital Budget includes significant investments in common spaces by including projects that will:

- Begin revitalization of Nathan Phillips Square (2007 cash flow of \$1.55 million which represents the start of a \$16 million project);
- Construct a south entrance to Union Station and undertake environmental assessments for the creation of a northwest PATH (project totals \$6.428 million; 2007 cash flow \$3.334 million);
- Start development of mixed-use, transit-friendly communities East Bayfront and West Donlands plus parks on the Waterfront (\$44.31 million);
- Green the Parkland portion of Wychwood Barns site (\$1.515 million);
- Complete Year 2 of the \$3 million project to restore the St. Lawrence Centre for the Arts façade and interior (\$1.065 million);
- Remediate the Don Valley Brickworks site to support the Evergreen Development (\$0.880 million);
- Continue restoration work of Casa Loma exterior, 2007 phase (\$4.113 million);
- Continue the Todmorden Museum and Arts Centre Restoration, 2007 (\$0.38 million);
- Improve Public Spaces in Business Improvement Areas across the City (\$5.01 million); and,
- Begin Bloor Street transformation road and pedestrian improvements from Church to Avenue Road.

### Environment

City Council has recognized the need to spend on projects that would set the stage for environmental improvement, while achieving the City's infrastructure maintenance and development objectives. The 2007 Approved Capital Budget invested in projects that will:

- Convert conventional cooling at Old City Hall to Deep Lake Water Cooling System (project costs \$3.270 million; 2007 cash flow \$0.545 million);
- Continue carbon dioxide and energy reduction projects for City Arenas, Fire Stations, Pools, Community Centres and Solid Waste Transfer Stations and Police Service Buildings (2007 cash flow \$7.103 million for completion of Phase 1, approved at a total cost of \$20 million, and start up of the Phase 2 projects approved at a total cost of \$9 million);
- Continue its Green Fleet Initiative to lower emissions and save fuel, using innovative greener technology (project costs \$0.42 million; 2007 cash flow \$0.42 million – ongoing program);
- Introduce traffic calming measures and bicycle lanes on various streets throughout the City (\$3 million);
- Begin the purchase of new larger recycling carts for City households, begin the plan to create a network of new Reuse Centres; and continue Environmental Assessment looking at options to divert Source Separated Organics (SSO), and waste left over after diversion (\$13.5 million); and,



- Continue Parks, Forestry & Recreation Bike Plan development in trails and parkland, including the CP PS Right of Way (\$2.435 million).

### Improved Public Service

One of the Mayor's goals is to work with people – to get results for people. To provide residents with direct and simple access to City staff and services, the Capital Budget and Plan included projects that will:

- Begin to implement 3-1-1 technology to give citizens one number to contact the City for general information or to request non-emergency City services (2007 cash flow \$11.311M; this represents funding for work on several functional components of this Program which was approved at a total project cost of \$26.912 million);
- Provide continuity in the City's ability to operate (data centre, systems) should a disaster strike (\$1.1 million);
- Improve the City's website to make it more user-friendly (project costs \$3.506 million; 2007 cash flow \$1.123 million);
- Complete a new on-line licensing system that allows the public to initiate and renew their animal licenses/registrations each year over the web and pay by credit card (\$0.364 million); and,
- Develop new external web based system for clients and community partners to access the Ontario Works program (\$1.2 million).

### Community and Recreation Services

The City offers programs and services that improve the quality of life of all its citizens, and ensures opportunity for all. To contribute to the Community and Services goals the 2007 Approved Capital Budget and 2008-2011 Plan included projects that will:

- Increase SOGR funding for Homes for the Aged facilities to ensure a safe and comfortable living environment is provided for long-term care residents (\$10.8 million);
- Begin construction of the expanded facilities in the Thorncliffe Park Neighbourhood as follows: \$2.5 million library expansion (\$0.734 million); \$1.849 million Child Care Centre (\$1.223 million); and, \$4.25 million Jenner Jean-Marie Community Centre expansion (\$1.45 million);
- Begin construction totalling \$10.868 million to add 132 new and replacement shelter beds: replacement of Eva's Youth Shelter (32 beds) (\$2.87 million), the new Bethlehem United Shelter (60 beds) (\$3.215 million) and the relocation of 110 Edward Street Shelter and Referral Centre (40 beds) (\$5.501 million);
- Implement a new national Public Health Surveillance and Management System to maintain public immunization records and other public health information (\$2.5 million);
- Continue the previously approved renovation projects to expand both the Jane/Sheppard Neighbourhood (\$0.638 million) and Bloor/Gladstone District (\$1.847 million) libraries;
- Upgrade Flemington Park to include 2 new junior soccer and 12 children mini soccer pitches; rebuild two ball diamonds and cricket pitches; and park improvements for completion in 2007 and 2008 (\$1.6 million); and,
- Add 4 new waterplay/splash pad projects, three of which are in a Priority Neighbourhood (\$1.76 million).

### Public Works & Infrastructure

The City has a massive and aging infrastructure which has to be managed effectively to ensure that the services required by its citizens continue to be provided. The 2007 Approved Capital Budget contributes to an effective road network to support delivery of an expansive transportation program; the management of solid waste in an environmentally friendly manner and the general provision of core municipal services. The 2007 Approved Capital funding will:

- Maintain 124 kms of roads, rehabilitate 16 bridges and structures in a safe and hazard-free state and minimize life cycle costs of the assets. (\$127.264 million);
- Increase transportation service, safety and capacity – by replacing streetcar track, the North Yonge Centre Service Road, St. Clair Ave. West and the Simcoe Street Underpass (\$75.225 million);
- Complete Morningside Avenue/Finch Avenue East grade separation to improve safety and reduce delays to traffic at the railway crossing. (\$12.959 million); and,
- Construct an underpass to eliminate the Dufferin Street Jog creating a regular intersection to facilitate existing and future area traffic operations (\$12.941 million).

### Public Safety and Emergency Services

Quality and effective emergency services and public safety is a major demand of the citizens of Toronto. The 2007 Approved Capital Budget includes projects that will:

- Improve public security at Union Station – this project will be 75% funded by the Federal Government (project costs \$5.707 million; 2007 cash flow \$3.995 million);
- Complete a new fire station on Sheppard between Leslie/Bayview to provide improved service and response time in this area (\$2.586 million);
- Begin construction of the new Police training facility in 2007 (\$25.929 million), with construction to be completed in 2009 (\$76.0 million);
- Purchase land and start design in 2007 to provide 14 Division with a new police station by 2010 (\$6.264 million);
- Identify/purchase land in 2007 to provide 11 Division with a new police station by 2011 (\$5.5 million); and,
- Begin planning to replace radio communication between Emergency Medical Services, Police Services, and Fire Services (\$0.25 million).

### Transit

A major priority of the Mayor is to make Toronto a city that moves people by transit. The goal to have a comprehensive network of dedicated transit routes that move people quickly, efficiently and affordably through all parts of the city is addressed by projects that will:

- Begin design work for the purchase of 204 low floor accessible Light Rail Vehicles to replace existing streetcar fleet plus 21 growth cars with delivery to start in 2010 (\$0.60 million);
- Deliver 220 new replacement buses plus 100 buses for expanded service – Ridership Growth Strategy (\$222.054 million) for a total of 1225 new buses to be purchased by 2016;
- Purchase 234 new subway cars (39 train sets) to replace existing subway cars which will also increase capacity by 8% (\$ 103.676 million);

- Start development of an interregional bus terminal which will be shared with GO Transit and Mississauga Transit (\$9.844 million);
- Complete the Mount Dennis 250-bus garage in the fall of 2007 to house added TTC fleet (\$30.842 million);
- Continue St. Clair West dedicated transit way, to be completed in 2008 (\$19.805 million);
- Begin development of two Bus Rapid Transit ways (BRTs): one from Downsview to York University; the other via Yonge Street from Finch Station to Steeles Avenue (\$8.614 million);
- Make York Mills, St. Clair and Lawrence West subway stations accessible (\$8.330 million);
- Replace more than 30,000 double track feet of surface rail with a focus on Fleet Street, Dundas Street West, Queensway at Bloor and Oakwood loops (\$44.541 million); and,
- Install state-of-the-art signalling systems on the Yonge-University-Spadina subway line and safety upgrades (\$64.724 million).

## SUMMARY/CONCLUSION

The 2007 Approved Capital Budget and 2008-2011 Capital Plan sets the foundation for implementing the Mayor's vision and mandate, and Council's policy agenda. It addresses the City's health and safety, legislated, and state of good repair capital spending needs while recognizing existing fiscal challenges. This is evidenced by the fact that, of the 2007 Approved Capital Budget of \$1.432 billion, 75% or \$1.075 billion is targeted to these three categories of projects. The amount dedicated to these project categories is \$5.344 billion or 80% of the total Five-Year Capital Plan of \$6.702 billion. While priority has been placed on maintaining the City's infrastructure, the Capital Plan also provides for growth in strategic areas and for service expansion in key Program areas to accommodate service demands and expectations of the public. Included in the Approved Five-Year Capital Plan are investments in projects that will contribute to the Mayor's priorities of making Toronto safer, a clean, green and beautiful city, and transit strategic directions in accordance with Council's Official Plan.

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2007 COUNCIL APPROVED CAPITAL BUDGET

2007 Council Approved Capital Budget and Future Year Commitments – Excluding 2006 Carry-forwards

(\$000s)	Total Cash Flow 2007-2016	Cash Flow						Financing Sources						
		2007	2008	2009	2010	2011	2012 to 2016	Prov. Sub. & Grants	Develop. Charges	Reserves	Reserve Funds	Federal Subsidy	Other	Debt/Internal Sources
Citizen Centred Services – A														
Children's Services	10,404	8,278	1,626	500	0	0	0	5,950	0	0	3,454	0	0	1,000
Court Services	6,800	3,100	3,275	425	0	0	0	0	0	0	6,800	0	0	0
Economic Development, Culture and Tourism	16,687	14,188	2,499	0	0	0	0	0	0	0	2,800	0	3,342	10,545
Emergency Medical Services	12,990	5,772	4,942	1,926	350	0	0	944	0	1,030	0	0	450	10,566
Homes for the Aged	9,000	9,000	0	0	0	0	0	0	0	0	7,600	0	0	1,400
Parks, Forestry & Recreation	76,182	60,854	12,547	2,781	0	0	0	500	6,506	0	20,998	0	9,584	38,594
Shelter, Support & Housing Administration	17,784	12,755	3,329	1,700	0	0	0	0	183	0	0	100	9,347	8,154
Social Services	4,700	1,700	1,300	800	900	0	0	0	0	0	0	0	4,700	0
3-1-1 Customer Service Strategy	18,451	11,311	6,722	418	0	0	0	0	0	0	0	0	0	18,451
Sub-Total	154,547	115,647	29,518	8,132	1,250	0	0	7,394	6,564	1,030	41,652	100	24,995	72,812
Citizen Centred Services – B														
City Planning	8,449	7,298	1,151	0	0	0	0	0	1,781	0	0	0	2,555	4,113
Policy, Planning, Finance and Administration	8,126	5,447	2,605	0	0	0	74	0	0	0	0	0	3,526	4,600
Fire Services	9,600	6,329	2,271	1,000	0	0	0	0	1,075	0	0	203	0	8,322
Solid Waste Management	70,712	26,190	22,545	1,263	2,500	18,214	0	0	0	338	6,585	0	0	63,789
Transportation Services	330,233	246,133	80,320	3,780	0	0	0	0	30,520	0	927	0	73,102	225,684
Waterfront Revitalization Initiative	426,090	44,310	51,131	30,354	26,016	25,800	248,479	0	0	0	426,090	0	0	0
Sub-Total	853,210	335,707	160,023	36,397	28,516	44,014	248,553	0	33,376	338	433,602	203	79,183	306,508
Internal Services														
Facilities and Real Estate	77,566	32,518	23,492	8,953	5,332	3,562	3,709	0	696	0	0	0	4,951	71,919
Financial Services	16,190	6,755	5,970	2,815	650	0	0	0	400	1,840	88	0	4,297	9,565
Fleet Services	59,775	49,425	10,350	0	0	0	0	0	0	59,775	0	0	0	0
Information Technology – Development	37,821	14,460	11,016	5,559	2,726	4,060	0	0	0	12,687	0	0	971	24,163
Information Technology – Sustainment	13,402	13,402	0	0	0	0	0	0	0	13,402	0	0	0	0
Sub-Total	204,754	116,560	50,828	17,327	8,708	7,622	3,709	0	1,096	87,704	88	0	10,219	105,647
Other City Programs														
City Clerk's Office	6,800	4,280	2,260	68	62	130	0	0	0	830	0	0	0	5,970
Energy Retrofit Program	14,103	7,103	5,000	2,000	0	0	0	0	0	0	0	0	14,103	0
Nathan Phillips Square	1,550	1,550	0	0	0	0	0	0	0	0	0	0	0	1,550
Radio Replacement Project	500	250	250	0	0	0	0	0	0	0	0	0	0	500
Union Station	18,477	9,425	8,093	731	228	0	0	0	0	0	0	0	7,494	10,983
Yonge-Dundas Square	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total	59,881	33,919	22,325	3,217	290	130	0	0	0	830	0	0	21,597	37,454
Total City Operations	1,272,392	601,833	262,694	65,073	38,764	51,766	252,262	7,394	41,036	89,902	475,342	303	135,994	522,421

2007 COUNCIL APPROVED CAPITAL BUDGET

2007 Council Approved Capital Budget and Future Year Commitments – Excluding 2006 Carry-forwards

(\$000s)	Total Cash Flow 2007-2016	Cash Flow						Financing Sources						
		2007	2008	2009	2010	2011	2012 to 2016	Prov. Sub. & Grants	Develop. Charges	Reserves	Reserve Funds	Federal Subsidy	Other	Debt/Internal Sources
Special Purpose Bodies & Other														
Exhibition Place	6,725	5,100	1,625	0	0	0	0	0	0	0	0	0	300	6,425
Toronto And Region Conservation Authority	5,992	5,992	0	0	0	0	0	0	0	0	0	0	3,270	2,722
Toronto Parking Enforcement Unit	434	434	0	0	0	0	0	0	0	434	0	0	0	0
Toronto Police Service	132,233	51,115	48,365	16,297	11,939	4,517	0	0	0	10,249	3,000	0	9,832	109,152
Toronto Public Health	8,740	3,943	2,797	1,436	564	0	0	0	0	0	0	0	480	8,260
Toronto Public Library	47,076	15,407	15,450	13,939	2,280	0	0	0	7,006	0	243	0	6,243	33,584
Toronto Zoo	11,512	8,190	3,322	0	0	0	0	0	0	0	0	0	2,000	9,512
Special Purpose Bodies & Other Total	212,712	90,181	71,559	31,672	14,783	4,517	0	0	7,006	10,683	3,243	0	22,125	169,655
TOTAL TAX SUPPORTED CAPITAL PROGRAM (Excl. Transit & TPA)	1,485,104	692,014	334,253	96,745	53,547	56,283	252,262	7,394	48,042	100,585	478,585	303	158,119	678,041
Transit & TPA														
GO Transit	20,000	20,000	0	0	0	0	0	0	0	0	0	0	0	20,000
Toronto Port Authority	3,000	3,000	0	0	0	0	0	0	0	0	0	0	385	2,615
Toronto Transit Commission	2,010,005	717,304	543,667	398,039	244,533	106,462	0	564,510	4,720	0	40,500	782,882	71,606	545,787
Total Transit	2,033,005	740,304	543,667	398,039	244,533	106,462	0	507,293	4,009	0	0	739,416	120,585	661,702
TOTAL TAX SUPPORTED CAPITAL PROGRAM (Incl. Transit & TPA)	3,518,109	1,432,318	877,920	494,784	298,080	162,745	252,262	571,904	52,762	100,585	519,085	783,185	230,110	1,260,478
RATE SUPPORTED PROGRAM														
Toronto Parking Authority	34,164	17,681	16,483	0	0	0	0	0	0	0	1,200	0	32,964	0
Toronto Water	843,735	346,376	226,399	128,528	88,551	53,881	0	0	40,145	0	748,363	0	55,227	0
TOTAL RATE SUPPORTED CAPITAL PROGRAM	877,899	364,057	242,882	128,528	88,551	53,881	0	0	40,145	0	749,563	0	88,191	0
TOTAL CAPITAL PROGRAM	4,396,608	1,796,375	1,120,802	623,312	386,631	216,626	252,262	571,904	92,907	100,585	1,268,648	783,185	318,301	1,260,478

2007 COUNCIL APPROVED CAPITAL BUDGET

2007 Council Approved Capital Budget and 2008-2016 Capital Plan and Forecast – Excluding 2006 Carry-forwards

(\$000s)	Total Cash Flow 2007-2016	Cash Flow						Financing Sources						
		2007	2008	2009	2010	2011	2012 to 2016	Prov. Sub. & Grants	Develop. Charges	Reserves	Reserve Funds	Capital from Current	Federal Subsidy	Debt/Internal Other Sources
<b>Citizen Centred Services – A</b>														
Children's Services	35,858	8,278	7,726	7,600	6,500	5,754	0	21,950	0	0	7,508	0	0	6,400
Court Services	8,700	3,100	3,525	1,125	950	0	0	0	0	0	8,700	0	0	0
Economic Development, Culture and Tourism	164,010	14,188	9,799	12,440	11,986	10,935	104,662	1,190	0	0	11,575	8,592	1,265	111,732
Emergency Medical Services	77,658	5,772	5,652	5,672	6,672	5,472	48,418	4,720	400	5,625	0	1,023	0	65,440
Homes for the Aged	85,600	9,000	8,400	6,600	8,800	8,800	44,000	0	0	0	58,350	0	0	27,250
Parks, Forestry & Recreation	808,209	60,854	56,175	56,302	52,625	45,034	537,219	500	21,291	0	36,464	2,553	0	714,703
Shelter, Support & Housing Administration	37,103	12,755	4,125	3,300	3,150	3,274	10,499	0	395	0	0	803	100	26,458
Social Services	6,700	1,700	1,700	1,700	1,600	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>1,223,838</b>	<b>115,647</b>	<b>97,102</b>	<b>94,739</b>	<b>92,283</b>	<b>79,269</b>	<b>744,798</b>	<b>28,360</b>	<b>22,086</b>	<b>5,625</b>	<b>122,597</b>	<b>12,971</b>	<b>1,365</b>	<b>951,983</b>
<b>Citizen Centred Services – B</b>														
City Planning	67,027	7,298	8,819	8,292	8,304	4,831	29,483	0	18,373	0	0	3,100	0	32,057
Policy, Planning, Finance and Administration	31,477	5,447	6,323	3,657	4,025	3,563	8,462	0	0	0	0	3,884	0	22,763
Fire Services	74,656	6,329	4,255	4,050	4,050	3,909	52,063	1,610	6,777	1,500	1,807	2,281	4,513	56,168
Solid Waste Management	244,521	26,190	40,017	21,267	21,652	41,500	93,895	0	0	4,028	89,087	11,932	0	139,474
Transportation Services	2,310,889	246,133	233,523	214,379	217,816	205,124	1,193,914	0	96,357	0	9,377	12,258	0	2,000,290
Waterfront Revitalization Initiative	426,090	44,310	51,131	30,354	26,016	25,800	248,479	0	0	0	426,090	0	0	0
<b>Sub-Total</b>	<b>3,154,660</b>	<b>335,707</b>	<b>344,068</b>	<b>281,999</b>	<b>281,863</b>	<b>284,727</b>	<b>1,626,296</b>	<b>1,610</b>	<b>121,507</b>	<b>5,528</b>	<b>526,361</b>	<b>33,455</b>	<b>4,513</b>	<b>2,250,752</b>
<b>Internal Services</b>														
Facilities and Real Estate	300,742	32,518	33,204	30,175	29,963	29,000	145,882	0	696	0	0	9,418	0	285,677
Financial Services	37,030	6,755	7,000	4,850	3,915	3,000	11,510	0	850	1,840	1,298	3,900	0	22,570
Fleet Services	174,784	49,425	38,939	29,039	28,922	28,459	0	0	0	174,784	0	0	0	0
Information Technology – Development	112,548	14,460	14,788	10,979	12,481	10,970	48,870	0	0	14,438	0	9,000	0	88,139
Information Technology – Sustainment	182,242	13,402	13,435	25,614	23,662	18,518	87,611	0	0	182,242	0	0	0	0
<b>Sub-Total</b>	<b>807,346</b>	<b>116,560</b>	<b>107,366</b>	<b>100,657</b>	<b>98,943</b>	<b>89,947</b>	<b>293,873</b>	<b>0</b>	<b>1,546</b>	<b>373,304</b>	<b>1,298</b>	<b>22,318</b>	<b>0</b>	<b>396,386</b>
<b>Other City Programs</b>														
City Clerk's Office	42,415	4,280	3,240	1,498	1,507	1,430	30,460	0	0	3,550	0	3,770	0	35,095
Energy Retrofit Program	14,103	7,103	5,000	2,000	0	0	0	0	0	0	0	0	0	10,258
Nathan Phillips Square	15,500	1,550	3,728	3,953	3,953	2,316	0	0	0	0	0	1,550	0	13,950
Radio Replacement Project	69,998	250	250	28,000	28,000	13,498	0	0	0	0	0	250	0	69,748
Union Station	33,116	9,425	10,395	3,338	4,003	3,800	2,155	0	0	0	0	5,143	0	20,479
Yonge-Dundas Square	200	0	100	50	50	0	0	0	0	0	0	0	0	200
3-1-1 Customer Service Strategy	18,451	11,311	6,722	418	0	0	0	0	0	0	0	11,311	0	7,140
<b>Sub-Total</b>	<b>193,783</b>	<b>33,919</b>	<b>29,435</b>	<b>39,257</b>	<b>37,513</b>	<b>21,044</b>	<b>32,615</b>	<b>0</b>	<b>0</b>	<b>3,550</b>	<b>0</b>	<b>22,024</b>	<b>0</b>	<b>156,870</b>
<b>Total City Operations</b>	<b>5,379,627</b>	<b>601,833</b>	<b>577,971</b>	<b>516,652</b>	<b>510,602</b>	<b>474,987</b>	<b>2,697,582</b>	<b>29,970</b>	<b>145,139</b>	<b>388,007</b>	<b>650,256</b>	<b>90,768</b>	<b>5,878</b>	<b>3,755,991</b>

2007 COUNCIL APPROVED CAPITAL BUDGET

2007 Council Approved Capital Budget and 2008-2016 Capital Plan and Forecast – Excluding 2006 Carry-forwards

(\$000s)	Total Cash Flow 2007-2016	Cash Flow						Financing Sources							
		2007	2008	2009	2010	2011	2012 to 2016	Prov. Sub. & Grants	Develop. Charges	Reserves	Reserve Funds	Capital from Current	Federal Subsidy	Debt/Internal Other Sources	
Special Purpose Bodies & Other															
Exhibition Place	60,505	5,100	5,000	5,000	5,000	5,000	35,405	0	0	0	0	800	0	300	59,405
Toronto And Region Conservation Authority	69,779	5,992	6,282	6,686	7,187	7,617	36,015	0	0	0	0	2,722	0	39,907	27,150
Toronto Parking Enforcement Unit	4,340	434	434	434	434	434	2,170	0	0	4,340	0	0	0	0	0
Toronto Police Service	510,140	51,115	66,598	49,853	48,451	38,192	255,931	0	0	175,362	8,500	0	0	9,832	316,446
Toronto Public Health	17,831	3,943	3,490	3,499	3,499	3,400	0	0	0	0	0	3,463	0	0	14,368
Toronto Public Library	205,105	15,407	17,000	18,115	17,763	20,408	116,412	0	33,036	0	244	3,000	0	21,506	147,319
Toronto Zoo	130,745	8,190	5,060	6,125	11,125	12,773	87,472	0	0	0	0	802	0	50,365	79,578
Special Purpose Bodies & Other Total	998,445	90,181	103,864	89,712	93,459	87,824	533,405	0	33,036	179,702	8,744	10,787	0	121,910	644,266
TOTAL TAX SUPPORTED CAPITAL PROGRAM (Excl. Transit & TPA)	6,378,072	692,014	681,835	606,364	604,061	562,811	3,230,987	29,970	178,175	567,709	659,000	101,555	5,878	435,528	4,400,257
Transit & TPA															
GO Transit	100,000	20,000	20,000	20,000	20,000	20,000	0	0	0	0	0	20,000	0	0	80,000
Toronto Port Authority	12,800	3,000	3,000	1,700	1,700	1,700	1,700	0	0	0	0	2,615	0	2,310	7,875
Toronto Transit Commission	6,905,213	717,304	696,413	764,664	694,171	571,490	3,461,171	1,041,695	6,987	0	40,500	0	1,124,487	216,497	4,475,047
Total Transit	7,018,013	740,304	719,413	786,364	715,871	593,190	3,462,871	1,041,695	6,987	0	40,500	22,615	1,124,487	218,807	4,562,922
TOTAL TAX SUPPORTED CAPITAL PROGRAM (Incl. Transit & TPA)	13,396,085	1,432,318	1,401,248	1,392,728	1,319,932	1,156,001	6,693,858	1,071,665	185,162	567,709	699,500	124,170	1,130,365	654,335	8,963,179
RATE SUPPORTED PROGRAM															
Toronto Parking Authority	134,065	17,681	35,934	26,350	27,100	27,000	0	0	0	0	3,500	0	0	130,565	0
Toronto Water	6,766,570	346,376	472,201	543,526	602,300	668,289	4,133,878	0	266,058	0	6,305,252	0	0	195,260	0
TOTAL RATE SUPPORTED CAPITAL PROGRAM	6,900,635	364,057	508,135	569,876	629,400	695,289	4,133,878	0	266,058	0	6,308,752	0	0	325,825	0
TOTAL CAPITAL PROGRAM	20,296,720	1,796,375	1,909,383	1,962,604	1,949,332	1,851,290	10,827,736	1,071,665	451,220	567,709	7,008,252	124,170	1,130,365	980,160	8,963,179