

April 23, 2007

## **2007 City Operating Budget of \$7.8 billion approved by Council**

The 2007 Operating Gross Budget is \$7.797 billion, which represents a \$190.611 million or 2.5% increase over 2006 in gross expenditures. This budget is 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 42% 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*

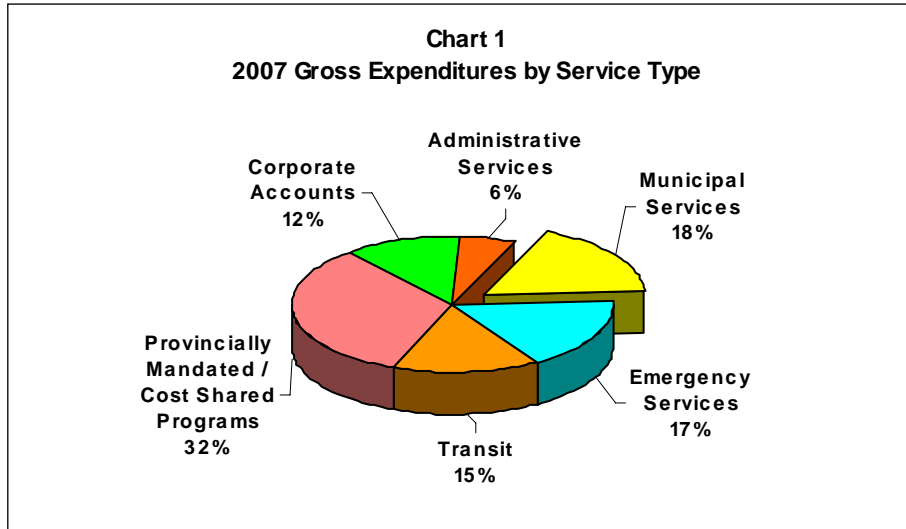
The 2007 Operating Base Budget starting pressure was \$548 million. The Budget Committee recommended moderate investment in new and enhanced City building initiatives that fulfill Council and the Mayor's priorities totalling \$51.268 million gross expenditures and \$14.448 million net. As a result, the 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 (see Table 1).

<b>Table 1: Getting to a Balanced Budget - Offset for Provincial Responsibilities</b>		
		<u>\$Millions</u>
Starting Pressure		562
Less:		
Base Budget Efficiencies / Savings	(85)	
Hydro Revenues	(106)	
Reserve Draws - Cost Shared Programs	(80)	(271)
		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	(30)	(71)
		73
<b>Additional City Policy Option:</b>		
Tax Increases - 3.8% residential; 1.267% non-residential		(73)
		0

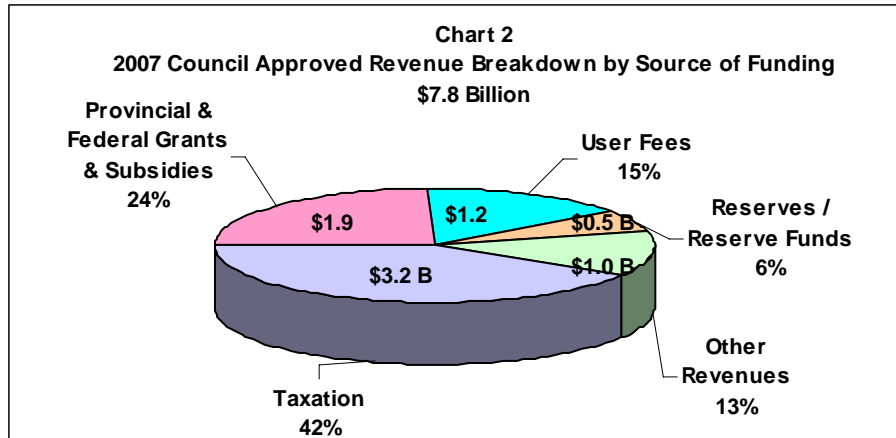
*Where the 2007 Gross Expenditures are Spent*

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*

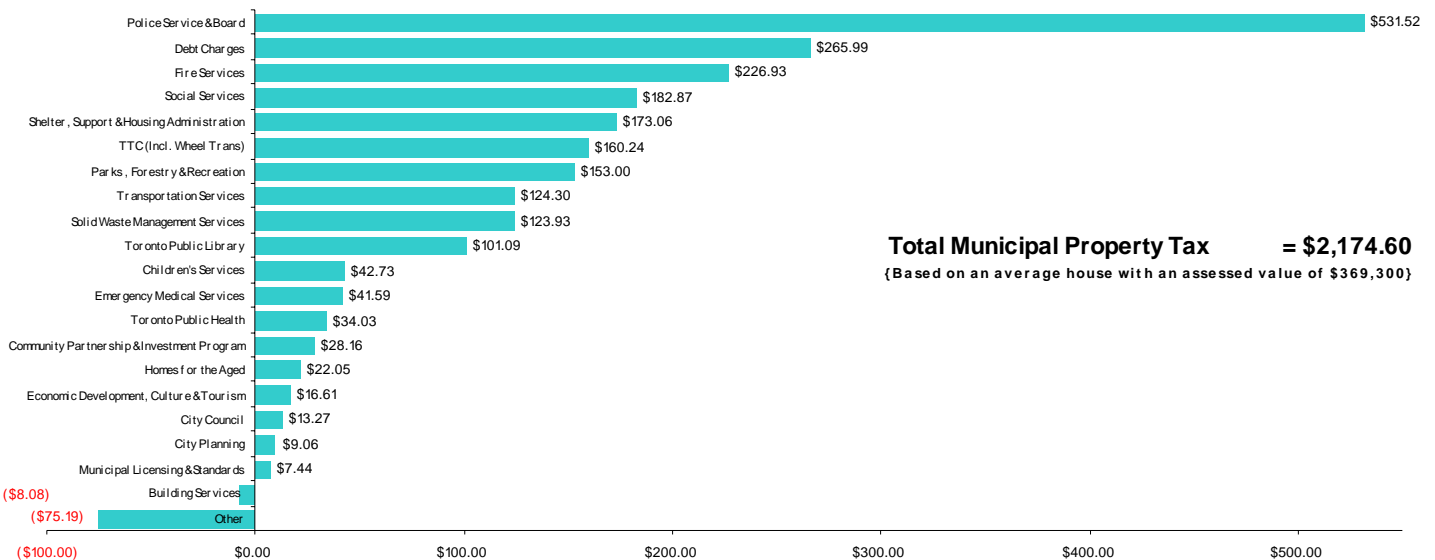
The chart below highlights the 2007 sources of revenue. User Fees make up \$1.2 billion or 15% of total revenues, while Grants and Subsidies from other orders of government account for \$1.9 billion or 25%, and Other Revenues total \$1.0 billion or 13% of total revenues. The largest revenue source is 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 would result 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. Chart 3 below illustrates where property taxes are spent.

**Chart 3: How Your Tax Dollar Will Work For You In 2007**



**Note:** 'Other' includes general government and small city programs such as Facilities and Real Estate, Information and Technology and Court Services; as well as small agencies, boards and commissions such as Exhibition Place and Toronto Zoo

## *Fiscal Challenges*

As a result of ongoing fiscal challenges, the City has been relying on one-time revenue sources to balance its 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 (see Table 2).

	<b>\$Million</b>
<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>562</b>

A major contributor to the City's fiscal challenges is the imbalance between the cost of downloaded provincially mandated programs and provincial funding. For 2007 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 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 Budget - Highlights:*

The 2007 Operating Budget is a viable and prudent budget, which 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 \$51.268 million gross and \$14.448 million net. The following highlights key services and initiatives are included in the 2007 Budget Operating Budget:

#### **Public Safety**

- City funding for Toronto's Joint Chemical, Biological, Radiological and Nuclear Response (CBRN) Team will be continued 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 (\$7.600 million gross and \$3.800 million net).
- 90 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 (\$3.530 million gross and net).
- 8 paramedics will be added to improve EMS response time to 70% from 68% (in 2006) within 9 minutes.
- 44 additional red light camera sites (\$1.068 million gross and \$2.389 revenue for a net revenue of \$1.320 million) will be added to the current 49 camera sites 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%.
- 11 new Special Constables to support the TTC's Subway Zone Patrol Strategy will be added for a total of 125 constables (\$0.450 million).
- 1 technical staff position has been added to Fire Services to support the maintenance of computer equipment on fire trucks as part of the new mobile dispatch and records management system (\$0.044 million gross and net).
- Annual contributions for the replacement of fire trucks have been increased by \$0.500 million so that \$6.061 million is available for required replacements in 2007.

#### **Transit and Transportation**

- The appearance of roadway and roadside areas will be improved by Mechanical Weed Control on sidewalks and boulevards 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 (\$7.900 million gross).
- 100 additional buses and a new Mt. Dennis Bus Garage to be operational in 2007, in keeping with the TTC's Ridership Growth Strategy (\$3.295 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 (\$4.200 million gross, \$3.953 million net).
- 4 By-law officers will be hired to enforce front yard parking infractions (\$0.050 million gross and net) and funding will be derived from front yard parking fee revenue.
- 2 Roads Inspectors will be hired to administer the new Municipal Road Damage Bylaw (\$0.080 million gross and \$0.020 million net revenue).

## **Environment**

- A comprehensive Western Waterfront Master Plan (new funding of \$0.200 million in 2007) will be developed the area from Marilyn Bell Park to the Humber River.
- Beach and Waterfront Maintenance (\$0.470 million gross and net) will improve the cleanliness of Toronto 20 public beaches.
- Tree Service Delays will be reduced from 10 – 12 months to 6 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 & shrubs the care they require.
- The Toronto Energy Plan to guide future energy demand management and conservation initiatives will be developed in 2007 (\$0.570 million gross, \$0 net).
- Ontario Power Authority will provide incentives to achieve, through demand response measures, 20 MW of energy savings (\$0.150 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 \$0.170 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, \$0 net).
- The Toronto Bike Plan implementation will be accelerated and a new Pedestrian Plan will be developed with 4 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 6 pilot areas (\$0.025 million new funding to be added to base funding of \$0.090 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).
- 1 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 increased funding per ward from \$1,500 to \$15,000 in 2007 (\$0.594 million gross and net addition to base funding of \$0.066 million).

### **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 (\$0.380 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 \$0.590 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 \$0.300 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).
- 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**

- 6 positions will be added in Toronto Building to address increase in workload as a result of Legislative and Council changes expected to increase overall efficiencies and streamline the building permit application process (\$0.501 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 annualized cost of base budget changes and in-year implementation of new and enhanced services, are summarized in Table 3 below. In total, these initiatives will result in a starting (known) budget pressure of \$610.7 million in 2008.

<b>Table 3</b>		
<b>2008 Outlook - Incremental Impacts</b>		
	<b>\$Millions</b>	
<b>Expenditures Increases:</b>		
- Cost of Living Allowance/Merit	120.0	
- Inflation	27.0	
- Debt Service Cost	47.5	
- Annualization and Other	<u>42.3</u>	236.8
Non-Tax Revenue Increase		<u>(43.1)</u>
<b>Total Base Budget Impact</b>		<b>193.7</b>
<b>Unsustainable Budget Balancing Strategies:</b>		
Provincial Assistance - Transit Operations		100.0
<b>City One-Time</b>		
- Hydro Note Revenues - Interest and Dividends	106.0	
- Non Program Reserve Draws	252.0	
- Move Ontario Trust	<u>30.0</u>	<u>388.0</u>
<b>Total 2008 Outlook - Incremental Impacts</b>		<b>681.7</b>

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