

April 15, 2010

Toronto's balanced budget protects City services

Toronto City Council today approved a 2010 operating budget of \$9.2 billion that protects the City services that Toronto residents and businesses need.

"This budget invests in Council's priorities and protects City services both this year and next," said Mayor David Miller. "Due to prudent fiscal management, the City can look forward to a reasonable tax increase this year with no major cuts to services. However, it remains important to solve the City's structural operating budget challenge through a return of cost sharing with the Province for the operation of the TTC."

The budget passed today reflects the 24-hour/ seven-day role that City government plays in protecting residents and delivering services. Local government provides the services that have the greatest impact on quality of life. This is especially important as the City recovers from the challenges of the world-wide economic recession. The 2010 budget makes strategic investments in Council's priorities and will support existing programs and services. Highlights of the City's \$9.2 billion total 2010 operating budget include:

- \$1.35 billion to support the City's employment and social services – more than 85,000 resident visits to 15 offices took place in 2009. In 2010, the average number of social assistance cases at any given time is expected to be about 105,000, which includes both families and individuals. This estimate reflects the increasing numbers of people who will need assistance as the economy recovers.
- \$953.8 million for Toronto's Police Service in 2010 – more than 5,500 officers responded to 877,000 calls in 2009.
- \$378.7 million to provide child care spaces to Toronto's children. More than 940 child care centres and 21 home child care agencies provide 52,816 licensed child care spaces. 24,000 children are able to access a licensed space with the help of a child care fee subsidy.
- \$359.9 million to deliver more than 60,000 recreation programs – there were approximately eight million program visits in 2009.
- \$285.7 million to maintain Toronto's more than 5,000 km of roads, bridges and expressways
- \$220.6 million for the City's Long-Term Care Homes and Services – there were 10 homes and more than 115,000 homemakers visits in 2009.
- \$165.3 million for Emergency Medical Services to maintain response times and provide life-saving help.

The budget continues to provide critical support to residents through tax help programs (allowing for the cancellation or deferral of property tax increases and a water rebate) for low-income seniors and persons with disabilities. Details on how to make an application under these programs are available at http://www.toronto.ca/taxes/property_tax/tax_relief.htm. The budget also directs funding to programming for job seekers, youth and seniors through Toronto Helps initiatives.

To address 2010 budget pressures, in May 2009 the City Manager established a four-point plan. The four-point plan comprises:

- 2009 cost restraint -- all City programs were asked to exercise cost restraint to help realize a \$100 million surplus;
- Service review process -- staff were assigned reduction targets of \$170 million in each of 2010 and 2011;
- Maximized corporate asset values to pay down debt;
- Permanent Provincial funding – including full cost sharing on social services administrative costs and a return to permanent, predictable transit operating funding.

The City balanced its 2010 budget through cost reductions, service efficiencies, service changes, TTC fare and user fee increases, new user fees, reducing debt, and generating a \$355 million surplus from spending restraint, labour disruption savings, and other revenues. The City took these actions to ensure its services remain protected during a time when Toronto along with the rest of the world recovers from the recession. The use of one-time funds, along with revenues and cost-saving measures to balance the budget is necessary until the Toronto-Ontario Partnership Agreement for Permanent Sustainable Funding for TTC operating costs is reached.

The budget surplus came in part from measures that the City undertook in 2009 designed to enhance its ability to afford to deliver the programs and services that Torontonians need and want. The actions taken included a hiring slowdown, a service review process and implementation of efficiencies, which resulted in cost reductions of \$167 million, service efficiencies, service changes and year-end surplus that have made a balanced budget possible. Where possible, reductions have been implemented for 2010 and others will need to be considered as part of the 2011 budget process.

The City is allocating the surplus to:

- Lower the 2010 property tax increase to 2.9 per cent on residential property and less than one per cent on business.
- Better services by using funds to offset user fees and minimize service cuts where it can be done in a sustainable way.
- A balanced 2011 budget, by \$76 million of the surplus in a tax stabilization reserve that will allow for a balanced 2011 operating budget with no TTC fare increase, assuming a three per cent tax increase in that year and the successful conclusion of negotiations with the Province regarding its resumption of sharing TTC operating costs.

"Toronto's 2010 budget is balanced with modest user fees and a reasonable tax increase," said Chair of the Budget Committee, Councillor Shelley Carroll. "This year's budget is the first step in a two-year operating budget plan to deliver the services that Toronto residents and businesses want and still remain affordable and competitive."

"We have delivered a budget that protects City services and directs spending to those areas that most influence the quality of life in Toronto," said City Manager Joe Pennachetti. "This budget invests in City priorities such as emergency services, maintaining TTC service levels, children's services, recreation, social services, funding the ongoing impact of the recession, and our 3-1-1 customer services strategy."

Moody's Investor Services, one of the world's premier rating services, this month confirmed the City of Toronto's credit rating as AA1, citing the City's low debt and high levels of investments throughout Toronto. The rating recognizes the City of Toronto's strong fiscal position and sound fiscal management.

“The City implemented several important cost reduction actions and generated new revenues to arrive at the balanced 2010 operating budget, which Council approved today,” said Deputy City Manager and Chief Financial Officer Cam Weldon. “We will continue to examine new revenue options and cost reduction strategies and work to find permanent solutions to the City’s structural operating budget challenges.”

Torontonians continue to have the lowest residential taxes in the GTA. A 2.9 per cent property tax increase on residential properties will mean an annual increase of \$68 on a home with an assessed value of \$407,374. In 2009, home and condo owners in Toronto paid less in property taxes to the City for a property of comparable value than any other municipality in the 905 area code.

As part of the City’s Enhancing Toronto Business Climate Policy, the less than one per cent property tax levy increase for business and apartments is one-third of the residential rate. This levy increase, combined with the impacts of the recent Current Value Assessment results in an average tax reduction of 1.76% for multi-residential (apartments) properties; and an average tax reduction of 3.07% for small businesses. The implementation of this strategy will mean that the City will reach the approved target tax ratio for small business ahead of schedule by 2013 and the target tax ratio for commercial, industrial and multi-residential by 2017. The target tax ratio remains that business taxes be 2.5 times that of residential. Other taxes on commercial properties (such as parking lots and large offices) will increase by 2.17% and industrial properties will increase by 1.69%.

With the measures approved today, including increasing business taxes by .967%, Toronto’s government continues to support local business through many innovative programs. By the end of 2010, the City will have saved local businesses about \$242.7 million in property taxes since 2006, by continuing to reduce the total amount of City revenues that come from business property taxes. Through this program, the increase in business property taxes in 2010 will be held to less than one per cent.

Toronto City Council also adopted budget related measures in 2009 to support the construction industry in the city. The freeze on development charges in 2009 has been extended to 2010.

User fees, while only making up about 15% of the City’s total budget, remain an important source of revenue for the City to offset the cost of providing programming and other services. In many cases (e.g. recreation fees) user fees only cover a portion of the cost of providing programming. The approved budget includes user fee increases. In addition, to avoid service cuts that would severely disrupt or cancel programming, the budget introduces some new fees for services that currently have no cost-recovery. However, Council voted not to implement a one-time sign-up fee of \$25 for recreation program registration, which means that \$788,000 will be drawn from the 2009 surplus to cover this user fee revenue reduction. The City has programs in place to help those who can’t afford recreation user fees. A full list of all increases and new user fees is available at <http://www.toronto.ca/budget2010>.

Toronto, like all municipalities in Ontario, must fund the full costs of providing services in the year that they are provided. Municipalities, unlike the provincial or federal government, cannot run a deficit to pay the cost of day-to-day operations.

The City has both an operating and capital budget. The day-to-day operation of City services is paid for from the City’s operating budget (described above) – the money dedicated to salaries and operating expenses such as rent, fuel, electricity, equipment, etc. The delivery of City services such as police, fire, emergency medical services, TTC, libraries, parks and recreation, snow removal, roads maintenance, child care and many others are paid through the City’s operating budget.

Toronto's government is also rolling out its 10-year \$25.8 billion capital plan (including capital projects within Toronto Water and Solid Waste Management) that was approved last December. The Council approved plan speeds up job creation and the maintenance of City infrastructure by moving more capital spending into the first five years of the plan. Over the 10-year period, the plan will create or maintain approximately 300,000 jobs.

For more information about the programs and services provided in the City's 2010 operating budget, please visit the City's budget web pages <http://www.toronto.ca/budget2010>.

Toronto is Canada's largest city and sixth largest government, and home to a diverse population of about 2.6 million people. It is the economic engine of Canada and one of the greenest and most creative cities in North America. Toronto has won numerous awards for quality, innovation and efficiency in delivering public services. Toronto's government is dedicated to prosperity, opportunity and liveability for all its residents. For information about non-emergency City services and programs, Toronto residents, businesses and visitors can dial 311, 24 hours a day, seven days a week.

- 30 -

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