



# City Finances and Public Services



August, 2007



## The role of city government

- Toronto's City government provides municipal services that build a liveable, prosperous city with opportunity for all
- With 2.6 million people, Toronto is Canada's sixth largest government and the fifth largest City in North America



- We're here today to talk about the services that the city provides and the revenues needed to provide those services.
- The value of City services is realized every time you use a park for a picnic, participate in activities at recreation centres, get a book from the library, have garbage picked up at your curb, drink and bathe in clean water, ride the red rocket to work or have emergency services rush to your aid when you make a 9-1-1 call.
- These basic services provided by City government contribute to the quality of life we enjoy as residents and make Toronto a liveable city.
- Fifth largest city after Mexico City, New York, Los Angeles and Chicago
- Toronto is a whole Montreal bigger than Ottawa; a whole Vancouver bigger than Montreal.
- Our government is larger than that of many provinces - smaller only than the governments of Ontario, Quebec, British Columbia and Alberta.



- It may be surprising to some that the average Toronto property tax is \$6 a day (Based on Property tax of \$2,174.60 for an average house with an assessed value of \$369,300)
- Compare that cost to the average daily rate for hydro, natural gas, high speed internet, insurance, cable, food, and shelter.
- For \$6 dollars a day, Toronto residents receive...

(Note: listed on next slide)



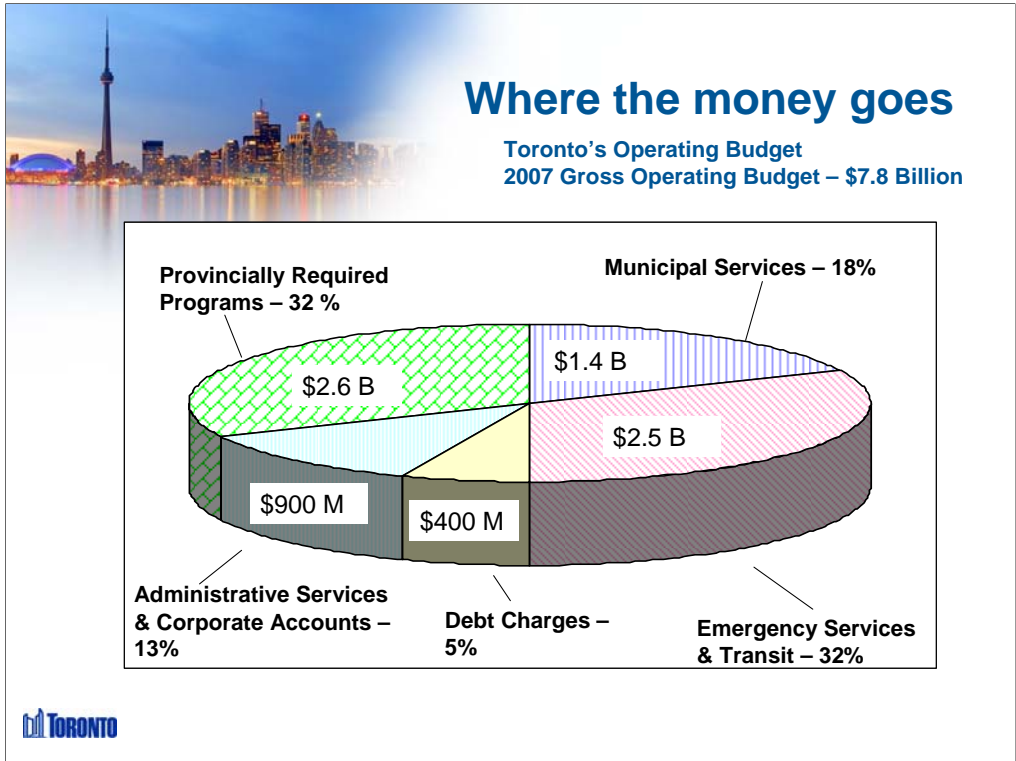
## For \$6 a day, the City provides...

- Solid Waste Collection, Recycling
- Water and Wastewater ☺
- Emergency services
  - Policing ☺
  - Fire ☺
  - EMS ☺
- Goods and People Movement
  - Transit ☺
  - Roads ☺
  - Sidewalks
- Economic Development
- Libraries
- Parks and Recreation
- Court Services
- Arts, Culture and Heritage
- Bylaw Enforcement and Inspections
- Planning and Development
- Building Permits
- Licensing
- Tourism Promotion
- Social and Health Services
  - Social Assistance
  - Homes for the Aged ☺
  - Child Care
  - Hostels ☺
  - Social Housing ☺
  - Public Health
  - Community Support

 ☺ Services provided 24/7

•All of these services – some 24 hours a day, seven days a week

•This is what the City does, now let's turn to what it costs to deliver these services this year (2007)



Total Operating Budget - \$7.8 billion

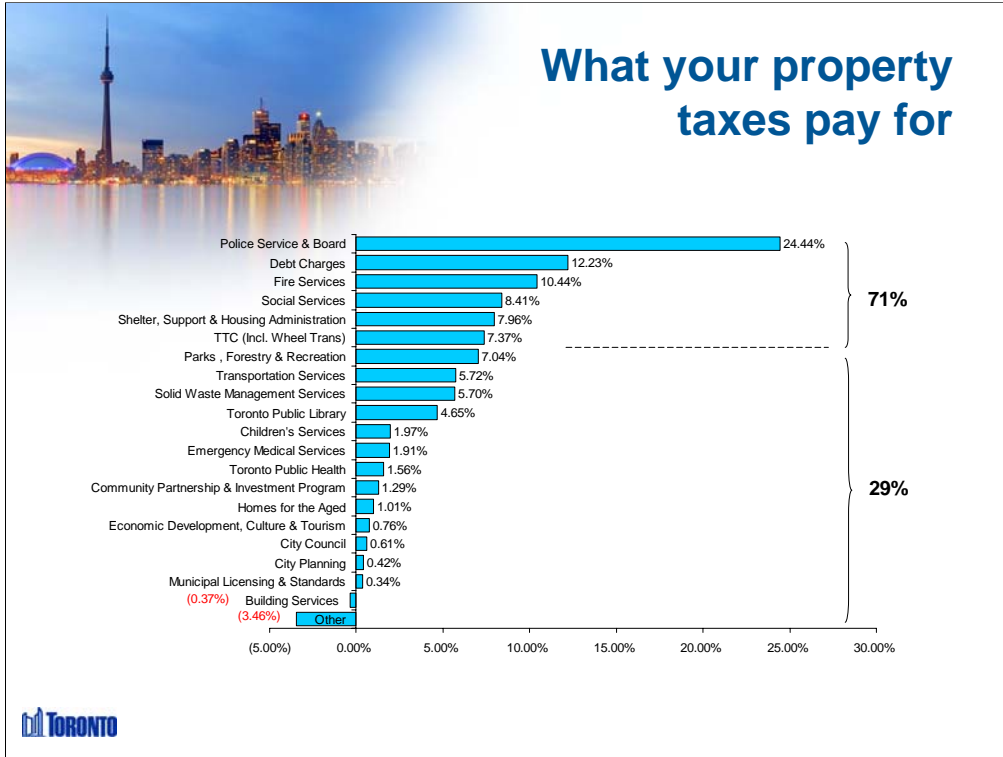
\$1.4 billion pays for a range of municipal services (roads, libraries, garbage collection, recycling, recreation and parks)

\$2.5 billion is dedicated to funding emergency services – police, fire and EMS - and transit

\$2.6 billion is directed toward provincial programs including Ontario Disability Support Program, Ontario Drug Benefit, Ontario Works and Social Housing

\$400 is directed to the City's debt charges and \$900 million pays the City's Administrative Services and Corporate Accounts\*.

\* Includes Office of the CFO, Public Information, Fleet Services, City Manager's Office, Legal Services, City Council, Lobbyist Registrar, Office of the Treasurer, Facilities and Real Estate, Information and Technology, City Clerk's Office, Mayor's Office, Auditor General's Office, Affordable Housing Office, Capital Partnership and Investment Program, Capital and Corp. Financing



71% of the property tax you pay is used for police, fire, social programs, TTC and to repay City debt – used to purchase, repair and build roads, recreation centres, libraries, subway cars, bridges etc.



**Property taxes in 2007 are paying for provincially required programs**

- Children's Services
- Court Services
- Homes for the Aged
- Shelter, Support & Housing
- Social Development
- Social Services
- Public Health

**= \$729 million**

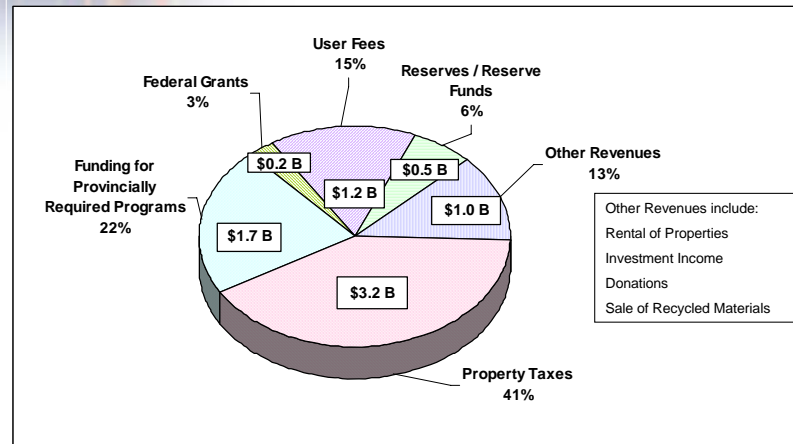


- The province gives the City \$1.7 billion each year, for provincially required programs.
- On top of that, it costs the City an additional \$729 million this year to deliver these programs. This shortfall is paid for from property taxes.
- Since amalgamation, the cost to Toronto taxpayers has been more than \$4 billion and this amount continues to grow.
- The Province's recent announcement that it will cover 100% of the costs for the Ontario Disability Support Program and the Ontario Drug Benefit program over the next four years is a good first step. In 2008, this will be a \$38 million savings to Toronto taxpayers.

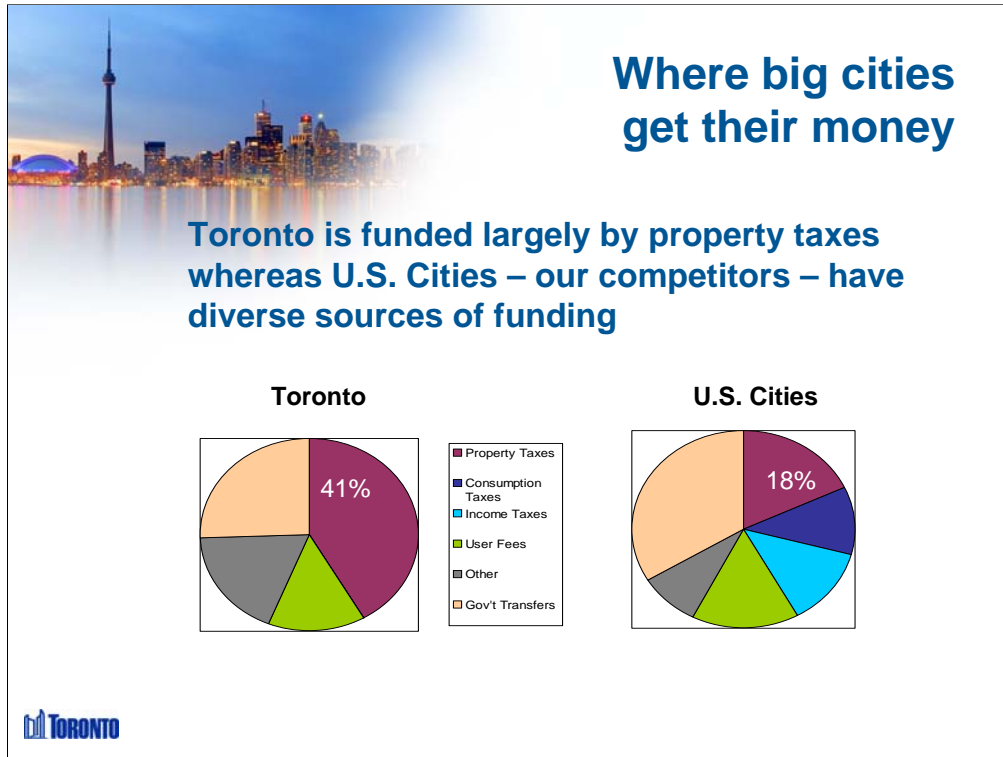
# Where does the money come from

## City of Toronto revenue

2007 Gross Operating Budget –\$7.8 Billion




Property taxes	3.2 Billion 41%
Funding for Provincially-Required Programs	\$1.7Billion 22%
User Fees	\$1.2 Billion 15%
Other Revenues	\$1.0 Billion 13%
Reserves/Reserve Funds	\$.5 Billion 6%
Federal Grants	\$0.2 Billion 3%



- Cities like Toronto with populations of more than 2 million have greater challenges and responsibilities and need to be funded properly with diverse sources of revenue and revenues that grow with the economy.
- Property taxes continue to be Toronto's main source of funding, representing 41% of our total revenues. US cities receive 18% of their funding from property taxes and 25% from sales and income taxes. Sales and income taxes grow with the economy unlike property taxes. US cities also receive greater amounts from other levels of government than Toronto.

[Notes to speaker, if needed re: **Economic Competitiveness**]

- Our economic competitiveness is the source of our prosperity which in turn provides the basis for our high quality of life. Creating a vital cycle of increasing economic competitiveness and improving quality of life is critical to long-term sustainability. The relationship between economic competitiveness and quality of life is critical with an emphasis on the importance of neighbourhoods, housing mix, schools, and other human services to Toronto's long-term success.
- Good infrastructure including transit, roads, airports, piped services, public buildings is a prerequisite to making our businesses internationally competitive. Telecommunications and transportation are key to being globally connected. In the knowledge economy, investing in 'soft' infrastructure research, education, training and mentoring is also critically important. Building strong interconnected networks of people to advance technology transfer, design, e-communication, arts and culture is essential to developing a sustainable economy.



## How we have managed so far

### Addressing Structural Financial Challenges

The City

- has used property taxes to meet funding gaps
- increased use of reserves
- negotiated for and received new taxation powers to reduce our reliance on property tax
- is leading a nationally endorsed effort to obtain the equivalent of one-cent of the GST for all Canadian municipalities
- is participating in the Provincial Municipal Fiscal Services Delivery Review

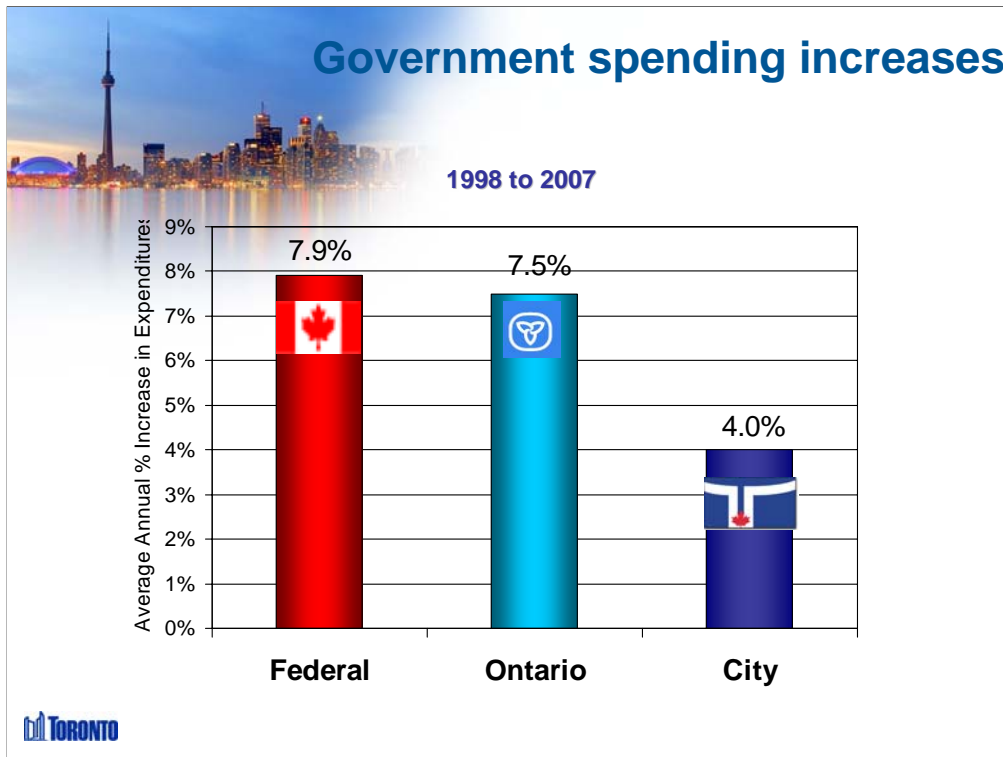


Toronto has a structural financing problem which means the problem lies not with the City's spending but with the revenue sources that the City relies on to pay for its services and provincially required programs.

Council asked for and received new limited taxation powers under the City of Toronto Act. These taxation powers give the City the means to raise additional revenue.

Toronto has been pushing along with other cities, to update the funding relationship between orders of governments. In Canada almost all of the taxes people pay go to the Federal and Provincial governments. Of all the taxes paid in Toronto, including property taxes, only 6¢ of every dollar goes to funding the City. Even when Federal and Provincial spending in Toronto is taken into account, \$10 Billion that Toronto pays to the Federal and Provincial governments in taxes still leaves the City.

While the Province has announced that it will upload the costs of the Ontario Disability Support Program and the Ontario Drug Benefit program over the next four years, which will give the City \$38 million in 2008, this is just the first step. We need further commitments from the province to upload the costs of social services and half of public transit operating costs.



The City has been controlling its expenditures as much as possible and has limited growth in spending to an average to 4% which is about  $\frac{1}{2}$  the Provincial and Federal spending increases.

The main reason the Federal and Provincial governments are in a position to finance higher levels of expenditures without raising taxes is because their revenues grow automatically with economic growth and the City of Toronto's don't. The City has to fund increased costs of service delivery from our main source of revenue – property taxes which do not grow with the economy.



## Managing our City

### Reviews and audits

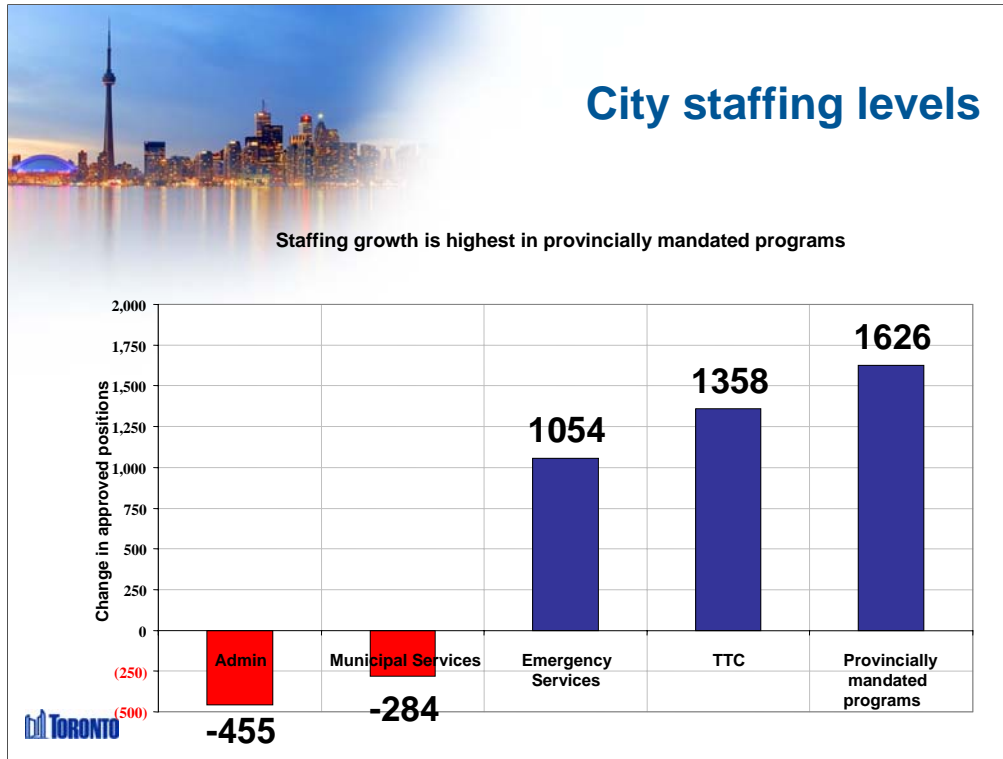
- The City reviews all of its programs and services annually for cost effectiveness
- Three credit rating agencies continue to highly rate the City's finances
- Service delivery is subject to audits by the City's Auditor General and external auditing firms with positive results
- The TTC and the delivery of provincially mandated programs have been independently audited or reviewed and found to be efficient and effective in service delivery
- The City has won numerous awards including awards for financial planning



As a government, the City is responsible for setting service delivery standards and then delivering those services

City programs and services are reviewed constantly for cost efficiency and service delivery

- City contracts out a significant amount of services in virtually all of the City's operations. For example, 46% of the budget for waste collection and recycling was contracted out. As was 100 % of the operating costs for purchased child care and the capital costs for the best start program
- 77% of the 2006 capital budget for City planning was contracted with outside suppliers for planning studies, beautification activities and environmental assessments.
- 85% of the 2006 capital budget for water treatment was contracted with outside service providers involved in the building of water treatment plants and other facilities
- To deliver high quality services, the City maintains a well-trained, capable workforce and pays salaries that are competitive and comparable to other municipalities.
- The City contracts out service delivery where appropriate - when we can save money but still maintain service delivery standards.
- The City continues to deliver its services and programs with the goal of a maintaining a financially sound City.



Since amalgamation, staffing at the City is down with the exception of staff levels in provincially required programs, emergency services and the TTC.

Staffing growth at the City is highest in provincially required programs, where the levels are set by the province and not controlled by the City.

There has also been growth in Emergency Services (police, fire and EMS) to meet demand and TTC staffing has also grown as a result of increased ridership.



## Cost containment measures

The City has undertaken cost containment in three areas:

1. Hiring freeze
2. Elimination of discretionary spending
3. Service adjustment
  - \$34 million in operating budget reductions are in place for the remaining five months of the year (August to December 2007)
  - Equivalent budget reductions will be recommended for 2008, reducing the operating budget shortfall by \$83 million



Under provincial law, cities must balance their budgets every year. In 2008, the City faces a \$575 million budget shortfall and without the new taxes, the City will be forced to find the savings elsewhere through a combination of

- increased taxes – new and property
- user fees
- service cuts

Two taxes were recommended

- the Land Transfer Tax - essentially a sales tax on land purchases.
- the Personal Vehicle Registration Tax

Proposed new taxes would generate \$356 million annually – equivalent to an 18% residential and a 6% business tax increase

Council deferred a decision on the new taxes until after the Provincial Election. The City Manager, under the direction of Mayor David Miller, directed staff to implement cost containment measures. This is necessary because the deferral will mean that even if the new taxes are approved, there will be a delay in implementation affecting the amount of money coming into the City in 2008.

