

CITY OF TORONTO

2010 Executive Committee Recommended

Operating Budget

April 15 & 16, 2010



2010 Operating Budget Overview

- 2010 Recommended Operating Budget
- 2010 Property Tax Rates
- Conclusion

2010 Recommended Operating Budget

City's Economic Environment

Recession Impacts

- Ontario Works caseload continues to grow – job recovery very slow
- Upload of Ontario Works Costs to the Province begins
- Modest reduction in TTC ridership projected
- Planning & Building Fees down
- MLTT experiencing modest growth
- Low interest rates will moderate the cost of new debt but also the returns from investment income
- General inflation remains very low

Wage Settlements:

- New labour agreements for Locals 416 and 79 result in moderate wage increases of 2%
- Non union wage increase 1%
- TTC and Police wage and benefit increases above 3%

City Manager's Four Point Plan – May 2009

1. **2009 cost constraint – Target \$100 million Surplus**
 - Hiring slow down
 - Constrain discretionary spending
2. **Service review process – reduction targets of \$170 million in each of 2010 and 2011**
3. **Maximize corporate asset values to pay down debt**
4. **Permanent Provincial funding:**
 - Full cost sharing on social services administrative costs
 - Return to permanent, predictable transit operating funding

Actions Taken

- Cost reductions, service efficiencies and service changes
- TTC fare & user fee increases and new user fees
- Debt principal payments reduced by capital refinancing strategy approved in Capital Plan
- Significant 2009 surplus generated by:
 - ⇒ Spending restraint
 - ⇒ labour disruption savings
 - ⇒ Increased Toronto Parking Authority & MLTT revenues
 - ⇒ In-year Tax Assessment Growth

2010 Balancing Strategies

	\$Millions	
2010 Beginning Pressure - May 2009		821
Sustainable Strategies		
Cost Reductions, Service Efficiencies, and Service Changes	(167)	
User Fee Increases and New Fees	(12)	
TTC Fare Increase	(50)	
MLTT and PVT Revenue Increase	(12)	
Interest and Investment Income, Parking Authority and Third Party Sign Tax	(22)	(263)
Provincial Upload - ODSP/OW, COA Cap elimination		(119)
Total Sustainable Strategies		(382)
Pressure Before Unsustainable Strategies and Property Tax Increase		439

2010 Balancing Strategies (cont'd)

	<u>\$Millions</u>
Pressure Before Unsustainable Strategies and Property Tax Increase	<u>439</u>
Unsustainable Strategies	
Prior Year Surplus Applied to 2010 Budget:	
Labour disruption savings	(31)
Prior Year Surplus Applied to TTC Operations in the Absence of Toronto-Ontario Partnership Agreement on Transit Funding	<u>(245)</u> (276)
Reserve Draws - Provincial Mandated Programs	<u>(67)</u>
Total Unsustainable Strategies	<u>(343)</u>
Adjusted Pressure Before Property Tax Increase	96
Assessment Growth	(33)
Property Tax Increases (2.9% Res; 0.967% Bus.)	<u>(63)</u>
Total Property Tax Increase	<u>(96)</u>
	<u><u>(0)</u></u>

2009 Surplus (Unaudited)

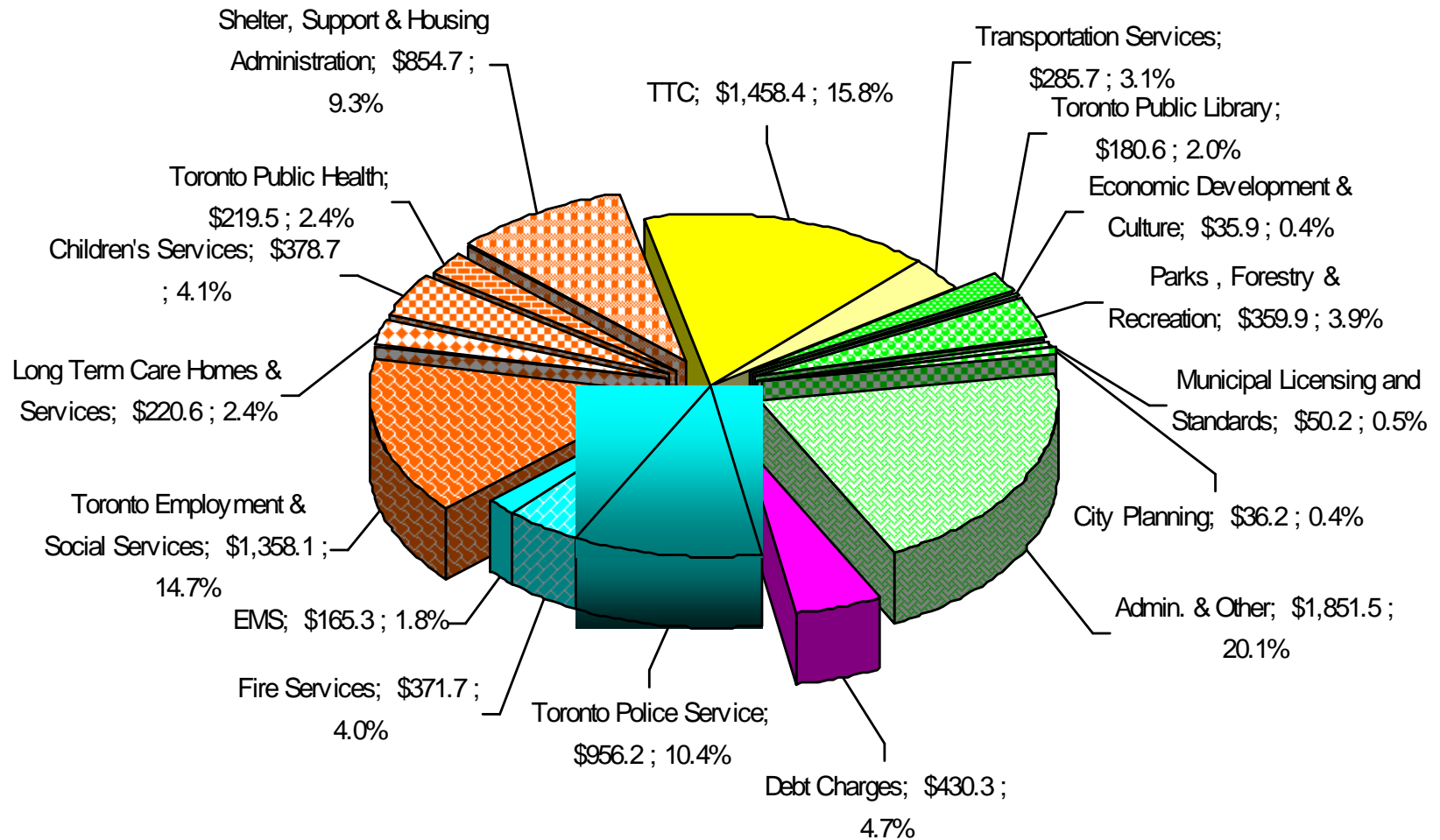
	\$Million
City Operations	87.1
Agencies, Boards, and Commissions	4.2
Corporate Accounts:	
Interest and Investment Earnings	69.6
Tax Deficiencies	53.4
Solid Waste Management Rebates	29.6
Supplementary Taxes	29.1
Payment In Lieu of Taxes & Others	24.6
MLTT and PVT	23.2
Dividend from Parking Authority	20.0
Parking Tag Enforcement	14.0
Subtotal Corporate Accounts	263.5
Total Preliminary 2009 Surplus	354.8

Application of 2009 Surplus

	\$Million
Total Preliminary 2009 Surplus	355
Applied to Reserve Funds (Exhibition Place Conference Centre & Social Assistance Stabilization)	(3)
Applied to 2010 Operating Budget	(250) (253)
	102
Additional funds applied to 2010 Operating Budget to lower the proposed tax increase to 2.9% Res; 0.967 Non Res.	(24)
Other Budget Committee Adjustments	(2)
Remaining Funds to be applied to 2011 Operating Budget (per Mayor / Executive Committee Recommendation)	76

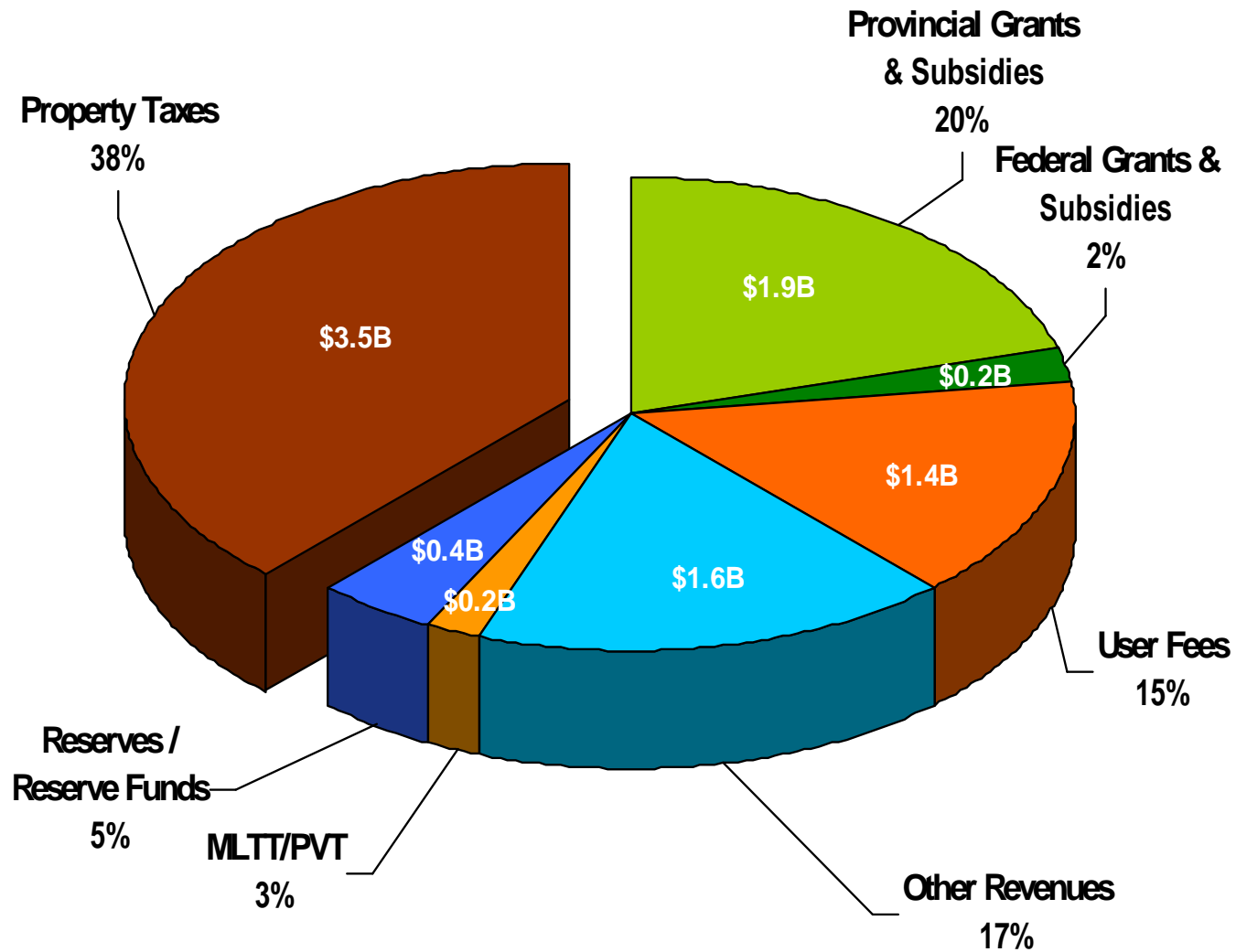
Where the Proposed \$9.214B Expenditure Goes

(\$ Million)



Where The Money Comes From

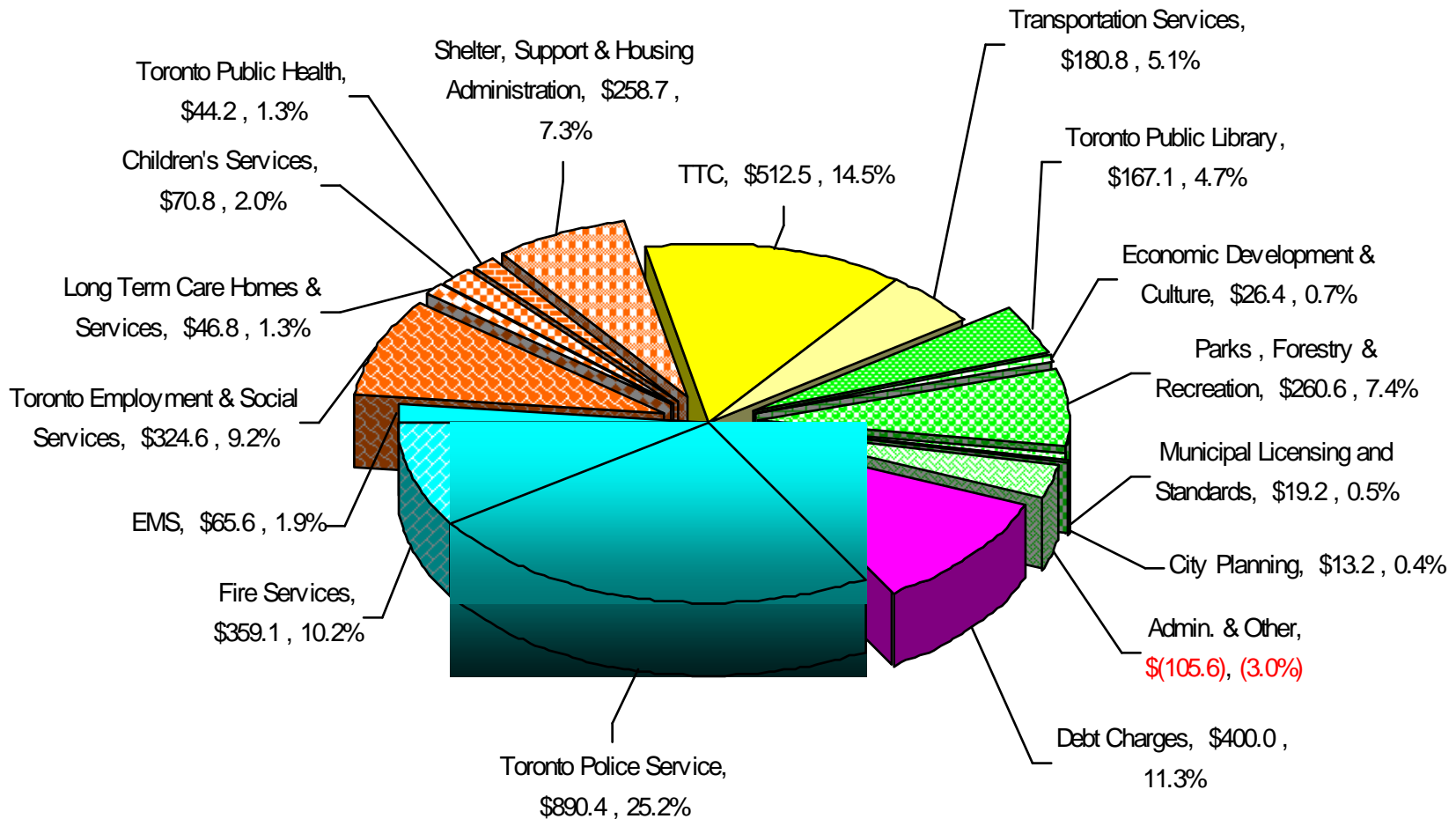
— 38% of the 2010 Budget of \$9.214B Funded by Property Taxes



Where the Proposed \$3.534B Property Taxes Go

-- 73% to Emergency Services, TTC and Provincially Mandated Health and Social Services

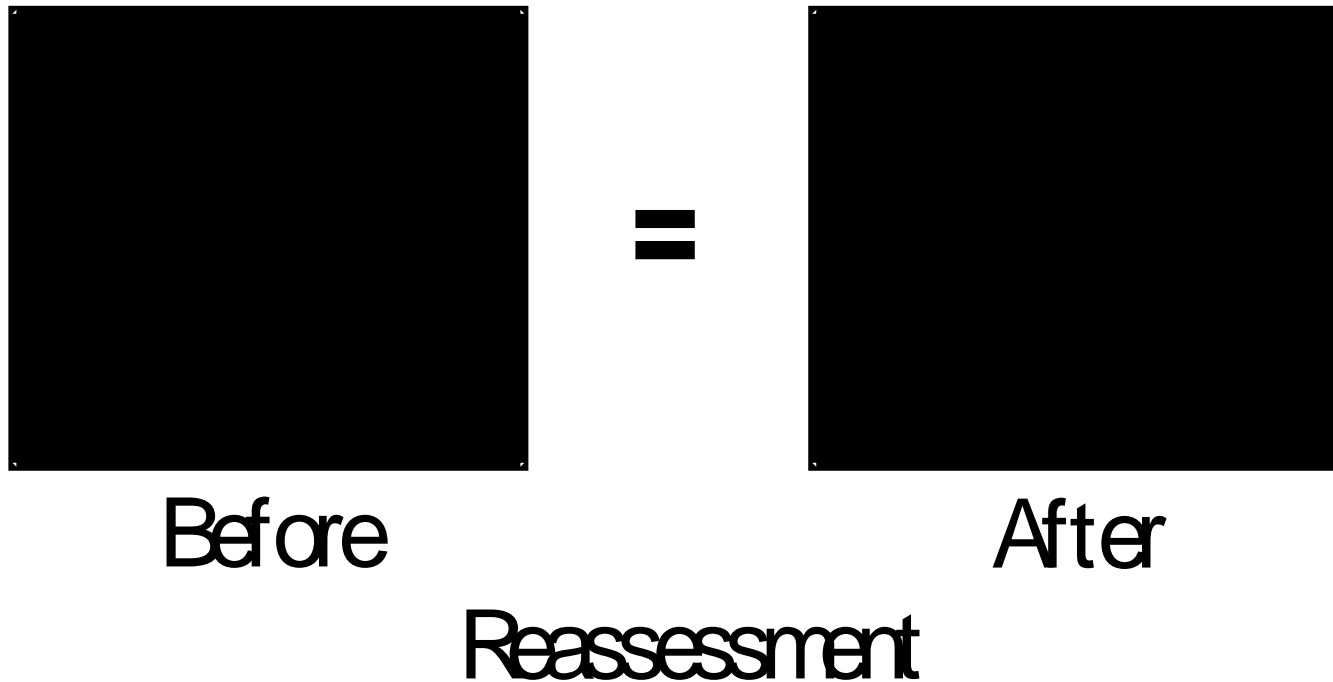
(\$ Million)



2010 Property Tax Rates And Implementing 'Enhancing Toronto's Business Climate'

City-Wide, Re-assessment is Revenue Neutral

2010 Municipal Taxes (pre levy increase)



Projected Tax Ratios

	Historic	Actual		Projected			
	2005	2009	2010 (vs 3.38 target)	2011	2012	2013 (vs. 2015 target)	2017 (vs. 2020 target)
Commercial	3.75	3.46	3.27	3.21	3.10	3.00	2.50
Industrial	4.21	3.56	3.37				
Multi-Residential	3.71	3.46	3.32				
Small Business	n/a	3.28	3.10	2.90	2.70	2.50	

2010 CVA and Levy Related Tax Impacts

Property Class	Average CVA Impact	Average Enhancing Toronto's Business Climate Adjustment	Budgetary Levy Impact	Average Total Impact
Residential	-0.71%	0.71%	2.90%	2.90%
Multi-Residential	-3.35%	0.62%	0.97%	-1.76%
Commercial Residual Band 1 (Small Business)	-1.76%	-2.27%	0.97%	-3.07%
Commercial Residual Band 2 (blended)	2.58%	-1.38%	0.97%	2.17%
Commercial General	1.73%	-0.59%	0.97%	2.10%
Industrial	3.11%	-2.39%	0.97%	1.69%
City Average	0.00%	0.00%	1.82%	1.82%

2010 Municipal Tax Impacts

Tax Class	CVA (Sample)	2009 Muni. Tax	2010 Final Municipal Tax	Net Municipal Change	
Residential	407,374 (average)	\$2,334	\$2,402	\$67.69	2.90%
Multi-Residential (Apartments)	100,000	\$2,037	\$2,002	(\$36)	-1.76%
Small Businesses Band 1	1,000,000	\$19,690	\$19,087	(\$603)	-3.07%
Residual Commercial Band 2 (Blended)	1,000,000	\$19,950	\$20,383	\$433	2.17%
Commercial General	1,000,000	\$20,160	\$20,583	\$423	2.10%
Industrial	1,000,000	\$20,752	\$21,103	\$351	1.69%

2010 Operating Budget – Tax Impacts

Residential	2.90%	2/3	\$44.2 Million
Non Residential	0.97%	1/3	<u>\$18.8 Million</u>
Total	1.82%		<u><u>\$63 Million</u></u>

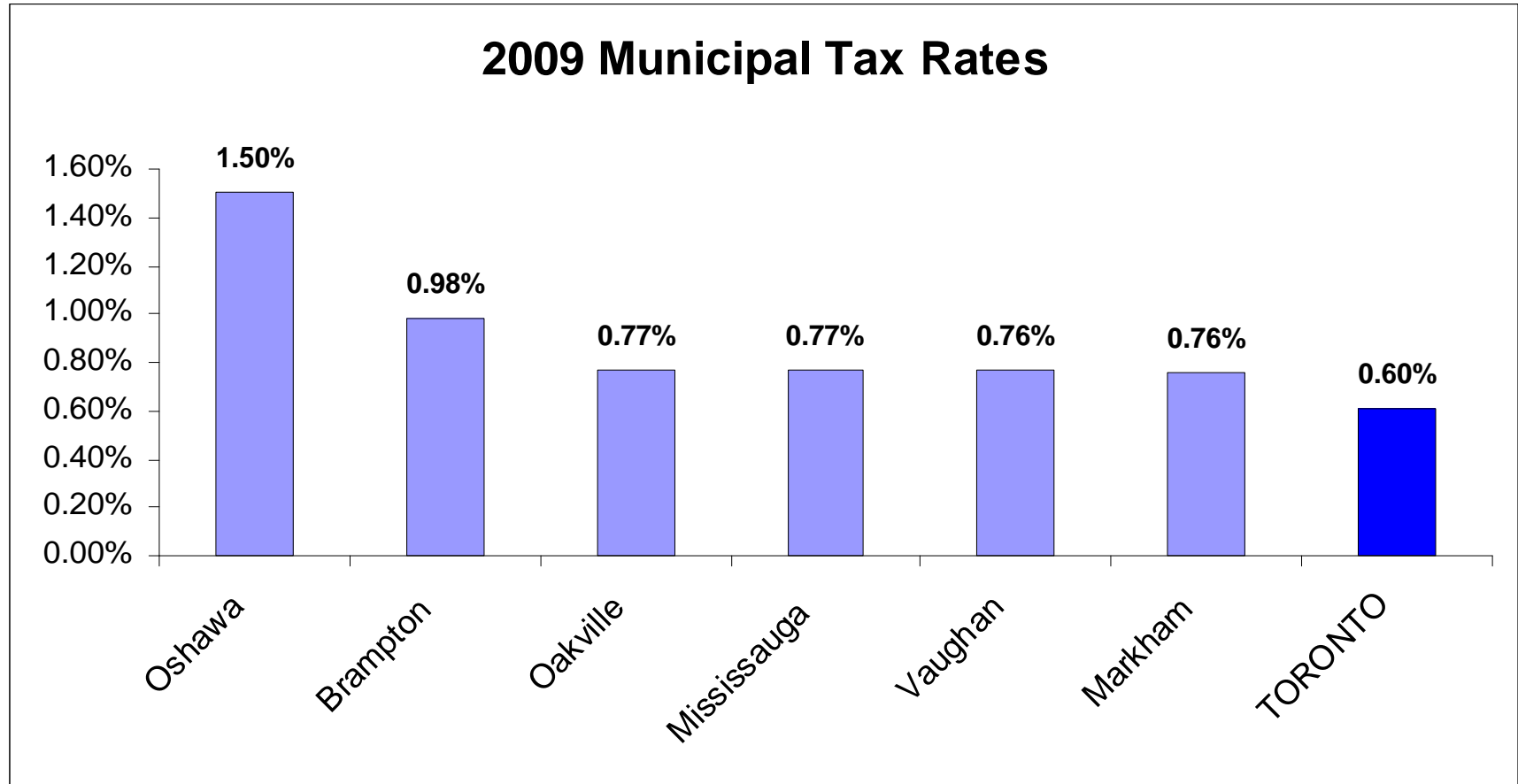
Average Residential 2010 CVA = \$407,374; \$68 Impact

Toronto Helps - Seniors and Persons with a Disability

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	<ul style="list-style-type: none"> - aged 50 years or older - household income \$50,000 or less 	<ul style="list-style-type: none"> - aged 65 years or older - household income \$36,000 or less or in receipt of the GIS - property CVA less than \$525,000 (\$575,000 – 2011-2012)
Disabled Persons	<ul style="list-style-type: none"> - receiving support from one or more specified disability programs - household income \$50,000 or less 	<ul style="list-style-type: none"> - receiving support from one or more specified disability programs - household income \$36,000 or less - property CVA less than \$525,000 (\$575,000 – 2011-2012)

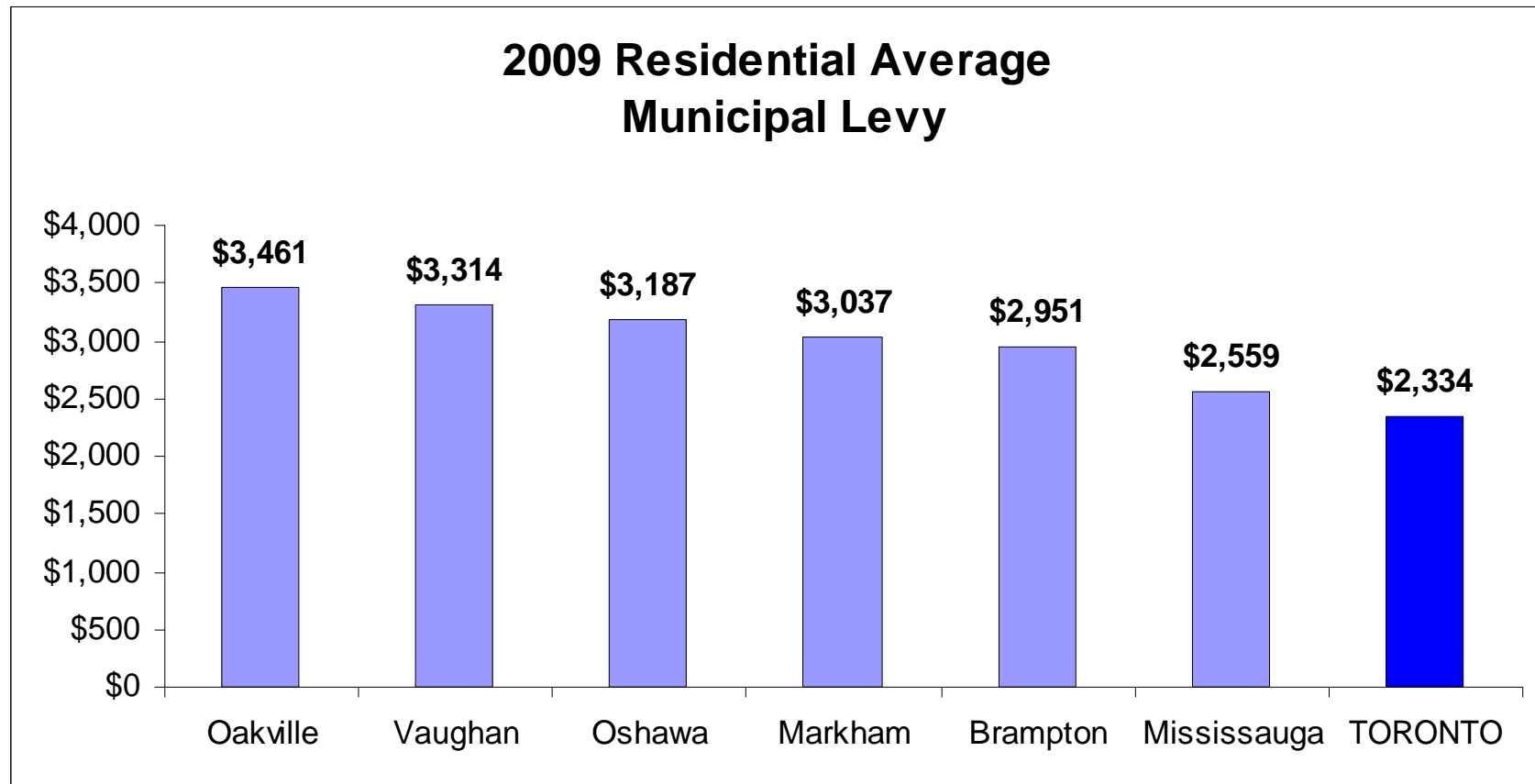
• Water rebate for low income seniors and persons with a disability

2009 Municipal Residential Tax Rates Toronto vs. Surrounding Cities



Education Residential Rate = 0.252% for all Municipalities

2009 Municipal Residential Taxes (average for all property types) Toronto vs. Surrounding Cities



Business Tax Relief

Year	2006	2007	2008	2009	2010	
	Council Enhancing Toronto's Business Climate policy for one-third of increase to non-residential					
			Council Policy Accelerated Small Business Tax Reduction			
Residential Tax Increase	3.00%	3.80%	3.39%	4.00%	2.90%	
Business Tax Increase	1.00%	1.27%	1.13%	1.33%	0.97%	Cumulative
Business Tax Relief (\$ M in forgone tax increase revenue)	\$ 36.7	\$ 47.0	\$ 42.5	\$ 51.1	\$ 37.6	\$ 215.0
Additional Small Business Relief			\$ 8.3	\$ 4.9	\$ 14.5	\$ 27.7
						\$ 242.7

Conclusion

Summary

- The 2010 Operating Budget is balanced and \$76 million of surplus set aside for 2011
- Property tax increase kept to 1.8% on total tax base (2.9% Res, 0.967% Business)
- Service reduction impacts kept to a minimum
- Expenditure increase directed to:
 - Protecting key services:
 - ✓ Emergency Services – Fire, Police, EMS
 - ✓ Maintaining TTC Service Levels
 - ✓ Children Services, Recreation, Social Services
 - ✓ 311 Customer Service Strategy
 - ✓ Increased pay-as-you go funding for capital program (debt principal & interest payments reduced)
 - Funding the ongoing impact of the recession – Ontario Works
- Conclude a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding to commence in fiscal 2011

