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2017 OPERATING BUDGET BRIEFING NOTE

Equity and Economic Impacts of 2017 Operating Budget

Issue:

On July 12, 2016, City Council directed the City Manager and the Deputy City Manager and Chief Financial Officer, as part of the 2017 Budget process, to apply a gender equity perspective to the Budget process and to report on the social and economic impacts of Council's direction to reduce the budgets of all City programs and agencies by 2.6%.

In response to Council direction, staff established a panel of External Reviewers to examine service changes proposed during the 2017 Budget process. Additionally, Economic Development & Culture (EDC) undertook an analysis of potential economic impacts.

This report transmits a summary of the results of two reviews of service changes proposed during the 2017 Budget Process. One review, conducted by External Reviewers, examined the potential equity impacts. A second review, conducted by EDC examined the potential economic impacts.

The Review Exercise was conducted under very tight timelines and with limited information, which impacted the depth of the analysis that could be conducted. The Exercise does not provide a robust analysis, but rather high level observations.

Origin:

At its July 12, 2016 meeting, City Council passed the following motions:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.37>

EX16.37, Motion 6

That City Council request the City Manager to report back on the Social and Economic impact on these recommendations as part of the 2017 Budget process.

EX16.37, Motion 7

That City Council direct the City Manager and the Deputy City Manager and Chief Financial Officer, as part of the 2017 budget process to:

- a. incorporate a gender equity perspective into the design, development, adoption and execution of all budgetary processes, in order to promote equitable, effective and appropriate resource allocation and establish adequate budgetary allocations to support gender equity and development programmes which enhance women's empowerment and develop the necessary analytical and methodological tools and mechanisms for monitoring and evaluation;*
- b. restructure and target the allocation of public expenditures to promote women's economic opportunities and equal access to productive resources and to address the basic social, educational and health needs of women, particularly those living in poverty;*
- c. make efforts to systematically review how women benefit from public sector expenditures; adjust budgets to ensure equity of access to public sector expenditures, both for enhancing productive capacity and for meeting social needs;*
- d. conduct reviews of city service delivery systems to eliminate any existing bias against women; and*
- e. facilitate, at all levels, more open and transparent budget processes.*

Key Points:

The Reviewers, who signed Confidentiality Agreements, were provided with confidential Budget information outlining proposed service reductions that were deemed by Poverty Reduction Strategy Office staff to potentially have an impact on low-income residents and/or residents from equity-seeking groups, including women. The list of service changes that were examined by the Reviewers was provided from Financial Planning data available on November 4, 2016. Proposed changes categorized as Efficiencies were not reviewed because of time constraints. Any service changes submitted to Financial Planning following November 4, 2016 were not examined by the Reviewers. More detailed information about the proposed service changes was provided to the Reviewers based on the business cases submitted to Financial Planning by the relevant divisions.

Also of relevance to EX16.37, Motion 7 is work being done in the City's Equity, Diversity and Human Rights Division (EDHR). EDHR is currently developing an Intersectional Gender-Based Framework that will help determine the impacts of City programs and services on various genders.

Attachments:

Attachment A: Analysis of the Equity Impacts of "Service Adjustments Included in the Preliminary Operating Budget" (Analysis of Recommended Reductions and Cuts)

Attachment B: Analysis of the Equity Impacts of "Service Changes Not Included in Preliminary Operating Budget" (Analysis of Reductions and Cuts Not Recommended, but Provided for Consideration)

Attachment C: General Comments of External Reviewers

Attachment D: List of External Reviewers

Attachment E: Analysis of the Economic Impacts of Proposed Service Changes

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Date: December 9, 2016

Attachment A:

Analysis of Equity Impacts of "Service Adjustments Included in the Preliminary Operating Budget" (Analysis of Recommended Reductions and Cuts)

Below, organized by division, is a summary of the Reviewers' findings regarding service adjustments that were proposed during the 2017 Budget process. These service adjustments have been recommended in the Preliminary Operating Budget.

Proposed changes that were categorized as Efficiencies or identified after November 4, 2016 were not examined by the Reviewers.

Only service adjustments that were deemed to potentially have an impact on low-income residents and/or residents from equity-seeking groups, including women, were considered.

1. Children's Services

A. Proposal: Close the Capri Child Care Centre, due to health and safety concerns regarding the building and difficulty maintaining full enrollment.

Level of equity impact: Low

Impacted residents: Women

Equity impact: The Reviewers found that the impact of this proposed service reduction will include: decreased access to childcare.

Comment: The Reviewers noted that Children's Services has indicated that the number of fee subsidies in the ward will not be impacted. However, the Reviewers found that parents who rely on the Centre may have difficulty securing alternative, regulated child care that is conveniently located.

B. Proposal: Eliminate occupancy grants to 350 child care centres in schools, resulting in a modest fee increase for parents paying full fees.

Level of equity impact: Low

Impacted residents: Women

Equity impact: The Reviewers noted that even modest fee increases will impact families struggling with the already high costs of child care.

2. City Manager's Office

Proposal: Eliminate one senior consultant with responsibilities for, among other things, governance, government-wide initiatives, and participatory budgeting.

Level of equity impact: Low

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, and homeless people

Equity impact: The Reviewers found that this proposed cut may impact the City's capacity to support analysis and engagement that is critical to good planning and a healthy society.

The Reviewers indicated caution needs to be exercised to ensure such reductions do not lead to incremental erosion, the consequences of which are sometimes not noticed until they are severe.

3. Economic Development & Culture

A. Proposal: Reduce the operational budgets of the Toronto Arts Council and Culture Build.

Level of equity impact: Medium

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and artists

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased training opportunities, decreased job quality, increased inequity, increased social exclusion, and increased discrimination.

B. Proposal: Reduce funding available for the 2017 Cultural Hotspot in East York/East End

Level of equity impact: Low

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and artists

Equity impact: The Reviewers found that the impact of this proposed reduction will include: decreased training opportunities, decreased job quality, increased inequity, increased social exclusion, and increased discrimination.

4. Information Technology

Proposal: Implement service changes that will impact the division's capacity to support demand for geospatial data, as well as geo-analytics impacting 311, 911 and Open Data.

Level of equity impact: Low

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, and homeless people

Equity impact: The Reviewers found that these proposed reductions may impact service planning and delivery of emergency services. Stressing the importance of Open Data to a range of planning activities that occur in the city, the Reviewers expressed concern about the erosion of capacity to support good planning.

5. Long-Term Care Homes & Services (LTCHS)

Proposal: Eliminate a back-fill position used to cover staff attending mandatory training.

Level of equity impact: Medium

Impacted residents: Persons with disabilities, persons with low-income, seniors

Equity impact: The Reviewers found that this proposed cut will diminish physical health and the quality of care available to residents reliant on LTCHS.

6. Parks, Forestry and Recreation (PF&R)

A. Proposal: Close the Toronto Island Ropes Course.

Level of equity impact: Low

Impacted residents: Persons with low-income people, children

Equity impact: The Reviewers found that this proposed cut may decrease access to a unique recreation opportunity that low-income residents will not be able to access elsewhere.

B. Proposal: Reduce program staff to support engagement with urban agriculture and horticulture.

Level of equity impact: Low

Impacted residents: Persons with low-income people, children

Equity impact: The Reviewers found that this proposed reduction may decrease access to unique programs that low-income residents will not be able to access elsewhere, and may decrease food security.

C. Proposal: Reduced summer maintenance in high traffic parks.

Level of equity impact: Low

Impacted residents: Low-income people, children

Equity impact: The Reviewers found that this proposed reduction may impact community pride in the neighborhood.

7. Shelter, Support and Housing Administration (SSHA)

Proposal: Change the program delivery model at Adelaide Resource Centre.

Level of equity impact: Medium

Impacted residents: Aboriginal women, women from racialized groups, disabled women, low income women, and homeless women

Equity impact: The Reviewers found that the impact of this proposed service reduction will include: decreased housing stability, decreased access to community services, decreased training opportunities, decreased employment opportunities, increased inequity, increase risk of homelessness, and increased risk of experiencing violence.

Comment: The Reviewers indicated that while the programs that are run at the Resource Centre are primarily run by other agencies, this proposed service reduction, which removes infrastructure from the Centre, may have a destabilizing effect on the agencies and the services they offer.

8. Social Development Finance & Administration

Proposal: Reverse the 2017 2% inflationary increase to community organizations.

Level of equity impact: Medium

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, and homeless people

Equity impact: The Reviewers found that the impact of this proposed reduction will include: decreased housing stability, decreased access to housing, decreased access to community services, decreased training opportunities, decreased employment opportunities, increased inequity, decreased social cohesion, increased discrimination, increased risk of homelessness, and increased risk of violence.

Comment: The Reviewers found that this proposed reduction will impact community organizations' capacity to meet and respond to community needs, in an environment characterized by under-funding, rising costs and underpaid staff.

9. Toronto Transit Commission

Proposal: The Board of the Toronto Transit Commission (TTC) has approved a 10 cent fare increase.

Level of equity impact: High

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and workers with non-standard hours

Equity impact: The Reviewers found that the approved 10 cent fare increase will result in decreased access to transit and therefore: decreased access to community services, decreased access to childcare, decreased training opportunities, decreased employment opportunities, decreased job quality, decreased job security, increased inequity, decreased social cohesion, increased social exclusion, increased risk of experiencing violence, and increased risk of criminalization.

Comment: The Reviewers pointed to the Staff Report submitted to the TTC Board which projects that the fare increase will result in a reduction of 1.2 million trips in 2017. This will disproportionately suppress trips by residents with low income, who are less able to afford a fare increase.

One Reviewer with expertise in transit equity stated that if the 10 cent fare increase is implemented, the TTC fare will have increased by 21%, in real terms, over the last seven years.

The Reviewers stressed that because access to transit is essential to residents' capacity to engage in the labour market and community, budget decisions that reduce residents' access to transit exacerbate inequity.

The Reviewers pointed out that the increase in fares will be a difficult burden for already stretched community agencies that purchase TTC tokens for program participants who cannot otherwise access the programs. The Reviewers also expressed concern that the increase in the fare will result in greater criminalization of low-income people who are forced to engage in fare evasion in order to access transit.

Attachment B:

Analysis of Equity Impacts of "Service Changes Not Included in Preliminary Operating Budget" (Analysis of Reductions and Cuts Not Recommended, but Provided for Consideration)

Below, organized by division, is a summary of the Reviewers' findings regarding service changes that were proposed during the 2017 Budget process. These service changes have not been incorporated into the Preliminary Operating Budget, but have been presented to Budget Committee as a list of Service Changes for review. These services and programs remain funded in the 2017 Preliminary Operating Budget presented by City staff on December 6, 2017.

Proposed changes that were categorized as Efficiencies or identified after November 4, 2016 were not examined by the Reviewers.

Only service changes that were deemed to potentially have an impact on low-income residents and/or residents from equity-seeking groups, including women, were considered.

1. Economic Development & Culture

A. Proposal: Reduce Arts & Culture grants, impacting many arts organizations and institutions as well as festivals, including PRIDE and the Toronto Caribbean Festival.

Level of equity impact: Low (for organizations with revenue generating capacity); High (for organizations with minimal revenue generating capacity)

Impacted residents: Aboriginal Peoples, women, members of racialized groups, specifically Black communities, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and artists

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased training opportunities, decreased job quality, increased inequity, increased social exclusion, and increased discrimination.

Comment: The Reviewers noted that many of the large arts organizations and institutions will be able to absorb the proposed cut without extreme difficulty. However, community festivals, and in particular, the Toronto Caribbean Festival, have minimal capacity to generate additional revenue, and therefore will be deeply impacted. The Reviewers also indicated that this cut will impact the development of new and emerging artists, diminishing the cultural development and production occurring in Toronto.

2. Fire Services

Proposal: Reduce the number of trucks in service, by seven.

Level of equity impact: Low

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and artists

Equity impact: The Reviewers found that the impact of this proposed service reduction may impact fire service available to residents, noting that fire hazards tend to be greater in sub-standard housing, in which low-income people are often forced to live.

3. Long-Term Care Homes & Services (LTCHS)

Proposal: Discontinue food production to Meals on Wheels Agencies.

Level of equity impact: High

Impacted residents: Persons with disabilities, persons with low-income, seniors

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to community services, decreased access to healthy food, increased social exclusion, and diminished physical and mental health.

Comment: The Reviewers indicated that the existing Meals on Wheels system is already very fragile. They stressed that the proposed cut will have dire consequences and will result in many agencies no longer being able to provide food and social support to vulnerable and isolated residents.

4. Parks, Forestry and Recreation (PF&R)

A. Proposal: Close 16 TDSB Exclusive Use and Stand Alone Facilities resulting in the discontinuation of recreation programs.

Level of equity impact: Medium

Impacted residents: Women, members of racialized groups, immigrants, refugees, persons with low-income, and children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to informal childcare, increased social exclusion, and diminished physical health.

Comment: The Reviewers noted that there is currently inadequate access to recreation programs, which will be intensified with this proposed cut. The Reviewers also noted that increasing access to recreation programs is a goal of *TO Prosperity* which will be undermined if this proposal is implemented.

The Reviewers also stressed the importance of recreation programs as gathering places for community members, including youth, mothers, and seniors.

B. Proposal: Close 12 stand-alone outdoor pools.

Level of equity impact: Medium

Impacted residents: Women, members of racialized groups, immigrants, refugees, persons with low-income, homeless people, and children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to informal childcare, increased social exclusion, and diminished physical health.

Comment: The Reviewers indicated that outdoor pools are a crucial source of heat relief to low-income residents in the summer.

The Reviewers again stressed the importance of using a gender lens when considering programs such as many of those operated by PF&R upon which children and their mothers tend to rely heavily.

C. Proposal Close 36 wading pools.

Level of equity impact: Medium

Impacted residents: Women, members of racialized groups, immigrants, refugees, persons with low-income, and children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to informal childcare, increased social exclusion, and diminished physical and mental health.

Comment: The Reviewers stressed the importance of using a gender lens when considering programs such as many of those operated by PF&R upon which children and their mothers tend to rely heavily.

D. Proposal: Close 10 TDSB Indoor Pools.

Level of equity impact: Medium

Impacted residents: Women, members of racialized groups, immigrants, refugees, persons with low-income, and children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to informal childcare, increased social exclusion, and diminished physical health.

Comment: The Reviewers again stressed the importance of using a gender lens when considering programs such as many of those operated by PF&R upon which children and their mothers tend to rely heavily.

E. Proposal: Reduce turf maintenance.

Level of equity impact: Low

Impacted residents: Women, members of racialized groups, immigrants, refugees, persons with low-income, and children

Equity impact: The Reviewers found that this proposed reduction in service may impact community pride in the neighborhood.

5. Shelter, Support and Housing Administration (SSHA)

A. Proposal: Eliminate services that prevent homelessness, which will result in a reduction of \$18.518 million (exp) and \$17.088 million (net). This reduction will eliminate services funded by the province's Community Homelessness Prevention Initiative, including the Rent Bank, Housing Help in shelters, Supports to Daily Living, Community-Based Housing Help and drop-in services.

Level of equity impact: High

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s people, people with disabilities, youth, immigrants, refugees, persons with low-income, and homeless people

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased housing stability, decreased access to housing, decreased access to community services, increased inequity, decreased social cohesion, increased social exclusion, increased homelessness, increased risk of experiencing violence and diminished mental and physical health. The Reviewers found that it is likely that such a significant cut will result in the deaths of vulnerable residents.

Comment: The Reviewers noted that many of the impacted programs and services are essential to helping people find and maintain housing. The Reviewers stressed that this proposed cut will destabilize the shelter and related support systems, noting that many of these services are amongst the most basic and essential that the City provides. The

Reviewers indicated that many of the impacted programs and services are lifelines to Toronto's most vulnerable residents and that the proposed cut would decimate these services, thereby causing great harm to impacted residents.

The Reviewers indicated that the proposed cuts would be a reversal of commitments made in *TO Prosperity: Toronto Poverty Reduction Strategy*.

B. Proposals: Reverse Task Force Recommendations on Toronto Community Housing and reduce TCHC net base subsidy by 2.6%.

The first of these proposals reverses ongoing recommendations of the Mayor's Task Force on Toronto Community Housing, resulting in a reduction of \$4.175 million to Toronto Community Housing. (The original investment in 2016 was funded from reserves.) The second proposal is to implement a 2.6% reduction to the net base subsidy provided by the City to Toronto Community Housing. This will result in an additional reduction of \$4.0 million to TCH. Additionally, TCH faces further financial pressures because there is a \$31.2 million shortfall in their 2017 operating budget. (This shortfall is funded in the Recommended Preliminary Budget.)

Level of equity impact: High

Impacted residents: TCH residents and the people who live in neighborhoods in which TCH housing is located will be impacted. The Reviewers specified that the following will be among the impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s people, persons with disabilities, youth, immigrants, refugees, persons with low-income, and undocumented people.

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased housing quality, decreased housing stability, decreased access to housing, decreased access to community services, increased inequity, decreased social cohesion, increased social exclusion, increased homelessness, increased risk of experiencing violence, and diminished mental and physical health.

Comment: The Reviewers stressed that the significance of the proposed cuts to TCH, along with the \$31.2 million shortfall in TCH's operating budget, cannot be understated.

The Reviewers expressed deep concern that the quality of housing and living conditions for existing TCH tenants is already dangerously and shamefully inadequate. Pointing to the unsafe, substandard and unhealthy conditions that characterize much of TCH, the Reviewers found that any reduction in TCH funding would be irresponsible and inhumane.

The Reviewers also noted that the proposed cuts as well as a decision not to fund the \$31.2 million shortfall in the operating budget will not only prevent necessary reform to TCH, but also result in significant and extraordinary numbers of unit closures, thereby exacerbating Toronto's affordable housing crisis.

Additionally, the Reviewers indicated that the proposed cuts will be a reversal of

commitments made in *TO Prosperity: Toronto Poverty Reduction Strategy*, and a reversal of the progress that has been made.

The Reviewers commented that the proposed cuts to TCH, as well as the \$31.2 million shortfall, continue the long tradition of all levels of government refusing to take responsibility for Toronto Community Housing, resulting in the suffering of Toronto's most vulnerable residents, as well as all of the neighborhoods in which TCH housing exists.

C. Proposal: Close Downsview Dells, a transitional house in North York for 27 men attending addiction treatment programs.

Level of equity impact: High

Impacted residents: Low-income and homeless men with addictions issues

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased housing stability, decreased access to housing, decreased access to community services, increased inequity, decreased social cohesion, increased risk of homelessness, increased risk of experiencing violence, and diminished physical and mental health.

Comment: The Reviewers indicated that there is currently no capacity in the shelter and transitional housing system to adequately support an additional 27 men. The Reviewers stressed that the shelter system currently has a 98% occupancy rate; they expressed concern that people requiring access to shelter or transitional housing will be even less likely to get the support they require as a result of this cut.

6. Social Development, Finance & Administration Proposal:

Reduce grants to community organizations by 2.6%. **Level of**

equity impact: Medium

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, and homeless people

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased housing stability, decreased access to housing, decreased access to community services, decreased training opportunities, decreased employment opportunities, increased inequity, decreased social cohesion, increased discrimination, increased risk of homelessness, and increased risk of violence.

Comment: The Reviewers indicated that this proposed cut will decrease community organizations' capacity to develop innovative programs and respond to emerging needs. The Reviewers also stressed that the organizations who typically receive the grants

impacted by this proposed cut are ones that are small, grassroots initiatives that are highly adaptable and responsive.

The Reviewers noted that investment in social development in Toronto is already underfunded. They expressed deep concern that decreasing investment in social development will undermine social cohesion and thwart the development of strong communities.

7. Toronto Paramedic Services (TPS)

Proposal: Reduce the paramedic complement by 28 positions.

Level of equity impact: Medium

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, and homeless people

Equity impact: The Reviewers found that the impact of this proposed cut will include: increased risk of death.

Comment: The Reviewers noted that this proposed cut will impact all residents, but because low-income and vulnerable residents do not have access to other transportation methods such as personal vehicles, the risk to them may be greater.

The Reviewers indicated that with an ageing population and an increase in calls for paramedic services, this proposed cut is a roll-back in a plan to improve paramedic services to ensure residents' needs are met.

8. Toronto & Region Conservation Authority (TRCA)

A. Proposal: Eliminate the Gardening Program at Black Creek Pioneer Village.

Level of equity impact: Low

Impacted residents: Persons with low-income, and children

Equity impact: The Reviewers found that this proposed service change may decrease access to unique programs that low-income residents will not be able to access elsewhere. The elimination of the gardens, which also promote urban agriculture, may decrease food security.

B. Proposal: Reduce staffing levels for education and heritage preservation, impacting customer engagement and maintenance.

Level of equity impact: Low

Impacted residents: Persons with low-income, and children

Equity impact: The Reviewers found that this proposed service change may decrease access to unique programs that low-income residents will not be able to access elsewhere.

9. Toronto Public Health (TPH)

A. Proposal: Restructure programming for vulnerable adults and seniors, including eliminating one-to-one home visiting for people with complex mental health issues.

Level of equity impact: High

Impacted residents: Women, persons with disabilities, persons with low-income, and seniors

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased housing quality, decreased housing stability, decreased access to community services, decreased access to healthy food, increased social exclusion, increased risk of homelessness, increased risk of violence, and diminished mental and physical health.

Comment: The Reviewers stressed that this proposed cut will result in greater demands on other social and health services, including emergency rooms. The Reviewers commented that this proposed cut would likely result in savings in one area, and costs in another.

B. Proposal: Close two sexual health clinics serving high risk clients.

Level of equity impact: High

Impacted residents: Women, LGBTQ2s, youth, undocumented individuals

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to community services, increased inequity, increased social exclusion, increased risk of violence, and diminished mental and physical health.

Comment: One of the Reviewers with significant expertise in the area of public health noted that sexually-transmitted diseases are on the rise thus intensifying the danger of closing these clinics which are relied upon by very vulnerable residents.

C. Proposal: Close 44 student nutrition programs serving 13, 279 students in low-income neighborhoods.

Level of equity impact: High

Impacted residents: Aboriginal children, racialized children, LGBTQ2s children, children with disabilities, immigrant children, refugee children, children in families with low-income, undocumented children, and homeless children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to healthy food, decreased opportunities to learn, decreased social cohesion, increased social exclusion, increased discrimination, and diminished mental and physical health.

Comment: The Reviewers stressed that this proposed cut will diminish students' capacity to learn and succeed at school.

The Reviewers also noted that this proposal is inconsistent with the commitments made in *TO Prosperity*.

D. Proposal: In the Municipal Dental Program, close one dental clinic and discontinue two long-term care dental hygiene teams.

Level of equity impact: High

Impacted residents: Women, persons with disabilities, persons with low-income, and seniors

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to community services, decreased access to healthy food, increased inequity, and diminished physical health.

Comment: The Reviewers indicated that dental care is primary care. The Reviewers stressed that this proposed cut is inconsistent with other City efforts to expand access to dental care to low-income residents, including initiatives included in *TO Prosperity*.

E. Proposal: In the Healthy Babies Program, eliminate a Registered Dietician position who provides individual support to at-risk pregnant women and counselling at Canada Prenatal Nutrition Programs.

Level of equity impact: Medium

Impacted residents: Women, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented individuals, homeless people, and infants

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to community services, decreased access to healthy food, increased inequity, and diminished physical health.

10. Toronto Public Library (TPL)

Proposal: Reduce open hours, and reduce the collections budget.

Level of equity impact: Medium

Impacted residents: Aboriginal Peoples, women, members of racialized groups, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, seniors, and children

Equity impact: The Reviewers found that the impact of this proposed cut will include: decreased access to community services, decreased training opportunities, decreased social cohesion, increased social exclusion, and increased risk of experiencing violence.

Comment: The Reviewers noted that Toronto's public libraries provide a tremendous range of services and programs to residents, including drop-in programs for vulnerable youth, financial literacy programs for low-income seniors, early literacy programs for children and families, informal and formal settlement support, and digital innovation workshops. They noted that in addition to offering rich programming, libraries are a gathering place for community members.

The Reviewers stressed that at current levels of funding, much of the IT equipment and staffing levels are sub-standard.

The Reviewers also noted that some libraries are co-located with recreation centres, making these branches' connection and relevance to community and residents even greater.

The Reviewers expressed concern that the multiple and complex roles played by libraries was not reflected in this proposed cut.

11. Toronto Transit Commission

Proposal: The Board of the Toronto Transit Commission (TTC) has not approved service cuts. However, a Staff Report, "2017 TTC and Wheel-Trans Operating Budgets - November 21, 2016," identifies options to reduce the TTC budget, including service reductions, which may be relevant in the Budget process.

Level of equity impact: High

Impacted residents: Aboriginal Peoples, women, members of racialized groups, LGBTQ2s, persons with disabilities, youth, immigrants, refugees, persons with low-income, undocumented people, homeless people, and workers with non-standard hours

Equity impact: The Reviewers found that service reductions will result in decreased access to transit and therefore: decreased access to community services, decreased access to childcare, decreased training opportunities, decreased employment opportunities, decreased job quality, decreased job security, increased inequity,

decreased social cohesion, increased social exclusion, increased risk of experiencing violence, and increased risk of criminalization.

Comment: The Reviewers noted that research shows that most daily transit trips in the region are made by residents living in neighborhoods with lower than median incomes, the majority of which are located in Toronto's inner suburbs. These areas are primarily served by TTC bus routes in mixed traffic, which are already subject to crowding, bunching, and delays. The Reviewers stressed that because access to transit is essential to residents' capacity to engage in the labour market and community, budget decisions that reduce residents' access to transit exacerbate inequity.

The Reviewers also commented that at a time of unprecedented capital investment in transit infrastructure, it is short-sighted and unfair not to address the significant pressures on the operating budget. Service cuts on the existing transit network will exacerbate the problems with speed, reliability, and capacity that the TTC is already hard-pressed to address.

Attachment C:

Reviewers' General Comments

The summary below reflects the Reviewers' comments regarding adjustments that were recommended in the Preliminary Operating Budget, as well as changes that were not recommended in the Preliminary Operating Budget, but were presented for review.

One of the primary conclusions of the Reviewers was that an across the board 2.6% reduction to all City programs and agencies, by design, disproportionately and negatively impacts low-income, vulnerable and marginalized residents - because these residents are at a disadvantage to begin with. The Reviewers pointed out that divisions and programs that serve the general public can disperse the impact of service reductions and cuts across all income groups. However, divisions, programs and agencies that primarily serve disadvantaged and vulnerable populations cannot do this; the full impact of any reduction is borne by those disadvantaged and vulnerable populations. Reviewers also expressed concern that many of the divisions and programs that primarily serve disadvantaged and vulnerable populations have smaller base funding to begin with, and therefore, the impact of a 2.6% reduction is more difficult to manage than in programs and divisions with larger funding bases.

Further, the Reviewers expressed deep concern that many of the proposed service adjustments and changes, particularly those that have **not** been recommended in the Preliminary Operating Budget, but have been presented for consideration, will have a very negative, and in some instances, potentially lethal impact on low-income and vulnerable residents, as well as residents from equity-seeking groups. The Reviewers also found that many of the proposed service adjustments and changes will reverse commitments and progress made in *TO Prosperity: Toronto Poverty Reduction Strategy*.

The Reviewers indicated that many of the proposed service changes will result in increased costs elsewhere. For example, if Toronto Community Housing is not adequately funded there will be greater demands placed on emergency shelters and other community services.

The Reviewers also noted that the elimination of City jobs, generally higher-quality jobs, will cause hardship and seems to be inconsistent with other City initiatives such as *AnchorTO* and *TO Prosperity*.

The Reviewers also expressed concern that Council, in its Budget processes and financial planning, will need to prioritize revenue generation, noting that there does not appear to be sufficient savings left to be found in efficiencies to provide the services and build the city residents need and want.

Attachment D:

External Reviewers

Idil Abdhillahi, Assistant Professor, Ryerson University

Mark Aston, Executive Director, Fred Victor Centre

Pedro Barata, Vice President, Communications and Public Affairs, United Way of Toronto and York Region

Crystal Basi, Executive Director, Toronto Aboriginal Support Services Council

Shelia Block, Research Director, Canadian Centre for Policy Alternatives - Ontario

Pat Capponi, Lead Facilitator, VOICES

Rob Howarth, Executive Director, Toronto Neighborhood Centres

Anna Kramer, Assistant Professor, University of Toronto

Sean Meagher, Executive Director, Social Planning Toronto

Patricia O'Campo, Scientist, University of Toronto

Angela Robertson, Executive Director, Queen West Community Health Centre

John Stapleton, Principal, Open Policy

(Some of the Reviewers are employed by or are affiliated with organizations that receive City funding, and may be impacted by the 2017 Budget; these conflicts were declared.)

Attachment E:

Analysis of Economic Impacts of Proposed Service Adjustments and Changes (Analysis conducted by Economic Development & Culture)

Introduction:

In order to conduct an economic analysis of the service adjustments and reductions proposed during the development of the 2017 Operating Budget, Economic Development & Culture staff conducted a literature review, reviewed the individual Budget and service reductions and gathered a variety of relevant multipliers from various research sources to analyze. While the External Reviewers were able to indicate the level of equity impact for individual reductions, it was decided that EDC staff would review the package of reductions as a whole to assess the economic impacts on the city-wide economy with the exception of a few expenditure reductions that have significant third-party leverage situations where City spending causes (leverages) other expenditures to be made beyond the 'normal' multiplier calculations (and thus the reverse when the reductions are made in the grants.)

Staff concluded that the proposed municipal program reductions are likely to have a very small overall negative economic impact on the city. Please see below for more information about the technical economic analysis of the proposed service adjustments and changes.

One of the major reasons that the economic impact is small is that a decrease in City spending is offset by the spending by taxpayers and others who have been 'saved' the equivalent tax expenditure.

The negative impact of local government expenditure decreases (or the positive impact of budget increases), as well any resulting changes in taxes, are subject to fiscal multipliers, where the multiplier measures the total spending impact on the economy of the fiscal change (i.e. the increase or decrease in government expenditures and taxes).

The multiplier is constrained by leakages caused by savings and imports. When someone experiences a temporary increase in their income (lower government taxes), there is a tendency to save some of the windfall. In small, open economies like Canada (and to even a greater extent, Toronto) there are also very substantial import leakages, at all of the stages in the multiplier process. Therefore, fiscal multipliers are very modest

- mostly around 1 which means there is very little multiplier impact.

To the extent that the impact of the service reductions fall disproportionately on lower income people, the negative spending impacts would be slightly higher than if the cuts affected everyone equally, because low income residents generate slightly higher multipliers than other city residents. This is because they tend to spend their money, thereby putting it back into the economy, versus saving their money.

The other key metric that staff examined was employment. The proposed service reductions will reduce municipal employment in the city, which will have a negative

impact on the city. If the municipal reduction results in people being laid off who find new jobs immediately, the impact of the cuts (both socially and economically) would be much smaller, than if the workers who were laid off spend a long time finding other jobs.

Analysis:

The total dollar amount of service adjustments included in the City of Toronto's 2017 Preliminary Operating Budget is \$11 million (gross) and \$10 million (net). The service changes proposed for consideration and not included in Preliminary Operating Budget is

\$77 million (gross) \$73 million (net). If all of these proposed service level changes were adopted, over 400 city positions would be eliminated. These cuts in municipal expenditure are likely to have a very small overall negative economic impact on the city. [Only the reductions that were categorized as 'efficiencies', that is reductions with no impact on service levels (\$24 million), and as 'minor' impacts to service levels (\$10 million) during the Budget development process are incorporated into the Preliminary Budget. Reductions that were deemed to have a significant impact on service levels were presented to Budget Committee as a list of Service Changes available for consideration; they were not recommended in the Preliminary Operating Budget.]

The reason the economic impact is very small is that the Budget has to be balanced, and therefore each dollar of expenditure has to be matched by a dollar of revenues. Thus, a decrease in expenditures means a decrease in taxes that otherwise would have been paid which means that the money is available to be spent in the economy, thus offsetting the spending decrease by government. Even if the City could raise more debt (thereby delaying the tax impact), it would have to be repaid at some point, leading to higher taxes and fees in the future.

The proposed municipal service reductions will reduce municipal employment in the city, which will have a negative impact on the city, but the service reductions also allow the City to collect less in taxes and fees than it would have to in the absence of the Budget reductions which in turn could increase employment elsewhere.

The positive impact of local government expenditure increases (or the negative impact of budget cuts), as well any resulting changes in taxes, are subject to fiscal multipliers, where the multiplier measures the total spending impact on the economy of the fiscal shock (i.e. the change in government expenditures and taxes).

The spending impact is typically divided into direct, indirect and induced impacts (the multipliers). For example, if the City closes a wading pool, the direct impacts would include the wages of staff supervising the pools, indirect expenditures include inputs (e.g. cost of water and the chemicals to clean the pool) and the induced impacts are the spending effects of the wages earned by direct and indirect labour. An example of an induced effect in the example above is when the recreation worker spends their wages on goods and services.

This process of recirculating money through the multiplier effect does not continue indefinitely because there are two leakages in the system – when funds are saved and when goods and services are imported.

"While a reduction in personal income taxes results in a dollar-for-dollar increase in household disposable income, it does not immediately translate into higher spending. Households may choose to save some of this additional income, particularly in the short run, with higher-income households saving relatively more and lower-income households saving relatively less.

"For any given increase [decrease] in expenditure, the impact on domestic production will depend on the proportion of goods and services that will be imported, as some spending and investment by households, businesses or governments 'leaks' out of the Canadian economy to foreign producers. For example, approximately one-half of all consumer durable goods are imported, compared to about one-quarter for non-durable consumer goods (such as food and energy)."

<http://www.budget.gc.ca/2016/docs/plan/anx2-en.html#ftnref5>

In small open economies like Canada (and to even a greater extent, Toronto) there are substantial leakages at all of the stages in the multiplier process. Even the direct expenditures may be imports; therefore, in some cases the multiplier could be negative.

"What does this literature tell policymakers and others trying to assess the impact of fiscal policy changes? It is an inconvenient reality that this literature provides an enormous range of multiplier estimates, ranging from -1 to 3 . However, this range is not so much a reflection of disagreement over an underlying parameter as it is a reflection of one of the key lessons of this research—that there is no single multiplier that can be applied mechanically to all situations. The impact depends on the type of fiscal policy changes in question and the environment in which they are implemented. The effects of government investment are potentially greater than those of other types of government spending. And the effects from transfers to people without much wealth or ability to borrow are probably higher than from transfers to others. The impact depends on how policy changes affect expectations of future government spending and taxes. It also depends on how quickly the changes are implemented and whether they were anticipated before they were authorized. Moreover, the impact varies depending on whether monetary policy counteracts or complements fiscal policy."

<http://www.frbsf.org/economic-research/files/el2012-04.pdf>

Multiplier effects may take several years to fully manifest themselves. 2016 Canadian federal budget documents estimate federal infrastructure and other spending expenditure multipliers are: 1 year = 0.9 and 2 years = 1.4

<http://www.budget.gc.ca/2016/docs/plan/anx2-en.html#ftnref5>

Multipliers also vary with the state of the business cycle. During an economic contraction multipliers are larger, because there are more under-utilized factors of production available. Based on historical Canadian data (1921-2011), Owyang et al estimated Canada's 2 year fiscal multipliers at: 1.60 (at times of high unemployment) and 0.44 (at times of low unemployment).

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.309.4213&rep=rep1&type=pdf>

Both of the Canadian multiplier spending estimates above are Canada-wide. Import leakages for Toronto, or even the GTA or Ontario, would be much larger and, therefore, multipliers would be lower.

The impact of the service reductions would also vary with what resources are being released by the reductions. All factors of production also do not have equal levels of utilization. For example, if the municipal service reductions result in people being laid off who find new jobs immediately, the impact of the cuts (both socially and economically) would be much smaller, than if the workers that were laid off spend a long time finding other jobs.

To the extent that the service reductions fall disproportionately on lower income people, the negative spending impacts would be slightly higher than if the cuts affected everyone equally, because low income residents generate higher multipliers than other city residents for two reasons.

First, low income residents have lower savings rates than other residents. Second, low income residents are more likely to live from paycheque to paycheque than higher income residents. Higher income workers' annual consumption is more likely to be determined by their expected lifetime incomes; therefore, they would be less likely to adjust their consumption in response to a temporary fiscal shock than low income residents.

Some municipal spending projects also leverage funds from private donations and other orders of government. In these cases the total reduction in economic activity, caused by a cut in municipal grants could have a much larger impact than the actual change in municipal expenditure. For example, the Toronto Arts Council estimates that each dollar of TAC operating grants generates \$7.17 of total revenues for cultural organizations in the city.

The output of the arts and culture sector not only enriches the city culturally and socially, but also economically. Major events like the Toronto Caribbean Festival and Pride Toronto attract a large number of visitors to the city each year and the myriad of small grants to emerging artists and diverse organizations, contribute to the cultural vitality of this city that many visitors and potential residents desire.

Municipal service reductions could also affect the long-run productive capacity of the economy. For example, TTC service cuts and fare increases as well as cuts to childcare subsidies would increase the cost to go to work for some workers in the city and reduce productivity due to increased time travels and child care concerns. These impacts have been considered in the social and equity analyses elsewhere in this report.

Generally speaking, and based on the available literature and comparable multipliers, it is expected that the proposed budget reductions will have a very small negative impact on the city-wide economy. That said, EDC staff are aware that the impact of the Budget cuts could have severe negative consequences to some individuals and families directly affected by service reductions.