

# Councillor Pam McConnell Budget Overview



February 24, 2010

# Budget Process

- Departments start working on their budgets about 6 months before launch
- The City of Toronto Budget is divided into two parts:
  - Capital Budget – For infrastructure (roads, libraries, community centres, vehicles, etc.)
    - Launched on November 3, 2009
    - Approved by City Council on December 8, 2009
  - Operating Budget – For service delivery (employee salaries, fuel, utilities, supplies, etc.)
    - Launch on February 16, 2010
    - Before City Council on April 16, 2010

# 2010 Capital Budget

- \$2.872 Billion (gross)
- Breakdown of the Capital Budget
  - State of Good Repair - \$1.34 Billion (55%)
    - Repairs to roads, bridges, community centres, etc., bus and subway car replacement
  - Growth Related - \$695 million (28%)
    - New ambulances, new libraries, new fire stations
  - Service Improvement - \$309 million (13%)
    - New childcare centres, databases, Union Station redevelopment
  - Legislated - \$53 million (2%)
    - Security systems, safety refit of Island ferries
  - Health & Safety - \$36 million (2%)
    - Defibrillators, playground retrofits, fire safety equipment

## Capital Projects in Ward 28 – included in the 10-year plan

- Union Station revitalization - \$622 million
- Development of West Don Lands and East Bayfront - \$72 million
  - Plus Provincial funding for the Pan Am Games Athletes Village
- St. Lawrence North Market redevelopment - \$75 million
- Regent Park Community Centre and new central park - \$27 million
- Regent Park Aquatic Centre - \$17 million
- Regent Park Child Care hub - \$5 million
- St. Lawrence Library expansion - \$13 million (project to start in 2013)
- Plus lead water pipe replacements, road repairs, repairs to St. Lawrence Hall, Toronto Island Ferry retrofits...

## Funding the 2010 Capital Budget – How we pay for our projects

- Debt financed - \$803 million (33%)
  - Mortgage on long-lived assets
  - Cashing in \$600 million Toronto Hydro promissory note to help refinance our debt
- Federal and provincial funding - \$756 million (31%)
  - \$239 million leveraged through Infrastructure Stimulus Funds
- Reserves - \$180 million (7%)
  - E.g., vehicle replacement, land acquisition, computer replacement, project specific
- Capital from current - \$165 million (7%)
  - Direct spending from the Operating Budget
- Other funding includes development charges, BIA contributions, section 37 agreements, etc. - \$527 million (13%)

# Operating Budget

- The City must approve a balanced Operating Budget
  - Unlike federal and provincial governments, municipalities cannot run an operating deficit
- 2010 Operating Budget - \$9.2 Billion
  - 1/3 TTC and Emergency Services (Police, EMS, Fire)
  - 1/3 Provincially mandated and cost-shared services (affordable housing, children's services, social services)
  - 1/6 debt charges (mortgage on major capital assets)
  - 1/6 municipal services over which the City has direct control
    - E.g., parks, recreation programs, libraries

# Operating Budget - City Services at Work

- **Emergency Services**
    - Police 🕒
    - Fire 🕒
    - EMS 🕒
  - **Transportation and Transit**
    - TTC 🕒
    - 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
- Rate Supported:**
- **Solid Waste Collection, Recycling**
  - **Water and Wastewater 🕒**

# Financial Pressures — facing over \$800 million shortfall

- Property taxes don't grow with economy or inflation
  - 3 years of property tax freezes (1998-2000) puts the City behind by over \$215 million this year (based on a 2% increase for each of those years)
  - MPAC's property tax reassessments are revenue neutral for the City
    - 2008 final tax rate = \$3.36 Billion
    - 2009 base tax rate after CVA adjustment = \$3.36 Billion
- Operating costs increasing faster than revenues
  - 1% increase in City expenses = \$80 million
  - 1% increase in property taxes = \$21 million

## Financial Pressures (continued)

- Downloaded programs and costs
  - E.g., Security costs for provincial courts (\$45.3 million in 2010)
  - E.g., Shortfall on Ontario Works cost-share (\$53.7 million shortfall in 2010)
  - E.g., Provincial per diem shortfall for emergency shelters (\$31.4 million in 2010)
- Wage settlements (\$115 million)
  - Arbitrated settlement with Police = \$36 million (about 5,500 officers and 2,000 civilian employees)
  - Negotiated settlements (CUPE) = \$75 million (about 30,550 workers)
- Aging infrastructure, unfunded liability, increasing debt service costs
  - E.g., cost of repairing aging water/sewage system = \$4.4 Billion

**City Manager directed all departments to decrease operating budgets by 5%**

# Meeting the Budget Shortfall

## Long-term and Sustainable

- Cost reductions and service efficiencies (\$172 million)
  - Most divisions met or exceeded their targets
- User Fee increases and new User Fees (\$13 million)
- TTC Fare increase (\$50 million)
- Provincial upload (\$119 million)
  - ODSP and Ontario Works benefits (\$63 million)
  - Eliminating the Cost of Administration cap for ODSP (\$56 million)
- Increase in revenues
  - Land Transfer Tax (MLTT) & Vehicle Registration Tax (PVT) increase due to volume (\$12 million)
  - Income from Toronto Parking Authority, Third Party Sign Tax, and interest (\$22 million)

# Meeting the Budget Shortfall (continued)

## One time Strategies

- Increase in property tax base from new development (\$33 million)
- Prior Year Surplus (\$250 million)
  - Spending restraint
  - Labour disruption savings (\$31 million)
  - Increased revenues from Toronto Parking Authority and Municipal Land Transfer Tax
  - In-year tax assessment growth
  - Lower than anticipated caseload for Ontario Works
- Reserve draws for Provincially mandated programs (\$63 million)

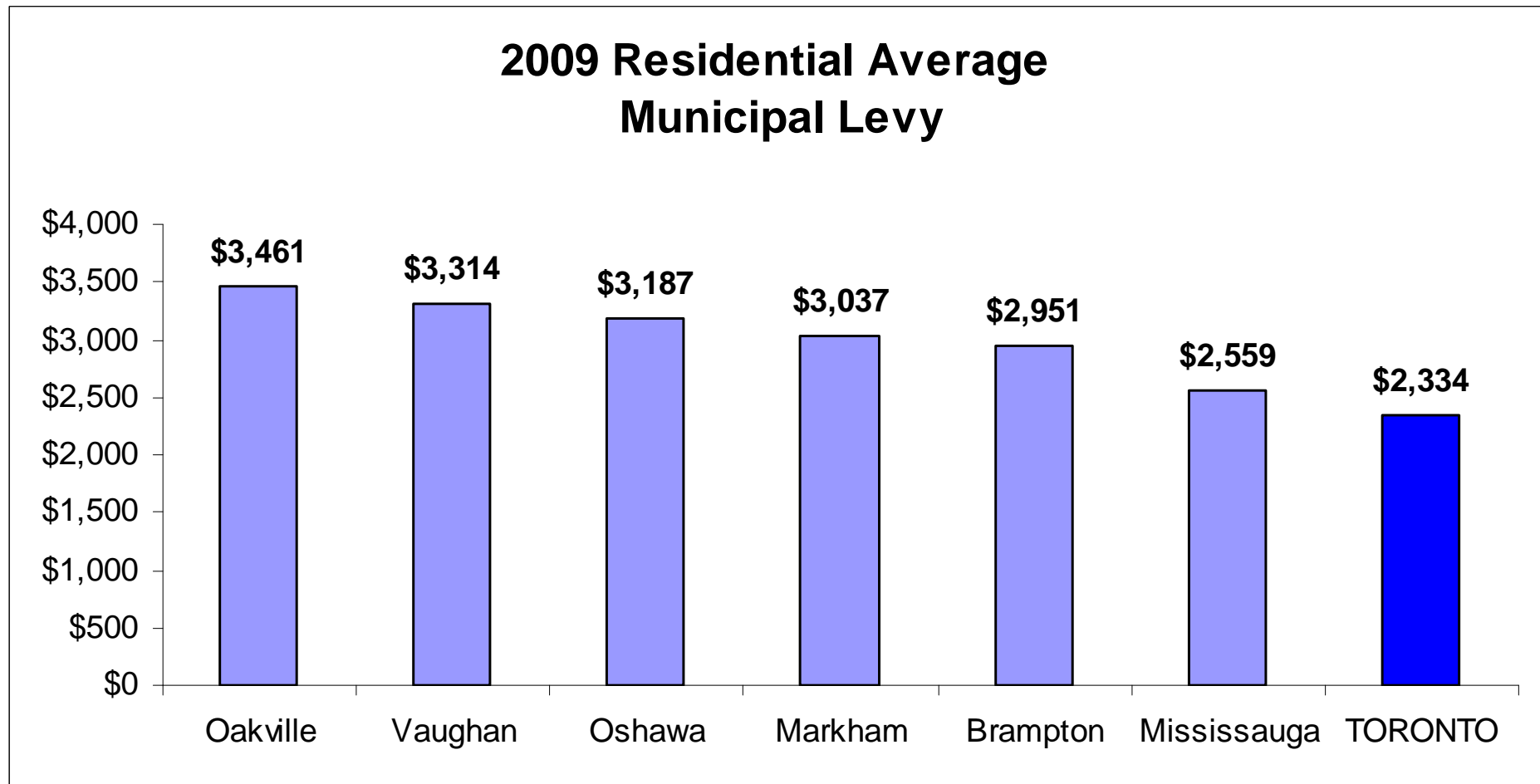
# 2010 Recommended Property Tax Increase

	<u>Tax Increase</u>		
<b>Residential</b>	<b>4.0%</b>	<b>\$61</b>	<b>Million</b>
<b>Non- Residential</b>	<b>1.33%</b>	<b>\$26</b>	<b>Million</b>
<b>Total</b>	<b>2.50%</b>	<b>\$87</b>	<b>Million</b>

# 2010 Average Household Impact

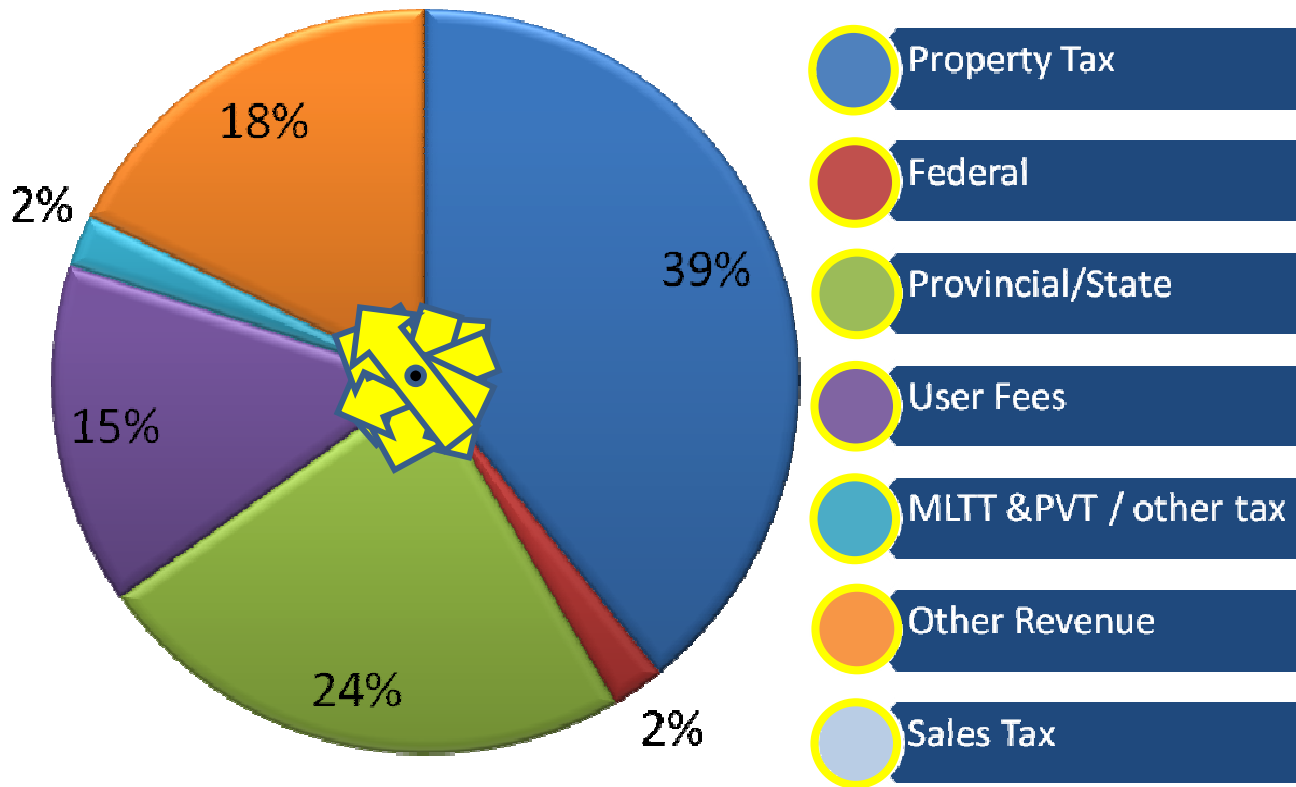
<b>2010 Average Assessed Value</b>	<b><u>\$407,374</u></b>
<b>2010 Municipal Taxes before Levy Increase</b>	<b><u>\$2,334</u></b>
<b>2010 Municipal Levy Increase @ 4%</b>	<b><u>\$93</u></b>
<b>2010 Final Municipal Tax</b>	<b><u>\$2,427</u></b>

# 2009 Municipal Residential Taxes - Toronto vs. Surrounding Cities



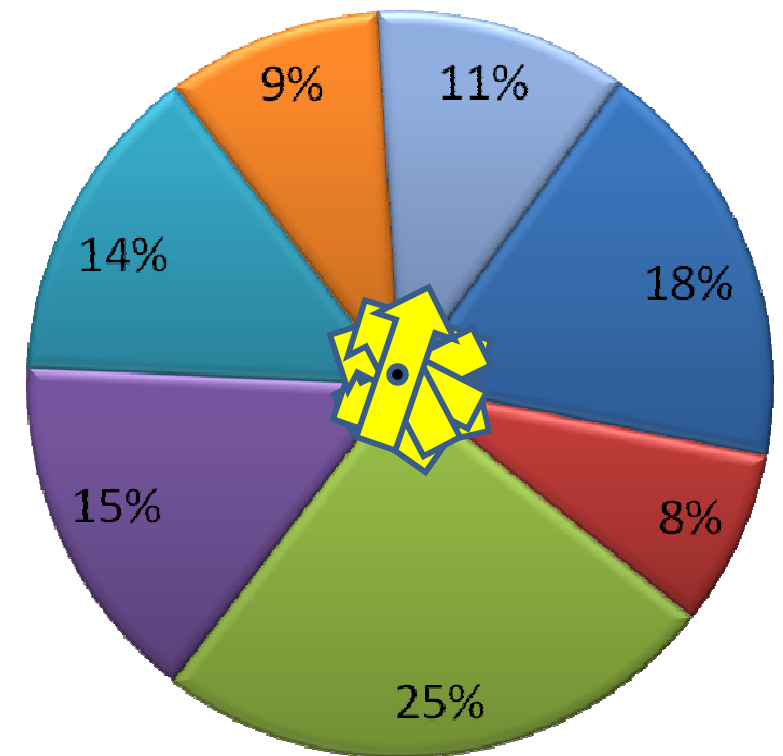
# Revenue Comparisons Canadian and US Cities

## City of Toronto



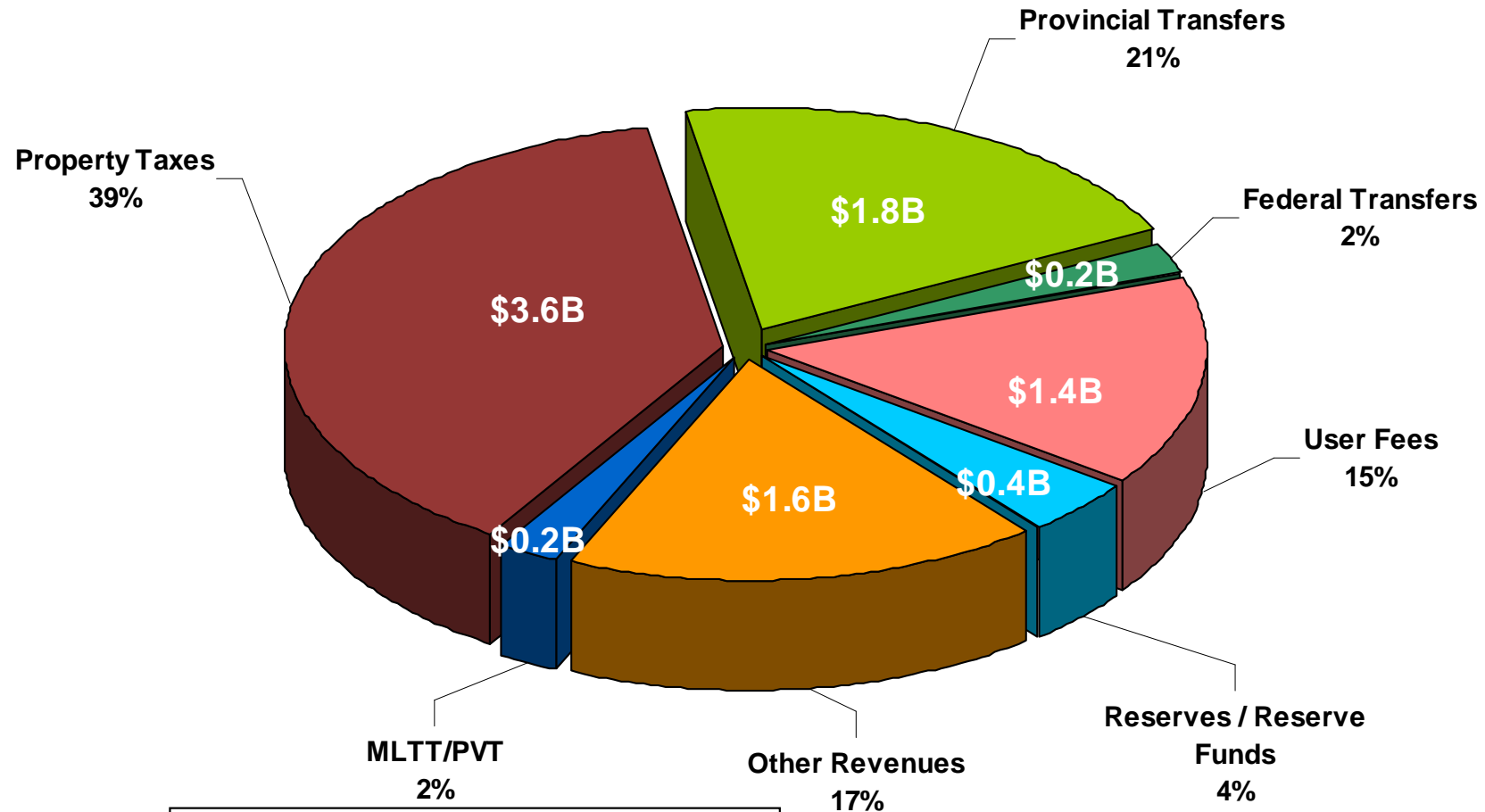
2009 Operating Budget

## Top 35 U S Cities



U.S. Census Bureau, Stat. Abs. of the U.S. 2008 (2004 data)

# Where The Money Comes From - 2010



**Other Revenues include:**

- Toronto Hydro income
- Toronto Parking Authority income
- Court Services income
- Enwave income
- Previous year surplus
- Interest/investment income
- Rental of properties

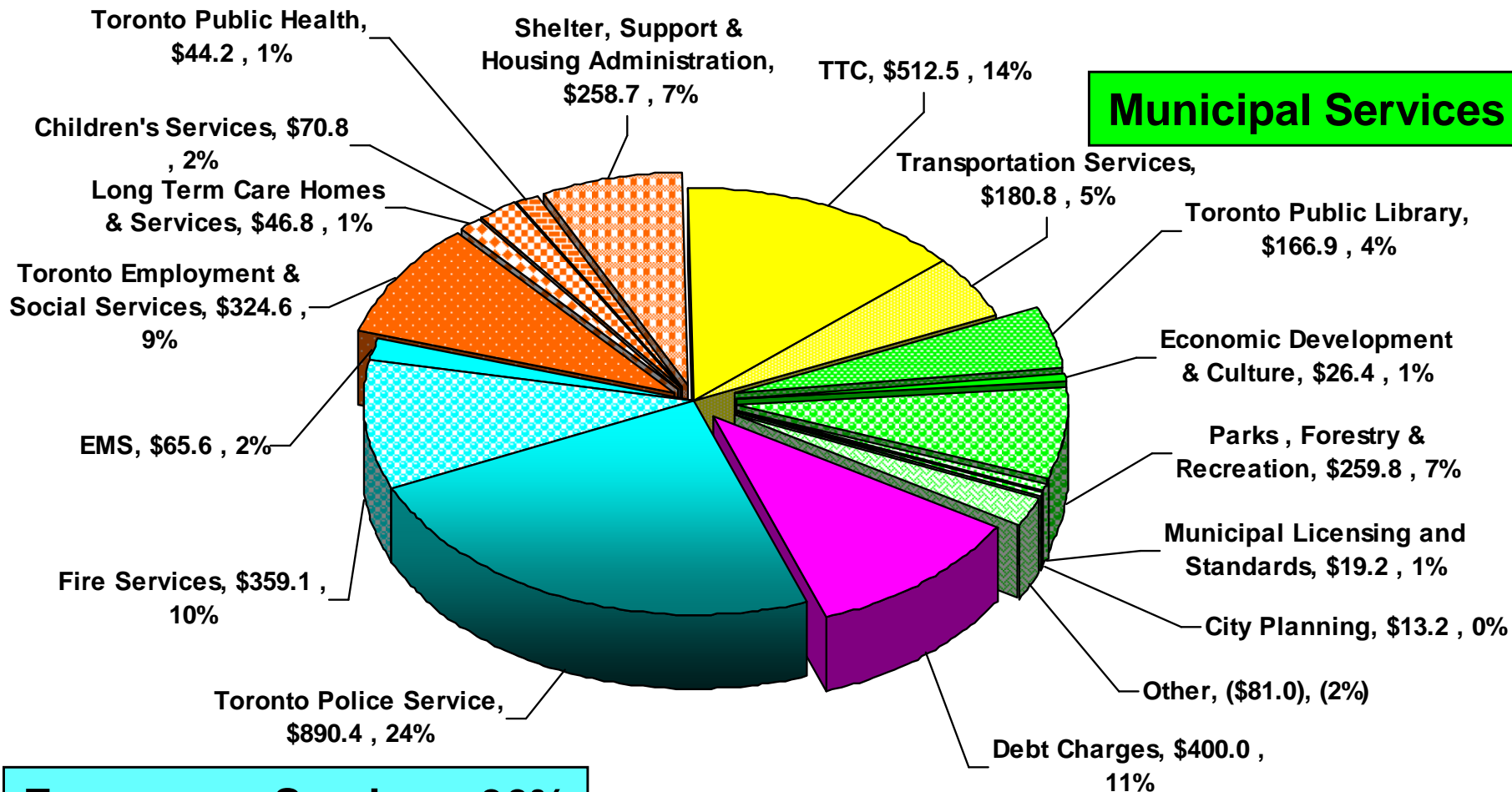
# Where the Proposed \$3.6 Billion Property Taxes Go

Provincially mandated = 20%

\$ Million

TTC & Transportation = 19%

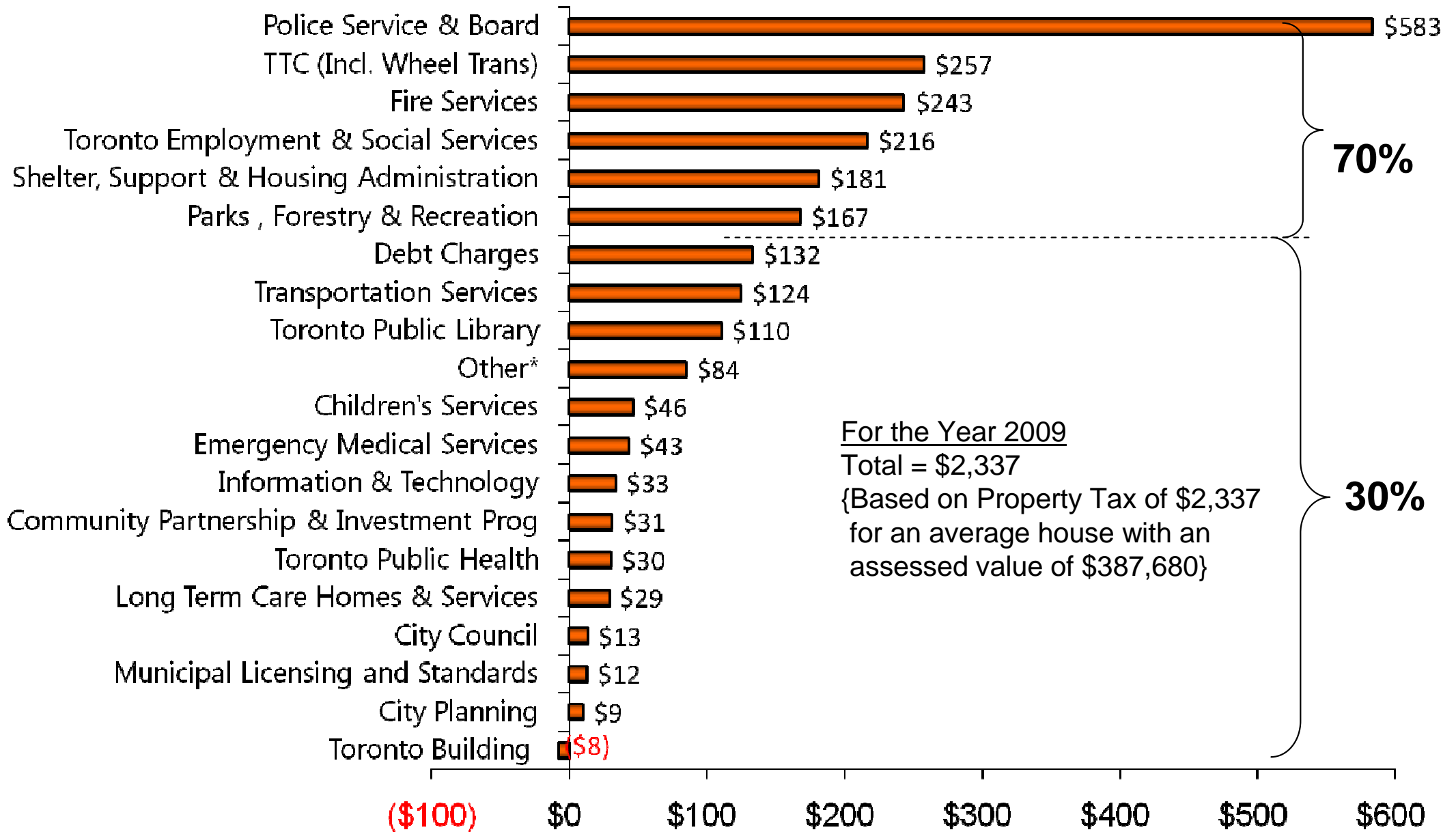
Municipal Services = 15%



Emergency Service = 36%

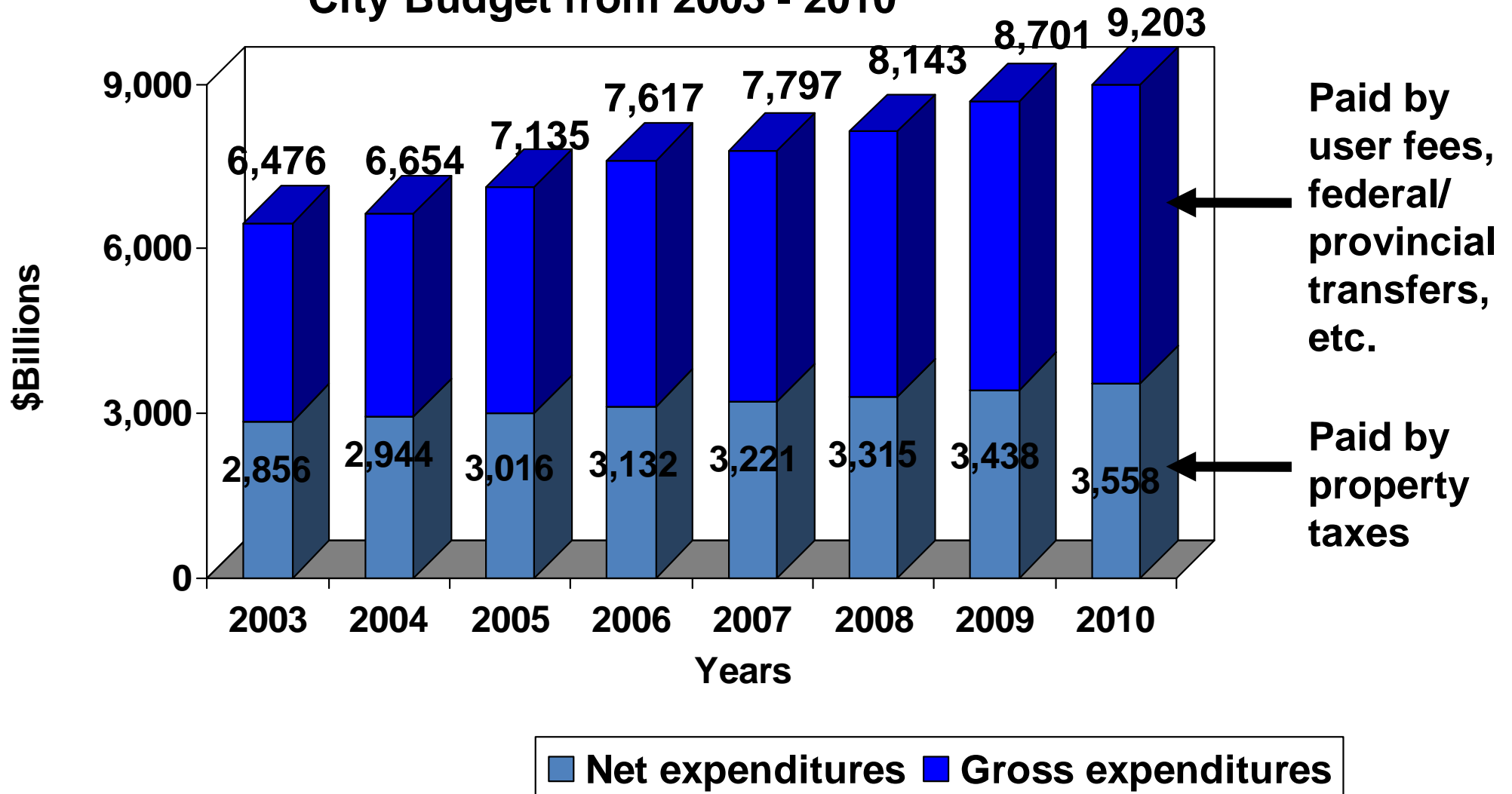
Mortgage payments on capital projects = 11%

# Distribution of Property Tax - Typical Household



# Spending History (Gross and Net)

City Budget from 2003 - 2010



# 2010 Operating Budget Timeline

- Introduction to Budget Committee – February 16
- Councillor Hearings – February 25
- Public Hearings (Stakeholder groups and general public)
  - March 1 (6:30pm to 9:30pm) – Council Chamber
  - March 2 (1:30 pm to 9:30pm) – Council Chamber
- Reviews at Budget Committee – March 3, 4, 5, 12
- Budget Committee Wrap-up – March 26
- Special Executive Committee – April 7
- City Council – April 15 & 16