

2001 Capital & Operating Budget Overview

January 31, 2001

Presentation Outline

- ◆ CAO
 - ◆ Operating and Capital Budget Overview
- ◆ Chief Financial Officer
 - ◆ Preliminary Capital and Operating Budget
 - ◆ Overview of Financial Condition

Tax Cost of Services Per Household*

<u>Service</u>	<u>Cost Per Year</u>
◆ Police	\$361
◆ Capital Financing & Other	\$239
◆ Shelter, Housing & Support	\$182
◆ Social Assistance	\$169
◆ Fire	\$149
◆ TTC	\$122
◆ Bridges, Roads & Sidewalks	\$103
◆ Common / Corporate Services	\$95
◆ Parks & Recreation	\$80
◆ Library	\$66

*(Based on 2000 interim tax bill

average assessed household is \$220,000 for 2000 net of user fees & grants)

Tax Cost of Services Per Household*

Service

Cost Per Year

◆ Garbage & Recycling	\$45
◆ Public Health	\$37
◆ Children's Services	\$35
◆ Grants	\$29
◆ Ambulance	\$24
◆ Homes for the Aged	\$15
◆ Urban Development Services	\$8
Total City Services	\$1,759
◆ Education	\$911
Total Taxes	\$2,670

*(Based on 2000 interim tax bill

average assessed household is \$220,000 for 2000 net of user fees & grants)

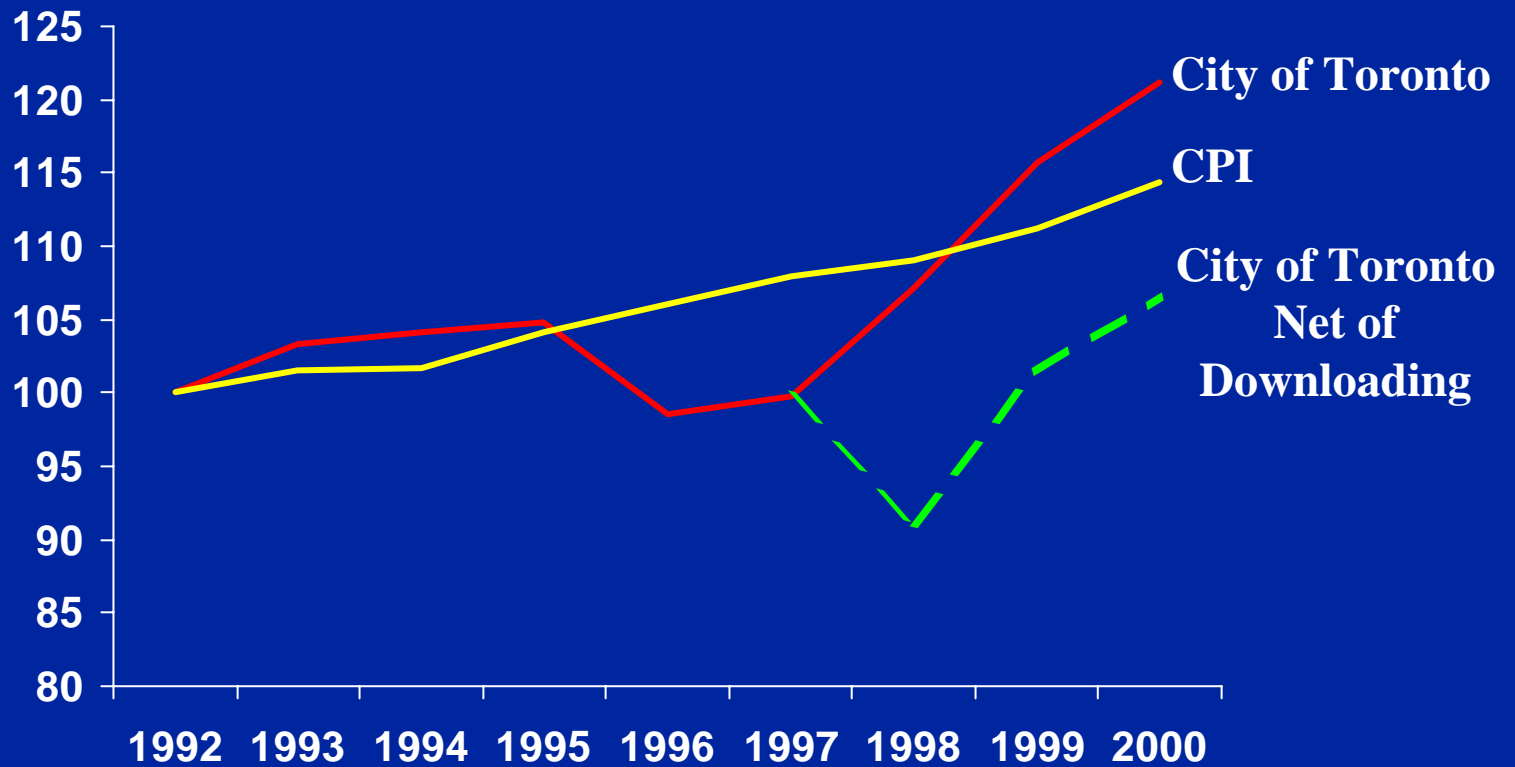
Indicators of City's Financial Condition*

Sustainability - ability to maintain programs and infrastructure without increasing debt or running down physical and financial assets

Flexibility - ability to fund rising commitments with additional revenues or new debt

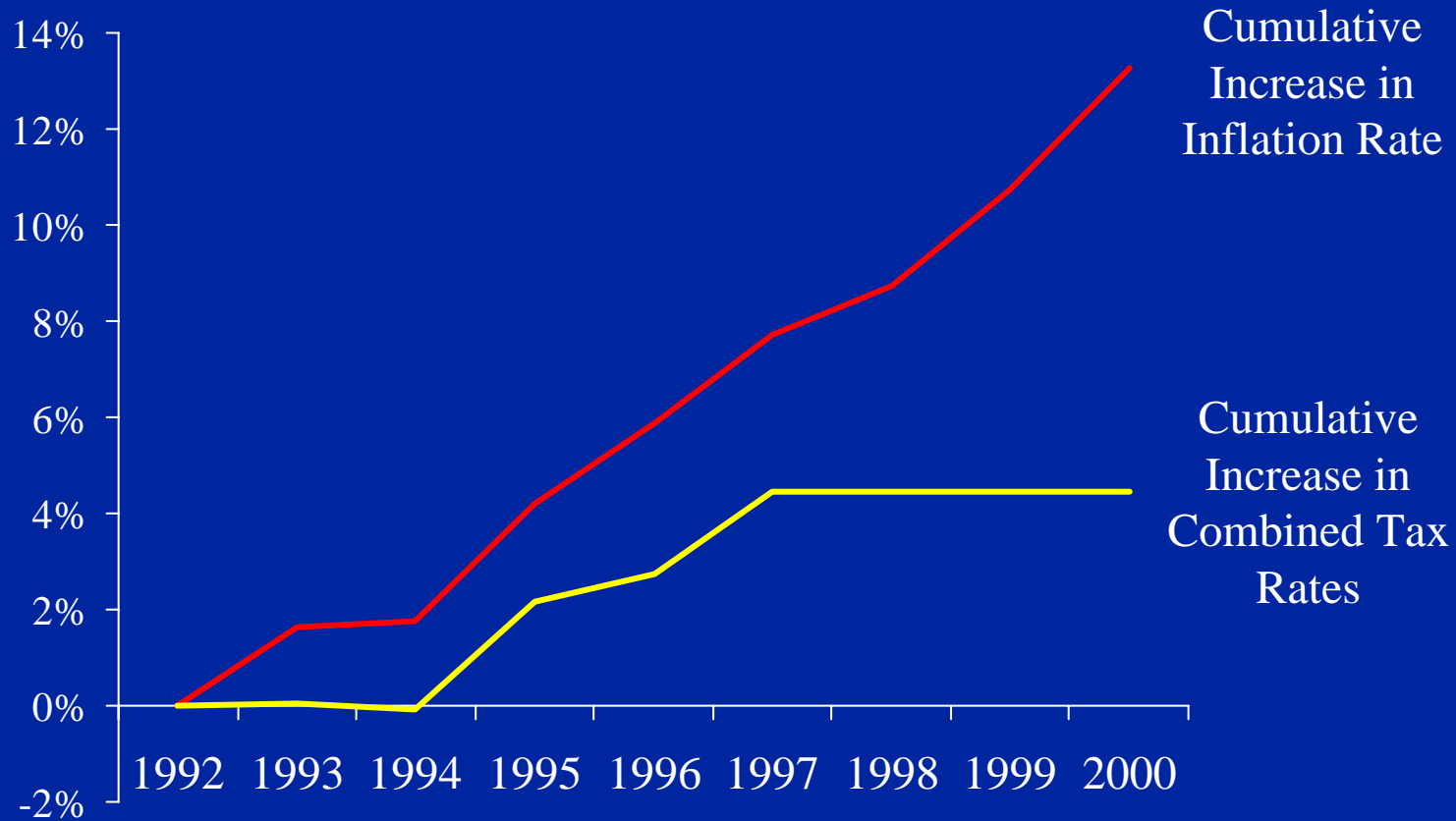
Vulnerability - dependence upon expenditures and revenues not under government's control, e.g. welfare, provincial funding

City's Expenditure Growth "Flat"

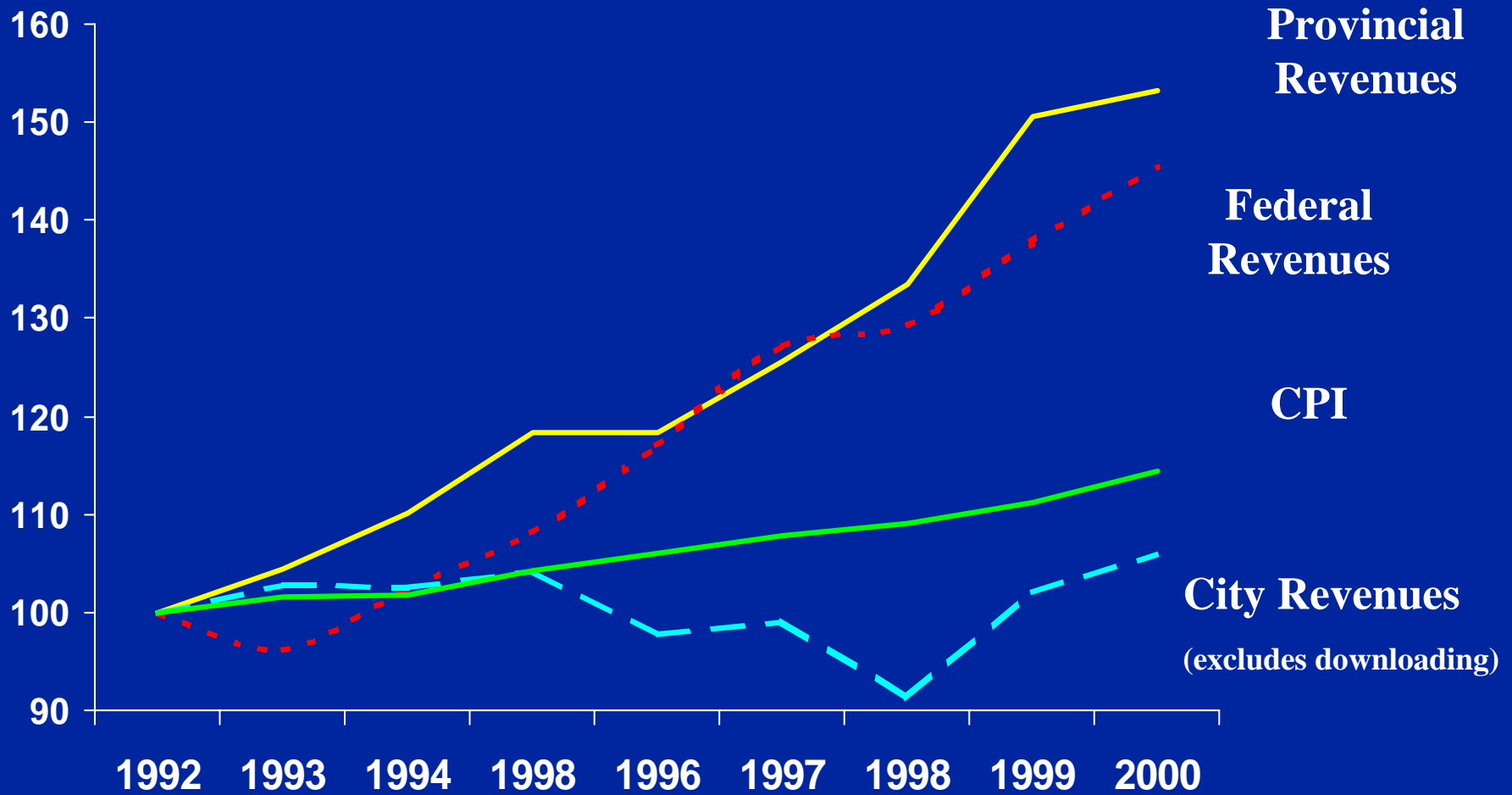


Index 1992 = 100

Property Taxes Rising Less than Inflation



City's Revenues Not Indexed



Index 1992 = 100

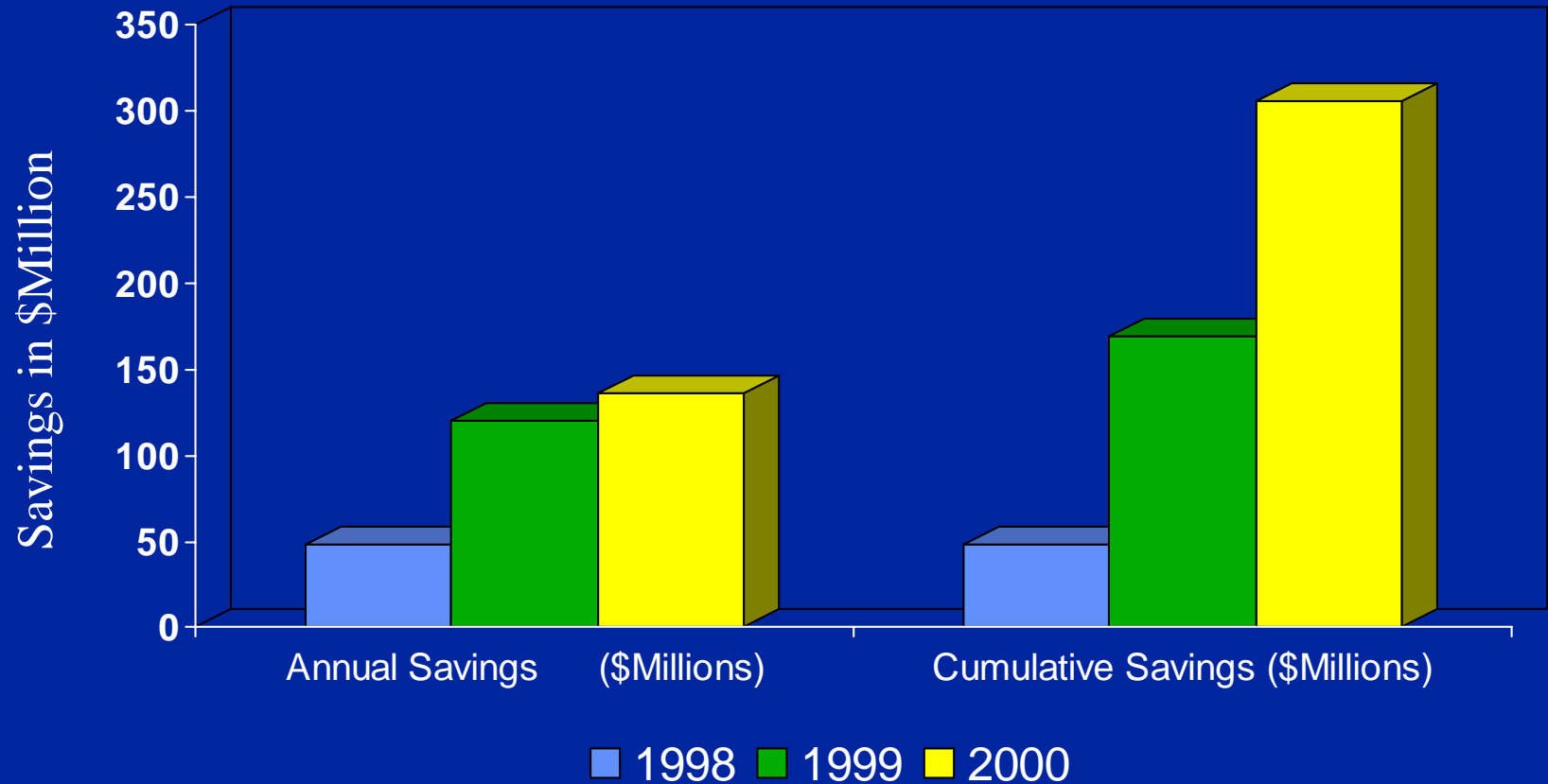
A Decade of Constraint

- ◆ Pre-amalgamation 1992-1997
 - ◆ Expenditure Control Program
 - ◆ Social Contract
 - ◆ Recession
- ◆ Post-Amalgamation 1998-2000
 - ◆ Amalgamation Savings & Costs
 - ◆ Local Service Realignment Costs
 - ◆ Other Budgetary Pressures

Pre-Amalgamation - Significant Reductions Absorbed 1992-97

- ◆ Provincial Downloading \$281M
 - ◆ Total Operating & Capital Grant Reduction
 - ◆ Loss of Road Grants & Hwy Transfers
- ◆ Tax Assessment Loss \$184M

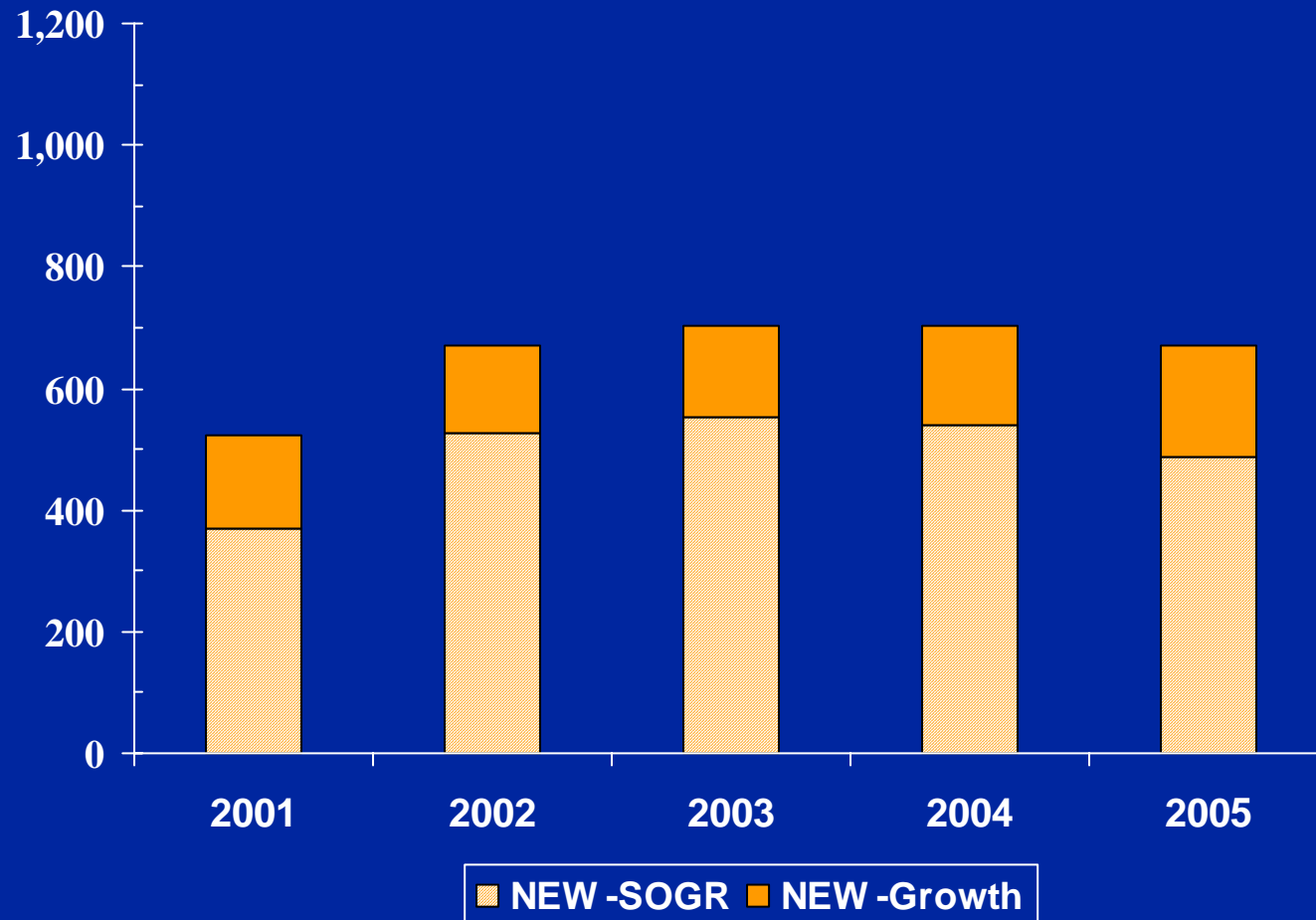
Amalgamation Efficiencies / Savings 1998-2000



Capital Budget Guiding Principles

- ◆ Maintain existing inventory of infrastructure and address back-log issues in State of Good Repair
- ◆ Give priority to infrastructure investments required to ensure health & safety standards
- ◆ Capital investments generate operating savings
- ◆ 5 year plan subject to controls

2001-2005 Recommended Capital Program- New Projects

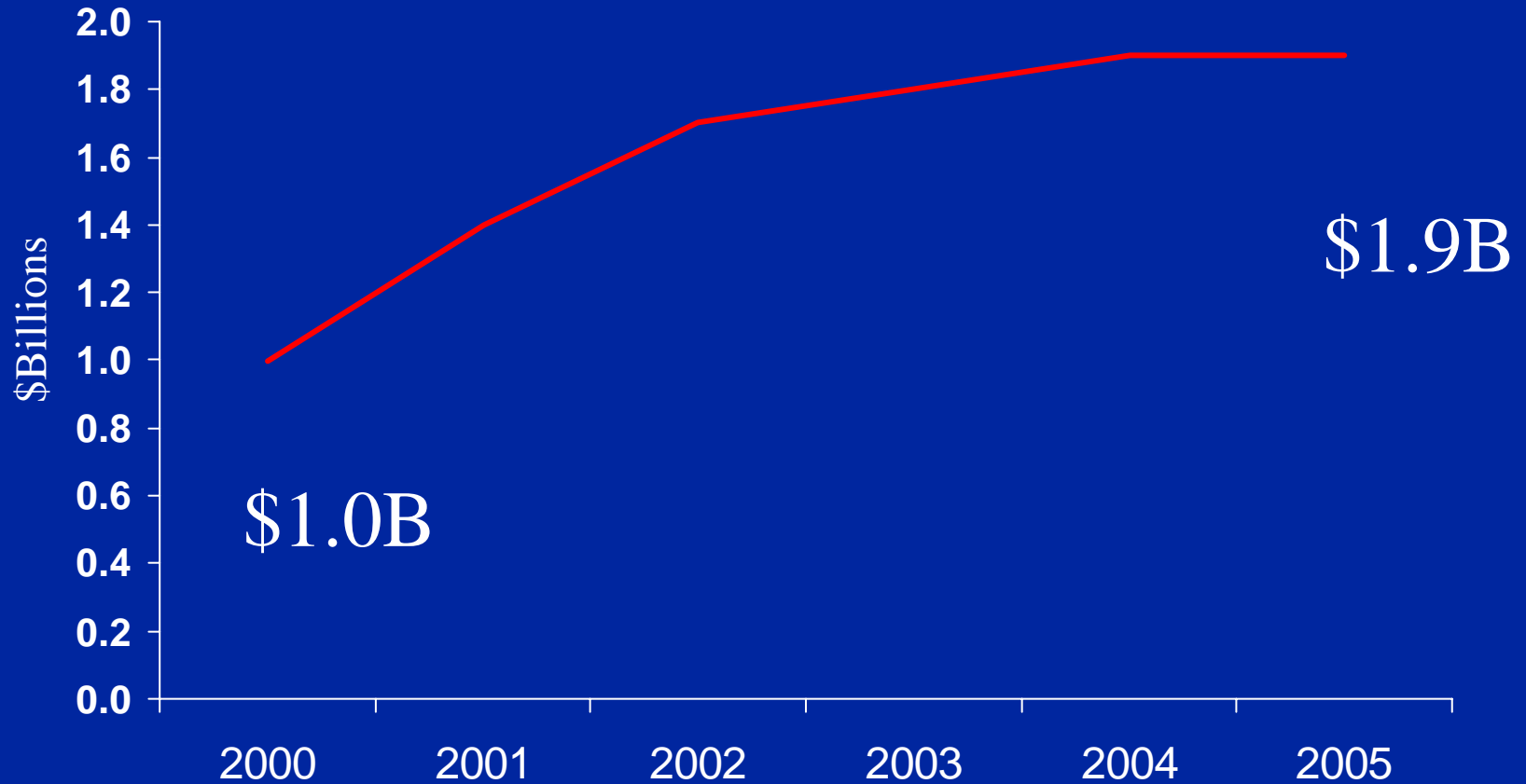


*Tax Supported - \$ 4.3 Billion (Gross)

1995-2005 Capital Program Overview

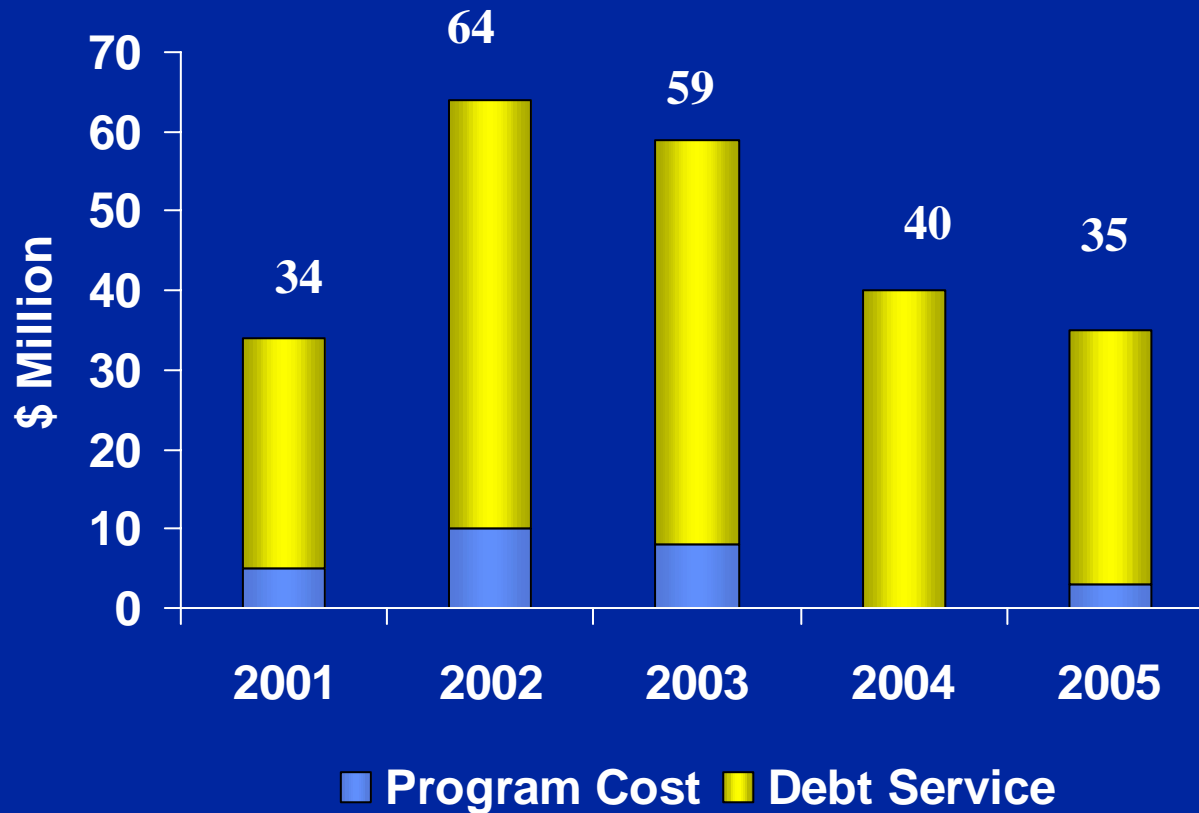


The Net Capital Debt Burden*

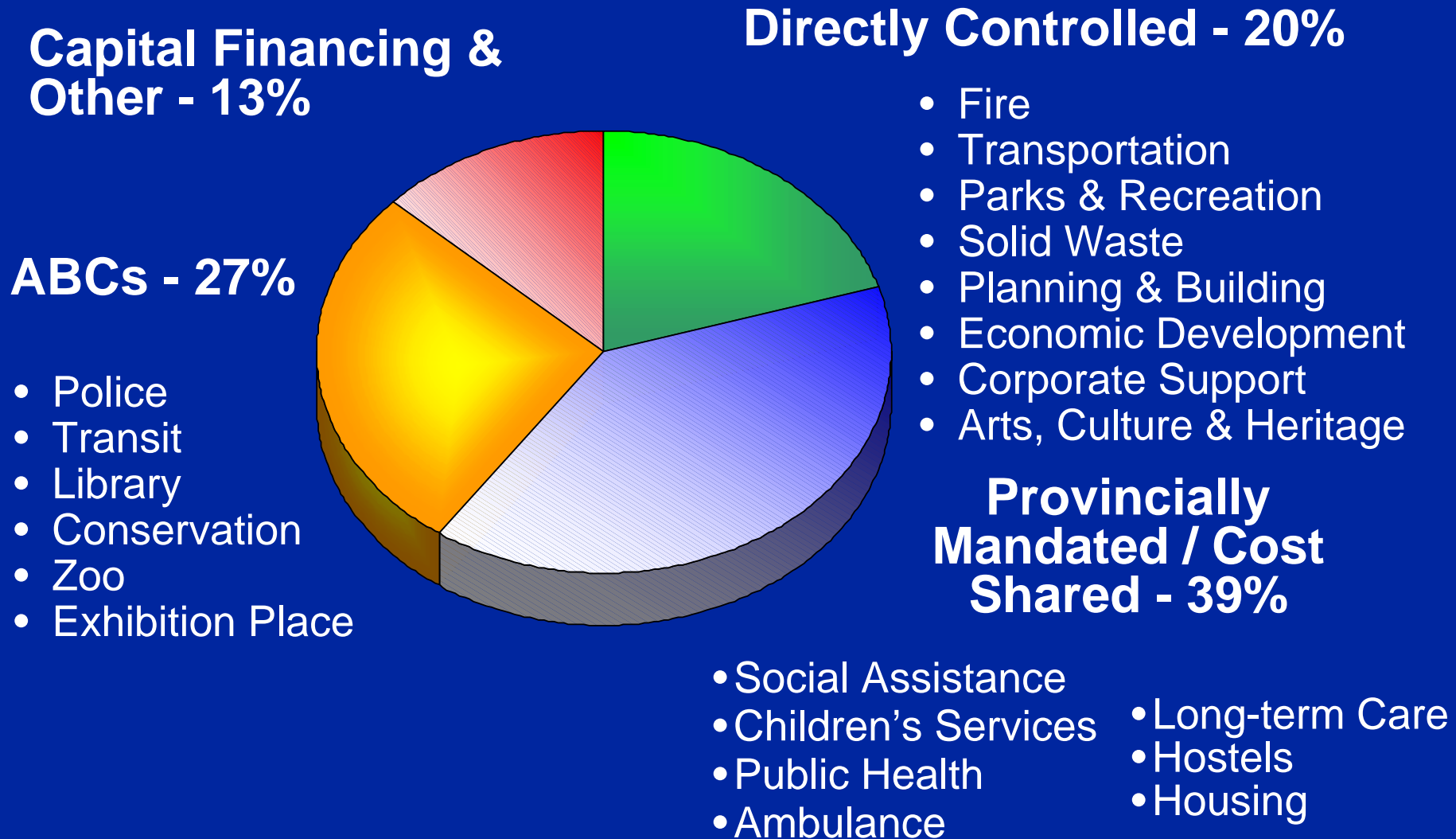


*Tax Supported Debt Forecast
2001- 2005 Preliminary Capital Forecast

Incremental Impact of Capital on Operating Budget



2000 Operating Budget Components

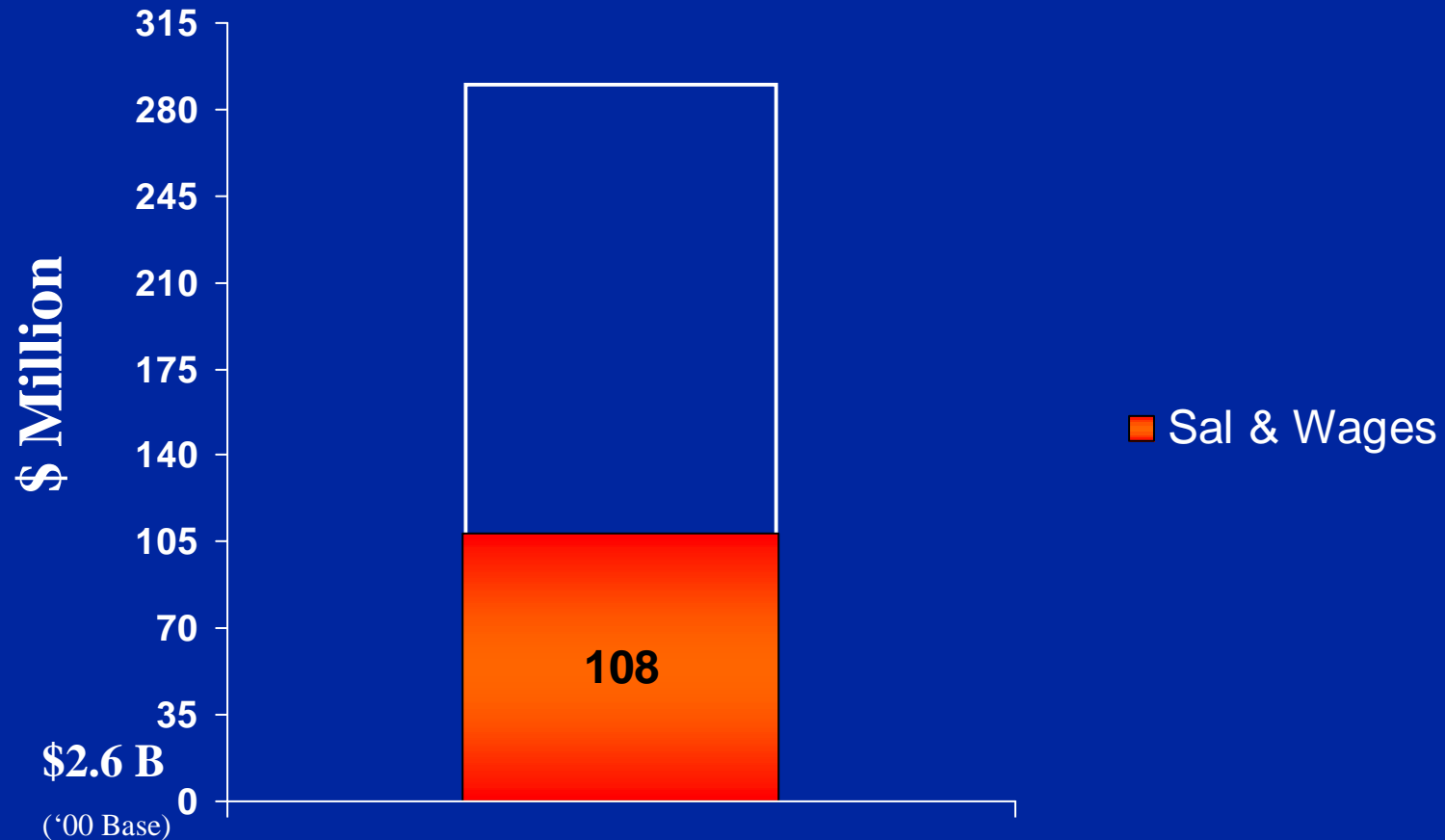


Principles Guiding Operating Budget Review

- ◆ Council's Strategic Goals and Priorities
- ◆ Minimize taxpayer burden increases
- ◆ Assess programs and activities for continued usefulness, and value to the taxpayers
- ◆ Assess full term impact of new and/or expanded initiatives/services
- ◆ Improve efficiency wherever possible
- ◆ Evaluate cost of Council approved service levels

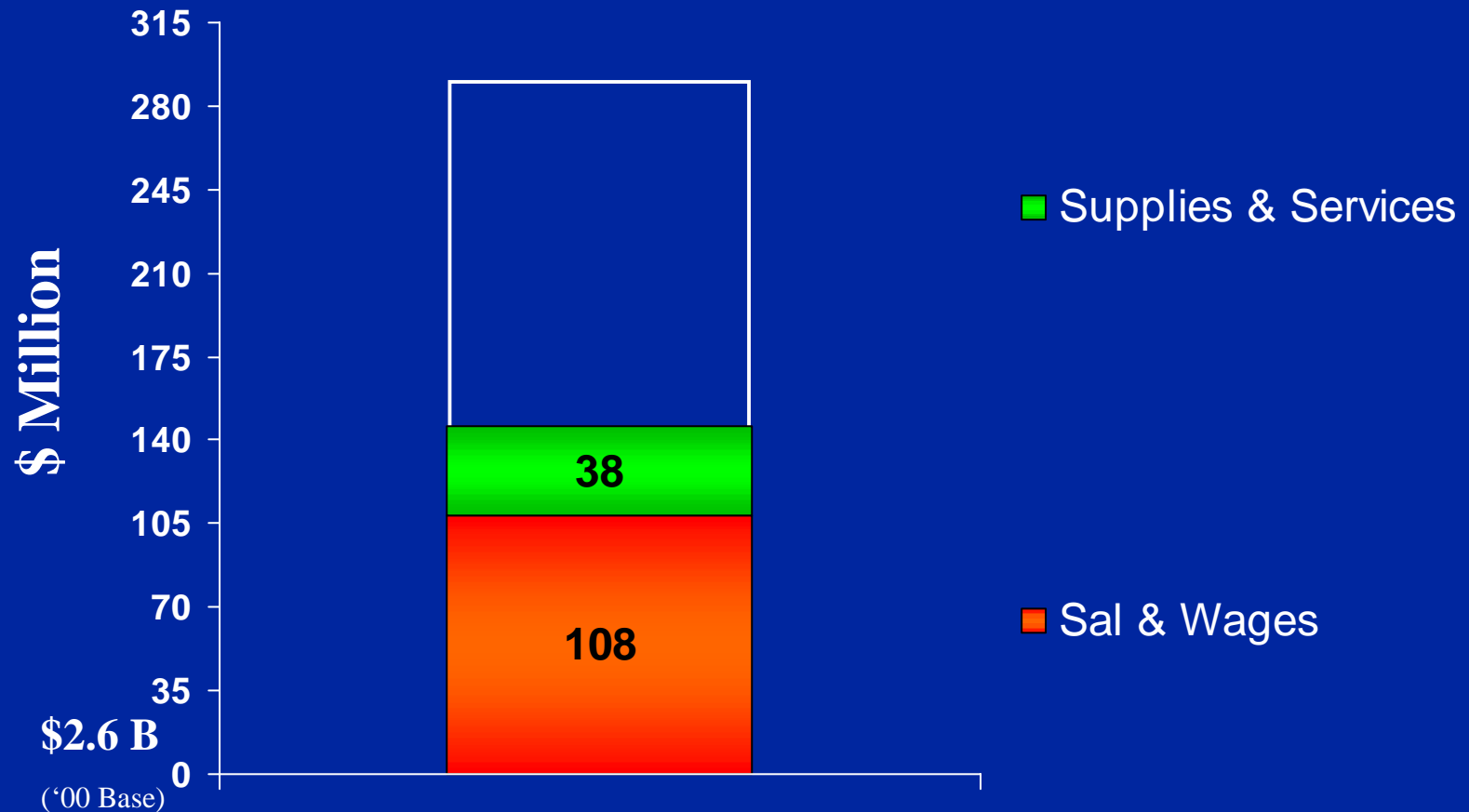
2001 Incoming Pressures

Total Incoming Pressures: \$305 M



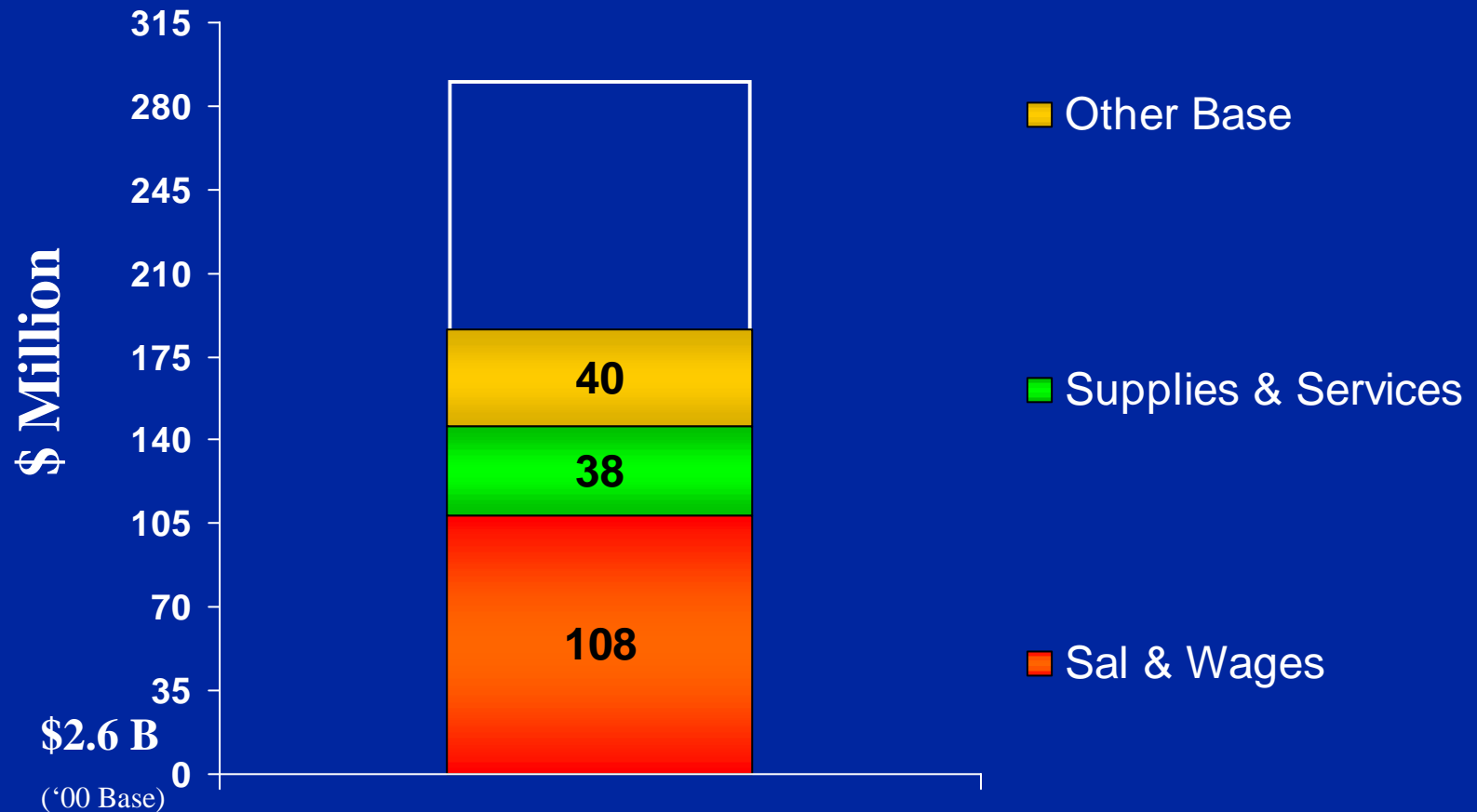
2001 Incoming Pressures

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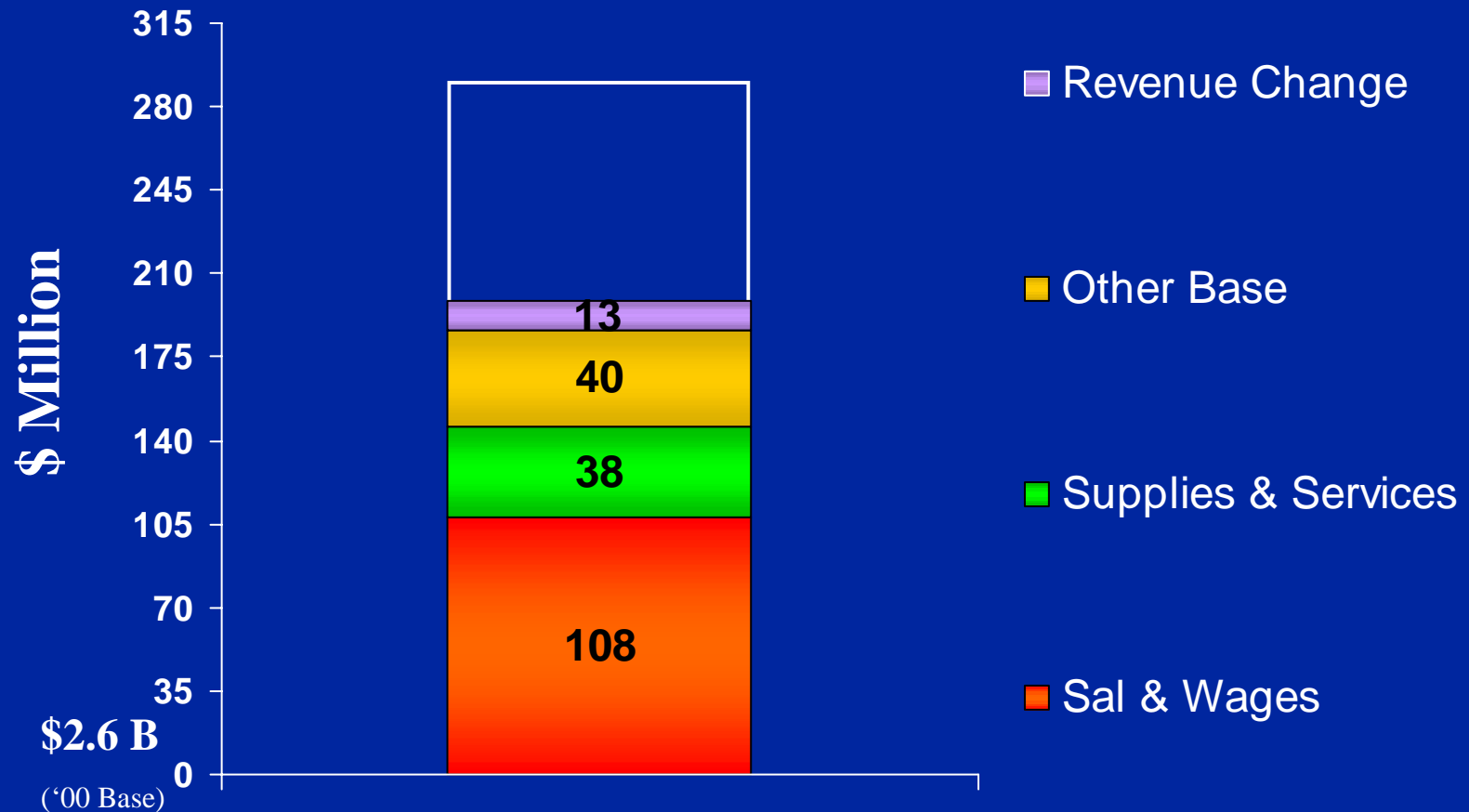
2001 Incoming Pressures

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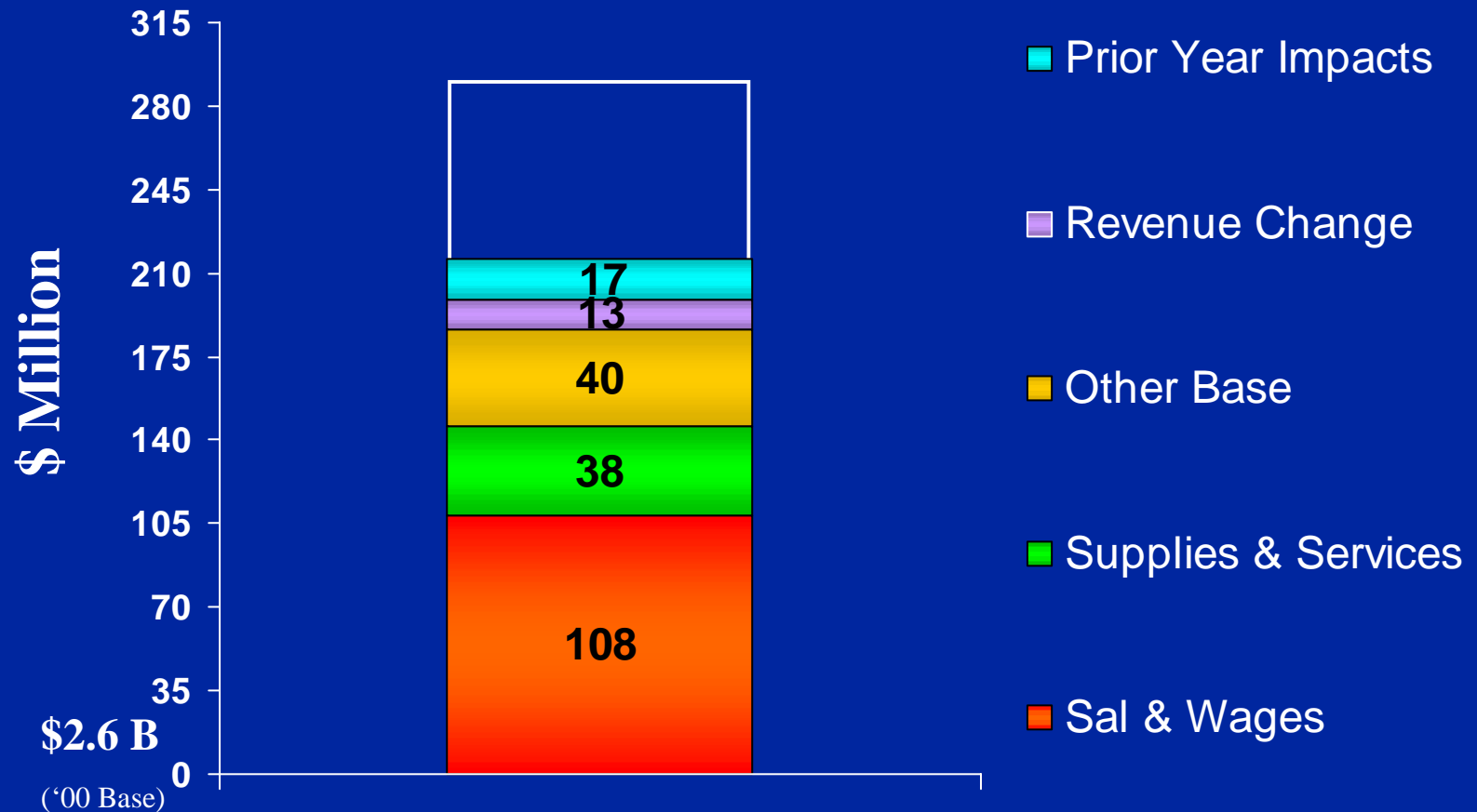
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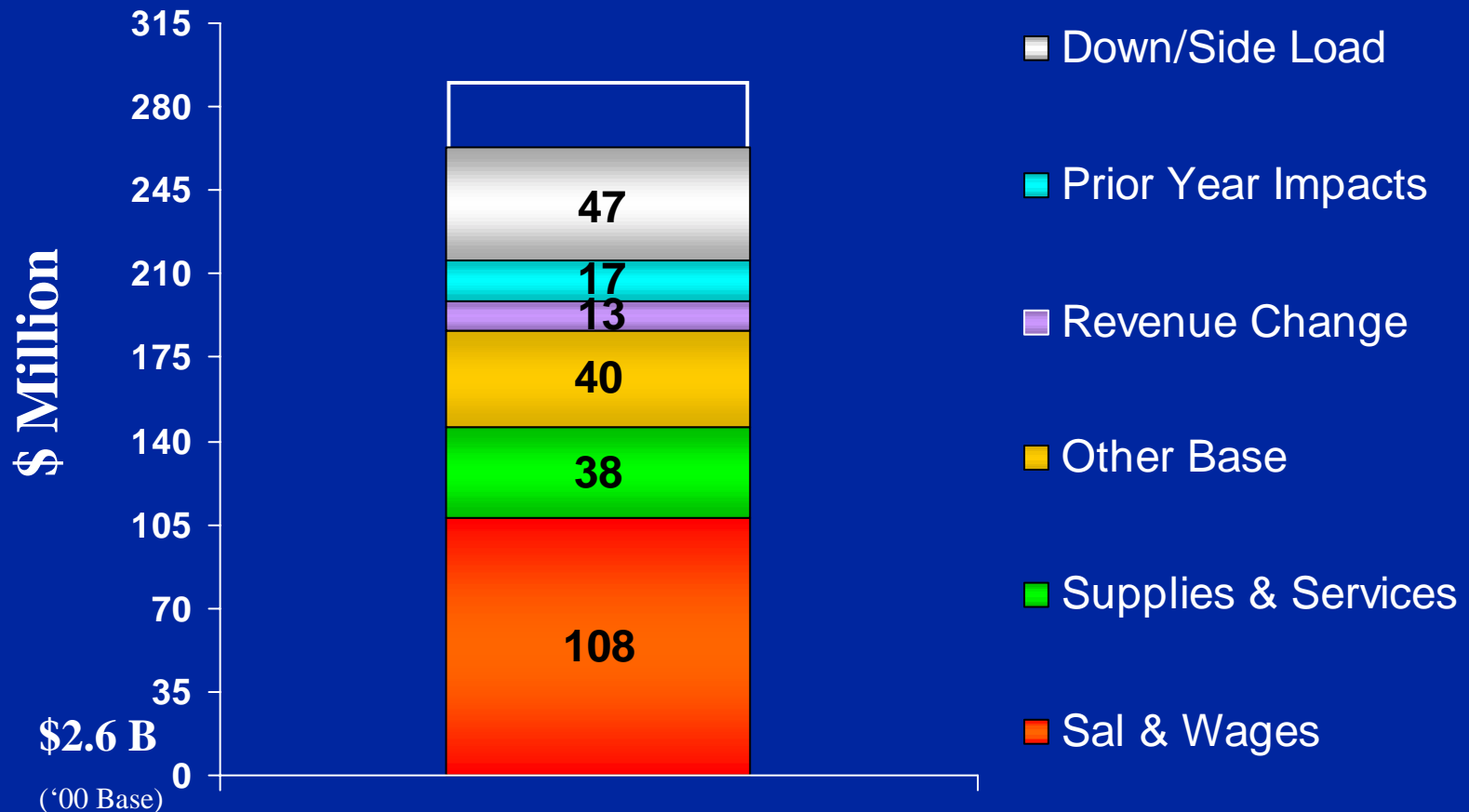
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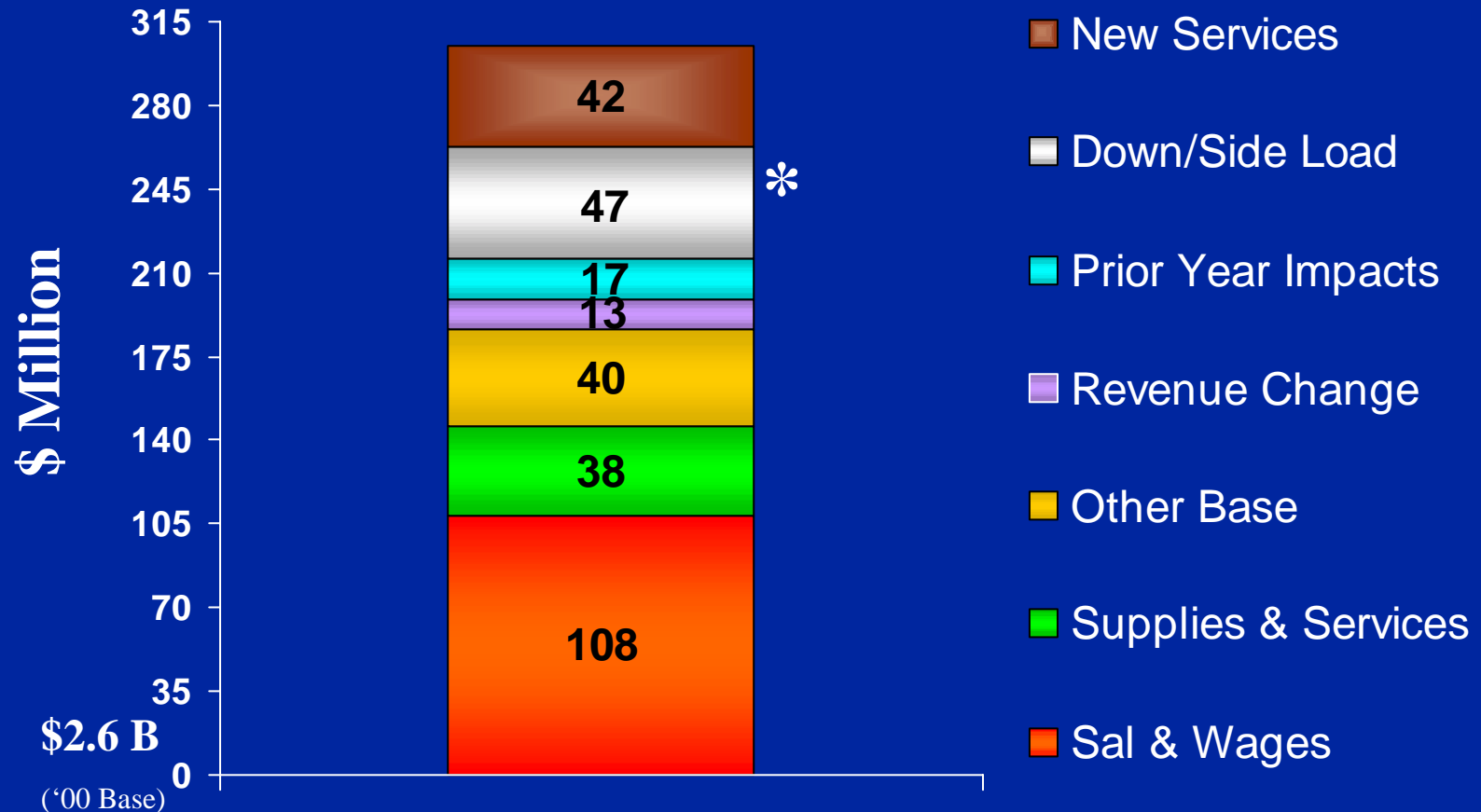
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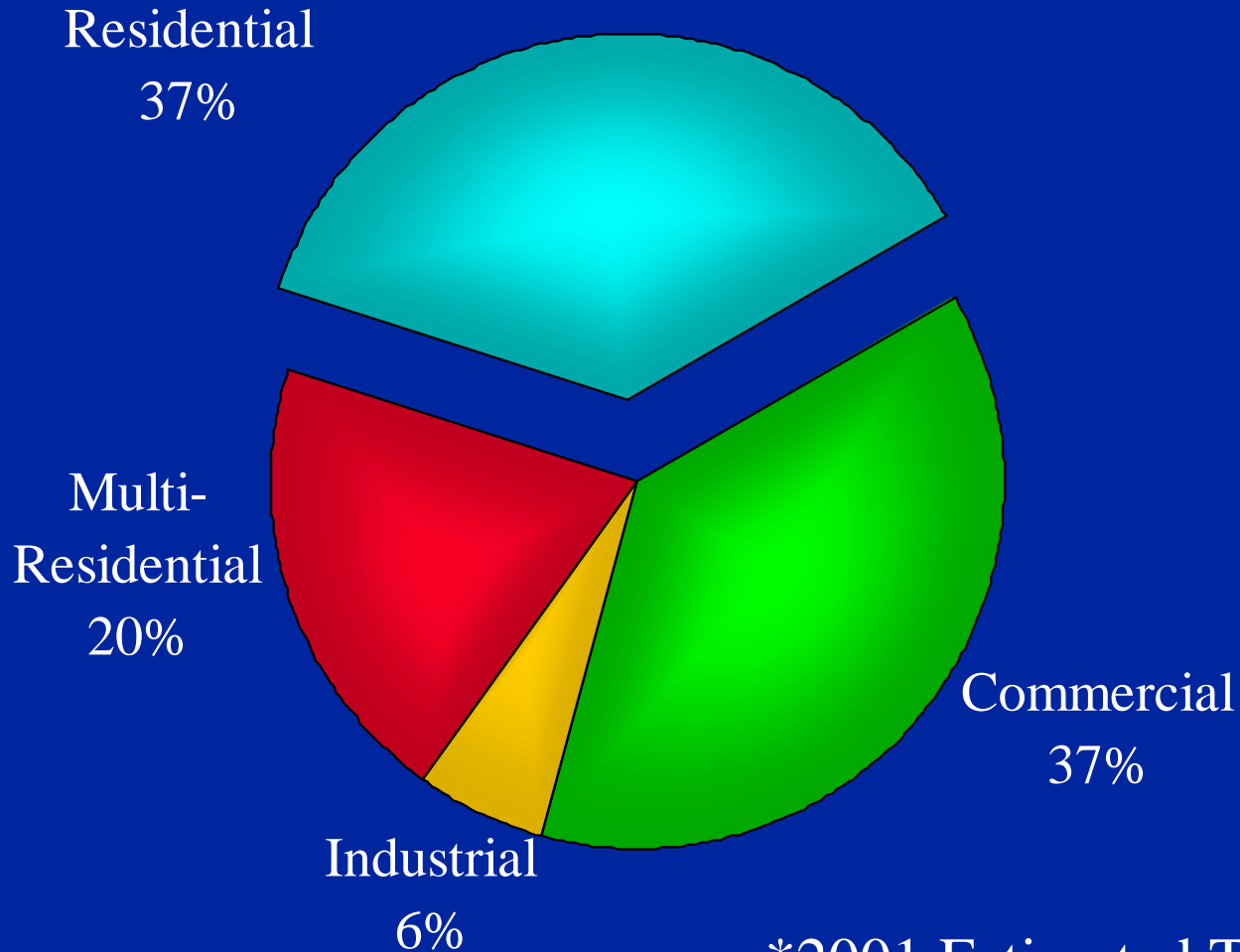
* \$47m new operating impact toward \$276m spending for downloading in 2001.

Impact of Budget Pressures on Gross and Net Budgets

- ◆ \$305 million pressure equivalent to:
 - ◆ 5% of \$5.9 billion gross operating budget
 - ◆ 12% of \$2.6 billion net operating budget

Constrained Tax Base * - Bill 140

1% tax increase = \$9.6 million



*2001 Estimated Tax Revenue

Council's Options for 2001

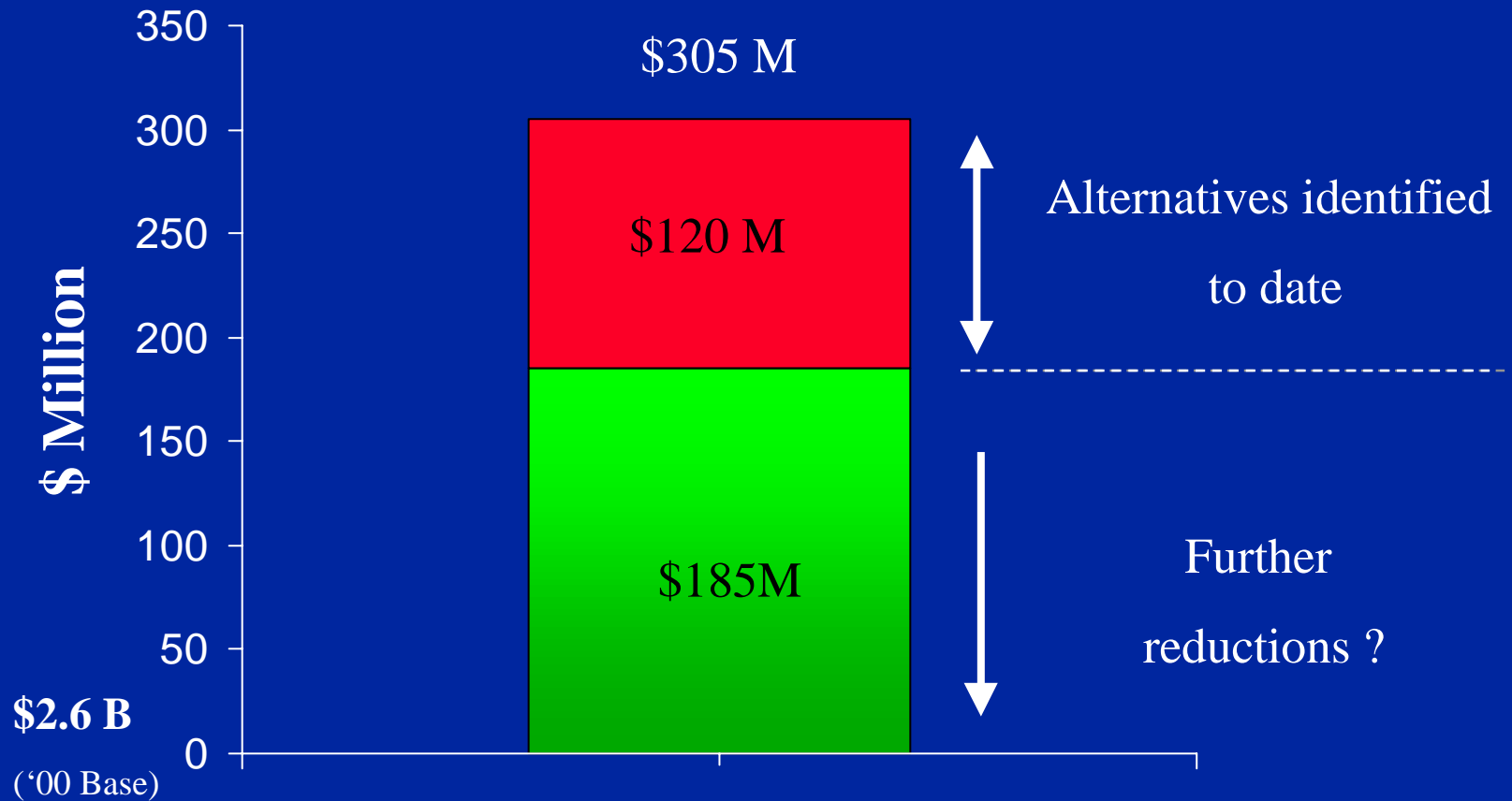
- ◆ Prioritize Service Levels, Adjust Services
- ◆ Seek Assistance from Province
- ◆ Increase Taxes & Fees
- ◆ Combination of Above

Options to Deal with Pressures

Combinations of Service Level Reductions and Tax Increases Amounting to \$305 million

Service Level Reduction	Tax Increase Option
\$0	32%
(\$50M)	26%
(\$100M)	21%
(\$120M)	19%
(\$185M)	12%
(\$200M)	11%
(\$250M)	6%
(\$305M)	0%

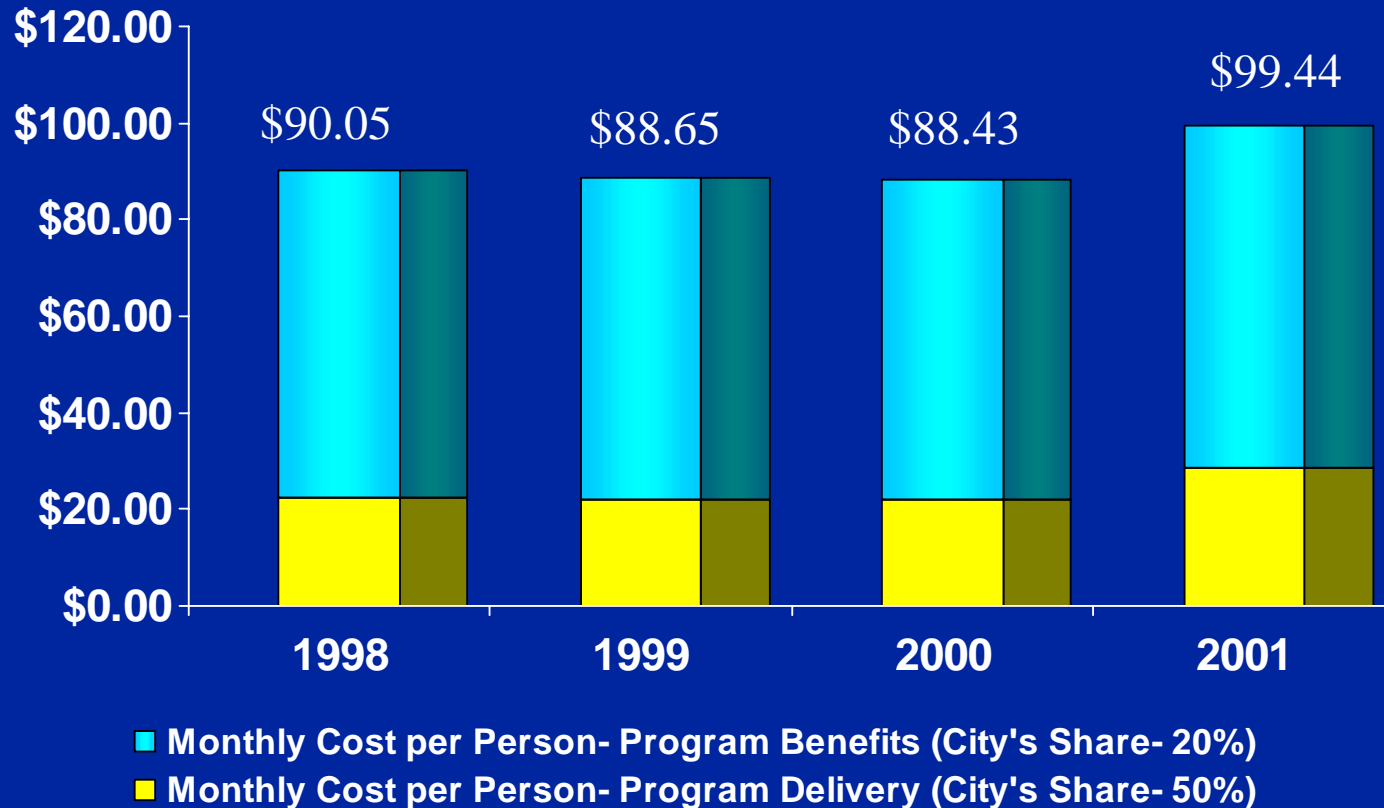
Alternatives for Expenditure Reduction



Tracking our Progress

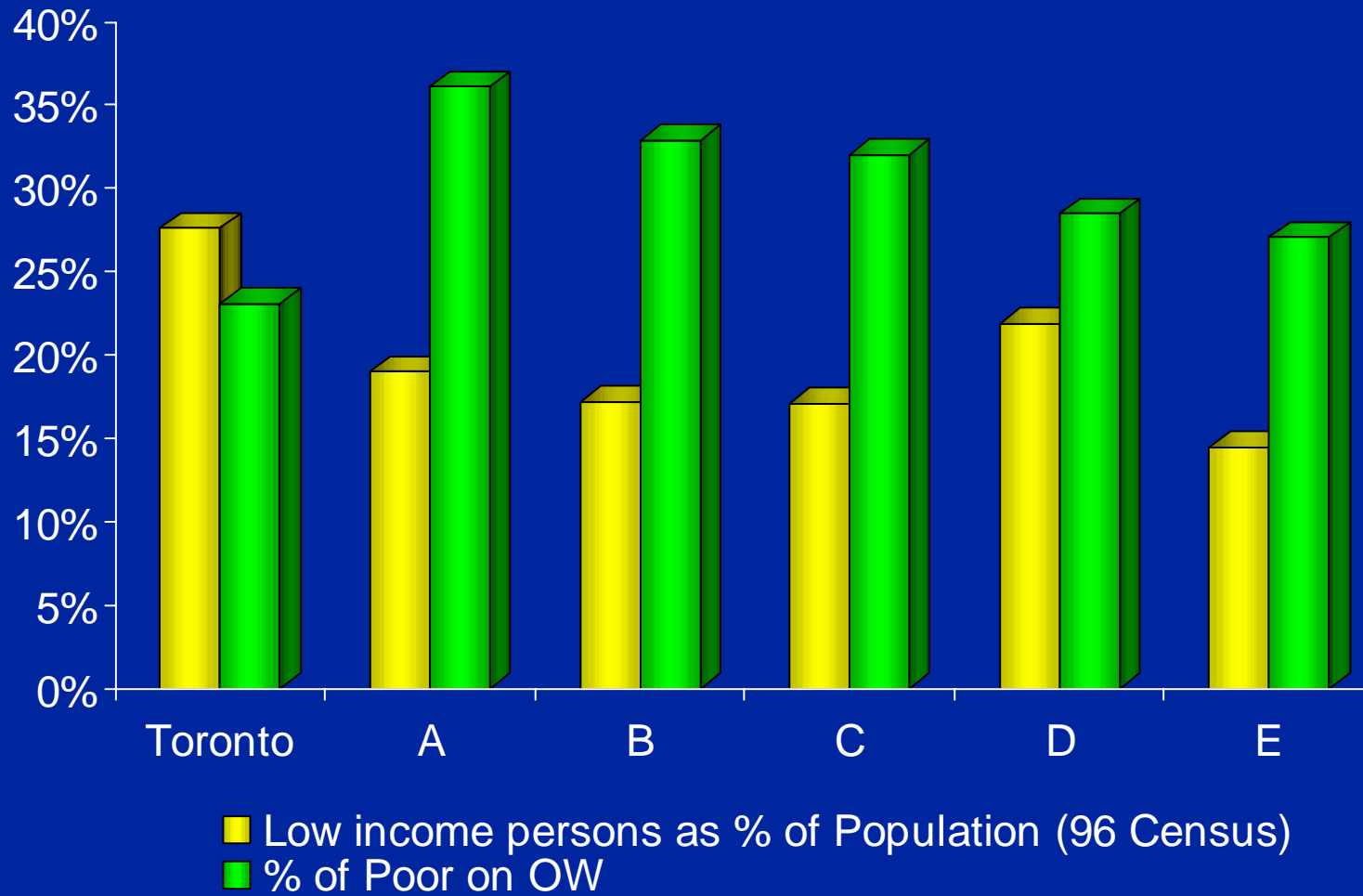
- ◆ Two ways to compare our performance
 - ◆ Internal year over year trends
 - ◆ Compare to other municipalities
- ◆ Another phase of continuous improvement
- ◆ Following examples represent cost shared, quality of life and universal programs

Efficiency Measure- Social Services Monthly Cost to City of Program Benefits & Program Delivery per Person on Ontario Works 1998-2001



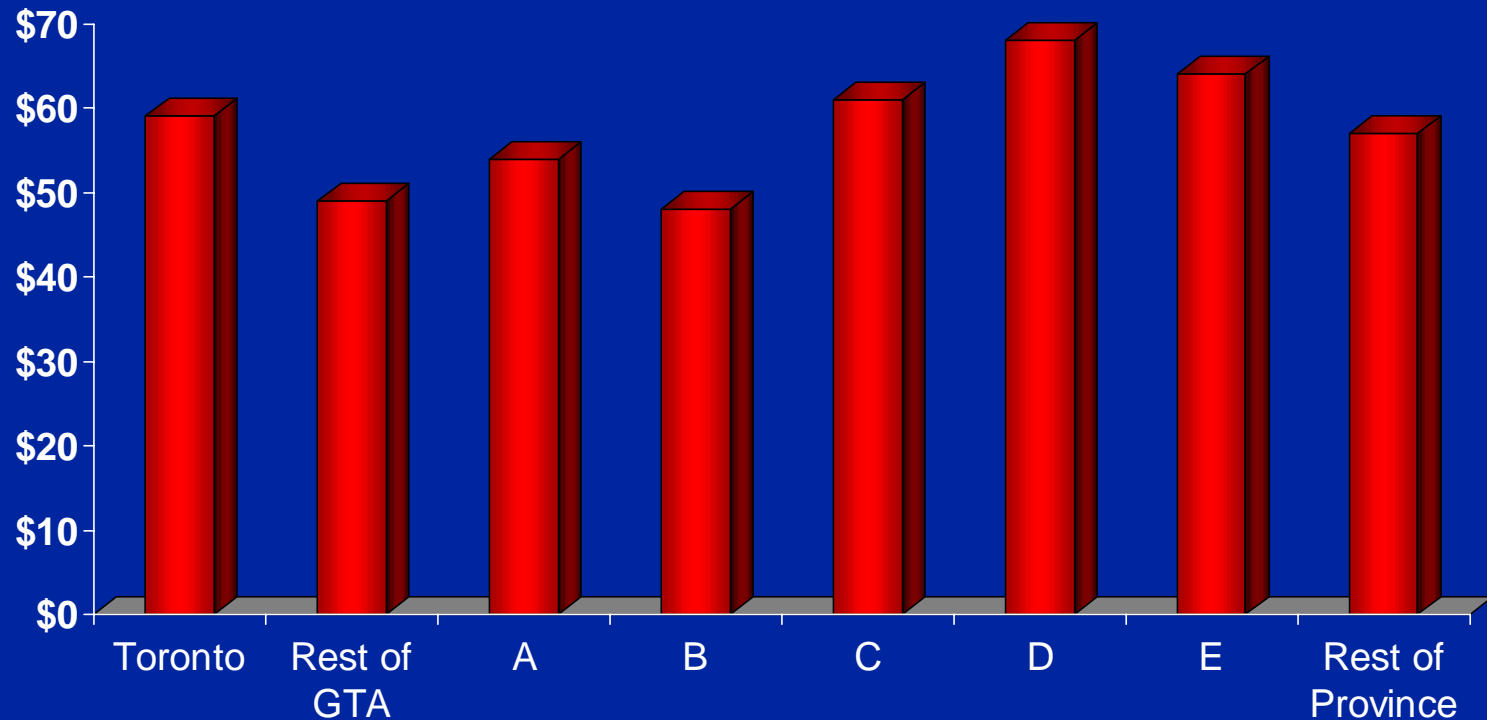
Source: Toronto Social Services Division

Service Level Indicator- Social Services People on Ontario Works vs. Low Income Population



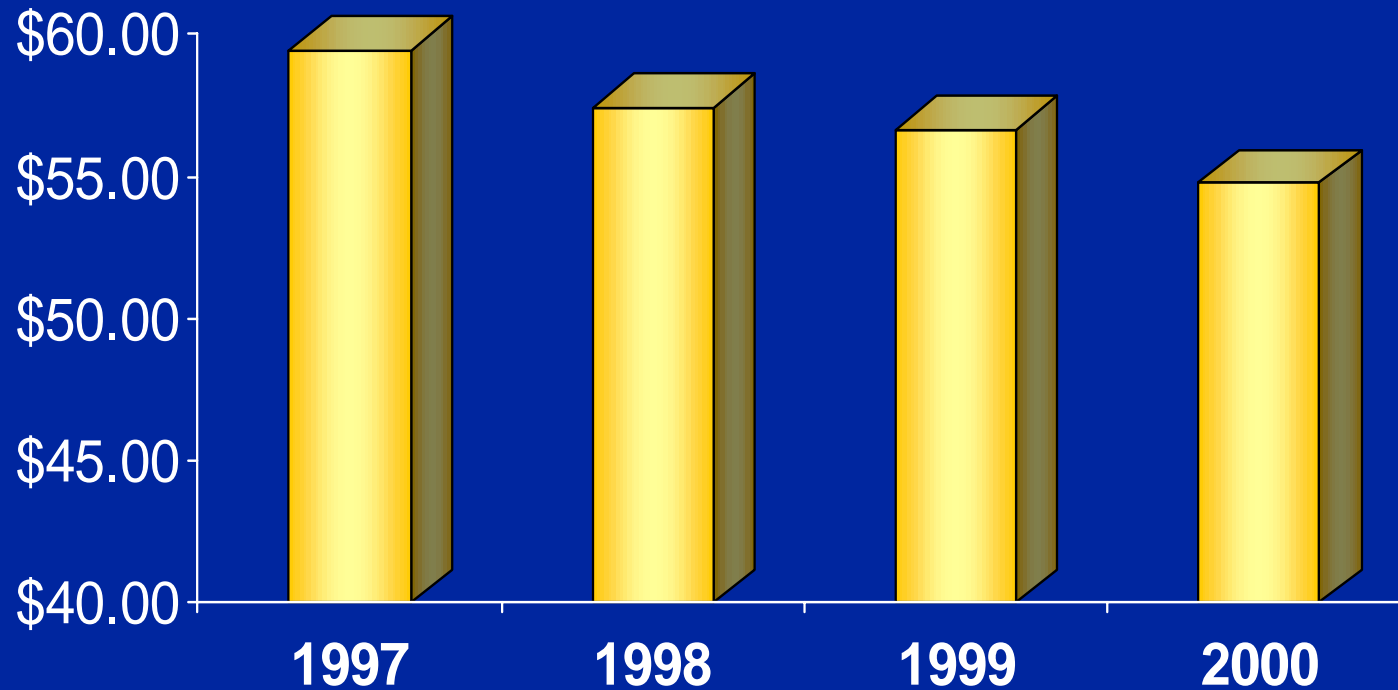
Source: Statistics Canada, Toronto Social Services, OW Delivery Agent

Solid Waste Gross Expenditures per Capita (combined upper & lower tier by region)



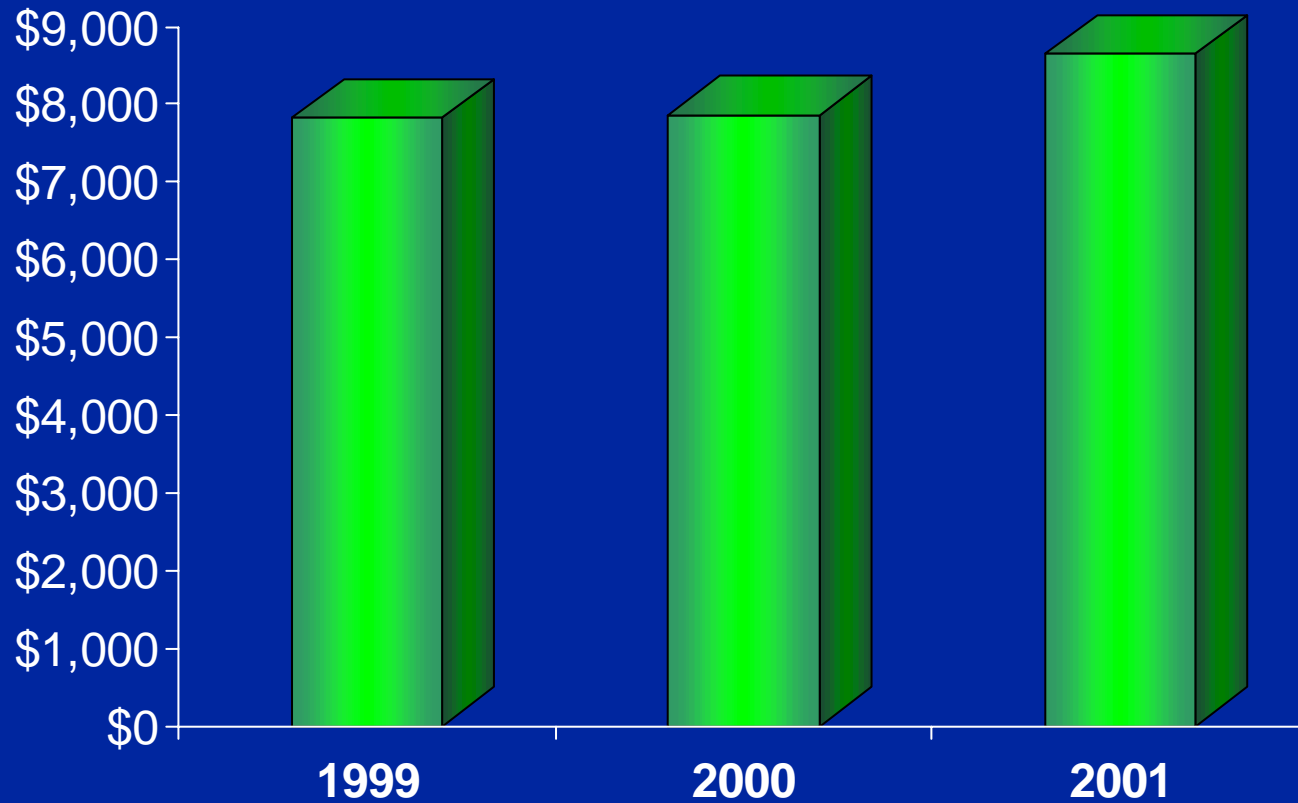
Source- 1998 FIR- Ministry of Municipal Affairs (Lower and upper tier aggregated by Region), Population & Household figures from MMAH's 1997 Enumeration for 1998 Municipal Structure

Efficiency Measure -Garbage Collection Collection Cost per Tonne 1997-2000



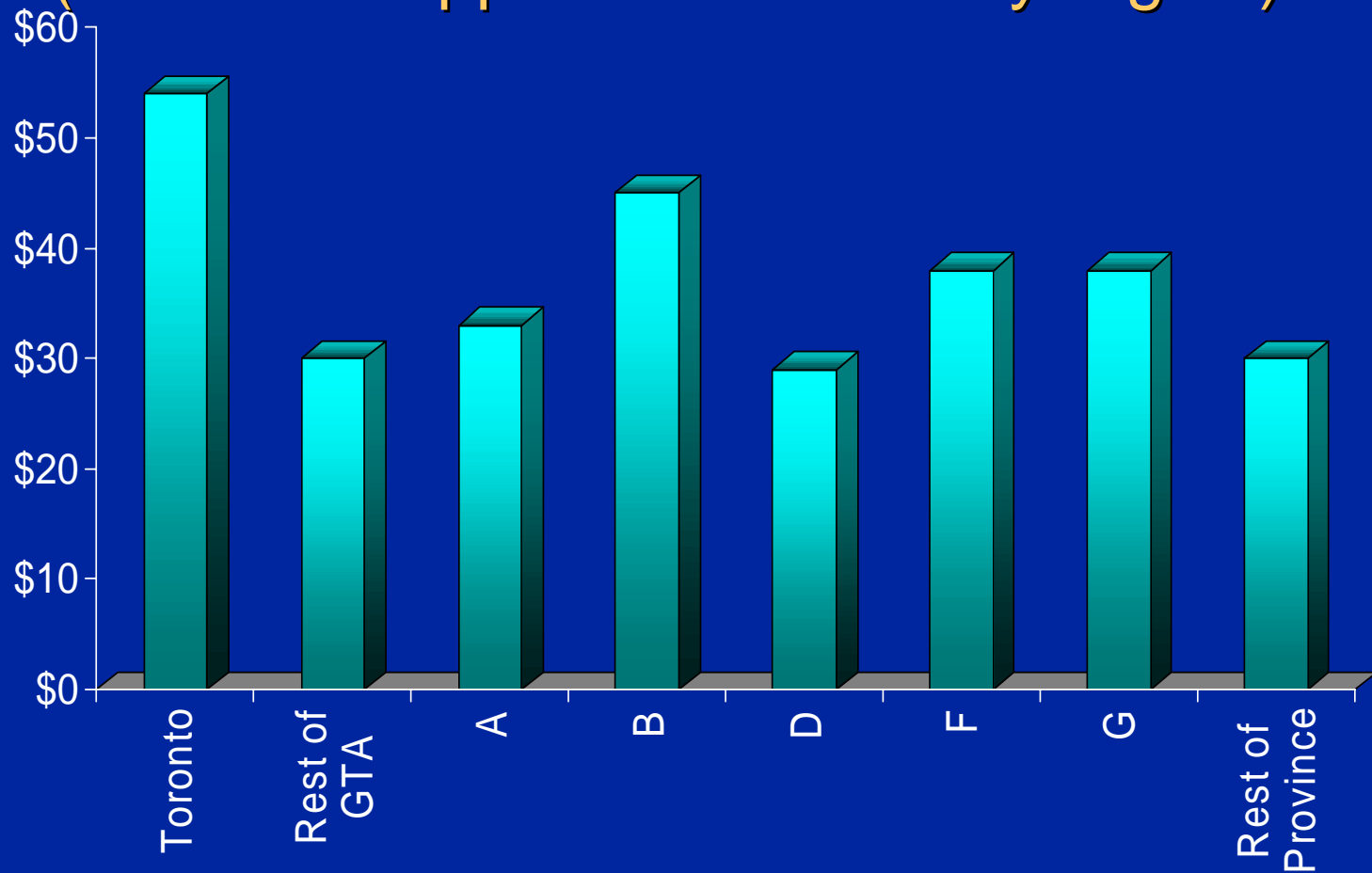
Source- Solid Waste Division WES

Efficiency Measure-Parks Cost Per Hectare



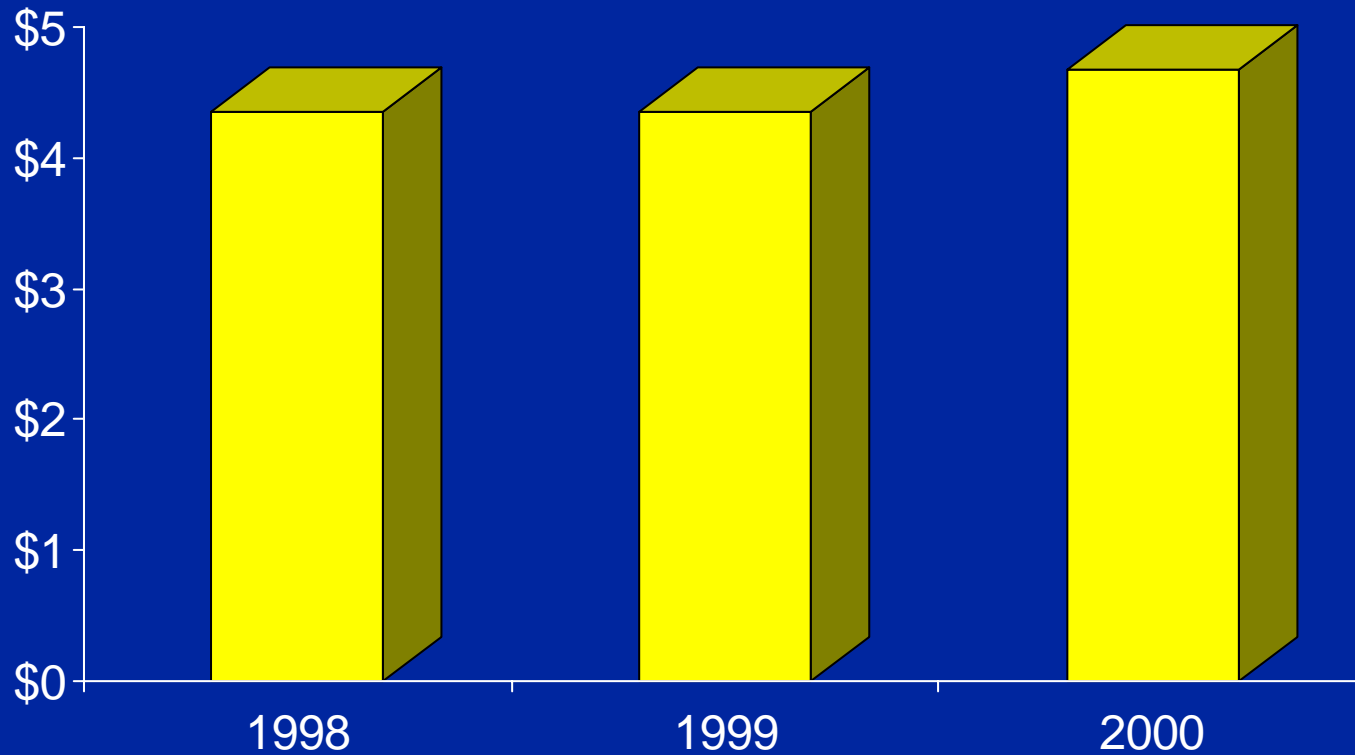
Source: Toronto Parks and Recreation

Library - Service Level Proxy Gross Expenditures per Capita (combined upper & lower tier by region)



Source- 1998 FIR- Ministry of Municipal Affairs (Lower and upper tier aggregated by Region), Population & Household figures from MMAH's 1997 Enumeration for 1998 Municipal Structure

Efficiency Measure-Library Cost per Circulation 1998-2000



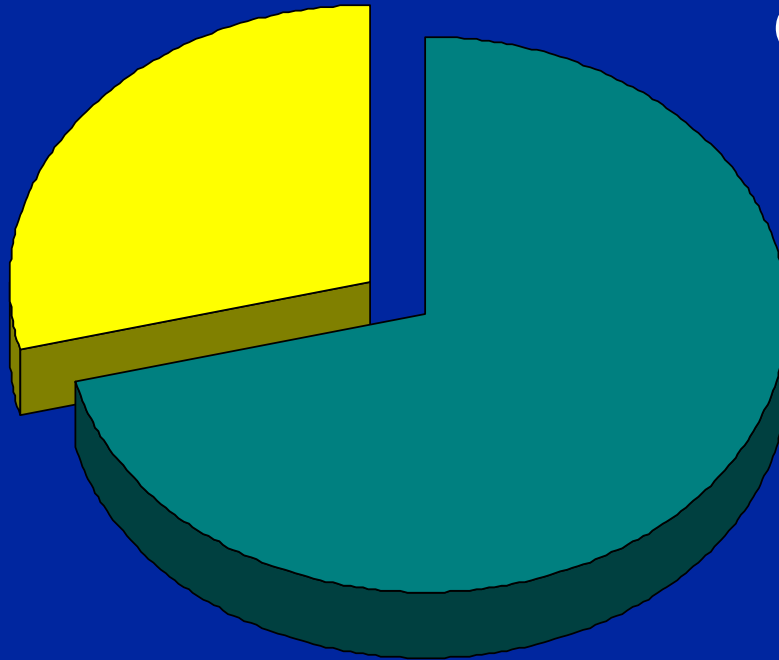
Source: Toronto Public Library, Planning & Development

Importance of ABC Review

ABCs - 29%

- Police
- Transit
- Library
- Health
- Other

Other 71 %



2000 gross expenditures

2001 Council Budget Process

JAN

FEB

MAR

APR

CAO Briefing

P & F

P & F

Standing Committees

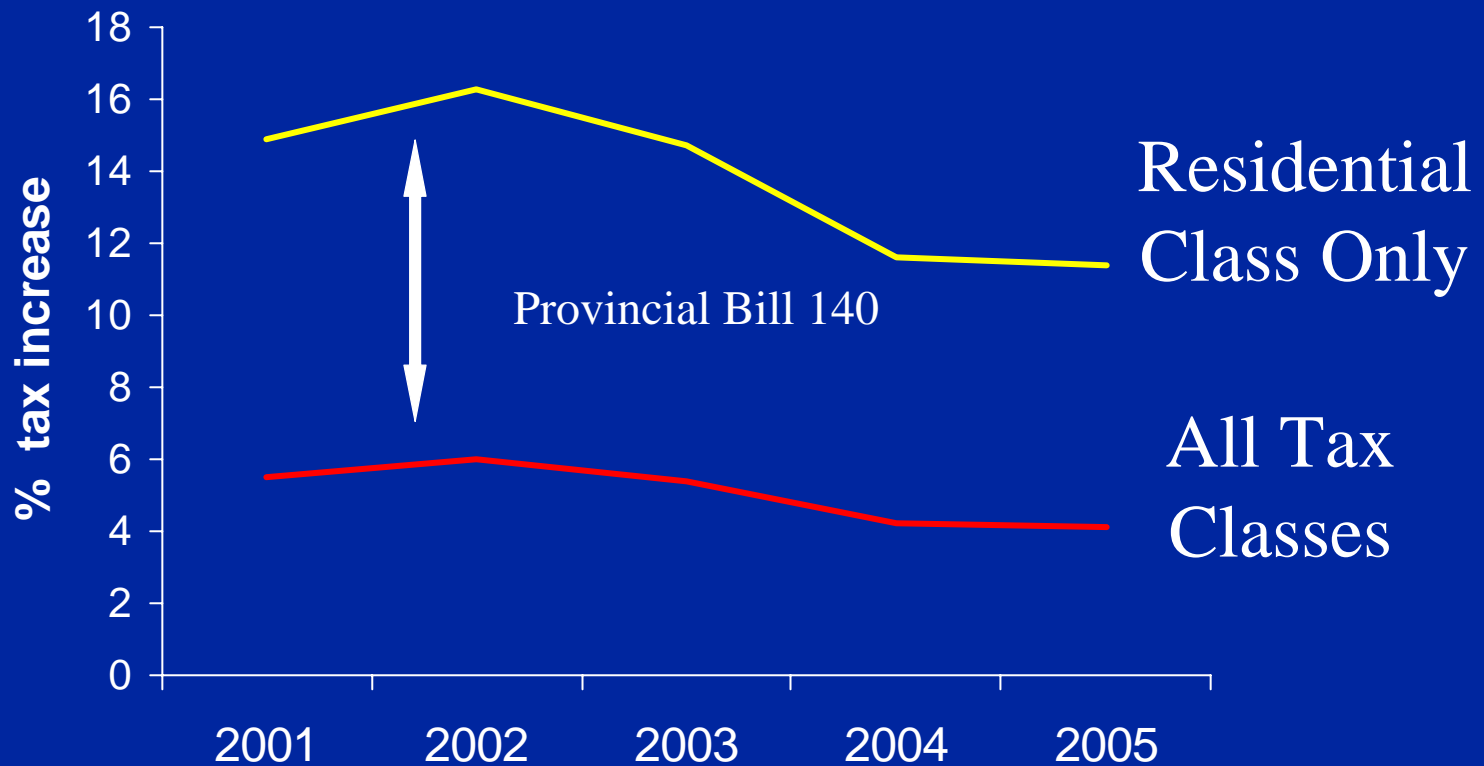
BAC

ABC Review

Integration

Council

Outlook for the Future*



*assumes no recession

Conclusion?

Expenditures increases at this level are not tenable

- ◆ Downloading must be fixed (ie. TTC Capital)
- ◆ Access to full tax base

Action Plan to Address Continuing Pressures (2002 and Beyond)

Shifting Gears

- ◆ review and improve financial protocols and practices
- ◆ assess and rank service priorities
- ◆ implement multi-year service plans including performance measures and trends
- ◆ implement “all up” capital/operating financial implications with full year impacts
- ◆ offset in year service level changes

Action Plan to Address Continuing Pressures (2002 and Beyond)

Continuous Improvement for Greater Efficiency

- ◆ address service duplication/overlap
- ◆ re-engineer outdated processes
- ◆ technology to support efficiency
- ◆ update work rules and practices
- ◆ provide incentives for efficiencies achieved
- ◆ increase city's competitiveness and utilization of service delivery options
- ◆ implement activity based management and costing