

# Financial Impacts from 2009 Economic Outlook

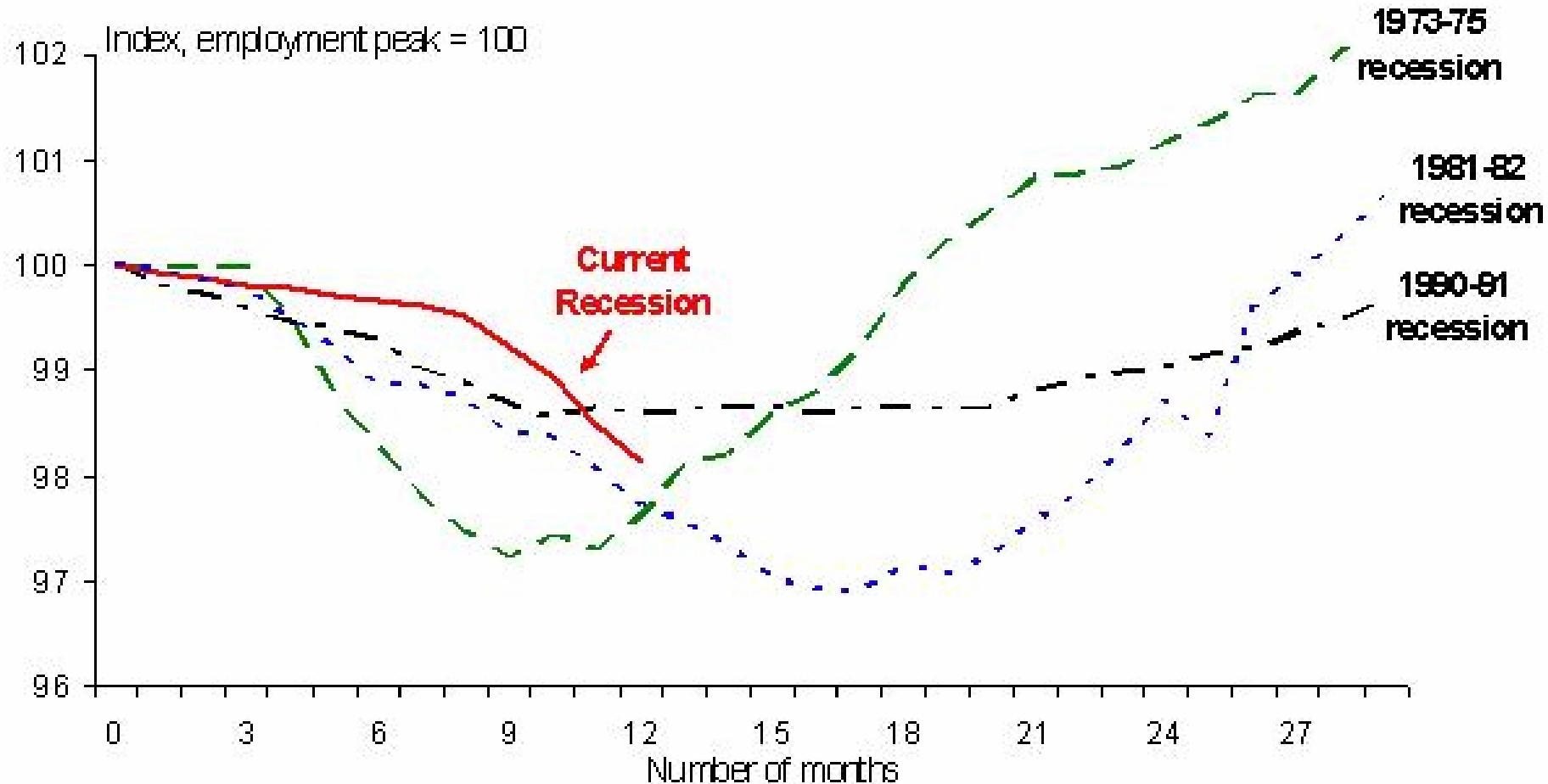
**Budget Committee**

February 19, 2009



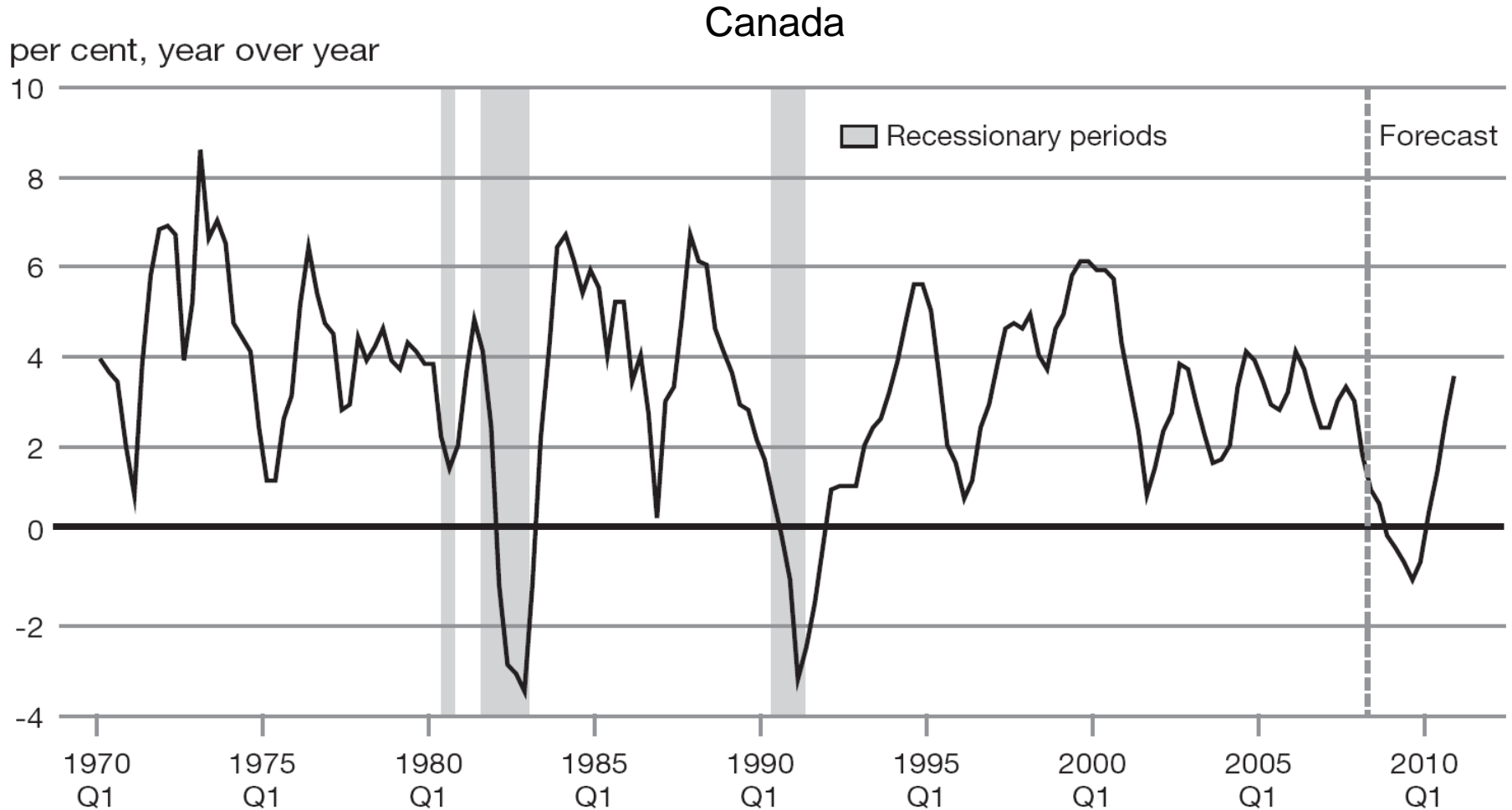
# How Does This Recession Compare Job Losses

A comparison of U.S. payroll employment during recessions



NBF Economy & Strategy (BLS data via Global insight)

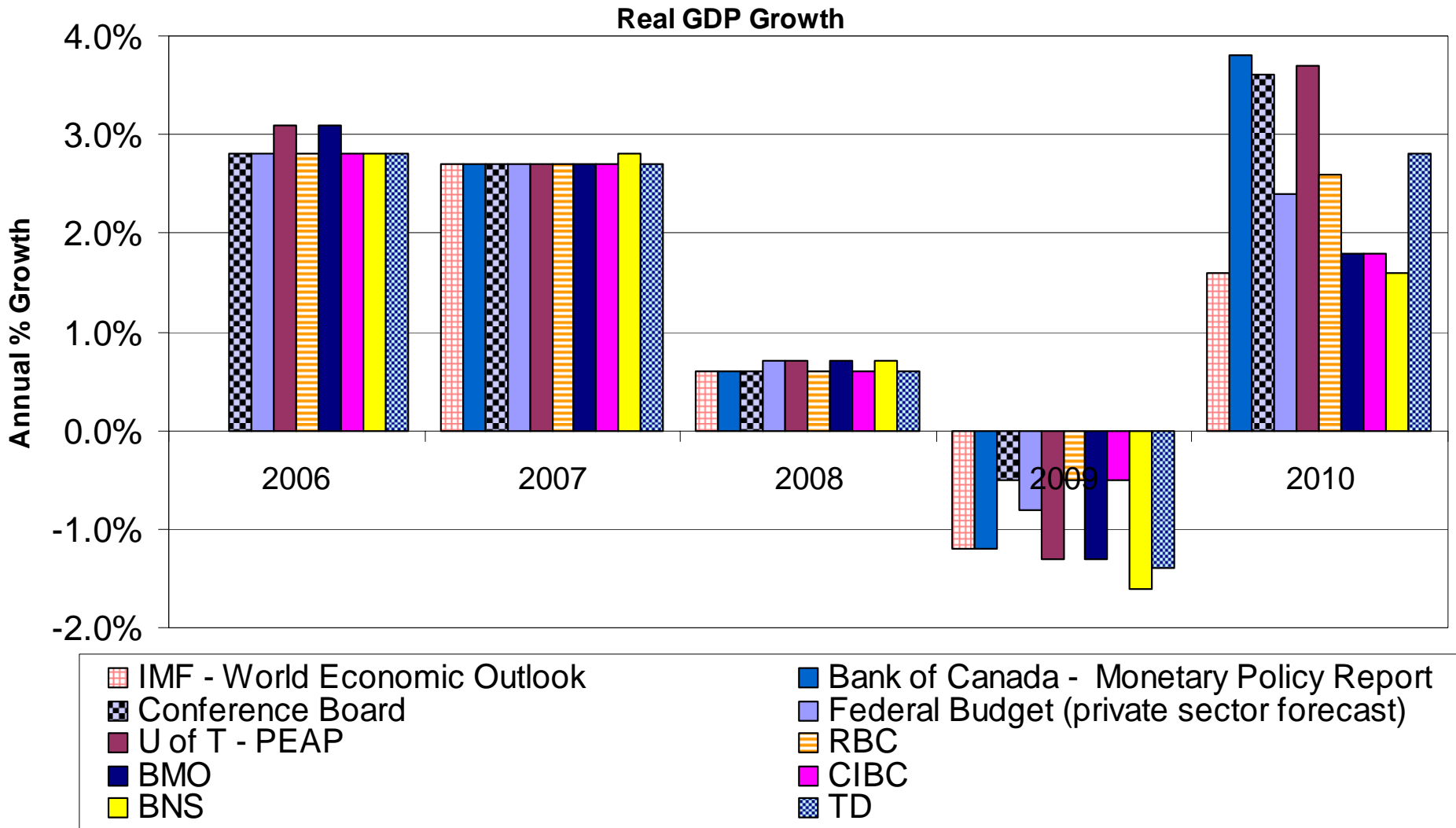
# Real GDP Growth in Historical Perspective



Sources: Historical: Statistics Canada

Forecast: Department of Finance survey of private sector forecasters

# Economic Forecasts for Canada



# Key Economic Drivers of City Finances

## Employment/ Income

- TTC Ridership
- Social Services (Social Assistance & Housing)
- Admission fees, e.g. Zoo, Parks

## Business / Personal Investments

- Land Transfer Tax
- Assessment growth
- Building permits, license fees

## World / National Markets

- Inflation (affects labour expectations)
- Commodity prices
- Interest rates (cost of debt & investment earnings)

# Economic Environment Entering into Recession

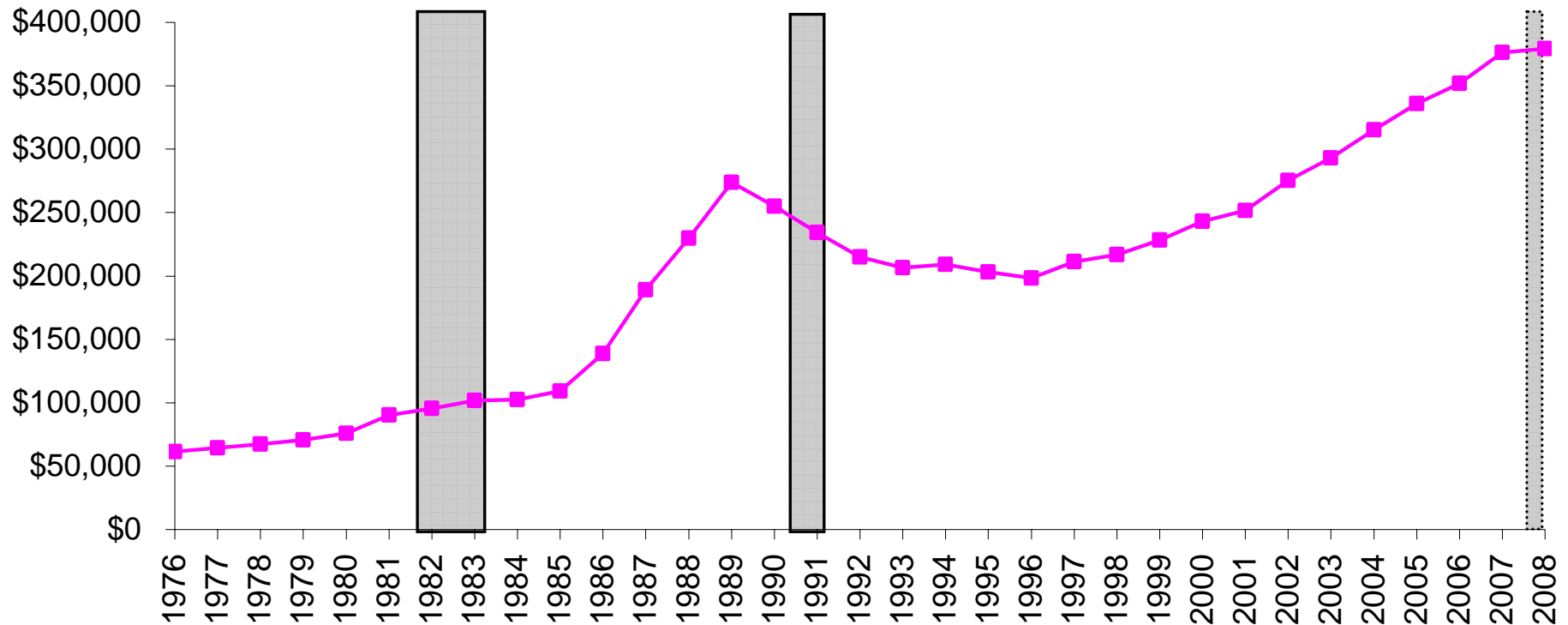
	1981 / 82	1990 / 91	2008/2009 To-Date
<b><u>Employment / Income</u></b>			
<b>Employment</b> (Toronto Region) 5 years prior to recession	Up 15% (204,000 new jobs)	Up 14% (231,000 new jobs)	Up 8% (216,000 new jobs)
<b>Unemployment Rate</b> (Toronto Region) 5 years prior to recession	Decreased from 5.4% to 5.0%	Decreased from 6.7% to 4.0%	Decreased from 7.5% to 6.9%
<b><u>Business / Personal Investment</u></b>			
<b>Housing Prices</b> (Toronto Region) 5 years prior to recession	Up 23%	Up 150%	Up 20%
<b>Property Assessment growth (City of Toronto)</b> annual average; 5 years prior to and including recession	2.6%	2.3%	Increased at an annual average of 1.1% in previous 5 years
<b><u>World / National Market</u></b>			
<b>Inflation</b> (Toronto CMA) year before recession	10%	6%	2%
<b>Interest Rate</b> (Bank of Canada overnight rate) year before recession	17.30%	12.50%	1.25% (Feb 11, 2009)
<b>Stock Market Index</b> (S&P/TSX) 5 years prior to recession	Up 124%	Up 37%	Up 68%
<b>Retail Gasoline Price</b> (Toronto Region) cents/litre; year before recession	29	51	112 (2008 average) 76 (Jan 2009)

# Economic Impacts of Recession

	1981 / 82	1990 / 91	2008/2009 To-Date
<b><u>Employment / Income</u></b>			
Employment (Toronto Region)	Down 2% over 2 years	Down 9% over 2 years	Down 4% from May 2008 to Jan 2009
TTC Ridership	Steady growth	Down 12% over 6 years	Modest growth (Ridership Growth Strategy)
Social Assistance (average monthly OW caseload)	Up 46% over 2 years	Up 211% over 5 years	Up from 72,784 (Dec 2007) to 81,067 (Jan 2008). 2009 average monthly budget = 90,000
<b><u>Business / Personal Investment</u></b>			
Housing Prices (GTA)	Stable over 2 years	Down 28% over 7 years	Down 14% (Jan 2008 vs Jan 2009)
Property Assessment Growth (City of Toronto)	Stable over 5 years	Down 5% over 5 years	Modest

# House Prices

**Average House Price**  
Toronto region

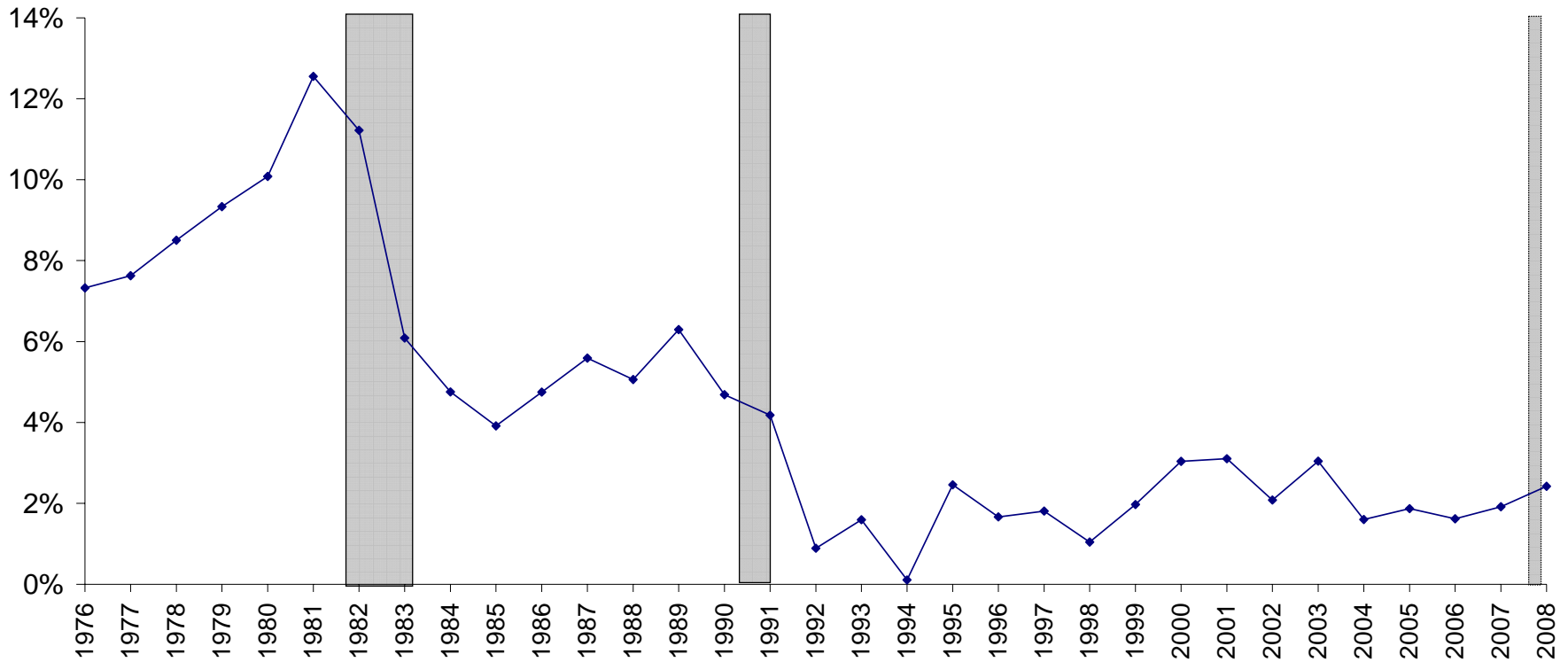


Source: Toronto Real Estate Board



# Inflation

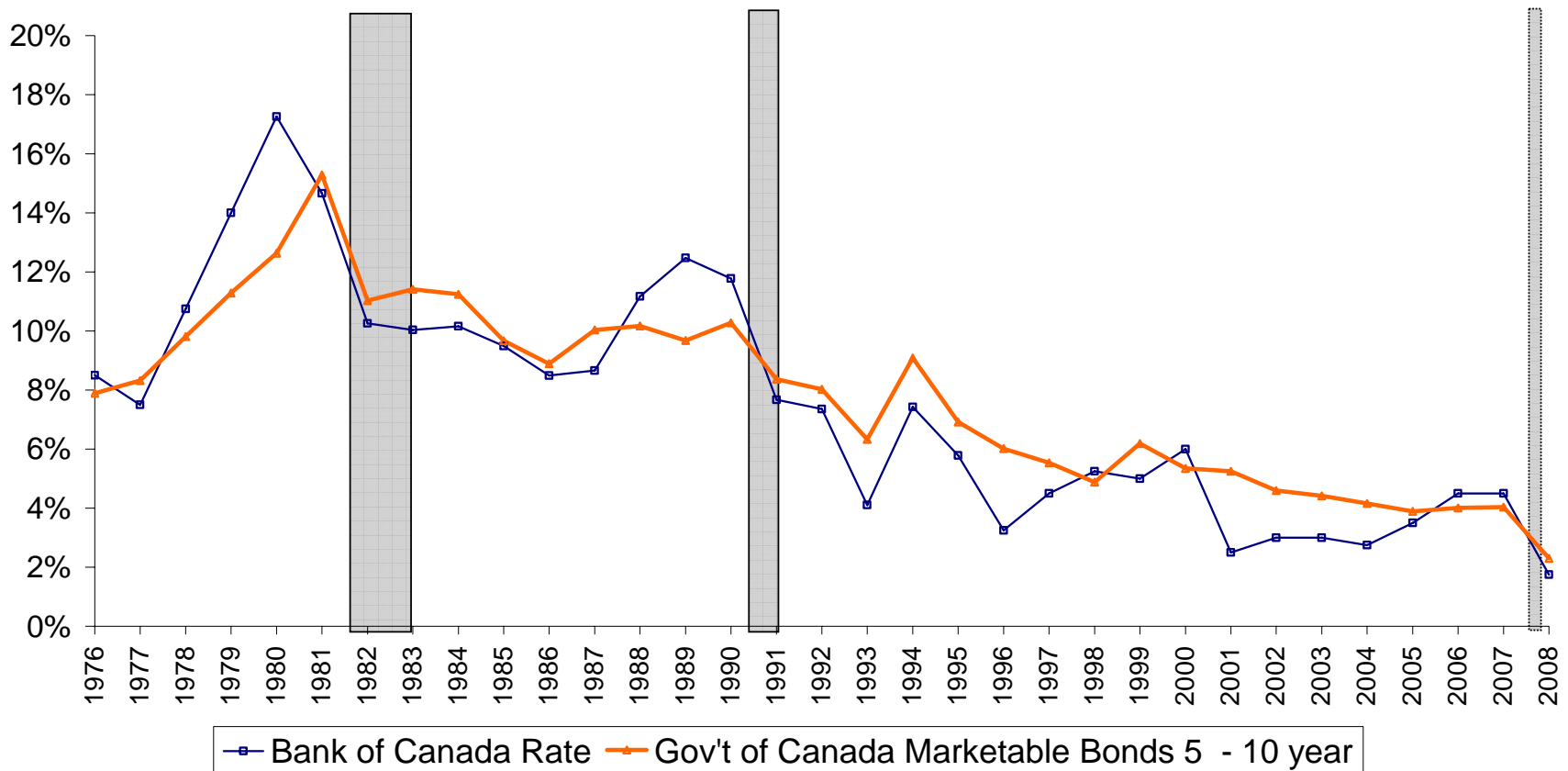
**Toronto CMA Rate of Inflation**  
(all-item CPI annual change, not seasonally adjusted)



Source: Statistics Canada

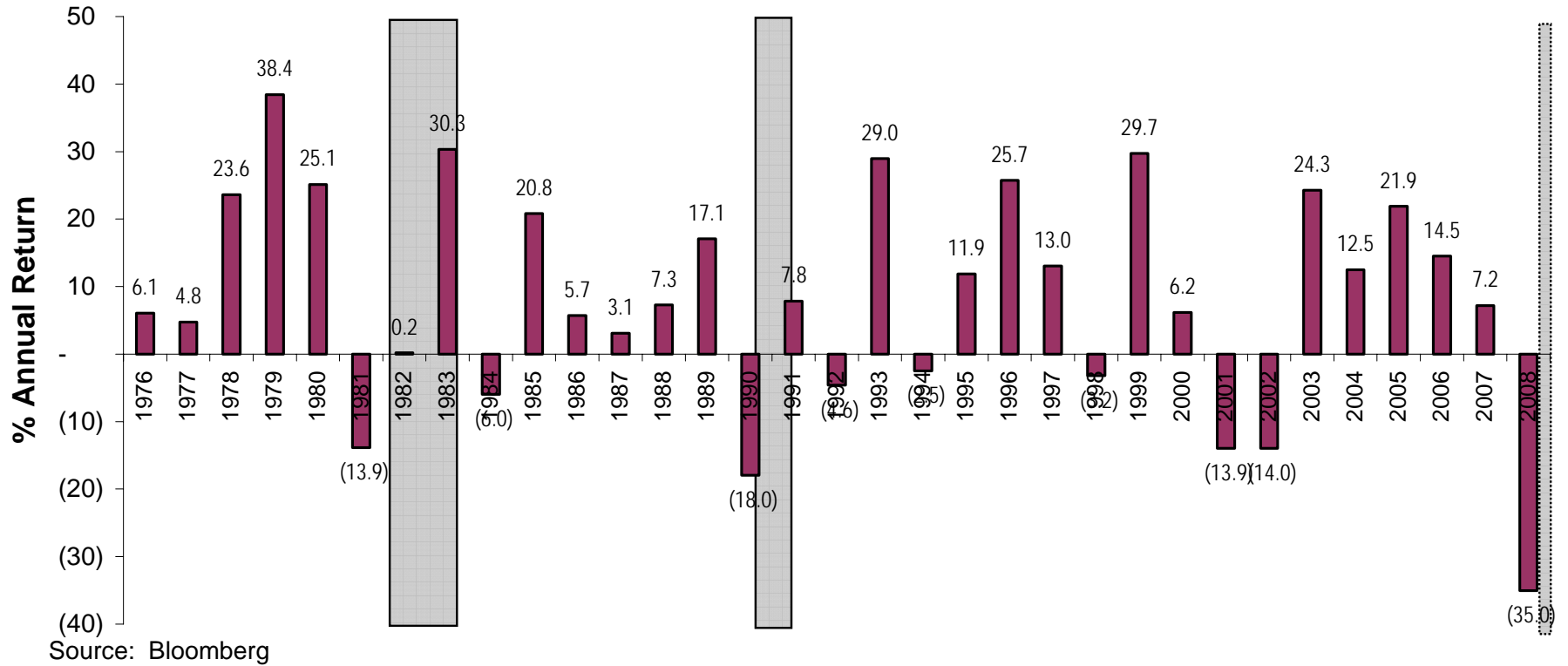
# Interest Rates

Gov't of Canada Benchmark Interest Rates



# S&P/TSX

S&P/TSX % Annual Return



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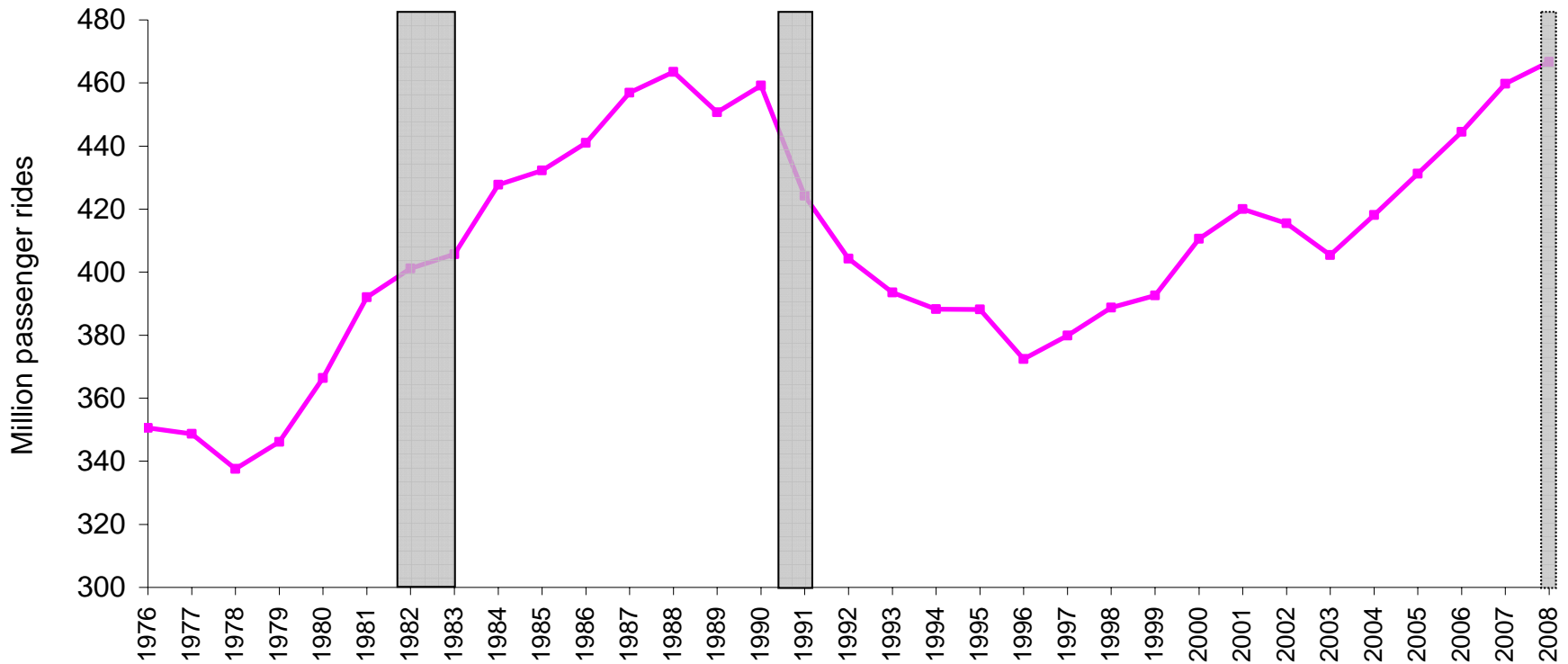
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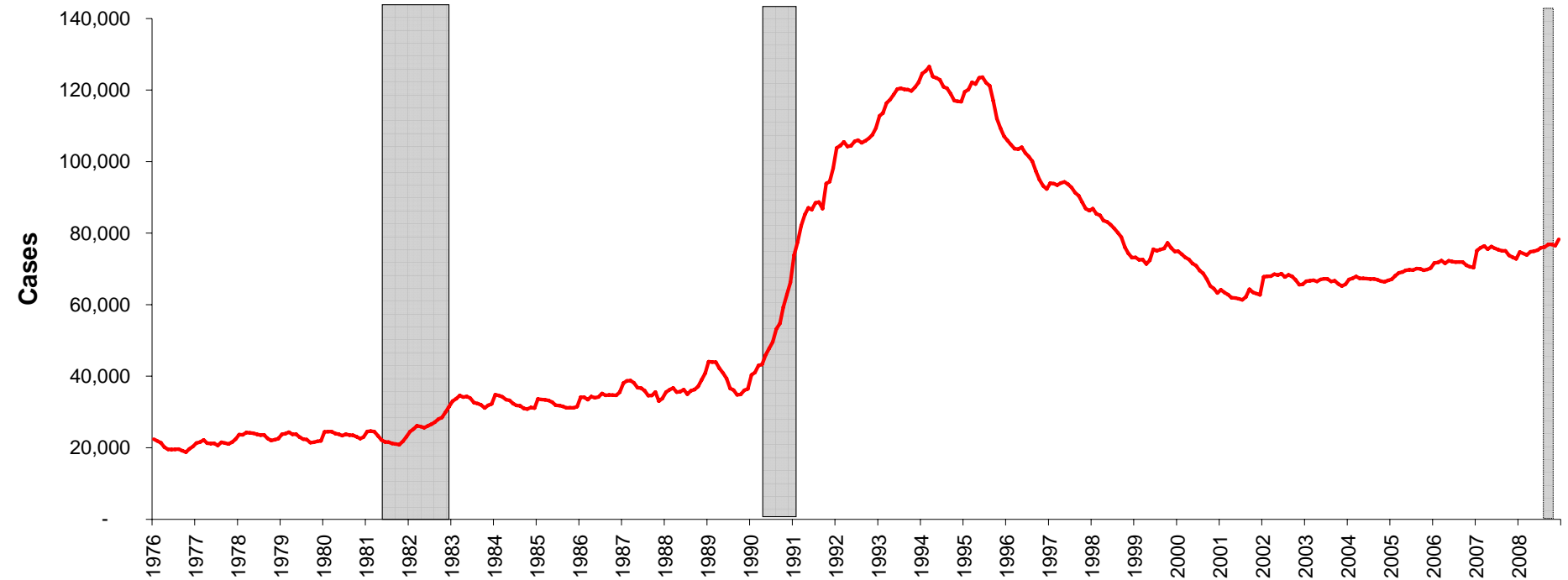
# TTC Ridership

TTC Annual Ridership



# Social Assistance Caseload

Social Assistance Monthly Caseload



# Potential Impacts on City

Budget Item	Positive or None	Low to Moderate	More Severe
<b><i>Expenditure Items</i></b>			
Commodity Prices			
Debt Charges			
Tax - Vacancies			
Social Assistance			
<b><i>Revenue Items</i></b>			
Property Taxes			
Investment Earnings			
Transit Ridership			
Municipal Land Transfer Tax			

# Response – 2009 Operating Budget

- The budget has included the current best estimates of recessionary impacts
  - Social assistance caseloads of 90,000, up from 77,000 in 2008
  - Modest transit ridership growth as Ridership Growth Strategy and fare freeze are expected to offset recession impacts
  - Land Transfer Tax conservatively budgeted, with 27% reduction in combined price/volume
- Staff will closely monitor impacts of recession and address where necessary through regular variance reports



# Toronto Helps

- Enhancements have been recommended for property tax protections for:
  - Low income elderly
  - Low income people with disabilities
- Small business tax reductions have been approved
- Improvements to business competitiveness will continue through enhancing Toronto's business climate strategies

# Moving Toward Fiscal Sustainability

- Continuous improvement and cost control ✓
- New Taxation Measures ✓
- Share of Federal and Provincial Gas Tax ✓
- Upload Social Services programs ✓
- Permanent, Predictable Provincial Transit operating funding (50%) ○
- Growth revenues – equivalent of One Cent Share of the GST ○
- National Transit Strategy (capital) ○

