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Countdown to Zero: Balancing Toronto's Budget

Flip Sheet

The City of Toronto is not in a severe financial crisis and without options, as the rhetoric coming from the mayor's office would have us believe.

City council must approach the budget challenge taking into account the impact of drastic service cuts on the health of Torontonians.

City council has real choices before it. It can make choices that will support a city building budget: one that builds a more inclusive, more prosperous and healthier city for us all.

Each year, over the past five years, the City of Toronto has started its budget process with a budgetary shortfall of over half a billion dollars. And, in compliance with the law, every year the city brings the shortfall down to zero. It has done so without gutting city services or selling off valuable assets.

This year's budget cycle — that began with a budgetary shortfall of $774 million — is no different. This initial shortfall is not a deficit, but simply represents the amount of ground that must be covered through the budgeting process to ensure the budget is balanced. In previous years, a combination of increased revenues, cost-cutting measures, transfers from other levels of government, and use of reserves have brought the budget shortfall down to zero.

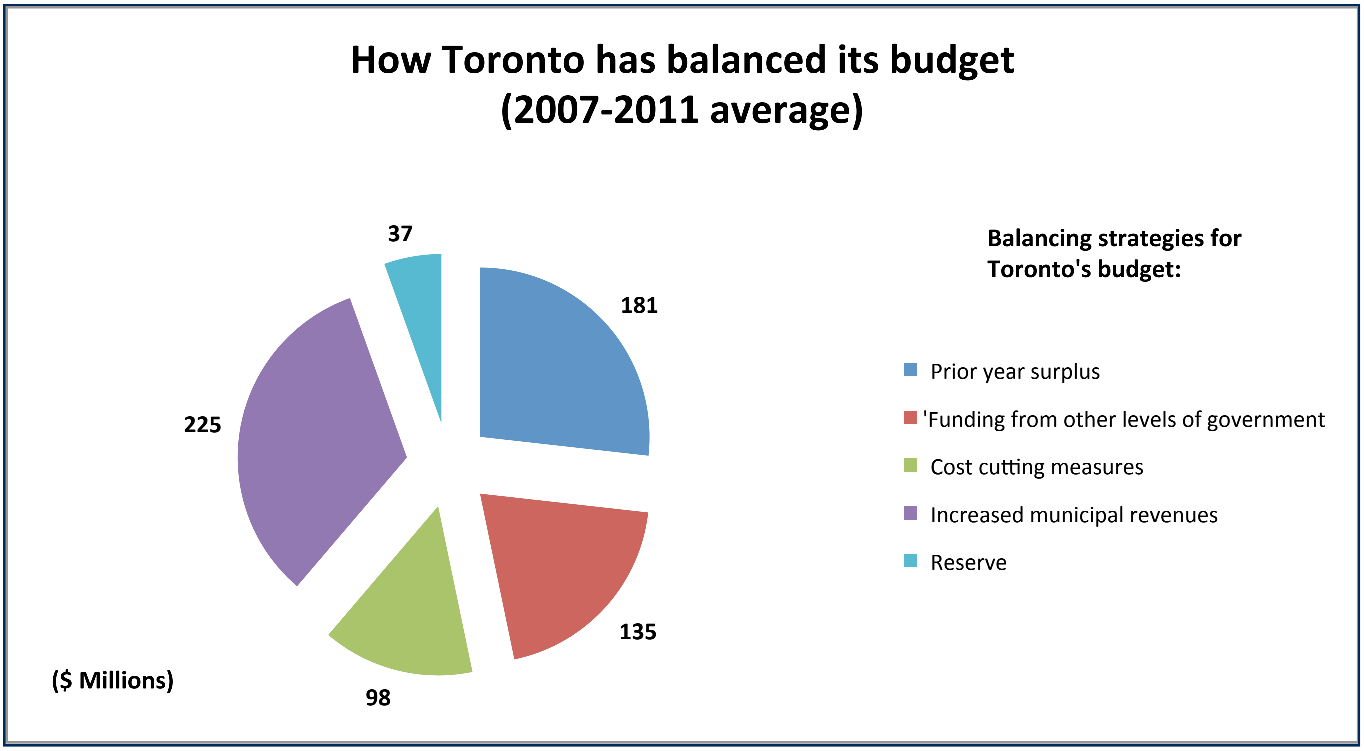
What's different this year is that the actions of city council have worsened Toronto's fiscal challenges. Mayor Rob Ford's decisions to freeze property tax rates and cancel the Personal Vehicle Tax have cost the city $132 million in revenues and have contributed to the 2012 budget shortfall.

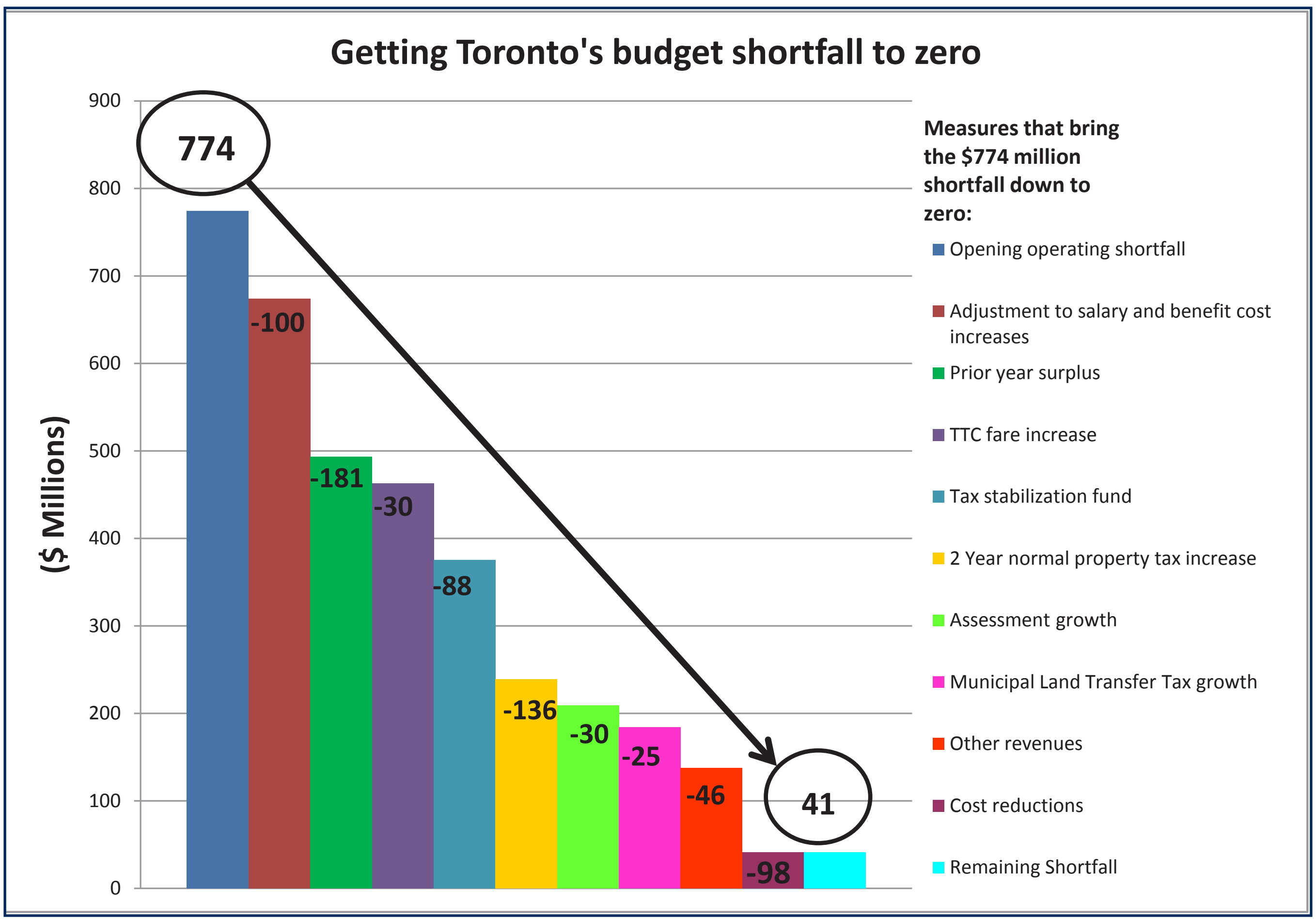
This report shows how, without relying on transfers from other levels of government, city councillors can bring the budget deficit down to zero. Doing the same kinds of things that city council has done in the past can balance the city budget, with no need for drastic measures.

Specifically:

- Measures already announced by the city (TTC fare increase and increases in revenues) will bring the deficit down by $131 million;
- Reversing last year's ill-advised decision to freeze property taxes and increasing this year's property tax rate by 3 percent (a total increase of 6 percent, reflecting two years' worth of normal increases would increase revenues by $136 million);
- If the city matches the average amount it has saved over the last five years through cost cutting and efficiencies, costs will be reduced by $98 million;
- Over the last five years, the surplus from the previous year has averaged $181 million. Assuming this year is no different, that amount could be applied to this year's budget;
- Another $188 million can be found by accessing the $88 million from the 2010 surplus that was put into a tax stabilization fund and by readjusting the projected increase in costs of salaries and benefits to reflect a more likely increase of $116 million (double last year's increase).

The combination of these factors and actions will bring the budgetary shortfall for 2012 down to $41 million, less than the cost to the city of the mayor's decision to cancel the Personal Vehicle Tax. In other words, the fiscal crisis the City of Toronto is facing is more manufactured than real. The only fiscal crisis facing the city this year is the modestly painful, and preventable, need to make up for the loss of revenue resulting from the mayor's decision to cancel an important source of city revenue.





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