

Citizen Control of the Citizen's Business

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY
THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFORMATION
WITH REGARD TO TORONTO'S BUSINESS.

ISSUED BY THE

21 KING STREET EAST



TELEPHONE: ELGIN 1904

White Paper No. 115

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Civic Financial Control

Story No. 1

HOW THE CITY HAS CONTROLLED
FINANCIALLY THE CURRENT EXPENDITURES OF THE SERVICES
APPEARING IN THE ANNUAL CIVIC ESTIMATES DURING THE LAST TEN
YEARS, INCLUDING PUBLIC SERVICE ENTERPRISES NOT ADMINISTERED
BY BOARDS OR COMMISSIONS.

The Average Citizen

when he thinks of the City's revenues and expenditures and the resulting current deficits or surpluses, thinks only of those revenues and expenditures, deficits and surpluses which figure in the annual civic estimates and the annual financial reports. These cover the regular civic services, the educational services, the public service enterprises not administered by outside appointive Boards or Commissions—such as the waterworks, the civic abattoir, housing, in former years the civic car lines—and the city revenue and expense accounts of the Exhibition Buildings, and the Livestock Arena, all of which have affected taxation either by increasing or decreasing it. The City's business, however, is much larger than this, as it includes the business of those appointive Commissions which administer public service enterprises for the City, which use the City's credit for the financial operations of which the taxpayers and electors are indirectly responsible, but which until 1927 had not affected taxation through the civic estimates. The City itself may be operating on a surplus, while some of the Commissions may be operating on a deficit, or vice versa. In order, therefore, to determine whether the Corporation of Toronto, as a going concern, is going behind or is going ahead financially, it is necessary to co-ordinate in one statement all of the current operations for which the taxpayers and electors are directly or indirectly responsible.

The Bureau has, therefore,, prepared four White Papers as follows:

STORY NO. 1.

How the City has controlled financially the services appearing in the civic estimates during the last ten years, including public service enterprises not administered by appointive Boards or Commissions.

STORY No. 2.

How the City has controlled financially its public service enterprises not administered by appointive Boards or Commissions.

STORY No. 3.

The financial control of the City's public service enterprises administered by appointive Boards or Commission.

STORY No. 4.

The results of operation of the City as a single business operated in the interests of its stockholders, i.e., the taxpayers and citizens.

This White Paper is

Civic Financial Control - Story No. 1.

How the city has controlled financially the current operations of the services appearing in the civic estimates for the past ten years, including public service enterprises not administered by appointive Boards or Commissions.

For ten years the City has had a current surplus at the end of each year available for appropriations.

While during some years of the decade 1916-1926 there were operating surpluses, and in others operating deficits, on the regular City services provided for the annual estimates, including public utility services not administered by appointive Boards or Commissions, and it has never been necessary in the ten years to increase this tax rate in order to take care of a current deficit, as there has been all through this period a substantial current surplus available for appropriations. It would seem that the era of deficits in regular civic operations is definitely past.

Year	Revenue	Expenditure	Annual Deficit on Operations	Annual Surplus on Operations	Current surplus available for appropriations carried forward after providing for deferred expenditures
1917	\$19,350,960	\$18,562,811		\$788,149	\$1,137,237
1918	23,218,758	23,126,408		92,350	986,383
1919	23,367,474	22,492,995		874,479	1,756,218
1920	26,355,734	27,440,285	\$1,084,651		707,784
1921	28,967,592	28,944,867		22,725	723,746
1922	28,695,107	28,067,331		627,776	1,606,909
1923	29,544,546	29,853,155	308,609		1,164,315
1924	29,291,377	29,896,254x	604,877		665,961x
1925	30,166,144	30,089,168x	76,976	990,091x
1926	30,282,253	29,819,251x	463,002	1,311,134x

x—The expenditure figures for 1924, 1925 and 1926 are less than those of the annual financial report by \$176,627, \$272,796 and \$542,732, estimated amounts deducted in order to prevent duplication of items in the other numbers of the series. The current surpluses available for appropriation carried forward after providing for deferred expenditures are also modified cumulatively by these amounts during these years.

It will be noted

- (1) That any deficits on operations in any year have not exhausted the accumulated surplus, but that at the end of each year a substantial surplus has been carried forward for the reduction of taxation in the succeeding year.
- (2) That the apparent operating deficits in various years are the result of planning to regulate accumulations from taxation so that, as far as possible, the same taxpayers will benefit by the reduction in one year made possible by too large collections in the previous year. This is, of course, only just.
- (3) The surplus brought forward forms simply a fund for equalizing the current surpluses or deficits.
- (4) Allowing for inevitable annual fluctuations, there has been little change in the current surpluses brought forward. This is evidence of careful financial control. A large average annual surplus on operations would show inefficient control. A large average annual deficit on appropriations would betray lack of the necessary conservatism in management.

THEN

The Contrast

Quotations from Toronto Civic Estimates.

1911

"The rate of 17½ mills in the dollar imposed last year did not meet the requirements of the City. After the passage of the Estimates the Council found it necessary to make supplementary appropriations to the amount of \$78,718. This amount is reduced by a surplus in the revenue of 1910 amounting to \$44,380, making a net deficit of \$34,338." (Page 4.)

1912

"The rate of 18 mills in the dollar imposed last year did not meet the requirements of the City. After the passage of the Estimates the Council found it necessary to make supplementary appropriations to the amount of \$6,312. This amount is increased by a deficit in the revenue of 1911 amounting to \$148,925, making a net deficit of \$155,237." (Page 5.)

1913

"The rate of 18½ mills in the dollar imposed last year did not meet the requirements of the City. After the passage of the Estimates the Council found it necessary to make supplementary appropriations to the amount of \$313,939. This amount is increased by a deficit in the revenue of 1912 amounting to \$119,038, making a net deficit of \$432,977." (Page 3.)

1914

"The rate of 19½ mills in the dollar imposed last year did not meet the requirements of the City. After the passage of the Estimates the Council found it necessary to make supplementary appropriations to the amount of \$177,487. This amount is increased by a deficit in the revenue of 1914 amounting to \$269,449, making a net deficit of \$446,936, or about a mill of the assessment. (Page 3.)

Quotation from White Paper No. 1 of the Bureau of Municipal Research, entitled "Government by Deficit", April 1915.

"Why it Happens"

"Deficits occur because the taxpayers are willing.

"If they had wished a reversal of policy hard enough they could have enforced their will."

NOW

As far as deficits in the operations of the City Proper is concerned, the City has established, and has pursued for the last decade—in fact since 1914—a sound financial policy. This followed an era of continuous current deficits which ended in 1914.

Now it may truthfully be said that Toronto in her ordinary operations accumulates no deficit. The City, therefore, is never compelled to ask authority to issue so-called "deficiency bonds." In this sense it more than pays as it goes.

"Toronto never renews or refunds any of its debt. In fact . . . it has retired many millions of its debt before maturity."

—George H. Ross, Commissioner of Finance,
November 17th. 1925.