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White Paper No. 116

October 20th, 1927

Civic Financial Control

Story No. 2

HOW THE CITY HAS CONTROLLED FINANCIALLY ITS PUBLIC SERVICE ENTERPRISES NOT ADMINISTERED BY APPOINTIVE BOARDS OR COMMISSIONS (BUT INCLUDING THE CITY'S REVENUE AND EXPENSE ACCOUNTS OF THE CANADIAN NATIONAL EXHIBITION AND LIVESTOCK ARENA.)

THESE UTILITIES ARE

The Water Works, operated under Council by the Commissioner of Works: the civic carlines, operated before their incorporation within the Toronto Transportation system under Council by the Commissioner of Works: the civic abattoir, operated under the Board of Control by a Manager: and the Toronto Housing Commission, made up of City Heads of Departments and responsible to Council. The city's revenue and expense accounts of the Exhibition Buildings and Livestock Arena are also included. The Canadian National Exhibition is operated for the city by an Association, through a Managing Director directly responsible to a Board on which the city has representation. The Livestock Arena is operated by an Association through a Manager responsible to a Board on which the city has representation. Surpluses (S) or Deficits (D). All these utilities and operating accounts have affected taxation through the estimates. The facts are shown in the table below.

Year	Water Works	Civic Carlines	Civic Abattoir	Toronto Housing Commission*	The City's Revenue and Expense Account of the Exhibition Buildings	The City's Revenue and Expense Account of the Livestock Arena	Total Net Surplus or Deficit
1917	S \$286,369	D \$142,787	D \$ 803	\$	D \$ 53,891	\$	S \$ 88,888
1918	S 546,616	D 126,613	D 37,185	.....	D 29,869	.....	S 352,949
1919	S 566,833	D 146,220	D 373	.....	S 43,395	.....	S 463,635
1920	S 312,080	D 217,627	D 56,515	D 1,045	S 3,748	.....	S 40,641
1921	S 264,881	D 255,352	D 57,965	D 13,981	S 4,957	.....	D 57,460
1922	S 553,549	.....	D 20,181	D 13,073	S 30,342	D 78,658	S 471,979
1923	S 634,315	.....	D 31,898	D 12,965	S 107,753	D 60,685	S 636,520
1924	S 581,047	.....	D 3,739	D 7,497	S 127,701	D 69,303	S 628,209
1925	S 749,151	.....	D 10,685	D 13,332	S 104,968	D 77,448	S 752,654
1926	S 789,798	.....	D 20,531	D 13,493	S 51,598	D 66,844	S 740,528
Net Surplus or Deficit	S \$5,284,639	D \$888,599	D \$239,875	D \$ 75,386	S \$390,702	D 352,938	S \$4,118,543

*Under an appointive Commission, but, as the Commissioners are civic officials directly responsible to Council, the housing scheme is included in this section.

It will be noted

- (1) That the Water Works have produced an average annual surplus of almost \$530,000 during the decade.
- (2) That the civic carlines during the first half of the decade produced deficits that totalled almost nine hundred thousand dollars.
- (3) That the deficits of the civic abattoir totalled almost one-quarter of a million during the decade.
- (4) That the Housing Commission in seven years produced deficits totalling over \$75,000.
- (5) That the city's revenue and expense account of the Exhibition buildings of the C.N.E., after all the debt charges on the buildings were provided for, showed surpluses which totalled, net, almost \$400,000.
- (6) That the city's revenue and expense account of the Livestock Arena during the last five years of the decade showed deficits of over a third of a million dollars, or over 90% of the net surplus produced by the C.N.E. in a decade.
- (7) That the net total of the surplus for the decade exceeded \$4,000,000.
- (8) That this total is over one and a half million dollars less than the total surplus produced by the Water Works and Exhibition alone.

It should further be borne in mind

- (1) That the civic carlines, as an independent entity, have disappeared and will produce no further deficits.
- (2) That the deficits of the civic abattoir in ten years have totalled over 50% of the original investment not including land, that, including the deficits from the beginning, the total investment of the citizens in the civic abattoir approaches or exceeds \$700,000, and that if full charges equivalent to those levied on similar private enterprises had been included, the deficits would be still larger. While certain capital charges have been included in the operating costs, there is no depreciation account, and it is unlikely that over a term of years the deficits would be any smaller by adopting the more correct practice of depreciation accounting. The 1919 report of the Commission of Finance, in discussing the results of utility operations contained in the following passage: "In arriving at the foregoing results depreciation was covered only to the extent provided in the debt charges which, in the case of the civic abattoir, is insufficient."

The report of Commissioners Bradshaw and Chisholm to the Mayor and Board of Control, September 24th, 1917, contained the following passage: "Statements have been published from year to year showing the operations of the Abattoir, but they must be regarded as only partial statements, as they do not include depreciation charges, value of the land upon which the Abattoir is erected, taxes, etc. Upon a correct commercial accounting basis, the operating deficit up to the close of 1916 amounts to \$161,433.85, or an annual average of \$66,800."

In this report the Commissioners recommended the acceptance of an offer to purchase which, the report stated, conserved the interests of the city and would mean an annual advantage to the taxpayer of \$95,800. The advice of the Commissioners, however, was not acted upon.

- (3) The Canadian National Exhibition has turned over in cheques to the City Treasury in ten years over \$1,600,000 which, after providing for debt charges on the buildings, left almost \$400,000 for the reduction of taxation.
- (4) The Livestock Arena has produced large deficits, but, if the history of the C.N.E. is to be repeated in this venture, the taxpayers may look forward to the disappearance of deficits.

- (5) The work of the Toronto Housing Commission was undertaken in a time of what at least appeared to be grave emergency. The deficits will disappear as the bonded indebtedness is wiped out.

Queries

- (1) Would it not be well to levy taxes on all publicly owned utilities on the same basis as if they were privately owned on the ground that they receive the same sort and amount of municipal services?
- (2) Should any surplus remaining after paying taxes be used for the relief of taxation or for the benefit of those using the services either by the direct reduction of rates or employing surplus in improvements and renovation? Is it not equitable that the utilities using city services for which taxes are levied should pay their full share of taxes, and is it not equally equitable that surpluses should be used for the benefit of those who use the services of the utilities? Would it not be more businesslike and would not the truth be more apparent to the taxpayers if surpluses or deficits were arrived at after the inclusion of all costs? The 1918 report of the Commissioner of Finance contains the following passage:

"As it is impossible to determine, under the present system of tax exemptions, the true cost of the services which these enterprises render, it is submitted that they should be assessed and contribute their proper share of taxes, as well as pay their way otherwise."

- (3) Should the city undertake any trading enterprise not in the nature of a public service monopoly?

In Story No. 1 the results of civic operations other than those under appointive Commissions were shown. In this Story are shown the results of the operation of utilities not under these Commissions and which have affected taxation. The table below shows the results of the operation of regular city services after separating these public utility operations (not under Commissions) from the total regular civic operations.

Year	Current surpluses or deficits including utilities which have affected taxation through the Civic Estimates. (See Columns 4 and 5, Story No. 1)	Surpluses or deficits on these utilities (See Column 8, p. 2 Story No. 2)	Net excess or deficiency which would have been shown on ordinary operations but for the public utilities which have affected taxation
1917	S \$ 788,149	S \$ 88,888	S \$ 699,261
1918	S 92,350	S 352,949	D 260,599
1919	S 874,479	S 463,635	S 410,844
1920	D 1,084,651	S 40,641	D 1,125,292
1921	S 22,725	D 57,460	S 80,185
1922	S 627,776	S 471,979	S 155,797
1923	D 308,609	S 636,520	D 945,129
1924	D 604,877	S 628,209	D 1,233,086
1925	S 76,976	S 752,654	D 675,678
1926	S 463,002	S 740,528	D 277,526
Total	S \$947,320	S \$4,118,543	D \$3,171,223

The contribution would have been still greater but for the operations of the Civic Abattoir which is, of course, not a natural monopoly. That is, the public utilities contributed to the general funds an amount of \$4,118,543, converting a deficiency of \$3,171,223 into a surplus of \$947,320.