

BUREAU OF MUNICIPAL RESEARCH

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

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The Credit of the City of Toronto

is not now and has never been in doubt. The City pays and will continue to pay its capital liabilities as they occur. It does not refund its debts. In recent years it has redeemed before maturity, by the use of surplus sinking fund moneys, millions of dollars worth of City debentures, and thus extinguished not only so much debt but the annual charges thereon **to the relief of taxation.** The City has never used the so-called surplus in the sinking fund for the direct reduction of taxation through the estimates and is not apt to do so, unless the deduction from the debt charges in the 1932 estimates of a "Sinking Fund Adjustment" amounting to \$350,000 indicates such a step. In private finance, under some conditions, this might be defensible and even desirable, but is extremely dangerous in municipal finance. From 1915 until 1931, the City's current surplus account never showed a deficit. In recent years the City has so advanced the date of passing the estimates as to make the budget a more effective instrument for controlling current expenditure, while the first collection of taxes has been advanced two or three months. With the improved collection of tax revenue, financing has been greatly facilitated. The finance department, at least during the last fifteen or sixteen years, has kept before the City Council's attention not only actual funded debt but the authorized prospective funded debt of proposed capital undertakings. These and other features have not only preserved but enhanced the City's credit.

Looking the facts in the face and governing financial action by these facts have produced such excellent results in the past that they must be our guides in the future.

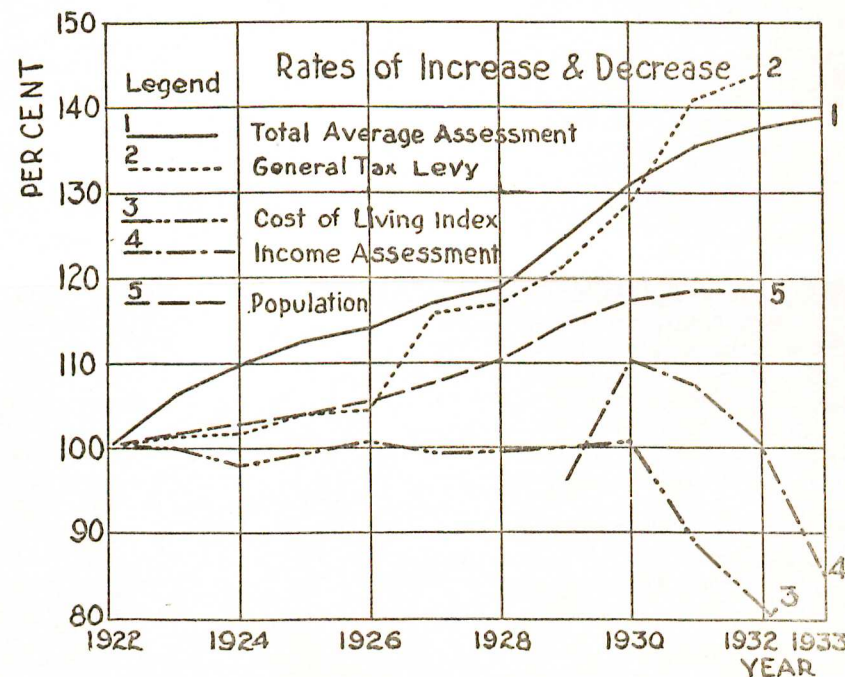
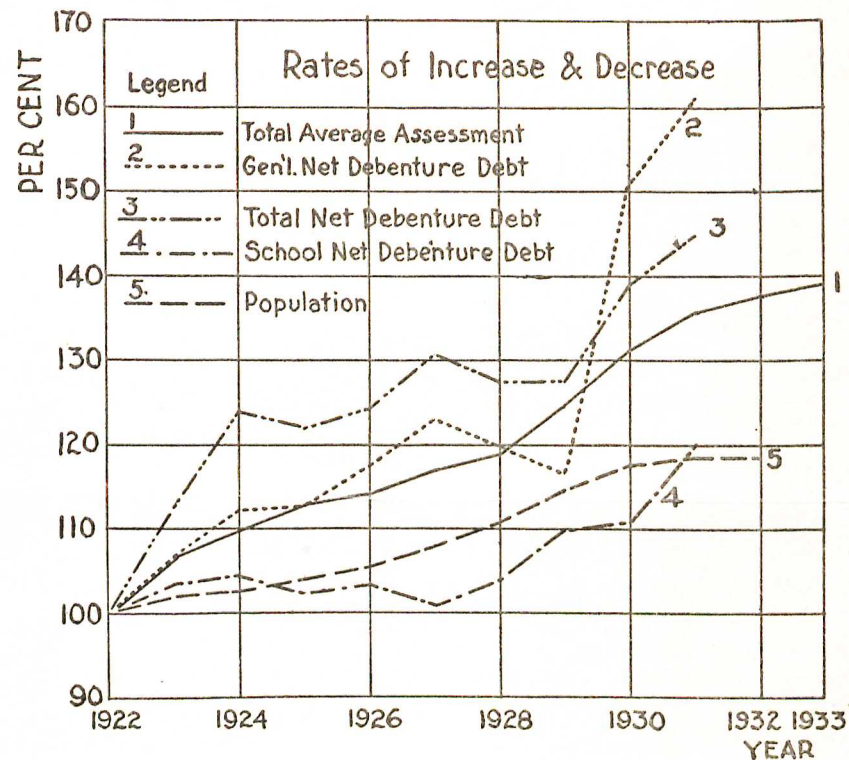
There are certain statistics which are of value in any study of a City's financial history. Such are those of:—

1. Assessment, because (a) this is the basis on which taxation is levied; (b) it is the basis for arriving at the legal debt limit, and (c) while it may be too high or too low, its rise or fall is the only or almost the only indication we have of the decrease or increase of wealth out of which taxes must be paid.
2. Income Assessment, because this gives an idea of fluctuations in the immediate ability to pay as distinguished from the ultimate ability to pay which corresponds more or less with the total assessment.
3. Net total debenture debt (i.e., gross debenture debt less sinking funds*) because this represents the total municipal public mortgage on the property of the citizens as distinct from the privately managed mortgages thereon.
4. (a) Net general debenture debt (*including the ratepayers' share of the local improvement debt*) and (b) the net** school debenture debt; because these two together represent the municipal debt burden which must be met out of the general and specially rated taxation of citizens.
5. The General Tax Levy, because it forms the greater part of current taxation and represents that part of the current tax burden which is directly related to the total taxable assessment.
6. Population, because this indicates the number of people who share in bearing the tax burden.
7. The index of the cost of living, because this enables the citizen to judge whether or not taxation for municipal services has increased or decreased in the same ratio as the cost of most other services he buys.

The charts on the next page indicate the relation of the percentages of increase in these various factors since 1922:

* The Bureau has not deducted in each year the instalment debt redemption reserve to retire maturities of the following year.

** Total less sinking funds.



COMMENT AND QUERY.

1. The average cost of what the citizen buys in his private capacity remained fairly stationary between 1922 and 1930. Then it shot down.
2. The cost of civic services paid out of general taxation increased slightly faster than the cost of other things citizens have to buy until 1926. Then they began to shoot up and have continued to do so ever since.
3. Theoretically citizens have more to say about civic costs than about costs of the private services which they purchase, because they elect the Boards which control civic costs, but, as citizens, have no part in the selection of the management of private enterprises. Yet civic costs have gone up faster than the general cost of living.
4. Does this mean that people demanded and obtained services which required heavy capital and current expenditures, thus establishing high standards of civic living and now being required to pay for them; or, that the citizens and taxpayers have actually only remote and ineffective control of civic finances; or is the answer to both questions, yes?
5. Is there any way to bring down the costs except to prune all the elements that make up the cost or can we spend less and spend more at the same time?
6. Can this pruning be done without seriously affecting the efficiency of essential services?
7. The index cost of commodities and private services remained fairly steady from 1922 to 1931, but thereafter it shot down to 80.8% of what it was in June, 1922. The total average assessment increased steadily; the general tax levy did not increase as fast as the assessment up to and including 1930, after which year it passed the increase in assessment. The Income Tax Assessment is not comparable before 1929 owing to drastic changes in the law. There was a change in 1930 which was reflected in a reduction of the 1931 figures. The chart shows, however, that there was a continued reduction in 1932 and 1933, although the basis of assessment had not been materially changed since 1930.
8. The rate of increase of the general debenture debt, less sinking funds (including the ratepayers' share of local improvements, but not including schools) remained fairly steady with that of the assessment until 1928. In fact, in 1929 it fell below; but in 1930 the rate of increase of the net general debenture debt (including ratepayers' share of local improvements, but not including schools) shot above that of the assessment.
9. The average growth of the net school debenture debt has been below that of assessment.
10. Would an attempt to carry out this programme be worth while?
 - (a) A reduction in the number of members of City Council, with a lengthening of the term of office.
 - (b) A reduction in the number of civic departments through amalgamation and co-ordination of related activities.
 - (c) A study of the personnel establishment to ascertain the number of employees actually required in each administrative unit.
 - (d) A revision of the civic salary and wage scale set up, arrived at in 1926-1927, so as to provide reduction in rates to correspond to the reduction since that date in income of the general public who pay the civic salary and wage rolls, and in view of the reduced cost of living.
 - (e) A study of the advisability of establishing the principle of a sliding scale of salaries and wages varying with the real value of the dollar, such as the system in use in the municipal government of St. Paul, Minnesota.
 - (f) The establishment of centralized purchasing or price getting by all civic departments in co-operation with "outside" Boards and Commissions.