

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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CANADA

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CIVIC REPORTING

Civic Accounting, Civic Auditing, and Civic Budget making are four aspects of the same function, viz.

The Control of Civic Revenues and Expenditures

Such control cannot be maintained effectively without all four, but Reporting is not inferior in importance to the other three either from the standpoint of the needs of the members of bodies elected to control revenues and expenditures in the interests of the electors or of the electors who supply the funds and use the services.

Any Toronto taxpayers who have not read and studied the 1933 Annual Report of the Commissioner of Finance should obtain access to a copy at once. It is concise, readable, clear and contains the facts necessary for passing judgment on the soundness of civic financing for the last year. No one with a stake in Toronto or an interest in its welfare can afford to miss it.

SOME SALIENT FACTS

Brought out in the 1933 Annual Report of the Commissioner of Finance.

DEBT

1. The Gross Funded Debt of the City is \$191,487,601 (p. 6).
2. The Net Funded Debt of the City (Gross less Sinking Funds) is \$168,019,343.84 (p. 33).
3. The Net General and Educational Debt is \$72,371,922 (pp. 6 and 41).
4. The Debenture Debt affecting General Taxation is \$116,828,941 (p. 41). This includes Waterworks Debenture Debt, which is more than self-sustaining on the present accounting and financing basis. Exhibition, Winter Fair and Housing Debts, which are partially self-sustaining. The Civic Abattoir, the debt of which is also included, did not pay its debt charges of \$18,748.31 and fell short of paying its operating expenses by \$13,717.40 (p. 49). The total deficit on the civic abattoir is equivalent to the interest at 5% on a debenture debt of almost \$650,000. It does not include the Harbour Debt to carry which it is costing the taxpayers in 1934 \$1,146,258.00. This is almost equivalent to the interest of an additional \$23,000,000 debt at 5%.
5. The Gross Debenture Debt at the end of 1933 was over \$3,500,000 less than at the end of 1932.
6. The Revenue Producing and Specially Rated Debt was more than \$4,000,000 less at the end of 1933 than at the end of 1932, but is still \$17,000,000 greater than in 1923 (p. 41).
7. The Net General and Educational Debt, which is carried by taxation, has increased every year since 1928 (p. 41).
8. The Debenture Debt affecting Taxation has increased every year since 1929 and is now almost \$25,000,000 more than in 1923 (p. 41).
9. The Direct Unemployment Relief Debenture Debt at the end of 1933 was \$1,100,000 (pp. 16 and 32). Early in 1934, the balance of the City's Net Direct Unemployment Relief costs \$1,300,791, was funded. (pp. 16 and 16a). By the end of 1937 it is estimated that Direct Unemployment Relief Debentures will have been issued to the extent of over \$7,400,000 (p. 16), i.e., if the present method of financing Net Unemployment Relief is continued.

ASSESSMENT

The total Assessment for 1934 is over \$22,000,000 less than that of 1933, and over \$36,000,000 less than for 1932. Of this drop \$13,000,000 and almost \$25,000,000 respectively were in Income Assessment. Assessment on Realty continued to increase until the assessment for 1934 taxation (p. 10). This means, presumably, that those with incomes from sources other than real estate were less able to pay taxes, that the aggregate "real" wealth held by owners of real estate had increased until the assessment for 1934 and that as a whole the taxpaying resources of citizens and taxpayers decreased during the last two years.

EXPENDITURE

The total current expenditures as appearing on pp. 21 and 22 were less in 1933 than in 1932 by \$2,554,178.22 and less than in 1931 by \$3,661,581.78. As pointed out in a footnote, however, net direct unemployment relief costs were met as a current expenditure in 1931 (as they were in 1932), but were not so included in the 1933 figures, but appear elsewhere as being funded. The 1933 figures are therefore not comparable with those of 1932 and 1931. If all the current expenditures had been included in 1933 for accounting purposes, as they should have been, after deducting the debt charges on direct unemployment relief debentures, the 1933 current expenditures were \$40,371,857, not \$37,983,305.11, and the decrease in expenditure as compared with 1932 was only \$165,626 instead of over two and a half millions and as compared with 1931 was \$1,273,029 instead of over three and a half millions. We did not spend much less on current account in 1933 than in 1932. We simply met some of it by borrowing.

Instead of an apparent reduction of \$556,832.11 in the expenditures of the Department of Public Welfare in 1933 from that of 1932 there was a real increase of over \$1,800,000. The issue of debentures of over \$2,400,791 for current relief purposes explains the difference. There were real decreases in 1933 as compared with 1932 in every other department except that of the Civic Abattoir (p. 22).

"The Comparative Statement of Current Expenditures, 1931-1933, Classified by Departments" is reproduced below so as to make the figures not only comparative but comparable.

Comparative Statement of Current Expenditures 1931 to 1933

CLASSIFIED BY DEPARTMENTS

DEPARTMENTS	1933	1932	1931	Increase (+) or Decrease (-) 1933 Compared with 1931
1. At Large	\$21,757,529.33*	\$22,047,009.49	\$22,074,361.32	\$- 316,831.99
2. City Council	144,550.68	338,533.87	315,572.30	- 171,021.62
3. City Clerk's Dept.	162,060.47	167,355.34	159,362.08	+ 2,698.39
4. Treasury Dept.	438,141.41	487,013.16	506,847.20	- 68,705.79
5. Assessment Dept.	285,032.80	308,189.93	319,711.54	- 34,678.74
6. Court of Revision	4,812.54	5,000.00	5,000.00	- 187.46
7. Law Dept.	76,796.29	91,108.32	87,404.83	- 10,608.54
8. Claims Commission	13,559.09	29,689.04	8,980.23	+ 4,578.86
9. Audit Dept.	100,634.01	110,084.00	110,300.35	- 9,666.34
10. Telephone Switchboard	7,700.65	8,023.50	7,656.50	+ 44.15
11. City Planning Dept.	49,957.61	56,928.18	57,670.85	- 7,713.24
12. Dept. of Public Welfare	4,869,568.24	3,025,609.35	3,159,404.27	+ 1,710,163.97
13. Gen. Courts and Inquests	134,438.71	174,149.30	164,267.40	- 29,828.69
14. Juvenile Court	37,320.31	39,340.15	39,415.57	- 2,095.26
15. Police Dept.	2,283,682.87	2,462,875.18	2,512,141.88	- 228,459.01
15a. Police Court	52,593.95	53,885.28	53,142.06	- 548.11
16. Fire Dept.	2,573,289.98	2,630,963.43	2,643,211.15	- 69,921.17
17. Dept. of Buildings	113,317.52	150,102.11	167,311.13	- 53,993.61
18. Dept. of Public Health	968,372.01	1,025,112.77	1,056,097.49	- 87,725.48
19. Street Cleaning Dept.	1,634,650.90	1,921,260.03	2,170,161.88	- 535,510.98 (c)
20. Works Dept.	2,167,022.30	2,376,836.07	3,049,612.84	- 882,590.54 (d)
21. Parks Dept.	1,215,909.35	1,596,010.12	1,565,166.93	- 349,257.58
22. Municipal Abattoir	108,293.94	105,401.69	105,343.18	+ 2,950.76
23. Property Dept.	1,172,622.15	1,327,053.02	1,306,743.91	- 134,121.76
	\$40,371,857.11†	\$40,537,483.33	\$41,644,886.89	\$-1,273,029.78

* After subtracting \$12,239 Relief Debt charges.

† After adding Direct Unemployment Relief Expenditures and deducting debt charges under this head.

(c) **Street Cleaning Department**—Reduction of \$535,511 due chiefly to reduced amount of work incidental to street cleaning, watering, etc., (\$196,124), and to decrease in cost of maintenance of refuse collection (\$129,077).

(d) **Works Department**—Reduction of \$882,591 due chiefly to reduced amount of work incidental to maintenance of highways, including snow cleaning, repairs to roadways, sidewalks, bridges, etc. (\$637,388), and to decrease in cost of maintenance and operation of Waterworks (\$207,604).

FUNDED DEBT AUTHORIZATIONS

Between 1930 and 1934 there has been a tremendous reduction in capital authorizations. For this the administration deserves credit. The table (p. 9), "Capital Authorizations", quite properly does not include Direct Unemployment Relief Debentures as these are, of course, not for capital purposes, as they leave no balance sheet assets. With the addition of such debentures already issued or to be issued in order to give a picture of borrowing policy for general purposes the table would appear as follows:

FUNDED DEBT AUTHORIZATIONS 1930-1934

(Exclusive of Toronto Hydro-Electric System, Toronto Transportation Commission, and Ratepayers' share of Local Improvements, but including direct unemployment relief expenditures actual (1933) and estimated (1934) funded or to be funded.)

Year	Total Funded Debt Authorizations	City's Share of Unemployment Relief Works and Services Included in Total	City's Share of Direct Unemployment Relief Included in Total	Other Authorizations Included in Total
1930	\$12,350,713	\$1,257,424	\$11,093,289
1931	6,242,682	840,385	5,402,297
1932	1,777,632	1,777,632
1933	3,883,752	1,285,473	\$2,400,791	197,488
1934	2,633,203	334,264*	2,000,000	298,939

* \$334,264 authorized for School purposes, as an Unemployment Relief work, but the project was suspended as the Ontario Government declined to include Schools in its Unemployment Relief Works programme.

THE SINKING FUND

"The surpluses (of the Sinking Fund) together with unexpended capital balances, and realizations upon capital assets sold, etc., have facilitated extinguishment of city debentures before maturity, since 1919, of \$28,337,105, thereby affecting an abatement, so far, of debt charges incidental to general taxation totalling \$20,877,902 covering the years 1920 to 1961. The excess earning power of the Sinking Fund's present investments can be counted upon to create additional surpluses which will ensure further periodical extinguishment of the City Debt before maturity between now and 1948, when the bulk of the Sinking Fund Debt matures." (p. 10.) This is a fine record under the sinking fund system which once obtained exclusively. In recent years, the even better system of instalment bonds which is the existing method, is benefitting the taxpayer greatly from year to year.

BORROWING MARGIN

In spite of the conservative attitude of the City toward capital authorizations, and partly, in 1933, on account of the lenient attitude of the City toward Funded Debt Borrowings for other than capital purposes, the borrowing margin has continued to decline since 1930 as is shown by the following table reproduced from p. 35.

STATUTORY BORROWING MARGIN

(Based on Assessment for General Purposes)

December 31st	Legal Debt Limitation	Outstanding Debt (Excluding Exempted Debts)	Statutory Borrowing Margin
1923	\$67,451,090	\$60,348,212	\$ 7,102,878
1924	69,220,588	62,020,675	7,199,913
1925	69,971,829	60,441,585	9,530,244
1926	71,739,388	64,484,263	7,255,125
1927	72,759,318	68,572,467	4,186,851
1928	76,258,170	68,359,356	7,898,814
1929	79,802,669	64,584,950	15,217,719
1930	82,641,732	66,717,858	15,923,874
1931	83,643,413	69,630,512	14,012,901
1932	82,701,392	70,035,896	12,665,496
1933	80,911,019	71,028,474	9,882,545

It is to be noted that the law allows the deduction of the Local Improvement Debt, even the portion borne by general taxation. This law is obviously unsound in this respect and should be amended accordingly. If the City's share of the Local Improvement Debt were deducted the borrowing margin would be still further reduced.

COMMENT

1. Toronto's excellent financial position at present is due to sound financial practices in the past and will be maintained by observance of them in the future.
2. The recent policy of funding the whole of net direct unemployment relief costs is not one of the sound financial practices referred to in (1) and if the policy of Funded Debt Authorizations for current expenditures is continued and extended to other fields, as it might be quite conceivably through legislation, the work of years may be impaired and the city's credit affected. The position of no corporation is so unique and impregnable that it can continue to follow policies which are unsound for all other corporations.
3. The current expenditure, shown on page 3 of this paper, has been reduced in two years 3.06%. If net direct unemployment relief costs are omitted from both the 1931 and the 1933, the reduction is 6.89%. The income assessment declined 21.40% between the 1931 and 1933 assessments and between 1930 and 1934, 39.61%.
4. The legal borrowing margin (as of Dec. 31st, 1933), which is the lowest in five years and only slightly in excess of that in 1925, has declined 37.93% since 1930 and 21.97% since 1932, and would now appear to be uncomfortably low in view of the apparently declining assessment and the capital expenditure the City must face in the next few years.
5. The funding of current net expenditures on direct unemployment relief has been responsible for a part of the reduction in the borrowing margin without leaving behind any balance sheet asset to correspond.

QUERIES

1. How long are we going to budget on a "balanced basis", arriving at the balance by the omission of current expenditures sufficient for the purpose and borrowing money to the extent of the omission?
2. Can we longer afford to continue in the procession with those municipalities and governments who so far have succeeded in making some people believe that a budget may be balanced by borrowing to the extent of the estimated deficit?
3. Can we afford to allow the City's legal borrowing margin to be whittled away for five years at least by the issue and sale of unemployment relief debentures?
4. Has the reduction in taxation during the last two years been equivalent or nearly equivalent to the decline in ability to pay taxes?
5. Were the expenditures really budgeted at an irreducible minimum consistent with essential services?
6. Are you bored with all this and are you willing to suffer unnecessary taxation gladly, or do you propose to do something about it?