

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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TORONTO
CANADA

White Paper No. 215

May 20th, 1936

CITY OF TORONTO

Budget Story No. 2

Including the estimated total of the City's share of direct unemployment relief as shown in the Bureau's figures for 1935, 1934 and 1933 and in the official figures for 1932, the City in 1936 budgetted for a current expenditure of

\$38,132,690.*

This is the smallest total since 1932. This total does not include debt charges on relief borrowings in order to make it comparable with the estimates of 1932, in which year all net current direct unemployment relief costs were paid out of current funds. Adding to this total the relief debt charges and subtracting the estimated amount of relief debentures to be issued for 1936, the estimated amount of current expenditure to be paid for out of current funds is

\$37,231,654.

This is the largest total since 1932, but it provides for a greater part of relief expenditure out of current funds. The 1936 budget is more nearly balanced than any since 1932, although it is still unbalanced to the extent of \$901,036. This is an improvement of

\$1,341,840.

*This includes expenditures from educational credits and reserves for deferred expenditures not included in Story No. 1 of this series.

Estimated Current Expenditures for the Years 1930-1936 (both inclusive) Analyzed by Cost of Main Functions to be Met out of Taxation, Revenue Other than Taxation, and in 1933 to 1936 inclusive the Actual or Estimated Proceeds of Debentures Issued to Meet the Net Cost of Direct Unemployment Relief

COMMUNITY SERVICES BY MAIN FUNCTIONS	TOTAL							PER CAPITA*						
	1936	1935	1934	1933	1932	1931	1930	1936	1935	1934	1933	1932	1931	1930
General Government.....	\$ 4,523,198	\$4,535,174	\$ 4,940,483	\$4,800,260	\$4,156,319	\$4,543,338	\$3,637,223	\$ 7.01	\$7.11	\$7.85	\$7.70	\$6.63	\$ 7.24	\$ 5.85
Protection of Persons and Property.....	5,659,197	5,752,584	5,753,640	5,730,269	6,152,768	6,016,129	6,218,191	8.77	9.01	9.14	9.19	9.82	9.59	10.00
Health and Sanitation.....	3,925,144	3,924,359	3,898,599	3,773,605	4,240,838	4,229,809	4,011,583	6.09	6.15	6.20	6.05	6.77	6.74	6.45
Highways.....	2,429,685	2,404,625	2,390,878	2,497,217	3,094,780	3,631,504	3,530,684	3.77	3.77	3.80	4.00	4.94	5.79	5.68
Education†.....	12,202,669	12,391,099	12,525,388	12,316,402	12,513,049	12,491,296	11,865,987	18.92	19.42	19.90	19.75	19.96	19.92	19.09
Recreation.....	1,547,659	1,576,106	1,556,567	1,576,220	1,918,150	2,020,748	1,923,013	2.40	2.47	2.47	2.53	3.06	3.22	3.10
Welfare, Charities and Correction.....	6,150,568	6,245,275	5,653,869	4,994,243	2,730,662	2,890,183	2,442,814	9.54	9.78	8.99	8.02	4.36	4.61	3.93
To be met out of Revenue (Less D.C. on Unemployment Relief Debentures).....	3,809,208	2,985,275	2,803,974	2,593,452	2,730,662	2,890,183	2,442,814	5.91	4.67	4.46	4.17	4.36	4.61	3.93
To be met out of proceeds of Debenture Issues.....	2,341,360	3,260,000	2,849,895z	2,400,791	Nil	Nil	Nil	3.63	5.11	4.53	3.85	Nil	Nil	Nil
Special Grants.....	61,379	71,481	64,900	31,968	36,750	38,050	35,950	.09	.10	.10	.05	.06	.06	.06
Combined Deficits on Public Utilities and Special Services.....	1,633,191	1,723,549	1,742,958	1,916,739	1,848,998	1,625,368	1,541,332	2.53	2.70	2.77	3.07	2.95	2.59	2.48
General Deficit brought forward from previous year.....	(Surplus)‡	126,272	186,634	1,258,328	880,288	(Surplus)	(Surplus)	(Surp.)	.20	.30	2.02	1.40	(Surp.)	(Surp.)
Total Expenditure (not including debt charges on unemployment relief debentures 1933-6 inclusive)	\$38,132,690	\$38,750,524	\$38,713,916	\$38,895,251	\$37,572,602	\$37,486,425	\$35,206,777	\$59.12	\$60.71	\$61.52	\$62.38	\$59.95	\$59.76	\$56.64
Less to be met out of proceeds of sales of debentures.....	2,341,360	3,260,000	2,849,895z	2,400,791	Nil	Nil	Nil	3.63	5.11	4.53	3.85	Nil	Nil	Nil
Current expenditures to be met out of Taxation, General Revenue, educational credits, surpluses, etc. (not including D.C. on unemployment relief debentures).....	\$35,791,330	\$35,490,524	\$35,864,021	\$36,494,460	\$37,572,602	\$37,486,425	\$35,206,777	\$55.49	\$55.60	\$56.99	\$58.53	\$59.95	\$59.76	\$56.64
Plus current debt charges on unemployment relief debentures.....	1,440,324	1,017,124	320,266z	12,239	Nil	Nil	Nil	2.23	1.60	.51	.02	Nil	Nil	Nil
Total current expenditure to be met out of current funds.....	\$37,231,654	\$36,507,648	\$36,184,287	\$36,506,699	\$37,572,602	\$37,486,425	\$35,206,777	\$57.72	\$57.20	\$57.50	\$58.55	\$59.95	\$59.76	\$56.64
Population (actual).....	645,000*	638,271	629,285	623,562	626,674	627,231	621,596							

COMMENT

1. With the exception of one year there has been a steady decline in estimated current expenditures since 1932 but it still exceeds that of 1930 by almost three million dollars.
2. Estimated current expenditures to be met out of current funds have been increasing for three years but are as yet lower than in 1932, although greater than in 1930 by over two million dollars.
3. Estimated expenditures on education are the lowest since 1931 although higher than in 1930 by about one-third of a million dollars.
4. Estimated deficits on public utilities and special services again declined although still in excess of the 1930 figure.
5. The general deficit brought forward has been converted into a surplus (\$116,196.62), but it must be remembered that about \$3,193,845 of current expenditures (direct unemployment relief) were funded. It is further to be noted, however, that in 1933, the estimates did not provide a cent from current revenue toward meeting the net cost of direct unemployment relief, but in 1936 they provide almost a million dollars from current funds to meet current relief costs, a belated partial return to virtue.
6. There are two questions, not one, at issue with regard to the funding of net direct unemployment relief expenditures—
 - a. To what extent should they be funded?
 - b. Does funding convert them from current to capital expenditures?

The Bureau's position is:

- a. That funding should be resorted to only in dire necessity (never in excess of 50% of the total).

- b. That the method of financing current expenditures does not change their nature and that all current expenditures should be shown in total, with the actual deficit, if any. Current budgets cannot be balanced—they may be adjusted—by borrowing money. It is bad enough to be forced to borrow money for current expenditure. It is worse to present as a balanced budget one that is adjusted by borrowing for current purposes.

QUERIES

1. What evidence is there that the increased taxation, increased expenditures and increased tax-rate parallel an increased ability on the part of citizens and taxpayers to pay taxes?
2. How can the failure to amalgamate related departments when opportunity offered be justified?
3. How can the continued operation of the deficit-producing civic abattoir be defended?
4. Does the depression still continue or are we experiencing a delayed advance?
5. If the latter, has increased taxation helped to delay the advance?
6. How much of the shrinkage in real estate equities of Toronto citizens is due to increased tax levies on real property?

"In England councillors are elected for three year terms and one-third retire (and are elected) annually . . . American city councillors are now elected in almost all cases for two, three and four years, with provision for a partial renewal of Council each year. This enables a combination of longer terms with continuity. It is hard to understand why the one year term should be retained in Canadian cities when it is not found (except sporadically) anywhere else, the world over".

William Bennett Munro
Marfleet Lectures, 1929.

†Current expenditures out of revenue from all sources, as with all main functions. Includes Public Schools, Separate Schools, Collegiate Institutes, Public Library, etc.

D.C. = debt charges.

‡Relief debt charges of \$12,239 were included in the City expenditures for 1933.

*The 1936 population is the City's Estimate, and 1936 per capita are based thereon. In all other years the per capita are based on the actual populations.

z After borrowing over 3 million dollars for current expenditures on relief.

z White Paper No. 100 used the \$2,000,000 Estimated Unemployment Relief total mentioned in the introduction to the 1934 Estimates, but not included in the Estimates proper. In order that one year might be comparable with the others, the approx. actual figures given in the 1935 Estimates were used in the White Paper 206, and in this Paper, viz. \$3,201,548 of which \$351,653 represents administrative charges finally met out of current funds, and the remainder, \$2,849,895, met out of proceeds of debenture sales. The relative approx. debt charges were \$320,266.

CIVIC ABATTOIR

The City Auditor's statement of the books of the civic abattoir gives the total of the annual deficits of the civic abattoir since its inception in 1914 as \$483,937. During this period of over 21 years there were two surpluses, one of \$51.53 in 1923, and one \$6,961.71 in 1924. In only nine years were there even operating surpluses which could be used toward meeting annual debt charges. The annual deficits exceeded \$50,000 in one year, over \$40,000 three times and \$20,000 thirteen times. The deficit above referred to does not include many of the "improvements and extraordinary repairs" before 1929. Neither does it include depreciation, taxes or interest on advances by the City Treasurer.

Another statement, probably more practical from the standpoint of the taxpayer, of the total deficits of the civic abattoir as they directly affect the City taxation, and not making annual allowances for changes in inventory, etc., places the total deficits in the period of over 21 years at \$616,922.95. This total also includes no provision for taxes. The original capital investment of the City in the abattoir exceeded \$400,000. If the physical depreciation in the plant has been offset by the repairs, etc., made annually, it would be fair possibly to place the assessed value for taxation purposes, if it were so assessed, at \$225,000. If so the taxpayers of Toronto have not only subsidized the civic abattoir by the annual deficits, say, \$600,000 but by taxes aggregating say \$147,000. Why this generosity and what community ends were served thereby?

In 1919 the City received an offer from a group of citizens to lease the abattoir. The City decided to continue its operation as a civic utility. Presumably by taking such action the City lost on the lowest estimate in deficits and taxes about \$490,000. Below is a quotation from the Estimates of the City of Toronto 1919:

"The conduct of the Abattoir has never been a financial success, and instead of benefitting the citizens at large, as was originally intended, the institution seems to be maintained and operated to the advantage of a limited and very special class. It is claimed by some that it should not be disposed of, no matter how heavily it bears upon the taxpayer, because such action might be adversely used by those opposed to municipal ownership. This line of argument is not sound, inasmuch as the Abattoir is merely a commercial enterprise and its operations and use are entirely dissimilar to those of such public utilities controlled by a municipality, as Water Works, Hydro-Electric, and Transportation. On the contrary, it is believed that the continuance of the enterprise at a financial loss tends to bring into discredit the whole principle of public ownership."

"It would have been much better for the City to have disposed of the plant and to be in receipt of a revenue that would have helped to relieve taxation, while at the same time the original purpose of the enterprise would have been retained."

"Assessment of City's Business Enterprises" Annual Report of Commissioner of Finance, 1918.

"The expansion of municipal business enterprises, Civic Car lines, Toronto Hydro-Electric System, Municipal Abattoir, Waterworks, etc., which are not assessed*, and therefore do not pay taxes, notwithstanding that they receive the full benefit of general municipal service, undoubtedly accounts for some of the increase in the general expenses of the City and of the tax rate. As it is impossible to determine, under the present system of tax exemption, 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."

*The T.T.C. and Hydro are at present taxed on their land assessment but not on their building assessment except on buildings not used in their businesses and in the case of the Hydro on its retail shop.