

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.

137 WELLINGTON ST. W.
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TORONTO
CANADA

White Paper No. 225

October 14, 1937

City of Toronto

Budget Story No. 2*

For the first time since 1932, the City of Toronto will in 1937 raise sufficient taxes to meet all current estimated expenditures properly chargeable to the current year. In fact it is compelled to raise more this year than is necessary to meet the current estimated expenditure of this year because in 1933, 1934, 1935 and 1936 it raised less than enough to meet the estimated current expenditures of those years. Money was borrowed for current expenditures until in 1937, the debt charges on borrowings for relief, plus that portion of 1937 direct relief costs borne out of 1937 current revenues, exceed the whole estimated cost of relief in 1937 by \$219,005. Thus for taking the apparently easy way out from 1932 on (by postponing payment of certain current expenditures instead of reducing current expenditures to a point within our ability to pay), we are beginning to suffer the penalty by being compelled to raise in 1937 more than the 1937 costs.

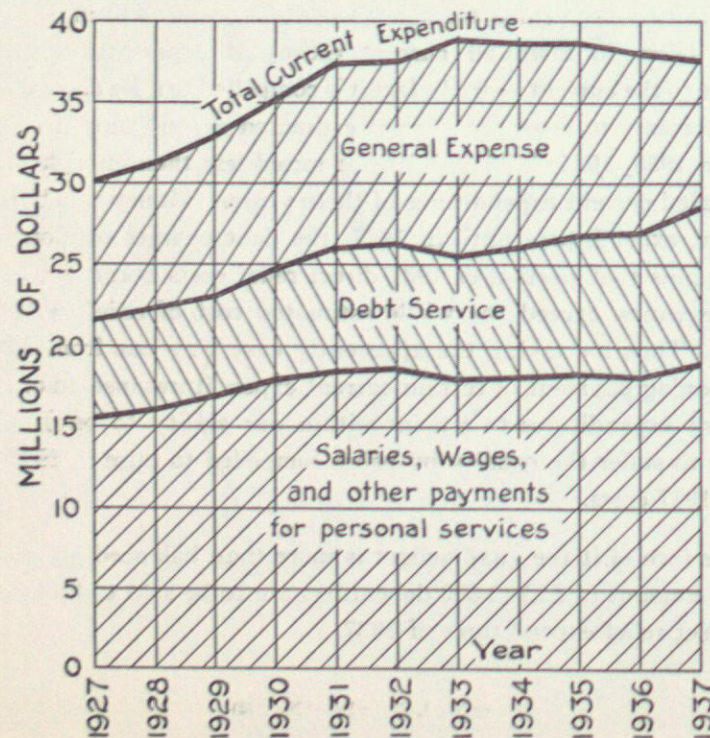
On the face of it the 1937 budget is more than balanced although an estimated amount of \$1,792,500 debentures are to be sold to finance part of the direct relief expenditures of 1937.

* (Story No. 1, White Paper No. 222)

Estimated Current Expenditures out of Taxation, Grants, Surpluses, Credits, Other General Revenues, and Proceeds from the Sale of Short Term Debentures Issued to Meet the Net Cost of Direct Unemployment Relief for the Years 1927 to 1937
(both inclusive)

Analyzed according to the Objects of Expenditure Entering into the Cost of the General Functions of the Municipal Government.

OBJECT OF EXPENDITURE	TOTAL											PER CAPITA**										
	1937	1936	1935	1934*	1933	1932	1931	1930	1929	1928	1927	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927
Salaries and Wages and Other Payments for Personal Services	\$19,056,344	\$18,191,790	\$18,410,901	\$18,261,816	\$18,025,079	\$18,852,387	\$18,659,092	\$18,076,871	\$17,043,319	\$16,201,115	\$15,500,915	\$29.23	\$28.18	\$28.84	\$29.02	\$28.91	\$30.08	\$29.75	\$29.08	\$28.11	\$27.66	\$27.20
Other Expenses, including Unclassified Welfare Expenses, less Direct Relief Debt Charges	9,126,739	11,171,128	11,926,606	12,666,439	13,405,430	11,181,919	11,202,753	9,976,278	9,172,765	8,865,408	8,064,086	14.00	17.30	18.68	20.13	21.50	17.85	17.86	16.05	15.13	15.14	14.15
Debt Service	9,486,991	8,769,772	8,413,017	7,785,661	7,464,742	7,355,757	7,411,177	6,662,214	6,048,920	6,236,927	6,195,804	14.55	13.60	13.19	12.37	11.97	11.74	11.81	10.72	9.98	10.65	10.87
(a) Interest	3,918,436	4,067,278	4,211,888	4,236,447	4,244,444	4,139,629	4,122,266	3,888,667	3,492,750	3,653,377	3,591,989	6.01	6.30	6.59	6.73	6.81	6.61	6.57	6.26	5.76	6.24	6.30
(b) Debt Retirement	5,568,555	4,702,497	4,201,062	3,549,214	3,220,298	3,216,128	3,288,911	2,773,547	2,556,170	2,583,550	2,603,815	8.54	7.30	6.60	5.64	5.16	5.13	5.24	4.46	4.22	4.41	4.57
Capital Outlay						182,539	213,403	491,414	744,073	60,000	366,120					.29	.34	.79	1.22	.10		.64
TOTAL	\$37,670,074	\$38,132,690	\$38,750,524	\$38,713,916	\$38,895,251	\$37,572,602	\$37,486,425	\$35,206,777	\$33,009,077	\$31,363,450	\$30,126,925	\$57.78	\$59.08	\$60.71	\$61.52	\$62.38	\$59.96	\$59.76	\$56.64	\$54.44	\$53.55	\$52.86
Difference between current costs and current payments for Direct Unemployment Relief, being difference between annual amounts funded for Direct Unemployment Relief and amount of debt charges for Direct Unemployment Relief	219,005†	901,036	2,242,876	2,529,629	2,388,552	Nil	Nil	Nil	Nil	Nil	Nil	.34	1.40	3.51	4.02	3.83	Nil	Nil	Nil	Nil	Nil	Nil
Proceeds of Debentures	1,792,500	2,341,360	3,260,000	2,849,895	2,400,791	Nil	Nil	Nil	Nil	Nil	Nil	2.75	3.63	5.11	4.63	3.85	Nil	Nil	Nil	Nil	Nil	Nil
Debt Charges on Direct Unemployment Relief Debentures	-2,011,505	-1,440,324	-1,017,124	-320,266	-12,239	Nil	Nil	Nil	Nil	Nil	Nil	3.09	2.23	1.60	.51	.02	Nil	Nil	Nil	Nil	Nil	Nil
Current Expenditure to be met out of Current Revenue	\$37,889,079	\$37,231,654	\$36,507,648	\$36,184,287	\$36,506,699	\$37,572,602	\$37,486,425	\$35,206,777	\$33,009,077	\$31,363,450	\$30,126,925	\$58.12	\$57.68	\$57.20	\$57.50	\$58.55	\$59.96	\$59.76	\$56.64	\$54.44	\$53.55	\$52.86
Population (actual)	652,000**	645,462	638,271	629,285	623,562	626,674	627,231	621,596	606,370	585,628	569,899											



*White Paper No. 200 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 approximate actual figures given in the 1933 Estimates for Direct Unemployment Relief were used in White Papers 208, 216 and this paper.

**The 1937 population is the City's Estimate, and 1937 per capita are based thereon. In all other years the per capita are based on the actual population.

†To be added to total expenditure chargeable to current year—not to be subtracted therefrom as in preceding years.

NOTES—

- In spite of the reduction in the gross and net total debt of the City over a term of years, the appropriation of the general budget for debt charges for general and educational purposes continues to increase.
- The bill of the City for salaries, wages and other payments for personal services now exceeds nineteen million dollars, not including the salary and wage rolls of the Civic Abattoir and the Water Works. It exceeds the corresponding total in the budget of the boom year 1929 by over two million dollars.
- Total current expenditure out of current funds properly chargeable to the current year has decreased, but the current expenditure out of current funds continues to increase, exceeds that of 1932 when funding relief started, and is two and a half millions more than in 1930.

THE BACKGROUND OF THE 1937 BUDGET

The financial history of the City since 1916 has been marked by sound administration. The City has never refunded a debt, until 1933 it never borrowed for current purposes leaving behind no balance sheet asset, in issuing debentures it has always considered the life of the improvements concerned, and has used actuarial surpluses and other available capital funds for the purpose of extinguishing debt before maturity. Few, if any, large cities in Canada or the United States have a better financial record in recent years. In credit and interest charges alone, to have such a credit record is worth while. But the financial record, excellent as it is with one chief exception, i.e. the method of financing the city's share of current direct unemployment relief costs, cannot counterbalance shortcomings in general administration which swell the demand for tax funds. No matter how prosperous or patient taxpayers may be, they should not be asked to bear the burdens due to the failure—

- To meet all current costs out of current revenue;
- To cut down the number of departments;
- To establish centralized accounting;
- To centralize completely the purchasing of all City Departments such as Works, Property, Parks, Street Cleaning, Police, Welfare, etc. and all Civic Boards and Commissions such as the Board of Education, Toronto Transportation Commission, etc.;
- To adopt modern methods of accounting and recording by the use of business machines.

6. To budget capital expenditures in advance over a term of years in close co-ordination with probable current expenditures in those years.
7. To appoint a Town Planning Commission with power and adequate facilities to draw up and recommend a City Plan to Council and to draw up and recommend a zoning by-law.
8. To recast the personnel administration of the City.

The use of unnecessary funds in producing necessary civic services means the diversion of funds from business and industry, the restriction of employment and finally an increase in taxation. Thus a vicious circle is established which under strain leads to the adoption of unsound financial practices. The time to prepare for the next recession of business and industry is now and not when it is upon us. The foresight shown in the retirement of debenture debt before maturity and the collection of tax arrears in "good" as well as "bad" years, should be matched by foresight in replanning the general administration of the City to meet modern standards.

ESTIMATED CURRENT REVENUE

Estimated Tax Revenue Available for Current Appropriations, 1937

Net Tax Revenue after providing for uncollectible taxes, etc.	\$32,936,862
Provincial Government Subsidy on basis of 1 mill on the general assessment.....	902,700
General Current Revenue.....	2,763,545
Educational Grants, Surpluses, Credits, etc.....	876,532
1936 Surplus available for Appropriation.....	384,320
Reserve for deferred expenditures.....	22,103
Deferred Expenditure Reserves Withdrawn.....	3,017
TOTAL.....	<u>\$37,889,079</u>

ESTIMATED CURRENT EXPENDITURE

Expenditures for 1937 purposes.....	\$37,647,971
Expenditures for reserves for deferred expenditure.....	22,103
Debt charges for direct unemployment relief plus direct unemployment relief costs met out of current revenue.....	\$3,005,125
<i>Less: estimated cost to the city of 1937 direct unemployment relief.....</i>	<i>2,786,120</i>
Excess of Direct Unemployment Relief Payments over 1937 estimated cost of direct unemployment relief*.....	219,005
TOTAL.....	<u>\$37,889,079</u>

*or as in table, direct unemployment relief debt charges \$2,011,505, less proceeds of unemployment relief debentures \$1,792,500.

For over twenty-three years the Bureau of Municipal Research has maintained a service of independent fact telling and suggestion to the citizens and taxpayers of Toronto. Under present conditions it is impossible for an individual unaided to devote the time necessary to keep in touch with the actual tendencies in municipal affairs. The Bureau offers a real opportunity to citizens to co-operate effectively in civic government by helping to maintain an independent fact finding agency of constructive criticism which is so necessary for citizen control of the citizens' business.