

BUREAU OF MUNICIPAL RESEARCH

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY
THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFOR-
MATION WITH REGARD TO TORONTO'S BUSINESS

137 WELLINGTON ST. W.
TELEPHONE EL. 1904



TORONTO,
CANADA

White Paper No. 297

January 30th, 1945

**In 1915, the Bureau raised the question
WHEN IS A TAX RATE NOT A TAX RATE?**

**Perhaps the question should have been
WHEN IS THE OFFICIAL TAX RATE
NOT THE REAL TAX RATE?**

The Official Tax Rate falls below The Real Tax Rate

1. When an omission from the estimates to reduce the official tax rate results in greater personal expense to taxpayers.
2. When an omission from the estimates results in a greater expenditure in future years.
3. When an omission from the estimates leads to supplementary appropriations in the same year.

CIVIC BUDGETS IN RECENT YEARS

	1944	1943	1942	1941	1940	1935	1930	1925
Salaries and Wages and other personal services.....	\$20,436,511 % of Total 58.4%	\$19,262,552 % of Total 56.5%	\$18,321,616 % of Total 54.6%	\$18,238,793 % of Total 52.3%	\$18,528,752 % of Total 52.1%	\$18,410,901 % of Total 50.4%	\$18,076,871 % of Total 51.4%	\$14,702,662 % of Total 52.3%
Unemployment Relief paid out of current funds (City Share).....	822,608 2.4%	809,971 2.4%	1,013,235 2.9%	696,536 2%	967,300 2.7%	354,538 1%	150,000 .4%	150,000 .5%
Other expenses including supplies, equipment and other operating and up-keep items.....	6,906,450 19.8%	7,137,311 20.9%	6,696,397 19.6%	6,806,976 19.5%	7,027,479 19.8%	9,329,192 25.5%	9,865,278 27.9%	6,314,667 22.5%
Debt charges.....	6,723,242	6,837,939	8,181,229	9,130,125	9,054,358	8,413,017	6,662,214	6,599,522
Interest.....	2,318,734	2,472,615	2,734,564	3,038,458	3,267,283	4,211,955	3,888,667	3,570,978
Sinking funds and repayment of principal.....	4,404,508 19.2%	4,365,324 20.1%	5,446,665 23.9%	6,091,667 26.2%	5,787,075 25.4%	4,201,062 23.1%	2,773,547 18.9%	3,028,544 23.5%
Capital Outlay.....	79,440* % of Total .2%	—	—	—	—	—	491,414 1.4%	307,972 1.1%
Total Expenditure.....	34,968,251	34,047,773	34,212,477	34,872,430	35,577,889	36,507,648	35,206,777	28,074,823
Populations.....	680,000 (Est.)	674,285	669,130	655,751	648,098	638,271	621,596	549,429
Per Capita.....	\$51.42	\$50.49	\$51.13	\$58.18	\$54.89	\$57.20	\$56.64	\$51.10

*Separate School Board.

1. When an Omission From the Estimates Leads to Greater Personal Expenditures by the Taxpayers.

An example of the first type is to postpone the purchase of adequate snow removal equipment. This short sighted and gambling policy has recently had the following results:

- a. Thousands of people did not reach their work when they might otherwise have done so, thus losing wages.
- b. Industrial production and retail and wholesale distribution were reduced and in many cases brought to a standstill with resulting tremendous losses. Of course war industries were affected as well as reductions producing civilian supplies.
- c. Thousands of people were exposed to cold and driving snow. Some people could not be moved to hospitals.

- d. The fighting of fires was made almost impossible and the dangers to life and limb were greatly increased.

It appears that adequate additional snow removal machinery could have been purchased for \$512,769. This would be the equivalent of .6 of a mill on the general assessment. Spreading this over five years would result in an addition of about one eighth of a mill to the tax rate for five years. The additional financial cost to business and industry, to residents and taxpayers was a huge amount many times more than the cost of the necessary machinery. Of course under abnormal conditions some loss is unavoidable. As to this the public is not unreasonable.

In addition to the inconvenience caused by the disruption of garbage and ash collection, there was the inconvenience and worse of delayed coal delivery. The people are quite willing to bear deprivations necessary on account of the war, but have a right to expect the maintenance of basic services so long as this is compatible with war requirements.

2. When an Omission From the Tax Rate Results in Greater Expenditures in Future Years.

An example of the second type is making an inadequate provision for up-keep of plant and equipment. When maintenance has to be deferred on account of lack of priorities, citizens and taxpayers are quite agreeable. Even in this case, provision in the estimates should be made, and this provision could be cumulative for the necessary number of years. If it were provided that money voted for up-keep could not be spent for any other purpose, no doubt provincial authority could have been obtained. Reserves for deferred maintenance to be spent after the war are now legal and were recommended strongly by the Finance Commissioner in his introduction to the 1944 draft estimates, but without effect. With the almost spectacular reduction in debt and the reduction in annual debt charges it is a little difficult to see why adequate provision for up-keep or deferred maintenance was not made when money could be found for increases in other costs.

Allowing the plant to run down without establishing reserve for deferred maintenance is simply adding to the burdens of taxpayers of succeeding years, possibly at a time when increases in taxation cannot be made without hardship. It sometimes means the destruction of assets which might have been saved by comparatively small expenditures on up-keep. This means an unnecessary increase in debt and therefore in current interest charges. Paying for dead horses may sometimes be unavoidable, but is never pleasant.

3. When an Omission From the Estimates Leads to Supplementary Appropriations in the Same Year.

Examples of the third type are the cutting of amounts from the appropriations for snow removal, etc., and the failure to insert necessary amounts while later inserting them in the estimates. Even if there are funds available without incurring a deficit for the year, this practice is bad, as it leads to abuses and militates against efficient budget making.

An examination of the table on the inside pages gives a partial picture of the record in recent years.

Keeping an eye exclusively on the tax rate prevents observation of really vital factors. The tax rate is only a quotient. The tax levy in relation to city needs is the important point. We are better able now to pay taxes, and have been for the past four years, than we may be four years from now. Every year should bear its own proper burdens.

The net tax levy in 1944 was \$29,680,651. What should it have been? What losses were caused to the citizens because it was inadequate and how much will the tax levies of succeeding years be increased by its deficiency?