



TELEPHONE RANDOLPH 5444

*An independent fact-finding organization
reporting to the public on civic affairs.*

CIVIC AFFAIRS

February 2, 1951

CONTROL OVER CIVIC SPENDING

Fellow Citizens:

An unenviable responsibility faces the member of City Council and the Toronto Board of Education in setting up the 1951 civic budgets. Their first problem, and a big one, is to deal with extensive demands for wage and salary increases. At the City Hall, the three unions who cover the bulk of employees other than police and speak for some 6,500 workers are seeking pay boosts of \$10 a week and other lesser concessions. The Board of Education is giving active consideration to requests for higher salary schedules covering all public and secondary school teachers and for immediate increases about double the amounts sought by the civic unions. To meet both demands in full would cost Toronto taxpayers some \$6 million and require an extra $4\frac{1}{2}$ mills on the tax rate.

The scale of current negotiations is a grim reminder to all of us of the unusual times in which the civic budgets are being prepared. The increases that are being sought reflect quite clearly the continuing grip of inflation on the Canadian economy. Members of Council and trustees are well aware also that heavier Federal taxation will be required because of defence spending, and that local citizens, in spite of the high level of employment and business activity, are experiencing growing pressures on their pocket-books.

To those well acquainted with public opinion, as our elected representatives are, it is obvious that heavier local taxes in 1951 will bring numerous protests. At the same time, higher taxes appear to be inevitable. In a period when stability in municipal budgets is badly wanted, stability can hardly be achieved. Consequently, there is a very real temptation on the member of Council or trustee to describe all tax increases as inevitable and to hunt for reasons to justify heavier expenditures rather than to work for the most constructive methods of keeping spending under control.

For the 1951 budget-makers, the Bureau offers five recommendations:

1) Closer cooperation between the City Council and the Board of Education to ensure that the requirements of both spending authorities are viewed as one budget and rated accordingly.

2) That major services and incidental expenditures which are controllable be reviewed rigorously and some worthwhile economies effected.

3) That protective services, safety measures and adequate maintenance of physical facilities should carry a high priority in the screening of proposed expenditures.

4) That no new social service commitments be taken on in 1951.

5) That public statements should be issued with the budgets describing the policies that have been adopted, explaining the need for certain increases and outlining any offsetting economies that will be achieved.

City Council versus Board of Education

In Toronto, we have become so accustomed to the Board of Education being separate from the City Council that we sometimes overlook the close relationship between education and the other civic services. If we tax more heavily for one, we reduce our capacity to develop the other; for both are supported by the same local taxpayers. In English cities, the operation of schools comes under a regular city department and the control of education is in the hands of the City Council. By contrast the control of our Council over educational expenditures is limited to capital financing. The Council can ask the Board of Education to reconsider its current budget but cannot force economies, while the Board for its part has no power even to protest extravagance at the City Hall. Nevertheless the independent legal relationship need not prevent valuable informal cooperation.

So long as our City Council and our Board of Education each go their separate ways, we are almost sure to be asked to authorize larger combined expenditures on education and on general services than would otherwise be the case. A couple of illustrations should make the point clear. Unless the Council and the school board work together, an expanded school programme is hardly likely to be delayed on the grounds that additional police personnel are more urgently required. And from the reverse point of view, street cleaning services will not likely be curtailed to permit improvements in the instruction of handicapped children.

At the present time, the Board of Education presents its current budget to the City only after it is finalized, when the Board of Education is ready to defend its figures before the bar of public opinion. At that stage, the strongest arguments from the Board of Control and Council in favour of economies are likely to be brushed aside. Under the circumstances, the Council is in no mood to curtail its own programme because the education rate is up. And so the damage is done.

The Bureau is convinced that cooperation between the Board of Education and the City Council in the preliminary stages of budget preparation could have a real and salutary effect. What is needed is for the Board of Control and the Finance Committee of the Board of Education to sit down together, along with their staff advisers, while the estimates are still flexible. Their discussions should aim at giving each body a better appreciation of the problems of the other, and at developing the curbs on spending that make the most sense for both.

Seldom is a useful purpose served by members of Council blaming trustees for the high tax rate or by trustees laying a counter-charge against the Council. We have more to hope for, surely, from a little cooperation; and if our laws don't force the two bodies to work as a team, they don't at any rate prevent them from doing so.

'Uncontrollable' Expenditures

The representative who has served on the Council or school board for any length of time is soon convinced of the fact that budgets cannot be slashed as easily as many people think. He sees that many financial commitments go on from year to year without any practical possibility of sharp or sudden curtailment. On occasion, Treasury officials have described certain expenditures as 'uncontrollable' and elected representatives have been quick to adopt the expression in explaining and justifying current tax rates. As one illustration, in announcing the combined tax rate, the City officials are prone to describe the education rates as uncontrollable, and from a legal standpoint, this is quite true so far as the Council is concerned. But from the public's point of view, the school rates are just as subject to control as the general tax rates; for the trustees have been elected to exercise this control.

There are, however, certain items in the budgets of both the Council and the Board of Education that cannot be reduced at will and they are often called 'uncontrollable'. It is important to understand what the factors are that tend to keep the civic expenditures at a high level.

1) The City of Toronto is required under provincial law to provide certain public services. It must, for example, pay qualified teachers and provide classroom facilities for the education of its children. An expenditure running high in the millions is obligatory. Similarly, the City must provide unemployment relief and furnish other social services. Yet, in all cases, the City's services are well above the minimum standard required by law and the calibre of services at any one time is determined by the force of public opinion. If there is a valid complaint with the present situation, it is that the financial burden for social services falls heavily on the real property taxpayer.

2) The City has invested heavily in paved streets, public lighting, drainage facilities, parks, schools and public buildings. It is only prudent to provide proper maintenance and servicing of the City's physical assets, and a large slice of the annual budget goes for this purpose.

3) Capital outlays for construction of new buildings, road improvements and similar undertakings throw a substantial item into the current budget of any one year. The debt charges to be met from taxation in 1950 cost the taxpayers between six and seven million dollars out of a total budget of \$55 million. This cost was largely the result of capital expenditures authorized by the Councils of earlier years; the present Council's control affects the debt charges of future years.

4) The City must pay the going rates to its regular employees and the fact that the majority of civic workers are unionized sets the obligation in unmistakable terms. There is, on the other hand, no need to maintain more workers than there are essential jobs to perform.

5) The City is offered a strong inducement to enter on certain spending programmes by the offer of conditional grants from the Province. Today, provincial grants are encouraging improved services in health and welfare, in education and recreation, in highway construction and maintenance, and in police and fire protection. It is always difficult to resist public demands for better services when the Province stands ready

3) That protective services, safety measures and adequate maintenance of physical facilities should carry a high priority in the screening of proposed expenditures.

4) That no new social service commitments be taken on in 1951.

5) That public statements should be issued with the budgets describing the policies that have been adopted, explaining the need for certain increases and outlining any offsetting economies that will be achieved.

City Council versus Board of Education

In Toronto, we have become so accustomed to the Board of Education being separate from the City Council that we sometimes overlook the close relationship between education and the other civic services. If we tax more heavily for one, we reduce our capacity to develop the other; for both are supported by the same local taxpayers. In English cities, the operation of schools comes under a regular city department and the control of education is in the hands of the City Council. By contrast the control of our Council over educational expenditures is limited to capital financing. The Council can ask the Board of Education to reconsider its current budget but cannot force economies, while the Board for its part has no power even to protest extravagance at the City Hall. Nevertheless the independent legal relationship need not prevent valuable informal cooperation.

So long as our City Council and our Board of Education each go their separate ways, we are almost sure to be asked to authorize larger combined expenditures on education and on general services than would otherwise be the case. A couple of illustrations should make the point clear. Unless the Council and the school board work together, an expanded school programme is hardly likely to be delayed on the grounds that additional police personnel are more urgently required. And from the reverse point of view, street cleaning services will not likely be curtailed to permit improvements in the instruction of handicapped children.

At the present time, the Board of Education presents its current budget to the City only after it is finalized, when the Board of Education is ready to defend its figures before the bar of public opinion. At that stage, the strongest arguments from the Board of Control and Council in favour of economies are likely to be brushed aside. Under the circumstances, the Council is in no mood to curtail its own programme because the education rate is up. And so the damage is done.

The Bureau is convinced that cooperation between the Board of Education and the City Council in the preliminary stages of budget preparation could have a real and salutary effect. What is needed is for the Board of Control and the Finance Committee of the Board of Education to sit down together, along with their staff advisers, while the estimates are still flexible. Their discussions should aim at giving each body a better appreciation of the problems of the other, and at developing the sense of spending that make the most sense for both.

Seldom is a useful purpose served by members of Council blaming trustees for the high tax rate or by trustees laying a counter-charge against the Council. We have more to hope for, surely, from a little cooperation; and if our laws don't force the two bodies to work as a team, they don't at any rate prevent them from doing so.

to pay part of the cost. Yet, the councillor or trustee who is conscious of the fact that provincial grants also come from taxing his neighbours and himself, is in a position to weigh a proposed new service more directly on its merits.

6) The City contributes to the maintenance of conservation and planning authorities and to the cost of suburban roads which do not come fully under City control. The City shares, however, in such programmes and should be able to ensure that they are reasonable in scope and efficiency.

The Power of Elected Representatives over Finances

The taxpayer who is aware of the framework within which each year's budgets must be developed will not expect his alderman or trustee to propose a series of sensational budget reductions. Neither will he countenance the view that the only possible adjustments from previous years are 'uncontrollable' increases. The City, like the private firm, has to pay fair wages and today is grappling with mounting costs. The nature of its commitments also means that the economies that elected representatives can sensibly secure in any one year may amount to only a small fraction of the total expenditures. In the long run, however, sound policies will bring a very different operating position from carelessness or extravagance.

Financial Trends

In 1938 the gross current expenditures of the City on general services and education totalled \$41.5 million. (This figure includes the net surplus or deficit on revenue-earning services operated within City departments and only the net tax levy for the support of separate schools). By 1949 the total had grown to \$51.1 million while the amount budgeted for 1950 stood at \$55.2 million. In other words, expenditures in 1949 had risen only 23.3 percent over 1938; the expected increase for 1950 was 33 percent.

The year 1938, however, included a total expenditure of more than \$7½ million on direct relief. By 1949 the cost of relief had dropped just under the \$2 million mark and approximately the same amount was set in the budget for 1950. If we deduct relief costs and also the net results of revenue-earning services, the gross current expenditures for services supported mainly from taxation have increased as follows:

	1938 Actual	1949 Actual	1950 Budget
Gross Current Expenditures (less relief)	\$32,462,629	\$49,588,092	\$53,331,564
Percentage Changes	100.0	152.8	164.3
Cost of Living Index (adjusted to a 1938 base)	100.0	157.3	162.9

By comparison with the change in the cost of living over the same years, the increases in civic spending are not alarming in the aggregate. When we take into account that provincial grants other than for direct relief have increased from \$1.5 million in 1938 to \$5.3 million in 1949, with anticipated receipts of \$5.6 million in 1950, it is clear that, on the average, the lot of the real property taxpayer has not become worse so long as his income has kept pace with the changes in the value of the

'Uncontrollable' Expenditures

The representative who has served on the Council or school board for any length of time is soon convinced of the fact that budgets cannot be slashed as easily as many people think. He sees that many financial commitments go on from year to year without any practical possibility of sharp or sudden curtailment. On occasion, Treasury officials have described certain expenditures as 'uncontrollable' and elected representatives have been quick to adopt the expression in explaining and justifying current tax rates. As one illustration, in announcing the combined tax rate, the City officials are prone to describe the education rates as 'uncontrollable', and from a legal standpoint, this is quite true so far as the Council is concerned. But from the public's point of view, the school rates are just as subject to control as the general tax rates; for the trustees have been elected to exercise this control.

There are, however, certain items in the budgets of both the Council and the Board of Education that cannot be reduced at will and they are often called 'uncontrollable'. It is important to understand what the factors are that tend to keep the civic expenditures at a high level.

1) The City of Toronto is required under provincial law to provide certain public services. It must, for example, pay qualified teachers and provide classroom facilities for the education of its children. An expenditure running high in the millions is obligatory. Similarly, the City must provide unemployment relief and furnish other social services. In all cases, the City's services are well above the minimum standard required by law and the calibre of services at any one time is determined by the force of public opinion. If there is a valid complaint with the present situation, it is that the financial burden for social services falls heavily on the real property taxpayer.

2) The City has invested heavily in paved streets, public lighting, drainage facilities, parks, schools and public buildings. It is only prudent to provide proper maintenance and servicing of the City's physical assets, and a large slice of the annual budget goes for this purpose.

3) Capital outlays for construction of new buildings, road improvements and similar undertakings throw a substantial item into the current budget of any year. The debt charges to be met from taxation in 1950 cost the taxpayers between six and seven million dollars out of a total budget of \$55 million. This cost was largely the result of capital expenditures authorized by the Councils of earlier years; the present Council's control affects the debt charges of future years.

4) The City must pay the going rates to its regular employees and the fact that the majority of civic workers are unionized sets the criterion in unmistakable terms. There is, on the other hand, no need to maintain more workers than there are essential jobs to perform.

5) The City is offered a strong inducement to enter on certain spending programmes by the offer of conditional grants from the Province. Today, provincial grants are encouraging improved services in health and welfare, in education and recreation, in highway construction and maintenance, and in police and fire protection. It is always difficult to resist public demands for better services when the Province stands ready

dollar. It is the heavy burden of provincial and Federal taxes, combined with the disturbing consequences of inflation and controlled rents which have caused the real cases of individual hardship for property owners.

But the role of the budget-maker calls for a closer examination of expenditures than a mere review of total spending. As one example, the growth of Board of Education expenditures has occurred in the face of a considerable decline in school population, while the average teaching load has been appreciably reduced. This is how the position has changed since 1938:

	1938	1949	December 1950
Average Monthly Registration of Day Pupils	103,557	80,079	76,903
Day School Principals and Teachers	2,985	2,830	2,801
Average Pupils per Teacher	34.7	28.3	27.4

It must be recognized that some drop in the average size of classes is almost bound to happen when the number of pupils is shrinking steadily. But the extent of the reduction in the number of pupils per teacher is evidence that teaching loads are being lightened as a conscious policy. It may be that the citizens are quite in accord with such a policy and prepared to pay the cost. In any event, the year 1951 is a good one in which to review and consider the merits of allowing this trend to continue.

A brief reference to changes which have taken place in services coming under the City Council will be sufficient to show that the Council's budget can also profit from careful review. Between 1938 and 1949 the cost of snow removal and cindering, omitting overhead administration, jumped from \$63 thousand to \$569 thousand. The expense today is nine times the amount pre-war. Aside from higher labour costs, the increase is based on an extension of services from the central business area and main thoroughfares to city-wide coverage. Is the additional service at a cost approaching 1/2 mill on the tax rate something the taxpayers want continued? Again, city-sponsored recreation activities cost the 1938 taxpayer \$252 thousand; the budget figure for the 1950 programme was \$868 thousand. Some added support for this expenditure has come from an enlarged provincial grant, but the major outlay is paid out of local taxes. Increases of a similar order have taken place in certain health, welfare and other services.

By mentioning these examples of heavier expenditures, the Bureau is not suggesting that the increases should be automatically or necessarily condemned. They are presented, rather, as evidence that our elected representatives should scrutinize all proposed expenditures and satisfy themselves that under today's conditions the tax rate set for 1951 represents the reasonable minimum.

Calvert
President

Eric Hardy
Director

to pay part of the cost. Yet, the councillor or trustee who is conscious of the fact that provincial grants also come from taxing his neighbours and himself, is in a position to weigh a proposed new service more directly on its merits.

(d) The City contributes to the maintenance of conservation and planning authorities and to the cost of suburban roads which do not come fully under City control. The City shares, however, in such programmes and should be able to ensure that they are reasonable in scope and efficiency.

The Power of Elected Representatives over Finances

The taxpayer who is aware of the framework within which each year's budgets must be developed will not expect his alderman or trustee to propose a series of sensational budget reductions. Neither will he countenance the view that the only possible adjustments from previous years are 'uncontrollable' increases. The City, like the private firm, has to pay fair wages and today is grappling with mounting costs. The nature of its commitments also means that the economies that elected representatives can generally secure in any one year may amount to only a small fraction of the total expenditures. In the long run, however, sound policies will bring a very different operating position from carelessness or extravagance.

Financial Trends

In 1938 the gross current expenditures of the City on general services and education totalled \$41.5 million. (This figure includes the net surplus or deficit on revenue-earning services operated within City departments and only the net tax levy for the support of separate schools.) By 1949 the total had grown to \$51.1 million while the amount budgeted for 1950 stood at \$52.2 million. In other words, expenditures in 1949 had risen only 23.3 percent over 1938; the expected increase for 1950 was 25 percent.

The year 1938, however, included a total expenditure of more than \$7 1/2 million on direct relief. By 1949 the cost of relief had dropped just under the \$2 million mark and approximately the same amount was set in the budget for 1950. If we deduct relief costs and also the net result of revenue-earning services, the gross current expenditures for services supported mainly from taxation have increased as follows:

Year	Actual	Actual	Percentage Changes	Cost of Living Index (adjusted to a 1938 base)
1950 Budget	\$32,462,622	\$23,331,261	100.0	152.8
1949 Actual	\$29,588,092	\$23,331,261	100.0	157.3
1938 Actual	\$32,462,622	\$23,331,261	100.0	100.0

By comparison with the change in the cost of living over the same years, the increases in civic spending are not alarming in the aggregate. When we take into account that provincial grants other than for direct relief have increased from \$1.5 million in 1938 to \$7.3 million in 1949, with anticipated receipts of \$5.6 million in 1950, it is clear that, on the average, the lot of the real property taxpayer has not become worse so long as his income has kept pace with the changes in the value of the