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CIVIC AFFAIRS

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# *Capital Works Programming in Metro*

# This Bulletin in Brief— Its Findings and Recommendations

1. Meeting the capital needs of Metro alone, *exclusive of capital works for education and the area municipalities*, will require gross expenditures of $1.1 billion over the 1954-73 period.
2. Contrary to a commitment made by Metro to place more emphasis on capital projects of a "social and community welfare" nature, so-called "soft" services will decrease from their 11.2% share of actual gross expenditures during 1955-62 to 8.5% of 1963-72 projected expenditures. Nor has a change in relative emphasis toward "soft" services yet occurred in operating or current expenditures.
3. A comparison of Metro's actual 1954-63 capital expenditures with 1964-73 projections indicates the following percentage distribution patterns by function (education and area municipal works not considered):
   (a) Transportation (roads plus transit), will increase from 57% in the first decade to 68% in the second, with the decrease for roads more than made up by an increase for transit;
   (b) Sewer works will decrease significantly, from 18% to 8%;
   (c) Waterworks will maintain about the same position at 15%;
   (d) Parks and recreation will decrease from 3% to 2%;
   (e) Conservation will remain at 1%; and
   (f) Those categories influenced by individual projects — administration of justice, housing, and hospitals — plus the miscellaneous grouping, will decrease from 7% to 6%.
4. Grants from senior levels of government, particularly the Province, cause significant changes in percentage distribution (for example, during 1954-63 roads took 44% of gross capital expenditures but only 30% of the net) and as a result influence priority decisions.
5. "Regional parity," or the allotment of capital works on a city-outer suburb-inner suburb basis, is not a valid consideration in policy determinations. Among the factors which render "regional parity" relatively meaningless, or which create confusion when its application is attempted, are: the dictates of physical geography; vast spillover benefits from many capital projects; distribution of project expenditures; the effects of undesirable capital works; and lost municipal taxes resulting from the location of a capital facility.
6. Considering the difficulties involved in developing 10-year capital works programmes, Metro has performed reasonably well. Yet improvements are both possible and needed in such areas as:
   (a) More realistic appraisals of future needs, which cease to promise, in effect, that expenditures will level off and then decrease after a few initial years of heavy cost; and
   (b) Less year-to-year variation in forecasts (at various times, 1964 expenditures for those functions studied have been projected at as low as $18 million and as high as $80 million).



7. The Bureau believes that the record compiled by Metro in capital works programming will be further improved now that the unrealistically long 10-year projection has been reduced to 5 years by the Ontario Municipal Board at the request of Metro Council.
8. The Bureau recommends that the Official Metro Plan be adopted as soon as possible. This Plan, a projection of urbanization patterns and an attempt to guide and to regulate the growth of the area in such capital aspects as land use, sanitation, recreation, and transportation, is by its very nature an essential companion to effective capital programming.
9. It is estimated that gross capital expenditures for Metro purposes alone (exclusive of education and area municipality capital works) will increase 52%, from $436 million in 1954-63 to $664 million in 1964-73. Three factors will help to ease the tax impact of this increase:
   (a) Constant and significant growth in assessed values, which have increased since 1954 by an average of $200 million, or 8%, annually, indicating that Metro should employ at least a $175 million projected growth factor instead of $150 million;
   (b) Increased yields from the 2 mill general capital levy (which, together with the 1 mill school capital levy, is now producing $14 million per year in revenues); and
   (c) Expanded capital grant programmes from senior levels of government, particularly the Province, which contributed $107 million exclusive of subway assistance in the 1954-63 decade.
10. The $100 million annual capital borrowing ceiling, which Metro has been able to maintain since 1958 with the help of capital levies and increased grants (the 1965 gross capital programme of $210 million was reduced to a net of $101 million), will be under increased pressure. Yet Metro's syndicate managers for the sale of debentures recently warned that public market borrowing cannot regularly exceed a $90 million to $100 million per year limit without adversely affecting Metro's high credit rating. The alternatives are rather bleak — risk the credit rating, increase taxes, or postpone needed capital projects.
11. At the end of 1964, total debt (including education and area municipalities) stood at $972 million. The 1965-73 capital works programme estimated that $815 million in additional debentures would be sold by public offering during that period. In order to assess the impact of Metro's share of this debenture load in terms of debt charges and mill rate requirements, the Bureau made these assumptions: that the assessment increment will be $175 million per year; that increases in actual capital expenditures over present estimates through 1973 will be offset by additional yields from the capital mill levies plus new and increased grant programmes from senior levels of government. The results of these calculations are:
    (a) Although debt charges (principal plus interest) would increase from $7.4 million in 1954 to $71.8 million in 1974, the required mill rates to service this debt would increase proportionately less — from 2.97 to 11.46 mills — as a result of assessment increases, capital mill levies, and grants.
    (b) Total debt servicing costs would increase steadily to a high of 11.70 mills in 1972, after which they would begin to decrease; general debt costs would peak in 1971 at 7.20 mills, and then decline; educational debt would continue upward throughout the projected period to a high of 4.74 mills in 1974.
12. In order to help contain educational debt service costs, the Bureau recommends that the 1 mill capital levy for schools be increased to 2 mills, unless increased cash grants for school capital needs are made available from other sources.

# *Capital Works Programming in Metro*

The Don Valley Parkway, more than 100 miles of trunk distribution water mains, acquisition of 3,500 acres of flood plain land for parks, 96 miles of trunk sewer—these are among the impressive physical accomplishments of Metro through 1964. The gross capital expenditures for these and other Metro projects (*exclusive of education and area municipality capital works*) have totalled $551 million, a figure as impressive as the accomplishments. Yet the capital works programme for Metro purposes projected through 1973 would cost as much, with $549 million estimated. To meet the capital needs of Metro alone for the 20-year period through 1973 would thus require more than a billion dollars.

This *Civic Affairs* bulletin analyses four basic aspects of capital works programming: (1) functional distribution, with particular emphasis on the "hard" versus "soft" service allocation of expenditures; (2) "regional parity," or the territorial distribution of capital projects; (3) results under the 10-year capital works programming process; and (4) present and projected debenturing costs and revenue capacity.

Three precautionary notes are in order: (1) *except in the last section of the bulletin, education and area municipality capital works are excluded from consideration;* (2) *proper analysis required the use of variable time periods from one section to another; and* (3) *we are dealing with capital expenditures and projections rather than with the more familiar current spending and estimates.*

## "HARD" VERSUS "SOFT" SERVICES AND A CLOSER LOOK AT FUNCTIONAL DISTRIBUTION

In its 1963 report, Metro stated: "Where the emphasis in the first 10 years has of necessity been largely on the basic and essential physical services, that of the next 10 years will be increasingly on social and community welfare." Writing four months following the release of this report, Dr. Frank Smallwood (in *Metro Toronto: A Decade Later*, published by the Bureau of Municipal Research) found that Metro had been "consistently aggressive in tackling the so-called 'hard core' problems where results are concrete and obvious, and considerably less assertive in meeting some of the 'softer' more socially-oriented issue areas where results are usually less tangible and more controversial."

To substantiate its commitment, which was restated as recently as December of 1965, Metro compared the percentage distribution of the 1955-64 capital works programme to that of the 1963-72 programme. A rather mild shift in favour of "social and community welfare" capital projects seemed present — from 3% (about $18 million out of $585 million total) to 6% for "such as housing, welfare, conservation and parks, and the administration of justice." As we will see, this change in capital emphasis is not, in fact, taking place. (It should be explained that the Bureau is not taking a position on whether such a change should be made, but, in this bulletin, only seeking to determine if a change is in process.)*



Rather than compare one projection to another, the Bureau compared the actual expenditures for the 1955-62 period with the projected expenditures for 1963-72. Since education constitutes a sort of middle ground between the "hard" and "soft" service areas, and since Metro has treated educational capital needs (except for debenturing limits) quite independently of general capital needs, education has been eliminated from both sides of the comparison. All capital expenditures other than roads, sewers, water, and transit were considered to be "soft" services. Table I shows the results.

TABLE I

DISTRIBUTION OF ACTUAL AND PROJECTED GROSS EXPENDITURES FOR "HARD" AND "SOFT" SERVICES

| | Actual Gross Expenditures 1955-1962 (Millions) | % | Projected Gross Expenditures 1963-1972 (Millions) | % |
|---|---|---|---|---|
| *THE "HARD" SERVICES* | | | | |
| Roads, sewers, water, and public transit . . | $312.9 | 88.8 | $671.6 | 91.5 |
| *THE "SOFT" SERVICES* | | | | |
| Housing, welfare, hospitals, parks, conservation, administration of justice, etc. . . | 39.4 | 11.2 | 62.4 | 8.5 |
| TOTALS . . . . . . . . . . . . . . . . . . . . | $352.3 | 100.0 | $734.0 | 100.0 |

Actual "soft" service capital expenditures of $39.4 million (11.2%) for the 8-year period 1955-62 were more than double the $18 million forecast for the 1955-64 decade. This is substantially more than the 8.5% projected for 1963-72, even with the broad definition of "soft" services employed. It is thus clear that less, not more, emphasis is being placed on projects of a "social and community welfare" nature. (The picture could change if actual "soft" expenditures increase over projections as substantially in 1963-72 as they did in the 1955-62 period.)

To examine the functional distribution of capital expenditures and projections in greater detail, it is necessary to divide them into several categories. Also, in order to increase comparability, we have split the period covered into two decades — 1954-63 and 1964-73. Since 1964 and 1965 have been placed in the latter decade with projected programmes, and since minor adjustments have been made in the functional groupings, tabulations may differ slightly from those produced elsewhere. As with the analysis of "soft" versus "hard" services, education and area municipality capital figures have been excluded from the comparison, leaving Metro capital projects. This distribution by function is set forth in Table II.

*In order to determine whether "soft" services were being given greater relative emphasis in current or operating expenditures, as opposed to capital programmes, we did the following: current expenditures (exclusive of debt charges) for health, welfare, housing, hospital, and related programmes — the heart of the "soft" services — were compared with current expenditures for roads and sewers. The results were that these "soft" services increased by 24.5%, from a $10.2 million annual average for the years 1955-59 to $12.7 million for the 1960-64 period. Yet current expenditures for roads and sewers increased by 29.7%, from an annual average of $7.4 million to $9.6 million. Thus a change in emphasis has not yet occurred in either capital programming or in current spending. Transfer of the welfare function to Metro, as recommended in the Robarts reorganization plan, would affect this picture.

## TABLE II

FUNCTIONAL DISTRIBUTION OF ACTUAL AND PROJECTED EXPENDITURES

| Function | Actual Expenditures Gross, 1954-1963 (Millions) | % | Actual Expenditures Net, 1954-1963 % | Projected Expenditures Gross, 1964-1973 (Millions) | % |
|---|---|---|---|---|---|
| Roads | $193.4 | 44.4 | 30.1 | $173.8 | 26.2 |
| Sewers | 80.4 | 18.4 | 20.7 | 55.6 | 8.4 |
| Waterworks | 60.1 | 13.8 | 19.3 | 98.2 | 14.8 |
| Subways and transit | 54.5 | 12.5 | 17.8 | 275.4 | 41.5 |
| Parks and recreation | 12.6 | 2.9 | 3.7 | 13.8 | 2.1 |
| Admin. of justice | 10.7 | 2.5 | 3.2 | 21.9 | 3.3 |
| Housing* | 10.4 | 2.4 | 2.2 | 15.8 | 2.4 |
| Hospitals | 6.8 | 1.6 | 0.8 | 0.08 | — |
| Conservation | 4.6 | 1.0 | 1.5 | 6.6 | 1.0 |
| Miscellaneous | 2.8 | 0.6 | 0.9 | 2.6 | 0.4 |
| TOTALS | $436.3 | 100.1** | 100.2 | $663.8 | 100.1 |

*Expenditures listed by Metro as "welfare and housing" have been classed as "housing" with homes for the aged listed under this category. A minor amount considered as "welfare" has been transferred to "miscellaneous."
**Due to rounding, details in tables may vary slightly from actual totals.

These facts stand out:

1. In its first decade, Metro concentrated on the crises in transportation (first roads, and from 1959 on transit as well), sewers, and water supply. Fully 89.1% was devoted to these categories.
2. The second decade will witness an even greater concentration on these areas — 90.9% – although the distribution patterns among them will undergo significant change.
   (a) While road expenditures will decrease, those for transit will more than compensate for this decrease. The combined transportation category, which took 56.9% in the first decade, will consume 67.7% of gross expenditures in the second 10 years.
   (b) Emphasis on sewers will decrease significantly, both in per cent and in dollars.
   (c) Waterworks will maintain about the same percentage position, meaning that its dollar share will increase significantly. The same is true with respect to conservation.
3. Parks and recreation will receive about the same dollar allotment, indicating a substantial percentage decrease.
4. The remaining four categories — administration of justice, housing, hospitals, and miscellaneous — tend to be influenced substantially by individual projects. Their combined share will decrease from 7.1% to 6.1%.

The impact of grants from the province and from other governments can be appreciated by comparing the percentage distributions on a gross and a net basis. Note that roads, which receive substantial provincial aid, decrease by one-third from 44.4% to 30.1%; hospital expenditures are halved; and housing decreases from 2.4% to 2.2%. All of the other seven categories increase when compared on a percentage basis, since they receive little or no governmental grants. Those seeking answers to why certain policy decisions were made, not the least of which was the priority given to expressways over subways during the 1954-58 period, need look no further than the "gross" versus "net" columns.

Comment will be made later in this bulletin on the overall increase of 52.3% from $436.3 million to $663.8 million.



## "REGIONAL PARITY" OR TERRITORIAL DISTRIBUTION

Having looked at the distribution of capital expenditures and programmes by function, we now turn to the equally provocative but more complex question of territorial distribution. This involves the allotment of capital projects on a city-outer suburb-inner suburb basis, and has been described as the policy of "regional parity." Using a process requiring several interwoven calculations (to which the Bureau would not subscribe for reasons given below), the Goldenberg Report indicated that between 1954 and 1963 the city received 54.0%, the three outer suburbs 38.9%, and the nine inner suburbs 7.1% "on a cost basis of Metro's capital works." Since Toronto paid 50.7% of the total current Metro levy from 1954-63, it would appear that the city is ahead of the game. This may come as a surprise, since transit subsidies were not made by Metro until 1959, and since sewer and water expenditures were incurred predominantly outside of the city.

The Bureau believes that "regional parity," the battleground for the expressway versus subway debates which raged during Metro's first years, is a barren issue when applied to most capital projects. The reasons are:

1. Metro was created to solve certain crises that stemmed from inadequate physical services. To meet these pressing needs, priorities had to be established both within a particular service and among services competing for capital funds. An almost immutable factor which controlled these decisions was physical geography. A water purification plant would logically be located along the lakeshore, thus eliminating seven of the 13 municipalities of Metro from consideration. Topography, not "parity," primarily determined the location of a sewage pumping station (see 4.).
2. Vast spillover benefits accrue from such capital works as expressways (and roads constituted by far the largest category of capital expenditure from 1954-63). It cannot be suggested that only Toronto and Etobicoke benefited from the original leg of the Gardiner Expressway because it was located in those municipalities. Swansea and the 3 lakeshore communities also benefited, as have the citizens of all other Metro municipalities who have used the facility. Yet under the "regional parity" theory this project must be treated as a benefit to only two municipalities. And how does one reconcile the "parity" theory with common sense in assigning benefits from existing subways, let alone the expanded system?
3. Even accepting the "parity" concept as valid, with benefits sharply limited to the immediate location of the project, there exists the problem of distributing expenditures for the project itself. To illustrate, one mile of expressway does not cost the same to complete as another adjacent and similar mile. Right-of-way costs, subsoil conditions, and a host of other factors influence total costs.
4. The "parity" concept has another built-in contradiction: if the accounts are to be kept on a municipality-by-municipality or city-outer suburb-inner suburb ledger, how are the debits to be treated? Would "parity" proponents credit or debit a municipality in which Metro erected an incinerator or operated a garbage dump?
5. Lastly, the ledgers on "regional parity" must reflect the fact that former tax-producing properties are lost from the rolls of a municipality once Metro constructs a capital facility.

The Bureau urges that this very dubious approach cease to confuse and distort the decision-making process concerning capital projects.

## 10-YEAR CAPITAL WORKS PROGRAMMING — LOOKING INTO THE FUTURE

Trying to project capital needs 10 years in advance, complicated enough for traditional forms of government, was particularly difficult for Metro in its formative years. To these uncertainties in the division of responsibilities between Metro and its constituent municipalities should be added such factors as project and priority changes including those resulting from new governmental grant programmes, delays in land assembly, inflation, and lack of an adopted Official Plan. When such problems are taken into consideration, and Metro's 10-year capital works programming record is compared to that of more settled jurisdictions, it can be concluded that a reasonably adequate job has been done. Nevertheless, improvements are both possible and needed.

Each year since 1955 Metro Council has adopted 10-year capital works programmes intended to show the works in progress, those to be undertaken at various points during the period, the gross and net cost distribution by year, and the methods of financing to be employed. It is important to point out, however, that only the first year of each 10 is actually translated into legislation. Our analysis starts with the 1956-65 programme, rather than a year earlier, on the assumption that Metro required this extra time to ascertain capital needs in its formative period. In analysing these programmes, we again omit from consideration education and area municipality works. Since transit financing remained an unresolved issue until 1959, and has had elements of uncertainty since then, we have excluded this item as well. Table III shows these variations.

Thus, other than 1956 when only one estimate was made and that was exceeded by \$5 million, 1959 was the only year when actual expenditures did not fall within a high and low estimate made at one time or another. Although we have expressed the opinion that Metro has performed reasonably well when one considers the complexities and uncertainties involved in capital works programming, some shortcomings can be found. Analysis of the 10-year programmes reveals a tendency to in effect promise that capital needs, pressing and costly in the immediate future, will not only level off but will decrease sharply in later years. For example, with the exception of the 1956-65 programme, where the high was forecast for the fifth year, the peak expenditures were projected as occurring in the first year (1958-67, 1964-73, and 1965-73 programmes); the second year (1957-66, 1959-68, 1960-69, and 1963-72 programmes); or the third year (1961-70 and 1962-71 programmes). Yet as future years were reached, peak costs were repeatedly advanced as this "we'll catch up and then level off" hope failed to materialize, partially because of decisions to postpone certain costly projects.

Certainly something is wrong when a forecast made in 1956 predicted \$17.6 million in capital expenditures for the year 1964 only to see an \$80.1 million expenditure figure adopted for 1964 when that year is reached. That the actual expenditure proved to be somewhat in the middle of this high and low at \$53.7 million cannot be construed as an indication of forecast accuracy.

The 1956-65 programme projected expenditures totalling \$314.7 million. Actual expenditures (including an estimate for 1965) were \$478.3 million, or 51.7% higher than the forecast. Analysis of subsequent 10-year programmes, which have ranged from \$389 million (1957-66) to \$482.2 million (1962-71), indicates that actual expenditures probably will continue to exceed most of these projections.

TABLE III

YEAR-TO-YEAR VARIATIONS IN PROJECTED GROSS EXPENDITURES UNDER 10-YEAR WORKS PROGRAMMES

| Year | Low Estimate and Programme in which made (Millions) | Low Estimate: Programme | High Estimate and Programme in which made (Millions) | High Estimate: Programme | Actual Expenditures (Millions) |
|---|---|---|---|---|---|
| 1956 | \$34.1 | 1956-65 | \$34.1 | 1956-65 | \$39.0 |
| 1957 | 30.3 | 1956-65 | 51.1 | 1957-66 | 49.6 |
| 1958 | 39.8 | 1956-65 | 62.8 | 1957-66 | 42.8 |
| 1959 | 40.3 | 1956-65 | 49.6 | 1957-66 | 32.6 |
| 1960 | 42.2 | 1956-65 | 54.1 | 1959-68 | 43.8 |
| 1961 | 35.2 | 1958-67 | 68.2 | 1960-69 | 40.9 |
| 1962 | 31.5 | 1956-65 | 59.1 | 1961-70 | 44.7 |
| 1963 | 23.0 | 1956-65 | 64.3 | 1962-71 | 58.9 |
| 1964 | 17.6 | 1956-65 | 80.1 | 1964-73 | 53.7 |
| 1965 | 18.5 | 1956-65 | 78.0 | 1964-73 | 71.4 est. |
| 1966 | 17.7 | 1957-66 | 53.4 | 1965-73 | |
| 1967 | 29.6 | 1963-72 | 45.0 | 1962-71 | |
| 1968 | 24.0 | 1959-68 | 41.5 | 1961-70 | |
| 1969 | 28.3 | 1960-69 | 37.8 | 1961-70 | |
| 1970 | 31.5 | 1961-70 | 35.6 | '63-72,'65-73 | |
| 1971 | 26.5 | 1964-73 | 41.7 | 1963-72 | |
| 1972 | 27.8 | '64-73,'65-73 | 41.3 | 1963-72 | |
| 1973 | 18.3 | 1964-73 | 18.8 | 1965-73 | |
| | | | | TOTAL ............ | \$478.3 |



The Bureau believes that greater accuracy and realism can be achieved in future capital works projections. Of considerable help will be the recent approval by the Ontario Municipal Board of a request of Metro Council that the unrealistically long 10-year projection required by the Board since 1961 be reduced to 5 years.

To further enhance chances for improved forecasting, the Bureau recommends that Metro's Official Plan be adopted as soon as possible. Capital works programming in the absence of an adopted Official Plan has the elements of an exercise in futility. (An Official Plan is a projection of urbanization patterns and an attempt to guide and to regulate the growth of an area in such capital aspects as land use, sanitation, recreation, and transportation. As such, it is an essential companion to effective capital programming.)

## DEBENTURING COSTS AND METRO'S REVENUE CAPACITY

During 1964-73, Metro's gross capital expenditures (exclusive of education and area municipality works) are estimated to increase by 52.3% to \$663.8 million over the \$436.3 million expended in the first decade. Three major factors will assist in holding down part of the tax impact of this increase: (1) constant and significant growth in assessed values; (2) the fortunate adoption of levies for general capital and for school capital purposes; and (3) the reasonableness of assuming that provincial and other grants will continue on an increased level in the immediate future. Yet, as will be seen, debt costs as projected will consume a sharply increased portion of property tax revenues.

Metro's assessment has increased 88%, from \$2.5 billion in 1954 to \$4.7 billion in 1965. This means an average annual increase of \$200 million, or 8% annually.

In view of this actual assessment increase, it would appear reasonable to again increase the projected growth rate (as has been done in previous years) from the currently-used \$150 million per year to at least \$175 million. (These assessment projections are used to estimate future mill rate requirements to meet debt charges.)

The Bureau agrees with the Goldenberg Report's observation that debt/assessment ratios, normally employed in other jurisdictions to determine financial health, are unsatisfactory measures in view of Metro's continued use of 1940 assessed values.

Although opposed in the beginning by some who advocated various other supplementary revenue sources, the general capital (2 mills) and school capital (1 mill) levies imposed since 1957 and 1959 respectively, have proved of great help in meeting capital financial needs. Now yielding \$14 million per year, they have produced over \$98 million in revenue through 1965. This indicates that the miscellaneous alternatives proposed in the 1950's would have been insufficient to meet needs.

In the 1954-63 decade, provincial capital grants for all purposes except subways totalled \$107 million. To this should be added provincial purchase of subway debentures, subsidies for right-of-way construction, and a variety of capital loans from both the provincial and Federal governments. In assessing the importance of such aids from senior levels of government, it should be kept in mind that grant programmes have tended to increase in both amount and scope and that some loans may be at least partially forgiven.

The impact of grants has been felt in another respect — together with both capital levies, they have thus far permitted adherence to the \$100 million annual capital borrowing ceiling set in 1958. Since then, a somewhat elastic \$40-30-30 million allocation for Metro, school, and area municipality capital borrowing has been in evidence. Principally as a result of grants and capital levies, a \$209.7 million gross programme could be adopted by Metro in 1965 with \$100.6 million left to be financed by debentures. Although this limit will be subjected to increasing pressure, Metro's syndicate managers for the sale of debentures recently warned that public market borrowing cannot regularly exceed a \$90 million to \$100 million annual limit without adversely affecting Metro's high credit rating. This may present the hard choice of risking the rating, increasing tax rates, or postponement of needed capital projects.

As of December 31, 1964, total direct and indirect installment and sinking fund debenture debt for Metro purposes, education, and area municipalities was \$972.1 million. The 1965-73 capital works programme estimated that \$815.0 million in additional debentures would be sold by public offering during that period. Metro has projected its debt costs for general and educational purposes on the basis of existing debt plus its share of the \$815.0 million in new debt to be incurred through 1973. The Bureau has taken these figures for total Metro debt charges, but we have increased the estimated assessment increment from the \$150 million per year used by Metro to \$175 million (as indicated above). Assuming that the additional yield of the education and general capital mill levies to result from this larger annual assessment increment, plus new and increased grant programmes from senior levels of government, will be equal to increases in actual capital expenditures over present estimates through 1973, we derived Table IV.

The helpful effects of assessment increase, capital mill levies, and grants from senior levels of government can be appreciated by comparing the 20-year debt charge increase (almost ten-fold from \$7.4 million to \$71.8 million) to the



## TABLE IV

DEBT CHARGES (PRINCIPAL PLUS INTEREST) AFFECTING TAXATION AND MILL RATE REQUIREMENTS (METRO ONLY)

| Year | Assessment (Billions) | General Debt Amount (Millions) | General Debt Mills | Education Debt Amount (Millions) | Education Debt Mills | Total Debt Amount (Millions) | Total Debt Mills |
|---|---|---|---|---|---|---|---|
| 1954 | \$ 2.475 | \$ 2.407 | 0.97 | \$ 4.955 | 2.00 | \$ 7.362 | 2.97 |
| 1955 | 2.705 | 2.852 | 1.05 | 5.321 | 1.97 | 8.173 | 3.02 |
| 1956 | 2.952 | 3.942 | 1.34 | 6.159 | 2.09 | 10.101 | 3.43 |
| 1957 | 3.183 | 5.811 | 1.83 | 6.757 | 2.12 | 12.568 | 3.95 |
| 1958 | 3.345 | 6.186 | 1.84 | 7.821 | 2.34 | 14.007 | 4.18 |
| 1959 | 3.564 | 8.667 | 2.43 | 8.793 | 2.47 | 17.460 | 4.90 |
| 1960 | 3.793 | 11.299 | 2.98 | 9.362 | 2.47 | 20.661 | 5.47 |
| 1961 | 3.978 | 12.708 | 3.19 | 9.895 | 2.49 | 22.603 | 5.68 |
| 1962 | 4.172 | 14.966 | 3.59 | 10.120 | 2.43 | 25.086 | 6.02 |
| 1963 | 4.327 | 17.249 | 3.99 | 10.866 | 2.51 | 28.115 | 6.50 |
| 1964 | 4.502 | 22.919 | 5.09 | 11.723 | 2.60 | 34.642 | 7.69 |
| 1965* | 4.689* | 28.500* | 6.08* | 13.800* | 2.94* | 42.300* | 9.02* |
| 1966 | 4.864 | 32.100 | 6.60 | 16.700 | 3.43 | 48.800 | 10.03 |
| 1967 | 5.039 | 34.200 | 6.79 | 19.000 | 3.77 | 53.200 | 10.56 |
| 1968 | 5.214 | 35.600 | 6.83 | 20.700 | 3.97 | 56.300 | 10.80 |
| 1969 | 5.389 | 37.100 | 6.88 | 21.900 | 4.06 | 59.000 | 10.95 |
| 1970 | 5.564 | 39.400 | 7.08 | 23.500 | 4.22 | 62.900 | 11.30 |
| 1971 | 5.739 | 41.300 | 7.20 | 25.300 | 4.41 | 66.600 | 11.61 |
| 1972 | 5.914 | 42.400 | 7.17 | 26.800 | 4.53 | 69.200 | 11.70 |
| 1973 | 6.089 | 42.300 | 6.95 | 28.300 | 4.65 | 70.600 | 11.60 |
| 1974 | 6.264** | 42.100 | 6.72 | 29.700 | 4.74 | 71.800** | 11.46** |

*All figures from 1965 to 1974 are projections.
**The mill rate required to service or pay for debt charges falling due each year can be illustrated by the following example: the projected debt charge of \$71.8 million for 1974 is divided by the projected assessment of \$6.26 billion, resulting in a required rate of 11.46 mills to produce the \$71.8 million needed.

mill rate increase required to service or pay for this debt (from 2.97 to 11.46 mills). It should be noted that: total debt servicing costs would increase steadily to a high of 11.70 mills in 1972, after which they would slip off in 1973 and 1974; general debt costs would peak in 1971 at 7.20 mills; and educational debt would continue upward throughout the projected period to a high of 4.74 mills in 1974.

When it is realized that a 30-year serial or installment debenture, at the current interest rate of 6%, requires the repayment of \$2.18 for each \$1.00 borrowed, the prudence of financing as much as possible out of current revenues becomes obvious. The Bureau thus recommends that, unless increased cash grants for school capital needs are made available from other sources, the current 1 mill capital levy for schools be increased to 2 mills in order to help contain the educational debt service increase that otherwise will occur.

Metro must continue to expand and modernize its capital plant. The Bureau of Municipal Research believes that its recommendations would help to improve the capital works programming and debt management functions involved in this expansion and modernization.

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# BUREAU OF MUNICIPAL RESEARCH

Founded in 1914 by a group of public-spirited citizens — operating since then under provincial charter as a non-partisan, non-profit research agency — staffed full time by well qualified personnel — the Bureau of Municipal Research keeps local government operations in Greater Toronto under constant scrutiny.

The Bureau has gained wide recognition as an effective proponent of good government through its bulletin *Civic Affairs,* through the publicity given its statements, through its information and advisory services, and through the participation of the staff in the public discussion of municipal issues.

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*your inquiries are invited:*

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