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May 25, 2005

Worship David Miller
Mayor
City of Toronto
Toronto City Hall, 2nd Flr.
100 Queen St. W.
Toronto, ON M5H 2N2

Dear Mayor:

It is my pleasure to present to you a report from The Conference Board of Canada analyzing the City of Toronto's fiscal situation. I am delighted that the Conference Board was able to conduct this very important work.

The evidence could not be clearer that Canadian cities need a new approach in order to be fiscally sustainable. In fact, several studies conducted by the Conference Board indicate that, under the status quo, municipal governments will soon be unable to meet their expenditure requirements, including investing in urgently needed infrastructure upgrades. This is threatening both our quality of life and competitiveness.

Our attached study shows that the City of Toronto is no exception. Although the provincial and federal governments have begun to respond to Toronto's fiscal predicament, committed funding sources are not sufficient to sustain adequate service levels and to undertake the level of investment necessary to close the large infrastructure gap. Under the current fiscal arrangement, the City of Toronto's only recourse would be to increase its debt to unsustainable levels.

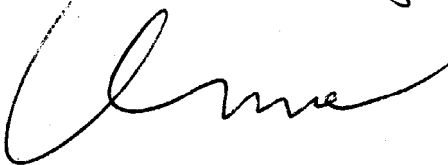
The Conference Board believes that, if responsibilities are not uploaded from Toronto to higher levels of government, the city will require access to either a sales or income tax. Toronto's population is aging and population growth is slowing, meaning that the city's main source of revenue—the property tax—will increase much less rapidly than consumption- and income-based taxes. These latter two taxes will track more closely with overall economic activity, which is expected to grow steadily over the long run.

In addition, I personally believe in the principle of accountability, which requires the level of government that delivers the service to raise the revenues to pay for it. Therefore, higher levels of government should not merely transfer revenues raised from consumption- or income-based taxes to the City of Toronto, but should go one step further — they should grant the city the authority to levy the tax themselves. I know that this principle was violated when both the federal and provincial governments agreed to share a portion of their gas tax revenues with the City of Toronto. But I would not have refused the revenue on principle.

I also believe that we should find a way to share this work as widely as possible, using it to alert the public to the fiscal crisis that cities are facing. I, for one, could make very good use of it. But I will wait for your approval before publicizing this valuable information.

The Conference Board of Canada is fully supportive of the efforts currently being made by city officials across the country to improve their fiscal situation. We take great pride in the work we have done in this area. We hope that our work is helping to raise this issue to the top of the political agenda, where it belongs.

Sincerely,

Warm regards,


Anne Golden

Encl.



Measuring Toronto's Fiscal Capacity: An Executive Summary

Prepared By: The Conference Board of Canada

Prepared for: The City of Toronto

May 2005

WHAT'S INSIDE

This study measures the fiscal capacity of the City of Toronto's municipal government from 2005 to 2025. It shows that, although the Provincial and Federal governments have begun to respond to Toronto's fiscal issues, committed funding sources are not sufficient to sustain adequate service levels and begin closing the large gap in required infrastructure spending. In fact, the combined operating and capital annual funding shortfall is projected to reach \$1.1 billion next year, and will dramatically worsen unless the City generates significant growth from its revenue base as assumed in the forecast, or from a new sharing of tax revenues. Incidentally, the annual increase in Provincial and Federal revenues generated in Toronto is expected to be more than \$1.3 billion over the next five years, well in excess of the City's annual deficit.

Executive Summary

Introduction

- A growing consensus is emerging that all municipalities in Canada need a new approach to make them fiscally sustainable. In fact, The Conference Board of Canada has issued numerous research papers indicating that the long-term fiscal sustainability of municipal governments is in jeopardy, threatening Canadians' quality of life and competitiveness.¹
- At first glance, Toronto's local government may seem to be enjoying fine fiscal health, since it continually balances its operating budget (which it is required to do by law) has a stable credit rating and carries a low level of debt, at least relative to other orders of government.
- In fact, to balance its budget, Toronto's local government has curbed both operational and capital expenditures and increasingly relied on non-recurring sources of funds to balance its operating budget and growing levels of debt financing for its capital program. The forecast demonstrates that the City faces a combined operating and capital annual funding shortfall of \$1.1 billion by 2006 and suggests that this situation will only worsen unless the City is able to generate significant growth from its revenue base or from new revenue sources. It has to be noted that the funding shortfall of \$1.1 billion includes capital spending, which should, in the view of The Conference Board, be at least partly debt-financed.

Expenditure Outlook

- Total expenditures, which include operational and capital spending, are expected to increase by an average of 4 per cent per year from 2005 to 2025 (see Table 1). This will take total spending from \$7.6 billion in 2004 to \$17.1 billion in 2025.
- Total expenditure growth was constrained to an average of 2.2 per cent per year from 2001 to 2004. This is well below the common measure of inflation plus population growth (roughly 2.9 per cent). In comparison, growth in federal and Ontario government spending on goods and services averaged 5.1 per cent and 6.3 per cent per year, respectively, over the same period.
- Weak capital expenditure growth has contributed to an infrastructure deficit. While evaluating the size of this shortfall is difficult, the amount used for this study is \$7.2 billion, which is the City's share of a \$60 billion shortfall estimated for the country as a whole, and is considered reasonable given the relative age and concentration of municipal infrastructure within the City compared to other jurisdictions.
- The Conference Board forecast assumes that Toronto's local government will launch an infrastructure program in 2006, spending \$360 million per year until 2025, resulting in the elimination of this \$7.2 billion shortfall. As a result, capital

¹ See *La Situation fiscale des municipalités québécoises*, May 2003; *A New Deal for the City of Winnipeg*, April 2004; and *Canada's Cities: In Need of a New Fiscal Framework*, October 2004.

expenditures are expected to increase 39.5 per cent in 2006, the first year of efforts to close the infrastructure gap, and more than triple from \$900 million in 2004 to \$3 billion over the forecast period.

- Gross debt is forecast to rise from \$2.8 billion in 2005 to \$15.7 billion in 2025 to finance this level of capital expenditure.
- In order to service the debt, interest and principal repayment charges in the operating budget are expected to grow by an annual average rate of 12 per cent from 2005 to 2025.
- This would lead to a huge increase in debt charges, which are expected to climb from 9 per cent of property tax revenue to 39 per cent by the end of the forecast period, in spite of healthy revenue growth.
- Operating expenditures, including interest payments on the debt, are expected to grow by 3.6 per cent per year from 2005 to 2025. Excluding financing charges, operating expenditures are forecast to increase by an annual average of 2.9 per cent, which is the rate of increase needed to maintain a constant level of real per capita program spending over the forecast period.

Revenue Outlook

- Total revenue growth at the local government level in the City of Toronto is forecast to average just 3.3 per cent per year from 2005 to 2025.
- Historical data indicates that the City has relied on non-recurring revenue sources increasingly in recent years –\$251 million in 2004, the base year of the study.
- The forecast assumes that as population increases and economic activity continues to grow, the City will attract new assessment and increase its total (residential and non-residential) property tax revenues well in excess of inflation, averaging 3.8 per cent annually over the forecast period.
- Non-residential property tax revenue is projected to grow by 4.3 per cent per year over the period, or by \$2.5 billion. This theoretical assumption is based on the City achieving a proportionate share of healthy economic-growth-related assessment and taxing capacity. It does not take current legislated restrictions into account, which prohibit the City from raising property taxes on non-residential properties (since they are above legislative thresholds), nor the recent trend of flat or negative non-residential assessment growth despite rapid expansion in the whole economic region.
- Residential property tax is forecast to grow at a decelerating rate over the next several years. The ageing of the population will soon have detrimental effects on household formation. This does not bode well for the residential tax base and, as a result, residential property tax revenues are forecast to grow at a relatively modest pace of 2.9 per cent over the forecast horizon.

- The federal and provincial governments have begun to recognize that cities need a "New Deal" to increase funding for municipal infrastructure renewal and for the provision of quality services. Provincial and Federal gas tax revenue sharing plans have been fully incorporated in the model. In the Federal case, the study uses the figures from the Budget 2005 document and makes the conservative assumption of a population based distribution within Ontario. However, revenue from gas taxes is forecast to grow by a meagre 1.6 per cent per year from 2008 to 2025, which is well below the expected rate of inflation.

Table 1

Summary – Local Government Annual Revenue and Expenditures, City of Toronto
(millions \$)

	2001-05	2006-10	2011-15	2016-20	2021-25
Total Revenue	6,593*	8,062	9,425	11,103	13,059
	NA	3.5**	3.3	3.3	3.3
Operating Expenditures	6,478	7,891	9,496	11,303	13,238
	3.1	4.2	3.7	3.4	3.1
Capital Expenditures	996	1,550	1879	2,293	2,783
	1.0	10.0	4.0	4.1	3.8
Total Annual Average Shortfall***	N/A	1,067	1,111	1,099	1,036
	2004	2010	2015	2020	2025
Gross Debt	2,096	5,761	9,112	12,260	15,686
	13.5	12.4	7.9	5.2	5.0
Debt Service vs. Property Taxes	8 %	24 %	32%	37%	39%

* Five-year average.

** Average annual percentage change.

*** After elimination of debt service impacts in operating expenditures.

Sources: City of Toronto; Conference Board of Canada.

- While these initiatives are welcome, this study shows they are not enough. Toronto will need even more help (either through increased revenue sharing or reduced financial responsibilities) to close the infrastructure gap, from revenues that are likely to grow significantly over the period.

Provincial and Federal Tax Revenues in Toronto

- At the same time that the City is underfunded and overly reliant on debt and property tax growth, Provincial and Federal revenues derived from the Toronto economy are projected to grow significantly. As shown below, the average annual increase in Federal and Provincial tax revenues from the City will be over \$1.3 billion in each of the next 5 years.

- By way of comparison, the increase in provincial and federal revenues derived from the Toronto economy in just one year is considered to be greater than the \$1.1 billion shortfall faced by the City.
- The vast majority of the growth is from income tax and consumption taxes, which are expected to increase in the order of 4 per cent annually, since this tax revenue grows with both inflation and GDP. Gasoline taxes (currently the only category shared with municipalities) represent a small portion of total revenue (less than 5 per cent), and are projected to grow at a much slower rate (1.6 per cent).

Table 2

Summary – Average Annual Growth in Federal and Provincial Government Revenues in the City of Toronto
(millions \$)

	2001-05	2006-10	2011-15	2016-20	2021-25
Direct Taxes – Persons	15,238 1.0	17,881 4.0	21,850 4.3	26,980 4.5	33,480 4.5
Direct Taxes – Corporations	4,986 -0.7	6,871 5.3	8,419 2.9	9,463 1.9	10,079 1.2
Sales Taxes	6,860 5.1	8,483 3.7	10,419 4.4	12,749 4.0	15,418 3.8
Gasoline Taxes	1,075 2.0	1,170 1.6	1,273 1.7	1,377 1.5	1,480 1.4
Total (of these four components)	28,158 466 1.6	34,405 1,352 4.1	41,961 1,593 4.0	50,570 1,804 3.7	60,457 2,122 3.6

Sources: Statistics Canada; The Conference Board of Canada.

- Toronto's municipal government will not be able to raise enough revenue under the current fiscal framework, which includes the recent federal and Ontario government gas tax initiatives, to fully address the infrastructure gap while at the same time providing an adequate level of services.
- Total expenditures are projected to outpace revenues by an average of 0.7 percentage points per year over the next 21 years. Even if the funding shortfall is eliminated, the City's revenues will not keep pace with expenditure pressures, unless new revenues with significant growth characteristics are obtained.
- Gross debt is forecast to rise to unsustainable levels, increasing from \$2.1 billion in 2004 to \$15.7 billion in 2025. Debt charges would grow rapidly, and climb from 8 per cent of property tax revenue in 2004 to 39 per cent by the end of the forecast period. Natural or market limitations would intervene and constrain service and infrastructure related expenditures long before this situation could occur.

What is to be done?

- The Conference Board concludes that the City of Toronto currently has an annual shortfall, which will reach \$1.1 billion next year, and that unless it is able to increase property tax revenues in accordance with the forecast, this shortfall will grow significantly. Again, the funding shortfall of \$1.1 billion includes capital spending, which should be partly debt-financed.
- Transferring a greater portion of gas tax revenue to cities is, of course, welcome, but revenue from gas taxes is forecast to grow by a meagre 1.6 per cent per year from 2008 to 2025, and therefore is likely insufficient to offset rising costs.
- Revenue growth from both the GST and PST in the City of Toronto is forecast to average 4 per cent, compounded annually, from 2005 to 2025. Likewise, income tax revenue growth in Toronto is expected to be over 4 per cent. Combined, these sources will grow by over \$1.3 billion each year over the next five years in Toronto.
- The evidence supports a conclusion that, without a reduced mandate or significant offloading, cities require a portion of revenues collected from the GST/PST or income taxes, or both. Given access to these new sources of revenue, the City of Toronto could be set on a secure fiscal path.
- Toronto's local government is in dire need of a new fiscal arrangement—either through new revenue sharing or a reduction in financial responsibilities—to become fiscally sustainable. The nation's economic well-being depends on the prosperity of its cities, as does the standard of living of all Canadians. It is thus incumbent upon us to ensure that our cities are as economically healthy as we can help them to be.

Appendix A - Assumptions

- Other revenues will grow by inflation plus population growth from 2005 to 2025. This is a much faster pace than what has occurred over recent history.
- The non-residential property tax forecast does not take Ontario Bill 140 into account. This bill severely restricts the City's ability to raise property taxes on non-residential properties, since they are already above Provincial thresholds. Additionally, as a mature urban centre the City has underperformed relative to the overall economic region in attracting new non-residential assessment. It could also be argued that the higher average tax rate relative to the rest of the economic region has also come into play. In any event, the City of Toronto now faces competitive limitations with respect to increasing non-residential taxation. Therefore, without significant structural change, non-residential property tax growth in the City of Toronto is likely to be much lower than the theoretical levels incorporated in the forecast.
- Operating expenditures, excluding debt charges, will also grow by inflation plus population growth, which is the rate of increase needed to maintain a constant level of real per capita program spending over the forecast period.
- The infrastructure gap equals \$7.2 billion in Toronto, which is the City's share of a \$60 billion shortfall estimated for the country as a whole. Although this amount is at the low end of the range of estimates found in the literature, the \$60 billion figure has been used frequently by the Federation of Canadian Municipalities and represents a reasonable starting point.
- Toronto's local government will launch an infrastructure program in 2006, spending \$360 million per year until 2025, resulting in the elimination of this \$7.2 billion shortfall.
- For illustrative purposes, the local government is allowed to run an operating deficit over the forecast period. This operating deficit is not debt-financed.
- The City of Toronto will be able to raise all of the debt needed to finance the shortfall in the capital account.

Appendix B – Detailed Tables

TABLE 1: KEY ECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP AT BASIC PRICES (MILLIONS \$ 1997)	109,473 6.3	109,084 -0.4	109,325 0.2	104,970 -4.0	109,526 4.3	113,523 3.6	116,694 2.8	119,669 2.5	122,519 2.4	125,594 2.5	128,958 2.7	132,044 2.4	135,412 2.6
EMPLOYMENT BY PLACE OF WORK ('000s)	1,524 2.4	1,514 -0.7	1,471 -2.8	1,451 -1.3	1,499 3.3	1,538 2.6	1,563 1.6	1,588 1.7	1,603 0.9	1,627 1.5	1,650 1.4	1,668 1.1	1,690 1.3
EMPLOYMENT BY PLACE OF RESIDENCE ('000s)	1,281 2.8	1,299 1.4	1,316 1.4	1,310 -0.5	1,336 2.0	1,365 2.1	1,383 1.3	1,402 1.4	1,413 0.7	1,431 1.3	1,448 1.2	1,461 0.9	1,478 1.1
UNEMPLOYMENT RATE	6.5	7.2	8.4	8.6	7.2	7.1	7.6	7.5	7.8	7.5	7.3	7.6	7.4
TOTAL POPULATION ('000s)	2,547 0.8	2,592 1.8	2,615 0.9	2,612 -0.1	2,605 -0.3	2,621 0.6	2,638 0.6	2,656 0.7	2,674 0.7	2,695 0.8	2,717 0.8	2,740 0.8	2,762 0.8
CONSUMER PRICE INDEX (1992=1.0)	1,147 3.1	1,192 3.1	1,210 2.3	1,248 3.1	1,273 2.0	1,299 2.1	1,325 2.0	1,351 2.0	1,377 1.9	1,404 2.0	1,432 2.0	1,462 2.1	1,492 2.1
PERSONAL INCOME (MILLIONS \$)	79,051 7.0	82,270 4.1	84,698 3.0	84,969 0.3	91,273 7.4	96,463 5.7	100,815 4.5	105,151 4.3	108,912 3.6	113,286 4.0	118,075 4.2	122,851 4.0	128,098 4.3
PERSONAL DISPOSABLE INCOME (MILLIONS \$)	60,237 7.3	62,677 4.0	65,386 4.3	65,788 0.6	70,904 7.8	75,110 5.9	78,658 4.7	82,187 4.5	85,273 3.8	88,837 4.2	92,752 4.4	96,670 4.2	100,965 4.4
HOUSING STARTS ('000s)	10.75 6.4	15.29 42.3	11.62 -24.0	14.90 28.2	12.24 -17.8	11.24 -8.2	10.74 -4.5	10.32 -3.9	9.84 -4.7	10.76 9.4	11.38 5.8	12.28 7.9	13.09 6.6
TOTAL CONSUMPTION (MILLIONS \$ 1997)	51,760 4.1	53,081 2.6	54,725 3.1	55,197 0.9	58,489 6.0	60,623 3.6	62,454 3.0	63,997 2.5	65,386 2.2	67,020 2.5	68,809 2.7	70,469 2.4	72,230 2.5

TABLE 1: KEY ECONOMIC INDICATORS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP AT BASIC PRICES (MILLIONS \$ 1997)	138,939 2.6	142,504 2.6	145,948 2.4	149,325 2.3	152,979 2.4	156,345 2.2	159,958 2.3	163,636 2.3	167,436 2.3	171,311 2.3	175,268 2.3	179,442 2.4	183,908 2.5
EMPLOYMENT BY PLACE OF WORK ('000s)	1,715 1.5	1,742 1.5	1,767 1.4	1,786 1.1	1,812 1.5	1,832 1.1	1,862 1.1	1,874 1.2	1,899 1.3	1,925 1.4	1,951 1.4	1,977 1.4	2,007 1.5
EMPLOYMENT BY PLACE OF RESIDENCE ('000s)	1,498 1.3	1,519 1.4	1,538 1.3	1,552 0.9	1,573 1.3	1,588 1.0	1,604 1.0	1,621 1.0	1,640 1.2	1,661 1.3	1,682 1.3	1,703 1.3	1,728 1.4
UNEMPLOYMENT RATE	7.2	6.8	6.3	6.1	5.8	5.7	5.7	5.7	5.5	5.3	5.0	4.8	4.5
TOTAL POPULATION ('000s)	2,786 0.8	2,809 0.8	2,833 0.8	2,857 0.9	2,882 0.9	2,906 0.9	2,931 0.9	2,957 0.9	2,980 0.8	3,002 0.7	3,023 0.7	3,045 0.7	3,067 0.7
CONSUMER PRICE INDEX (1992=1.0)	1,523 2.0	1,554 2.0	1,585 2.0	1,617 2.0	1,649 2.0	1,682 2.0	1,716 2.0	1,750 2.0	1,786 2.0	1,821 2.0	1,857 2.0	1,894 2.0	1,932 2.0
PERSONAL INCOME (MILLIONS \$)	133,960 4.6	140,201 4.7	146,384 4.4	152,334 4.1	159,098 4.4	166,018 4.3	173,169 4.3	180,503 4.2	188,472 4.4	196,863 4.5	205,573 4.4	214,702 4.4	224,579 4.6
PERSONAL DISPOSABLE INCOME (MILLIONS \$)	105,762 4.8	110,868 4.8	115,932 4.6	120,821 4.2	126,362 4.6	132,051 4.5	137,933 4.5	143,961 4.4	150,508 4.5	157,401 4.6	164,557 4.5	172,060 4.6	180,173 4.7
HOUSING STARTS ('000s)	13.49 3.1	13.31 -1.4	13.26 -0.3	13.44 1.4	13.39 -0.4	13.45 0.4	13.29 -1.2	13.09 -1.5	12.86 -1.8	12.59 -2.1	12.33 -2.0	12.07 -2.1	11.82 -2.1
TOTAL CONSUMPTION (MILLIONS \$ 1997)	74,042 2.5	75,879 2.5	77,637 2.3	79,312 2.2	81,125 2.3	82,861 2.1	84,541 2.0	86,205 2.0	87,971 2.0	89,826 2.1	91,728 2.1	93,659 2.1	95,648 2.1

TABLE 2: REVENUES, LOCAL GOVERNMENT (MILLIONS \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. TOTAL REVENUES	NA	6,684	6,931	6,961	7,007	7,183	7,525	7,878	8,092	8,277	8,537	8,814	9,109
	NA	NA	3.7	0.4	0.7	2.5	4.8	4.7	2.7	2.3	3.1	3.2	3.3
1.1 REVENUES TO OPERATIONS	5,882	5,995	6,215	6,286	6,395	6,631	6,838	7,053	7,257	7,481	7,721	7,977	8,249
	NA	1.7	3.8	1.1	1.7	3.7	3.1	3.1	2.9	3.1	3.2	3.3	3.4
1.1.1 PROPERTY TAXES	2,599	2,738	2,790	2,856	2,944	3,051	3,144	3,246	3,352	3,468	3,594	3,731	3,880
	NA	5.3	1.9	2.4	3.1	3.6	3.1	3.2	3.3	3.5	3.6	3.8	4.0
1.1.1.1 RESIDENTIAL	963	1,011	1,063	1,106	1,152	1,196	1,223	1,247	1,270	1,295	1,326	1,364	1,408
	NA	5.0	5.2	4.0	4.2	3.8	2.2	2.0	1.8	2.0	2.4	2.8	3.2
1.1.1.2 NON-RESIDENTIAL	1,636	1,727	1,727	1,751	1,792	1,855	1,922	1,998	2,082	2,173	2,268	2,367	2,472
	NA	5.5	0.0	1.4	2.4	3.5	3.6	4.0	4.2	4.4	4.4	4.4	4.4
1.1.2 PROVINCIAL GAS TAX	0	0	0	0	20	46	66	81	82	84	85	86	88
	NA	NA	NA	NA	NA	130.0	43.5	22.7	1.5	1.5	1.7	1.7	2.0
1.1.3 OTHER REVENUES TO OPERATIONS	3,283	3,247	3,425	3,430	3,441	3,535	3,628	3,726	3,823	3,930	4,042	4,160	4,281
	NA	-1.1	5.5	0.1	0.3	2.7	2.6	2.7	2.6	2.8	2.9	2.9	2.9
1.2 REVENUES TO CAPITAL	NA	699	716	675	612	551	686	826	836	796	816	837	860
	NA	NA	2.5	-5.7	-9.4	-9.9	24.5	20.3	1.2	-4.8	2.5	2.6	2.7
1.2.1 CAPITAL FROM CURRENT	146	148	147	124	124	127	133	140	143	147	151	156	161
	NA	1.4	-1.1	-15.2	0.0	2.5	4.8	4.7	2.7	2.3	3.1	3.2	3.3
1.2.3 PROVINCIAL GAS TAX	0	0	0	0	0	46	66	81	82	84	85	86	88
	NA	NA	NA	NA	NA	NA	43.5	22.7	1.5	1.5	1.7	1.7	2.0
1.2.4 FEDERAL GAS TAX	0	0	0	0	0	49	49	65	81	163	165	168	172
	NA	NA	NA	NA	NA	NA	-0.2	33.2	24.9	100.0	1.7	1.7	2.0
1.2.5 OTHER REVENUE TO CAPITAL	NA	551	569	551	478	329	438	540	529	403	415	427	439
	NA	NA	3.4	-3.2	-13.3	-31.1	33.1	23.3	-2.0	-23.8	2.9	2.9	2.9

TABLE 2: REVENUES, LOCAL GOVERNMENT (MILLIONS \$)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. TOTAL REVENUES	9,415 3.4	9,732 3.4	10,054 3.3	10,389 3.3	10,737 3.4	11,092 3.3	11,458 3.3	11,840 3.3	12,230 3.3	12,631 3.3	13,045 3.3	13,473 3.3	13,916 3.3
1.1 REVENUES TO OPERATIONS	8,532 3.4	8,826 3.4	9,124 3.4	9,436 3.4	9,759 3.4	10,089 3.4	10,430 3.4	10,785 3.4	11,148 3.4	11,522 3.4	11,909 3.4	12,309 3.4	12,722 3.4
1.1.1 PROPERTY TAXES	4,037 4.0	4,201 4.1	4,368 4.0	4,544 4.0	4,727 4.0	4,914 4.0	5,107 3.9	5,311 4.0	5,522 4.0	5,743 4.0	5,972 4.0	6,211 4.0	6,460 4.0
1.1.1.1 RESIDENTIAL	1,456 3.4	1,506 3.4	1,555 3.3	1,607 3.3	1,661 3.3	1,715 3.3	1,770 3.2	1,826 3.2	1,882 3.0	1,937 3.0	1,993 2.9	2,048 2.8	2,104 2.7
1.1.1.2 NON-RESIDENTIAL	2,580 4.4	2,695 4.4	2,813 4.4	2,936 4.4	3,066 4.4	3,199 4.3	3,337 4.3	3,485 4.4	3,641 4.5	3,805 4.5	3,979 4.6	4,163 4.6	4,356 4.6
1.1.2 PROVINCIAL GAS TAX	90 1.8	91 1.7	93 1.6	94 1.5	96 1.7	97 1.4	98 1.4	100 1.4	101 1.4	103 1.4	104 1.4	106 1.5	107 1.4
1.1.3 OTHER REVENUES TO OPERATIONS	4,405 2.9	4,534 2.9	4,664 2.9	4,798 2.9	4,936 2.9	5,078 2.9	5,224 2.9	5,375 2.9	5,525 2.8	5,677 2.7	5,832 2.7	5,992 2.7	6,155 2.7
1.2 REVENUES TO CAPITAL	883 2.6	906 2.6	929 2.6	953 2.6	978 2.6	1,003 2.5	1,029 2.5	1,055 2.6	1,082 2.5	1,108 2.5	1,136 2.5	1,165 2.5	1,194 2.5
1.2.1 CAPITAL FROM CURRENT	167 3.4	172 3.4	178 3.3	184 3.3	190 3.4	197 3.3	203 3.3	210 3.3	217 3.3	224 3.3	231 3.3	239 3.3	247 3.3
1.2.3 PROVINCIAL GAS TAX	90 1.8	91 1.7	93 1.6	94 1.5	96 1.7	97 1.4	98 1.4	100 1.4	101 1.4	103 1.4	104 1.4	106 1.5	107 1.4
1.2.4 FEDERAL GAS TAX	175 1.8	178 1.7	180 1.6	183 1.5	186 1.7	189 1.4	192 1.4	194 1.4	197 1.4	200 1.4	203 1.4	206 1.5	209 1.4
1.2.5 OTHER REVENUE TO CAPITAL	452 2.9	465 2.9	478 2.9	492 2.9	506 2.9	521 2.9	536 2.9	551 2.9	567 2.8	582 2.7	598 2.7	615 2.7	631 2.7

TABLE 3: EXPENDITURES AND DEBT, LOCAL GOVERNMENT (MILLIONS \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2. TOTAL EXPENDITURES	6,927 NA	7,196 3.9	7,240 0.6	7,424 2.5	7,554 1.7	7,956 5.3	8,731 9.7	9,114 4.4	9,430 3.5	9,776 3.7	10,152 3.8	10,543 3.9	10,948 3.8
2.1 OPERATING EXPENDITURES	5,946 NA	6,076 2.2	6,287 3.5	6,459 2.7	6,646 2.9	6,923 4.2	7,290 5.3	7,621 4.5	7,885 3.5	8,172 3.6	8,485 3.8	8,810 3.8	9,145 3.8
2.1.1 DEBT INTEREST PAYMENTS	NA NA	164 NA	126 -23.2	122 -3.2	96 -21.3	151 57.1	235 55.8	304 29.5	348 14.5	395 13.2	449 13.7	504 12.4	561 11.3
2.1.2 SINKING FUND CONTRIBUTION	NA NA	92 NA	112 22.6	135 20.3	149 10.3	198 32.6	198 0.2	278 40.5	319 14.5	361 13.2	410 13.7	461 12.4	513 11.3
2.1.3 OTHER OPERATING EXPENDITURES	NA NA	5,820 NA	6,049 3.9	6,202 2.5	6,401 3.2	6,575 2.7	6,857 4.3	7,038 2.6	7,218 2.6	7,417 2.8	7,626 2.8	7,845 2.9	8,071 2.9
2.2 CAPITAL EXPENDITURES	981 NA	1,120 14.2	953 -15.0	965 1.3	908 -5.9	1,033 13.8	1,441 39.5	1,493 3.6	1,545 3.5	1,604 3.8	1,667 3.9	1,733 4.0	1,803 4.0
2.2.1 INFRASTRUCTURE PROGRAM	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	367 NA	374 2.0	381 1.9	389 2.0	397 2.0	405 2.1	413 2.1
2.2.2 OTHER CAPITAL EXPENDITURES	981 NA	1,120 14.2	953 -15.0	965 1.3	908 -5.9	1,033 13.8	1,074 4.0	1,118 4.1	1,163 4.0	1,215 4.4	1,270 4.6	1,328 4.6	1,390 4.6
3. DEBT REIMBURSEMENT	NA NA	110 NA	110 0.0	110 0.0	120 9.1	126 5.0	128 1.6	163 27.6	182 11.6	190 4.2	216 13.7	246 13.7	276 12.3
4. TOTAL SURPLUS	NA	NA	NA	NA	NA	-774	-1,122	-1,001	-1,019	-1,092	-1,104	-1,113	-1,113
5. OPERATING SURPLUS	-64	-91	-72	-173	-251	-292	-451	-568	-629	-691	-764	-833	-896
6. CAPITAL SURPLUS	NA	-422	-237	-290	-296	-482	-755	-667	-709	-808	-851	-896	-943
7. CHANGE IN UNDERFINANCED	NA	-245	-53	-91	74	400	0	0	0	0	0	0	0
8. CHANGE IN THE DEBT (6 + 3 - 7)	NA	-67	-74	-89	-250	-756	-627	-503	-526	-618	-635	-650	-667
9. GROSS DEBT (9.1 + 2.2 - 1.2 + 7 - 3)	1,616 NA	1,683 4.1	1,757 4.4	1,846 5.1	2,096 13.5	2,852 36.1	3,479 22.0	3,982 14.5	4,509 13.2	5,126 13.7	5,761 12.4	6,412 11.3	7,079 10.4
10. DEBT SERVICE TO TOTAL PROPERTY TAX RATIO	0.09	0.09	0.09	0.09	0.08	0.11	0.14	0.18	0.20	0.22	0.24	0.26	0.28

TABLE 3: EXPENDITURES AND DEBT, LOCAL GOVERNMENT (MILLIONS \$)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2. TOTAL EXPENDITURES	11,364 3.8	11,793 3.8	12,228 3.7	12,672 3.6	13,125 3.6	13,586 3.5	14,058 3.5	14,539 3.4	15,017 3.3	15,503 3.2	16,004 3.2	16,522 3.2	17,054 3.2
2.1 OPERATING EXPENDITURES	9,488 3.8	9,841 3.7	10,197 3.6	10,558 3.5	10,925 3.5	11,297 3.4	11,674 3.3	12,058 3.3	12,438 3.2	12,826 3.1	13,226 3.1	13,637 3.1	14,061 3.1
2.1.1 DEBT INTEREST PAYMENTS	619 10.4	679 9.7	739 8.7	797 7.9	855 7.2	911 6.6	966 6.0	1,020 5.6	1,073 5.2	1,128 5.1	1,185 5.1	1,245 5.1	1,308 5.0
2.1.2 SINKING FUND CONTRIBUTION	566 10.4	621 9.7	675 8.7	729 7.9	781 7.2	833 6.6	883 6.0	933 5.6	981 5.2	1,031 5.1	1,084 5.1	1,139 5.1	1,196 5.0
2.1.3 OTHER OPERATING EXPENDITURES	8,302 2.9	8,541 2.9	8,783 2.8	9,032 2.8	9,289 2.8	9,553 2.8	9,825 2.8	10,105 2.8	10,385 2.8	10,667 2.7	10,956 2.7	11,253 2.7	11,557 2.7
2.2 CAPITAL EXPENDITURES	1,876 4.0	1,952 4.1	2,031 4.0	2,113 4.1	2,199 4.1	2,289 4.1	2,383 4.1	2,481 4.1	2,579 3.9	2,677 3.8	2,779 3.8	2,884 3.8	2,994 3.8
2.2.1 INFRASTRUCTURE PROGRAM	422 2.0	431 2.0	439 2.0	448 2.0	457 2.0	466 2.0	475 2.0	485 2.0	495 2.0	504 2.0	514 2.0	525 2.0	535 2.0
2.2.2 OTHER CAPITAL EXPENDITURES	1,454 4.6	1,522 4.6	1,592 4.6	1,665 4.6	1,743 4.6	1,823 4.6	1,908 4.6	1,996 4.6	2,084 4.4	2,173 4.2	2,264 4.2	2,360 4.2	2,458 4.2
3. DEBT REIMBURSEMENT	307 11.2	368 19.8	433 17.9	504 16.2	578 14.8	656 13.6	739 12.5	824 11.6	887 5.1	911 5.2	958 5.1	1,007 5.1	1,058 5.0
4. TOTAL SURPLUS	-1,112	-1,110	-1,108	-1,105	-1,100	-1,099	-1,098	-1,094	-1,082	-1,062	-1,039	-1,013	-983
5. OPERATING SURPLUS	-956	-1,016	-1,073	-1,123	-1,167	-1,208	-1,245	-1,272	-1,290	-1,304	-1,317	-1,328	-1,338
6. CAPITAL SURPLUS	-993	-1,046	-1,102	-1,160	-1,221	-1,286	-1,354	-1,426	-1,497	-1,569	-1,643	-1,720	-1,800
7. CHANGE IN UNDERFINANCED	0	0	0	0	0	0	0	0	0	0	0	0	0
8. CHANGE IN THE DEBT (6 + 3 - 7)	-886	-678	-668	-657	-643	-630	-616	-602	-631	-657	-684	-713	-742
9. GROSS DEBT (9.1 + 2.2 - 1.2 + 7 - 3)	7,765 9.7	8,444 8.7	9,112 7.9	9,769 7.2	10,412 6.6	11,042 6.0	11,658 5.6	12,260 5.2	12,890 5.1	13,547 5.1	14,232 5.1	14,944 5.0	15,686 5.0
10. DEBT SERVICE TO TOTAL PROPERTY TAX RATIO	0.29	0.31	0.32	0.34	0.35	0.35	0.36	0.37	0.37	0.38	0.38	0.38	0.39

TABLE 4: FEDERAL AND PROVINCIAL GOVERNMENT REVENUES IN THE CITY OF TORONTO (MILLIONS \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FEDERAL GOVERNMENT													
DIRECT TAXES - PERSONS	10,250 7.3	10,513 2.6	9,897 -5.9	9,825 -0.7	10,042 2.2	10,443 4.0	10,889 4.3	11,357 4.3	11,709 3.1	12,088 3.2	12,602 4.3	13,114 4.1	13,677 4.3
DIRECT TAXES - CORPORATIONS	3,677 24.0	2,791 -24.1	2,646 -5.2	3,042 15.0	3,565 17.2	3,813 7.0	3,975 4.3	4,179 5.1	4,452 6.5	4,674 5.0	4,895 4.7	5,150 5.2	5,330 3.5
GST	2,474 8.2	2,650 7.1	2,831 6.8	2,912 2.8	3,234 11.1	3,380 4.5	3,515 4.0	3,650 3.8	3,773 3.3	3,901 3.4	4,062 4.1	4,242 4.4	4,439 4.6
GASOLINE TAX	396 0.3	405 2.3	409 0.9	421 3.0	428 1.8	437 2.0	446 2.1	452 1.4	459 1.5	466 1.5	474 1.7	482 1.7	492 2.0
PROVINCIAL GOVERNMENT													
DIRECT TAXES - PERSONS	4,838 1.8	4,805 -0.7	5,057 5.2	5,006 -1.0	5,184 3.6	5,415 4.5	5,645 4.3	5,892 4.4	6,151 4.4	6,399 4.0	6,671 4.3	6,942 4.1	7,240 4.3
DIRECT TAXES - CORPORATIONS	2,440 28.2	1,799 -26.3	1,593 -11.4	1,676 5.2	1,920 14.6	2,082 8.4	2,170 4.2	2,285 5.3	2,441 6.8	2,560 4.9	2,722 6.3	2,863 5.2	2,964 3.5
PST	3,434 9.6	3,542 3.1	3,764 6.3	3,757 -0.2	4,023 7.1	4,205 4.5	4,373 4.0	4,541 3.8	4,693 3.3	4,853 3.4	5,054 4.1	5,277 4.4	5,522 4.6
GASOLINE TAX	613 -0.6	623 1.6	642 3.0	673 4.9	663 -1.6	676 2.0	690 2.1	699 1.4	710 1.5	721 1.5	733 1.7	746 1.7	760 2.0

TABLE 4: FEDERAL AND PROVINCIAL GOVERNMENT REVENUES IN THE CITY OF TORONTO (MILLIONS \$)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FEDERAL GOVERNMENT													
DIRECT TAXES - PERSONS	14,253 4.2	14,869 4.3	15,521 4.4	16,160 4.1	16,875 4.4	17,617 4.4	18,384 4.4	19,171 4.3	20,026 4.5	20,916 4.4	21,850 4.5	22,830 4.5	23,836 4.4
DIRECT TAXES - CORPORATIONS	5,415 1.6	5,502 1.6	5,656 2.8	5,859 3.6	6,029 2.9	6,114 1.4	6,181 1.1	6,224 0.7	6,286 1.0	6,400 1.8	6,521 1.9	6,580 0.9	6,600 0.3
GST	4,640 4.5	4,847 4.5	5,047 4.1	5,248 4.0	5,455 3.9	5,670 3.9	5,895 4.0	6,139 4.1	6,374 3.8	6,615 3.8	6,865 3.8	7,121 3.7	7,380 3.6
GASOLINE TAX	501 1.8	509 1.7	517 1.6	525 1.5	533 1.7	541 1.4	549 1.4	557 1.4	565 1.4	573 1.4	581 1.4	590 1.5	598 1.4
PROVINCIAL GOVERNMENT													
DIRECT TAXES - PERSONS	7,545 4.2	7,871 4.3	8,216 4.4	8,554 4.1	8,933 4.4	9,326 4.4	9,732 4.4	10,148 4.3	10,601 4.5	11,072 4.4	11,567 4.5	12,085 4.5	12,618 4.4
DIRECT TAXES - CORPORATIONS	3,011 1.6	3,059 1.6	3,145 2.8	3,258 3.6	3,352 2.9	3,399 1.4	3,437 1.1	3,461 0.7	3,495 1.0	3,558 1.8	3,626 1.9	3,659 0.9	3,670 0.3
PST	5,772 4.5	6,030 4.5	6,279 4.1	6,529 4.0	6,786 3.9	7,054 3.9	7,333 4.0	7,636 4.1	7,930 3.8	8,229 3.8	8,539 3.8	8,858 3.7	9,180 3.6
GASOLINE TAX	774 1.8	787 1.7	799 1.6	811 1.5	825 1.7	837 1.4	849 1.4	861 1.4	873 1.4	886 1.4	898 1.4	912 1.5	925 1.4