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Fiscal Pulse

The City of Toronto's Core Service Review

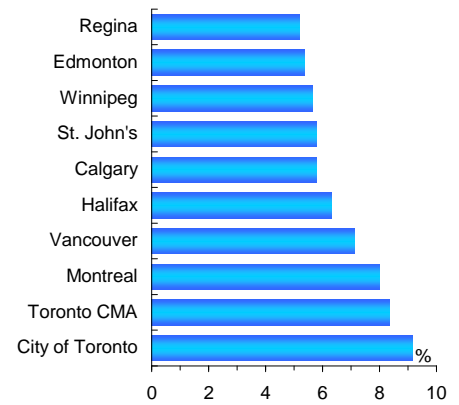
Toronto's Core Service Review steps up the process of reassessing City expenditures.

As Canada's federal and provincial governments assess their program expenditures, the City of Toronto has embarked on a *Service Review Program* that includes: a *Core Service Review*, *Service Efficiency Studies* and a *User Fee Review*. For fiscal 2012, beginning this January, Toronto's City Manager estimates a \$774 million gap in balancing the City's operating budget. The possibility of an upward shift in revenues due to stronger economic growth is not considered high. The City's post-recession recovery has been moderate at best, as reflected in its unemployment rate still averaging 9.2% in June and July, compared with the 8.4% average for the entire CMA and significantly lower jobless rates for most other major Canadian centres (*top chart*). Increases in Toronto's non-residential property taxes are currently capped relative to residential property tax hikes, and the latter, plus utility charges, are high compared with other Canadian cities (*bottom chart*). Thus, in addition to eliminating its 2012 operating shortfall, the City is seeking to substantively shrink its expenditure base to gain a more sustainable fiscal path for the future that can accommodate the sizeable infrastructure agenda required.

The *Service Efficiency Studies* are intended to enhance the City's current continuous improvement initiatives, reviewing IT options, shared service models, process re-engineering, outsourcing and any other possible innovation. The studies will cover nine programs including Solid Waste Management, Court Services and Municipal Licensing, three agencies (the Toronto Transit Commission, the Toronto Public Library and the Police Service) and four cross-program reviews (environment/energy, counter services, communications and finance/administration) with the results, unless they require specific Council authorities, to be incorporated through the annual operating and capital *Budget* process. The *User Fee Review* will identify the basis for existing fee prices, the fees that should be exempted from full cost recovery, potential new fees and the efficiency of the City's fee administration. The study also will benchmark the City's fees to other municipalities

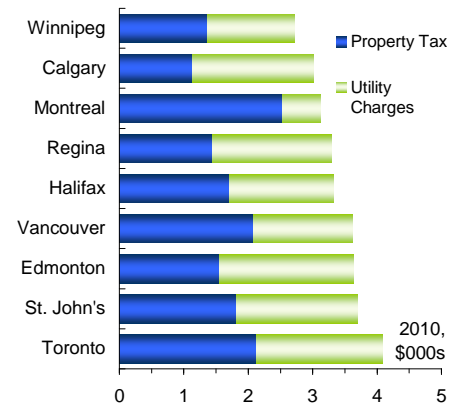
The *Core Service Review*, conducted by an independent consultant, classifies approximately 155 city services as mandatory (required by provincial or federal legislation), essential to the City's operation, traditional (provided by virtually all large municipalities for many years) and "other". The standard of service within each function is ranked as above, equal to or below observed service levels across other Ontario, Canadian and U.S. cities with approximately similar

CMA Unemployment Rates*



*Average of June and July 2011, 3-month moving average, seasonally adjusted.. Source: Statistics Canada.

Municipal Residential Property Tax & Utility Charges*



*For single-detached house, municipal property & other taxes (ex school) net of homeowner grants, plus power, water, sewer, land drainage & garbage utilities. Source: City of Edmonton, November 2010.

characteristics. Other critical information includes the City's role as regulator, funder, service manager/deliverer or manager through contract or partnership arrangements. Of the eight scheduled reports, the share of program budgets (gross basis) classified as either mandatory or essential is high — 96% for Public Works & Infrastructure and Economic Development, 94% for Government Management, 87% for Community Development & Recreation and 85% for Parks & Environment. In contrast, 100% of Municipal Licensing and Standards services are classified as traditional. Significant variation was reported in the standard of service. For example, 60% of the Parks & Environment program budget is judged somewhat above standard, suggesting possible cost savings, while three-quarters of the Economic Development budget is considered slightly below standard.

Of keen interest were the reports' individual program proposals. For example, activities considered optional included the zoo and farm attractions, the Urban Agriculture program, the Toxic Taxi, assistance to Business Improvement Areas and fluoridation of water. Opportunities to scale back services included summer street sweeping, snow removal and the range of medical calls requiring a Fire Department response. Among the other key issues raised by the reports were: the number of subsidized child care spaces required as Ontario rolls out its full-day kindergarten program; a possible shift in Sector and Trade Development activities to regional agencies; and, contracting-out options such as park maintenance or sections of the "311" enquiry service. Automation of a number of manual activities were suggested, plus greater use of shared service support across functions. In suggesting far-reaching changes, the Core Service reports are spurring considerable public comment, advancing the required debate in the first stage of this multi-step review process.

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