

PART I

***THE 2004 COMMUNITY ALTERNATIVE
3-2-3 BUDGET***

&

PART II

ALTERING THE BUDGET PROCESS FOR 2005

**25 FEBRUARY, 2004
RICHMOND ROOM, CITY HALL, 10:30 A.M.**

SOMMAIRE EXÉCUTIF

Le budget alternatif propose une solution temporaire aux problèmes financiers de la ville en 2004.

On l'appelle la solution 3-2-3

- 3% de réduction dans les réserves d'immobilisation
- 2% de réduction dans les programmes financés par les taxes foncières
- 3% d'augmentation des taxes foncières

Pour les prochaines années, le budget alternatif communautaire propose d'aborder les problèmes de croissance aux quels la ville doit faire face.

Ces problèmes de base sont créés par des aires de croissance qui sont constamment subventionnées par les quartiers de la ville qui demandent peu en services mais paient beaucoup en taxes. C'est une formule qui mène à la faillite. C'est impossible de préparer un budget équilibré de cette façon.

Dès que le budget sera terminé, nous recommandons qu'un comité consultatif formé de résidents de tous les quartiers, soit créé afin de travailler en collaboration avec les employés de la ville et le Conseil pour établir le budget 2005 de manière ouverte et transparente. Plus de surprises!

Sources de revenus (\$M)

Hausse de la taxe foncière de 3%	24.9
-pour une maison d'une valeur moyenne de 200,000 (\$70)	
Ré allocation des réserves d'immobilisation	6.6
Total	31.5

Services rétablis	Dépenses rétablies (\$M)
Planification et Développement	1.9
Services de sécurité et urgence	1.3
Services aux citoyens	14.0
Transports, Services et Travaux publics	14.3
Total des services rétablis	31.5

EXECUTIVE SUMMARY

The Community Alternative Budget proposes a 3-2-3 band-aid solution for the City's budget problems in 2004:

- *3% reduction to surplus in pay-as-you-go capital reserves;*
- *2% cut to tax-funded City program budgets;*
- *3% increase in property taxes.*

For 2005 and beyond, the way we fund the city and the way we grow will need to be addressed. As soon as this year's budget is finalized, the Community Alternative Budget proposes that a Budget Advisory Committee of residents from across the city be created to consult with staff and council to create the 2005 budget in an open, transparent way. No more surprises.

BALANCED BUDGET SUMMARY

<u>Revenue Source</u>	<u>Revenues (Net \$M)</u>
Property Tax Increase of 3%	24.9
- Tax Change on Average (\$200,000) Home (\$70)	
Reallocation of PAYG Payments to Services	6.6
Total	31.5
<u>Restored Services</u>	<u>Restored Expenditures (Net \$M)</u>
Planning and Development	1.9
Emergency and Protective Services (includes Riddell Fire Station)	1.3
People Services (includes OPL)	14.0
Transportation, Utilities and Public Works	14.3
Total	31.5
<u>Total Solutions</u>	<u>(Net \$M)</u>
Increased Revenues and Off-Setting Expenditures	31.5
Net service reductions	17.8
TOTAL SOLUTIONS	49.3

INTRODUCTION:

The Draft 2004 budget of the City of Ottawa is not acceptable. It will eliminate or dramatically reduce essential social, cultural, recreational, and community services. It will undermine the approved goals of the recently approved Official Plan. It will perpetuate funding mechanisms which are not sustainable. It will foster capital development which favors urban sprawl and undermines public transit.

The purpose of this report therefore is twofold:

- (i) to provide an Alternative Budget for 2004 which restores essential city services (Part One); and
- (ii) to set out a series of proposals for improving the budget process in the year 2005 and beyond (Part Two).

The Alternative Budget for 2004 is a necessary band-aid. It will work but it is a half measure to staunch the bleeding of essential services proposed by the City. The alternative measures proposed for 2005 and beyond will begin to address some of the underlying problems with respect to funding mechanisms and capital growth.

The Alternative Budget for 2004 is not about reducing the City tax load by cutting services that it currently delivers. It's about restoring essential services and reconsidering contributions to capital reserves.

The Alternative for 2005 and beyond is about changing the paradigm that we currently operate under by raising money differently and creating true 'pay-as-you-go' growth (PAYG). Currently, the city faces a twin problem - an inability to raise new revenues or administer the property tax in a fair manner and a poorly managed growth strategy which puts an undue burden on the property tax.

The City needs new sources of revenue from other levels of government. The federal government recently announced a willingness to transfer taxes to the City by refunding the Goods & Services Tax (GST), sharing revenues from the tax on gas, and cost sharing the building of new infrastructure. The federal promises, if they are fulfilled, augur well for the future. But they do not mean that the City is off the hook. It also has to get its own fiscal house in order.

PART ONE - THE ALTERNATIVE BUDGET FOR 2004

SECTION 1

WHY AN ALTERNATIVE BUDGET?

- The City's Budget Priorities debate was framed in a universal, cross-service cut context. There is no attempt to distinguish between city programs that are efficient and under-funded and programs which are relatively rich and abundantly funded. Hence, there is no way to judge either the relative impact or the merit of the various tax cuts. It is a 'let's hurt everyone' financial philosophy.
- The problem is that it does not hurt everyone equally. Ten per cent cuts to Library Services save the average taxpayer five dollars a year. The entire service only costs 35 dollars a year but the 10 per cent cut forces shortened hours of service, and possibly closure of branches. The library service is already among the smallest of big cities in Canada. This is an unacceptable reduction in the city's quality of life.
- The reduction of People Services disproportionately affects the most vulnerable people in the city: children, youth, single mothers, seniors, the disabled, and persons on social assistance. It also guts the Arts and Heritage programs as well as community-based recreational and social activities.
- There has been no attempt at benchmarking programs and services. How does Ottawa's funding of fire services or corporate services compare to other similar-sized single-tier municipalities?
- There has been no attempt to connect the various service cuts with Official Plan priorities. According to the City's Official Plan, services and programs that create a greener, more inclusive city should be valued more than services which do not. Under the present budget, there are no criteria to distinguish cuts that will move the city toward a more livable place, create lower service costs and cuts which induce the reverse. What's a 'smart' city initiative, what's a 'dumb' city cut?
- There is \$193 million in reserves for capital funding that is sitting in the Operating Budget that has not been subjected to debate or consideration.

SECTION 2

WHAT ARE THE FISCAL PROBLEMS?

- The fiscal problems facing the City of Ottawa are partly homegrown, partly the inadequacy of municipal finances. A part that is homegrown is the decision of the City to finance a large share of capital expenditures by PAYG. Another part is the decision of successive city councils not to raise property taxes for the past several years.
- The parts that are not homegrown are related to increasing demands placed upon the City by the province to deliver services which are inappropriately funded by the property tax, rapid growth which also cannot be funded by the property tax, and an aging infrastructure which has to be replaced.
- The current PAYG model (which presupposes that about 92% of capital development will be covered by current revenues or reserves on hand) is reasonable for small municipalities which do not have to pay for major infrastructure such as regional roads, trunk sewers, water treatment plants, and transit expansion. It does not necessarily make sense for a big city like Ottawa, particularly for expensive and long term projects
- In general, parks, recreation, local roads, and fire services should be paid for on a PAYG basis, but it may be more costly and environmentally destructive to delay, for example, needed transit expansion because the money is not in the bank today. Levering future revenues against current costs is a model that private and public corporations have always used to construct schools, universities airports, transit systems, and businesses, because the increased user revenues generated from the expansion more than cover the initial investment, and at the same time deliver environmental and social benefits.
- The decision by successive City councils not to raise taxes may have made sense politically but it was not financially prudent. Other major cities in Ontario and throughout Canada dealt with rising costs due to inflation by increasing taxes. Ottawa maintained services by running down capital reserves and realizing economies of scale through amalgamation. Now the tide has turned and the City is faced with a drastic cut in services or a large jump in taxes. That hurts.
- The City of Ottawa, like other municipal governments, increasingly delivers programs like social services, affordable housing, public health, emergency preparedness and public security. Many of these new downloaded responsibilities are inappropriately funded through the property tax and should in the future be funded through income taxes.

- Investments are required in environmental management systems, lifecycle assessment and asset-management tools, and sustainable community planning. Because such services are vitally important to the quality of life of many residents of the city, they are supported and restored in the 2004 Alternative budget.
- It is also important to understand that the city has limited control over how property tax is implemented. Property value is assessed by the provincial arms-length *Municipal Property Assessment Corporation (MPAC)* – funded to the tune of close to \$10M per year by the City of Ottawa - using a formula which is based, in principle, on market value. This explains why the assessed value of homes in some cases increases dramatically while others increase more slowly. The overall value of properties increases consistently every year, but these increases are certainly not consistent throughout all areas of the city. There is no assumption of change in property assessments in the Alternative budget.
- There has been much talk in the media and by the Ontario and federal governments about transferring a portion of the gas tax to the cities and foregoing municipal GST. However, since there is uncertainty about the actual time when such funds will be forthcoming, there is no assumption in the Alternative Budget of additional revenue from other levels of government in 2004.

SECTION 3

WHAT ARE THE PRINCIPLES OF THE ALTERNATIVE BUDGET?

The alternative budget is guided by two sets of principles: fiscal and social. The fiscal principles are consistent with prudent municipal finance. They are intended to guide the allocation of different types of revenues (property taxes, fees, rates, development charges) to appropriate programs and services. The social principles are those of the Official Plan. The City of Ottawa has approved the goals of the Official Plan after extensive consultation with the public. Ottawa's annual expenditure allocations should be connected to the City's Official Plan. Budget planning can't be done independently of the city's strategic vision; otherwise the Official Plan has no meaning. The city's strategic vision is spelled out in the 20/20 document.

Fiscal Principles

- People who benefit from municipal services should pay for them.
- Property taxes should cover municipal services which benefit residents collectively and where costs cannot be easily allocated to individuals. These include most fire services, police services, public health, community services,

library services, road and sidewalk maintenance, parks, environmental services, transit expansion, corporate services and council.

- User fees should target operational costs which you want to reduce (and which create unwanted economic, social, and environmental costs) as opposed to things/behaviour you want to encourage and which will minimize unwanted downstream costs.
- Development charges should be based on the concept of full cost-recovery for the external costs of development.
- Programs and services, such as social assistance or employment assistance, whose aim is to assist people through the redistribution of income, should be financed by income taxes, not property taxes. Currently, 23% of the City's property tax revenue base, \$129 million annually, goes towards provincially-mandated social services. Until such time as the provincial government assumes full responsibility for these services, however, they must continue to be funded in part by the property tax.

Social Principles

- *A Caring and Inclusive City* - security, diversity, access.
- *A Creative City Rich in Heritage, Unique in Identity*-vibrant local arts scene, heritage preservation.
- *A Green and Environmentally-Sensitive City*-promoting walking, cycling, transit, green space.
- *A City of Distinct, Livable Communities*-full spectrum urban villages.
- *An Innovative City Where Prosperity is Shared Among All*-strong local businesses, educational institutions, job training.
- *A Responsible and Responsive City*-accountability, openness, participatory democracy.
- *A Healthy and Active City*-high quality, accessible recreational infrastructure and community-based health promotion.

Budget cuts and increases in fees must be strategically connected to these principles. It does not make sense to have a *green and environmentally sensitive city* as an Official Plan priority, then create budget cuts which leave enough money in the city budget to remove dead trees but reduce the number of trees planted - which is the situation we are presently faced with. The proposed budget decision marches the city in exactly the opposite direction of the Official Plan principle of a Green and Environmentally

Sensitive City, toward a city which is less green, with declining air quality and green space.

SECTION 4

THE ALTERNATIVE

(1) ADDITIONAL REVENUES

There are two major alternatives being proposed in order to increase revenues for services. The first is to increase the property tax by three percent (3%) since it is not possible to restore essential community services without a minimum increase in the property tax. Since each one percent increase will add \$8.3 million to revenue, the total additional revenue obtained by the increase will be \$24.9 million. This will add \$70 to the average (\$200,000) homeowner's tax bill.

The second source of revenue in the Alternative Budget is based on a transfer of the allocation of 3% of the PAYG funds from capital reserves into services. In order to pay for capital expenditures, the City annually allocates funds from the operating budget (non-departmental) to capital reserves. The reserves are used in turn to pay for capital expenditures. For the year 2004, however, the City is proposing to allocate a total of \$193 million to the reserves but it will only use \$135 million (Table 1 in Appendix) for capital expenditure and another \$43 million to cover workforce adjustment due to reductions in services and involuntary severances. At the end of the 2004 fiscal year, however, the City reserves will still have \$15 million of the \$193 million unexpended in 2004.

While the purpose of the extra funding is to build up the reserves (a prudent measure which in general should be lauded and supported), it is unjust and unfair to build extra reserves at the same time that there is a crisis in services and residents of the city are being asked to forego essential services to balance the books. Furthermore, it is anticipated that the City will obtain additional funds from the GST amounting to approximately \$16-\$18 million. Since these GST refunds are likely to be allocated to capital expenditures sometime in 2004, and have not, to date, been included in proposed revenues, it seems fair and prudent to take at least \$6.6 million of the funds currently being allocated to reserves (\$193 million in total) and reallocate them to services. Of the \$6.6 million, \$4.7 million is from City Wide Reserves, \$1 million from reserves for the city wide corporate fleet, and \$900,000 from transit reserves. The reallocation from reserves to services will have no impact on planned expenditures on capital projects in 2004.

The additional revenues for the Alternative Budget come from two sources:

<u>Revenue Source (SEE ATTACHMENT)</u>	<u>Revenues (Net \$M)</u>
Property Tax Increase of 3%	24.9
- Tax Change on Average (\$200,000) Home (\$70)	
Reallocation of PAYG Payments to Services	6.6
Total	31.5

(2) RESTORED SERVICES

In the Alternative Budget, the additional revenues of \$31.5 million will be used to restore most of the People Services, many of the services in Transportation, Utilities and Public Works, some Emergency and Protective Services, and those tax supported services in Planning and Development which support the Official Plan. No restoration of services is proposed in the Alternative Budget for other departments. The net expenditures which will be restored are outlined below. The details are outlined in the appendix (Table 2).

Restored Services (SEE ATTACHMENT) Restored Expenditures (Net \$M)

Planning and Development	1.9
Emergency and Protective Services	1.3
People Services	14.0
Transportation, Utilities and Public Works	14.4
Total Services Restored	31.5

Total Solutions **(Net \$M)**

Increased Revenues and Off-Setting Expenditures	31.5
Net service reductions	17.8
TOTAL SOLUTIONS	49.3

PART 2 - ALTERING THE BUDGET PROCESS FOR 2005

INTRODUCTION

For budget year 2005 and beyond, there is a need to commence immediately with a new budget process which actively engages residents of the City in the process. The budget process should be open and transparent with no more surprise draft budgets six weeks before a final vote in City Council. An open and transparent model of budget deliberation which is widely known around the world is conducted in Porto Alegre, Brazil (<http://www.unesco.org/most/southa13.htm>). There are others.

In terms of revenue, it is no longer feasible to rely primarily on the property tax to expand and maintain the increasingly wide range of services which the City is administering. The 2005 budget will have to look for new sources of revenue. In addition to refunds on the GST, which is anticipated, the City will have to press ahead with negotiations to share revenues from the gas tax, to revise city wide parking charges to more accurately reflect the cost of the automobile, and to revise the hotel tax in order to assure that services which are being provided to tourists are not subsidized by the property tax.

It will also be important to ensure that revenues and expenditures are justified by reference to the goals of the Official Plan and by benchmarking the performance of Ottawa in terms of other cities. In some areas, the City of Ottawa has a strong record of efficiency and a high level of performance. In other areas, the record is more questionable. Why, for instance, did the City of Ottawa decide to gut the Arts and Heritage Programs in the current budget process when it already has one of the lowest levels of expenditures on the arts among large cities of Canada?

Similarly, it is important that the 2005 budget process include a consideration of all sources of revenue and expenditures including city reserves. The Universal Program Review of 2003 and the proposed estimates of 2004 placed a primary emphasis on service expenditures and service reductions. It did little to show how capital expenditures impact on services or how capital expenditures offset service expenditures. Moreover, it did little to dispel the misunderstanding which surrounds the relation between the operating and the capital budgets.

WHAT PRINCIPLES SHOULD GUIDE THE 2005 BUDGET PROCESS?

The primary set of principles which should guide the 2005 budget process are prudent fiscal management and the goals of the Official Plan. They are stipulated in Part One, Section 3 of this report. They are central to the budget process. In addition, there are three other budget principles which should be considered:

- Budget documents should be presented in a five-year horizon and a two-year history.

- Budget allocations and cut backs should be based on criteria that create a greener, less costly urban form.¹ The City budget should distinguish between allocations devoted to growth and those devoted to maintenance. Right now, city taxes are based exclusively on property value - the effect of this value-based taxation system is to move disposable income from high tax/low service cost areas, to low tax/high cost service areas of the city. This is destructive to any short or long term healthy city financial strategy.
- Budget discussions should be based on benchmarked positions. The existing Municipal Performance Measurement Program (MPMP) should be used to compare Ottawa to other Ontario cities to illuminate, for example, the following questions: What are Ottawa's five most efficient and five least efficient programs? What are the five, major service cuts that will do the least damage to our Official Plan, Transportation Master Plan, and Environmental Plan? What five major cuts would do the most damage to these plans?
- The Budget Priorities discussion should include capital projects along with the operational budget. It should also include revenue generation options other than property taxes. Revenue from special charges should be included and possible new sources of revenue e.g. sale of city bottled water, hotel tax, closer-to-cost-recovery development charges, and licensing fees for cars based on size (adding rolling stock to housing stock on property tax rolls is in fact currently done in England).

¹ Following the recommendations of the **National Roundtable on the Environment and the Economy**, the City should press the federal government to: 1. Invest \$1 billion per year for 10 years in urban transit and to target this investment to those urban regions where timely intervention is most likely to increase ridership and discourage transit-hostile land use; 2. Give tax-exempt status to transit passes provided by employers. It is estimated that this measure could increase transit ridership between 37% to 58% and reduce car use by up to 7.5%; 3. Ensure that any project it funds must meet certain criteria and fit squarely within a comprehensive, longer-term investment plan for improving urban environmental quality; 4. Raise the GST rebate on municipal investments in green infrastructure to 100 percent. Eligible expenditures would include investments in transit vehicles, water and wastewater infrastructure, wind power generators and community energy systems; 5. Give more favourable tax treatment to would-be investors in community energy systems by making the equipment used to build the systems eligible for an accelerated capital cost allowance under the Income Tax Regulations, as was the case before 1995; 6. Introduce a GST rebate of 36 percent on the cost of residential renovations that either improve a building's energy efficiency or create a self-contained apartment unit in an existing house; 7. Increase the GST rebate for new home purchases by an additional percentage point for R-2000 homes and phase out the current 36-percent rebate on new housing purchases and redirect them exclusively to R-2000 homes; and 8. Commence a Canada Mortgage and Housing Corporation study as to whether the ability of homebuyers to acquire larger residential mortgages in areas well-served by public transit would create an incentive for the more efficient use of municipal land. If the results warrant, the next step would be to experiment with eco-efficient mortgages in Canada via a pilot project and, eventually, to involve the financial sector in a full-scale program to encourage higher density development and energy efficiency renovations.

WHAT IS THE FISCAL CRISIS?

- There is a growing gap between the services Canada's cities and municipalities must deliver and what they can afford. These services are essential, yet the resources do not match the need. Of every tax dollar collected, only eight cents goes to municipal governments.²
- Municipal revenues are not keeping up with the cost of living, let alone their additional responsibilities. From 1999 to 2003, federal government revenues increased 16%, provincial/territorial revenues 21%, and municipal governments only 4%. Total transfers to municipalities from federal, provincial and territorial governments, as a percentage of municipal revenues, have been cut by almost 50% over the last 10 years. That leaves municipal governments relying on property taxes: 54% of municipal revenues in Canada come from property taxes, compared to 27% in the U.S in 2000.
- A large "infrastructure gap" has emerged between current fiscal capacity and the needs of citizens for core services, including transportation and transit, water supply, wastewater treatment, solid waste systems, and recreation and cultural facilities. Overall, the national municipal infrastructure deficit now totals \$60 billion, increasing by \$2 billion a year. Infrastructure is aging, most of it at close to 80 per cent of its service life.³
- The Conference Board of Canada reports that, in Quebec, underinvestment in municipal infrastructure over the past 25 years has created a need for a \$15 billion investment to 2020.⁴ For the same period, the Board forecasts an operational deficit of \$31 billion, because expenditures will outpace revenues. Given that municipal governments do not have access to growth taxes and

² Total Taxes Paid (\$39,071) in 2003 for Average Ontario Family (by Type of Tax)

Income tax	33.9%	(\$13,254)
Sales taxes	17.7%	(\$6,931)
Liquor, tobacco, amusement & other excise taxes	5.9%	(\$2,321)
Import duties	0.9%	(\$357)
Natural resource levies	0.1%	(\$28)
Profits tax	8.1%	(\$3,160)
<i>Property tax - municipal component</i>	<i>5.3%</i>	<i>(\$2,065)</i>
Property tax – education component	2.7%	(\$1,055)
Other taxes	1.9%	(\$757)
Social security, pension, medical and hospital taxes	20.9%	(\$8,142)
Automobile, fuel and motor vehicle license taxes	2.6%	(\$1,001)

Source: The Fraser Institute, June 27, 2003 based on average Ontario family of two or more with a cash income of \$81,437

³ Canadian Council of Professional Engineers. 2003. "Civil Infrastructure Systems Technology Road Map: A National Consensus on Preserving Canadian Community Lifelines" (www.ccpe.ca).

⁴ Conference Board of Canada and Union des municipalités de Québec. 2003. "The Fiscal Situation of Quebec Municipalities, Summary Report".

cannot incur operational deficits, reduced service levels are apparent. The Canada West Foundation puts the infrastructure deficit for western Canada's largest cities at \$564 million for 2003 alone.

- Municipal governments deliver programs that support immigration, the environment, Aboriginal peoples, affordable housing, public health, and emergency preparedness and public security. Many of these responsibilities are new, under-funded and require improved coordination with other levels of government. Municipal governments require new tools to respond to increasing legislated mandates and citizen demands for improved environmental performance. Investments are required in environmental management systems, lifecycle assessment and asset-management tools, sustainable community planning and indicators.
- Many Canadians believe that their municipal governments are accountable and responsive. They agree that it is the level of government which is closest to them and that it should have access to new sources of revenue and reduced tax burdens imposed by other levels of government. A recent poll by Probe Research indicates that 77 per cent of Canadians find municipal governments accountable for the tax dollars they collect, while 80 per cent expect the Government of Canada to pay more attention to the specific needs of Canadian communities. A large majority of western Canadians (78 per cent) support the transfer of federal and provincial revenues to municipal governments.

WHAT ARE SOME OF THE SOLUTIONS TO THE FISCAL CRISIS?

The Federation of Canadian Municipalities has urged the Government of Canada to announce in the 2004-2005 Federal Budget:

- The launch of a process aimed at reaching agreement, before the 2005-2006 budget, on a long-term fiscal and intergovernmental package aimed at providing municipal governments with a net new revenue source. The plan should allow for federal-provincial/territorial bilateral and tripartite long-term arrangements, provide a clear timetable for disbursing funds, and encourage long-term planning.
- At a minimum, it should provide municipal governments, within four years, with a net new revenue source of five cents per litre from the federal fuel excise tax (\$2.5 billion per year), primarily for transit infrastructure. The arrangement, particularly as it relates to larger cities, could also include support for program co-ordination in such areas as public transit, immigration, affordable housing and Kyoto implementation.
- A reduction in the federal tax burden on municipal services of \$521 million annually by increasing the municipal GST rebate from 57.14 per cent to 100 per cent.

- An acceleration of commitments under the Municipal Rural Infrastructure Fund (\$1 billion) and the Strategic Infrastructure Fund (\$2 billion) so that all funds are fully committed by the end of fiscal 2004-2005.

HOW DOES OTTAWA COMPARE WITH TORONTO?

One way to see how Ottawa is doing is to compare it with another city. The previous provincial government introduced a municipal performance measurement program (MPMP) in 2000 to allow for comparison. This program tracks the relative performance of Ontario cities including Ottawa and Toronto. Certainly, comparisons are not always possible or meaningful. But, even though the statistics provided are based on administrative data and require considerable knowledge and judgment to interpret what they do and do not mean, it is possible to derive some insights into how Ottawa is doing compared to Toronto (See Tables 3 and 4 in the Appendix).

- Data from Table 3 for Toronto (2002) and Ottawa (2001) suggest that Ottawa's roads, transit, wastewater, water, solid waste, fire, and police services compare quite favourably to Toronto's. If this is in fact the case, then the data could support arguments in favouring protecting efficient and needed transit, solid waste, fire, and police services.
- Interestingly, these data might also suggest that our roads, sewers, and water mains are in fine shape and thus that it might be possible to temporarily relax the level of maintenance and degree of upgrades in the short term.
- Similarly, the apparently abnormally high cost of corporate services/general government in Ottawa, if true, would prompt us to ask whether there might be room for judicious economizing in this area.
- Table 4 identifies ten areas where Ottawa's cost of services per taxpayer in 2003 appear to be significantly higher than in Toronto for the same year. Six of the ten high cost areas involve Corporate Services – the same area red-flagged by Table 3.
- Table 4 offers more specific insights into those elements of Corporate Services (for instance Facilities Management, Financial, IT, and Human Resources) that seem way out of line. It is recognized that not all numbers may be comparable and need interpretation. However, the tables do suggest that there is some margin for administrative efficiencies in Ottawa.

6. HOW TO STRUCTURE FEES/TAXES TO OPTIMIZE THE OFFICIAL PLAN?

There are different ways to structure user fees and taxes in the 2005 budget process in order to realize key goals of the Official Plan. Here are some suggestions:

- **Development Charges:** At present, the City collects about \$60 million per year for developments to cover some but not all of the costs of servicing new developments outside the urban core -- including transit, infrastructure for sewage, water, and fire. Under the City's long term plan, Ottawa 20/20, densification was chosen as the principal tool to encourage more building close to the centre of the city and less in suburban and rural areas.

One way of accomplishing this goal would be to increase development fees significantly (say by 100%) for suburban/rural developments and either freeze or reduce these fees within the urban core. As the vast majority of development is now taking place in the south and southwest rural areas of Ottawa, the additional revenue would be expected to grow substantially. The higher prices for houses in the urban core, combined with a freeze on development fees, would draw the attention of developers and house buyers back to the City. At the same time, the additional revenue could be used to fund improved transit in existing suburban areas- a need that has long been identified but not addressed sufficiently - and would provide some compensation for residents in these areas.

The 2004 Community Alternative Budget supports the 9-zone development charge model that was part of the RMOC Regional Development Charge Policy Report of June 1999.

- **Parking Fees:** Two-tiered zoning for parking lots encourages sprawl - parking has to pay its way whether it's downtown or the suburbs. Cars cost the city to store and to move. Mall and other parking lots should be taxed at rates which reflect their real cost to the city. Staff should come forward with a sustainable tax to service ratio based on real cost accounting, just as they are doing for development charges.
- **Gas Tax:** City taxpayers build and maintain 99% of the local road system. It costs over \$8,000/year per lane kilometer to maintain the system. At the present time the City recovers nothing from those who use the motor vehicles that occupy this space and related facilities, and which wear out the road surface. The only distance-related fee is the gas tax, which is collected by senior levels of government and which is not shared with cities (although the federal and provincial governments, under a multi-year campaign from big cities, is considering it – it will still not be a full-recovery program). It is recommended that the City continue its participation in lobbying for gas-tax revenues.

- **Transit-supportive measures:** As per one of the recommendations from the National Roundtable on the Environment and Economy, give tax-exempt status to transit passes provided by employers. It is estimated that this measure could increase transit ridership between 37% to 58% and reduce car use by up to 7.5%.

RECOMMENDATIONS 2005

- 1. THAT A CITIZEN/STAFF COMMITTEE BE STRUCK COMPOSED OF ONE RESIDENT OF EACH WARD AND A DELEGATE, ALONG WITH THE APPROPRIATE CITY STAFF, TO BEGIN THE PROCESS OF BUDGET FORMATION, BEGINNING WITH BUDGET DIRECTIONS;**
- 2. THAT THIS COMMITTEE PROCESS BEGIN 10-MONTHS BEFORE THE RELEASE OF THE DRAFT BUDGET, NOT 6 WEEKS, TO ENSURE DELIBERATIVE AND CAREFUL DECISION-MAKING;**
- 3. THAT THE COMMITTEE'S RECOMMENDATIONS BE BROUGHT TO COUNCIL FOR CONSIDERATION PRIOR TO THE APPROVAL OF BUDGET DIRECTIONS;**
- 4. THAT THE 2005 BUDGET BE PRESENTED IN A MANNER THAT REFLECTS BEST ACCOUNTING PRACTICES, MAKING THE RELATIONSHIP BETWEEN THE OPERATING AND CAPITAL BUDGETS CLEAR, AND INCLUDE A FIVE-YEAR HORIZON AND TWO-YEAR HISTORY;**
- 5. THE BUDGET SHOULD BE BASED ON BENCHMARKING AND TIED INTO THE PRINCIPLES OF THE OFFICIAL PLAN;**
- 6. NEW REVENUE SOURCES SHOULD BE INCLUDED, NOT JUST TALKED ABOUT.**

ALTERNATIVE BUDGET WORKING GROUP**PEN COMMITTEE:**

**Chris Bradshaw, The Glebe
Clive Doucet, Councillor, Capital Ward
Glenn Drover, Old Ottawa South
Mike Lascelles, Old Ottawa South
Stuart Lister, Office of Clive Doucet
James McLaren, Heron Park
Bill Pugsley, Alta Vista
Brian Tansey, Old Ottawa South**

CONTENT AND DIRECTION COMMITTEE:

**Rob Campbell, Old Ottawa South
Paul Dewar, Ottawa East
Marion Dewar, Westboro
Bob Brocklebank, The Glebe
David Chernushenko, Old Ottawa South
Marguarite Keeley, Centretown Community Health Centre
Elaine Marlin, The Glebe
Alayne McGregor, Hintonburg
Murray McGregor, Redwood
Diane McIntyre, The Glebe
David McNicoll, Old Ottawa South
Bob Nichols, Kanata
Donna Silver, office of Councillor Clive Doucet
John Smart, The Glebe
Herb Weber, The Glebe**

Table 1

TABLE 1 - City of Ottawa Capital Budget (000s dollars)

Reserve	Opening	PAYG	Dev Charges	Expenditures	Closing	Page #
City Wide	344	70756		34679	29761	17
P cash-in-lieu	2383				2478	18
Library Reserve	1018	1392		955	1504	19
Police General	514	2119		2500	146	20
Public Land	6257				6507	21
Child Care	2233				2322	22
Social Housing	2892				3008	23
Corporate Fleet	22382	10350		11276	22816	24
Police Fleet	298	2573		2573	310	25
Transit	2350	46915		31231	18443	26
Environmental Areas	4990				5190	27
Water	8388	27405		20975	15282	28
Sewer	71705	31483		30663	75410	29
TOTAL	\$ 125,754	\$ 192,993		\$ 134,852	\$ 183,177	
Development Charges Deferred Revenue						
Public Works	4873		1227	130	6187	31
Transit	21792		9705	1311	31226	32
Health Services	57				59	33
Water	6238		5747	918	11413	34
Sanitary Sewer	-7658		2434	5908	-11132	35
Transportation	32244		30521	21158	42976	36
Solid Waste	3644				3790	37
Bus	-5169		4964		-205	38
Storm Sewer	3627		305	1390	2665	39
Recreation	16629		8460	1426	24469	40
Protection	4033		969	2416	2718	41
Administration	1208		1259	222	2314	42
Child Care	1284		554		1900	43
Police	-111		508		403	44
Storm Water Mgt Ponds	3010		5395	235	7173	45
Library	5346		1149	450	6273	46
TOTAL	\$ 91,047		\$ 73,197	\$ 35,564	\$ 132,229	
Total Opening & Closing Capital Balances						
	\$ 216,801				\$ 315,406	

City of Ottawa – 2004 Capital Budget
Table 2 -Operating Budget
Restoration of Services

Service Restoration	Page #	Expenditures (Net) 000s
Planning and Development:		
Research Forecasting and Technical Services	100	279
Environmental Policy * Programs	101	634
Planning & Infrastructure	102	992
TOTAL - Planning and Development		1905
Emergency and Protective Services		
Wild Bird Care Centre Grant	137	50
Expand paramedics		603
Maintain Riddell Station (composite volunteer/career	136	737
TOTAL Emergency and Protective Services		1390
People Services:		
Employment Services	162	672
Brewer Pool	164	315
Belltown Dome	164	77
9 Wading pools	165	216
9 Outdoor pools	165	164
2 City buses (summer program)	166	65
Well baby drop-in	167	67
Pre-natal classes	167	73
Parenting classes	168	60
Car seat clinics	168	40
Community partnerships	168	182
Wading pool hours	169	214
Pesticide use reduction program	169	109
Beach water quality testing	170	22
Affordable housing	170	64
Essential health & social supports (1)	170	159
Essential health & social supports (2)	171	613
Arts and heritage planning and development	172	211
Public art	173	101
Arts funding	173	1733
Heritage funding	174	139
Major festivals	175	713
Festival support	175	93
Community arts	176	41

Heritage programs	177	143
Archive outreach	177	40
Health funding	177	61
Recreational funding	178	1368
Social services funding	179	1399
Community funding	181	753
Four city museums	182	739
Heritage funding for museums	182	401
Outdoor rink program	183	495
Public health	184	109
Workplace health	184	150
Flu clinic program	185	25
Crisis intervention	185	112
Isolated seniors	185	64
Telephone info service	186	38
Multicultural health	186	39
Injury prevention	186	26
Youth STD prevention	186	73
Youth tobacco prevention	187	35
Public skating		140
Public swim (summer)		98
Libraries	213	1585
TOTAL People Services (incl. Libraries)		14036
Transportation, Utilities, & Public Works (Tax Supported)		
Forestry promotion partnerships	231	10
Tree planting	231	265
Maintenance community forests	231	23
Shrub maintenance	232	110
Placement of mulch	232	75
Spring clean the Capital	233	145
Sno-Go program	234	26
Pavement markings	234	200
Construction and tourism signs	235	69
Leaf and yard waste collection - summer	235	600
Recycle plastics	236	860
Charity tipping fees rebate	236	65
Individual responses to traffic control	237	64
Transit priority research	237	45
Transit priority dev & implementation	238	83
Speed display boards	239	48
Cycling & pedestrian data	239	34
Transportation and demand management	239	64
Route timetables	240	61
Advertising for transit growth	241	250
Transit service (stage2)	255	2447
Transit service (stage3)	258	4046

Removal of tree stumps	245	90
Lifecycle tree pruning	245	268
Maintenance work on trees	246	200
Graffiti management (1)	247	25
Install/remove rink boards	248	292
Aerating sportsfields	248	100
Fertilizing sportsfields	248	106
Topdressing sportsfields	248	205
Routine sweeping of roadways	248	600
Litter pick up on roads	248	935
Graffiti management (2)	249	400
Routine management of roadside ditches	249	170
Winter snowplow damage	250	211
Sidewalk repairs	250	308
Shrub and planter maintenance	250	190
Manual sweeping non-mechanical sites	250	148
Traffic monitoring	251	78
Adult crossing guards	253	250
Telephone transit services	254	83
Bus cleaning	254	125
TOTAL Transportation, Utilities & public works		14374

Area	Table 3: MPMP Standards	Ottawa (2001)	Toronto (2002)
General	Operating costs for general government (% of total municipal operating costs).	7.25% (1)	2.30%
Fire	Operating costs for Fire Services per \$1,000 of assessment.	\$ 1.31	\$ 1.44
Police	Operating costs for Police Services per household.	\$ 408	\$ 640
Roads	Operating costs for paved (hard top) roads per lane kilometre	\$ 631	\$ 4,325
	Operating costs for winter control maintenance of roadways per lane kilometre.	\$ 2,905	\$ 3,714
	% of paved lane kilometres where condition is rated as good to very good.	79%	78%
	% of winter responses that met/exceeded municipal maintenance standards.	100	100
Transit	Operating costs for conventional transit per regular service passenger trip.	\$ 2.07	\$ 2.01
	Number of conventional transit passenger trips/person in the service area/year.	119	159
Waste water	Operating costs for the collection of wastewater/kilometre of wastewater main.	\$ 4,232	\$ 5,353
	Number of wastewater main backups/100 kilometres of wastewater main/year.	2.3	3.3
	% of wastewater estimated to have by-passed treatment.	0%	0.56%
Water	Operating costs for treatment & distribution of water/total megalitre treated.	\$ 121	\$ 258
	Numbers of breaks in water mains/100 kilometres of water main pipe/year.	10	15
Solid waste	Average operating costs for solid waste management/ ton(ne) or per household.	107	135
	Number of complaints/year about solid waste/recycling per 1,000 households.	23	33
	% of residential solid waste diverted.	32%	28%

TABLE 4
Ten Issues Relating to the Average Cost to Taxpayers of
Specific Municipal Services in Toronto and Ottawa
(2003 dollars)

	Toronto	Ottawa
Emergency Services		
Police	\$ 460	\$ 316
Fire	\$ 199	\$ 200
Ambulance	\$ 33	\$ 41
People Services		
Hostels and Social Housing	\$ 198	\$ 118
Social Services	\$ 160	\$ 160
Libraries	\$ 88	\$ 44
Public Health	\$ 50	\$ 16
Childcare	\$ 45	\$ 47
Community Grants	\$ 25	\$ 12
Homes for the Aged	\$ 20	\$ 5
Other People Services		\$ 48
TUPW		
Public Transit (TTC)	\$ 165	\$ 408
Transportation (Roads, signals, bridges)	\$ 128	\$ 127
Garbage & Recycling	\$ 80	\$ 42
Parks and Recreation	\$ 109	\$ 27
Corporate Services & Planning		
Information and Technology	\$ 28	\$ 68
Financial Management	\$ 26	\$ 58
Facilities Management & Real Estate	\$ 23	\$ 121
Human Resources	\$ 18	\$ 27
Council	\$ 13	\$ 13
Planning, Building, Licensing & Standards	\$ 12	\$ 33
Other	\$ 9	\$ 42
Other Operating Expenses		
Debt Charges	\$ 176	\$ 155
Pay-as-you-go Capital Fund Contribution		\$ 185
Other Mandated Funding		\$ 32
Average total 2003 property tax	\$ 2,065	\$ 2,345

Sources: City of Toronto web site,

City of Ottawa Community Budget
Workbook

