



Where OTTAWA Stands

A comparison of municipal spending levels across Ontario

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Executive Summary

This report looks at “where Ottawa stands” in spending levels on a range of community programs and services. It reveals that while Ottawa is doing well in some areas, it is behind comparable municipalities in key programs like homes for the aged and public health. These rankings are in the context of a city contemplating further cuts to services and staffing. Indeed, the report finds that the city is in danger of becoming a “have not” municipality that starves its community programs and lags behind the rest of the province.

In 2007, Ottawa faces a budget shortfall of over \$70 million, and budgetary challenges of \$90 million per year will continue into the near future. While inflationary pressures and provincial downloading are not new, Ottawa’s proposal to not raise property taxes is. Without a tax increase, significant cuts, both seen and unseen, will need to be made to city services.

The city has highlighted several areas where savings can be had, albeit through significant service reductions. In particular, the city plans to leave positions open far longer than normal leading to city staff working 54,000 fewer person days in 2007. User fees and transit fares, particularly those paid by post-secondary students, will be increased. To balance a “no tax increase” budget, the city will also have to cancel all new program enhancements for 2007 and cut between \$5-\$10 million in core services like fire stations, pools and museums.

Other municipalities in Ontario face similar fiscal challenges to maintaining and expanding services. They too face increased provincial downloading and inflationary pressures.

This report takes a broader view of the 2007 Ottawa budget by looking at how Ottawa compares to other municipalities in Ontario. In particular, it looks at per capita spending across ten categories: administrative

costs, public health, ambulance services, employment and financial assistance, assistance to aged people, parks and recreation, child care, libraries, social housing and transit.

All municipalities in the province with a population over 150,000 are included. In total, that makes 80 municipalities many of which are lower-tier. In Ontario, there are often two layers of municipalities: an upper tier or regional municipality that funds items like transit or libraries and a local or lower tier municipality that maintains parks. In this report, lower tier municipality spending is aggregated into the upper tier. The results are summarized into fourteen upper-tier and single-tier municipalities. The data spans three years, with 240 financial reports reviewed in order to compile the report.

In addition to examining per capita spending, the report also reviews the proposed property tax changes for nine of the fourteen municipalities. These nine were the only municipalities that had tabled 2007 draft budgets at the time this report was published.

The results for Ottawa are worrying. Ottawa has already driven down administrative costs per capita. Of the other categories it is mid or low range in six of the nine. Ottawa is doing quite well in transit. However, the city does particularly poorly in public health and assistance for aged people.

Ottawa is also the only municipality considering no property tax increase of the cities surveyed. Even if it adopted an inflationary increase of 1.7 per cent, it would still be in last place and significantly behind Ontario’s other big urban centers. Without additional revenue to support a growing city and new ideas, Ottawa is in danger of falling further behind Toronto and the big GTA municipalities. Given Ottawa’s rank in several categories, it does not have far until it is in the bottom quartile, if it isn’t there already.

Background

Due to the ever-increasing cost of inflation, Ottawa is again facing a budget shortfall of just above \$70 million in 2007. Inflationary pressure will lead to projected budget shortfalls of approximately \$90 million until at least 2010. There are two options on the table for this year's budget: the first position advocates for no tax increase with service reductions to meet the shortfall, and the second position advocates a tax increase and fewer or no service reductions.

In the case of no tax increase, significant cuts both seen and unseen will be necessary. User fees will likely increase across the board by 2 per cent to 3 per cent. Transit fees may potentially see an increase of 9.5 per cent with particular provisions to target post-secondary students. A zero per cent increase in taxes also means the complete elimination of all new program enhancements combined with between \$5-\$10 million in core service cuts to fire stations, pools and health programs. It will also require that the city engage in "gapping," meaning that positions are left unfilled. In fact to meet the "gapping" targets city staff will have to work 54,000 fewer person days in 2007. While the shortfall is not nearly as dire as previous budgets, the "no tax increase" position forces dire solutions to balance the budget. An inflationary tax increase, in line with what other Ontario municipalities are planning, would moderate the severity of service cuts.

Ottawa is not alone in its budgetary pressures, as municipalities across Ontario all face inflation and provincial downloading. The unique Ontario requirement that cities deliver social services funded through the property tax base doesn't help. The province has consistently under-funded its own commitments on downloaded services. Also, Ontario municipalities have little control over raising revenue. Even the property tax system is controlled almost entirely from Toronto. Municipalities only have the option of raising or lowering the overall tax rate.

Focus of the Report

The goal of this report is to take a broader view of the Ottawa budget shortfall. In particular, it looks at how Ottawa compares to other municipalities in Ontario facing similar pressures. To that end, Ottawa's spending on social and community services is compared on a per capita basis with other Ontario municipalities. The report compares spending in ten areas: administrative costs, public health, ambulance services, employment and financial assistance, assistance to aged people, parks and recreation, child care, libraries, social housing and transit.

This broader comparison will allow Ottawa residents to take a macro view of the 2007 budget process and see how the city compares to the rest of the province. In total fourteen municipalities are examined in this report, each with a population of over 150,000.

The report also reviews the proposed property tax increases in other municipalities in Ontario. At the time of writing nine municipalities including Ottawa have tabled draft 2007 budgets with proposed property tax changes.

Methodology

The primary data sources for this report are the Financial Information Returns (FIR) collected by the Ontario Ministry of Municipal Affairs and Housing. Each year, every municipality in Ontario is required to submit its financial information in a common format. The graphs below represent the 2005 returns. Some comparisons are made to the rankings in previous years. In these cases the 2003 and 2004 FIR reports are used. Unfortunately 2003 was the first year of FIR reporting so no data is available prior to that point. As well the 2006 FIRs will not be available until June of 2007.

The per capita values rely on the population estimates provided in the 2005 FIRs. The 2003 and 2004 FIRs did not contain population estimates and so in those cases the 2005 figures are used. The only other official population estimates are from Statistics Canada but they are for 2001 and so were not used. This may lead to unintended bias for municipalities with fast growing populations when comparisons are made to 2003 and 2004. However, this peculiarity does not affect any of the graphs themselves. All Ontario municipalities over 150,000 people in 2005 are included in this study.

In several areas of the province there are upper-tier municipalities that provide some services and lower-tier municipalities that provide others. In these cases the spending of all the lower-tier municipalities are added to the upper-tier municipality figures.

The municipalities that surround Toronto are required to pay into a GTA services pool. That pool is used to provide social services throughout the region although most of the services are provided by Toronto. The GTA pooling funds are included in the appropriate categories.

All figures cited are the gross operating cost of a program. Gross figures are to determine the size of a particular programs and not how it might be funded.

A total of 240 FIR documents were examined covering 80 municipalities. This breaks down into 18 FIRs for single tier municipalities, 24 for upper tier and 198 for lower tier.

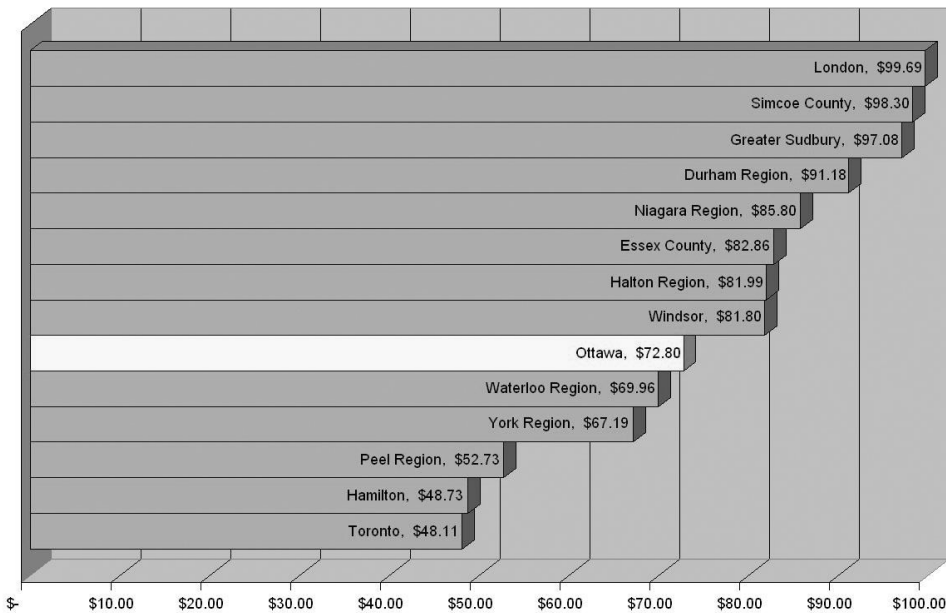
Conclusion

Ottawa has managed to drive down administrative costs; however, in six of the remaining categories, the city is mid to low range when it comes to spending on community and social services. Ottawa's administrative costs rank has been significantly reduced over the study period. It is unclear how much further it can be pushed down through "gapping" and similar measures before it affects program delivery.

One of the big exceptions to this trend is in transit where Ottawa is second only to Toronto. This reflects Ottawa's commitment to public transit and has translated into the second highest ridership per capita in the province.

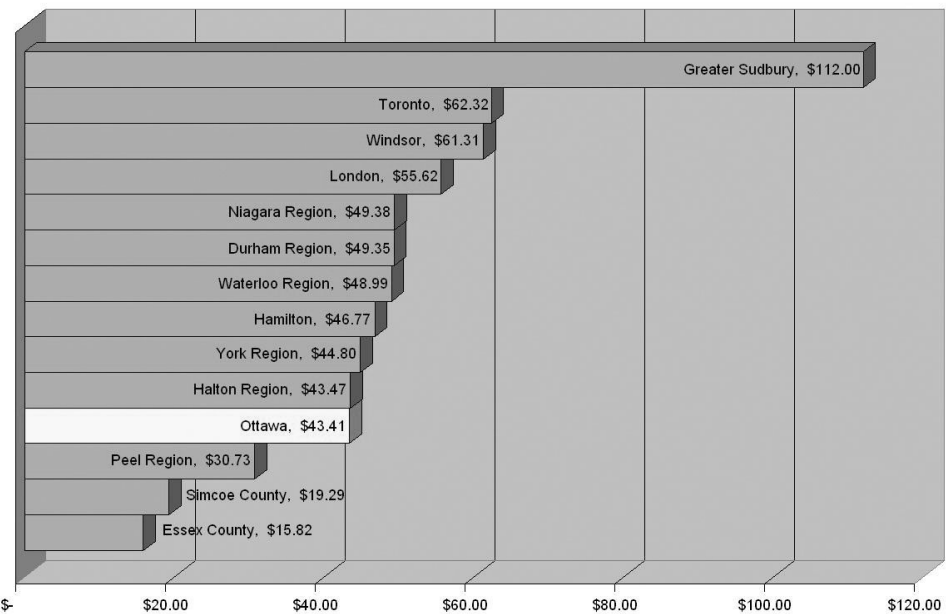
This report finds that Ottawa's "no tax increase" position is out of step with the other large urban municipalities in Ontario. Without raising additional revenue through property taxes, the city will be incapable of keeping up with Toronto and the GTA. Ottawa's rank across all examined programs (outside of transit, child care and social housing) shows that it has precious little room before it falls into the bottom quarter of social spending – if it isn't there already. The city is in danger of becoming a "have not" municipality that starves its community programs and lags behind the rest of the province.

ADMINISTRATION



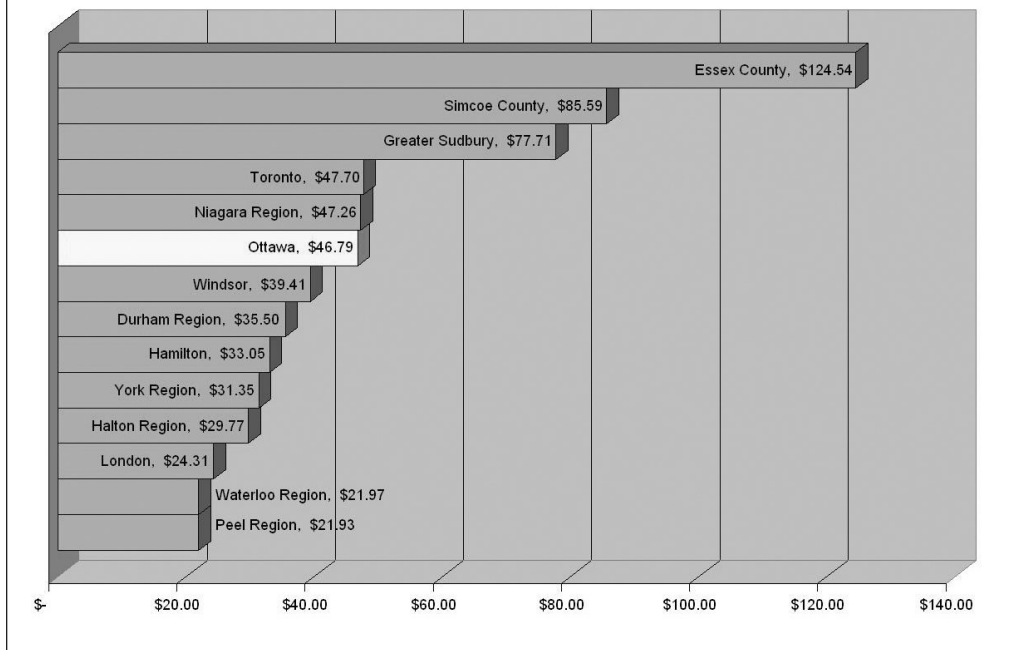
Administration summarizes the costs of city councilors and corporate services. The city of Ottawa has significantly reduced its per capita administrative costs. Ottawa ranked 4th highest in Ontario in 2003 and 2004. It has decreased its rank in 2005 to 9th of 14.

PUBLIC HEALTH



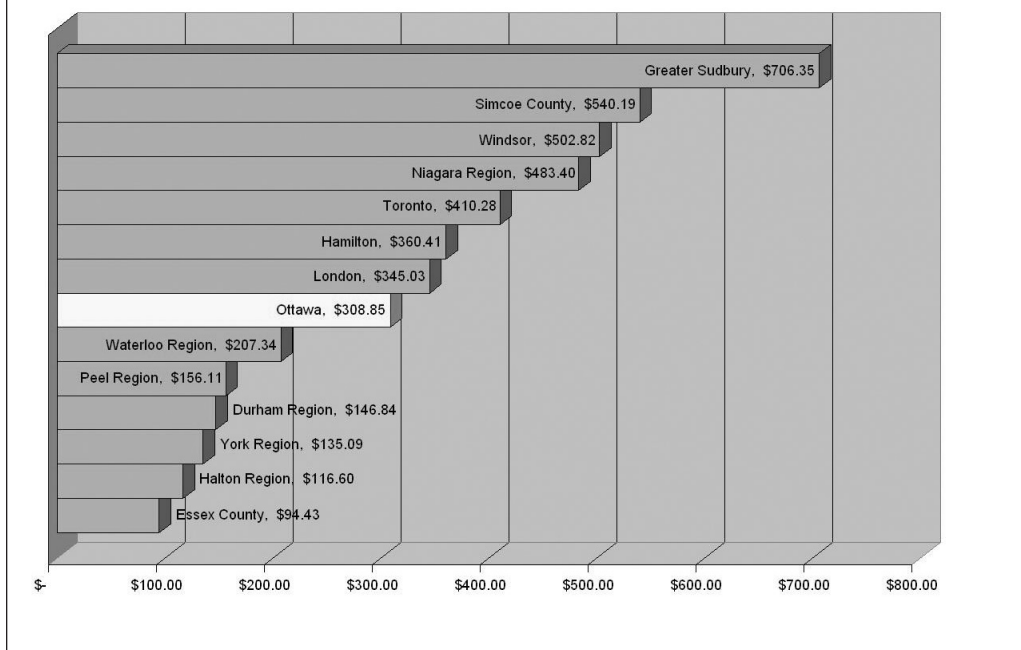
Public Health summarizes the spending on public health in each municipality. In one of its worst rankings, Ottawa is performing poorly in the 4th last position.

AMBULANCE SERVICES



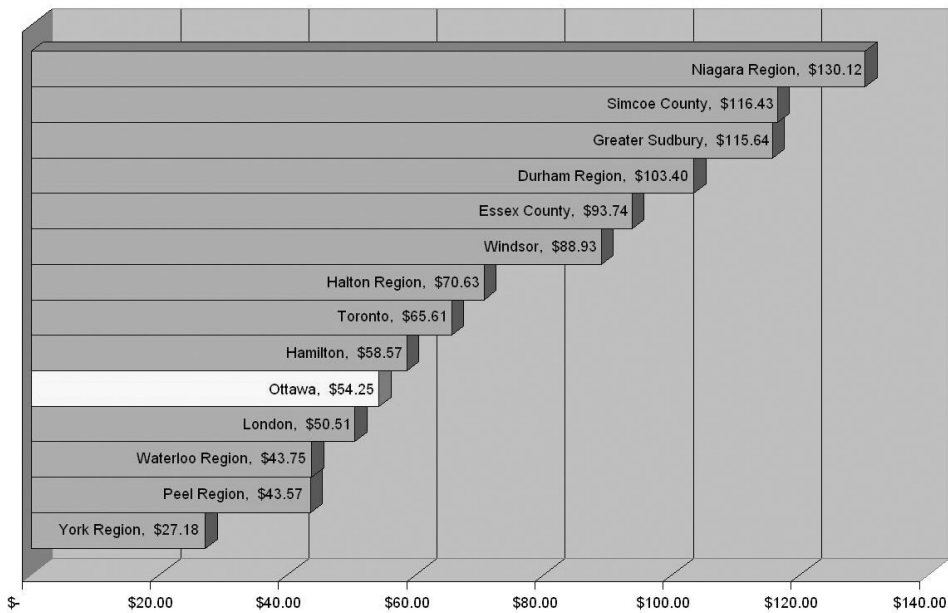
Ambulance services includes the cost of providing paramedics, maintaining ambulances and dispatching emergency services. Ottawa is midrange and is ranked 6th out of 14.

EMPLOYMENT AND FINANCIAL ASSISTANCE



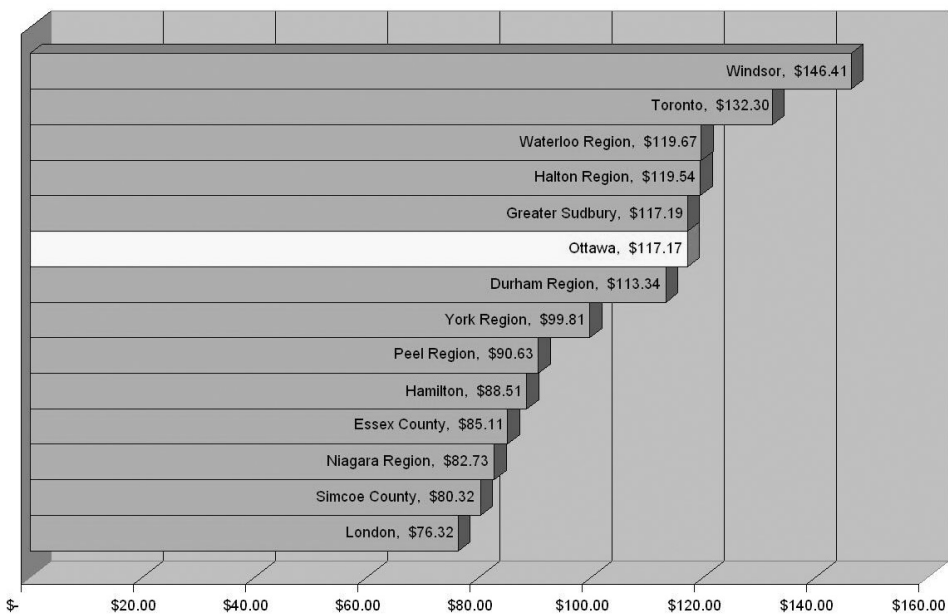
Ottawa is midrange in Employment and Financial Assistance which includes provincially mandated programs like Ontario Works. Ottawa is 8th of 14.

ASSISTANCE TO AGED PEOPLE



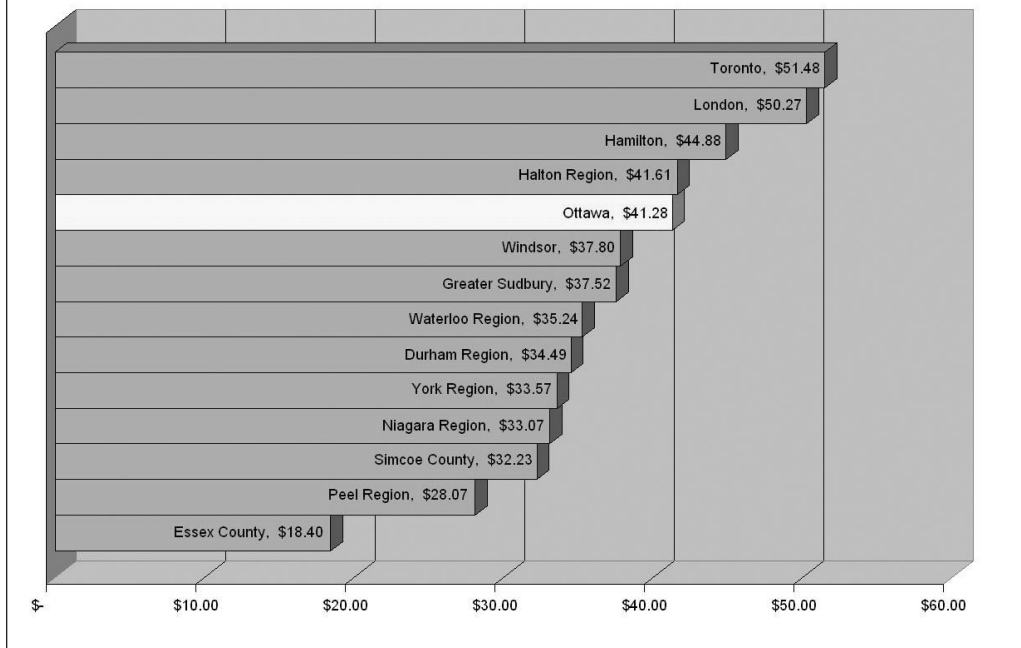
Ottawa is in the lower half of assistance to aged people which generally supports municipally run seniors' homes. The city is 10th of 14.

PARKS AND RECREATION



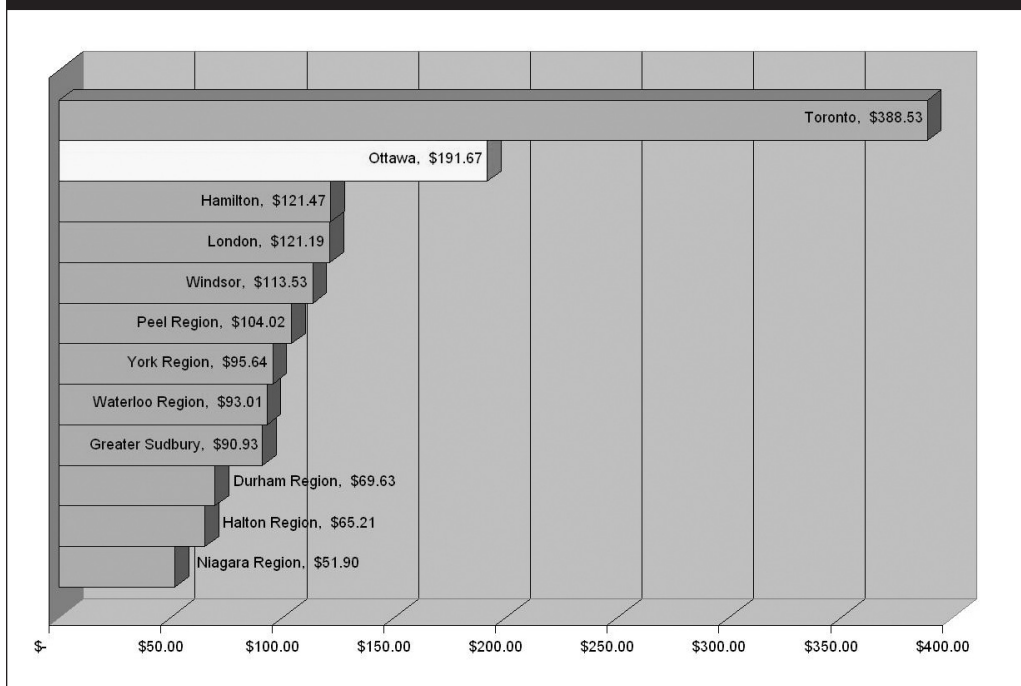
Parks and recreation includes the maintenance of municipal parks as well as recreational programs. Ottawa is midrange and ranks 6th of 14.

LIBRARIES



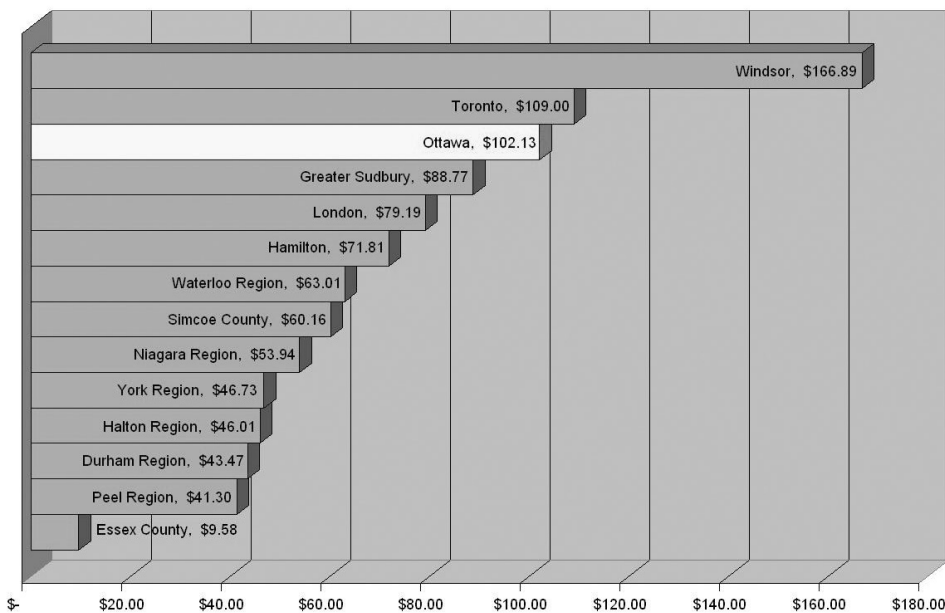
Library spending is breaking the top five. Ottawa's library rank has climbed dramatically from 11th and 12th of 14 in the previous 2 years to its current position of 5th. Spending levels have essentially stagnated since then.

TRANSIT



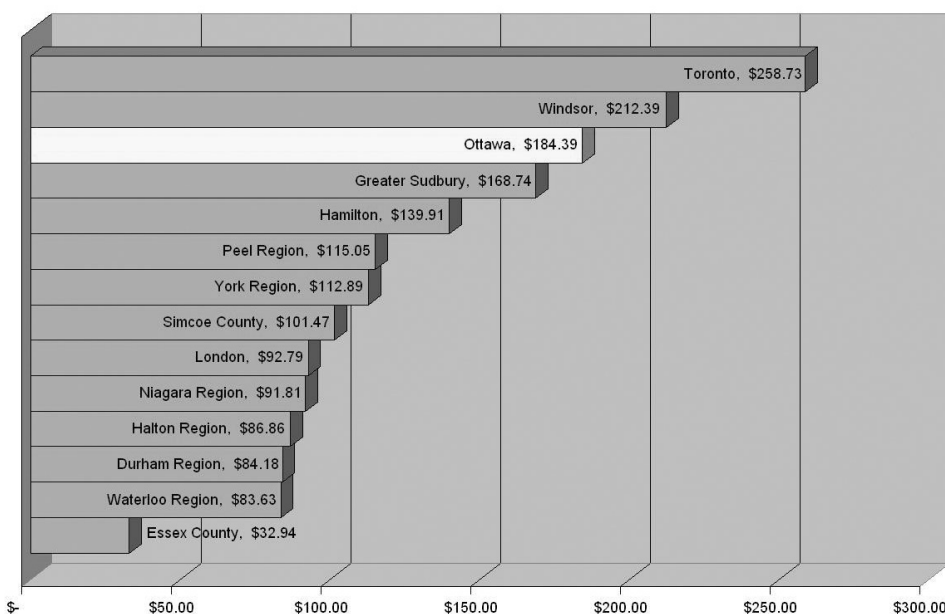
Transit is one of the areas where Ottawa is excelling. It is second only to Toronto in terms of per capita spending. Ottawa's commitment to transit has made given it the fourth highest per capita ridership in the country after Montreal, Toronto and Vancouver. Several of the 14 municipalities are not included because they spend little or nothing on public transit. In its highest ranking of the study Ottawa sits in 2nd of 12.

CHILD CARE

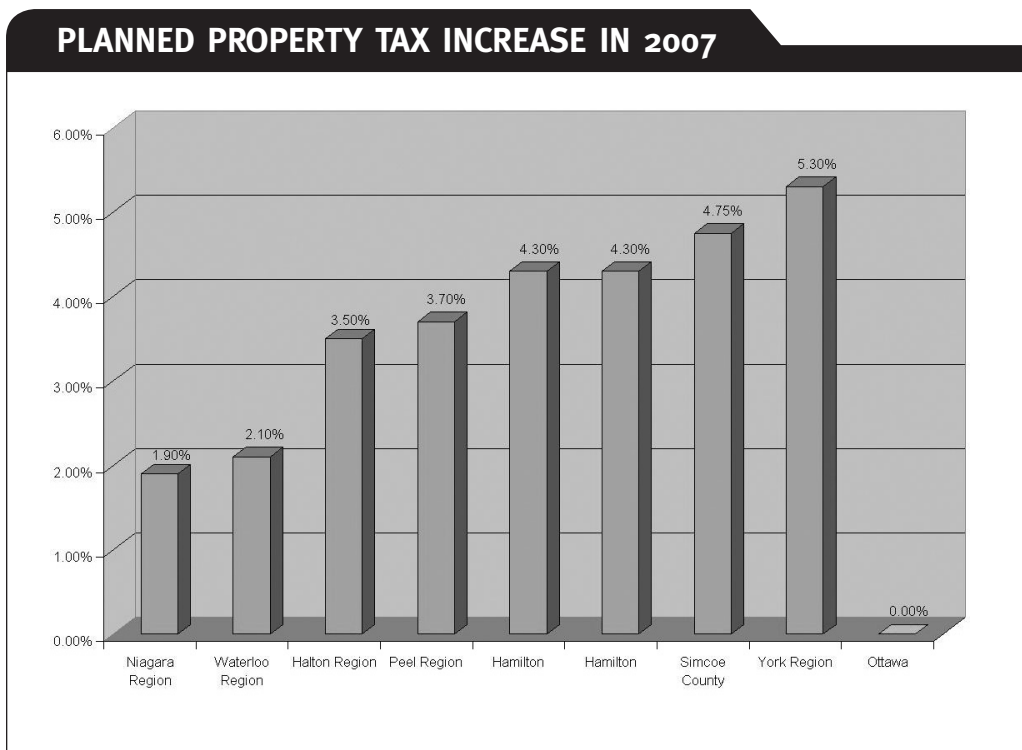


In child care Ottawa is going well, and is slightly behind Windsor and Toronto. Importantly, most of the child care spending does not come from the property tax base. Instead over 70% of it comes directly from province grants. In this category, Ottawa is 3rd of 14.

SOCIAL HOUSING



In social housing, the city is trailing only Windsor and Toronto. Provincial funding makes up about 40% of this category meaning that only 60% of the total is funded from the tax base. Program enhancements in the 2007 budget should help to lock in this performance and keep social housing sustainable. However, without a tax increase, program enhancements will likely be one of the first items on the chopping block.



The following graph shows the proposed property tax increases for all municipalities in Ontario with over 150,000 people that have tabled a 2007 draft budget at the time of writing. Of the fourteen municipalities included in this report, nine had a 2007 budget. It is clear that Ottawa's 0 per cent tax increase or even its inflationary increase of 1.7 per cent is the smallest in the province. Such a small increase puts Ottawa out of step with Ontario's large urban regions.

About the Author:

David Macdonald is an independent economist working in Ottawa. Through his consulting business, he helps make the business case for not-for-profit groups. In addition, David has been working with labour and community groups over the past 3 years to help them interpret and react to Ottawa municipal budgets.