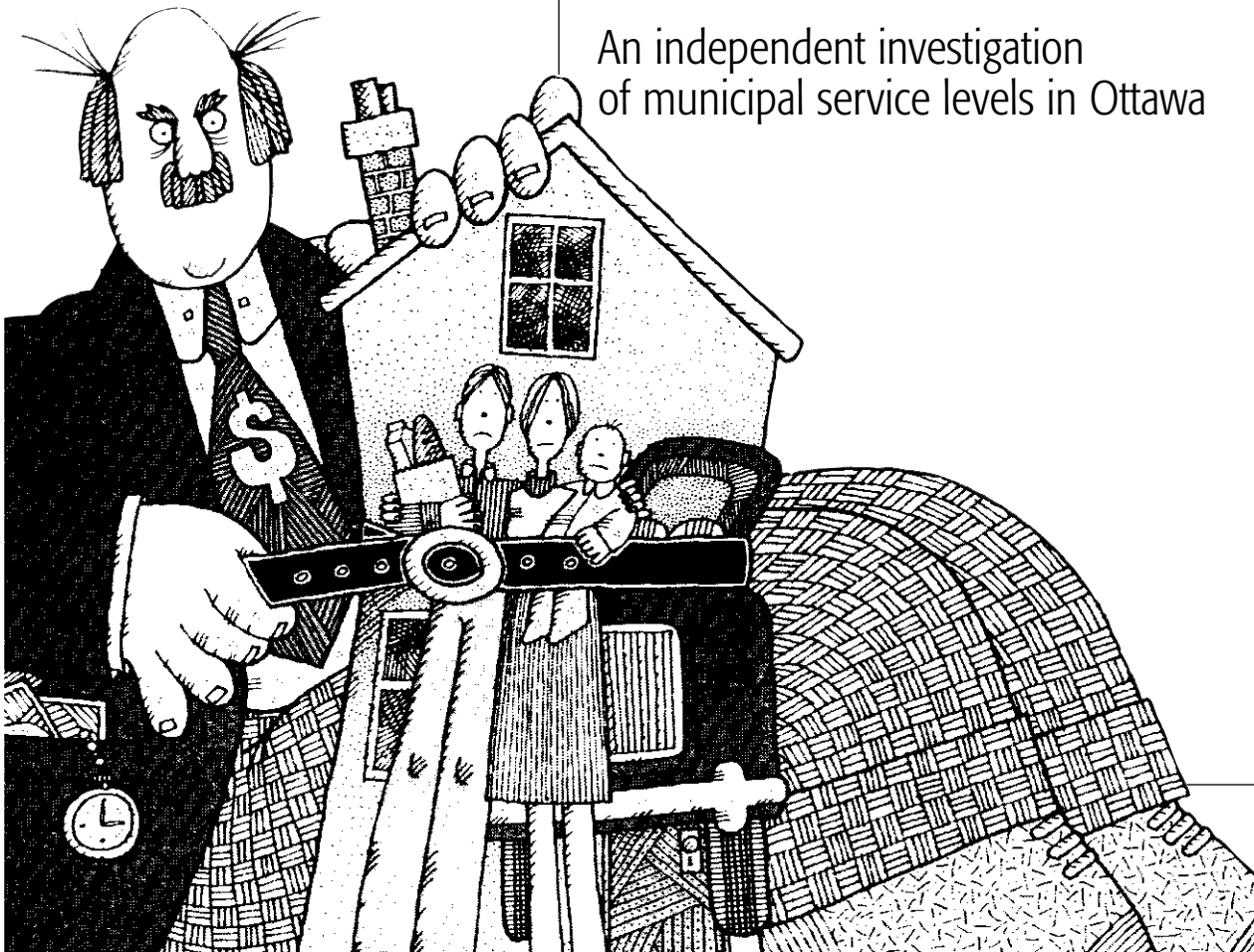


Macdonald Report



FROM FAT CAT TO TABBY CAT:

An independent investigation
of municipal service levels in Ottawa



Executive Summary

Ottawa city council will soon embark on public consultations for the 2005 city budget even as residents are still adapting to changes caused by \$75 million of cuts to city services in 2004. The combination of downloading, backwards provincial legislation and inflation will once again result in a shortfall in 2005. Before evaluating the potential for further cuts to the city's budget, it is important to compare Ottawa's service levels with other municipalities, including the costs of the municipal administration. In all cases, it is clear that any perception of Ottawa as a "fat cat" city is dated and untrue.

The Macdonald report attempts to address this issue by comparing Ottawa to other municipalities in Ontario and Canada. Seventeen upper tier municipalities and fifteen lower tier municipalities were evaluated and ranked on their gross municipal per capita spending. This comparison was done across seven categories, including human services (broken down and in total), libraries and parks & recreation.

The striking conclusion of this survey is that, in no case, does Ottawa spend more than other municipalities in these areas. Ottawa is ranked mid to low in the majority of categories and in no category does it rank first or second. This mid to low ranking in human services cannot be attributed to excessive administrative spending; such spending is also mid-range. A decade of inflation, zero tax increases and insufficient support from senior governments has simply left Ottawa with fewer resources to finance essential services when compared to other cities in this study.

Ottawa's service levels are falling behind other communities and further reductions in services might drop Ottawa to the bottom of the list. In fact, in most categories, a significant expansion in program size would still result in a mid range ranking for Ottawa.

Introduction

Background

It is no secret that the Ottawa 2004 budget process was a difficult one. The municipal election combined with a significant budget shortfall made for a challenging spring. The final decision saw service reductions in people services and related areas. While the effects of those cuts are still being evaluated, the city of Ottawa is faced with another budget shortfall in 2005. Although not as large as last year's shortfall, next year's will still be significant and will require another intense budget review process. Due to the nature of provincial regulations governing municipal taxation, these shortfalls will continue into the foreseeable future. Without additional support from the federal and provincial governments to pay for the services they downloaded to municipalities, regular inflation-based tax increases will be required to merely keep up with the rising cost of doing business. This has been the general practice in large Canadian municipalities, other than Ottawa.

Municipal budget woes are not unique to Ottawa. The underfunding of municipalities extends across Ontario and across all of Canada. The recent federal election highlighted a renewed interest in "Urban issues." Recent discussions of GST rebates and a portion of the gas tax are ways that the federal government can support municipal development. In addition, Ottawa has also taken the unique approach of not raising taxes for 10 consecutive years prior to 2004. Because it is the only municipality to have taken this approach, a large funding gap has developed between Ottawa and its peers.

Focus of this Report

Ottawa is understood by its citizens as a great place to live. It is a safe and healthy city that people continue to migrate to. This high regard for the city might lead to the assumption that Ottawa sits at the high end of the spending scale. The Macdonald Report will evaluate that hypothesis. It will attempt to determine whether there is room to further decrease services or whether renewed investment is required.

Given the upcoming 2005 budget, the Macdonald report is an attempt to put Ottawa's spending in context. It will compare Ottawa to its peers both across Ontario and across Canada. The

goal is to take a macro view of the upcoming budget discussions and not fall into the trap of evaluating spending on a purely local level. To this end, Ottawa is compared to other suitable cities based on size and geographic importance. City spending is compared on a per capita basis across seven categories including people services, libraries and Parks & Recreation. Administrative spending is also evaluated to determine if Ottawa is out of step with other large Canadian municipalities.

Methodology

The data for this study was compiled using the most recent municipal budget documents unless otherwise specified. Each document was examined to determine if it had sufficient specificity to be included in the study. That is, were the budget lines sufficiently defined so that they could be placed within the study's pre-defined categories? In some cases, specific categories of data were deemed acceptable while others were not. In other cases, entire municipalities had to be excluded due to their lack of appropriate data. The majority of the later cases were due to insufficient differentiation between gross and net spending. Some inquiries were made to individual municipalities to further clarify their budget documents.

Each province defines the powers and responsibilities that its municipalities will have. In the case of Ontario, there are a variety of social and health services that are funded and administered on a provincial/municipal cost-share basis. Ontario is the only province in Canada to fund health and social services from the property tax base. Elsewhere, these services are usually funded 100% by province. In the case of these human service areas, therefore, comparisons can only be made to other Ontario municipalities.

Budget totals cited in this report are gross totals unless otherwise specified. The report attempts to gauge the absolute size of a municipality's involvement irrespective of funding sources. For instance, Parks and Recreation programs are often funded in large part by user fees. If two cities had identical parks and recreation programs but one had higher user fees, the net total spending on parks and recreation would be lower. By using gross totals the affect of those user fees can be excluded. Instead the overall size of Parks and Recreation programs can be gauged.

Population data was obtained from the 2001 Statistics Canada Census. If individual municipalities updated the census data themselves, that data was used. In most cases however the Statistics Canada data was used.

Where two-tier municipal governments still exist, all municipal spending by both levels were combined. The upper tier "Regions" are then displayed on the bar charts. Each region contains both its spending and the summation of the spending of all its constituent municipalities.

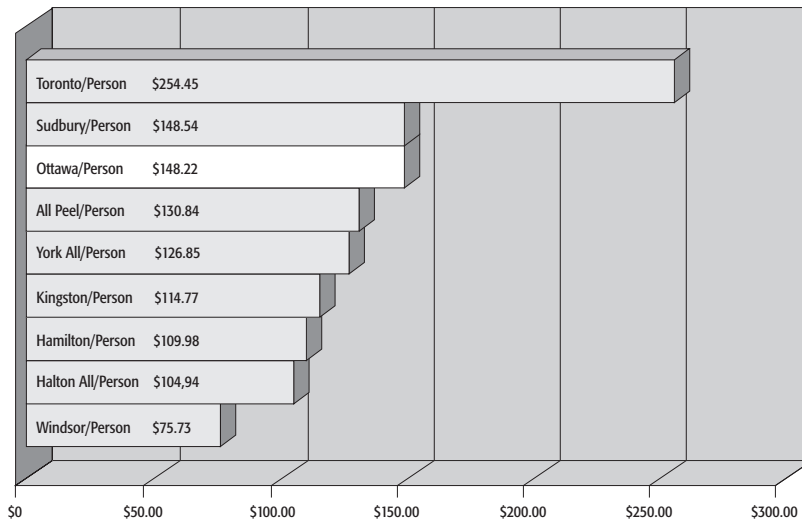
In total, 16 upper tier municipalities and 15 second lower municipalities were examined. The majority of these municipalities were in Ontario given the focus on that province; 99 budget documents were used in total to compile the report.

Conclusions

The conclusion of this report is that compared to other municipal governments in Ontario and Canada, Ottawa's spending on key services that protect our local quality of life is in the mid to low range, as is the city's administrative budget. The results of this study suggest that as other municipalities continue to invest in their services, Ottawa will continue to fall further behind if the city continues to cut services to its citizens. In most cases, programs can be expanded significantly and still be in the mid range compared to other municipalities.

In the context of the upcoming budget discussions, further cuts to the categories surveyed are not warranted. Given Ottawa's position in the mid to low range, further service cuts will create a "have-not" city which starves its programs and lags behind the rest of the country.

Social Housing (Ontario)



Definition:

Social Housing includes all moneys spent on the operations of social housing. This includes the portion that the province contributes.

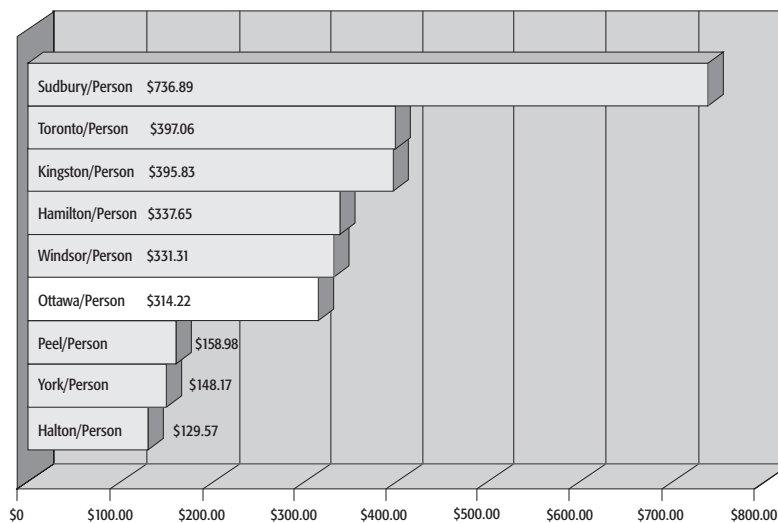
Restrictions:

Social Housing is compared only to Ontario municipalities because it has been downloaded from the provincial government.

Notes:

This table reflects the pooling of resources between Toronto and the regional governments bordering Toronto

Employment and Financial Assistance (Ontario)



Definition:

Employment and Financial Assistance includes moneys spent on the operation of Ontario Works, Ontario Disability support program and other general social service activities. The totals include a large portion of provincial funding.

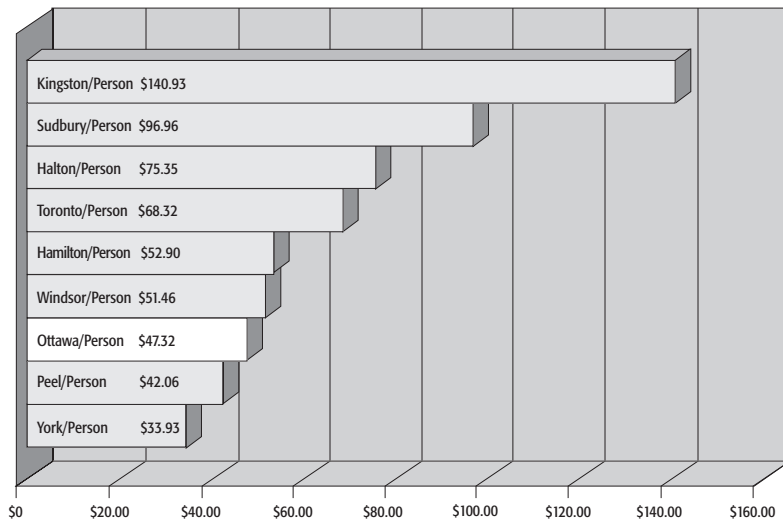
Restrictions:

Employment and Financial Assistance is compared only among Ontario municipalities because it has been downloaded from the provincial government.

Notes:

- This table reflects the pooling of resources between Toronto and the regional governments bordering Toronto
- Sudbury is exceptionally high due to their spending on the Ontario Disability support program.

Municipally-run Nursing Homes (Ontario)



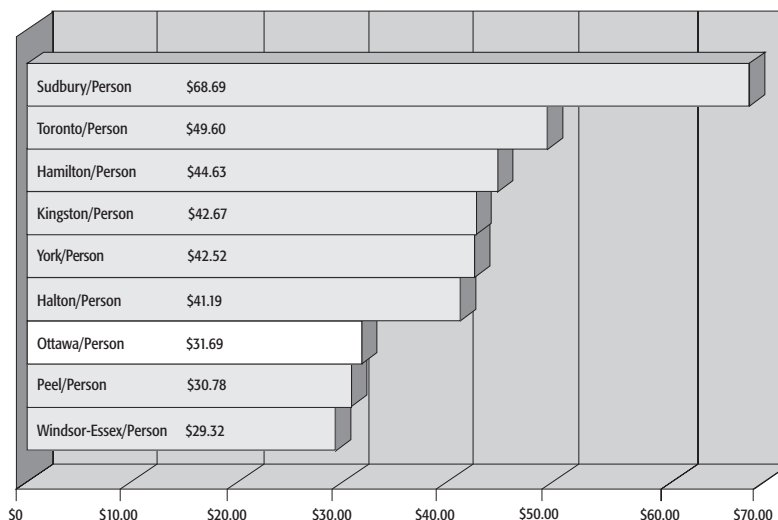
Definition:

This category represents the costs to operate municipally supported homes for the aged.

Restrictions:

Homes for the Aged are compared only among Ontario municipalities because they have been downloaded from the provincial government.

Public Health (Ontario)



Definition:

Public health services are co-funded on a 50-50 basis between the provincial and municipal governments. Every dollar cut by the city results in one dollar cut by the province.

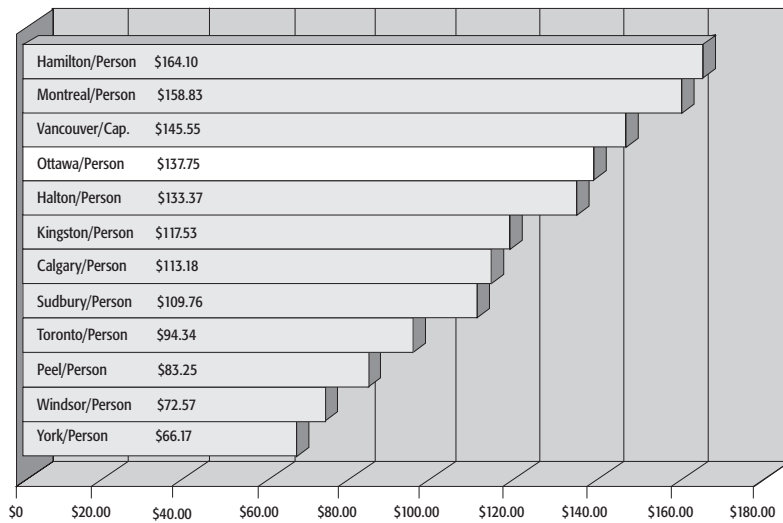
Restrictions:

Public Health Units are compared only among Ontario municipalities because they have been downloaded from the provincial government.

Notes:

The source for this data was obtained from through a 2003 Ontario Health Unit survey and not from municipal budgets. Due to different funding structures across municipalities (some have health departments, others contribute to independent boards of health), the latter did not offer a fair comparison of funding levels.

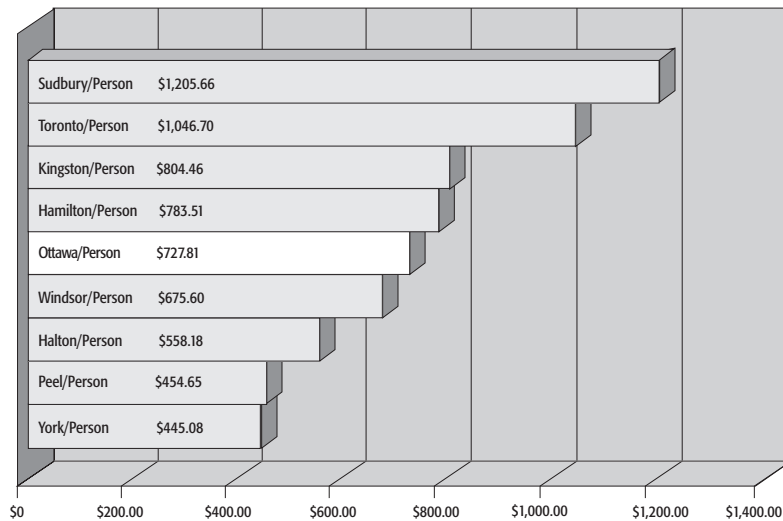
Parks and Recreation Canada



Definition:

Parks and Recreation includes the operating costs of park maintenance, recreation facility maintenance, recreation programs.

Total People Services (Ontario)



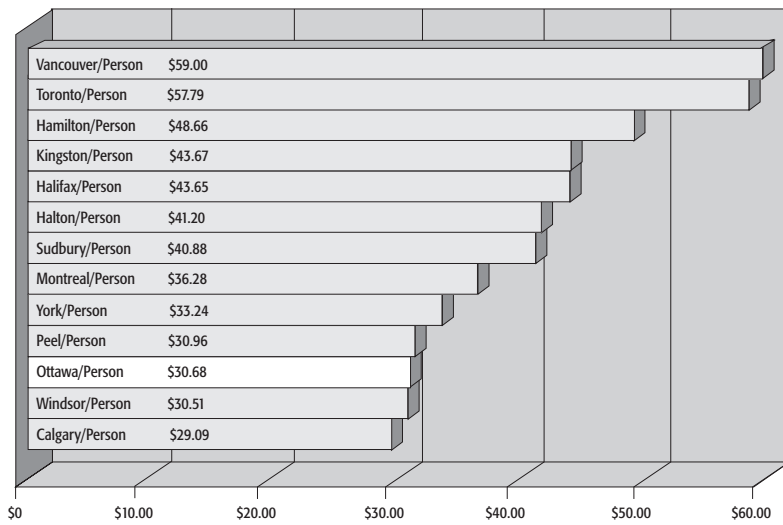
Definition:

Total People Services includes Social Housing, Financial and Employment Assistance, Public Health, Child Care, Community Grants, Homes for Aged, Arts and Culture, Environment, Parks & Recreation.

Restrictions:

Total People Services are compared only among Ontario municipalities because several of its constituent parts have been downloaded from the provincial government.

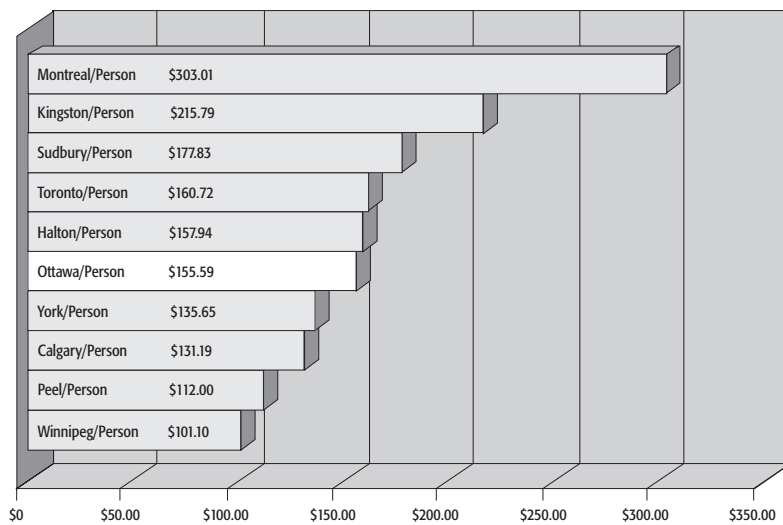
Library



Definition:

Library includes the operational funding of municipal public libraries.

City Administration



Definition:

City administration includes: Chief Administrator's office (CAO), Auditor, Corporate services, Information technology, Human Resources, Mayor and Council, City manager's Office, Financial Management, Communications, Legal Services, Clerks Office

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- Child Care Action Network
- Child Care Council
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- Ottawa District Labour Council
- Ottawa Coalition for Public Health in the 21st Century
- Community Mental Health Coalition
- Council of the Arts
- Jewish Family Services
- Emily Murphy Non-profit Housing
- Family Services of Ottawa
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- Childhood Education Services Network of Ottawa
- Canadian Mental Health Association, Ottawa Branch
- Social Planning Council
- Youth Services Bureau
- CUPE 2204
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- Ottawa CUPE District Council

About the Author:

David Macdonald received his economics training at the University of Guelph. He recently completed "Dollars and Sense: A look inside Ottawa's 2004 Draft Budget" which analyzed the individual costs of maintaining municipal services. David has also worked with the Canadian Centre for Policy Alternatives, Oxfam Canada and the Polaris Institute. He is currently president of Embryonic Business Technologies, an international consulting firm specializing in small business development.

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