



Meeting the Fiscal Requirements of Canada's Municipalities

Prepared By: The Conference Board of Canada

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WHAT'S INSIDE

This study projects the future needs of Canada's municipalities to provide an adequate level of services and to close the infrastructure gap. It compares the distribution of future revenue growth among all levels of government under the current fiscal arrangement with a scenario that would see the cities receive revenue that better meets their needs.

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Introduction and Summary

A growing consensus is emerging that municipalities in Canada need a new approach to make them fiscally sustainable. In fact, The Conference Board of Canada has completed several pieces of research indicating that the long-term fiscal sustainability of municipal governments is in jeopardy, threatening Canadians' quality of life and competitiveness.

At first glance, cities may seem to be enjoying fine fiscal health, since they continually balance their operating budgets (which they are required to do by law) and carry low levels of debt. But in a more fundamental sense, the overall fiscal health of local governments has more to do with how well services are being provided and the state of municipal infrastructure.¹ On both of these counts, local governments' fiscal health would have to be deemed poor.

Municipal revenues² have increased at a slower pace than expenditure requirements over the last several years, affecting both the level of services that cities can offer and their capacity to maintain and renew public infrastructure. Indeed, the actual amount of money spent on each resident has declined in real terms over the past 10 years. In 1992, local governments were spending \$1,241 on every resident; by 2002 that number declined to \$1,204 (in 1992 dollars). At the same time, local governments' capital stock has been aging, resulting in an infrastructure gap. While evaluating the size of the infrastructure gap is extremely difficult, it undeniably exists and is large enough to hurt Canada's productivity growth.

While the drop in per capita spending may appear small, it is actually much more detrimental to local governments than it seems, for this decline coincides with their inheritance of a larger mandate from both the federal and provincial governments. The federal government has passed on several responsibilities, including part of the maintenance of municipal airports, local ports and local harbours, and immigration settlement. Meanwhile, from the provinces come additional responsibilities in the areas of transit, child care, education, social housing, social assistance, ferries, selected airports and property tax assessment. In addition, the Ontario government has passed on to its municipalities the responsibility for maintaining some provincial highways.

Why has revenue growth been inadequate? Provincial and federal governments have reduced transfer payments to cities over the past 10 years in an effort to improve their own fiscal situations. In fact, transfers from provinces to municipalities posted an average annual decline of 3.6 per cent between 1993 and 2002. In other words, although the provincial and federal governments have passed on additional responsibilities to municipalities, they have failed to pass on the funds or taxing powers to manage them effectively.

¹ See Enid Slack and Richard M. Bird, "The Fiscal Sustainability of the Greater Toronto Area" (Toronto: The Neptis Foundation, 2004), p. 2.

² All information on local governments was taken from Statistics Canada's Financial Management Systems (FMS) database. The data used were published by the Public Institutions Division in 2003.

Under the current fiscal arrangement, the outlook for municipal revenue growth over the next 15 years is also dim. Cities' main source of revenue—the property tax—is forecast to grow at a decelerating pace over the next several years and therefore will not keep pace with the cost of cities' programs and services. It is a central fact that the aging of the population will soon have detrimental effects on household formation, as most households are formed by people between the ages of 25 and 44. This age cohort, which represented nearly 31 per cent of the population in 2002, is expected to see its share decline to 27 per cent by 2025. As a result, housing starts are forecast to drop throughout the next 15 years. Moreover, the market for single-family homes is expected to weaken, as people age and choose to downsize, thus limiting growth in prices. This does not bode well for the residential tax base, raising concerns about where future revenue growth will come from.

Fortunately, 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. A first step taken by the federal government in Budget 2004 was to make municipalities fully GST exempt on purchases of goods and services. For municipalities, the rebate represents a source of funding equivalent to approximately \$580 million in the first year alone. This amount will grow over time in line with municipal spending on goods and services. It is estimated that, over 10 years, the measure will provide an additional \$7 billion to municipalities.

Further, the federal government pledged to transfer a portion of the federal gas tax or an equivalent amount to municipalities in its most recent budget. This will result in a \$5-billion boost to cities and communities over five years, starting in 2005 and building up to \$2 billion in the fifth year. By 2020, this initiative is expected to be worth about \$2.4 billion to cities.

Provincial governments are also starting to take notice that cities need help. The Ontario government, for example, recently made good on its promise to transfer revenues from the provincial gas tax to municipalities, doling out about \$156 million to cities last year (one cent on every litre of gasoline sold). Ontario cities will get 1.5 cents per litre this year and two cents per litre in 2006. As well, a number of other cities already benefit from fuel tax sharing. These include Montréal, Calgary, Edmonton, Vancouver and Victoria.

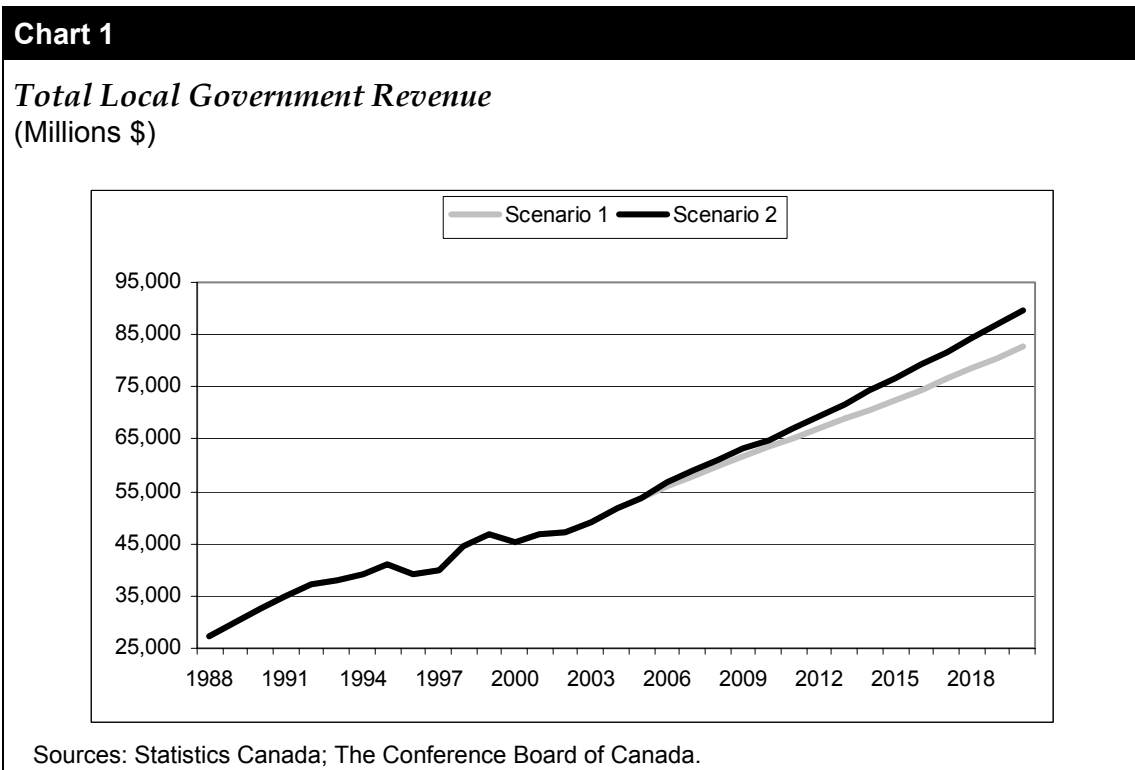
While all of these initiatives are welcome, this study shows they are not enough. Cities will need even more help (either through increased transfers or taxing powers) to close the infrastructure gap, while at the same time providing a sufficient level of services. But this study also shows that the extra funding cities will require, though significant, will not be so large as to tip the combined balance sheet of all three levels of government into the red.

Scenario One: The Current Fiscal Arrangement

What is referred to as the current fiscal arrangement includes even the most recent federal and provincial government initiatives. For example, scenario one recognizes that cities were made fully GST exempt on purchases of goods and services in Budget 2004. This represents a source of funding equivalent to approximately \$580 million in the first year alone and \$7 billion over 10 years.

Scenario one also incorporates the transfer of a portion of the federal gas tax, granted by the federal government in Budget 2005. This will result in a \$5-billion boost to cities and communities over five years, starting in 2005 and building up to \$2 billion in the fifth year. By 2020, this initiative is expected to be worth about \$2.4 billion per year to cities.

Finally, this scenario includes the Ontario government's transfer of a portion of its gas tax revenues to the province's municipalities. The government transferred about \$156 million from gas tax revenues to Ontario cities last year and will hand over a little more than a quarter of a billion dollars per year by 2006.



While all of these recent initiatives are welcome, this study shows they are not enough. In fact, under the current fiscal arrangement, municipal government revenue is expected to grow at an average annual rate of 3 per cent from 2005 to 2020, allowing total revenue to increase from \$51.6 billion in 2004 to \$82.7 billion by 2020. (See Chart 1.) Growth would have been slower had the Conference Board not made an important assumption, namely, that transfers from other levels of government will increase by an average of 4.4 per cent per year from 2005 to 2020. This rate of increase is a radical departure from the recent past. But it's based on the fact that federal and provincial governments recognize cities need more funding and have already started to provide some of it, for example, in the form of gas tax transfers.

Growth in revenues will be limited going forward because the cities' main source of revenue—property taxes—is forecast to grow at a decelerating pace over the next several years. This result comes about due to the aging of the population, which will soon slow down household formation, as most households are formed by people between the ages of 25 and 44. This age cohort, which represented nearly 31 per cent of the population in 2002, is expected to see its share decline to 27 per cent by 2025. As a result, housing starts are forecast to drop throughout the forecast horizon. Moreover, the market for single-family homes is expected to weaken, as people age and choose to downsize, thus limiting growth in prices. This does not bode well for the residential tax base and, as a result, property tax revenues are forecast to grow at a relatively modest pace of 2.7 per cent over the forecast horizon (2005 to 2020).

Adding to the cities' fiscal misfortune is the undeniable presence of an infrastructure shortfall. While evaluating the size of this shortfall is difficult, the amount used for this study is \$60 billion. Although this amount is at the low end of the range of estimates found in the literature, it has been used frequently by the Federation of Canadian Municipalities and represents a reasonable starting point.

In scenario one, it is assumed that municipalities will increase their capital spending to eliminate the infrastructure gap to the tune of \$4 billion per year for 15 years starting in 2006. As a result, the pace of total expenditure growth is much faster than total revenue growth in scenario one.

In fact, growth in total expenditures—capital expenditures plus operating expenditures—is forecast to average 4.4 per cent per year. Capital expenditures are expected to increase by a whopping 45.4 per cent in 2006—the first year of efforts to close the infrastructure gap—and by an annual average of 4.6 per cent from 2007 to 2020. Operating expenditures, including interest payments on the debt, are expected to grow by 3.3 per cent per year. Excluding interest payments on the debt, operating expenditures are forecast to increase by an annual average of 2.8 per cent, which is the rate of increase needed to maintain a constant level of real per capita program spending over the forecast period.

Under this scenario, therefore, cities will spend beyond their means. In other words, local governments will not be able to raise enough revenue under the current fiscal framework, which includes the recent federal and Ontario government initiatives, to

fully address the infrastructure gap while at the same time providing an adequate level of services. In fact, under scenario one, cities collectively are forecast to run an operating deficit equal to \$4.4 billion per year by 2020.

As well, the net long-term debt is forecast to rise to unsustainable levels, increasing from \$7 billion in 2005 to over \$80 billion in 2020. This means that the level of debt would nearly equal total revenue by the end of the forecast period. Most experts agree that municipal governments should not allow their debt-to-revenue ratio exceed 50 per cent. It is not difficult to draw the conclusion, therefore, that our cities are in dire need of a new fiscal arrangement, which scenario two will quantify.

Scenario Two: A New Deal

Under scenario two, transfers from other levels of government are increased so as to allow local governments' debt-to-revenue ratio to remain constant.³ Put another way, under this New Deal, cities will be able to provide an adequate level of services and close the infrastructure gap, all the while keeping their debt in check. This will require an additional transfer (referred to as supplementary revenue in the appendix) equal to \$1 billion in 2006, which will then climb by 14.8 per cent per year to reach nearly \$7 billion by 2020. (See Chart 2.)

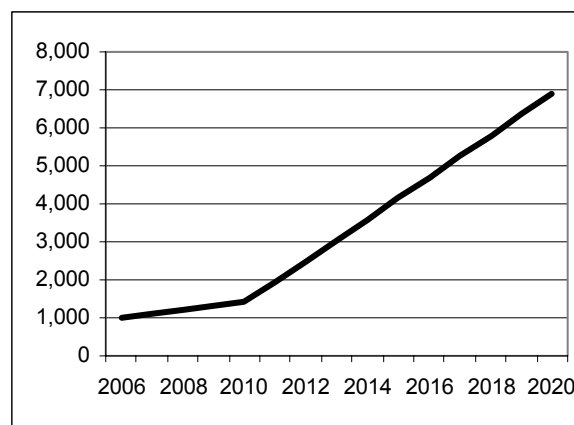
In this second scenario, total annual revenue growth is forecast to average 3.5 per cent per year, which is half a percentage point higher per year than under the current fiscal arrangement (scenario one). As a result, total revenues are expected to reach \$89.6 billion by 2020. Capital expenditures will grow at the same pace as in scenario one, but operating expenditures are forecast to grow less rapidly (2.8 per cent per year), thanks to lower interest payments on the debt. All in all, total expenditures are expected to grow by an average of 3.8 per cent per year, down from 4.4 per cent per year in scenario one.

Under this scenario, cities collectively would maintain an operating surplus through to 2020. Their collective level of debt would rise to \$12.3 billion by 2020—a fraction of the debt forecast under scenario one.

³ Some experts (including the Conference Board) have argued that cities could do their part to close the infrastructure gap by taking on more debt. That consideration is not pursued here.

Chart 2

Additional revenue that cities will need
(millions \$)



Sources: Statistics Canada; The Conference Board of Canada.

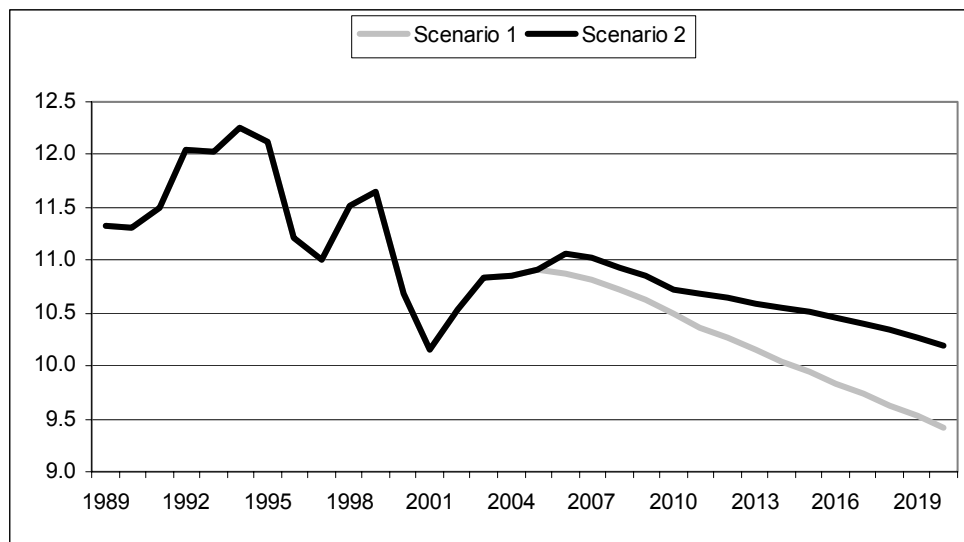
Implications and Closing Remarks

How does the distribution of revenue growth between the three levels of government compare in the two scenarios?⁴ Under the current fiscal arrangement (scenario one), local governments are expected to receive on average only 8 cents of every additional dollar of revenue generated by all levels of government from 2005 to 2020. This is nearly one full cent lower than what they have received in the previous five years (2000 to 2004), because their traditional revenue source—the property tax—will grow more slowly than revenue sources available to the federal and provincial governments. As a result, cities' share of total revenue is expected to fall from 10.8 per cent in 2004 to 9.4 per cent in 2020. (See Chart 3.)

But in scenario two, cities would receive nearly 10 cents of every additional dollar of revenue generated by Canadian governments. In other words, Canada's municipalities can achieve fiscal sustainability by receiving an extra 2 cents on every dollar of revenue generated by all levels of government. Under this new fiscal framework, local governments' share of total revenue would still fall, but only from 10.8 per cent in 2004 to 10.2 per cent in 2020. The share in 2020 would then be almost one full percentage point higher than in scenario one.

Chart 3

Cities' share of total government revenue expected to continue to decline
(Per cent share)

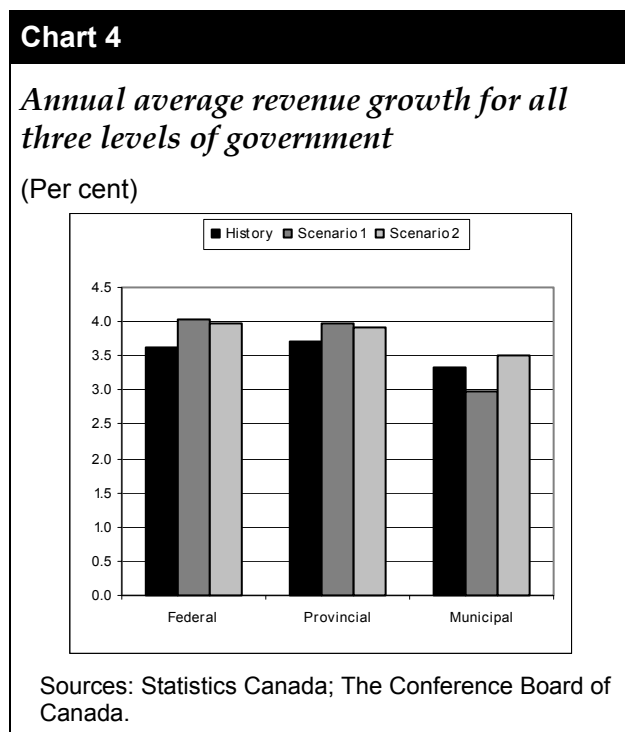


Sources: Statistics Canada; The Conference Board of Canada.

⁴ It is assumed that total revenues from all levels of government in both scenarios are equal, implying that the average Canadian tax burden does not change. In other words, the additional revenues granted to municipalities in scenario two are taken away from the other two levels of governments.

Chart 4 shows that the distribution of revenue growth is more equitable in scenario two than in scenario one. From 1991 to 2004, annual revenue growth averaged 3.6 per cent at the federal level and 3.7 per cent at the provincial level.⁵ Average growth at the municipal level was 3.3 per cent per year over the same period.

In scenario one, annual average revenue growth over the forecast period (2005–2020) is expected to equal 4 per cent at both the federal and provincial levels, but only 3 per cent at the municipal level. In other words, the federal and provincial governments are both expected to enjoy slightly faster revenue growth over the forecast period compared to recent history, while municipalities will have to make do with a much slower rate of increase.



But assuming that the extra transfer distributed to local governments in scenario two is shared proportionately by the federal and provincial governments, revenue growth is expected to average 4 per cent per year at the federal level, 3.9 per cent at the provincial level and 3.5 per cent at the municipal level. In other words, the average annual increase in revenues for the federal and provincial governments barely budges in the second scenario, strongly suggesting that it is well within the realm of the possible to set our cities on a secure fiscal path.

In fact, it has to be stressed that the additional funding required by Canadian municipalities will not drive the overall Canadian fiscal system into bankruptcy. Indeed,

adding up both expenditures and revenues for all levels of government shows that revenues remain higher than expenditures over the forecast horizon in both scenarios. This is an important result, since it demonstrates that a revenue-neutral solution is possible. In other words, the municipal infrastructure deficit can be eliminated either through a transfer of revenue or a transfer of revenue generating power. It does not require an increase in the overall fiscal burden of the Canadian taxpayer.

⁵ Revenue forecasts for the federal and provincial governments are taken from *Fiscal Prospects for the Federal and Provincial/Territorial Governments* (Ottawa: The Conference Board of Canada, 2004).

Appendix

SCENARIO 1: FINANCIAL INDICATORS, LOCAL GOVERNMENT (MILLIONS \$)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
TOTAL REVENUES	41,134 4.7	39,341 -4.4	39,830 1.2	44,329 11.3	46,681 5.3	45,350 -2.9	46,682 2.9	47,348 1.4	49,182 3.9	51,630 5.0	53,746 4.1	55,878 4.0	57,834 3.5
OWN SOURCE REVENUES	30,582 4.3	30,515 -0.2	31,612 3.6	35,448 12.1	37,514 5.8	38,233 1.9	39,486 3.3	40,421 2.4	41,999 3.9	43,550 3.7	44,944 3.2	46,243 2.9	47,546 2.8
TRANSFERS	10,551 5.7	8,825 -16.4	8,218 -6.9	8,882 8.1	9,167 3.2	7,117 -22.4	7,196 1.1	6,927 -3.7	7,183 3.7	8,081 12.5	8,803 8.9	9,635 9.5	10,289 6.8
SUPPLEMENTARY REVENUE	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA
TOTAL EXPENDITURES	41,422 4.0	39,532 -4.6	40,006 1.2	42,248 5.6	43,396 2.7	45,032 3.8	46,422 3.1	47,390 2.1	49,331 4.1	50,690 2.8	51,890 2.4	57,653 11.1	59,793 3.7
OPERATING EXPENDITURES	32,975 3.9	31,835 -3.5	32,300 1.5	34,416 6.6	35,315 2.6	36,682 3.9	37,479 2.2	36,572 -2.4	38,084 4.1	39,035 2.5	39,894 2.2	40,728 2.1	41,983 3.1
OTHER OPERATING EXPENDITURES	30,864 3.8	29,778 -3.5	30,286 1.7	32,529 7.4	33,468 2.9	35,249 5.3	36,148 2.6	35,675 -1.3	36,990 3.7	38,010 2.8	39,030 2.7	40,096 2.7	41,239 2.8
DEBT INTEREST PAYMENTS	2,111 4.5	2,057 -2.6	2,014 -2.1	1,887 -6.3	1,846 -2.2	1,433 -22.4	1,331 -7.1	897 -32.6	1,094 21.9	1,026 -6.3	864 -15.8	632 -26.8	744 17.8
CAPITAL EXPENDITURES	7,339 6.2	6,645 -9.5	6,812 2.5	6,915 1.5	7,260 5.0	7,296 0.5	7,834 7.4	9,277 18.4	10,335 11.4	10,800 4.5	11,276 4.4	16,398 45.4	17,189 4.8
CASH TO CAPITAL	7,050 10.7	6,454 -8.5	6,637 2.8	6,915 4.2	7,260 5.0	7,296 0.5	7,834 7.4	9,236 17.9	9,593 3.9	10,071 5.0	10,484 4.1	10,899 4.0	11,281 3.5
FINANCED CAPITAL EXPENDITURES	289 -46.7	191 -33.7	175 -8.4	0 -100.0	0 NA	0 NA	0 NA	41 NA	741 1692.1	729 -1.6	793 8.7	5,498 593.7	5,908 7.5
CAPITAL REIMBURSEMENT ON THE DEBT	1,108 -5.9	1,052 -5.1	894 -15.0	916 2.5	822 -10.3	1,054 28.2	1,109 5.3	1,540 38.9	912 -40.8	855 -6.3	720 -15.8	527 -26.8	620 17.8
OPERATING SURPLUS	0	0	0	2,082	3,285	318	260	0	592	1,670	2,649	3,724	3,950
OVERALL SURPLUS	601	477	1,409	456	4,593	1,133	4,817	-2,187	763	1,795	2,576	-1,248	-1,338
DEBT	22,856 -2.6	22,379 -2.1	20,970 -6.3	20,514 -2.2	15,921 -22.4	14,788 -7.1	9,971 -32.6	12,158 21.9	11,395 -6.3	9,600 -15.8	7,024 -26.8	8,272 17.8	9,610 16.2

SCENARIO 1: FINANCIAL INDICATORS, LOCAL GOVERNMENT (MILLIONS \$)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL REVENUES	59,813 3.4	61,828 3.4	63,525 2.7	65,259 2.7	67,018 2.7	68,798 2.7	70,633 2.7	72,529 2.7	74,467 2.7	76,453 2.7	78,484 2.7	80,587 2.7	82,738 2.7
OWN SOURCE REVENUES	48,866 2.8	50,217 2.8	51,615 2.8	53,035 2.8	54,471 2.7	55,920 2.7	57,416 2.7	58,962 2.7	60,542 2.7	62,159 2.7	63,808 2.7	65,511 2.7	67,251 2.7
TRANSFERS	10,947 6.4	11,611 6.1	11,910 2.6	12,224 2.6	12,547 2.6	12,878 2.6	13,218 2.6	13,567 2.6	13,925 2.6	14,293 2.6	14,676 2.7	15,076 2.7	15,487 2.7
SUPPLEMENTARY REVENUE	0 0.0	0 0.0	0 -100.0	0 150.0	0 100.0	0 -150.0	0 300.0	0 -100.0	0 NA	0 -100.0	0 NA	0 100.0	0 NA
TOTAL EXPENDITURES	61,987 3.7	64,258 3.7	66,592 3.6	69,133 3.8	71,850 3.9	74,759 4.0	77,881 4.2	81,239 4.3	84,847 4.4	88,734 4.6	92,916 4.7	97,259 4.7	101,727 4.6
OPERATING EXPENDITURES	43,262 3.0	44,579 3.0	45,924 3.0	47,387 3.2	48,944 3.3	50,601 3.4	52,370 3.5	54,264 3.6	56,291 3.7	58,464 3.9	60,799 4.0	63,221 4.0	65,705 3.9
OTHER OPERATING EXPENDITURES	42,397 2.8	43,583 2.8	44,784 2.8	46,057 2.8	47,365 2.8	48,705 2.8	50,080 2.8	51,494 2.8	52,944 2.8	54,435 2.8	55,991 2.9	57,622 2.9	59,297 2.9
DEBT INTEREST PAYMENTS	865 16.2	996 15.1	1,140 14.5	1,330 16.7	1,579 18.7	1,896 20.0	2,290 20.8	2,770 21.0	3,346 20.8	4,030 20.4	4,807 19.3	5,599 16.5	6,408 14.4
CAPITAL EXPENDITURES	18,005 4.7	18,849 4.7	19,718 4.6	20,637 4.7	21,590 4.6	22,578 4.6	23,603 4.5	24,666 4.5	25,768 4.5	26,912 4.4	28,111 4.5	29,372 4.5	30,681 4.5
CASH TO CAPITAL	11,667 3.4	12,060 3.4	12,391 2.7	12,729 2.7	13,072 2.7	13,420 2.7	13,778 2.7	14,147 2.7	14,525 2.7	14,913 2.7	15,309 2.7	15,719 2.7	16,139 2.7
FINANCED CAPITAL EXPENDITURES	6,338 7.3	6,789 7.1	7,327 7.9	7,908 7.9	8,518 7.7	9,159 7.5	9,825 7.3	10,519 7.1	11,243 6.9	11,999 6.7	12,802 6.7	13,653 6.6	14,543 6.5
CAPITAL REIMBURSEMENT ON THE DEBT	721 16.2	830 15.1	950 14.5	1,109 16.7	1,316 18.7	1,580 20.0	1,908 20.8	2,309 21.0	2,789 20.8	3,358 20.4	4,006 19.3	4,666 16.5	5,340 14.4
OPERATING SURPLUS	4,164	4,359	4,260	4,034	3,686	3,198	2,578	1,809	862	-282	-1,629	-3,019	-4,446
OVERALL SURPLUS	-1,453	-1,600	-2,117	-2,765	-3,516	-4,381	-5,339	-6,401	-7,592	-8,641	-8,796	-8,988	-9,203
DEBT	11,063 15.1	12,663 14.5	14,781 16.7	17,546 18.7	21,062 20.0	25,442 20.8	30,781 21.0	37,182 20.8	44,774 20.4	53,415 19.3	62,211 16.5	71,199 14.4	80,402 12.9

SCENARIO 2: FINANCIAL INDICATORS, LOCAL GOVERNMENT (MILLIONS \$)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
TOTAL REVENUES	41,134 4.7	39,341 -4.4	39,830 1.2	44,329 11.3	46,681 5.3	45,350 -2.9	46,682 2.9	47,348 1.4	49,182 3.9	51,630 5.0	53,746 4.1	56,878 5.8	58,934 3.6
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TRANSFERS	10,551 5.7	8,825 -16.4	8,218 -6.9	8,882 8.1	9,167 3.2	7,117 -22.4	7,196 1.1	6,927 -3.7	7,183 3.7	8,081 12.5	8,803 8.9	9,635 9.5	10,289 6.8
SUPPLEMENTARY REVENUE	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	0 NA	1,000 NA	1,100 10.0
TOTAL EXPENDITURES	41,422 4.0	39,532 -4.6	40,006 1.2	42,248 5.6	43,396 2.7	45,032 3.8	46,422 3.1	47,390 2.1	49,331 4.1	50,690 2.8	51,890 2.4	57,653 11.1	59,628 3.4
OPERATING EXPENDITURES	32,975 3.9	31,835 -3.5	32,300 1.5	34,416 6.6	35,315 2.6	36,682 3.9	37,479 2.2	36,572 -2.4	38,084 4.1	39,035 2.5	39,894 2.2	40,728 2.1	41,893 2.9
OTHER OPERATING EXPENDITURES	30,864 3.8	29,778 -3.5	30,286 1.7	32,529 7.4	33,468 2.9	35,249 5.3	36,148 2.6	35,675 -1.3	36,990 3.7	38,010 2.8	39,030 2.7	40,096 2.7	41,239 2.8
DEBT INTEREST PAYMENTS	2,111 4.5	2,057 -2.6	2,014 -2.1	1,887 -6.3	1,846 -2.2	1,433 -22.4	1,331 -7.1	897 -32.6	1,094 21.9	1,026 -6.3	864 -15.8	632 -26.8	654 3.5
CAPITAL EXPENDITURES	7,339 6.2	6,645 -9.5	6,812 2.5	6,915 1.5	7,260 5.0	7,296 0.5	7,834 7.4	9,277 18.4	10,335 11.4	10,800 4.5	11,276 4.4	16,398 45.4	17,189 4.8
CASH TO CAPITAL	7,050 10.7	6,454 -8.5	6,637 2.8	6,915 4.2	7,260 5.0	7,296 0.5	7,834 7.4	9,236 17.9	9,593 3.9	10,071 5.0	10,484 4.1	11,095 5.8	11,496 3.6
FINANCED CAPITAL EXPENDITURES	289 -46.7	191 -33.7	175 -8.4	0 -100.0	0 NA	0 NA	0 NA	41 NA	741 1692.1	729 -1.6	793 8.7	5,303 569.1	5,694 7.4
CAPITAL REIMBURSEMENT ON THE DEBT	1,108 -5.9	1,052 -5.1	894 -15.0	916 2.5	822 -10.3	1,054 28.2	1,109 5.3	1,540 38.9	912 -40.8	855 -6.3	720 -15.8	527 -26.8	545 3.5
OPERATING SURPLUS	0	0	0	2,082	3,285	318	260	0	592	1,670	2,649	4,528	5,000
OVERALL SURPLUS	601	477	1,409	456	4,593	1,133	4,817	-2,187	763	1,795	2,576	-248	-148
DEBT	22,856 -2.6	22,379 -2.1	20,970 -6.3	20,514 -2.2	15,921 -22.4	14,788 -7.1	9,971 -32.6	12,158 21.9	11,395 -6.3	9,600 -15.8	7,024 -26.8	7,272 3.5	7,420 2.0

SCENARIO 2: FINANCIAL INDICATORS, LOCAL GOVERNMENT (MILLIONS \$)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL REVENUES	61,013 3.5	63,128 3.5	64,925 2.8	67,209 3.5	69,518 3.4	71,848 3.4	74,233 3.3	76,679 3.3	79,167 3.2	81,703 3.2	84,284 3.2	86,937 3.1	89,638 3.1
OWN SOURCE REVENUES	48,866 2.8	50,217 2.8	51,615 2.8	53,035 2.8	54,471 2.7	55,920 2.7	57,416 2.7	58,962 2.7	60,542 2.7	62,159 2.7	63,808 2.7	65,511 2.7	67,251 2.7
TRANSFERS	10,947 6.4	11,611 6.1	11,910 2.6	12,224 2.6	12,547 2.6	12,878 2.6	13,218 2.6	13,567 2.6	13,925 2.6	14,293 2.6	14,676 2.7	15,076 2.7	15,487 2.7
SUPPLEMENTARY REVENUE	1,200 9.1	1,300 8.3	1,400 7.7	1,950 39.3	2,500 28.2	3,050 22.0	3,600 18.0	4,150 15.3	4,700 13.3	5,250 11.7	5,800 10.5	6,350 9.5	6,900 8.7
TOTAL EXPENDITURES	61,626 3.4	63,666 3.3	65,732 3.2	67,965 3.4	70,255 3.4	72,608 3.3	75,033 3.3	77,541 3.3	80,132 3.3	82,818 3.4	85,648 3.4	88,649 3.5	91,792 3.5
OPERATING EXPENDITURES	43,065 2.8	44,256 2.8	45,455 2.7	46,750 2.8	48,074 2.8	49,427 2.8	50,817 2.8	52,247 2.8	53,719 2.8	55,238 2.8	56,834 2.9	58,525 3.0	60,287 3.0
OTHER OPERATING EXPENDITURES	42,397 2.8	43,583 2.8	44,784 2.8	46,057 2.8	47,365 2.8	48,705 2.8	50,080 2.8	51,494 2.8	52,944 2.8	54,435 2.8	55,991 2.9	57,622 2.9	59,297 2.9
DEBT INTEREST PAYMENTS	668 2.0	673 0.8	671 -0.3	693 3.3	709 2.3	722 1.8	736 2.0	753 2.3	774 2.8	803 3.7	843 5.0	903 7.1	989 9.6
CAPITAL EXPENDITURES	18,005 4.7	18,849 4.7	19,718 4.6	20,637 4.7	21,590 4.6	22,578 4.6	23,603 4.5	24,666 4.5	25,768 4.5	26,912 4.4	28,111 4.5	29,372 4.5	30,681 4.5
CASH TO CAPITAL	11,901 3.5	12,314 3.5	12,664 2.8	13,110 3.5	13,560 3.4	14,015 3.4	14,480 3.3	14,957 3.3	15,442 3.2	15,937 3.2	16,440 3.2	16,958 3.1	17,484 3.1
FINANCED CAPITAL EXPENDITURES	6,104 7.2	6,536 7.1	7,054 7.9	7,527 6.7	8,030 6.7	8,564 6.6	9,123 6.5	9,709 6.4	10,326 6.4	10,975 6.3	11,671 6.3	12,415 6.4	13,197 6.3
CAPITAL REIMBURSEMENT ON THE DEBT	556 2.0	561 0.8	559 -0.3	578 3.3	591 2.3	602 1.8	614 2.0	628 2.3	645 2.8	669 3.7	703 5.0	752 7.1	824 9.6
OPERATING SURPLUS	5,491	5,998	6,247	6,772	7,294	7,804	8,323	8,847	9,361	9,859	10,307	10,702	11,042
OVERALL SURPLUS	-56	23	-249	-178	-146	-158	-186	-234	-319	-447	-661	-961	-1,330
DEBT	7,476 0.8	7,454 -0.3	7,702 3.3	7,880 2.3	8,026 1.8	8,183 2.0	8,369 2.3	8,603 2.8	8,922 3.7	9,369 5.0	10,030 7.1	10,991 9.6	12,321 12.1