

Change absolutely necessary for city budget

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It's hard to believe that anything positive will come from the current budget process. Just look at the media, blogs or strike up a conversation at the office coffee machine. For months we have been treated to stories of how residents will be distressed by the decisions taken at City Hall. Members from most sections of society have lined up to voice their opposition. It's not surprising to see that the Mayor's popularity has sunk

But hold on a minute. While the budget implementation and delivery leave a great deal to be desired, consider that we Torontonians really do need a strong dose of the medicine being prepared.

Let's go back six or seven years. In the broadest terms, our City was living in an age of opening budget gaps of perhaps \$500 to \$600 m, which were eventually plugged with about \$100 m in efficiencies, about \$70 m property tax increases, perhaps \$200 m by drawing down reserves, a collection of miscellaneous revenues, plus a healthy dollop of provincial subsidy.

As the City's reserves and provincial patience became exhausted, Toronto was given the ability to levy new taxes. Eventually we were generating about \$60m from annual vehicle taxes and \$300m from the land transfer tax.

On the surface, it looked like the financial problems should now be manageable. However, instead of using the new revenues to address existing shortfalls, Council largely used them for new and enhanced services.

Within two years after the introduction of the new taxes, the old problem came back with a vengeance. Gone were the reserves and large provincial grants. Instead of being able to plug that hole with new taxes, Council had new commitments, particularly in transit, community services and the environment. Council's appetite for more new taxes had vanished. As a result, the opening gap ranged from \$700 to \$800 m.

There are many ways out of this hole. One can raise revenues, cut services or deliver them more efficiently. In fact this approach was the consensus of thirteen thousand participants in the City's Core Service Review earlier this year. They provided a sensible set of ideas: higher property taxes, higher fees, outsourcing where appropriate, and rationalizing administrative services.

They also recognized what the City's Finance staff said for years: the key to success is taming the large budgets: emergency services (Police, Fire and Ambulance) and transit.

These residents have shown more wisdom than the members of Council who cannot recognize that the ways of the past no longer will produce the balanced budgets that Provincial legislation requires.

It's a problem on all sides at Council.

Many of the Councillors who voted for the personal vehicle tax five years ago, voted for its repeal, causing a \$60 m revenue problem.

Making transit an essential service also made it next to impossible to reform.

Accepting only half the target reductions from emergency services and transit will not produce overall savings necessary, simply because those budgets are so large. Letting the large programs off lightly will only put much more pressure on smaller departments.

Not acknowledging that significant amounts of municipal services, particularly administrative and support functions, can be done less expensively privately makes the City workforce even less productive and takes resources away from other areas.

Even with all of these shortcomings, the change in overall direction at least acknowledges reality. The time of annual provincial subsidies and reserves to plunder have gone.

Although there is justifiable concern about the seeming chaos of individual decisions, change is absolutely necessary.