

MONEY IS POLITICS

Thursday, March 4, 2010

Since the global financial meltdown, governments across the world have been called on to do extraordinary things to avert a massive depression. As a result Ontario projects a \$24 billion shortfall, and the federal government nearly twice that amount.

But because municipalities are forbidden to run an operating deficit, Toronto is said to have an exceptional budget crisis. Certainly, when you consider the impact of shifting to reduced commercial tax rates, and the increase in social service costs as unemployment hovers around 10%, it is a small miracle that the City can achieve a balanced budget.

It is also important to remember the irresponsible three year tax freeze of the Lastman years that reduced the revenue base by some \$250 million. On the other hand, the implementation of the land transfer tax did not result in the dire results predicted by its opponents. Simply put, if we want to have a great city we as the people of Toronto have to invest in it. Past generations used their taxes to invest in significant infrastructure, efficient transit and vital social programs – we cannot shirk our responsibility to do the same.

A 2.5% INCREASE IS NOT OUT OF LINE

Between 2003 and 2008, the City of Toronto's operating expenditures increased by 27%. Over the same period, municipal government operating expenditures across Ontario increased by 31%. Per capita operating expenditures in the City of Toronto increased by 23% compared to 24% across the rest of Ontario. Toronto is not out of line with either other cities or senior levels of government. In previous years, a number of 905 municipalities had larger increases than Toronto, even though many of them are still realizing huge development charge revenues related to urban sprawl.

The City of Toronto 2010 proposed budget would result in a 2.5% tax increase. It is a political decision to split that increase as a 4% rate on homeowners, but only a 1.33% increase on commercial property. Cutting costs of childcare centres, outsourcing ski programs, or raising fees on family recreation are wrong measures that do little to address the problem.

Let's be clear. The funding crisis hits every large downtown municipality in Ontario. It has existed since the province downloaded social service costs, transit, and other obligations onto cities without an equivalent source of revenue. Toronto gets only about six cents of each tax dollar collected from its residents. With that, it needs to provide police, emergency services, roads, transit, and a myriad of other programs that are vital to our quality of life. The math is very simple – you can't have a great city for only six cents on the dollar.

The real solution lies in a fair share of revenues. Queen's Park and Ottawa have access to many different revenue streams, starting with progressive taxation. The refusal by Queen's Park to commit to the 2010 transit operating subsidy is a stunning abdication of responsibility. It's bad enough that social services uploading won't be complete for nearly another decade.

CHOICES CAN BE MADE

Toronto's long-term budget dilemma won't be fixed by selling off public property. But there are important options that are available:

- Cities are challenging private telecoms which pay almost nothing for burying their lines under our roads.
- Senior levels of government pay only a fraction of the property tax rate on their buildings –that should change.
- Energy retrofits of all public buildings would reduce utility costs tremendously, while Toronto Hydro could partner with our schools and universities to take advantage of the new feed-in tariffs for alternative energy.
- Full development charges could be applied this year
- There could be a surcharge for new developments that fail to meet stringent green building standards.
- And yes, there could be a moratorium on locking commercial rate increases to only one third of homeowners.

There are other strategies that are also important to pursue. Fixing our broken EI system would save the city millions in welfare payments, as well as provide dignity to those of our neighbours who have lost their jobs. Allying with other large cities to demand a responsible federal transit strategy could secure millions more to expand rapid and accessible transit.

We are Canada's largest city, with a huge leadership role to play in economic development, the environment, racial diversity and social cohesion. Yes, it takes money and effort to succeed in that role. And future generations will say it was well worth the investment.

Executive Recommends:

Labour Council support the general outline of the City of Toronto 2010 Operating Budget, but oppose cuts to childcare, new fees for recreation, and outsourcing of ski programs.

Labour Council call on affiliates and union members to actively engage in the public debate about investing in public services versus the agenda of tax cuts, privatization and outsourcing.