

January 4, 2006

## **Toronto ready to work with Province on the next step of the New Deal** *2006 operating budget requires provincial partnership*

Working with the Province to address the growing cost of provincial programs to the City of Toronto's operating budget was the major theme discussed at today's special joint briefing of the Policy and Finance and Budget Advisory Committees.

At the briefing, Councillor David Soknacki, Chair of the Budget Advisory Committee stated, "Even with the cost containment measures that have been implemented over the years, there is no room left to solve what is now a significant budget issue for the City. We will look at all options internally and with the Province to address the problem and permanently put Toronto on a stronger financial footing," said Councillor Soknacki.

Soknacki outlined five strategies to address the structural fiscal problems facing the City and address the \$532 million operating budget shortfall:

1. Committee and Council find further savings in the budget – beyond the \$43 million already outlined
2. The City consider appropriate tax increases and use of reserves and other revenues where necessary
3. The Province pay for the increased cost of provincial programs and continue to defer repayment of the amalgamation loan
4. The Province take back housing and income redistribution programs – funding such programs from the property tax does not work
5. The City be given access to revenues that grow when the economy expands. Revenues from growth may then be reinvested into maintaining City services.

"We are asking the Province to work with us to resolve this situation permanently," said Mayor David Miller. "Everyone agrees that there is a structural financial problem. Now is the time for the Province to take the next step in implementing the new deal for Toronto," added the Mayor.

At issue is the ability of the City to balance the \$7.65 billion 2006 operating budget when the cost of paying for provincial income redistribution programs has now reached the point where funding such services has put a drain on the delivery of basic municipal services. In 2006 alone, the cost of paying for the Ontario Disability Benefit will be more than \$167 million and the underfunded costs of providing provincial social services will cost an additional \$59 million. Other major operating budget pressures come from negotiated cost-of-living increases for staff and increased costs for utilities such as fuel and electricity.

More than 60 per cent of the property taxes paid by average homeowners go toward providing critical City services such as police, fire, emergency medical services, the TTC, garbage collection and recycling, libraries, parks and roads. However, property taxpayers are still required to pay for programs that were downloaded by the Province without adequate funding. Provincial programs such as social housing, disability payments and other income support programs make up about 35 per cent of costs to be funded by the property tax base. The City of Toronto, like other major municipalities, believes that such programs should be properly supported by the Province through income tax.

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“City services have the greatest effect on the quality of life and success of business in Toronto,” said City Manager Shirley Hoy. “Toronto compares favourably to other municipalities in the delivery and effectiveness of critical services. However, the City can no longer afford to compromise services to pay for provincial programs. There are no cuts available to us to meet the large gap in funding that has been created by not having this issue addressed by the Province,” said Hoy.

Chief Financial Officer Joe Pennachetti stated, “Since amalgamation, the Province has provided temporary assistance each year that has helped the City manage through some difficult times, however, a new deal is required in 2006 to permanently address the City’s structural financial issues in the operating budget.”

Toronto will work with the Province to solve the 2006 operating budget shortfall and permanently resolve the issue. Matching resources and revenues to service responsibilities continues to be an important tool for managing the cost of service delivery.

Addressing the problem will require the Province of Ontario to take back responsibility for income redistribution programs, and provide Toronto with revenues that grow with the economy. Revenues that grow when the economy does, will provide Toronto’s government with the funding needed to sustain growth and the dollars required to maintain infrastructure and reinvest in critical services.

In 2005, the Toronto Transit Commission benefited from the support provided by taxpayers through the provincial and federal government sharing a portion of the gas tax with the City. Further partnerships are now required to ensure Toronto has the capacity to continue to deliver important City services.

Toronto City Council has focussed on delivering on the priorities of residents – such as making Toronto clean and beautiful, improving the waterfront and increasing Toronto’s tax competitiveness. Responding to the City’s fiscal issues will help to ensure the priorities of the people of Toronto continue to be addressed by City government.

Toronto’s operating budget will be considered by standing committees beginning tomorrow. Deputations to Committees may be presented. Please visit the City of Toronto’s website at [www.toronto.ca](http://www.toronto.ca) for more information.

Toronto City Council will review the final operating budget at the Council meeting scheduled for March 27 to 31, 2006.

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