

December 6, 2011

SENT BY MAIL AND EMAIL

Councillor Mike Del Grande
Chair, Budget Committee
Toronto City Hall
100 Queen Street West
10th floor, West Tower
Toronto, ON M5H 2N2

Dear Councillor Del Grande:

On behalf of CFIB's 5,000 small and medium-sized member businesses in Toronto, we would like to thank you for the opportunity to comment on the City's 2012 budget. Given the critical role that our sector plays in the economy, the views of independent business owners should be given careful consideration.

While Canadian governments may have weathered the economic downturn better than most, the impact on public finances has left Toronto in an unsustainable fiscal position, with spending outpacing population and inflation growth since 1998. Many Torontonians have already felt and dealt with the post-recession implications of the economy in their own place of business, through cutting their own salaries, freezing wages and reducing overhead expenses. They rightly expect their governments to make the same sorts of difficult decisions they have made. To that end, we are encouraged to see the initiative that the City of Toronto is taking in reducing expenditures, finding efficiencies and trimming the size of the city administration.

On that score, public sector compensation is by far the biggest expenditure in the municipal budget (close to 50 per cent of spending). According to CFIB's most recent *Wage Watch* report which examines public vs. private sector wages, Toronto civil servants enjoy a 12 per cent wage premium (36 per cent including benefits) over their private sector counterparts in matched occupations. Aside from generous wages, public sector pension plans have also become a serious threat to the municipal budget. Currently, with no standard measure for public sector pension liabilities, the City has no handle on how much taxpayers could be on the hook for. Better disclosure on public sector pension plans would go a long way to increase accountability and transparency.

Addressing the private versus public sector wage and benefits gap would provide a win-win situation by reducing public expenditures and increasing fairness for all Torontonians, namely, SME owners who pay for the generous wages and benefits of civil servants, but cannot afford anything remotely comparable for their employees or for their own retirement. The City of Toronto should follow to lead of other cities. For example, the City of Regina rejected a request by one of its unions to increase contribution rates for its civic employees' pension plan. Instead, the municipality has opted to focus on examining (and potentially reducing) benefit levels and introducing a Target Benefit plan for new plan entrants to cap future liabilities for City taxpayers. More recently, the City

of Saint John has suspended annual indexation of pension plans and removed overtime pay from pensionable earnings in an effort to make plans more sustainable.

Another budget envelope that directly impacts small business is property taxes. In the CFIB report entitled *A Tale of Two Tax Rates*, Toronto had the highest commercial to residential property tax ratio out of 200 Ontario municipalities. While the 2012 budget calls for an increase to property tax rates, it is important to ensure that the City continues with the Enhancing Toronto's Business Climate Plan to reduce the gap between business and residential property classes. This is especially important given the uncertainty of the City's economic future, and the fact that small business cannot afford to be hit with large increases in profit-insensitive taxes, which are essentially a tax on jobs.

The City's budget priorities should also consider the overlap and duplication in regulation and paper burden. Regulatory relief initiatives would offer opportunities beyond cost savings for the City; it would give small businesses the ability to focus on creating jobs rather than completing costly government paperwork. Specific examples of relief measures could include streamlining the process for obtaining permits and licenses; harmonizing environmental reporting rules with those of other levels of government; and amending the city's signage by-law. Other relief measures can be drawn from work that CFIB did with City officials and other stakeholders under the Toronto Prosperity Initiative. To that end, it is our hope that with advance notice, your government can align announcements, policies or planned reforms on the regulatory file during the week of January 16, representing CFIB's third annual "Red Tape Awareness Week", which raises public awareness about the impact that excessive government regulations and paperwork has on small businesses.

Finally, it is important for the City to improve its budget consultation process. First, a budget lock-up would give stakeholders such as CFIB an opportunity to ask questions and better understand the budget documents. Second, assigning specific timeslots for public deputations (as done at other levels of government) would increase efficiency, instead of requiring stakeholders wishing to make presentations to potentially stay overnight in order to provide their feedback to City Councillors.

In closing, thank you again for the opportunity to discuss our members' priorities. CFIB is prepared to work closely with the municipal government to ensure the needs and concerns of small and medium-sized businesses are fully considered, especially at a time when Torontonians are depending on the City's job-creators to get us through these challenging economic times.

Sincerely,

Original signed by:

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