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Toronto City Budget 2017:
No more rabbits to pull out of the hat

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Thank you for the opportunity to talk with you about the City of Toronto's long-term financial direction, which has been prepared by the city manager, the chief financial officer and two deputy city managers.

The report provides you, as decision makers, with information that is crucial to the future of our city. While I don't agree with all of its proposals, I really want to commend the staff members who prepared this report.

It provides you with the fiscal context for the remainder of this term and beyond. It explains how we got here. It provides projections of what the city's finances will be if you do not take action. It provides you with tools and resources to support the decisions you will need to make. And it provides you with enough lead time to act on it for the 2017 budget.

The report starts by taking us through the last six years of the city's finances.

It shows that city spending has grown more slowly over the past six years than it did before.

When you take into account inflation and population growth, spending has dropped slightly.

The report explains that these reductions in expenditures have not been across the board. Spending on public safety, transit, and rate-supported programs has increased, while spending on cost-shared programs has fallen.

This slow growth in spending is also the result of putting off capital expenditures.

Many of you might think that this slowdown in city expenditures was a good thing. But whether you think this was a good thing or a bad thing, it cannot be sustained.

Savings from cost-shared programs will now go to the province because of uploading.

Delayed spending has a ripple effect: it will increase costs in 2017 and beyond.

The staff report also provides important information about revenues.

It tells us that property taxes are decreasing as a share of revenue and on a real, per capita basis.

To provide a context for how slow that growth has been the report tells us that TTC revenues have increased more than property taxes.

User fees, on the other hand, have increased much faster. This has allowed the rate-supported budget to match increased expenditures with increased revenues.

Property taxes have increased by about 14 per cent, compared to the 39 per cent for rate-based revenues. These rate-based revenues are not small change: they are equal to about 40 per cent of property tax revenues — $1.7 billion.

The final piece of the revenue picture, of course, has been the increased reliance on the Municipal Land Transfer Tax (MLTT). In fact, the report says that you would not have been able to balance the operating budget without these increased revenues.

The combination of these circumstances on both the spending and the revenue side — falling shared costs, delaying spending, and maturing of the MLTT revenues — was unique and will not continue.

The report also provides helpful information on expense and revenue projections for the next five years.

It shows that the opening spending pressures start at $483 million for the 2017 budget. If they are addressed, those spending pressures can be reduced to a very manageable $93 million by 2021.

However, if they are not addressed, they will rise to $1 billion by 2021.

So, where does this leave you?

You will no longer be able to have slow growth in revenues and maintain or enhance services at the same time.

You will have to make some choices. They will not be easy. But these are choices that you have been elected to make.

If you believe that maintaining low property tax increases is of paramount importance, then you will have to decide which services should be reduced. And there will be a public debate about your decisions.

If you decide that services need to be maintained and expanded, you will have to increase existing taxes, introduce new ones, increase user fees, or sell off public assets — or a combination of all of the above. There will also be a public debate about those decisions.

That arithmetic has been laid out for you in this staff report. However, it also offers you help and guidance in whichever path that you choose:

It suggests mechanisms to improve your expense management processes. These will be important for either path that you choose. Ensuring that public dollars are spent wisely is important for a number of reasons, including maintaining residents' faith in government and public services.

The report also outlines the limitations of cost reductions and the mixed success that government has had going down this path in the past.

It also shows you the resources that staff will be providing to support your decisions on revenues, including: asset reviews, the development of the city building fund, and the revenue options report.

The time has come for the mayor and all city councillors to act on the report's recommendations.

The time for magical thinking about the city's finances is over. There are no more rabbits to pull out of the hat.

Toronto's residents are counting on you to have an adult conversation about taxes and services and to make the right decisions to ensure public health and safety, as well as to ensure that Toronto continues to thrive in the future.

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