TORONTO REGION BOARD OF TRADE

Councillor Shelley Carroll
Ward 17 - Don Valley North
Chair of the Budget Committee

City of Toronto
100 Queen St. W.
Toronto, ON M5H 2N2

RE: City of Toronto – 2025 Budget Submission

Dear Councillor Carroll,

The Toronto Region Board of Trade (the Board) is pleased to participate in the City of Toronto's budget planning process for the 2025 fiscal year.

As the largest city in Canada, Toronto's success is vital to sustaining and driving the economic prosperity of the country. The Toronto Census Metropolitan Area generates 20% of national GDP but is struggling under the weight of its own growth. Left unaddressed, structural budget deficits will create challenges for effective service delivery and necessary capital investment, and damage investors' perceptions of Canada as an attractive place to do business. Our region's ability to compete globally is more important than ever in the face of economic headwinds and political uncertainty from the United States, by far our most important trading partner. There is no room for error or delay in delivering on a growth agenda for our city and region.

The City has made commendable strides in tackling its budget challenge. The three-year "New Deal" between the City of Toronto and the Government of Ontario has contributed to reducing the opening budget pressure for 2025 to $1.2 billion, down from the historic high of $1.5 billion in 2024. The introduction of multi-year budgeting has resulted in a more transparent long-term view of the City's fiscal health and, coupled with the uploading of the Gardiner and DVP, has contributed to improvements to the City's credit rating from major agencies. The multi-year projections show opening pressures declining further to $700 million by 2027— welcome progress, even as it demonstrates how much work remains in a best-case scenario.[1]

Despite this progress, the City remains in a budgetary crisis with daunting long-term implications. The draft budget proposes a 6.9% property tax hike. This is lower than last year's unprecedented 9.5% increase and maintains Toronto's position as having one of the lowest

[1] Budget Launch, January 13, 2025

property tax levels in the province. However, the proposed increase remains one of the highest increases in recent decades and will put added strain on the tax base at a challenging economic time.

Meanwhile, the City continues to face alarming unfunded capital needs. The uploading of the Gardiner Expressway has provided about $1.9 billion in capital relief over a 10-year-period, much of it directed to badly needed state of good repair backlogs in areas like the Toronto Transit Commission (TTC) and Toronto Community Housing Corporation. But the challenge of keeping up with the capital investments needed is exemplified by the budgets of these two critical cost drivers, which still account for $26 billion in unfunded capital needs.[2]

The Board recognizes that the City cannot solve this crisis alone and needs help from other levels of government. This includes funded mandates for services delivered by the City that are traditionally in the purview of the provincial or federal governments. Last year's "New Deal" with the Province was a start, but more long-term solutions are needed, and the Board continues to champion this need with all levels of government.

However, funded mandates and increased taxes cannot be the full solution to the City's challenges. Fortunately, Toronto has further tools in the budget toolbox that it has not yet deployed. The Board has highlighted these tools in previous budget submissions, and at its *Broken Budgets Symposium* in November 2024. In this submission, we once again urge the City to actively pursue the following:

Improve fiscal capacity by leveraging public assets:

Leveraging public assets through new ownership and delivery models is a big idea that has been embraced by jurisdictions around the world—a transformational fix that the City has historically resisted. Publicly owned and operated assets in the form of land, transit, housing and energy contain huge untapped value. Cities with diverse political values—from Hong Kong to Copenhagen—are successfully adopting models that integrate private sector expertise and funding while safeguarding the public interest and improving service quality. By looking for strategic opportunities the City can identify creative, mutually beneficial partnerships that enable Toronto to recycle and reinvest in critical infrastructure, unlocking the fiscal headroom so desperately needed to properly fund our core services.

Control operating costs through shared services and procurement:

Opportunities exist to deliver services more efficiently and effectively, including through greater collaboration and coordination with other cities in the Toronto region. A 2023 report

[2] Recommended 2025 Operating Budget; 2025-2034 Capital Budget and Plan and 15-Year Capital Investment Plan and Real Estate Investment Plan Update, and 2025 Budget Notes, Toronto Community Housing Corporation

for the City led by EY and StrategyCorp, *Fixing the Problem,* identified a number of opportunities available to reduce operating costs. Included among them are suggestions to increase use of digitalized service delivery and process automation, and to further explore use of shared services agreements. The report suggests that these, along with roughly nine additional options to reduce operating cost, could save the City up to $600 million annually.

Establish a municipal Treasury Board to better prioritize scarce resources:

The current decision-making process within the City of Toronto is not designed for coordinated evaluation of financial decisions based on city-wide priorities. The City lacks an apparatus for expenditure management to ensure spending is focused on areas of greatest need to catalyze economic prosperity. This could be addressed through introduction of a treasury board-like function—typically responsible for accountability and ethics, financial, personnel and administrative management, and comptrollership—designed to improve governance by ensuring budgetary decisions factor in the full forecasted financial impacts and associated risks of anticipated expenditures. This function would put a focus on long-term fiscal sustainability and allow more effective prioritization of expenses.

The Board is eager to work with the City and other partners to tackle the fiscal challenge. In an era of political and trade uncertainty, it is more important than ever that the City has fiscal headroom to address barriers to our productivity and competitiveness—including the challenge of congestion, on which the Board's Action Plan will be released in the coming weeks.

We welcome this opportunity to participate in consultations and look forward to our ongoing work together to make Toronto one of the most competitive and sought-after business regions in the world.