

City floating on new revenue streams

THE STRUGGLE FOR REVENUE

Toronto may be the only GTA city with extra taxing powers, but it's not the only municipality with fiscal problems.

MISSISSAUGA AND BRAMPTON

Politicians want to apply surcharges now to avoid massive tax hikes in the future, when their cities' infrastructure will need repairing or replacing.

In November, Mississauga council endorsed just such a plan, voting to add a 5 per cent surcharge to residents' property-tax bills this year. Brampton is considering the same.

IN TORONTO

Councillors have passed two new taxes: a land transfer tax and a vehicle registration fee. The new taxes, which will raise \$175 million in 2008, were created using the new powers handed the city by the province. (Mississauga and Brampton do not have the same power.) And city officials won't rule out more taxes on things such as alcohol, tobacco and entertainment.

But more help from Queen's Park, plus a 1 per cent sales tax, may be needed in 2009
January 06, 2008

Vanessa Lu
CITY HALL BUREAU CHIEF

Toronto's annual budget battle might be more aptly titled "beg, borrow or steal."

That's because the city always seems to be on a financial precipice, with politicians and senior civil servants anxiously scratching their heads over how the budget crisis will be solved.

Without enough to pay for basics like transit, welfare and social housing, the city must constantly beg for cash from Queen's Park, increase its debt load by borrowing, or steal - otherwise known as raiding its reserve funds.

In December, Finance Minister Dwight Duncan announced a total of \$500 million to fund transit programs across the province - of which Toronto is supposed to get a large chunk.

Though final numbers aren't expected until later this month, Mayor David Miller says that commitment, along with a property tax hike of 3 or 4 per cent, will allow the city to balance its books this year.

Despite the smiles, Councillor Paul Ainslie, who sits on the budget committee, says the "beg, borrow or steal" method of managing city finances isn't over.

Last year's 3.8 per cent property-tax hike - though well above the inflation-pegged increase Miller had promised in his campaign - didn't even cover all of the city's increased costs, Ainslie says.

The inflation rate in April 2007, at the time of the budget vote, was 2.2 per cent. Each tax increase since 2004 has exceeded inflation.

Budget chief Shelley Carroll is more optimistic about this year's debate on the \$8 billion budget, thanks not only to the additional commitment from Queen's Park, but also to additional revenues expected from the new land transfer tax and vehicle-registration fees that were debated so bitterly for much of last year.

Those two items are expected to raise \$175 million this year. The budget shortfall is estimated at about \$250 million.

"There was a public outcry and a revolt from the taxpayers of the city," Councillor Denzil Minnan-Wong says of the tax debate and Miller's loss on the first vote. "The mayor was spanked. He took both the people and the votes for granted."

Minnan-Wong, a Miller critic, says the move showed "the mayor is not afraid and he can be very enthusiastic about raising taxes."

Meanwhile, looking back on her first year as budget chief, Carroll says the tax fight was tough slogging. "We had to explain why the public realm enhances your property" and fight off calls "to sell off the TTC, sell off every golf course, sell the public realm."

Though money remains tight, Carroll believes the bigger question remains: How can the budget be balanced down the road?

"We're not a lot better off if (the transit money is) not recurring," she says. "I think people want to see an end to the endless question of `Are you going to give a handout?'"

Carroll is also looking forward to seeing the findings of a provincial review of social-services costs that were forced onto cities during the Mike Harris years, such as welfare and social housing.

"We need to be going on our summer vacation knowing what our destiny is for 2009," she says.

Though the city has no plans to introduce any more new revenue tools, Carroll believes the only sensible solution is a sales tax.

The city gave up the notion of introducing an alcohol or cigarette tax as unfeasible. Because it's so costly to administer such taxes, Carroll says an overall sales tax would be better. A 1 per cent city tax in Toronto would generate about \$450 million in revenue.

Though it looks like the city can balance its books this year, future funding remains uncertain.

"There's a lot of optimism that the provincial government is going to upload some programs, but if it doesn't, we'll be in a worse situation," Ainslie says.

"And if we still have to pay for social programs and the economy ever takes a downturn, we're going to be screwed. We're not printing money in the basement."

Ainslie worries that despite the city's fiscal challenges, the attitude has not changed much.

When council voted last month to stop buying seasons tickets to the Blue Jays game - a savings of about \$95,000 - some budget committee members wanted to divvy up the money, he says.

"Why do we have to spend it? Saving money seems to be a foreign concept for some members of budget committee."