

<http://www.theglobeandmail.com/news/national/toronto/toronto-set-to-slash-343-million-in-big-hurt-budget/article1336814/>

## Toronto set to slash \$343-million in 'big hurt' budget

Departments asked for permanent cuts of 5 per cent a year



Brodie Fenlon and Jennifer Lewington

From Saturday's Globe and Mail Published on Friday, Oct. 23, 2009 11:22PM EDT Last updated on Saturday, Oct. 24, 2009 8:31AM EDT

The City of Toronto aims to cut 10 per cent – or \$343-million – from its net operating budget over the next two years, the clearest indication yet of the deep and painful financial crisis facing Canada's largest city, The Globe and Mail has learned.

The proposed cuts, described as a “big hurt” by one councillor, could mean reductions in services, a prolonged hiring freeze and possible layoffs if adopted by council when it votes on the 2010 budget for day-to-day operations next spring.

The call for cuts, outlined in an Oct. 9 memo from city manager Joe Pennachetti to all departments and agencies, comes as officials moved this week to lop \$25-million in spending by December to ease the fiscal pressures looming in 2010.

By law, Toronto and other municipalities cannot operate in the red, unlike the recession-ravaged province that unveiled a record deficit of \$24.7-billion this week.

As the city faces rising welfare caseloads and an estimated fiscal shortfall of \$400-million to \$500-million next year, departments and agencies have been asked for “sustainable and permanent” cuts that would shrink their 2010 budget by 5 per cent compared with this year, with another 5-per-cent drop in 2011.

If implemented, the cuts would total more than \$171-million in each year on a net annual operating budget of \$3.4-billion (which excludes transfers from the provincial and federal governments).

The memo calls for immediate spending controls, a possible 3-per-cent hike in user fees and “no new

initiatives.”

“It's very serious,” said budget chief Shelley Carroll, of the restraint message. “We have to be realistic and hear loud and clear the challenge facing the other orders of government who are our partners in a number of things we do.”

In past years, city officials have been told to freeze spending, and this year they had to find cuts of 2 per cent to offset higher wages.

But it has been a decade since departments and agencies were asked to trim their budgets by up to 5 per cent.

“We're up against the wall now,” said Councillor Joe Mihevc, who sits on council's budget committee. He said city reserves are nearly tapped out, while Ontario's pledge to pick up the costs of welfare, disability support and court costs is back-ended to 2018.

“Ten per cent over two years: That's a big hurt, but it's something that we may need to do to get our finances in line with our diminished resources,” he said. “Even if we do all of that, we will still be behind the eight-ball in terms of funding.”

The push for cuts sets the stage for several months of political infighting before Mayor David Miller presents what he promises will be a balanced operating budget in February.

Already, some councillors warn that the city manager's request will be hard to fulfill.

“Short of rolling back a contract, you're talking about laying people off at some point,” said Councillor Adam Vaughan, who sits on the Toronto Police Services Board. He added that any reduction in police services would likely be appealed to the Ontario Civilian Police Commission.

The proposed retrenchment is in stark contrast to 2009, when the city hired more than 1,000 new employees to deliver significantly expanded transit and other city services.

The council-approved 2009 operating budget grew by \$530-million to \$8.7-billion, with new spending and help for those hit by the recession.

The mayor's critics say the threat of sharp cuts reinforces their assessment of the city's fiscal health.

“It demonstrates we don't have a sustainable budget,” said Councillor Karen Stintz. “We have been living beyond our means and we have to restrain spending.”

Unlike city departments, agencies and boards operate at arm's length and develop their own budgets before submitting them to Toronto budget officials for review.

For example, on Nov. 16 the board of the Toronto Public Library will debate its 2010 budget, including “reduction scenarios,” said Linda Hazzan, TPL director of marketing and communications.