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Five Thing You Should Know About: Toronto City Hall cost-cutting

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Just five months after council passed an \$8.7-billion operating budget for 2009 (up from \$8.2-billion in 2008), Toronto city manager Joe Pennachetti has ordered some serious belt-tightening. In a memo to department heads, Mr. Pennachetti asked that all city divisions get out their scalpel to shave some \$25-million from operations this year, in preparation for the rough ride expected in 2010. The National Post's Allison Hanes offers five things you should know about city hall cost-cutting:

1 Mr. Pennachetti's ideas for saving money include a "hiring slowdown," holding off on initiating new programs and services that are approved but not set up yet, the curtailing of discretionary spending on travel and conferences, and "service efficiencies" that departmental managers can undertake according to their own discretion. "While I am aware of the service delivery impacts of this initiative, I expect the full commitment of every city program in ensuring the cost-saving measures described above are implemented immediately," he said.

2 Although the 2009 budget signed off on more than 1,000 new hires at city departments and agencies, Mr. Pennachetti is now mandating a hiring chill for all permanent and temporary posts that are unfilled or become vacant. His personal approval will be required for any new hire. There are exceptions, including positions that must be filled to keep up with provincially mandated employee-to-client ratios (like day cares and nursing homes), to ensure health and safety, or those that are 100% funded by other levels of government.

3 Kevin Sack, a spokesman for the city, couldn't confirm whether a similar memo has been sent to Toronto's agencies, boards and commissions, but said they are expected to do their part. "They're aware of the city's financial circumstances, and so the ask of them is to control their expenditures accordingly," he said. "There's an enormous partnership."

4 Councillor Karen Stintz (Eglinton Lawrence) said the cost-saving effort shows the city erred by not getting serious last year when it presented a budget aimed at increasing services and hiring more workers during a recession, cobbled together with one-time funding from the province, “gapping” (not filling vacant posts) and raids on reserves. “We just passed the budget not even five months ago... and we’re already looking for cost-savings,” she said. “It does underscore the fact that we don’t have a sustainable budget.”

5 The \$25-million will go into an end-of-year surplus to be applied during next year’s budget process, added to \$33-million the city saved during the 39-day summer strike. However, those efficiencies are not expected to come close to filling the hole expected in this year’s operations, which Ms. Stintz pegged at about \$250-million and other estimates have put at up to \$500-million. Words that have so far been used to describe the looming 2010 operating budget around city hall include “brutal” and “bloody.” “Definitely what we’re seeing is a contraction in the programs,” she said. “I don’t think we can tinker any more. I think we need to be looking at our entire business and thinking about what services do we really need to offer and also how are we going to manage our debt?”