

The strike's over. The real trouble is just beginning

Even with the long-term savings the city hopes to achieve, Toronto is heading toward a cliff

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A day after a tentative deal to end the five-week city strike, it's time to look at the big picture. What was gained in the longest strike on record by city workers? Where exactly does this leave us as a city?

The unfortunate answer: not much better off than we were when it all started. Even with the long-term savings the city hopes to achieve by phasing out the archaic system of bankable sick days for its workers, Toronto is heading toward a cliff.

The city has an annual budget shortfall of up to \$500-million. Its costs are soaring as welfare payments increase in hard times. Its ability to raise taxes is limited after two unpopular tax hikes – on land transfers and vehicle registration – imposed under Mayor David Miller. The provincial government, Toronto's fiscal saviour in the past, faces a huge deficit of its own.

“This city is running on empty,” said Councillor John Parker, who represents Don Valley West. What is worse, he said, it has been doing so for years. Long before Mr. Miller started complaining about the city's financial troubles to explain his stand in the strike, experts, committees and reports were raising the alarm. Unless it got its house in order, the Mayor's Fiscal Review Panel warned last year, “the city risks a chronic state of dependence on upper levels of government and a perpetual state of not being in charge of its own destiny.”

To his credit, Mr. Miller listened to the fiscal panel and created two new agencies, Invest Toronto and Build Toronto. But Mr. Parker says that the message that the city was in financial trouble “should have been resounding from the walls of this place” – City Hall. Instead, it got lost in the noise as Mr. Miller worked on grand plans for rapid transit and other projects. So when the city took a firm line with the unions as talks got under way this year – after generous settlements for other city workers that the mayor did not seem to mind so much – union leaders appeared genuinely taken aback.

The result was a strike that after all the beans are counted will mean only modest savings for the city. The raises of roughly 2 per cent a year that the 30,000 unionized workers will get in the wage settlement negotiated over the weekend are a notch down from the 3 per cent that police and transit workers got, but quite a bit more than the two-year raise of 0 per cent and 1 per cent that non-unionized city workers were stuck with. The phasing out of bankable sick days should trim the city's liability over time, but may cost it quite a bit up front as workers exercise an option to cash in their banked days immediately. Although the city will trumpet the progress it made on the sick-day issue, municipal workers will keep a host of other benefits, from an indexed pension to generous health and dental plans.

The Fiscal Review Panel warned that the city faces \$2.6-billion in cumulative debt, \$2-billion of unfunded liabilities and another \$2.5-billion in debts for its various agencies, commissions and so on. Instead of making progress on shedding those millstones, the city is going the other way. Its latest budget grew by more than \$500-million, reaching \$8.7-billion. Far from laying off workers, as many strapped U.S. cities have, Toronto is hiring more than 1,000 for transit and other services.

Getting Toronto's red-stained books back in shape will take much more than a single semi-tough showdown with the unions. It will require a big rethink of how the city does business. Should just about all public services be delivered by public servants, as Mr. Miller prefers, or would contracting out some of them save money? Could Toronto reduce its debts by selling assets like Enwave, the lakewater air-conditioning agency, or real estate owned by the Toronto Parking Authority?

The good news is that the combination of recession and strike has alerted a slumbering public to the city's fiscal fix. Now that the strike is all but over and the piles of garbage are about to be cleared away, residents could easily fool themselves that everything is okay. Far from it. The strike should sound an alarm. Toronto is stumbling toward at precipice.

And it's not the fall that hurts; it's that sudden stop at the end.