

Financial reckoning still looms

Carol Wilding, National Post Published: Thursday, July 30, 2009

For 38 days now, Toronto residents and businesses have pitched in to keep their city functioning. They have tolerated garbage drop-off lineups, smelly parks and shuttered daycares. The city's Business Improvement Areas, all members of the Toronto Board of Trade, have organized clean-ups and paid for private trash collection.

They did it because they had a clear stake in the outcome of this strike. They knew, as Mayor David Miller said repeatedly, that this deal needed to be affordable.

But is it?

Mayor Miller was unexpectedly candid during this strike. With negotiations stalled he took the City's offer public. He refused calls to legislate employees back to work, which would likely have resulted in an even more generous settlement than the one now on the table.

That may prove to be small consolation. The agreement provides wage increases of 6% over three years and retains the controversial sick bank for existing employees. As a result, the agreement merely postpones the city's day of reckoning with its precarious finances.

Toronto entered negotiations facing a revenue shortfall of some \$400-million for 2010. This shortfall has been a recurring problem, one that has persisted all through the last economic boom. This shortfall has been the elephant at the negotiating table through this strike. Both sides knew it was there. They just chose not to address it.

Mayor Miller has repeatedly blamed the recession for the city's fiscal predicament, but the City's finances have been hamstrung since long before we were hit by hard times. The recession merely added fuel to an already burning fire.

Union leadership also knew the state of City's finances but did not acknowledge it, for fear of undermining their own bargaining position. But that's near-sighted thinking. If the unions want to be part of the solution, they must first admit there's a problem.

The bottom line: this tentative agreement that will do precious little to tame that \$400-million elephant.

That leaves the city with a mere six months to bridge its fiscal gap.

And it will need to consider some serious measures.

Last year, the city was able to find only \$30-million in real efficiencies on an \$8.7-billion budget. It will have to do better.

It may even need to implement unpaid "furlough days" for its employees, as many American cities are doing. The city's unions would surely balk at a return to the "Rae days" of the 1990s, but both time and options are running out.

The city should also begin immediate public consultations on its next budget. And it must produce a multi-year operating budget to show taxpayers exactly how it will get out of its predicament. If the city can sign a three-year agreement, why can't it produce a three-year budget?

Torontonians should enjoy what's left of the summer. The strike may soon be over, but another financial crisis looms on the horizon.

-Carol Wilding is President and CEO of the Toronto Board of Trade.