

Raise taxes and allow tolls, Toronto told

Blue-ribbon panel also recommends boosting mayor's authority, slashing spending and 'monetizing' assets such as Toronto Hydro

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FROM FRIDAY'S GLOBE AND MAIL
FEBRUARY 22, 2008 AT 3:42 AM EST

TORONTO

— The city should give new powers to the mayor, slash \$150-million a year in spending, hike property taxes for homeowners, allow tolls on its expressways and sell off or better manage Toronto Hydro, says a landmark report on fixing Toronto's ailing finances.

The 86-page document, produced by a six-member panel drawn from business, academia and organized labour, promises hundreds of millions in savings and new revenues in the short term, and billions in the long-term, if the city takes its advice.

Chaired by Blake Hutcheson, president of real-estate giant CB Richard Ellis Canada, the panel was assembled last fall by Mayor David Miller to bring a fresh eye to the city's books in the middle of a political battle over the mayor's controversial new taxes on property sales and vehicle registrations.

Produced after hundreds of meetings with city officials, interest groups and experts, the report criticizes provincial and federal governments for failing to offer more than ad hoc support and says the city faces a \$250-million to \$350-million budget shortfall every year.



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Toronto Mayor David Miller. *(Peter Power/The Globe and Mail)*



It also includes a scathing passage about how the culture at city hall has hampered Toronto, calling council "highly parochial," "riven by factions," and full of "petty bickering, grandstanding to score points, mistrust, bad blood" and memories of past grievances.

And the report warns, in carefully couched language - Canadian Auto Workers union economist Jim Stanford was a member of the panel - that the city and its unions must "restrain" the growth of wages and benefits.

Mr. Hutcheson, a respected business leader with ties to the Progressive Conservatives, said he has new respect for the tough job the mayor and city staff have had in managing their budget. But his report,

he said, pulled few punches.

"I think we've been pretty hard-hitting about the political culture, and about the behaviour of some members of council," he told reporters yesterday at a press conference at the Fairmont Royal York Hotel.

The report urges the city to find \$50-million in cost savings this year, and \$150-million in each of the next two years; beef up the powers of the auditor-general; monitor its 119 arm's-length agencies more closely; bring in a "parking tax" and cut red tape.

It also says the city's relatively high business property taxes must be reduced even more quickly than the mayor's current 15-year plan, which would mean large property tax hikes for homeowners.

Mr. Miller said he accepted all the report's recommendations, but he did not commit to a firm timeline on bringing changes forward. The report also includes praise for the way the city has managed itself in tough times. Yesterday, the mayor was quick to seize on those passages, using them to rebut critics who argue that the city bureaucracy is rampantly wasteful.

"The panel says extremely clearly that the City of Toronto does much of what it does to extremely high standards," Mr. Miller said. "So the idea that some have held that the city is mismanaged and not working efficiently and effectively is over. It's not true."

But Councillor Denzil Minnan-Wong, who fought the mayor's new taxes arguing that the city could find the money through cutting waste, said yesterday the report vindicated his view.

"This report has confirmed that the city can be run more efficiently, that there are savings that can be had," said Mr. Minnan-Wong, who added he supports the report's suggestion to give the mayor the power to hire and fire the city's top bureaucrat, but opposes the idea of adding tolls to the Don Valley Parkway and the Gardiner Expressway.

That idea, pushed by panel member Larry Tanenbaum, chairman of Maple Leaf Sports and Entertainment Ltd., would see the two traffic arteries handed over either to the province or the regional transportation agency Metrolinx, as part of a possible scheme to toll all of the 400-series highways. This would save the city \$20-million a year in maintenance, and the plan would be to give it a share of toll revenues.

Mr. Tanenbaum said yesterday the idea would help push drivers onto public transit, while providing millions to build new subways and light-rail lines.

The report also calls for the city to study ways to "monetize" - but not necessarily sell off - Toronto Hydro, the Toronto Parking Authority, and the lake-water cooling project Enwave, saying the move could produce up to \$3.5-billion to help pay off the city's \$2.6-billion debt. Mr. Miller has ruled out selling Toronto Hydro, but suggested yesterday that hiving off part of it, such as its telecommunications arm, might be worth investigating.

The report's warning that the city's unions would have to show restraint did not sit well with Ann Dembinski, president of Local 79 of the Canadian Union of Public Employees, which represents the city's inside workers.

"It's the City of Toronto workers who they expect to bear the brunt of all the wrongdoings of the City of Toronto. We went eight years without a wage increase in the 1990s," Ms. Dembinski said. "...We will not be going without a wage increase."

The panel, which also included Paul Massara of Genesis Capital Corp., former York University president Lorna Marsden and Toronto Community Foundation head Rahul Bhardwaj, was created as part of Mr. Miller's strategy to woo centrist councillors to support his controversial tax plan, which eventually passed last October.

Fixing a broke city

In addition to routine budget chopping, the mayor's external panel on the city's finances suggests several new ideas to save the city money:

Tolls on the Don Valley Parkway and Gardiner Expressway: "Uploading" the DVP and the Gardiner would save \$20-million a year, and more money if the move came in exchange for a share of a future tolling system on the province's 400-series highways. This idea is on the table at the province's new regional transportation body, and has Maple Leaf Sports and Entertainment chairman Larry Tanenbaum behind it.

A review of key assets: The report says as much as \$3.5-billion could be recovered through monetizing - selling off or refinancing - key city assets such as Toronto Hydro, the downtown lake-water air-conditioning project Enwave, or the Toronto Parking Authority. This would be enough to kill off the city's \$2.6-billion debt and eliminate the \$440-million it spends annually in debt service charges. The mayor has ruled out an outright selloff of Toronto Hydro as a whole, but

other options remain open.

Better managed real estate: The city should control all \$17.9-billion of its holdings - and those of its arm's length agencies, such as the Toronto Transit Commission - from one office, with an aim to making an extra \$150-million a year through development and selloffs.

A stronger mayor: The mayor should be given the power - now held by the 45-member city council - to hire and fire the city's top bureaucrat, and his cabinet-like executive committee should get more staff and higher pay than other councillors. While it will be up to city council to approve such changes, even the mayor's opponents sounded open to the idea yesterday.

A better-integrated transit system: In addition to a call for better co-operation between the Toronto Transit Commission and other transit agencies, the report calls for a study of the "costs and benefits of full integration of the regional transit system in the long term," which presumably involves the takeover of the TTC by the province's Metrolinx transportation agency, something the mayor has said he would fight.

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