

Citizen Control of the Citizen's Business

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFORMATION WITH REGARD TO TORONTO'S BUSINESS.

ISSUED BY THE

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THE TORONTO BUREAU OF MUNICIPAL RESEARCH

ISSUED

“AN IMAGINARY LETTER FROM A HYPOTHETICAL
CORRESPONDENT REPRESENTING A REAL
VIEWPOINT AND ILLUSTRATED BY
SOME OFFICIAL FIGURES.”

The nearer an inquiry is to the beginning of the disquieting conditions, the less it is brought about by compulsion, and the freer the atmosphere of the inquiry is from recriminations, the better for the people who will ultimately have to pay the bills, and the smaller these bills are apt to be. An inquiry in 1924 would have been much better than in 1926; but it cannot be longer avoided and is evidently much overdue. In order that the suggestions and facts contained in the letter above referred to may be brought to public attention again, a part of it is reproduced herewith.

AN IMAGINARY LETTER FROM A HYPOTHETICAL CORRESPONDENT REPRESENTING A REAL VIEWPOINT AND ILLUSTRATED BY SOME OFFICIAL FIGURES.

March 22nd, 1924.

Mr.
Toronto.

Dear Sir:—

Some months ago you asked me, as a newcomer to Toronto, to give you my impression on the Harbour Front situation. Shortly after doing so, I decided to settle down, at least temporarily, in Toronto, with a view to making this the permanent headquarters of my business, if Toronto's obviously great advantages were not proved in practice to be offset by other great disadvantages. So far my experience has been satisfactory, although the burden of local taxation is by no means light and will constitute an item by no means negligible in the overhead of my business. There is one point, however, which is giving me considerable concern and which, in my judgment, if not grappled with at once, will in the near future become a matter of painful concern to all taxpayers, which means, of course, all residents.

A man may judge his condition by his appetite and the way he feels. Or he may submit himself to a thorough physical examination at the hands of a physician. His feelings and his stomach may tell him he is in a bad way, and his physician may tell him that he is organically sound and that all he needs is a tonic. On the other hand, his feelings and his stomach may tell him that he is good for a hundred years, and his physician may tell him that he is due for a permanent breakdown in a year or two.

So it is with a civic undertaking. It may look all right on the superficial view, while, on careful analysis, grave dangers may appear. On the other hand it may look, on the face of things, as if it were heading for the rocks, while a careful examination may show clear water just ahead.

Recent news items in Toronto press have tended to confirm the uneasy feeling I had when I first came to the city that all was not well with the financial end of the harbour scheme. It may be that an immediate beginning on grade separation on the waterfront and the imminent completion of the Welland Canal, both of which were confidently expected to have been finished long ere this, when the harbour development work was started, would cause a spectacular transformation in the prospects of the City's realizing fully, and in our generation, on its large investments in the harbour development scheme. The long view may ultimately justify itself, but the short view is not exceedingly reassuring. In my judgment, unless something practical is done on the basis of present conditions, the ultimate results which everyone has had enthusiastically in mind may be seriously jeopardized and within a comparatively short time all or a part of the sinking fund and interest charges may be transferred directly to the broad but bending backs of the taxpayers. If this were to happen, what would be the effect on Toronto business and industry, even now in unequal competition with the business and industry of other centres not so heavily burdened by local taxation?

Nothing is to be gained at this time by recrimination or bitter criticisms either of the practical work of carrying out the programme or the soundness of the views of those who originally promoted it. For years the programme has had both the moral and financial support of the city. The community cannot unload its responsibility in either case, but it is the part of wisdom to examine the facts.

I have experienced great difficulty in securing direct information on matters of importance and am under the impression that, whether culpably or not, the citizens of Toronto have not been in touch, from the beginning until now, with detailed information which would have given them a clear understanding of actual conditions. If they had actually known the facts and realized their significance, a control might have been provided which would have lessened the extent of the capital expenditure. As it is, it may come as an unpleasant surprise to many taxpayers that, unless there is a rapid and radical change in conditions, they may find themselves obligated to the extent of \$1,000,000 a year, possibly, for harbour deficits. The present diffuse form of municipal organization with a multiplicity of departments and "outside boards" makes it extremely difficult for the average citizen to get a clear picture of the city's financial problem as a whole. It will surprise many to learn that harbour deficits have accumulated as follows:

To December 1st, 1917.....	\$ 297,466.96
Deficit for year 1918.....	208,693.71
Deficit for year 1919.....	549,012.05
Deficit for year 1920.....	657,689.77
Deficit for year 1921.....	874,173.36
Deficit for year 1922.....	1,040,557.77
Estimated deficit for 1923.....	1,187,173.60
	<u>\$4,814,767.22</u>

I find Toronto very convenient for my type of business and I certainly hope that I shall not be chased out by increasing taxes.

Sincerely yours,

Since this was published the Report of the Auditor for 1924 has been issued. This shows that the accumulated deficit as of December 31st, 1924, had increased to

\$6,253,007.27

The Bureau is informed that the accumulated deficit as at December 31st, 1925, was about

\$7,500,000.00 (estimated).

The City Auditor leaves us in no doubt as to where this money came from to meet deficits. He writes in his 1924 Report:

"The Accumulated Surplus of Revenue over Operations in the past twelve years is about \$1,000,000, but this surplus revenue was sufficient to provide for not more than about one-fifth of the interest on the debenture debt. The remaining four-fifths of the interest, together with the amount it has been necessary to set aside, in accordance with the terms of the Trust Deed for the redemption of the Debentures, have been taken care of out of the proceeds of the issue of debentures."

That is, by the end of 1924 debentures to the amount of about \$6,253,007.27 had been issued to pay for the accumulated recurrent deficits due to the tragic inability of the general operating revenue to meet the ordinary operating expense together with the huge annual debt charges. All Harbour Board debentures, irrespective of the purpose of issue, are guaranteed as to the principal and interest by the city. It may be true that during a limited number of years, when active construction was going on, the accumulated debt charges should be included in the debenture debt as representing an asset; but the time has surely arrived when the annual deficit of over a million and a quarter dollars cannot in any sense represent increased assets and should be provided for out of current funds. Of what avail is it for the city to pay all its own current costs out of current revenues if it allows other current costs, not under its direct control, to be met out of borrowed funds for which the city is responsible?

The City Auditor made the facts perfectly clear to City Council in the following paragraphs from his Annual Audit of the Commission for the year 1924:

"It is obvious, therefore, that with the cost of Debenture Interest and of Debenture Redemptions showing steady increase from year to year and with the dependable yearly Revenue remaining comparatively stationary, the present method of financing the difference out of proceeds of further issues of Debentures cannot be continued indefinitely."

"Since the city has guaranteed the Debenture Debt of the Commission, I recommend that the City Council give its serious consideration as to what should be done in the future in the way of finding the most economical method of taking care of the Annual Debt Charges of Interest and Redemptions until such time as the Harbour undertaking is self-sustaining."

It may be a choice of putting 1½ mills on the tax rate now, or of putting 3 mills on the tax rate later. The burden cannot be passed on indefinitely.

Surely the citizens have a right to know:—

1. Whether everything has been done to reduce the annual deficit to the lowest possible figure.
2. What is the least burdensome way of carrying a seemingly ever-growing and unavoidable burden.