

# BUREAU OF MUNICIPAL RESEARCH

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TORONTO  
CANADA

*White Paper No. 187*

*October 26th, 1933*

Three related manuscripts reproduced in one document for public information, with comment and query, not simply to be glanced at but to be examined and studied by taxpayers who care.

## 1. BUREAU OPEN LETTER

Oct. 4th, 1933.

To the Mayor, Members of the Board of Control and Aldermen:—

GENTLEMEN:—

The Bureau of Municipal Research has noted the recently published figures with regard to tax collections, from which it might appear that the City may be spending on current account more than the cash revenue available from tax and other current revenue collections. **If this be the case, which of course the Bureau has no means of knowing, the situation is serious in this fourth year of the world depression as it would indicate that as a municipal corporation, we are not living within our means.** The increase in the current deficit brought forward, \$880,000 in the 1932 estimates and \$1,258,000 in the 1933 estimates, would seem to give some basis for this misgiving.

The accompanying table, based on information as complete as is available to the Bureau, indicates that the collections of current taxes and arrears during the year are falling further and further behind the current gross and net tax levy. In 1928, the collections were more than the gross levy by over \$600,000 and than the net levy by over \$1,200,000. In 1932, the collections were less than the gross levy by over \$2,000,000 and than the net by over \$1,600,000. In 1933, if the collections from August 15th equal those for a similar period in 1932, which is doubtful, even taking into consideration the effect of the extra months of grace, the collections will fall short of the gross levy by over \$2,500,000 and of the net by over \$2,000,000. **On the same assumption the taxes in arrears and uncollected at the end of the year will amount to over \$12,000,000\* as against the amount outstanding as at December 31st, 1932, of \$10,134,166.**

Evidently the framers of the Municipal Act foresaw some such possibility as referred to above and provided that, if the amount collected falls short, estimates may be reduced (Sec. 308, Ss. (1)). May we, therefore, respectfully suggest that if the revenue receipts are actually insufficient to meet the current expenditures, advantage be taken of this

\*It now appears that this estimate may be too low.



provision if it is legally applicable to this case. Otherwise the City will have to borrow money to meet the current cash deficit, and thus add to the already large burden of taxation, a burden shown to be almost intolerable in many cases by the growth in arrears of taxes. Even if good times come immediately, drastic economy should be practised for some years in order that a sound basis may be provided for later advance.

The chief source of revenue which the City must look to is real estate, and the amount the City may borrow for general purposes is based on the assessment. Taxation may be so heavy as to cause a piling up of tax arrears and to reduce realty values seriously, in which case the City's revenue base will be weakened and its ability to borrow diminished.

Citizens who find that their estimated revenue receipts are declining do not wait until the end of the year to revise downward their budget expenditures. Is it too much to expect that their municipal corporation should follow a similar policy? The individual who does not take time by the forelock courts financial difficulties. The municipal corporation may avoid such action only because it has the power of taxation; but should it use it? Why not have the draft budget sufficiently far advanced to make it available for discussion in December previous to the annual municipal election? What might better be discussed in a municipal election than municipal business as outlined in the most important municipal document of the year?

Yours very respectfully,

T. G. ROGERS, President.

HORACE L. BRITTAIN,  
Managing Director.

TABLE SHOWING TAX LEVY (GROSS AND NET) AND TAXES COLLECTED, YEARS 1928-1933.

Being table mentioned in paragraph 2 of the Open Letter, Oct. 4th, 1933.

Year	Gross Tax Levy (Including Ratepayers' Share of Local Improv'ts.)	Reserve for Uncollected Taxes, etc. as given in the Estimates	Net Tax Levy	Total Collected during year (Including arrears)
1928	\$30,158,194	\$605,672	\$29,552,522	\$30,770,406
1929	31,449,922	608,660	30,841,262	31,374,140
1930	33,634,838	484,547	33,150,291	32,612,758
1931	36,820,958	379,822	36,441,136	35,305,442
1932	37,522,157	487,647	37,034,510	28,916,379 up to Aug. 15*
				6,505,970 After Aug. 15†
				35,422,349 Total‡
1933	36,378,545¶	443,222	35,935,323	27,342,959 Up to Aug. 19§
				6,505,970 Estimated after Aug. 19
				33,848,929 Total Estimated for year

\* Page 4 Statement issued Aug. 30th, 1933.

† Difference between above two amounts.

‡ Page 8 Annual Report of the Commissioner of Finance 1932.

§ Page 4 Statement issued Aug. 30th, 1933.

¶ Page 2 Statement issued Aug. 30th, 1933.

## 2. Letter from the Commissioner of Finance to His Worship The Mayor.

(Note. The use of bold face type is the Bureau's).

October Tenth 1933

His Worship Mayor W. J. Stewart,  
City Hall, Toronto - 2.

Dear Mr. Mayor:—

OPEN LETTER—Bureau of Municipal Research—October 4th, 1933,

### RE TAX COLLECTIONS

As requested in your letter of the 5th inst., I beg to comment on the above OPEN LETTER as follows:

1. In the Second paragraph the Bureau states that the recently published figures with regard to Tax Collections indicate that "Taxes in arrears and uncollected at the end of the year will amount to over \$12,000,000 as against the amount outstanding December 31st, 1932 \$10,134,166."

The Bureau may be right in the above assumption, but as pointed out in the recent report on the First and Second Instalment of Taxes, it cannot be definitely determined until December 13th (the date upon which the last 5% penalty charge is imposed) to what extent the reduced collections are attributable to the easement in the terms of payment this year, or to the inability of the ratepayer to meet his taxes.

I do not desire in any way to minimize the seriousness of the increasing volume of tax arrears and realize that the problem must be grappled firmly. To those however who are unduly worried about the present situation I commend for their careful perusal the enclosed statement prepared by the Superintendent of Tax Revenue, showing the levies and taxes collected covering the period 1911-1933, from which it will be observed that the low percentage record of tax collections took place in 1915.

2. In the third paragraph, the Bureau refers to the Municipal Act, Sec. 308 Ss (1) and suggests "that if the revenue receipts are actually insufficient to meet the current Expenditures, advantage be taken of this provision if it is legally applicable to this case." Sec. 308 (1) of the Municipal Act reads as follows:

"Where the amount collected falls short of the sum required, the council may direct that the deficiency be made up from any unappropriated fund, or, if there is no such fund, the deficiency may be deducted proportionately from the sums estimated, or from any one or more of them."

In making the above suggestion the Bureau seems to have overlooked the fact that the Municipal Act gives the City power to negotiate temporary loans against current taxes and also against tax arrears, and as the City's expenditures from month to month do not synchronize with the revenues from taxation, temporary loans against unpaid current taxes have been a common practice in the past but the City has never yet been forced to negotiate temporary loans against tax arrears.

To invoke the above quoted Section of the Municipal Act as suggested would simply mean the suspension of one or another of the Civic Services, an unthinkable proposition.

3. The following suggestion is made in the last paragraph of the OPEN LETTER:

"Why not have the draft budget sufficiently far advanced to make it available for discussion in December previous to the annual Municipal Election?"



This suggestion that the budget for the following year should be prepared in December would be quite impracticable as the City's fiscal year closes on December 31st, and before that date it would be impossible to prepare a statement of Revenues and Expenditures for the current year of sufficient accuracy upon which to base the budget for the following year.

The increasing volume of tax arrears cannot be attributed in any way to lack of energetic efforts on the part of our Tax Collectors. Periodical conferences are held between the City Treasurer and the senior executive officials of the Tax Revenue Branch, and as a result many new suggestions have been adopted and incorporated in the Tax Collection procedure. At the last conference of the officials—held about a month ago—the consensus of opinions expressed by those present was that the slowing up of collections—particularly during the past year or so—was partially due to the erroneous impression held by many taxpayers that the payment of the 5% penalty charge effective this year on August 12th, October 12th and December 13th (two months later on each instalment than last year) absolves taxpayers from further payments until April 30th, 1934. The Assessment Act provides that the Collector may take action to enforce collection fourteen days after payment of taxes is demanded so that it was decided to exert more pressure upon taxpayers who can pay but have not paid, especially those who are delaying payment because of their holding the erroneous impression referred to.

To those unfortunate taxpayers who are under financial strain and in arrears with their taxes, sympathetic consideration has and always will be given for reasonable "extended payment" arrangements to suit each individual case. The common error of taxpayers in arrears, is that so many completely ignore the several notices which are sent out by the Department before the bailiff is employed. These notices specifically invite the taxpayer to call upon the Supervisor of the Ward for the purpose of submitting proposals for "extended payment" arrangements by which, resort to the bailiff can be avoided. It is obvious that if such notices are entirely disregarded the Department has no alternative but to issue a Bailiff's Warrant. In many such cases—especially where the bailiff is employed—the taxpayer naturally seeks the intervention and influence of a Member of Council who hears only one side of the case, and as a result it occasionally happens that sympathy is extended to the taxpayer and undeserved condemnation is heaped upon the Tax Branch, thereby clogging the Tax Collection machinery.

There perhaps was never a time in the history of the City when this Department needed the cooperation and assistance of every elected representative of the taxpayer as at present, and it is earnestly hoped that it will be accorded.

Yours faithfully,

GEO. WILSON,  
Commissioner of Finance.

## TREASURY DEPARTMENT TAX REVENUE BRANCH

(The words within brackets are the Bureau's).

### STATEMENT OF (CURRENT) LEVY AND (CURRENT) TAXES COLLECTED DURING THE CURRENT YEAR, FOR THE YEARS 1911-1933 INCLUSIVE.

Year	Total (Current) Levy Plus Locals, Spec. Chgs., Etc.	Received (on Current Levy) During Current Year**	Percentage (of Current Levy) Collected (During Current Year)
1911	\$ 6,412,559	\$ 5,607,474	87.45
1912	7,370,979	6,386,856	86.65
1913	9,605,770	7,960,007	82.87
1914	11,168,760	9,018,347	80.75
1915	14,529,025	11,304,336	77.81
1916	14,981,712	11,892,494	79.38
1917	16,929,321	13,977,244	82.56
1918	20,267,727	17,155,449	84.64
1919	19,462,297	16,756,418	86.10
1920	21,242,951	18,479,117	86.99
1921	24,998,154	21,319,090	85.28
1922	26,057,471	21,870,035	83.93
1923	26,472,057	21,825,816	82.45
1924	26,726,042	22,326,838	83.54
1925	27,317,411	22,846,720	83.63
1926	27,197,100	22,892,702	84.17
1927	29,649,547	24,978,511	84.25
1928	30,158,194	25,759,127	85.41
1929	31,449,922	26,880,066	85.47
1930	33,634,838	28,317,174	84.19
1931	36,820,958	30,287,617	82.26
1932	37,522,157	29,868,393	79.60
1933	36,378,545	26,123,286*	71.80*

\* Collections to October 7th, 1933.

#### NOTE:

The peak of tax collections was reached in the year 1911 when 87.45 per cent of the total levy was collected; a gradual decline is noticeable until the close of the year 1915, with a collection percentage of 77.81 the lowest on record, (2nd year of the Great War). The years 1916 to 1920 inclusive, show an increase in collections ranging from 79.38 to 86.99 per cent. The years 1921, 1922 and 1923 (period of the last business depression) show a falling off in collections, the percentage dropping to 82.45 in 1923. A gradual increase is experienced during the next six years when a percentage of 85.47 was reached in the year 1929. Since the year 1929 (the beginning of the present depression) a general falling off is again experienced, the percentage dropping to 79.60 in the year 1932, which is due to the continued business depression.

JOHN MAXWELL,

Superintendent of Tax Revenue.

October 12th, 1933.

\*\* The figures in the fifth column of the Table on page 2 attached to the Bureau's Open Letter are for the total Taxes received, Current and Arrears. Hence the apparent differences between the figures in the two tables.



3. MEMORANDUM REGARDING THE LETTER OF THE COMMISSIONER OF FINANCE TO HIS WORSHIP THE MAYOR RE "OPEN LETTER"—BUREAU OF MUNICIPAL RESEARCH—OCT. 4th, 1933.

The "Open Letter" was not primarily a discussion of tax arrears. The tax arrears situation was the occasion of the letter and served as an illustration of the real subject of the letter which might have been headed—"Should the City look ahead throughout the year and limit its expenditures as nearly as possible to probable available revenue receipts?" This is a question of transcendent importance. The following observations are arranged in the order of the points taken up in the Commissioner's letter:

1. The assumption that we made was not that the arrears and uncollected taxes at the end of the year would be over \$12,000,000. The assumption was that the tax collections from August 15th, 1933, would equal those of a similar period in 1932. If the collections are more, of course, the total tax arrears and uncollected taxes at the end of the year may be less than \$12,000,000. If the collections are less, the arrears may be greater than \$12,000,000. **No one can hope more fervently than the Bureau does that the total will be less than \$12,000,000.** We think our Open Letter indicates that the Bureau was quite aware of the easement in the terms of payment this year.

It is encouraging and only what might be expected from a Commissioner so experienced and public spirited that he does "not desire in any way to minimize the seriousness of the increasing volume of tax arrears and" realizes "that the problem must be grappled firmly." The future will show whether or not the problem will be grappled with firmly or whether the City will continue to levy taxes in excess of the taxpayers' ability to pay and to issue debentures to meet expense chargeable to revenue. The question is not whether there ever was a time when Toronto collected a lower percentage of taxes, but whether at this time we will put our house in order so that we may not lose the ground which has been steadily conquered since 1916. We trust that the Bureau is not one of those unduly worried about the tax situation, though it would be glad to know that its concern is unjustified. It believes, however, that the facts warrant real concern. It is to be hoped, of course, that the Council and taxpayers will grapple with the situation effectively.

2. The Bureau did not overlook the fact that the City has power "to negotiate temporary loans against current taxes and also against tax arrears." It did not think it necessary to state this well known fact. Might not the legislature have had in mind, among other things, that some municipality might rather cut its estimates during the year than borrow money on tax arrears or otherwise? It is conceivable, moreover, that the legislature might permit an action which it might not always be advisable to take, and in fact, there are municipalities which are now in difficulties largely because they took full advantage of their powers of current borrowing. Borrowing is possibly not so fashionable or popular as it once was. It is hardly possible that Toronto's present problems can be solved by borrowing more money on temporary or permanent account.

The statement that "to invoke the above quoted section as suggested would simply mean the suspension of one or another of the Civic Services, an unthinkable proposition" would be, the Bureau hopes and trusts, without basis in fact, if the legal provision were to be taken advantage of sufficiently early in the year. It is possible that at this late date, a sufficient decrease could not be made to obviate increased borrowings on current account. But if by application of Section 308 Ss. (1) of the Municipal Act, decreases might be made for two months sufficient to relieve the situation in part, should the possibility be overlooked simply because it does not fully meet the situation? "Half a loaf is better than no bread."

3. Possibly the suggestion mentioned is "quite impracticable." It is encouraging to know that many quite impracticable things have become practicable and actual. In fact, that is the way the world has made progress. With appropri-

tion accounts, showing not only payments but encumbrances against appropriations, it would seem to be possible to estimate the expenditure for the two months at the end of the year sufficiently closely for draft budget purposes. In any event the suggestion was not that estimates for 1934 should be passed in 1933, but that their preparation and consideration might be so advanced that they could be available in draft form before the elections, in which case they could be passed before the end of January, 1934. Any revision necessary in the draft estimates for 1934 could readily be made before the final passing of the estimates for 1934. **In any event, the present consideration of 1934 problems will be all to the good if it leads to definite steps toward economy being outlined before 1934.**

With regard to the paragraph at the bottom of page 2, there has never been any intention on the part of the Bureau to suggest that the collection of taxes by the City is not energetic or is inefficient and that weakness in collection is the cause of huge tax arrears. Past publications of the Bureau show clearly its appreciation of the vast strides which have been made in tax collection methods since 1914. The record of the department in face of the heavy tax levies since 1928 and of the reduced revenues of citizens merits a tribute of respect. One of the causes of the piling up of tax arrears and unpaid taxes is a failure to grasp the realities on the part of policy forming bodies. Possibly even with the most foresighted estimating, a considerable increase in tax arrears could not have been avoided; but that a real reduction of \$2,000,000 in the 1933 estimates might have stimulated tax collection and improved the current cash position of the City is not entirely unreasonable.

The Bureau agrees heartily with the hope of the Commissioner of Finance that the Department will be accorded the co-operation and assistance of every elected representative of the taxpayer at this time, and hopes that the Department will have as hearty co-operation from the taxpayers themselves. That most taxpayers have co-operated in paying taxes as well as they have in view of the present conditions and heavy taxation is a wonderful tribute to their loyalty, co-operative habits and long suffering spirit. The Bureau, in the interests of the citizens and taxpayers, is attempting to co-operate by pointing out the facts as it sees them, and trusts that its attempt will tend to stimulate co-operation on the part of elected representatives and of the people who elect them.

Bureau of Municipal Research,

T. G. ROGERS, President.

HORACE L. BRITTAIN,

Managing Director.



#### 4. COMMENT

##### APPROPRIATIONS AS GIVEN IN THE ESTIMATES FOR THE YEARS 1928, 1929, 1930, 1931, 1932 and 1933

	1928	1929	1930	1931	1932	1933
	\$	\$	\$	\$	\$	\$
Appropriation for unemployment relief.....	100,000	125,000	150,000	400,000	400,000 (550,000)*	Nil.**
Appropriation for exchange....	10,000	10,000	35,000	21,105	Nil.	545,000
Total of other Estimated Expenditure.....	30,175,597	31,971,832	33,582,365	35,922,122	36,101,365	35,056,727
Total Estimated Expenditure....	30,285,597	32,106,832	33,767,365	36,343,227	36,501,365	35,601,727

\* Figure given in the 1933 estimates.

\*\*The City of course pays the administration costs of unemployment relief out of current funds.

#### QUERIES

1. Would anyone from outside looking over the above figures get the impression that we must have been passing through a severe depression, from which we have not yet emerged? Note the total of appropriations other than for unemployment relief and exchange in the line of figures next to the bottom line of the table.

2. Will the 1934 estimates have a more realistic basis than those of years immediately preceding in that they will give adequate recognition to the facts

1. that the present tax burden is far beyond the taxpaying ability of many citizens as shown by the growing tax arrears, and

2. that the growing tax arrears have introduced a new factor into the problem of current financing, viz. the introduction of a reserve (possibly temporary) on account of the slow collection of taxes in addition to the usual reserve for uncollectible taxes, etc.?

#### SUGGESTIONS FOR ELECTORS

##### Suggestion No. 1.

Why not ask candidates in the coming civic election questions such as the following:

- (a) Do you believe that the increasing tax arrears are an indication of decreasing ability to pay taxes?
- (b) If so, do you believe that there should be a reduction in next year's budget sufficiently drastic to halt the increase in tax arrears, or at least, to reduce greatly the rate of such increase?
- (c) If so, will you work and vote accordingly?
- (d) Should taxation be reduced, by funding part of the current expenditures or by reducing expenditures?
- (e) If \$1,600,000 is added to the civic debt by the issue of unemployment relief debentures without making a similar addition to assets which can be shown in the balance sheet, will this be equivalent to adding a new mortgage for \$1,600,000 to the existing total mortgage burden on Toronto homes and real property?
- (f) Do you believe that the purchasing power of citizens and taxpayers as a whole is as important as the purchasing power of civic employees—
  1. From the standpoint of civic politics?
  2. From the standpoint of community economics?