

BUREAU OF MUNICIPAL RESEARCH

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

137 WELLINGTON ST. W.
TELEPHONE EL. 1904



TORONTO
CANADA

White Paper No. 192

January 29, 1934

A Stitch in Time Saves Nine

Because Toronto's municipal expenditures did not recede through reduction of costs as business receded and as ability to pay taxes receded in 1931, 1932 and 1933, the City cannot safely avail itself of the opportunity, which it should be in a position to grasp, of proceeding step by step with any progress of business and industry which may come. It has cooperated for three years with many other governments in prolonging the period of recession and aggravating the results of unemployment by curtailing the general purchasing power of the citizens and taxpayers through levies out of line with their decreased incomes. It and other governments should now cooperate in getting off the backs of business and industry, and of those citizens employed in business and industry, by establishing and maintaining the community overhead of taxation at a lower level for a term of years.

"GOOD NAME, GOOD RISK, GOOD CREDIT" "POOR NAME, POOR RISK, POOR CREDIT"

"One of the main reasons why our municipalities have been able to obtain money freely and at such reasonable interest rates to carry out their improvements and undertakings, is their good name and high credit standing, reflected in the general view, entertained by investors, that a municipal security, being a trustee investment, represents almost the minimum of capital risk. If this is doubted, capital will quickly seek other channels of investment." (Proceedings of the 35th annual meeting of the Ontario Municipal Association: Paper on "Municipal Finance" by Mr. Thomas Bradshaw, F.I.A.).

Toronto can have, as she has had for years and has still, good credit, "cheap" debenture money and a reasonable annual tax burden for debt charges

or

Toronto can have poor credit, dear debenture money and a dangerous annual tax burden for interest and repayment of principal.

She can preserve and enhance her credit and thus reduce taxation, by

1. Continuing to pay "on the nail."
2. Preserving the record of never refunding debentures.
3. Preserving the integrity of her existing sinking funds by using them only for debt retirement.
4. Issuing debentures only for necessary permanent improvements leaving behind capital assets which may be shown on the balance sheet.
5. Continuing the present policy of issuing debentures by the instalment method only.
6. Balancing her budget.
7. Limiting her current expenditures to available revenue receipts, budgeting not according to her wants, but according to the funds actually available to meet her essential needs.
8. Reducing the total of her accumulated unpaid taxes and tax arrears.

She can impair her credit by

1. Using so-called profits in the sinking fund directly or indirectly to reduce the current tax levy at the expense of future tax levies.
2. Issuing debentures to finance expenses which leave behind no balance sheet capital asset.
3. Failing to balance her budget of current revenue and expense.
4. Spending, under present conditions, more on current account than is collected in cash revenue receipts.
5. Allowing the total of her uncollected taxes and tax arrears to continue to increase.
6. Borrowing money to meet current wants or even real needs which are not essential.

"There is one test which may be applied to any municipality, and which will inform us more certainly concerning its financial condition than any other single test, and that is, 'the amount of unpaid taxes.' This one item indicates whether Councils are imposing upon taxpayers, year after year, a load of taxation beyond their ability to pay. It also shows whether they have mortgaged by way of debenture debt, the properties of citizens beyond their ability to meet the debt charges which they carry." . . . "The lower the rate at which the tax levy is set, the greater will be the percentage of taxes collected." . . . "no conservative investor would think of purchasing the security of a municipality that acknowledged that it cannot raise a sufficient amount yearly to cover its annual expenditure." (Proceedings of the 35th annual meeting of the

Ontario Municipal Association: Paper on "Municipal Finance" by Mr. Thomas Bradshaw, F.I.A.).

Conversely the time will probably come, paraphrasing the above statement, when no conservative investor will think of purchasing the securities of a municipality which refuses to reduce its annual expenditures to the amount it can collect annually in taxation and general revenue receipts. Be not deceived. The investor has cut his wisdom teeth on the hard experiences of the last four years. Has the citizen and taxpayer? Or, does he retain his milk set? Or, has he lost all his teeth?

Is it not evident that

1. The tax-rate should not exceed that of 1930 (21.55 mills for general tax, 10.25 school tax for public school supporters, 14.60 school tax for separate school supporters)?
2. The tax levy for school and general purposes should not exceed the 1930 levy (\$30,882,166 gross or \$30,397,619 net)?
3. The necessary reductions can be made by reducing costs at least without seriously reducing either personnel or services to citizens?
5. The accumulated tax arrears must be reduced, if the city is to maintain its credit?
6. That no citizen can afford to be neutral in these matters unless he would remain undisturbed by the further loss of equity in his property and by further reduction in his standard of living?

SUGGESTIONS

1. A further percentage reduction in the rates of pay of public employees, after maintaining or restoring salary and wage schedules, which would net, say, \$1,900,000.
2. Establishment of joint centralized purchasing and price getting for the City and all "outside" Boards, at a saving to the City of, say, \$105,000.
3. Discontinuance of the Civic Abattoir, and sale of the property as soon as possible in order to make it taxpaying, at a net annual saving of, say, \$20,000.
4. Abandonment of the voucher system of relief and the establishment of a system of food distribution depots, saving an unknown but probably a very large amount.
5. Reducing the number of independent civic departments from 15 to at least 10; saving, if properly carried out, an unknown but undoubtedly large amount.
6. Reduction in the number of wards and aldermen, and the lengthening of the term of all members of Council, save the Mayor, to two years at least, with the election of one half each year; saving an unknown, but, over a term of years, undoubtedly a very large amount.
7. Conserving the borrowing power of the City by abstaining for a term of, say, 10 years, from all capital expenditures for undertakings not absolutely necessary or not provably self-supporting.

All of these suggestions, or such of them as are sound and meet with general support, can and will be adopted if citizens and taxpayers who should be interested make frequent use of the telephone and post office on civic business during the next two years, as well as exercise the power of nominating and the right of voting.

The Introduction of Humanity into Municipal Government in Toronto.

A great deal has been heard under this topic in Toronto lately. How many people realize how much "humanity" there is already in Toronto's government?

For example:

1. Every child in Toronto, whether or not his or her father and mother pay taxes or are on relief, has a right to schooling in the public or separate elementary schools and in the secondary schools absolutely without direct charge to

themselves, their parents or their relatives. To keep one child in school one year costs the taxpayers from, say, \$90 to, say, \$150. A family with six children in school gets schooling valued at, say, \$500 to \$700 free out of taxes whether or not his family makes any direct contribution to the tax levy. A man with no children or no children in school pays over \$300 in school taxes if his taxable property assessment amounts to \$30,000. Surely this arrangement has its "human" aspect. The educational services of Toronto, maintained out of public funds required appropriations of over \$11,500,000 in 1933.

2. Every citizen of Toronto suddenly in need of hospital service and unable to make any payment therefor, may be admitted to a public hospital and, if without means, has a right to free hospital treatment. While there he receives the services of the best physicians, surgeons and nurses absolutely without direct cost to the patient. The cost of hospitalization defrayed out of taxes was represented by an appropriation of \$1,000,000 in the 1933 budget.
3. The Toronto Health Department, for which over \$975,000 is appropriated yearly, not only protects the general public against contagious diseases and impure food, etc., but spends over half a million dollars on dental services, medical inspection of school children, out-patient services, and public health nursing, gives free service at least to those who need it in the Isolation Hospital, the annual cost of which is about \$175,000 per year, and co-operates in maintaining clinics at child health centres, tuberculosis clinics, etc.
4. The Police and Fire Departments are as energetic in protecting the lives and property of the poorest as of the wealthiest citizens. Toronto spends annually on protection of human life and private property about \$5,700,000 a year.
5. Public Parks are maintained for those who most need them by those who, presumably, can best pay for them. Public Parks and recreation cost the taxpayers over \$1,500,000 per year, much more per capita than any other large city in Canada.
6. On the credit of all the taxpayers, over \$60,000,000 (amount still outstanding) was borrowed in order to provide public transportation service and to provide light and power at cost.

Toronto citizens and taxpayers are proud to co-operate in providing these and other civic services, but the expenditures or services are strictly limited by the ability of the taxpayers to pay.

There are societies for the prevention of cruelty to children and for prevention of cruelty to animals. As beasts of burden taxpayers deserve sympathy. As human beings they deserve consideration. But they will get neither consideration nor sympathy unless they so act as to inspire respect at election time and between elections.

A flat tire may inspire exasperation or amusement, according to the point of view, but it produces little sympathy or respect.

Recently there has been considerable discussion of the reduction of civic wages and salaries. Civic employees are fellow citizens. Many own their homes and other property; all have a real stake in the welfare of the City of Toronto. Most are courteous to the public, instant in business and loyal to the Corporation. The average pay is not unduly high, at least in prosperous times, and no doubt many are underpaid, considering the responsibility of their work and the skill required. But many of their fellow citizens and taxpayers whom they serve simply cannot continue contributions to the civic exchequer at the existing rate. Tax arrears have piled up, showing increasing inability to pay, and the City must become more dependent on borrowed funds if the present tendency continues. We are all in the same boat. Why not let the boat crew and passengers share more nearly equally the hardships? Surely the boat's crew will be willing.