

BUREAU OF MUNICIPAL RESEARCH

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

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TORONTO
CANADA

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IN A DISCUSSION OF CIVIC CREDIT

in its White Paper No. 182, Feb. 23rd, 1933, the Bureau of Municipal Research listed the following five points as the main causes of Toronto's excellent credit position :

1. "It never refunds debenture debt.
2. "It uses all sinking fund accumulations to retire debt.
3. "It does not issue debentures to meet current (revenue account) liabilities.
4. "It always provides in its estimates for uncollectible taxes.
5. "For some years previous to 1930, Toronto reduced each year its percentage of outstanding taxes and has an efficient tax collection system." (In 1934 this percentage was reduced for the first time since 1929).

The Bureau commented—

"By consistently pursuing these and similar policies Toronto has established an unusually strong credit position. Good credit is not the result of chance, friendship or manipulation. It is the result of consistent work under a sound policy."

FIRST DOWNWARD STEP.

In March, 1933, the City began a retreat from sound policy. It began to fund certain* current expenditures. Let us examine some of the results or at least accompanying circumstances.

I. Increase in debt charges affecting General Taxation, principally as a result of funding direct relief and relief works.

(See p. 10 in 1934 Financial Report of the City).

1936	\$961,105
1937	500,928
1938	424,524

Total.....\$1,886,557†

In the next two years after 1938 there are estimated decreases, if these are not neutralized by increased general debenture debt.

II. Borrowing Margin.

(See 1935 Annual Financial Report of the City, pp. 10 and 39).

Dec. 31st, 1930.....	\$15,923,874
Dec. 31st, 1931.....	14,012,901
Dec. 31st, 1932.....	12,665,496
Dec. 31st, 1933.....	9,882,545
Dec. 31st, 1934.....	6,600,000
Dec. 31st, 1935 (est.).....	2,700,000

III. Civic Debenture Debt, which represents no Civic Balance Sheet Asset, City's share of Direct Unemployment Relief.

(Expenditure Funded or to be Funded).

(Figures for 1933-1935 from the 1935 Financial Report of the City, p. 15).

1932	Nil
1933	\$2,400,791
1934	2,844,315
1935	3,260,000 (Est.)

Total..... \$8,505,106

IV. It is only human nature to suppose that administration of Welfare Expenditures, public or private, out of borrowed funds would tend not to be as efficient, economic and well controlled as out of current revenues or taxes. At any rate, although economic indices set forth on pp. 11 and 12 of the 1935 Financial Report of the City show improvement since 1932 and 1933 and in 1934, the same cannot be said of recent direct unemployment relief statistics in Toronto up to June, 1935.

Families on Relief.

(Figures from p. 11, 1934 Financial Report of the City).

June, 1934	25,236
June, 1935	26,279††

* Net Direct Unemployment Relief Expenditures.

† Of this total, direct relief debt charges in the three years will account for \$1,721,849. In 1937 and 1938 there will be an actual decrease in ordinary debt charges.

†† The number of families on relief declined in July, but was higher than that of July, 1934.

It is possible, though hardly probable, that this increase would have been shown if all or a considerable portion of direct unemployment relief costs had been paid directly out of taxes. Among other factors accounting for the lack of decrease in the size of the unemployment relief problem are the following listed by the Commissioner of Finance:

- “(a) The natural gravitation of “drifters” to the City from smaller municipalities where organized relief measures are inadequate or non-existent.
- “(b) Thousands of persons steadily employed for many years prior to the depression and still eligible for work who will ultimately be displaced by young men and women who have reached the working age since 1930. The majority of these unfortunate victims of the depression may now be classed as “permanently unemployable” and should be provided for by the Federal Government until and after they qualify for Old Age Pensions.
- “(c) Many unemployed people able to support themselves during the early stages of the depression from accumulated savings, which have been gradually exhausted, who are now compelled to apply for relief.
- “(d) Relief imposters, of which recent Court cases, Welfare Department investigations and persistent rumours indicate are much in evidence in all parts of the City.”

In his introduction to the 1935 estimates the Commissioner of Finance recommended the progressive assumption of the City's share of direct unemployment relief costs until by 1940 all such costs would be met directly out of taxes. This would certainly be a step in the right direction. In his financial report for 1934 he makes the following suggestions which in the judgment of the Bureau are also fully warranted and should be adopted immediately:

(Heavy type where it occurs in the following quoted paragraphs is the Bureau's).

“Corrective Suggestions—To effectively correct the inequitable financial burden which is undoubtedly imposed upon the City under the present system, and to eliminate hundreds—perhaps thousands—of imposters who now surreptitiously and dishonestly obtain relief at the expense of the taxpayers, the first step would appear to be **immediate demobilization of all those now on relief and registration of only those who are justly entitled to remain on relief.**

“Establishment of the above plan—which would probably apply beneficially to several other cities—would necessitate the close collaboration and co-operation of the Provincial Government with the City. The procedure suggested may be roughly outlined as follows:

- (1) Appointment of special auxiliary staffs of investigating inspectors by the City and by the Provincial Government, the aggregate cost thereof to be borne in the proportion of two-thirds* by the Province and one-third by the City.

* This proportion would, of course, change if the basis of distribution of direct relief costs changed.

- (2) Demobilization of those now on relief to be ordered in each City Ward in rotation on stated dates.
- (3) Applications for re-registration to be immediately made to the City Welfare Department and passed upon by the Special Staff of Investigators.

"Under the above suggested procedure, the re-registration of the great majority of those now on relief would be accomplished without delay, and the intensive investigation which would be imperative in other cases would quickly expose those who are able to work but unwilling to work, and all imposters now obtaining relief dishonestly; in fact, it is probable that many of the latter class would not risk the danger of making application for re-registration."

A continued policy of drift must result fatally for the high credit of Toronto and will so add to the cost of carrying on business and industry in the City of Toronto as to greatly increase unemployment and reduce assessable values. ..The fact that other communities are in a worse condition than this cannot save the City from the results which certainly follow the pursuit of unsound practices. The Commissioner's recommendations offer the best hope of breaking the vicious circle around which we are now whirling. Is it not more than likely that the moral and cumulative effects would show themselves in financial savings far outweighing the cost of re-registration and the inspection involved? In any event, drastic action of some sort should be taken at once.

It is easy to be generous with the money of other people.

Is it safe—1. Politically?

2. Economically?