

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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The Chief Civic Issues AT THIS MOMENT are

- I. Will the 1936 civic budget be really balanced?
- II. If not, will the amount of unbalance be shown on the face of the document?
- III. Will the general and educational tax levy be reduced so as to meet more nearly the capacity of the taxpayers to pay?

These are the main issues, but there are many subsidiary issues which cause much discussion. Among these are:

1. Should municipally-owned public utilities be taxed?
2. Is the water-works surplus entirely a real surplus?
3. Should reductions in civic salaries be made?
4. Should the operation of the civic abattoir be abandoned?

All seven questions are important; but the importance of the last four lies in their relation to the first three, on the answers to which, among other things, this year's Council and Board of Education must be judged.

I. Will the 1936 Toronto Civic Budget Be Really Balanced?

If so, it will be the first such budget since 1932. The amount of unbalance in each succeeding year has exceeded \$2,000,000. Even with the funding of direct relief costs 1933 and 1934, and possibly 1935, ended with current deficits. The levy of 1932 was insufficient to meet current costs as it started with an inherited deficit of \$880,000 and ended with a deficit of over 1¼ millions. At the same time the borrowing margin has steadily declined until it is almost microscopic in relation to the city's capital needs of the immediate future. A few more budgets "balanced" like the last three will "stall" the city. With courage, hindsight and foresight this is quite unnecessary.

II. If not, Will the Amount of Unbalance Show on the Face of the Document?

Even more important than balancing the budget is the stating of the facts in a way that cannot cause misunderstanding. If people actually know where the road they are on really leads to, they deserve whatever may result from following that road. The age of "soft pedalling" is about over, if we are to preserve community assets which have been accumulated with so much effort.

III. Will the Levy be Reduced so as to Meet More Nearly the Capacity of the Taxpayers to Pay?

Who knows? It's up to the City Council and to the Citizens.

1. Should Public Utilities Be Taxed?

Let us ask, should power plants be taxed? Should street railways be taxed? The obvious answer is "yes" because they and their employees receive public services which must be paid for. Large factories and stores are taxed, not only because they receive civic services, but because they bring with them large numbers of families which require expensive services, such as schools, the total cost of which the families cannot meet, the resulting deficiency being made up by taxation of the industry or business which indirectly benefits from public services to its employees and indeed could not carry on without such services. Irrespective of ownership, power plants, street railways, abattoirs, waterworks, liquor stores, etc., receive valuable civic services directly and through their employees equally valuable civic services indirectly. These services cost the civic corporation money. The same undertakings should defray the costs as receive the services. Its share of municipal costs is a legitimate part of the overhead of every undertaking. Any industry or business which cannot carry its own cost is, to say the least, a doubtful community advantage irrespective of ownership. Taxation of public utilities is not simply a matter of "taking out of one pocket and putting into another", as the amount of electric power or street car service used by any citizen does not necessarily bear any relation to the amount of taxes he pays. Also it is impossible to tell whether in any case public operation has been financially successful in comparison with private operation unless all elements of cost have been included in both cases.

2. Is the Water Surplus Entirely a Real Surplus?

That cannot be determined by a study of what other communities charge their fire departments for water. Neither can it be determined by reference to some past decision. Nothing is ever decided until it is decided right. No publicly-owned utility should be expected to contribute to the reduction of taxation, but should pay all its own costs, including taxation, depreciation, etc. Outside of a safe margin, it should not collect more revenue than is necessary to meet these costs. The Water Department in Toronto has contributed large amounts (not actual but estimated surpluses) during recent years to general civic revenues. These surpluses have, of course, been set up after including charges to the fire department for water. The following table shows the estimated surplus and fire department appropriations for water during recent years. In not one year during the period did the amount turned over as a surplus equal the amount raised through taxation.

(From the Annual Estimates)

	Est. Water Works Surplus Placed to the Credit of General Revenue to Reduce Taxation	Fire Dept. Appropriations for Water, General Supply Raised Through Taxation
1935	\$811,583.23	\$92,800
1934	766,339.85	92,800
1933	799,632.26	92,800
1932	809,631.00	92,800
1931	886,846.00	92,800
1930	899,966.00	92,800
1929	990,648.00	92,800
1928	760,772.00	92,800
1927	628,050.00	92,800
1926	718,238.00	957,800

In 1920 the Bureau, in its analysis of the budget, made and published a study of "Water for Fire Protection, Its Cost". It outlined a possible position with regard to the basis of charges and made a very provisional estimate of the cost in 1917 as \$441,000. The actual charge to the fire department in that year was \$826,133. At the time the study was made, about 22% of the total cost of water production as a charge to the fire department was, in large cities, regarded by some authorities, as not unreasonable. In Toronto the percentage has gone as high as 41.9%, and in 1935 was 31.1%. It makes a difference how the total of fire department water cost is established, and the Bureau submits that the proper procedure in dealing with this total is not to acquiesce in the present method without further inquiry, even if a full inquiry was made many years ago, or to set the bill to the fire department at a lump sum or a charge per hydrant not based on costs, but to re-examine the whole question in the light of present facts and actual costs of water supply for the fire department. At the same time a study could be made of the basis of charges to all other departments, such as the Parks Department and to private consumers. The considered opinion, after careful study, of an independent hydraulic engineer might well be obtained.

The table below shows the estimated amount which would have been charged the taxpayers for water for fire protection and the estimated waterworks surpluses from 1926 if the fire department had been charged at the rate of 22% of the water department's total costs in those years.

	Est. amount which would have been charged for water for fire protec- tion on 22% basis	Water Works Surplus which would have been available on basis of charging Fire Dept. 22% of total cost of Water Department
1935	\$701,892	\$520,675
1934	689,691	463,231
1933	673,171	480,003
1932	700,121	516,952
1931	664,280	588,326
1930	656,113	563,279
1929	608,354	606,202
1928	637,830	405,802
1927	624,105	294,355
1926	584,488	344,926

3. Should Reductions in Civic Salaries Be Made?

In good times civic salaries tend to be lower than those in private business, and in bad times higher than in private business. In times of depression there is often a demand for the reduction of civic pay rolls without due consideration of the fact just mentioned. Few cities, possibly only one, on this continent, have established a sliding scale of civic salaries and wages which would automatically decline as the purchasing value of the dollar increased and go up as the costs of living advanced. When the classification of positions in the municipal service of the City of Toronto, was adopted in 1927, the Commission was of the opinion that "the Municipality should not respond to every fluctuation either upward or downward in the trend of salaries". That the Commissioners considered the living conditions,

however, is shown by their statement that "we are also of the opinion that the minimum rate for an adult worker of 60 cents per hour on a 48-hour basis, or \$1,497.60 per annum, is a fair remuneration, and is not by any means excessive in view of the living conditions as compared with those conditions that prevailed prior to the Great War, . . ."

The Commissioners also said: "It must be true that the City should have the best that each man could give for fair remuneration, but we also believe that the remuneration should not be more than the employee could command outside the service, certainly not less, if the best he has is demanded."

In any event if the scales set in 1927 were in line with conditions, they are not now. The cost of living index in December, 1926, and in December, 1927, was 157, while in December, 1934, it was 123, and in December, 1935, 127. Again the rates paid in private employment apparently fairly comparable in 1927 with civic rates were very different during the depression and are still different. Again the relation of the average taxpayer's income to civic rates of pay has altered radically since 1927. In view of these facts it would seem that a re-examination of the whole field of salaries and wages paid out of tax funds should be instituted, at once. At the same time a thorough departmental establishment study should be made. If this had been started last year in April, it might have been completed in time to assist in preparing the 1936 budget. But this was not done and any reductions effected now must be done on a rule of thumb basis such as the application of percentages alike on all within like ranges of pay. However distasteful it may be, however disturbing to political ambitions, however unequal in its incidence, a substantial reduction in the aggregate salary and wage bill which constitutes about 50% of the total current expenditure of the city can hardly be avoided at this time if an increase in the tax levy is to be avoided. The city's best interest demands a reduction. The real interests of the civic employees are not in conflict with the general interests.

If in the past opportunities for amalgamation of departments had been seized, there would not now be as great a necessity for reducing the civic salaries.

4. Should the Operation of the Civic Abattoir Be Abandoned?

The civic abattoir is not operated to absorb excess earnings of taxpayers. Neither is it operated in order to give employment. It is supposed to be operated like any other civic utility, to give service to the citizens. What service has it given and is it giving to the citizen body? Its record as a deficit producer has been outstanding, as follows: These figures do not include any allowance for civic taxes.

1934	\$27,136.46	1923	31,897.61
1933	32,465.71	1922	20,181.06
1932	24,357.05	1921	57,965.31
1931	22,724.88	1920	56,515.01
1930	38,380.70	1919	373.22
1929	23,854.39	1918	37,185.39
1928	28,397.93	1917	25,110.67
1927	43,677.85	1916	33,994.35
1926	20,530.92	1915	41,524.91
1925	10,685.14	From Aug. 4th, 1914	42,843.06
1924	3,739.00		
		Total Loss	\$623,540.62

If the abattoir has an operating surplus for 1935, it is doubtful it will be sufficient to meet the debt charges of \$19,678.98. If not, we will have another deficit. Apparently we had a narrow escape from a surplus in 1919 but have had no such shock since. One is curious to know what excuse can be produced by a lively imagination for operating the abattoir longer?

At a recent meeting of the Canadian Club, Alderman Laidlaw delivered an important address on Toronto Civic Affairs. Get a copy.