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# CIVIC AFFAIRS

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## COMMENTARY ON AMALGAMATION COSTS

Fellow Citizens:

The chief question about amalgamation in the minds of many people can be summed up in one word--cost. In some quarters the talk has been that amalgamation will mean much higher taxes. The warning has been sounded in City and suburbs alike, and while most citizens are aware that such predictions have been little better than wild guesses, they find them disturbing just the same. People are puzzled too by the failure of amalgamation supporters to meet the challenge of opponents for a full statement on this very question.

Three years ago, when the Toronto Council decided that the City should be completely re-assessed, property-owners wanted to know how their own tax bills would be affected. The statements given out by City officials on that question illustrate very well what advance information it is reasonable to expect on amalgamation. On re-assessment, here is what they said:

1. The purpose of re-assessment was to establish fair property valuations throughout the City in order that each owner would be charged with his share--no more and no less--of real property taxes.
2. On the basis of sample re-assessments, it was expected that, in general, industry and commerce would carry a larger share of the total assessment, and home-owners a correspondingly reduced proportion.
3. The exact results could only be learned from the re-assessment itself.
4. The higher total assessment would not be used to bring in heavier taxation by the back door.

How well the City has lived up to the objectives of re-assessment is outside the scope of this bulletin. The point to be emphasized is that civic officials were not able to give an exact forecast of the effects of re-assessment, and this fact was accepted by most citizens. It can be demonstrated, we believe, that the same is true as to the effect of amalgamation. It should be possible to see broadly the direction it will take us, but there are many difficulties in attempting even a rough provisional estimate of the new tax position.

5. THE FINANCIAL OBJECTIVES BEHIND AMALGAMATION

1. The unification of services throughout the whole built-up area of Greater Toronto should bring both present and future economies. Schools within the present City, for example, need not operate below capacity while additional classrooms are being added across the boundary to take care of an overflow attendance. Better siting of parks in line with metropolitan needs should give a greater return for the money spent on such developments. Or, again, the integration of water supply facilities throughout the area should cut the cost of water services, particularly in the present suburbs.

It is well to remember, however, that --

(a) economies in the use of manpower can come about only gradually if the positions of present employees in all thirteen municipalities are to be protected;

(b) in the transfer period, some salaries and wages may be raised in establishing a uniform personnel policy, but sound personnel administration can ensure a full work return for the money spent on manpower;

(c) to the extent that volunteer undertakings are replaced by professional services a new tax load will be added. (Perhaps the outstanding case is the use of volunteer fire-fighters, exclusively or in combination with paid staffs, in nine of the Toronto suburbs).

2. By pooling the financial resources of the area, the danger of defaulting on municipal obligations would be greatly reduced and the cost of debenture borrowing cut considerably.

3. In areas where growing urban concentration requires better municipal services, a single municipality could expedite improvements, while holding costs to a minimum. A good example is found in North York. Some sections now served by septic tanks need sanitary sewers to safeguard the health of residents; the change would be facilitated by amalgamation.

4. The new municipal bodies (Council, Board of Education, etc.) should be in a better position to shape financial plans in line with the real needs of the Toronto area. Amalgamation would not rob the citizens of their control over expenditures and, with close to one-third the population, the viewpoint of today's suburbs would be well represented. With a broader tax base and more clear-cut responsibilities, elected representatives would have no excuse for wasteful or extravagant budgeting. Particularly in the field of capital financing, projects could be selected on a metropolitan basis, assigned sensible priorities and timed according to the financial capabilities of the larger City. The extension of water and sewerage mains and other physical services could be held within a more concentrated area through land-use control, thereby keeping the cost of extensions to a minimum.

5. The costs of municipal government that must be met from real property taxation would be more fairly distributed. Today, the municipalities of Toronto, New Toronto and Leaside have more than their share of commercial and industrial assessments. Forest Hill Village has a preponderance of well-to-do homes but is short on business assessments. It is doubtful that any one of the thirteen municipalities has a full representation and a fair balance of all types of real property within its borders. Under amalgamation, all residential, commercial and industrial properties throughout Greater Toronto would contribute on a uniform basis to the cost of municipal government. To achieve this result: (a) a single authority would assess all properties in the area; but, (b) under a uniform system which takes account of "use", farm properties (principally in Etobicoke, North York and Scarborough) would of course continue to be assessed as rural; and, (c) the Municipal Board in the adjustment of assets and liabilities may provide for compensation to certain areas for physical assets which these areas bring into the merger.

#### THE LEVEL OF REAL PROPERTY TAXES AFTER AMALGAMATION

By and large, the supporters of amalgamation have not tried to win followers by the promise of lower municipal taxes. They have suggested certain economies that can be secured through amalgamation. On the other hand, attention has been drawn to the strong pressures for extension of municipal services into the areas of mushrooming housing, in North York and to a lesser extent in Scarborough and Etobicoke. Not to be overlooked either are the special outlays that would be called for during the reorganization period. There is also the problem of the size of Provincial grants to the new city. For example, the educational grants now paid to the suburban townships would be reduced unless a special undertaking to the contrary were given by the Province. In the event of amalgamation the Province would most certainly be asked to continue all grants on the same basis and without reduction. It is understood that in annexations in other parts of the Province such a concession has been allowed. On the other hand, failing amalgamation, there is no assurance that urban townships like York and East York will continue to receive the more generous educational grants as "rural" municipalities.

1. In comparison with the present situation, amalgamation would appear to hold out the prospect of: (a) better value for the tax dollar, and (b) more moderate total expenditures in the long run.
2. In the Bureau's opinion, it should also be possible even through the transition years to prevent any alarming upturn in total spending. The success of this objective, however, will depend on the degree of restraint exercised by elected representatives in the new municipality.
3. The thirteen Councils serving greater Toronto in 1950 have no power to control the tax rate of future Councils, and much less the actions of the Council in a new amalgamated municipality. Additionally, they cannot hope to foresee all the factors their successors will have to take into account in fixing the rate. The best guarantee that the rate will be held to a reasonable level is a vigilant electorate.

ASSUMPTIONS THAT MUST BE MADE IN ESTIMATING THE TAX LOAD DISTRIBUTION  
AMONG THE PRESENT THIRTEEN MUNICIPALITIES UNDER AMALGAMATION

To estimate the distribution of the tax burden following amalgamation is a complicated undertaking calling for an extensive study. The Bureau with only a small staff, has not been able to take on such a study. Therefore, this bulletin gives only a statement of the main assumptions that must be made to bring the inquiry down to a practical basis, followed by a proposal as to how the work might be tackled.

1. The forecast of total civic expenditures following amalgamation should be treated quite separately and the tax distribution study might assume no increase in total expenditures as a result of amalgamation.
2. The quality and extent of municipal services (including education) varies considerably from one municipality to another. Indeed, within some suburbs, there are now differences in service levels that are recognized by special area charges. The new Council could either make allowances by means of differing mill rates or set uniform mill rates and endeavour by pooling present staffs and facilities to even up the services as much as possible throughout the whole area. In order to arrive at some estimate, it would seem necessary to assume that mill rates would be uniform.
3. In some municipalities, public utilities are operated at a substantial profit and the annual surplus is used to reduce real property taxes. Water supply in Swansea is one example. Conversely, other utilities operations result in a deficit which must be covered by higher real property taxes. For instance, the bus services in Leaside are supported in part from taxes. To simplify the estimate of future tax distribution, it might be assumed that utility rates or fares would be set at a level sufficient only to break even on annual operations. However, if Swansea residents, for example, were warned that taxes might be higher under amalgamation they should also be reminded that water rates would be lower.
4. A number of additional differences between municipalities make even an approximate forecast hazardous. Two such instances are:
  - (a) The policies in classifying local improvements and charging a share directly to the property-owner on a frontage basis vary from municipality to municipality.
  - (b) In certain suburbs, some parents are paying part of the fees to permit their children to attend City schools. Would such supplementary fees be eliminated? And would the privilege be extended to all children in these municipalities? Obviously, under amalgamation, pupils should be permitted to go to schools outside their own district where necessary in order to obtain specialized instruction.
5. The Ontario Municipal Board, in considering an application may:
  - (a) failing prior agreement, make adjustments of assets and liabilities as between the municipalities (including local boards, and the county) affected by an amalgamation order;

- (b) define special areas within the enlarged municipality and adjust the rights and obligations of ratepayers by the imposition of differential mill rates.

Consequently, the extent to which such adjustments may vary the tax rate between areas in the enlarged municipality can only be settled by the Ontario Municipal Board. It is suggested that no such adjustments be included in estimating the distribution of taxes but the caution be issued that in fact adjustments of this sort may follow on amalgamation.

6. Toronto and New Toronto allow a partial exemption on small houses. Any estimate would have to assume either that partial exemptions were extended throughout the area of amalgamation or that partial exemptions were entirely withdrawn. Two alternative estimates could be developed, using each of these assumptions.

#### ASSESSMENT EQUALIZATION

The immediate consideration in forecasting the future tax load in the present City and in each suburb is to bring real property assessments to a common basis or as nearly so as possible, taking due account of location, present use and other circumstances affecting the value. To give a picture of the tax load municipality by municipality, expenditures must be apportioned according to the total real property assessment of each.

1. Today, valuations vary widely between municipalities because of differences in (a) the base year adopted, (b) the percentage relationship of assessed value to actual value for that year, (c) the methods and the judgment of assessors. The relative weights of commercial, industrial and residential assessments are affected in addition to more minor variations within these classes.
2. Rough assessment equalizations have been developed (a) for municipalities which form part of the County government (Toronto is not included) and (b) for Toronto, four suburbs and parts of three others, by the Separate School Board. But while these equalizations have been accepted for the purposes for which they are required, it is suggested that they are not adequate for the amalgamation forecast. By way of illustration, the County equalization makes no adjustment whatsoever for wide variations in the treatment of business assessments.
3. The City of Toronto has completed an elaborate re-assessment job. It is reasonable to assume that under amalgamation Toronto's basis of assessment would be extended to the suburbs. The starting point therefore for a breakdown of costs would seem to be an extension of uniform re-assessment to the suburbs either by complete re-assessment or by a substantial sampling.

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IN SUMMARY what are the main points on amalgamation costs:

1. Information is already available on the total cost of present civic operations for the proposed amalgamated area.

2. Under amalgamation, citizens can hold the total costs down and in the long run secure real financial benefits.
3. To forecast the distribution of tax costs is a very difficult assignment and calls for a number of arbitrary assumptions.
4. Even with these assumptions, a substantial re-assessment undertaking would be required in order to allocate total expenditures by present municipalities and classes of taxpayers in each (industrial, commercial and residential).

In this bulletin, the story of amalgamation costs has been told only briefly. While no reliable predictions have yet been made of the distribution of costs -- of the relative effect on taxpayers in the different municipalities -- the Bureau has tried to show that there are good reasons for this lack. To make a worthwhile analysis will itself cost a substantial amount of money; and to obtain the necessary data will require the fullest cooperation of all elected and appointed officials. Moreover, in view of the assumptions that must be made, it does not seem appropriate to expect one of the partisans--the City of Toronto, or any other interested municipality--to tackle the job alone. If the public is to have more information on this subject the lead should come from the Provincial authorities who have the required power and resources. At the same time, it is well to remember that taxpayers in all the Toronto municipalities cannot expect immediate tax reductions; nor can the full facts of amalgamation be predicted in advance. Yet, in the opinion of the Bureau, amalgamation will bring a major long-term benefit for all citizens of Greater Toronto.

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