
Towards a New
City of Toronto Act

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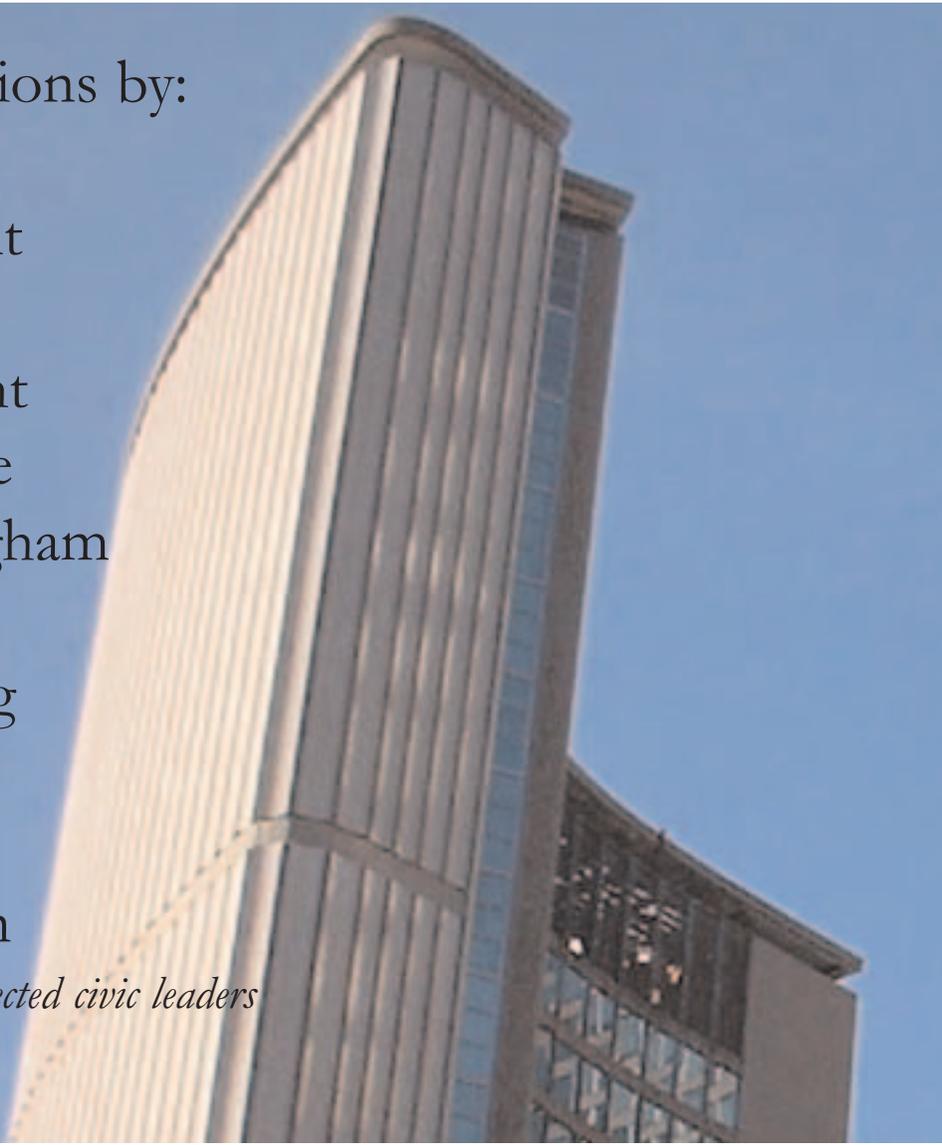
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PRESS

Towards a New City of Toronto Act

■ Since 1999 Ideas that Matter has convened with civic leaders across the country about the need for Canada’s urban regions to be given more fiscal and legislative autonomy. Initially, a small group of former politicians, academics, activists, journalists, and business leaders met regularly to look at the needs of Toronto, the degree to which the current governance and financing arrangements were constraining the city, and what changes were needed. A book *Toronto: Considering Self-Government* (Ginger Press, 2000) was produced collecting viewpoints from diverse perspectives on the nature of the mis-match between Toronto’s current powers and fiscal tools and what it needs. A consensus that surfaced during these early discussions was the recognition that the need to empower Toronto was not simply about the city itself, but equally about the region that surrounds it: “Across the Greater Toronto Region there is a richness of economic activity, race and ethnicity, cultural vitality, civic engagement, and generosity of spirit: there is more that unites citizens than divides them.”

From these discussions also came two guiding principles deemed as fundamental in a democracy where governments need to remain effective and responsive. The first was subsidiarity, where policy and program decision-making is made as closely as possible to the citizen. Specifically, national or provincial governments

should legislate only if the objectives cannot be effectively achieved at the local or regional level (i.e. when there is agreement that uniform regulation is necessary across jurisdictions). A second was fiscal accountability, where the government that delivers goods and services is also responsible for raising the monies that pay for

them. The final output from this process was *The Greater Toronto Charter* (see page 40), which proposed that the city be more fully empowered and resourced to plan and manage itself. The Charter was widely distributed across the Greater Toronto Area, and garnered significant media attention. Presentations on the Charter were made to several municipal Councils in the GTA at their request. Response was positive and thoughtful. Agreement was building that the time had come to empower Toronto and its Region differently.

In 2000 policy makers in Ottawa initiated a study process to look at the needs of Canadian cities. A federal Task Force was created and urban experts were invited to discuss the needs of Canadian cities. “The problem with Canada is that we don’t have enough large cities,” said Jane Jacobs at one of these sessions, “it isn’t a good habitat for them, and they don’t relate to each other in as productive a way as they should.” Jacobs, together with businessman and philanthropist Alan Broadbent, initiated a process to bring together five of Canada’s largest cities to discuss their mutual needs for greater power and autonomy. The “C5” Mayors began meeting, joined by leaders from the business, labour and civil society from each city, to discuss the unique needs of Canada’s largest and most economically vibrant urban regions. These events, together with the sustaining efforts of the Federation of Canadian Municipalities, created the momentum for what has become known as “A New Deal for Cities”.

In 2003, the Ontario Liberal government was elected on a promise of more power for cities, and Premier Dalton McGuinty amplified this commitment by signaling his intention to write a new City of Toronto Act. In September 2004 a joint working committee of provincial and municipal staff was charged with rewriting the legislative framework for the city.

In late 2004 a group of interested and informed community leaders began meeting to discuss the opportunities and implications of a new City of Toronto Act process. Convened by Broadbent, the group met regularly, developed and delivered papers, encouraged various city groups to convene their own discussions, and as requested, participated in briefings with staff and elected officials at both the city and provincial levels. The group was not seeking a consensus; instead they saw this as a means of contributing a core of ideas for consideration by decision-makers within the city and province. Therefore the ideas proposed here do not reflect the views of the whole group; in fact, some may take exception to particular points of view. However the group agreed on the fundamental proposition that the new City of Toronto Act needs to empower the City of Toronto and its region in three critical areas: powers, fiscal capacity, and governance. This volume contains highlights of the discussions of ‘The Broadbent Group’.

Introduction

ALAN BROADBENT

Alan Broadbent is the Chairman and CEO of Avana Capital Corporation, Chairman of The Maytree Foundation, Chair of the Caledon Institute of Social Policy and Chairman of Tamarack - An Institute for Community Engagement.

The City of Toronto and the Province of Ontario face an historic opportunity in 2005 to create a new Canadian model for governing big cities. In the renegotiation of The City of Toronto Act, the legislation that sets the relationship between the city and province, they can end the anachronistic paternalism that characterizes such relationships in Canada. In an age when cities have become vital instruments of economic, social and cultural prosperity, the new act can equip Toronto and Ontario to face its global challenges. Whether the city and province can embrace this future will be a telling test of each.

Both sides agree that the Act needs changes. Mayor David Miller and Premier Dalton McGuinty have both spoken powerfully about the need to end the paternalism, and recognize the modern context of cities as dynamic engines of growth. Premier McGuinty in particular has taken political risks, articulating his view that Toronto is different in its needs and capabilities from other places in Ontario, and requires particular tools to do the jobs it faces. It has been a significantly brave step for a Premier to speak of Toronto's particularity. He has not said, of course, that Toronto is better than other places.

For his part, Mayor Miller has been a strong local and national advocate for the so-called "new deal for cities", which has received wobbly and uncertain support from the federal government, despite the gallant efforts of cabinet minister John Godfrey, and tepid recognition from other federal parties. Miller is on a hot seat in these issues. Legitimately, he does not want to reduce the high level of democratic access local gov-

ernments offer, nor does he want to be handed a bunch of tax tools which would make him the only level of government faced with raising taxes in a political environment obsessed with lowering taxes. But he also may be frustrated by the lack of powers in the city and Mayor's office to set and achieve an ambitious agenda, and certainly by the lack of revenue. To paraphrase historian and journalist Goldwin Smith's line about Canada at the start of the 20th century, Toronto is rich by nature but poor by policy, and Miller is the man who has to try to make daily sense of that disconnection.

But it remains to be seen if the city and province can succeed in grasping this historic opportunity. There is much that can get in the way of a newly defined relationship: politics, personalities, timidity, short-term vision, and fear of sharing power. If the new Act is going to be successful in embracing the future, it needs to deal with three things: powers, money, and governance structure. It might be very hard to coordinate achieving success in all three, but they all need to be dealt with in significant ways if the city is to be able to move forward.

POWERS

A First Step

The current City of Toronto Act is modeled on The Municipal Act, and is "prescriptive" by nature. That is, it sets out in some detail what the city can do, as the Municipal Act sets out what cities can do in the province. If something is not specifically mentioned in the Act, the city can't do it, and must seek permission from the province. Such permission, for the most part, has not been hard to come by, for the province sees things like changing speed limits on a street as being routine and the processes have become expedited.

The desire of the city is that the Act becomes “permissive”. That is, the province states in the Act what the city cannot do; the province preserves a number of areas of jurisdiction for itself, and the city operates freely in all other areas. It appears that the province has looked into this qualitative change of approach, and is increasingly comfortable with it. So it may be possible to move the City of Toronto Act from being prescriptive to permissive. Within such a framework, the province would grant the city legislative powers which are broad and expansive, free of the need for provincial approval of city decisions, permitting the city to take actions which ‘meet or beat’ provincial and federal laws or regulations, and which meet the ‘dual compliance’ test laid out by the Supreme Court of Canada.

A Bolder Step

But many people think that is only a good beginning as far as powers go. A bolder argument would be that an expanded Toronto Region should have essentially the powers of a province.

The City of Toronto currently has nearly three million people. It is the fifth biggest government in Canada, after the Ontario, Quebec, B.C. and Alberta governments. Yet it has fewer powers than Prince Edward Island, which has 140,000 residents. By comparison, Toronto Community Housing Corporation, the city’s public housing authority, has 164,000 residents. In the 138 years since Confederation, the country has changed enormously, but the governmental arrangements have barely budged, and we are left with these disparities between political units and their powers.

In Toronto, the geography is arguable. Some people see the Toronto Region being what is called the Greater Toronto Area. Others would extend that to include Hamilton in what is called the Golden Horseshoe around the western end of Lake Ontario, and some would even extend that to include the Kitchener-Waterloo area. In her great book *Cities and the Wealth of Nations* (Random House, 1984), Jane Jacobs describes a city region as including the surrounding communities which supply labour and products to the central commerce of the main city, whose prosperity relies significantly on the commercial activi-

ty of the main city. For some years, many bureaucrats in the Ontario government thought of the Toronto Region as the area where one could get home delivery of The Toronto Star newspaper. Both Jacobs and the Star notions would include an area larger than just the GTA in Toronto’s case.

A Toronto region which includes the Golden Horseshoe area, with a population of almost six million, would become the third largest political unit in Canada, behind only Quebec and a reduced Ontario. Why this is a good idea has to do with the difference between the Toronto Region and the rest of the province, much of which is related to immigration.

The Toronto Region accommodates half of Canada’s immigrants, and they make up half of the population of the region. That puts specific demands on the school system, the health care system (in terms of both pathologies and protocols), the social support system, the labour market, and infrastructure such as parks, community centres, and other amenities. It is clear that the more relevant government action can be to the needs of a population, the better. It is also clear that trying to find a solution that fits too wide a range of difference in a population is worse. Increasingly, the notion of “particularity” is accepted as desirable. It links with the idea of subsidiarity, which suggests that government powers should flow to the most appropriate level of government to the task, which in the case of services is often the level closest to the user of the service, the local government. And most people accept that trying to find “one size to fit all” is a bad idea whose time has passed.

To create in the Toronto Region a virtual province with significant control of its own destiny would be an act of immense bravery by an Ontario government. Even were it to be a virtual province which continued to share its generated wealth with the rest of Ontario and with Canada, as it has done for decades, it would still require a significant act of courage and vision. The political world rarely sees these kinds of acts: Gorbachev breaking up the Soviet Union, De Klerk releasing Mandela and preparing South Africa for a new day, Ernesto Zedillo in Mexico breaking his gov-

erning party's stranglehold on elections and ushering in stronger democratic reforms. More typical is a dogged attempt to hold on to old ways and tired practices, which fail to recognize new realities and current challenges.

How both the province and city handle the question of powers will be telling. The province might flinch, fearful of creating a monster which will threaten its primacy in Canada's governmental hierarchy. The city too might flinch, fearful of taking on too much power for fear of the accountability, that will go with it. It is easy for some politicians to point a finger when something fails, and under the current setup the province is a likely culprit. After all, they're the ones with the power and money. Will Toronto politicians rise to the challenge and assume responsibility without the finger of blame?

MONEY

The Toronto Region needs to stand on its own feet fiscally. To do so, it needs more diverse sources of revenues. It has to have control over its revenues, and not be dependent on grants from other levels of government. In effect it means a broader range of tax and fee tools.

Canadian cities began to encounter more financial stress in the wake of the federal government downloading of expenditure obligations to the provinces in the mid 1990's, when the provinces responded by downloading obligations to the cities. These obligations were not accompanied by the money to pay for them, so cities began to squeeze their budgets to break even. Some provinces, like Ontario, not only downloaded but also constrained municipal revenues by limiting the tax base for cities.

The result is that Canadian cities raise almost half of their revenues from property taxes, compared to about 15% in the US and about 5% in Europe. Cities in the US and Europe have access to a much broader range of revenues, from income and retail sales taxes to excise taxes such as the gasoline tax, liquor taxes, and hotel taxes.

The TD Bank (*A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future*, TD Economics, Special Report, 2002) has suggested that the other levels of government transfer tax points to the cities, rather than simply letting them levy new taxes. They suggest that downloading resulted in the federal and provincial governments doing less; consequently they should "do less with less", and not simply keep the tax revenues. It will, of course, make it somewhat more challenging for those other levels of government to balance their budgets without the same level of revenues flowing in, but given recent evidence of loose expenditure practices, both levels have the capacity to tighten their disciplines. Of course, it will not be their first choice to forego some revenues. Such abundance can be addictive and hard to give up.

But it will serve both effectiveness and accountability to align better where taxes are raised and where they are spent. For example, city residents expect to receive a set of services from their municipal government, such as garbage collection. When downloading causes budget cutbacks, and collection goes from twice to once a week, they blame their city councillor. It isn't much use to explain the complicated process of downloading to the citizen. They blame the councillor.

Similarly, people expect the city to be able to do something about homeless people begging on the streets. Experts agree that the right solution is the building of assisted housing. But the city does not have the financial capability to build assisted housing, so they are left treating the symptoms of homelessness through the provision of temporary shelters, waiting for the other levels of government to do something with their larger financial resources. A better situation would be for city council to have the authority to levy and adjust taxes to pay for these things directly, adjusting taxes up and down in relation to expenditures.

Perhaps more importantly, it is difficult for a mayor and local leaders to create and promote a powerful vision for the city when their capacity to deliver it is so much at the mercy of others. In Canada mayors have become wary of relying on the kindness of strangers. Too many promises, usually made in the heat of an

election campaign, have evaporated in the cold light of the morning after. Mayors need to be able to articulate their vision with the confidence that they can find the revenues to achieve it; if that requires raising taxes, they need to have the control that can link taxes to achievements.

A critical issue on finance is borders. If a municipality gets a new taxing authority, how will exercising it influence behaviour at the border of a neighbouring municipality? Will consumers buy in the city next door which doesn't exercise the new tax? What difference is enough to make people behave differently?

Little work has been done on analyzing this problem or on proposing solutions. An organization like the Institute for Municipal Finance and Governance at The Munk Centre at the University of Toronto should work on this issue. One solution might be a bundling of revenue tools with powers that are sufficiently attractive and useful to encourage neighbouring municipalities to "opt in".

The biggest tax tool in Canada is the income tax followed by the retail sales tax. A variety of excise taxes like hotel tax or gasoline surtax do not produce large amounts of money, compared to the city's revenue requirements. Canada's large urban regions (Toronto, Montreal and Vancouver) need to receive income and sales tax points from the federal and their provincial governments. They need to be transferred without strings. That is, the transferring government cannot dictate what the tax revenues will be spent on. The cities must be allowed to make those decisions directly, or the purpose of giving them greater control of their destinies will not be served.

In addition, the large cities must be given access to a range of other fiscal tools, such as tax increment financing, bond issuance and other debt financing, and a variety of development levies. Some of these they already have but are reluctant to use, for without a full control of destiny there is the danger of assuming risk without the ability to put together and deliver a full package.

GOVERNANCE

Canada's cities have a "weak mayor" system of government. That is, mayors are elected in a citywide election but have few more powers than any member of city council. They usually have a bigger budget to run their office, a higher visibility for ceremonial leadership functions, a better bully-pulpit because of their citywide source of support, and they chair the council meetings, but few have any real executive powers.

Compared to the "strong mayor" system in most US cities and in Europe, Canadian mayors have few tools to lead their cities. Strong mayors have executive powers, larger staffs, and considerably more powers. In many cases the city administrative staff reports to them instead of the council. They develop an operating plan for the city, along with a budget, which they present to council, and which often requires a supermajority to overturn. They appoint the executive committee and key committee chairmanships.

By contrast, in a weak mayor system the mayor has influence only through cobbling together a coalition of council on each issue. Sometimes that coalition can hold for a long time over a great number of issues. Other times it is an ongoing, enervating exercise in 'brokerage' politics.

Advocates of the weak mayor system say it empowers councillors, and is therefore more democratic in the way it spreads power around. They point admiringly to the lines of citizens waiting to make direct appeal to city council on an issue important to them, and they note this is the only level of government which sees citizens directly in its main chamber. They say that such a system forces city business on to the council floor, in full view, and keeps decision making out of the hands of backroom elites. And they say that in the hands of a strong incumbent, the weak mayor system works well indeed.

Opponents doubt some of these claims. They suggest that trading on each vote, if not simply inefficient and distracting, can lead to corruption and the distortion of

outcomes. They note that most councillors, during the course of most citizen submissions, are either absent, reading something else, talking to a colleague or aide, and apt to vote in a way unrelated to what has been presented. They claim that most deals are still pre-cooked in some backroom or other, by a group someone would probably describe as an “elite”. And they note that when the incumbent mayor is weak that little gets achieved.

Most of those seeking some change in Toronto’s system look at the last decade and note the decline in the city. In fact, they say that if significant changes are not made, it won’t matter if we have a good or bad mayor, it will simply be a question of who will manage that decline. If the weak mayor system can be so good, they ask, how can the city be in such trouble?

There is, however, a more troubling and undermining aspect to a weak mayor system. A mayor who cannot deliver a comprehensive plan because of an inability to command all the necessary tools, because of a lack of powers, money, and clout, may in fact lower her or his horizons. The result may be a mayor who does not wish to have taxing authority, because of an uncertainty in being able to exercise necessary powers or, alternatively a mayor who does not wish to have powers, because of a lack of money to exercise them.

For this reason, reform must be three-pronged: powers, money and governance change.

A big question on governance change is how it might come about. Will a city council decide to cede some of its powers to a mayor? Will a mayor want to be seen to be grasping for more powers? Will a provincial government, given the scorn flung at the Ontario Harris government for amalgamating Toronto, want to impose changes? All are unlikely.

One suggestion is the appointment of an independent commission, appointed by the Mayor of Toronto and the Premier of Ontario, made up of well-regarded citizens. The commission recommendations need not be binding on either government, but either would need a good reason to dismiss them.

A TIME TO ACT

Ontario has a Premier prepared to be courageous on municipal reform, particularly regarding Toronto. Toronto has a new mayor, with broad support, who understands these issues as well as any politician in the country. There has been close to a decade of discussion on “a new deal for cities” in Canada, with the largest circulation newspaper in the country endorsing change, and other leading commentators agreeing it is time for change. There will not likely be a better time for progress on empowering Canada’s large urban regions.

Ontario has the opportunity to show the way for the country, and taking the right steps will be a brave act in country-building.

To make the change meaningful, steps will have to be made on all three fronts; powers, money and governance. Omitting one will result in a wobbly stool. Most worrying for the province at the moment may be the financial leg, because of the dire financial situation inherited from the previous Conservative government. It has been clear that managing the deficit is a three-year task, to a balanced budget. It is also clear that health care and education are higher priorities. So timing is crucial. At the very least the province can cede tax points on excise taxes, and permit the city to levy other excise taxes. And while it might not want to deal with the income or sales taxes at the moment, it should at least not take them off the table, but leave them for future implementation when the provincial fiscal situation is less tight.

On powers, the province can act immediately. The appointment of a commission to recommend on governance can be done immediately, with a very short time frame. This is not a deeply complex topic, and much is already known about it.

This is the time to act. History waits for the Premier and Mayor to step forward to help Canada meet the challenges of the new century.

Thinking About

A New City of Toronto Act

JOHN SEWELL

John Sewell is a journalist, author and a former councillor and Mayor of the City of Toronto. He is a frequent commentator on city issues as a columnist for eye weekly, a Toronto newspaper. His most recent book is A New City Agenda. (Zephyr Press, 2004).

Consideration of the legislative authority for the City of Toronto raises a complex set of issues, not all of which can be resolved in one fell swoop. The question of the new powers desirable for the city quickly becomes tangled with revenues available to the city. The big revenues are from sales and income tax, but they can't be levied in a confined area where these taxes are not imposed across the street, and that immediately raises the question of the city's relationship to the neighbouring regional governments, the powers and revenues available to them, and questions of regional governance.

To complicate things even further is the proper governance of the city itself. Some believe city governance needs to be radically changed; others argue the current city model is at least as good as parliamentary government used at the federal and provincial levels. In short, these four issues are intertwined. Making change in one area requires changes in others.

Related to these questions is the realization that continuing to freeze the city's powers in rigid legislation appropriate for a different age helps neither the city nor other governments. Legislation which allows city governments to act in a supple and flexible manner benefits everyone, just as a teenager growing to become an adult benefits other adults. Allowing governments to have the powers to act in a mature fashion will allow them to act as adults, and to pursue rela-

tionships that in turn involve both cooperation and competition. Indeed to ask for the maximum degree of creativity in any organization, it is appropriate for it to be fully empowered.

Giving a city more power does not mean that other governments have less. The paradox is that empowering the city helps to empower other levels of governments and creates opportunities for them to be supportive of each other. Forcing the city to continue within the rigidity of antique legislation creates reactions of resentment and belittlement and does not encourage creativity, flexibility and maturity.

The legislative package proposed here must be seen in a context of the complexity of real relationships rather than in a false analogy of zero sum gains and "ownership" of different responsibilities.

GOVERNANCE

There has been considerable focus since amalgamation in 1998 on the question of governance in the city. Many fear that the city as now structured is able to reasonably address neither larger city-wide issues nor smaller local issues. Some suggest that a stronger decision-making body is needed within council, either within an empowered executive committee or within the Mayor's office. Some suggest the best response to the council's inability to deal well with local concerns is to introduce community boards or arrondissements. Many agree Toronto must find better links with other local governments in the Greater Toronto Area to help with coordination and longer term regional planning.

Are these issues that should largely be left to the council and the people of Toronto to decide? There's a strong argument to be made that Torontonians and their representatives should have the opportunity of constructing their own style of government - one that suits the city's needs - and that it would be inappropriate if structures were imposed on them.

But as with all structural elements in government, those already serving on the council may not be the best group to make decisions about the structures in and by which they will govern; councillors have too much of a self-interest to make good decisions. As well, there's a fear that city council as currently structured may not be capable of grappling well with these issues.

In the past the provincial government has set council's structure, and the Ontario Municipal Board has monitored and approved changes, such as the number and size of wards. As a step forward it probably makes sense at this time for an independent study to be undertaken with a commission appointed jointly by both the city and the province to look into the most appropriate general structure for council. The citizens, the city council and the province should all be consulted in such a process and in the resulting decisions about what is put in place and by what process (such as a referendum). The legislation should outline this kind of process.

A mechanism is also needed to deal with on-going governance issues, such as have been considered in the past by the Ontario Municipal Board. This should also be the work of the independent commission.

GENERAL LEGISLATIVE POWERS

Virtually everybody agrees that provincial approval of many kinds of city decisions adds no value to those decisions. Given the size and sophistication of the city, this is not appropriate. Legislation should specify that provincial approvals of city decisions are no longer required.

At the same time it is clear that there are many issues

in the city that council itself may wish to deal with if it had the power and authority to do so. As the city gets larger, some issues that unfold in the city seem to attract less interest than in previous years from the federal and provincial governments, such as welfare and social housing. Some argue that the city is the most appropriate venue for matters such as primary health care and community health clinics, child care, and many environmental issues.

What is the appropriate balance between provincial and city powers? One approach would be to confirm powers in respect to the general issues that the city now controls: highways and transportation, waste management, public utilities, culture, parks, recreation and heritage, draining and flood control, structures, and so forth; the so-called 'spheres' that are central to recent municipal law rewrites in Ontario and several other provinces. These are areas where the city has exercised power for many years and there is no question that these powers should be confirmed as within the ambit of the city and not subject to provincial approval.

An additional approach is to expand upon these existing powers and include specific new spheres of powers for the city, clarifying that the city is also given the "natural person" powers. Yet there's a limitation to this approach: city powers will be limited to what seems important at the present time. In several years it may be found these are insufficient. Further, this way of looking at the problem does not permit a full range of suppleness and flexibility.

It may be more appropriate for the city to have the power to do anything not proscribed by provincial law - if the provincial government has laws controlling a particular matter then the city should not legislate there without provincial approval. In this way the ambit of the city's powers would be as broad as possible while not impinging upon provincial powers. If this general granting of powers is worded appropriately (that is, in very broad terms in the manner in which provincial powers are defined in the British North America Act of 1867) then there would be no need to specifically define the city as having "natural person" power.

This approach would involve legislating that the city could pass a law on any matter providing it is not operationally inconsistent with a provincial or federal law. The city could act to “meet or beat” federal or provincial law, but could not require a person to act in a manner which is inconsistent with such legislation. The Supreme Court of Canada tagged this the “dual compliance test”: the city’s action would be disallowed only if compliance with the city bylaw compels what the provincial or federal law forbids.

Admittedly, such broad powers may have little meaning without appropriate revenue sources, and they may not be fairly exercised without an appropriate governance structure – these are the complexities which new legislation creates. But the granting of new powers in this form does not obligate the city to act in new areas the moment the law is passed. Instead the city would be able to take up new responsibilities when and if appropriate.

Thus it is appropriate to grant general powers to the city in as broad a manner as possible so that the city can do anything that is not impinging upon provincial laws or regulations, providing it meets the dual compliance test.

SOURCES OF REVENUE

It is clear that Toronto requires more revenue to meet its current financial needs revenues and even more revenue to fund programs that it believes are necessary but now is unable to afford.

There are two ways of approaching this revenue shortfall. One is to ask for a revenue sharing arrangement with the province and/or federal government as has occurred with the sharing of the gas tax. This was done in a broader fashion with the Ontario government in the 1970s and the device, named after the city where it was first announced, is the Edmonton Commitment. The Edmonton Commitment obligated the Ontario government to increase grants to municipalities equal to the increase in general revenues available to the province. It seemed like the perfect way to help municipalities share in the increase of wealth of

the province as reflected in sales, income and corporate taxes.

The Edmonton Commitment lasted for several years but then was abandoned by the province as it faced its own financial challenges. This will always be the shortcoming of revenue sharing. No government likes to raise revenues from taxes which it then has to pass on to a different level of government. It suffers two political problems: it is accused of taxes being too high and it may be blamed for funding municipal programs over which it has no control. It is hard to believe that any provincial government will think it wise to enter into a binding arrangement for revenue sharing on terms which satisfy the city.

Another course of action is to give the city its own powers to levy taxes in a wide range of areas. It seems clear that the city would not be able to engage in levying corporate taxes since it is almost impossible to indicate with the appropriate specificity which corporate activities are actually occurring in the city in a way that would attract tax. This leaves only two taxes with the capability to raise serious amounts of money – sales tax (which would include a goods and services tax) and personal income tax. It would be very difficult for the city to levy these taxes if they were not also levied by surrounding local governments. The city would have great difficulty explaining to merchants on one side of the street how they would benefit from a sales tax that did not apply to merchants on the other side of the street.

The problem in thinking about a new City of Toronto Act is determining how one moves forward into the revenue area given the constraints that seem to apply to the levying of any new revenue source. Like other issues discussed in this context the revenue issue has regional implications.

A reasonable half-way point is to suggest a short term arrangement with the provincial government while the long term opportunities are explored. A short-term arrangement would involve an agreement for either revenue sharing or cost sharing (for specific programs such as transit or affordable housing) while a study is

done of how to proceed with other revenue sources.

At the same time the city's own existing source of tax revenue, property tax, should not be overlooked. The way property tax is currently structured means the city has no flexibility in setting this tax or refining it, as was proposed by Mayor Glen Murray in Winnipeg to respond to urban problems in that city. The city needs very significant powers over the details of the property tax to ensure it is structured appropriately. These powers should be subjected to principles of equity and fairness, given that the property tax is now imposed without equity or fairness. (Residents in multi-unit apartment buildings, for instance, pay several times the tax rate of home owners; and businesses pay a much higher tax than anyone believes is appropriate.) It will be important to temper powers in respect to property tax with principles of equity and fairness. One might also add that the expanded power to levy user fees should be subject to the same principles.

There are many other areas of taxation which may raise only small amounts of revenue, but are still appropriate to the city - hotel tax, for instance, fuel tax, vehicle registration, or other sources of revenue which discourage undesirable activity. The city may also wish to experiment with new kinds of taxes such as a carbon tax, or taxes relating to emissions, or even a Tobin tax on share transfers.

The city should be given the broadest possible mandate to levy these taxes as well. The city will then be charged with making the case to the voters of its wisdom in certain taxing policies.

REGIONAL ISSUES

Regional issues have been, and continue to be, a matter of great concern in the Toronto area, stretching back to the creation of metropolitan government in Toronto in the early 1950s. Unfortunately there does not appear to be a consensus of what should be put in place to meet broader regional needs. Some have suggested the ultimate objective should be to create a new province in Southern Ontario. Some have suggested that a reconstructed Greater Toronto Services Board

may be a useful interim step. (For a longer discussion on regional issues, see pages 29 and 32.)

In this circumstance it makes sense to take a half-way course. Local governments within the GTA should be given the power to make agreements with each other in regard to matters of mutual interest. They may find that they are able to work out comprehensive organizations that address many of their problems, perhaps through models like the Greater Vancouver Regional District. At the same time the provincial government should be encouraged to play an active role as a policy coordinator with local governments in the GTA. With mature local governments interacting with each other and the province, one may find that there are very useful structures satisfactory to all parties.

Then again, that may not be the outcome. It makes sense to ensure that there is a review of the situation within a five-year period, and the province should undertake to create such a review in conjunction with local governments in the GTA beginning in the year 2010.

CONCLUSION

The proposals here – addressing governance, general legislative powers, sources of revenue, and regional issues – will empower the city to cope with issues that have been widely raised but not resolved. New powers must be strengthened by an agreement between provincial and city governments stating that further changes to legislation respecting the city powers will not be undertaken without the consent of the city.

In brief the following is a summary of the proposals here:

1. An independent commission will be established appointed jointly by the city and the province to look into and recommend the most appropriate general structure for city council. The process should include mechanisms for the ongoing review of governance issues and proposals about the consultation, approval and implementation for whatever recommendations are made.

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2. The general legislative powers given to the city should be stated broadly, perhaps in the same manner as powers were given to provincial governments when they were established, allowing the city to 'meet or beat' federal or provincial laws in a way that meets the dual compliance test of the Supreme Court of Canada.
 3. As a short term arrangement the city and the province should enter into a cost or revenue sharing agreement for a four-year term, and an independent study should be undertaken by the province and the city on the best ways to proceed with respect to the possibility of the city levying sales and income tax. The legislation should give the city power with respect to reshaping property tax and levying user fees, provided principles of equity and fairness are met.
 4. Local governments in the Greater Toronto Area should be given broad powers to enter into agreements with each other to address questions of governance and service, and the province should play an active role as a coordinator and policy maker. These arrangements should be reviewed by an independent commission established in 2010.
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Easing the Fiscal Restraints: New Revenue Tools in the City of Toronto Act

ENID SLACK

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The City of Toronto faces increasing financial pressures from a number of different sources, including the need to be internationally competitive (providing those services and infrastructure that will attract skilled labour) and the need to deliver services that have been “offloaded” by federal and provincial governments. At the same time that the city is facing and will continue to face increased expenditure pressures, there has been no diversification of its revenue sources. The city continues to rely mainly on property taxes, user fees, and transfers to finance services. But property taxes are a relatively inelastic source of revenue - that is, they do not increase directly with growth in the economy as do income and sales taxes - and are hence unlikely to provide the increased funding needed to cope with future expenditure needs.

With a population of 2.5 million people, Toronto is larger than six provinces; with a budget of \$7 billion, Toronto also spends more than those six provinces. Nevertheless, Toronto is a part of a provincial-municipal relationship in which cities were once characterized as “puppets on a shoestring”¹ and the provincial role as “father knows best.”² The province establishes the very existence of local governments and their geographic boundaries, mandates their expenditure responsibilities, sets standards for local service provi-

sion, limits their own-source revenues largely to property taxes and user fees, sets the rules around levying the property tax, influences municipal expenditures through its grant programs, requires that municipalities not incur a deficit in their operating budget, and determines the extent to which municipalities can borrow to meet capital requirements. In short, the city has limited discretion over its own expenditure and revenue decisions.

A new City of Toronto Act could go a long way both towards increasing Toronto’s ability to raise revenues and improving the provincial-municipal relationship. By giving the city the ability to raise revenues from new sources, Toronto would have the mix of taxes it needs to meet its responsibilities. By giving the city the ability to set its own tax rates, it would increase local autonomy and accountability and reduce the city’s financial dependence on the province. It might even end the “blame game” that has each order of government blaming the other for insufficient resources at the local level.

EXPENDITURE PRESSURES

Expenditure pressures on the City of Toronto, most of which are expected to continue in the future, are the result of a number of different factors. First, Toronto is a major driver of economic prosperity in Canada. To be competitive, the city must attract business and skilled labour. This means that it not only has to provide transportation and communications infrastructure

1. Canadian Federation of Mayors and Municipalities (CFMM), “Puppets on a Shoestring: The Effects on Municipal Government of Canada’s System of Public Finance” (Ottawa: CFMM), 1976.

2. Allan O’Brien, “Father Knows Best: A Look at the Provincial-Municipal Relationship in Ontario,” in Donald C. McDonald (ed.) *Government and Politics of Ontario* (Toronto: McMillan), 1975, pp. 154-71.

but it also has to deliver services that enhance the quality of life. These services include, for example, parks, recreational and cultural facilities, social services, public health, and police protection.³

Second, at the same time that Toronto attracts skilled labour, it also attracts a disproportionate share of low-income individuals and households who seek employment opportunities and who are able to take advantage of a wider range of more specialized social services than are usually available in smaller municipalities. Toronto also attracts a very high proportion of the nation's new Canadians and, while the long-run benefits of this inflow of immigrants are obvious, the short-run costs to local governments of settlement and social integration can be significant.⁴

Third, the “offloading” of services by the federal and provincial governments has meant increased responsibilities for Toronto. Offloading has taken a number of different forms. Federal and provincial governments shifted expenditure responsibilities onto the city such as social housing in 1998. The provincial government reduced transfers to the city. Both the federal and provincial governments downsized their own responsibilities (such as immigration settlement at the federal level). Finally, federal and provincial requirements have mandated that cities meet certain requirements (e.g. water quality standards) without providing the funds to meet those requirements (these are known as “unfunded mandates”). In all of these cases, the result has placed pressure on the city to increase its expenditures.

Fourth, the provincially-imposed amalgamation in Toronto in 1998 increased financial pressures on the city rather than producing the overall cost savings that were officially projected.⁵

Although there have been some savings from amalgamation, the harmonization of wages and service levels has, on the whole, resulted in higher costs for the newly amalgamated city, which continue to be felt.

A MIX OF TAXES

The appropriate revenue tools for the city depend, to a large extent, on the expenditures it is required to make. For example, property taxes are not a particularly appropriate way to pay for social services which should, in principle, be paid from taxes that are more closely related to ability to pay. If Toronto continues to share the costs of social services and social housing, for example, then it needs sufficient funding to deliver these services. One option is for the province to take over the funding of social services, as is done in all of the other provinces. If the city continues to be responsible for funding a portion of these costs, however, then another option is to give it access to income tax revenues.

The changing demands on Toronto, coupled with the inability of the property tax to address all of these demands, provides a strong justification for revenues from a mix of taxes. Although the property tax is also well suited to local governments because of the connection between many of the services typically funded at the local level and the benefit to property values⁶, it does not operate as a benefits tax for commuters and visitors who use municipal services (roads and policing, for example) but do not pay property taxes in the city. Other taxes (such as sales taxes and hotel and motel occupancy taxes) are more effective than property taxes at linking the costs and benefits of services when people visit the city or commute to work from other jurisdictions.

3. For a discussion of the impact of quality of life in attracting knowledge workers, see Richard Florida, Meric Gertler, Gary Gates and Tara Vinodrai, “Competing on Creativity: Planning Ontario’s Cities in the North American Context.” A report prepared for the Ontario Ministry of Enterprise, Opportunity and Innovation and the Institute for Competitiveness and Prosperity, 2002.

4. Enid Slack Larry Bourne and Meric Gertler, “Vibrant Cities and City-Regions: Responding to Emerging Challenges.” A paper prepared for the Panel on the Role of Government, August 2003.

5. Enid Slack, “A Preliminary Assessment of the New City of Toronto,” *Canadian Journal of Regional Science*, 23 (1), 2001, pp. 13-29.

6. Richard M. Bird and Enid Slack, *International Handbook on Land and Property Taxation* (UK: Edward Elgar), 2004.

The property tax is not an “elastic” source of revenue meaning that the tax base does not increase automatically as the economy grows. The reason is that property values respond more slowly to annual changes in economic activity than do incomes. Access to revenues from a mix of taxes, particularly taxes that grow with the economy, could also provide cities with an incentive to make those kinds of investments (in infrastructure, for example) that stimulate economic growth. Currently, the contribution that municipal infrastructure makes to economic growth is felt more by the federal and provincial governments that have access to growth taxes than by municipal governments.⁷

In summary, access to revenues from a mix of taxes would give Toronto more flexibility to respond to the changing expenditure needs and would allow it to benefit from taxes that grow with the economy. Other taxes would also be more effective than the property tax at linking the costs and benefits of services for commuters and visitors.

WHICH TAXES?

The benefit model of local government finance provides some assistance in determining which taxes are most appropriate at the local level. The model asserts that the essential role of municipal government is to provide local residents with those public services that they want and that they are willing to pay for. In other words, those who pay taxes or user fees to finance local government should be the ones who are enjoying the benefits of local expenditures.

In the local government context, the application of the benefit principle is preferred to the ability-to-pay principle. Under the ability-to-pay principle, those paying taxes and fees to finance local expenditures should be those with the greatest ability to pay. Income redistribution at the local level can be problematic, however, because those who are taxed more heavily can leave the

jurisdiction. For this reason, it is generally asserted that the ability-to-pay principle should play a smaller role at the local level and that redistribution should be a role for the federal and provincial governments.⁸ There are, however, times when a strict application of the benefit principle is not possible (for example, where it is not possible to identify the beneficiaries) or even desirable (for example, where the city is delivering social programs).

The choice of taxes to be included in the new City of Toronto Act should, to the extent possible, adhere to the benefit principle. Local taxes should also satisfy other public finance criteria: the tax base should be relatively immobile so that the city can vary the tax rates without losing a significant portion of the tax base; the tax yield should be sufficient to meet local needs and should increase along with the increase in expenditure needs; the tax yield should be stable and predictable over time; it should not be possible to export much of the tax burden to non-residents to pay for services enjoyed by residents of the taxing jurisdiction; the tax should be visible to ensure accountability; taxpayers should perceive the tax to be reasonably fair; and the tax should be relatively easy to administer.

The options are many and include local access to: personal income taxes, payroll taxes, corporate income taxes, general sales taxes (retail sales taxes and the GST), and excise taxes (including taxes on hotel/motel occupancy, meals, fuel, liquor, tobacco, vehicle registration, and land transfer). Although many of these taxes meet the standard public finance criteria set out above, only the income and sales tax would bring in significant revenues.

An evaluation of the different tax options suggests the following:⁹ **Personal income taxes** are a more appropriate way to pay for social services than is the property tax because income taxes are based on ability to pay. Local access to personal income taxes is common in

7. Casey Vander Ploeg, “No Time to be Timid: Addressing Infrastructure Deficits in the Western Big Six,” Western Cities Project Report #30 (Calgary: Canada West Foundation), 2004.

8. See, for example, Richard M. Bird and Enid Slack, *Urban Public Finance in Canada*, Second Edition, (Toronto: John Wiley and Sons, 1993).

9. A more detailed evaluation of these revenue sources can be found in Enid Slack, “Revenue Sharing Options for Canada’s Hub Cities.” A report prepared for the Meeting of the Hub City Mayors, Toronto, September 17-18, 2004.

Scandinavian countries where local governments have responsibility for social services. Access to personal income taxes could potentially provide cities with significant revenues. One estimate of the amount of revenue that the city could collect from a 10 percent surcharge on the provincial personal income tax (equivalent to 1 percent on taxable income) is \$450 million.¹⁰ A local income tax that is piggybacked onto the provincial personal income tax would be easy to administer. Because income tax revenues are responsive to changes in the economy, revenues will increase during an economic boom (but they will decline during a downturn).¹¹ The main disadvantage of a local income tax (with locally set tax rates) is that taxpayers are mobile and can avoid the taxes by working in or moving to a neighbouring jurisdiction.

Payroll taxes are imposed at a flat rate on earnings or wages and are the most common form of taxing personal income in U.S. cities. Payroll taxes would allow the city to tax both residents and commuters. It is fairly easy to administer and can yield significant revenues. The main disadvantages are that the tax acts as a barrier to employment, it distorts production decisions, and the tax base is already heavily used to finance the social security system.

Corporate income taxes are not an appropriate revenue source for cities because it is difficult to determine where revenues are collected, the tax base is mobile, revenues are volatile, and the tax bears no relationship to the benefits received from municipal

services. Moreover, the city already over-taxes businesses through the non-residential property tax.

Revenues from **sales taxes** are responsive to changes in the economy but less so than income taxes.¹² Sales taxes could provide the city with significant revenues. An estimate of potential revenues from piggybacking onto the provincial sales tax suggests that a 1 percent surcharge (increasing the retail sales tax rate from 8 percent to 9 percent) could yield between \$360 and \$378 million in Toronto.¹³ The sales tax captures the benefits to non-residents (such as commuters and visitors) who use services in the municipality but do not otherwise pay taxes to that municipality. Locally set tax rates would be difficult to administer because of the inability to determine where revenues are collected. The sales tax is regressive¹⁴ but, as noted above, the main role of local government is to provide goods and services so it is more appropriate to apply the benefit principle to local taxation than the ability-to-pay principle. As with the income tax, there are problems of taxpayer mobility. People will purchase goods outside the jurisdiction where they live if they can avoid the tax. Although income taxes are also subject to mobility problems, residence is less mobile than consumption.¹⁵

Excise taxes (also known as selective sales taxes) would add to the mix of taxes at the local level but they generally do not yield substantial revenues. For example, one cent per litre on the provincial fuel tax base would yield Toronto only between \$36 and \$38

10. The estimate is based on Harry M. Kitchen and Enid Slack, "Special Report: New Finance Options for Municipal Governments," *Canadian Tax Journal*, Vol. 51, No. 6, 2003.

11. Income (and sales) tax revenues have declined in many U.S. cities and, coupled with restrictions on property tax increases, have caused fiscal stress. See Michael Pagano, "City Fiscal Conditions in 2002," National League of Cities, Washington, D.C.

12. Sales taxes are less elastic than income taxes because they are levied at a single rate. Sales increase in line with income increases so, for example, if incomes double, sales could double. This is in contrast to the income tax, as noted above, where tax revenues more than double when incomes double. Moreover, the retail sales tax base has been steadily declining relative to the overall economy because of the shift from a manufacturing to a service-based economy (services are not taxed by the retail sales tax) and the increase in purchasing through the Internet. See David Brunori, *Local Tax Policy: A Federalist Perspective* (Washington, DC: The Urban Institute Press), 2003, pp. 75-76.

13. Kitchen and Slack, 2003, *Supra*.

14. This means that the tax is borne relatively more heavily by low-income taxpayers than by high-income taxpayers.

15. Mel McMillan, "Municipal Relations with the Federal and Provincial Governments: A Fiscal Perspective," Prepared for the Municipal-Provincial-Federal Relations Conference, Queen's University, May 9-10, 2003.

million. A three percent tax (the rate currently levied voluntarily in the GTA) on hotel and motel rooms would yield between \$22 and \$27 million.¹⁶

Unlike general sales taxes, which are imposed on all goods (and services in the case of the GST) except those that are exempt from the tax, excise taxes are imposed only on designated items. This means that they are more likely to affect the behaviour of taxpayers (away from the taxed item) than a general sales tax that applies to all goods and services. Of all of the excise taxes, hotel/motel taxes probably make the most sense for Toronto: hotel/motel tax revenues are responsive to changes in the economy and could compensate the city for the benefits received by visitors from municipal services. Other excise taxes could be used to a limited extent to provide the city with access to revenues from a range of tax options.

LOCAL TAXING AUTHORITY

Regardless of which taxes the city is given access to, it is critical for local autonomy and accountability that the city be politically responsible for levying those taxes. In other words, it should be required to set the tax rates. Unless the city can alter the tax rates, it will not achieve local autonomy or accountability:

“...if a city government feels that it requires more money to do what it is expected of it by its citizens, then it should be in a position to get that money from the people who will be the primary beneficiaries of the resulting expenditures and to whom they are ultimately accountable to at the ballot box – the citizens and voters of the city.”¹⁷

Local tax rate setting provides predictability for the city and gives it the flexibility to change rates in response to different circumstances. When federal or provincial governments allocate a portion of their taxes to cities

based on a formula, revenue sharing simply becomes a transfer. The city has no control over how much it will receive from year to year.

Local taxing authority is not without problems, however. Since individuals and businesses can easily move between jurisdictions within the GTA or beyond, a differential retail sales tax rate, for example, could encourage individuals to purchase goods and services in those municipalities with lower tax rates. A differential hotel and motel occupancy tax, fuel tax or income tax would result in similar behavioural responses. These reactions would, however, be similar to the location decisions currently caused by differential property tax rates. Tax competition can create an environment in which municipalities become more efficient in their use of resources and more accountable to taxpayers. If the city can convince taxpayers that they are getting more services in return for the higher taxes, there may be less incentive to move. Nevertheless, there is a clear trade-off between the accountability and flexibility advantages of local setting of tax rates and the potential disadvantages of differential local tax rates.

To avoid the problem that Toronto would face if only it has the authority to levy new taxes, the province might consider allowing other municipalities to levy new taxes as well. Municipalities that do levy new taxes would likely impose tax burdens that are in line with their neighbours to prevent residents and businesses from moving to or shopping in other jurisdictions. Nevertheless, it may be necessary for the province to set a minimum rate to minimize tax competition and a ceiling rate to prevent excessive tax exporting.¹⁸ Setting restraints on “harmful competition” may be especially appropriate in the Toronto region where the location of economic activities is especially sensitive to fiscal differentials.

16. These estimates are from Kitchen and Slack, 2003, *Supra*.

17. Ronald D. Kneebone and Kenneth J. McKenzie, “Removing the Shackles: Some Modest, and Immodest, Proposals to Pay for Cities,” In Boothe, Paul (ed.) *Paying for Cities: The Search for Sustainable Municipal Revenues* (University of Alberta: Institute for Public Economics, Western Studies in Economic Policy), No. 9, 2003, p. 61.

18. See Richard, M. Bird and Enid Slack, “Fiscal Aspects of Metro Governance,” A report prepared for the Inter-American Development Bank, 2004, p. 37.

To the extent that the benefits of services (such as transportation, planning, and social services) cross municipal boundaries in the Toronto region, a case can be made for a regional body to coordinate the delivery of those services and to raise taxes to pay for them. The result would likely be a uniform tax rate across the broader region for those services. Further discussion of regional authorities is beyond the scope of this paper.

CONCLUSION

Toronto, like other Canadian cities, has relied largely on three revenue sources (property taxes, user fees, and intergovernmental transfers) for decades even though expenditure demands have been increasing and cities in other countries around the world have access to other revenue sources (such as income, sales, and excise taxes). A new City of Toronto Act that gives the city access to revenues from a mix of taxes would give it the flexibility it needs to respond to changing expenditure needs.

Although it would be very costly for Toronto to collect its own income and sales taxes, for example, there are advantages to piggybacking onto federal or provincial taxes and levying their own tax rates. The city needs to set its own tax rates if it is to achieve autonomy, accountability, predictability, and stability. Locally set tax rates will require provincially-set limits (minimum and maximum) on the rate of tax that could be levied

locally both to minimize tax competition and reduce tax exporting.

Once given these new revenue-raising tools, the city will have to decide when and how to use them. Raising taxes is never easy. One option is for the city to introduce new taxes and, at the same time, reduce property taxes. Although a substitution of this nature would allow the city to have access to new tax sources over time that are more progressive and grow with the economy, it would not solve its current fiscal problems. A second option is for the federal or provincial governments to reduce their taxes (say, lower the rate on the personal income tax) to provide the city with tax room. This option would require the city to convince the other governments that reallocating the tax burden in this way would be beneficial to the province and the country. Tax room could also be justified on the grounds that the city is paying a portion of social service costs that were “offloaded” by the province onto the property tax base. If the province does not take back social service responsibilities or provide increased funding for these services, it might consider providing tax room to the city. A third option is to raise new revenues with a commitment to improve service delivery. In other words, taxpayers would pay more taxes but they would receive more services. The city would have to convince taxpayers that they would actually be receiving new and improved services in return for higher taxes.

How To Get The City We Want

PAUL BEDFORD

Paul Bedford is the recently retired Chief Planner for the City of Toronto. He now speaks extensively on a wide range of urban planning issues across Canada and internationally.

Toronto has now lived through seven and a half years of amalgamation. It is a good time to take stock of our strengths, our needs and seize the opportunity we all have to make our voices heard on how to get the city we want. The Provincial government has issued an invitation to the City of Toronto to redefine the powers it currently holds in the City of Toronto Act. The Premier has committed to introducing new legislation by the end of 2005. This is a once in a lifetime opportunity that must be embraced by broad public discussion to ensure that Toronto's community values, aspirations and principles for building a great city are captured in the new legislation.

Many questions need to be answered. What new powers and revenue sources should be made available to Toronto? Should the Federal and/or Provincial governments allocate a percentage of existing income tax or sales tax revenue? What criteria should be used to determine how the money will be spent? How will the city be held politically accountable if revenue is simply given to it?

As an alternative to revenue sharing, should the city have the power to raise its own revenue through a city income tax or city sales tax? What about the ability to charge road tolls? How do people feel about energy consumption, waste management or sewage treatment fees? Should these and other revenue generating ideas be subject to a referendum or should the mayor and council be delegated the authority to implement such measures?

With regard to city planning and development matters, should Toronto be given exclusive control over its own future growth or should the Ontario Municipal Board still have a role? At present, a decision by Toronto's city

council can be overturned by the OMB. Considerations of building material, urban design and architecture are currently not allowed. In Ontario, the lawyers control the planning and regulatory system, not the planners or politicians. How should this change?

UNFINISHED BUSINESS

When amalgamation was implemented on January 1, 1998 it not only merged seven former governments into one, it eliminated all previous funding for transit and downloaded public housing and social services on the city to operate with no financial resources to pay for them. Toronto continues to suffer from the havoc that resulted. The hard and simple truth is that over the past seven years hundreds of millions of dollars have been deliberately withdrawn from the city by the former Provincial government and it shows. To make matters worse, the former Premier's Executive Assistant recently admitted that amalgamation was a huge mistake!

Public transit and public schools are in decline, homelessness is a fixture of city life, urban poverty is increasing, tourism continues to suffer and the reputation of Toronto as a clean big city has changed. Most important, the pride of Torontonians in their city is at risk. No one wants this to continue but no matter how hard the Mayor and Council try to address the situation, they do not possess the powers, the revenue or the governance structure needed to get the city we all want Toronto to be.

What is perhaps most amazing about our current state of affairs is that this didn't just evolve on its own! Toronto's present circumstances were artificially created by the policies put in place by the former Provincial government. The great irony is that Toronto has experienced considerable decline in its quality of life at a time when the Greater Toronto economy has enjoyed unprecedented prosperity and growth.

To best understand the gravity of this situation think of your own family. You expect to provide for your own family's monetary needs. However, when your parents, your brothers and sisters, aunts and uncles and your cousins all move in to live with you with no increase in your ability to cover these new financial responsibilities, the situation quickly becomes unsustainable! The City of Toronto is in the same position.

It is an unsustainable financial position that must be resolved. The good news is that it is indeed possible to solve our problems and restore the city to its tremendous potential. The opportunity is now!

WHAT KIND OF CITY DO WE WANT?

Today, Toronto is a city held together by shared values rather than shared roots. This is important to understand. It is essential to achieve an accurate picture of the shared community values we want to pursue to get the city we all want. Most people would probably say they want a Toronto they can be proud of that incorporates their dreams. Words like healthy, prosperous, inclusive, beautiful and sustainable over time all come to mind. Most people want a city where their life cycle needs can be realized and where future generations can be successful and have a strong sense of co-ownership with their city. Perhaps most fundamental is the desire for our city to be at home with the world given Toronto's wonderful multicultural population.

A strong public realm comprised of parks, public spaces, squares and vibrant sidewalk life are all essential for a healthy city. Transit must become so good that there is always a bus or streetcar in sight. Our waterfront must belong to all Torontonians and be our front door to the world. It should be possible to live your life without owning a car and not feel deprived as a result. It should also be possible to have your life cycle housing needs met within your own community from your first rental apartment to the nursing home. It should be possible to walk to local shops to buy a quart of milk. Pedestrian amenities must be at the heart of city life.

The kind of city I have described doesn't just happen. It is the product of a confident city exercising its values through legislation that allows it to make its own decisions. That is why the contents of a new City of Toronto

Act and related legislation is so important to all Torontonians.

It is important to test these assumptions with the public in an intense citizen based dialogue over the coming months. People need to speak up and spell out the core values that will shape the future of Toronto. They need to react to the range of different ideas and solutions being offered through various presentations, articles and debate. Out of this will emerge key guiding principles that will form the framework and the approach to be followed in defining new powers to be given to the City of Toronto. This is a defining moment in the life of our city!

What are the barriers to achieving positive change? Not much! The biggest barrier is a lack of interest in one's own life and the future well being of one's children. Who would ignore this? How more personal can it get!

Anything is possible to change when enough people want to see it happen. The way Toronto looks and feels today is the result of deliberate changes made in 1998 when amalgamation was implemented. The job was only half completed. The potential advantage of one big city was never realized given the lack of revenue, an outdated governance structure for the mayor and council and the inability to regulate development in keeping with the vision and goals of the city's Official Plan.

Now is the time to embrace the opportunity extended by the province to complete the unfinished business of amalgamation and create the city we want. To do this Torontonians must feel passionate about their city's future. They have to help define its needs and demand a new approach that enshrines public priorities in new empowering legislation.

WHY SHOULD TORONTO HAVE SPECIAL POWERS?

There is no question that cities and towns across Ontario and Canada are in need of new revenue sharing and revenue generating powers to pay for their civic responsibilities. The potential of the "New Deal" is significant given the recognition by the Federal Government of Canada's urban reality and huge infrastructure needs. I believe that the criteria for funding should be based on

sustainable city building values and practices, creativity and regional co-operation in city regions.

But what about Toronto? Toronto is unique given its size, its responsibilities and its economic wealth generating ability. It is also the only Canadian city that is both a provincial capital and a very large city with very special functions. Toronto generates approximately \$36 billion a year in federal and provincial tax dollars which in turn provides benefits across the entire country. If the economic engine gets sick the whole country suffers. Toronto is equivalent in population to 4 Canadian provinces, or 3 provinces and 5 cities, or 13 Canadian cities.

On a daily basis, the Toronto Transit Commission moves 1.4 million people, more than the combined population of Vancouver and Calgary. As in other big cities around the world, transit is essential for the city to function. To illustrate the point, a few years ago both Hamilton and Vancouver endured transit strikes that lasted several months. Both cities continued to function. A transit strike in Toronto that lasts longer than a few days quickly grinds the city to an economic standstill. Transit in Toronto is not a luxury or an option. It is the very lifeblood of the city!

With respect to housing, social services and immigration Toronto attracts people in need from across Canada and receives the vast majority of new Canadians seeking economic opportunities. These onerous responsibilities are unique to Toronto yet the city is in a legislative straight-jacket with no ability to meet its financial, social, governance and infrastructure needs. The province must now address this situation by granting the City of Toronto the powers to govern Canada's largest city instead of allowing it to wallow from year to year in perpetual financial chaos.

Big cities are different. They need different financial tools and different powers and different governance structures to get things done. Toronto is no exception.

PRIORITIES TO EMPOWER TORONTO

Before Torontonians can get the kind of city we want, we will have to be prepared to change our collective mindset towards municipal government. There is truth

to the expression “you get what you pay for”. As a starting point for public discussion, I believe that three priorities should be pursued. These include powers regarding revenue, governance and sustainable city building. Here are some ideas to consider:

Revenue Menu

Toronto depends on property taxes for approximately 45% of its budget compared with an average of 15% for U.S. cities and an average of 5% for European cities. Given Toronto's increased responsibilities of transit, housing and social services downloaded from the province after amalgamation, it is clear that new revenue sharing and revenue generating sources are needed from senior governments to pay for essential services to run a big city. The key problem is that the property tax is inflexible and unsustainable as it doesn't grow with the economy. Simply put, it can't begin to pay the bills. It is a huge problem that if not fixed will continue to drag the city and the province into a downward spiral.

What are the options? How do other big cities in the U.S. and Europe fund city services? Generally speaking, many U.S. cities including New York have their own income tax and/or sales tax. In addition, hotel levies and a variety of fees associated with vehicle registration and drivers licences, waste reduction, energy and water consumption charges are often part of the financial menu of revenue. Federal and state funding programs to encourage transit, housing, revitalization of downtowns and vacant industrial brownfields, the redevelopment of public housing in addition to sustainable regional growth are also available for different cities. Together, this revenue menu constitutes approximately 85% of the budget for a U.S. city. Municipal taxes only account for the remaining 15%.

In Europe, the municipal budgets of cities like London, Paris and Frankfurt are heavily dependent on a share of national government revenue derived from income and consumption taxes. For example, in London 65% of the budget of the Greater London Authority comes from general government grants, 27% comes from fares, fees and other charges while only 8% is generated through the local property tax. Perhaps the most well known charge is the congestion charge of roughly \$12.00 Canadian per day for each vehicle entering central

London. Despite initial controversy associated with this road toll, it has been extremely successful. It has reduced traffic in the central zone by about 15% and has resulted in the introduction of an additional 11,000 peak hour seats on new and more frequent bus routes. The congestion charge is now being expanded further in 2005.

The main point to focus on in these comparisons is that Toronto must obtain new sustainable revenue sources and powers from senior governments if it is going to prosper. It is clear that the major functions of transit and social housing that were downloaded on the city continue to place severe stress on its health. Should these functions be assumed by the province? Torontonians should provide direction on what options they would be prepared to support and whether the use of any new taxing powers should be subject to the accountability of the electorate through a referendum.

Governance

As Toronto's Chief City Planner for the past eight years, serving under eight mayors and numerous councillors over thirty-one years with the City of Toronto, I have been exposed to many different governance models. In my opinion, there is a serious need to make changes to the existing political structure to more effectively govern a large, complex city. Now is the time to examine all the options and devise a governance model for the next era of city building that will ensure both big picture and local priorities are addressed.

At present the mayor and 44 local councillors are elected for a three year term of office. The mayor runs on a city-wide basis while each councillor is elected in a local ward representing approximately 55,000 people. Councillors sit on both city-wide standing committees and on four area or community councils. Generally speaking, big picture issues are to be dealt with by the various standing committees while local issues are to be dealt with by the four community councils. Unfortunately, this model has not produced the clarity that was originally intended.

It does not embrace the potential of one city. Seven years after amalgamation, it is still too common for politicians to fight for their former municipality and the programs and practices associated with them. The existence of 44 ward based councillors creates a bias for the local per-

spective at the expense of advancing city-wide priorities and moving the whole city forward. A case can be made for the mayor to have expanded powers to get his or her agenda accomplished, set the tone and deal with high priorities within a short timeframe.

I also believe the mayor and council should have a longer term of office in the order of four years. This is common in U.S. and European cities and recognizes that it takes time to make positive changes in big cities.

Specific powers should be spelled out for the mayor regarding the budget and other key city-wide matters. In addition, an executive committee of approximately 5 councillors and the Mayor should be explored with one councillor elected from each of 5 new districts. The executive committee should be delegated specific powers for the budget and key city-wide services.

I believe a strong case can be made to abolish all wards and adopt an at-large system of governance with councillors elected at large within each of 5 new districts. The size of the council could be slightly expanded to 45 with approximately 9 councillors elected at large within each of 5 new districts representing approximately 500,000 people each. These districts would be based on logical and natural boundaries encompassing communities of interest. None of the new boundaries should coincide with former municipal boundaries. It could help to bring more clarity and focus to the major big picture priorities facing the city and would end the current ward boss mindset that has produced negative results for city building.

This approach also has the benefit of capturing the best of the former two-tiered system of municipal government within one Council. That system of governance achieved a strong city building agenda and a strong community presence throughout its life and was noted for excellence around the world. It is no surprise that such cities as London and Paris incorporate the principle of two-tiered governance today.

Standing Committees should communicate a philosophy of integration and the reality that everything is connected to everything. Names such as the Healthy City Committee, City Building Committee, Community

Services Committee and Executive Committee should be used with respective department staff reporting through the appropriate committee. This model would also help to break down the mindset of silos that exists within departments.

In order to reconnect communities with their city, Community Advisory Boards could also be established comprised of groups of neighbourhoods representing approximately 100,000-150,000 people or more. They would consider the needs of the community and provide advice to the Mayor and Council on the city budget, land use and service delivery. Given their relatively small size, it would be possible for each Community Board to develop a true sense of involvement and co-ownership in the life of their city. An examination of how other large cities use this model should be carefully studied to see what might work best for Toronto. New York seems to have the most experience with this concept since the mid 1970's.

Council should focus on governing and make key policy decisions for the city and its communities. Staff should be charged with managing the implementation of Council's policy decisions. Perhaps the three new positions of Deputy City Managers adopted by Council in December, 2004 could be linked to the three Deputy Mayors who could advocate and be responsible for groups of department portfolios and services.

City Building

City building is the term often used to describe the planning, redevelopment and continuous renewal process of a city. It also covers the never ending process of guiding change, which in a large and growing city and region is a huge challenge. The way in which the public, politicians, staff and developers interact and the results of that process show up every day in the type of buildings constructed, the quality of architecture and the comfort level people have with the way the city feels.

People care deeply about how their city looks. There is a public thirst out there to re-capture a sense of pride, beauty and cleanliness that Toronto used to have to a much greater degree. A lot can be done from a legislative perspective to give Toronto the powers it needs to improve urban design, architecture and to generate a

sense of co-ownership in Toronto's future renaissance.

The existing Planning Act also prohibits consideration of building materials or their colour in evaluating planning applications. This is a flaw in the tools available to planners who are often trying to encourage compatibility of new buildings with the existing character. Greater flexibility in this area would give all parties more scope in the city building process.

The overall quality of new buildings and new neighbourhoods could be substantially improved through the establishment of an urban design review panel by the city. All new development proposals in a designated district would first be subject to approval by the urban design review panel before being submitted to council. To be effective, the panel should be comprised of professional architects, urban designers and planners and its powers should be strong. A similar model has existed in Vancouver for many years and has resulted in enormous improvements to the quality and sensitivity of the buildings and public spaces constructed in that city. To the credit of some Toronto developers, they have voluntarily agreed to a design review process which have resulted in positive outcomes for all parties. It is time to incorporate this concept into legislation and make it a formal power that can be exercised.

Other tools are needed to achieve the city we want. They include the use of tax increment financing as an incentive to encourage the redevelopment of empty brownfield lands such as on Toronto's waterfront. With respect to social housing, Toronto should give serious consideration to the model practiced in France where a fixed percentage of all new private sector housing is dedicated to the local municipal housing authority instead of constructing single purpose social housing buildings. This approach has the advantage of allocating housing units across all neighbourhoods in the entire city. It results in a wide distribution of affordable housing to the full spectrum of the population in a totally normal fashion. Both of these concepts could be incorporated into legislative authority.

ONTARIO MUNICIPAL BOARD

The role and future of the OMB is a very critical issue for Toronto and for many other larger municipalities

across the province who have well resourced city planning departments. Perhaps a starting point is to realize how much the current Ontario planning system is dominated by the power and influence of the OMB compared to other Canadian and U.S. cities. In my opinion, the legal industry controls the planning and development agenda in Toronto; not the planners, architects, urban designers or politicians. This is a result of weak legislation and the final authority of the OMB to determine all planning applications regardless of the public and political process followed by the municipality. The 90 day appeal provision of the Planning Act has meant that many applications are appealed long before the Council has made a decision on the merits of the development proposal. This practice has fueled the flames of community anger over the years and has produced a situation where in my view, many councillors have not accepted their full responsibility to make the tough development calls on controversial applications because they know that the OMB will ultimately be responsible for the decision.

While an appeal body to a council decision may be justified, I believe the powers of the OMB need to be confined to the actual merits of the appeal, not the entire application. As such, if the OMB is retained it should eliminate its practice of holding “de novo” hearings. However, I believe that if the changes to governance described in this paper are implemented, the Council should ideally be empowered to make the final development decisions. It is simply a logical and normal power for the largest city in the country to be able to exercise but not unless the current governance model is radically changed to hold the full Council accountable for its’ actions.

Notwithstanding this view, I do believe in the right of an appeal as people do make mistakes. As such, it may be desirable to give the OMB the ability to re-direct an appeal back to the Council for reconsideration based on prescribed criteria. Perhaps the Executive Committee could perform this role within a defined scope.

Generally, planning appeals should involve a matter of provincial interest to merit continued OMB involvement. I do not see the merit of continuing to allow most Committee of Adjustment appeals to absorb the time and resources of the OMB. Back-yard additions, setbacks

and other minor variances associated with applications in Toronto and other Ontario municipalities should definitely be decided locally by local appeal bodies.

BOTTOM LINE

It has now been over 170 years since the City of Toronto was first incorporated in 1834. Today it has the budget, needs and obligations of a major world city yet it retains the powers of a small Ontario town. This situation does not exist anywhere else in the world. It has to change. It is time for Toronto to become an adult with the authority to conduct its own affairs.

An active public dialogue is needed to determine the values, principles and priorities that should be incorporated into a new City of Toronto Act or City Charter. Torontonians want to be proud of their city and the services that go with it. However, nothing is free. As Oliver Wendell Holmes noted “I don’t mind paying taxes. They buy me civilization.” Collectively, we will need to translate this thought into the kind of city we want and how much we are willing to pay for to get it.

Mayor David Miller’s job is to lead and pull the city ahead. He has many challenges. So far he has established a good foundation, championed the cause for a share of the gas tax and GST exemptions for cities and has a positive agenda to help Torontonians get the city we want. However, he is only human and is only one person. No one can do it alone. The mayor needs to have the tools to get the job done and the help of Torontonians .

The bottom line is the Province of Ontario and the City of Toronto need each other more than ever. It is hard to embrace change especially when the past has brought so much mistrust and animosity. However, we have reached the point of no return. Things cannot remain the same.

Possible Regional Implications Of A New City of Toronto Act

DON STEVENSON

Don Stevenson is an associate of the Canadian Urban Institute and was a former Ontario deputy minister of Intergovernmental Affairs (which at the time was responsible for municipal affairs). He is also the former President of the Institute of Public Administration of Canada.

A new City of Toronto Act, providing for greater autonomy to make decisions about its own future and the fiscal capacity to carry out those decisions makes obvious sense for Canada's largest city, with a population larger than all but four of Canada's provinces. But the fact that the city contains less than half the population of the continuously built-up city region of which it is the heart, means that metropolitan region issues cannot be neglected.

Over the past 30 years, numerous reports have recommended the disentanglement of policy-making and funding responsibilities now scattered across a variety of provincial and municipal government areas. Virtually none of these recommendations has been implemented, despite persuasive and practical arguments on how to re-assign roles for provincial and municipal governments more appropriately. *Greater Toronto: The Report of the GTA Task Force. (1996).*

One of the conclusions of the UN City Summit in 1996 was that the major challenge of the world's first urban century - the twenty-first - would be the management of its metropolitan regions. For two decades after its establishment in 1954, Metropolitan Toronto was recognized internationally as a "best practice" in managing a growing city region. Metropolitan Toronto

in 1954 contained over 80 per cent of the city region's population. Local services in the most part continued to be provided by the lower tier municipalities, while the infrastructure and planning requirements of the metropolitan area were handled by the metropolitan authority. Over time, other regional functions such as policing, waste disposal and the transit system became metropolitan responsibilities. For many international observers, Metro's greatest success was the avoidance of poverty ghettos across the metropolitan region, due to a combination of Metro funding of social services and housing, and the equalization activities of the Metro School Board. The provincial government of Ontario became the recipient of international acclaim for the political will and foresight it demonstrated in pioneering a successful model of metropolitan governance.

When Premier Frost announced the creation of Metropolitan Toronto, he said that its boundaries as well as its functions should be periodically reviewed (the assumption was every decade) in response to population growth and the changing social and economic context. The first review (the Goldenberg report of 1965) led to new Metro responsibilities and fewer local municipalities but did not deal with geographic boundaries. The second review (the Robarts report of the mid-1970s) recommended direct election to the Metro Council and the creation of a Greater Toronto Coordinating Committee to provide for coordination of planning and infrastructure development in the GTA. The belated provincial response to the latter recommendation was the establishment of the office for the Greater Toronto Area (OGTA) headed by a deputy minister, the creation of the Greater Toronto Coordinating Committee supported by the OGTA,

and later still, the establishment of the third major review since Metro's establishment, the Golden Task Force, and finally the inauguration of the Greater Toronto Services Board.

The Golden Task Force concluded after a world-wide study of metropolitan issues that:

- The entire metropolitan region (the GTA) need to be treated as a single economic unit
- A body is needed at the regional level to deal effectively with region-wide issues
- Business property tax differentials need to be reduced between the core and the periphery
- A healthy region requires a healthy core
- More compact urban development is required to enhance the environment, make transit more viable, and economize on infrastructure expenditures
- A simplified form of government is required: one level to deal with broad regional issues, and the other to deliver most services.

Change in the GTA is urgently needed and, in many cases, long overdue. Our economic growth is flagging. Inequities in our taxation system are deepening and, combined with an eroding tax base, are threatening the region's economic stability. Our infrastructure is outdated and is not keeping pace with the competitive needs of business and industry. Current urban development patterns are too costly and inefficient to be left unchecked. Municipal governments have neither the authority nor the capacity to deliver services efficiently. And our government structures are increasingly ill-equipped to meet the competitive challenges facing the city-region. *Greater Toronto: The Report of the GTA Task Force. (1996).*

Other reports in the mid-1990s such as the Crombie "who does what" panel reinforced Golden's main recommendation that the top governance priority was a GTA-wide body to establish a regional vision and

coordinate its implementation. Similar reports in British Columbia and Quebec have led to the Greater Vancouver Regional District and the Greater Montreal Metropolitan Community.

Golden's key conclusions remain valid in 2005 even after the creation of the new city of Toronto in 1998 and the province's Greenbelt strategy. They become even more important in the context of a more autonomous Toronto, containing less than half of the built-up metropolitan area's jobs and population and a much smaller proportion of population growth.

It would be a mistake to abandon the concept of the Greater Toronto Area in favour of a wider, less-connected region such as the Golden Horseshoe. An argument can be made that almost any proportion of Southern Ontario is Toronto's economic region but it is difficult to imagine any local accountability to a body beyond the limits of the GTA. After two decades of usage, the GTA is now a familiar term, used in the private and non-profit sectors as well as the media. The GTA is a reasonable match for the Toronto commuter-shed and for the Toronto "bioregion" set out in the Royal Commission on the Toronto Waterfront and containing the land east of the Niagara Escarpment and south of the Oak Ridges Moraine (to just east of Oshawa.)

As surrounding cities such as Mississauga develop a similar multicultural mix to Toronto and as they run out of developable land and the revenue from development charges, their needs, aspirations and attitudes merge with the central city.

The anomalies in the governance structure of the GTA are now the four regional governments surrounding Toronto. They remain exact or slightly adapted remnants of mid-nineteenth century counties shaped around north-south colonization roads. The current controversies over representation on the Region of Peel's council or over the fate of the agricultural preserve in Pickering reflects a structure that detracts from a sensible approach to the GTA. No one is advocating a three-tier approach to governance in the GTA, but if the province's Greenbelt strategy is to

be effectively implemented and if transportation and infrastructure development is to proceed in a compact and orderly fashion, a GTA body with at least a planning and coordination function is obviously to be preferred to four two-tier regional governments with their own visions, often heading in different directions from each other and often failing to integrate basic infrastructure and services.

The Greater Toronto Services Board failed because of a lack of political will of the kind demonstrated by Premier Frost a half century ago. It had insufficient responsibilities and resources to be effective and the province was unwilling to overcome the debilitating conflict between the lower and upper tier municipalities in the surrounding regions.

The City of Toronto needs to be able to deal with a body devoted to its metropolitan region context. As almost all experts acknowledge, a regional transportation strategy needs to be tied to a land-use strategy and a focus on combatting sprawl. An anti-sprawl strategy cannot be effectively implemented if differential tax rates encourage development (commercial and residential) across municipal boundaries into low density areas. An ability by the City of Toronto to levy a sales tax would quickly be negated if there were no sales tax on the other side of Steeles.

The central city contains many region-wide resources – specialized education, cultural and health facilities, the zoo, community and cultural organizations, assisted housing, homeless shelters, to name just some. The province has rightly required a financial contribution from the four surrounding regions to offset some of the costs undertaken by Toronto to provide social services to 905 residents. The municipalities of the 905

region argue rightly that this is taxation without representation. The obvious way of overcoming this impasse is to have it dealt with through a GTA-wide body.

■ ...regardless of how the Government of Ontario is structured, it is inherently unable to meet Greater Toronto's coordination needs effectively. The region must develop its own identity and focus as a city-region if it is to compete effectively with other city-regions internationally. *Greater Toronto: The Report of the GTA Task Force. (1996).*

There are many other areas where a more autonomous Toronto needs to have relatively autonomous partners within the metropolitan region without having to go through the province. Policing is an obvious example. While community policing is local, an integrated assault on grow-ops or criminal gangs cannot stop at the city limits.

In an age of global competition, Toronto's competitors are cities like Singapore (a separate country), Shanghai (a separate province), London (with a Greater London Council), Paris (a separate prefecture within an Île-de-France region) and Berlin (a separate province). Even traditionally fragmented U.S. cities are being buttressed by massive federal support and new regional bodies. As the Golden Task Force's main conclusion emphasized, the entire GTA metropolitan region needs to be treated as a single economic unit if its potential is to be realized

The Incredible Lightness of the Two-tiered Model of Local Government

JOHN SEWELL

John Sewell is a journalist, author and a former councillor and Mayor of the City of Toronto.

Not many political leaders would be willing to admit it today, but when the provincial government amalgamated Toronto local governments in 1997, it snatched away the city's key international attraction.

During the last three decades of the twentieth century, leaders had come to Toronto from around the world to learn about Toronto's two-tiered system of local government. They saw the benefits that it had delivered to the Toronto urban area, and they wanted to determine how they might structure a two-tiered system for themselves. They saw this system of government as a way of making critical links between the city centre and the suburbs, of providing mechanisms to share social obligations, and of considering regional land use issues.

Two-tiered metropolitan government was established in the Toronto area in the early 1950s almost by chance. The dense urban centre had proposed to annex surrounding municipalities in order to accommodate growth after the Second World War. The surrounding townships, largely still farmland dotted with hamlets and small towns, objected to being swallowed up by the big bad city. A compromise was struck: the dozen or more local governments would be joined together in a regional framework, as a kind of local confederation, and the wealth of the city would provide the financial base needed to fund infrastructure for urban development. Local governments would keep their voices and many of their powers, but would join together for regional matters. The new system worked remarkably well. Growth happened and the municipalities managed to get along with each other relatively well.

The Metro system of governance has been reviewed on a regular basis - by Carl Goldenberg in the 1960s; by John

Robarts in the 1970s, and by Anne Golden in the 1990s. All have confirmed the wisdom of the two-tier model. By way of comparison, the move to amalgamate was taken without study or consultation (indeed there was very strong citizen opposition); it was apparently done for political reasons unrelated to creating a workable form of local government for Toronto.

The advantage of the two-tiered system most often cited relates to linkage, as noted above. But there's a much more important advantage which deserves praise and attention, namely the ability of the two tiers to provide two important and different perspectives on urban issues.

Anyone involved in local government in cities knows that to be effective, leaders must work simultaneously on two levels. They must grapple with the neighbourhood context, and at the same time understand and respond to regional concerns. As one can imagine, the two points of view are not always similar. Often they involve different values, different priorities, and different political biases. Often they compete and pose important choices. If you take account of only one perspective, you lose the value and importance of the other, and are liable to run into trouble.

Take the example of policing. In a downtown neighborhood where there is plenty of street life, mixed uses, and medium/high densities, the most effective policing is often done on foot or by bicycle, where officers can move around quickly, see and be seen, and can directly experience the mood and temper of the street. In a suburb, by way of contrast, there's little street life, no mixed uses or low densities, so policing best takes place in a car. Most police forces are governed at the regional level, and since most regions are predominantly suburban in nature, police forces usually focus on policing by car and downplay the importance of officers on foot or decide foot patrols aren't cost effective. Yet unless the police force has equal regard

for both perspectives, either the neighbourhood or the region is not well served.

The same kind of argument made about policing applies to most other local services. As well, many regional services must be located in a specific place, and that creates another kind of tension often referred to as ‘NIMBYism’ - not in my backyard. The neighbourhood might object, for instance, to a regional service such as a jail, or a certain kind of half-way house, being located within its boundaries. It would be folly in these situations to determine that the neighbourhood opinion will always trump the regional vision, or vice versa; some sort of accommodation should be made.

Both perspectives are legitimate, and both need to find strong expression in order to ensure they are weighed, balanced, accommodated, and finally decided on. Where local government is framed only on a regional level, the neighbourhood perspective will not carry much weight. Where local government is established on a neighbourhood basis, the reverse is true.

Two-tiered government gives legitimacy to both points of view, the regional and the local or community level. Both perspectives can have a strong voice, and reasonable trade-offs and accommodations can be taken as decisions are made. Staff will not have to make decisions internally as to which perspective will prevail – that’s a process that usually dooms the neighbourhood perspective, and causes immense political repercussions.

This two-tiered arrangement will mean that the regional and local levels of government will often seem to be at odds with each other as they express different values and perspectives. This was often the case in Toronto, and some took it as a sign of failure. Instead, it was a sign of success - public debate means that the values at issue become very evident, and the trade-offs made at decision-time become obvious. The openness of the debate between the interests often dictates that decisions be taken carefully, often in an environment of compromise.

That, more than anything, was what gave the Toronto system such a stellar international reputation: the two tiers of government ensured that neighbourhoods had a voice, and that the regional point of view did not run roughshod over local interests, as happened in so many other cities.

Any consideration of new governance models for Toronto must certainly include some form of two-tiered structure. It need not revert to the exact model in place before amalgamation, but it should be formulated to provide strong voices for both neighbourhood and regional points of view. It is much too narrow to limit the question of good governance to a strong or weak mayor system: the primary change must be to remake a two-tiered system of local governance for the urban area.

And as with any workable system, what’s worked in the past can be modified to serve new purposes as well. In the case of the Toronto urban area, any new system must incorporate a very broad regional perspective. The regional model established in the early 1950s included all the lands likely to be developed within the next few generations, although so much development has occurred in recent decades that the urban area has spilled far beyond Metro’s boundaries. Today, there are as many people living outside the boundaries of the old two-tiered government as within them. The new regional area for the twenty-first century is certainly the whole of the Greater Toronto area.

Anne Golden proposed a two-tiered governance model based on the GTA. Whatever one thinks of Golden’s proposals for the number of local governments within this larger region, or the distribution of powers, or the structure of the regional government itself, the merit of two-tiered governance is not in doubt. It has served the urban area well, and can do so again.

Another advantage of the two-tiered structure for the larger Toronto urban area is its ability to deal with expanded revenue tools. Many have noted that there are immense difficulties with one municipality in an urban area levying, for example, a sales tax of its own, since shoppers will simply go to a neighbouring municipality to avoid that tax. This is a drawback for any tax which benefits from economic growth. But in a two-tiered system, the upper tier could easily exercise these taxing powers if granted, since it could impose the tax across the whole urban area.

Debate about governance in the Toronto urban area should focus on the nature of the two-tiered system which should be introduced. Learning from our success as an urban area demands that we go in this direction as a first order of business.

The Big Picture

And The Big Fix

MARK SARNER

Mark Sarnar is President of Manifest Communications, Canada's leading social marketing agency.

Toronto is slipping away from itself. As things stand right now, Toronto is a 19th century construct trying to be a 21st century city, living with the fallout from amalgamation, a half-baked attempt to make the city better.

Thankfully, however, we are now staring squarely at an opportunity to fix our future. Premier McGuinty has shown laudable courage in taking the initiative to rewrite the Toronto Act and in investing the enterprise with a sense of acute urgency. It is one thing to talk about needs, as the federal government has done for a decade; it is another to act, as McGuinty has done in establishing a tight timeline for getting a new Act into law.

Toronto's Mayor Miller has himself been resolute in standing up for the city's importance, in speaking out for the need for new powers and for the means to fund the city's responsibilities and aspirations. His efforts have made a difference on a number of fronts. He has given the city reason to hope again for a better future.

By joining together to work on the new City of Toronto Act, McGuinty and Miller have put a collaborative and collegial face on the process of working towards new legislation in any orderly and friendly manner. Sadly, however, as of this date, it doesn't look like it will go far enough. We may well be on the verge

of the most Pyrrhic of victories here: we may end up with a new Toronto Act that tinkers with matters of economies and efficiency but actually accomplishes little. Or we may end up lost in helplessness and hopelessness as factions end up unable to come to consensus on the bigger issues and, as a result, the good intentions behind this initiative lead to nothing being done and governments moving on to other things.

What's needed? Simply stated, rewriting the City of Toronto Act must be consistent with the same big, bold ideas that brought it to the top of the province's agenda. To unlock Toronto's potential, everyone agrees there are three interrelated issues: powers, finances and governance. If we are going to think big, we need to act big. As the papers here and discussions elsewhere define it, the agenda is clear and concise: give the city broad powers to govern itself; give the city control over the means to finance its needs and ambitions; and restructure governance to align form and function. It is that simple. There is no need to make it more complicated.

This is not to say it isn't challenging. The province will find it hard to give up powers, however much it sees the necessity of doing so. The city will find it hard to rise to the realities of exercising new powers, however much it has wanted to have them. The province will find it hard to define a new financial formula for allocating resources to the city without maintaining control over their use. The city will find it hard to assume direct responsibility for new taxation, howev-

er much it has lamented its inability to raise sufficient funds in the past. The province will find it hard to lay out the new governance model it believes the city needs, even though it is the province's sole responsibility to do so. The city will find it hard to accept a new model, even though it could not create one for itself.

There's a difference between hard and impossible. We are not flying blind here. The resources to support this undertaking are considerable: a large body of knowledge to draw from; a large pool of experience and expertise to call on (these papers are but one demonstration); and a largely untapped supply of energy in the community at large to fuel the transformation process as the new Toronto defines and pursues its destiny. In short, we are well equipped to meet the challenge.

It is both exciting and scary to realize that Toronto is quickly approaching a defining moment. Exciting because we could be about to unleash all our pent up possibilities. A new Toronto Act could and should have exactly that impact. Scary because we could instead end up restructuring ourselves into a fate of ever diminishing returns and of blame for lost opportunity. What will be the result?

What is required is a big bold step forward into the unknown, a leap of faith no less. It is for the Premier

and his government to take it. At the end of day, it is the Government of Ontario that has the sole responsibility and the absolute authority to change the Act - to determine the powers granted, the financial machinery to fund the city and the governance model for its future.

We hear too often 'the politics of the possible' as the rationale for why big ideas so rarely translate into big bold policies. This is one of those instances in which we should not be so quick to buy into yet another excuse for a lack of leadership. Politics as usual should not be an option. Now is the time to assume the high ground, an excellent place to lay the foundations for Toronto's future. It is already staked out and ready.

City building is, to be sure, an often precarious and inevitably messy business. Toronto's own wrestling match with history will undoubtedly follow this pattern. Our place in the 21st century will be determined by what transpires around the Toronto Act over the next few months. It is important that all of us with a stake in the outcome to call on those with the responsibility to decide: remain resolute on the focus on the big picture, the big issues, the big ideas and the big fix. Be relentless in aligning form, function and finance accordingly. This is probably the only chance we'll have for who knows how long. Let's get it done now.

A Four Point Plan

The 'Broadbent Group' was convened as a forum for the tabling of ideas and discussion on the City of Toronto Act; the group did not strive for consensus on all the issues. A sub-group of six individuals below met independently and arrived at an agreement on the following proposal.

We believe the following recommendations form a sound basis for an agreement between the City of Toronto and the Province of Ontario regarding a new City of Toronto Act.

Paul Bedford, Frank Cunningham, David Crombie, Anne Golden, Ken Greenberg, John Sewell.

1. FINANCIAL ISSUES

There are a number of financial issues which are intertwined and deserve to be addressed at the same time. The objective is to ensure that the city has reasonable, reliable, and sufficient sources of revenues and financial supports in respect to its obligations.

a) The structural mismatch between the city and the other governments should be addressed by removing from the city responsibility for the great bulk of the costs of two large social programs, welfare and social housing. These costs are better shared, as they have traditionally been shared, by the provincial and federal governments which have sources of income able to bear these expenditures.

b) Given the large number of immigrants living in Toronto, a fair deal comparable to what is available in other provinces, must be struck with the senior governments for immigration support and a labour market agreement.

c) Until recently, property tax has been the city's independent source of taxation revenue. That status should be restored so that, after a proper phasing-in period, the city may again be the sole government receiving property tax. The provincial education property tax on commercial properties in the city should be removed.

d) There are many problems with the current system of property tax, including the fact that it is structured inequitably between different classes of property. (For instance, the rate of taxation paid by rental residential properties is far higher than for owned residential properties.) The city should be given the sole authority to structure and levy property taxes, subject to provisions which ensure that system is structured and administered with equity.

e) The city should be given the ability to levy excise taxes including hotel/motel occupancy, meals, fuel, liquor, tobacco, vehicle regis-

tration, land transfer, and tax increment financing (TIF) to support local infrastructure development.

f) If the above measures are not implemented to improve the current fiscal situation, consideration should be given to permitting the city to access growth taxes, such as a sales tax.

2. POWERS

The city should be granted legislative powers which are broad and expansive, free of the need for provincial approval of city decisions. These powers should permit the city to take actions which 'meet or beat' provincial and federal laws and regulations – that is, the city should be able to do things which strengthen (but do not weaken) standards set out in senior government legislation or regulation. This was expressed by the Supreme Court of Canada as the 'dual compliance' test: a municipal bylaw would be disallowed only if it compelled what senior government law forbids.

3. GOVERNANCE

An independent review of governance for the city should be undertaken to ensure responsive and accountable governance better able to address both city-wide and neighbourhood concerns and issues. This review should also deal with the role and function of the Ontario Municipal Board as an approval agency of city land use decisions.

Independent reviews have invariably preceded governance changes in Toronto, and the city has a fine history of this process being well used: Lorne Cumming's review in the early 1950s which led to the creation of Metro; Carl Goldenberg's report in the 1960s; John Robart's report in the 1970s; and Anne Golden's report in the 1990s.

4. REGIONAL DECISION-MAKING

It is imperative that the institutional capacity be created to address regional land use and infrastructure planning issues (including transportation), and the protection of natural systems in the Toronto area. This is required to create and maintain a strategic growth management plan for the Greater Toronto Area congruent with provincial policies and to provide a context for municipal planning. A process should be undertaken by the province in consultation with the city and other local governments to forge a consensus on the shape and structure of this institution (or institutions) such as that proposed in the Golden Report {*Greater Toronto: The Report of the GTA Task Force*. (1996)}.

■ Commentary

The 'Broadbent Group', comprised of the participants listed on page 39, met on a monthly basis from November 2004 to the present. The following are excerpts from these discussions. Please note that not all participants were present at all meetings.

■ EMPOWERING THE CITY

Paul Reed

There's no question that the re-drafting of the City of Toronto Act is going to be watched and will have an impact beyond its particular process and content. If its expression of first principles and ideals is not done effectively, it will reaffirm the belief by senior levels of government that cities do things in a humdrum way and need not be taken seriously. But if it has freshness and breadth of vision, it will signal that there is a new reality in this country - politically mature and competent metropolitan centres that deserve to be taken seriously (Nov 24.04)

David Crombie

We are in sore need of having a public engagement process; we need to create some energy so that people know that this is not simply "inside baseball" about fiscal capacity and so on. My own view is that the creation of a public constituency is crucial because when it comes down to a push between the city and the province, there needs to be a constituency out there of folks who have given some consideration to the ideas and a clear public process that has some legitimacy. (Dec 8.04)

Anne Golden

Finally there is a window to do something that would free up the city from the silly stuff like needing approval for speed bumps; that would do something around the revenue jam that the city is in; and that would help to improve governance. Those are the three big things. ...Rome is burning and everyone is fiddling. Let's get on with this. (Jan 24.05)

Mark Sarnier

What is the goal? We in Toronto have aspirations for the city and for ourselves. As things stand, however, there is a disconnect between our ideas and the means we have at our disposal to realize them. There was a time, twenty or thirty years ago, when Toronto was full of energy and promise. We were recognized internationally as a model, as a city that worked, as a city on the verge of world class status. We aren't on that track anymore. We need to get back on track. Much depends on us doing so: the future of Toronto, of the province, and even of the country as a whole, depends on it...

■ POWERS

Anne Golden

The fiscal imbalance is the fundamental issue facing the City of Toronto; however the debate about what rights it should have to set tax rates or what new taxes or financial tools it should be able to use without going cap in hand to the province is a separate question. You will not solve the fiscal imbalance simply by broadening the scope of the powers of the city. There is not enough money; unless you re-balance the load you will not solve the fiscal imbalance. The City of Toronto Act is NOT about solving fiscal imbalance as its main goal. The new City of Toronto Act is about unfettering the city so it can do a better job. (Feb 23.05)

Dan Burns

Using the 'growing the spheres of power' model which has been used in most municipal reform in Canada so far, if that is where the discussion ends up, it seems to be obvious that powers could grow quite dramatically. There are a whole lot of areas, where the city is partially active or active in partnership. You could get a lot

better performance, activity and intelligence locally if those terrains were explicit and much, much larger – housing, urban renewal, settlement are a couple of areas. Combined with that, I think it would be interesting to propose making explicit in the legislation that if the city is acting in its own jurisdiction, that it can make an agreement with the federal government. The province would agree that they have no role to play where a municipality is operating in its own authority in relation to the federal government. You get out of the federal government worrying about whether they can do anything with the city that the provinces don't sign off on. You create an environment with explicit authority for local government.

...There are impediments to the city being able to look more broadly at using alternative service delivery and broader user fees not only under the municipal act but under other acts. For example, with roads municipalities have the authority to use road tolls but don't have the authority to set up toll booths; there is an

'undergrowth' of impediments to the city using its own explicit or partial authorities now. It would make a big difference to the options that the city has, to clear away the restrictions in the municipal act and the impediments in this legislative 'undergrowth'. This would give the city a lot more flexibility and ability to finance its current and future activities. (Feb 23.05)

Ken Greenberg

I don't think people appreciate that the OMB is a unique institution in Canada; there's nothing like it anywhere else in the world and it is in my view, absolutely pernicious. Its paternalism cripples the city, diverts resources, and ultimately prevents municipal politicians from making decisions that they should make. I would be for abolition but failing that, something drastic has to be done. If not, the ability of the city to plan itself in any meaningful way is severely curtailed. This of course would mean that the city has to change its current modus operandi. (Feb 23.05)

REVENUES

Joe Berridge

We need to have an adult discussion about the revenue needs for the city and tackle the issue of 'revenue neutrality'. Is it our position that the problem is that the federal and provincial governments are scooping too much of our tax money and doing things that we could do better, and that instead of giving it back (the gas tax solution) the city should have the ability to raise that tax room itself through income/sales tax, etc? Or are we saying that the city can add new tax bites on Torontonians, in addition to current federal and provincial taxes? If it's the latter we should all appreciate the realpolitik of new taxes and the inauspicious start that would be for a re-invented city. If it's the former then one of the key principles for a new governance structure has to be an ability to get the city's fair share from other levels. We must keep our eye on the ball. The Feds are the villains with the big fat wallet; that's where the bulk of the money has to come from. (email dated Feb 20.04)

Don Stevenson

I think the time is right for a real look at the split nationally between the revenue capacity and expenditure responsibilities of the various orders of government. All of the premiers are calling for a look at the fiscal imbalance. It seems that the biggest imbalance is with the biggest cities.

...The last thing you need in a tax system is a different basis for sales tax or income tax at each order of government. You distort business activity if you force different definitions. For example in Sweden, social services being delivered by the larger municipalities are paid for by a share of the income tax. It may not be quite as accountable as you would like, but this does end up with the local level of government delivering them and adapting them to local conditions. (Feb 23.05)

John Cartwright

With other forced amalgamations, I don't recollect that other municipalities had a gun to their head with a 76% vote from citizens saying that they didn't want a mega-city, and then told, "You have to do it and here's the bill for the people we've put in place to carry it out. We'll put the costs in a loan and call it when we want." I don't believe that is what happened in Hamilton, or Ottawa or any of the other amalgamations. It was unfair then, it is unfair now. It should not be hung over the City of Toronto; \$200 million would go a long way to stop the furniture being burnt. (Feb 23.05)

Anne Golden

I don't think you can come up with what the revenue mix should be off the top of the head. What you want to do is to allow cities to set their own tax rates and to give them the scope that they need.... If there is a concern, the province could have the right to set mill rate bands for transitional periods.

...The problem is that by asking senior levels of government for the capacity to address such issues as urban housing, poverty, and settlement issues, there is no way that the city can get enough money; the dollars don't work and we will increase the fiscal imbalance by taking it on. A sales tax just won't do it; there isn't enough money there to take on the additional burden. (Feb 23.05)

Enid Slack

...I am not a big fan of revenue-sharing. I don't think it works all that well. I think it increases the blame that you can always place on the other level of government. When you have your own taxing authority, you have control. You can't just give Toronto the ability to levy income and sales taxes; you've got to let everyone do it; you may have to put some restrictions on how high they can go; or how low. It comes back to regional governance again. In the short-term revenue sharing is a good way for Toronto to get the money it needs, but in the long-term it gives the city no control over what it is doing. (Feb 23.05)

Frank Cunningham

Generically it seems there are three options with respect to social services: upload the services, download the money or provide the city with the tools it needs to raise its own money. The first question is, if you looked at the social services in question, would it be appropriate that some of them would fit into one box and some into another? Does it have to be all or nothing? Also, there may be more things than social services that could be put into one or more of these boxes: infrastructure, transit. If so, it provides more flexibility. (Feb 23.05)

George Baird

The fiscal imbalance must be redressed quickly and if this means 'uploading' the services the city cannot afford, so be it. In addition, the city also needs new taxing powers: some small ones and some larger ones as well, especially if appropriate ways of framing the relationship of revenues to expenditures can be achieved, but not in exchange for renegeing on the inequities which already exist. (Mar 14.05)

GOVERNANCE

John Sewell

We don't have local government any more in Toronto. Most councillors say that they will support the ward councillor on any ward issue but the tradeoff is that the favour is reciprocated. You can see them getting into a position where where you won't be allowed to vote against the ward councillor on ward issues. This isn't a council that is dealing any more with local issues. Governance is a really important issue. You have to start talking about other options to create local government again. (Jan 24.05)

One perverse criticism of the city model of government is that it is too open. Everything happens in the open; you get all these discussions by amateurs happening at city council. The world sees them; they see how small-minded they are. The federal and provincial governments are smart enough to have all those various debates in private, in a cabinet meeting. So that the only time you hear anything is when the 'spin-doctor' is helping some MP or MPP; That's what gives Toronto government a bad name; it's too open and transparent. (Mar 14.05)

John Cartwright

At Queen's Park there are few checks and balances, and in the past that has caused much destruction when short-sighted decisions were rammed through their governance model. But, people aren't talking about changing that. We have a federal government which seldom responds to Toronto as its largest city. Within that governance model this city has been ignored for many years. Now, which particular pot is calling the kettle black? From the point of view of the folks at the bottom, a strong City executive could easily do more harm than good. It would certainly make every other city councillor second-class. Queen's Park should not impose a governance structure on the people of Toronto. (Jan 24.05)

Ken Greenberg

I think it is possible to join together a strong mayor system with strong local government simultaneously. In New York there are 59 community boards; I have worked with four of them. They break the city down into natural groupings; they have enormous power; they have staff; they work on budget issues; they have significant control of major planning issues in their areas. It really comes down to restoring a balance, which we used to be much better at, between power residing in neighbourhoods and effectiveness with the city as a whole being able to act. It's dangerous to go with one in the absence of the other; you have to put them together. (Jan 24.05)

For many of us that work in other cities, there are two things that you can't help observing. In the governance in other countries, politicians at all levels, regardless of whether it is a bipartisan or

multiparty system, rally around their city. So, for example, the Mayor of Boston can call upon the senators and congressmen from Massachusetts, the state representatives and congressmen and the city councillors from both parties to advocate for the city. In Toronto there is no larger aspiration represented by MPs and MPPs that is ever vocalized or visible. Why is it that the party in power at the provincial and federal level, elected by people in this city, does not rally to the city in the way that it does in other countries? (Mar 14.05)

Joe Berridge

While it may just be too much complexity to resolve in every detail, the Act has to give some guidance as to what the city's governance structure should be and to contain some principles about goals for the new Council. If the goals were properly set out - recognising the Council's responsibility for the whole city as well as the neighbourhoods, for strategic long term budgeting and planning, for efficient administration, for open local access - they would clearly indicate the need for a stronger central capability and maybe also for stronger local democracy, as opposed to the current confusion of those two ambitions. As to the specifics of the choice between the models being talked about - strong mayor structure, a city-wide elected cabinet or a Mayor/Council-appointed Executive Committee - that could perhaps be left to an independent body which would work quickly to review proposals, consult and report in the early fall. (email dated Feb 20.04)

Michael Mendelson

It is imperative that a city with this size of budget have an effective executive. Right now the leadership of the bureaucracy reports to nobody, because it reports to everybody. You cannot operate a \$5 billion budget this way; it's designed for a small rural municipality. The one thing worse than politicians making all the decisions is bureaucrats making all the decisions. (Feb 23.05)

Anne Golden

There is no consensus among informed citizens as to what would be the most appropriate system of governance for the amalgamated City of Toronto. Most would agree that there are serious problems with the current system, and that if a new City of Toronto Act gives the city new powers and revenue sources, there should be changes to how the city is governed and managed. ... To ask the current Council to take on the task of redesigning the system in which it operates is inappropriate and unrealistic. At this point, it makes sense to have an independent study or task force to look at options (including models from outside Canada), assess the pros and cons of each and make recommendations. (April 14.05)

A Final Word

KEN GREENBERG

Ken Greenberg is an architect and urban designer who has played a leading role on a broad range of assignments in highly diverse urban settings in North America and Europe. Currently a Principal of Greenberg Consultants, he is also the former Director of Urban Design and Architecture for the City of Toronto.

Is there really a “New Deal” for this city or is this a rhetoric phase with little substance? All the obvious things have been said: our relative impotence as a political entity is an historical accident or an anachronism; our population is under-served given the pressures we face; the wealth we generate is disproportionate to our diminutive share of that wealth; and we need resources and powers commensurate with our responsibilities and/or a lightening of the load.

The current Toronto problematic flies in the face of a new paradigm for sustainable economic development that emphasizes quality of life and ‘place’ values as much or more important than the traditional focus on factor costs (i.e. land, labor, capital). At the heart of this new paradigm is the insight that cities and regions which compete with each other primarily on the basis of cost are engaged in a losing game, whereby “beggar thy neighbor” policies inevitably lead to a race to the bottom and impoverishment of the public realm and public services. This game is particularly unproductive for cities, as the cost ‘playing field’ is invariably tilted towards the outer suburbs, with their larger expanses of cheaper land; emphasis on privately rather than publicly owned amenities; and, heavy governmental subsidies for roadways and other infrastructure.

The new paradigm is also driven by the increasing globalization of economic activity. All locations within North America can be seen as comparatively expensive as seen against the low wage rates available in Asian and third-world countries. Against this backdrop, where often the choice of location is not between Toronto and Montreal, but Toronto and Calcutta, the site location decisions within the country and region are increasingly based on the value that a particular location offers. This is especially true for the knowledge-based industries that are increasingly driving the Canadian economy.

An economic development strategy focused on value is furthermore sustainable over the long term. Unlike the cost strategy, which is ever at risk of being undercut by the competition, the value strategy:

- Builds on localized assets that endure over time, including the city’s natural setting, its historic fabric, and its cultural institutions;
- Does not starve the revenue for essential public services, such as education, parks, infrastructure maintenance, policing, etc.;
- Nurtures businesses whose leaders and employees are vested in the civic life of the community.

So how will Toronto fare in the context of this paradigm? If things don’t change, I think that we do end up “managing the decline”. We find ourselves unable to keep above water and do the necessary to maintain what we have, much less plan and adapt for the future. Ultimately the city as the generator of wealth is undermined with significant opportunity costs.

As things spiral down there is a vicious circle - e.g. less money for transit means cutbacks in service, means less ridership, means still lower revenues with more cutbacks, etc. Not only is this a bad thing in itself, but it is demoralizing with negative spin-offs. It results in a loss of optimism and confidence and a general lowering of expectations. With basic needs unmet and increasing disparities between rich and poor, we develop a sense of being in a zero sum game with a shrinking pie. This in turn fosters a sense of winners and losers and harsh battles over reduced entitlements which severely inhibit the stewardship, creativity and innovation, critically needed for our success as a city. Pretty discouraging!

The argument for all the changes we have been seeking in terms of powers, governance and resources are clear and the opportunity costs of inaction obvious.

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Ministry of Municipal Affairs and Housing
www.mah.gov.on.ca

City of Toronto
www.city.toronto.on.ca

THE GREATER TORONTO CHARTER (2001)

ARTICLE ONE

That the Toronto Region form an order of government that is a full partner of the Federal and Provincial Governments of Canada, entitled to participate in discussions of an inter-governmental nature and in Canada's system of inter-regional transfer payments.

ARTICLE TWO

That the Toronto Region, and its municipalities, be empowered to govern and exercise responsibility over a broad range of issues, including:

child and family services; cultural institutions; economic development and marketing; education; environmental protection; health care; housing; immigrant and refugee settlement; land-use planning; law enforcement and other emergency services; recreation; revenue generation, taxation and assessment; transportation; sewage treatment; social assistance; waste and natural resource management; and water supply and quality management, with the exception of those matters as are mutually agreed upon with other levels of government that are best assigned to another level.

ARTICLE THREE

That the Toronto Region have the fiscal authority to raise revenues and allocate expenditures with respect to those responsibilities outlined in Article Two.

ARTICLE FOUR

That the Toronto Region be governed by accessible, democratic governments, created by their citizens and accountable to them for the exercise of the governments' full duties and responsibilities.

ARTICLE FIVE

That the Toronto Region continue to fulfill its obligation to share its wealth, innovation, and other assets with the rest of Canada, through appropriate mechanisms developed in concert with other levels of government.

ABOUT US

Ideas That Matter, a Canadian publication to stimulate public discourse, concentrates on issues related to cities, urban economies and the values of diversity, community and the public good. Founded in 1997, the work of *Ideas that Matter* is inspired by the wide-ranging ideas and principles of Jane Jacobs.

Since 1999 *ITM* has convened extensively around issues related to the creation of healthier communities and the need for more autonomy for Canada's urban regions.

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