

October 14, 2011

The Empire Club Presents

His Worship, Rob Ford, Mayor, City of Toronto: Rebuilding Our Fiscal Foundation

Head Table Guests

John Walker, President, Transition Plus, and Director, The Empire Club of Canada

Jennifer Almeida, Student, Harbord Collegiate Institute

Captain The Reverend Don Aitchison, Chaplain, Trinity College School

Christine Elliot, MPP, Whitby-Oshawa

Simon Lockie, Chief Regulatory Officer, WIND

Beverly Brooks, Managing Director, The Empire Club of Canada

Bruce McCaig, President and CEO, Metrolinks; and

Anthony Lacavera, President and CEO, Wind Mobile

Introduction by Verity Craig

It is now my delight and pleasure to introduce our keynote speaker for this afternoon Mayor Rob Ford. Rob Ford came to politics with the roots of his family. He's the son of the former conservative MPP, the Honorable Doug Ford. I can only imagine that dinner table conversations decades ago when the Ford family gathered to share a meal. No doubt the needs of the community, the province and our country were served up as substance along their traditional meat and potatoes.

In 2010, as candidate for mayor Rob came to the Empire Club to express his vision for the City of Toronto. Today, we're not only excited that he was indeed successful in his election campaign, but the man now known as Mayor Ford has returned to update our members and guests about his progress to date and what he sees for the future of Toronto, the greatest city in the world.

There are days I think when all of us believe we have a tough job to do, no matter how much we enjoy it.

But when I see the job Mayor Ford took on, it makes mine seem like a walk in the park --except that I'm not responsible for funding the park, maintaining it, that it's safe and available for the entire communities enjoyment. Mayor Ford's job makes even a walk in the park times at work.

The government of Toronto is the sixth largest government in Canada--well ahead of several provinces and territories. In fact, if you combined all the Atlantic provinces--Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island--their entire population will not equal the number of citizens of the Toronto mayor has to serve.

The city has over 45,000 employees and an annual budget of over 11 billion, and one of Mayor Ford's many responsibilities is to lead a city council of 45 fellow elected officials. And you thought the committee meetings you had to attend were tough.

Ladies and gentlemen, please join me in welcoming the mayor of Toronto, His Worship Mayor Rob Ford.

His Worship Mayor Rob Ford

Thank you very much. Thank you for that warm welcome, Verity. It's great to be back here at the Empire Club. 19 years ago today, folks, on October 14, 1992, the Toronto Blue Jays won their first American League pennant. It set up a two-year run that defied everyone's expectations. A Toronto team did something that no one thought was possible. Back-to-Back World Series wins outside the United

States for the first time ever. Well, folks, almost 20 years later, the City of Toronto is trying to do something that many people think is impossible. We're trying to do something that should have been done 14 years ago, when we amalgamated this city. We are trying to fix Toronto's financial foundation.

And you know what? Just like in 1992, the Blue Jays did it. Folks, I will guarantee we are going to do the exact same thing.

This afternoon, I'd like to tell you a little bit about how we're going to do it. First, let me tell you why it's essential that we must succeed.

Everybody has their own idea of what Toronto should become or should look like. Some want Toronto to be the world's next leader in green practices. Others see Toronto as next leading financial hub in the world. Others want a global center to be the number one issue for Toronto, for arts and culture.

Whatever your dream is of Toronto, it depends on one thing. Your dreams depend on our ability to make our own choices, to chart our own course, to shape our own destiny.

The sad truth, is that we are losing our ability to make our own decisions. Toronto's financial foundation is crumbling, ladies and gentlemen. If we don't fix our foundation now, our dreams for the future, whatever you may believe in, I will guarantee will collapse.

Already, the city's financial situation is limiting our choices about how when and where to build and shape this great city. Toronto's capital plan, approved by last city council, commits the city to borrowing almost \$2 billion over the next two years. When added to our existing debt, this means Toronto will hit its debt ceiling in 2014. This means we cannot approve any new capital projects that would require borrowing before 2014. Ladies and gentlemen, let me make one thing clear. I did not support that approach. That's when I decided I'm running for mayor. Our hands are tied.

The city's rising debt also puts pressure on our operating budget. About \$430 million of this year's operating budget will be spent on serving servicing the city's debt. By 2014, that amount will be over \$600 million. We must raise that money by taxing property owners. This growing debt charge contributes to the fundamental fiscal challenge facing Toronto today.

That challenge is the large and growing structural deficit in the city's operating budget.

At the beginning of 2011, we faced a \$774 million deficit for the beginning of 2012. That's the difference between what we expect our expenses to be and what we expect our revenues to be. That number remains the same today. This week, you heard the city announced that we're running a modest surplus in the 2011 operating budget. If we're lucky it could produce a surplus have up to \$139 million. That's the good news. Much better to have a surplus than a shortfall. But folks, it's not a solution to our problem. For years, we have used unexpected surpluses, one-time revenues to paper over our deficit.

Each time we have done that, the deficit has gotten larger and larger. Every year, the gap gets harder and harder to fill. Today, this deficit threatens the very foundation of our city. If we think it's tough to eliminate the deficit this year, folks, we can't afford to wait until next year, because it's only going to get

worse. Every year, we delay our deficit increases each year, because our expenses grow faster than our revenues. Our expenses grow at market rates, driven by inflation, labor agreements, and market forces.

Revenues, on the other hand, are tied to a property tax. And our assessment base has historically grown slower than inflation. Every year, every year, we get further and further behind. So even if we raise the property taxes by 34%, to raise the additional \$774 million, by 2013 we'd have another deficit, because next year's expenses will continue to grow faster than revenues. Ladies and gentlemen, I'm trying to put this in layman's terms. Higher and higher taxes are not the answer to our financial troubles.

For one thing, there is a limit to how much we can raise taxes. For many years, private sector incomes in Toronto have not kept pace with inflation. Yet, Toronto's property taxes grew faster than inflation for 10 years. Imagine if we continued to do that. Eventually, we'd be taxing people more than their income. That's the definition of insanity. That's impossible. Folks, that's where we're going if we don't make the changes we have to make. So, any plan for Toronto that depends on annual tax increases above inflation is doomed to fail. And while Toronto's residential taxes are lower than nearby cities, our commercial tax rates are higher. As a businessman, this discourages companies from expanding in Toronto I know that, because I have come from the private sector.

And it is part of the reason why our unemployment in Toronto is higher than the 905 region. One and a half percent higher to be exact. You saw the numbers come out in September. Even with our lower residential property taxes, Toronto was once one of the most expensive cities to live in. A number of recent studies confirmed this. One study lists Toronto as the ninth most expensive city to live in in the world. Another study called Toronto one of the most severely unaffordable housing markets in the world. So, our ability to raise property taxes, even if we want it to folks, is limited.

Our capital spending plans will place additional stress on the operating budget over the next two years. Our expenses continue to grow faster than our revenues. All of this contributes to a significant and growing structural deficit that is already limiting the city's opportunities and choices. Ladies and gentlemen, if we don't take action now, if we don't take action immediately to repair our city's financial foundation, we will lose the ability to choose our own destiny.

There's the problem. Now, what's the solution?

The good news is we have a plan, folks. We're taking action, and I'm damn serious about it. There's one person that's going to take the bull by the horns and straighten the city out, and you're looking at him. To eliminate our structural deficit, we must make permanent changes.

We're looking for ways to control spending ways to improve efficiencies. We're looking for ways to engage community groups or private companies who can help us improve results; the bottom line. And we are looking for ways to increase non-tax revenues. Earlier this year, Council approved the plan to conduct a number of reviews designed to attack our structural deficit. Together these reviews formed a structured, methodical process that will lead to a reasonable solution.

The first of these is the core service review. The core service review is now complete. Its goal was not to balance the 2012 budget. It was to find permanent savings that will help eliminate our structural deficit. At the end of the day, the core service review identified \$93 million in savings for the 2012 budget and

many opportunities for future savings that the city manager will further study. A number of service efficiency studies are currently underway, that will feed into the 2012 budget launch this fall. Again, the primary purpose of these studies is to find permanent efficiencies that will help eliminate our structural deficit.

For example, the TTC, the Toronto Police Service, and the city have always issued separate contracts for employee benefits. One of the first things we did this year was combine those opportunities into one contract; just the tip of the iceberg, folks. By hiring one provider for all three groups, we have saved the taxpayers over \$6 million.

One key ingredient in any solution to Toronto's financial challenges will be a new relationship with our employees. Together with our agency boards and commissions, the City of Toronto employs over 53,000 people. The vast majority of these hard-working men and women who take pride in what they do, do it very well for all of us in the city. But there's a problem. The fact remains that it takes 37 homeowners to pay for each City worker. Again, I'm trying to speak in layman's terms 37 of you in this room who don't own a home, pay for one worker. The math is simple. The average city employee cost taxpayers just under \$90,000. That's salary and benefits. The average homeowner pays an average of 20 \$400 in tax each year. So again, it takes about 37 average homes to pay for each and every city employee. That's 37 taxpayers, that's 37 private sector jobs, to pay for one public sector job. That's not the way it should work, folks. We need to find better ways of doing business. We need to trim our workforce down to a sustainable, affordable size.

In 1997, we merged seven municipalities together, and we had 45,000 employees. So you would think the number of employees would go down, just like you do when you merge two companies together. That's not the case. The fact is, we increased the number of employees by 7000 people. Council recently approved the voluntary separation program that will see up to 1000 employees voluntarily leave the city in exchange for up to six months' severance pay. The one-time cost to the city will be about \$41 million. The permanent savings going forward will be more than \$60 million per year, every year. It's a pretty good deal.

Toronto needs a public service that is flexible, innovative and energetic. We need a public service that is ready and eager for challenges that lie ahead. Almost one year ago, I was elected with a mandate to rebuild Toronto's fiscal foundations. Folks, I'm doing exactly what you elected me to do.

As I've outlined, we have a lot of work ahead of us. We're outsourcing garbage collection west of Young Street; this will save over \$8 million every year, if not more. We've accelerated the city's budget process. Toronto needs to approve its operating budgets at the end of April for the start of the year. Last time I checked, the start of the year was January 1. This meant that almost half the year was almost over before budget changes could impact city spending. Basically it gave people spending out of control for four months.

This year we passed the 2011 budget before the end of February. And we are now on track to approve the 2012 budget by the end of January next year. And I expect we will approve the 2013 budget before 2012 ends just like it should be done. Now, this allows us to make changes and save money. This is the positive direction I'm so proud to say we're going. We are also moving to multiyear budgets. Our next

budget should cover the period from 2012 to 2014. This will prove our ability to plan ahead and to allocate the resources more effectively.

Let me conclude by saying a few things. Toronto is the best city in the world. I was born here, I live here, I'm not going anywhere. It has great potential folks. We are the financial and commercial capital of one of the richest most stable countries on Earth.

Our diverse, highly skilled workforce, and location next to the world's richest economy, makes Toronto a natural place for international business to invest and grow. But, our high cost of living, our high commercial property tax rates are holding us back. That is going to change. I guarantee it. We must build a tunnel that gets the biggest bang for every taxpayer buck. By keeping costs down and running an efficient, lean government with a smaller and more innovated civil service. We must, and we will build a Toronto that generates a significant and growing portion of its revenues from non-tax sources that grow faster than our expenses. We must and we will build a Toronto that deals with other levels of government in a mature way, like fishing with the Prime Minister.

We must deliver downloaded services at a fair price, and in the best interest of Toronto taxpayers. We must and we will, ladies and gentlemen, build a city that recycles underused capital assets to provide funding for infrastructure repairs, and expansion and reduce our need to borrow. We must and we will build a Toronto that sets targets and focus on economic development and planning resources, on growing our assessment base and creating high value jobs in Toronto, for Toronto residents.

We will build a Toronto that uses property tax increases never above the rate of inflation and only as a last resort to deal with inflationary pressures. Ladies and gentlemen, when we do all this, and not if, but when we do all this, we will have built a channel that has the ability to imagine its own future and make decisions to achieve its own goals.

You must be part of this process. You have to be part of this process. At the federal and provincial level, Finance Ministers develop budgets in private where they can fine tune them before revealing them publicly on budget day.

It's different at the city level. Our budgets are made in public. For people new to the process, that a process it's a bit surprising. It's a bit of a messy process. But it's a process we have where you can get involved; where you can join us at our 24 hour meetings.

The 2011 budget process and the service review have included more public consultation than any other Toronto budget process ever. As we kick off the 2012 budget this fall, folks, there'll be more opportunity to get involved. I ask you to come to a public meeting, send your written submission to the Budget Committee, contact your counselor or my office. If you have an idea on how to save money, if you see waste, or you know what you think you might know how to eliminate our deficit, please share that with us.

Most importantly, folks, most importantly, I ask you: if you believe as I do, that we're on the course, to straighten out our city's mess, pick up the phone, and tell your counselor to stay the course. We have to stay the course folks. We all know these decisions are going to be hard. But let them know that you believe the outcome is worth it.

If we don't tackle, like I said before, if we don't tackle our deficit this year, we will have to tackle it next year. But next year, it will be even harder. We cannot afford to wait. Our children, our grandchildren cannot afford it. I strongly encourage you, I strongly encourage you to join us in this task. Help us rebuild Toronto's financial foundation to create opportunities for brighter, better Toronto, we must build a sustainable, affordable foundation that will last long into the future. That's why I was elected folks. That's why every counselor was elected. That's what the people want in the city. That's what the taxpayers demand in the city. Ladies and gentlemen, that's exactly what we're going to do. Thank you very much.

Verity Sylvester

I'd like to call upon Beverly Brooks to give the formal Thank you.

Note of Appreciation by Beverly Brooks

Madam President, distinguished guests, fellow members and guests of the Empire Club of Canada. I have the honor today to express our formal thanks to Mayor Ford. In his inaugural speech last December, Mayor Ford outlined an ambitious agenda, which included initiatives such as improving customer service, more accountable government, and the creation of a transportation plan. But the overall objective that the mayor committed to was to address Toronto's fiscal issues.

Today, he's re-emphasized how important that is, and how he plans to make progress on the fiscal front in spite of very difficult economic climate.

Mayor Ford, you've taken on a job where everyone has an opinion as to how this city should finance its operations and services, including those outside the city of Toronto. But where few were prepared to fight in the trenches and tackle the issues as you have done and continue to do. On behalf of everyone here today. Thanks for making time in your incredible, incredibly packed agenda to give us your insights on the fiscal challenges that we all face in running the largest city in Canada. Thank you.

Concluding Remarks by Verity Craig

Mayor Ford, as a token of our appreciation and on behalf of the Empire Club of Canada. I'd like to present you with a copy of *Who Said That?* There's over 100 years of quotes and notes from the Empire Club of Canada. Thank you.

Finally, each one of you should have on your table and upcoming event list, and I'm pleased to announce that we have an amazing lineup of speakers coming up on October 26. We have Ian Greenberg, President and Chief Executive Officer of Astral Media. On November 4, we have Dr. Barry McClelland, President and Chief Executive Officer of Sunnybrook Health Sciences, and on November 17, please join us for the chief of police William Blair.

I'd like to thank Global Live and WIND Mobile for sponsoring our event today, and also to thank X Scribe for sponsoring our student table. I'd like to thank the *National Post* as our media sponsor, and Rogers TV. We are now on Twitter and Facebook, as well as on our web address [www dot Empire Club.org](http://www.dotEmpireClub.org).

Thank you all for coming. We do look forward to seeing you again. The meeting is now adjourned.