

# Stronger City, Stronger Ontario

## A New Deal For Toronto & Ontario

### Overview

***“Toronto means a great deal to Ontario. And to Canada.  
That’s why it needs a new deal.”***

Premier Dalton McGuinty, September 17, 2004

#### What is the New Deal?

The New deal is a broad-based effort to overhaul the financial and legislative frameworks in which Toronto’s city government operates.

It’s about getting a better alignment of the City’s resources and responsibilities. In that way it’s a New Deal for Toronto. But it’s also a New Deal for Ontario because it’s about enabling the city government to work in effective, empowered partnership with the provincial and federal governments to better address the priorities of all Ontarians and all Canadians.

Our New Deal has three essential components:

1. Respect in the form of a seat at the table.
2. Money in the shape of increased fiscal tools and resources.
3. Power through greater legislative authority.

#### Why do Toronto and Ontario need a New Deal?

Without a New Deal, it is difficult for Toronto to compete on Ontario and Canada’s behalf with other cities internationally for capital, immigrants, investment, R&D, tourists and more.

The current framework of rules and structures was crafted in the mid-19<sup>th</sup> century when most Canadians lived in rural communities. Today Toronto is the sixth largest government in Canada. The challenges Toronto must deal with today were unimaginable 150 years ago.

- *Toronto’s Council governs more people than any province or territory except Ontario, Quebec, BC and Alberta.*
- *More people ride the TTC each day than live in any other city in Canada except Montreal*
- *Toronto’s social housing corporation has more residents than Prince Edward Island*

The people of Toronto and Ontario deserve better. They deserve a capital city that’s a proud signature and beacon to the world. A city that generates prosperity and opportunity. A city that is able to continue its proud tradition of generating wealth to support provincial programs that benefit all Ontarians.



# Stronger City, Stronger Ontario

## A New Deal for Toronto & Ontario A Seat at the Table

### What is a seat at the table?

A seat at the table – respect – is an indispensable component of the New Deal.

Toronto wants a seat at the table as a rule, not the exception, when the provincial and federal governments develop policies, programs and budgets that significantly impact our communities. Toronto wants a seat at the table on the issues that most directly affect our city's quality of life and competitiveness – public transit, affordable housing, infrastructure, child care, immigration, public health and community safety, to name the obvious ones.

A seat at the table is about partnerships and relationships among mature governments. It can be reflected in formal intergovernmental agreements, Toronto's participation, in its own right, in provincial consultation initiatives, as well as informal government-to-government interactions.

### Why is a seat at the table important?

Managing resources wisely and governing effectively in the public interest requires that different orders of government must work together and talk to each other. Providing Toronto with a seat at the table is a necessary precondition for this to happen.

Mutual respect among different orders of government – and the culture of communication and partnership that flourishes when mutual respect is present – will help avoid future policy failures. For example, there is a clear link between the province's urban sprawl containment objectives or the federal government's Kyoto targets and Toronto's capacity to grow its transit system or implement a comprehensive transportation strategy.

### How can a new City of Toronto Act help?

Enshrining principles of City-Provincial relations in a modernized City of Toronto Act will establish a foundation of mutual respect and co-operation between the two orders of government. Increased inter-governmental co-ordination, in turn, will enhance the accountability, efficiency and effectiveness of both governments.

Toronto would like to see the following provisions included in the new *City of Toronto Act*.

**Principles of City-Provincial relations that could be enshrined in a  
modernized *City of Toronto Act***

- (1) The citizens of Ontario are best served when, in their relationship, the City of Toronto and the Province of Ontario:
  - (a) acknowledge and respect each other's jurisdiction
  - (b) consult each other when developing policies, programs and budgets that impact each other, and
  - (c) foster co-operative approaches to matters of mutual interest.
- (2) The relationship between the City of Toronto and the Province of Ontario is based on the following principles:
  - (a) the Provincial government respects the City of Toronto's authority and the City of Toronto respects Provincial authority;
  - (b) the Provincial government must not assign new responsibilities to the City of Toronto unless there is provision for resources required to fulfil the responsibilities;
  - (c) consultation is needed on matters of mutual interest including, but not limited to, consultation by the Provincial government with the City of Toronto on
    - (i) proposed changes to this Act and other legislation impacting Toronto
    - (ii) proposed changes to the City of Toronto's boundaries
    - (iii) proposed changes to revenue transfers and cost-sharing arrangements affecting Toronto
    - (iv) proposed changes to Provincial programs that will have a significant impact in relation to matters that are within the City of Toronto's authority
  - (d) the City of Toronto's interests will be taken into account when the Provincial government participates in inter-provincial, national or international discussions on matters that affect the City;
  - (e) the City of Toronto is authorized to negotiate and enter into agreements and partner with the Government of Canada, regional and other municipal governments and agencies on matters of mutual interest, unless such activity is expressly prohibited by the Province of Ontario, in law, by reference to an overriding Provincial interest;
  - (f) Provincial interests will be considered when the City of Toronto participates in inter-municipal, regional, national or international discussions on matters that may have a significant impact on Ontario;
  - (g) the authority of the City of Toronto is balanced by the responsibility of the Provincial government to consider the interests of the citizens of Ontario generally; and
  - (h) the Provincial government and the City of Toronto should attempt to resolve conflicts between them by consultation, negotiation, facilitation and other forms of dispute resolution.

# Stronger City, Stronger Ontario

## A New Deal for Toronto & Ontario Fiscal Tools & Resources

### Why is money part of the New Deal?

A New Deal will provide a better alignment of Toronto's resources and responsibilities. The city can only be fully accountable to its citizens if it has the authority and financial capacity to fulfil its responsibilities. *Toronto's responsibilities and residents' expectations of their city government have changed dramatically.* The city's biggest operating expenditures are on non-property-related responsibilities: public safety and security, social assistance, shelter and housing, public transit. *The city's framework of own-source revenues – property taxes, user fees and debt – has not changed.* Downloading by the previous government during the 1990s made the *structural mismatch between the city's responsibilities and resources* worse. *Access to new fiscal tools and increased financial resources is a critical component of a New Deal.*

### We are making progress:

Recent initiatives are encouraging and appreciated, including:

- First phase of provincial gas tax revenue sharing
- Provincial commitment to five-year TTC capital funding agreement with the city and federal government
- Federal government's rebate of GST paid by municipalities
- Federal government's promise to begin sharing gas tax revenues in 2005
- City's development of long-term fiscal sustainability plan

### We need long-term structural solutions, including:

- Full access to the property tax base
- Greater flexibility to set tax policy
- Greater flexibility in the application of user fees
- Authority to access new own-source revenues, for example, visitor levy/destination marketing fee, parking stall tax, entertainment tax
- Authority to use tax increment financing and tax incentive zones
- Access to a share of provincial and federal tax revenues that grow with the economy for reinvestment in physical and social infrastructure and to fund income redistribution programs such as social housing and social assistance.

Where there is cost-sharing, the city's actual costs for service delivery need to be recognized and *cost sharing agreements honoured.* Changes to the city's financial toolkit will need to provide *additional flexibility* to ensure that new revenue sources are managed and utilized to maximum public benefit.

# Stronger City, Stronger Ontario

## A New Deal for Toronto & Ontario *A Modern City of Toronto Act*

*“A modernized City of Toronto Act will be introduced at Queen’s Park by the end of [2005 to]*

- *Make the City of Toronto more fiscally sustainable, autonomous and accountable;*
- *Give it the tools it needs to thrive in the global economy; and*
- *Reshape the relationship between Ontario and its capital city.”*

Premier Dalton McGuinty, September 17, 2004

### How did we get to this point?

In 2000, Toronto City Council adopted a resolution calling for a new relationship between Toronto and the provincial and federal governments. Council said that the new relationship must include a new legislative framework for the city. Toronto worked with cities and business, labour and community leaders across the country to call attention to the need for change. Then, in May 2003, Toronto City Council defined the key elements for an enabling legislative framework. Toronto invited the province to work with the city in a joint task force to turn the City of Toronto Act into empowering legislation for the city.

It took a change in government, but the Premier agreed to the joint task force and approved its terms of reference, which are based on the city’s framework.

### What are Toronto’s expectations of the outcome of the joint task force?

Toronto will have its own primary piece of enabling legislation – a City of Toronto Act – that replaces the existing one-size-fits-all Municipal Act.

The approach to the new *City of Toronto Act* will be the inverse of the approach embodied in the *Municipal Act*. Current legislation is very prescriptive and restrictive, so that the city has to ask the provincial government for permission to do anything that is not explicitly listed in the *Municipal Act*. We need to turn that on its head so that the new *City of Toronto Act* sets out the city’s broad areas of responsibility, within which the city will be empowered to act, by by-law, unless the legislation explicitly states that the city cannot act.

Nobody would dispute that the province has considerably more powers than the city. The source of the province’s authority is spelled out in section 92 of the *Constitution Act, 1867* and takes up just two pages of legislation. The *Municipal Act* is 280 pages long, much of which is prescriptive and unnecessary for a city that is larger than most provinces.



What will be included in a modernized *City of Toronto Act*?

***“It’s a miracle that Toronto has delivered prosperity for so long and to so many – despite living in a legislative and fiscal straightjacket that would baffle Houdini.”***

Premier Dalton McGuinty, September 17, 2004

***We don’t think the Premier has tinkering in mind. He expects bold, groundbreaking legislative change.*** This is reflected in the terms of reference for the joint task force. In order to meet the Premier’s commitment to introduce a modernized, empowering *City of Toronto Act* by the end of 2005, ***realistically the joint task force must complete its work by July. This is a very tight timeframe,*** during which the work is divided into eight phases:

1. Principles of municipal government and city-provincial relations, and intergovernmental relations provisions
2. Municipal purposes, powers and spheres of jurisdiction
3. Democratic control, public participation and council accountability
4. Changes to special (private) legislation
5. Municipal government and procedures provisions, including delegation authority
6. Financial management provisions
7. Revenue sources
8. Legal proceedings and bylaw enforcement

The joint task force is testing existing legislative provisions in the *Municipal Act* for their relevance to Toronto and their consistency with an enabling framework. The process forces the province to justify its interest in restricting Toronto’s flexibility and it forces Toronto to articulate why it needs greater flexibility. ***The process is designed to develop the mutual understanding and confidence necessary to break free from an outmoded relationship that was established more than 130 years ago.***

**We must get this right!**

There is great anticipation in Toronto that the Premier has initiated a process that is bold, daring and visionary. A modern *City of Toronto Act* can be groundbreaking, not only in Ontario but also in all of Canada. This is probably a once in a lifetime opportunity to craft a piece of legislation that will set Ontario’s capital city on a successful course well into the twenty-first century. ***The timetable the province and the city agreed upon for the joint task force is an ambitious one and should be maintained. We should not try to rush the work or do it in bits and pieces. We cannot afford to squander this opportunity to get it right.***

# Stronger City, Stronger Ontario

## What Premier Dalton McGuinty said about a New Deal for Toronto\*

*“There are two provinces who are privileged to be in the position to be net contributors to the federation -Alberta and Ontario. But it is important to know that [Toronto] is a major contributor to that equalization and is contributing to the quality of life to be found in communities in eleven other provinces and territories. I think too many of us take that for granted.*

*“It’s a miracle [Toronto] has delivered prosperity for so long and to so many — despite living in a legislative and fiscal straightjacket that would baffle Houdini.*

*“Toronto sets the pace in so many ways, yet it can’t set the size of its own city council, or in many cases, its own speed limits. It lacks the power to establish a code of conduct, appoint an integrity commissioner, create a lobbyist registry or enhance the powers of its auditor general. And a city that hosts the largest public film festival in the world has to first get permission from Queen’s Park to offer extended bar and hospitality hours.*

*“Toronto means a great deal to Ontario. And to Canada. That’s why it needs a new deal. As a first step, I am announcing this evening that the province and the city will undertake a joint review of the City of Toronto Act. The object of this review is to:*

- *Make the City of Toronto more fiscally sustainable, autonomous and accountable.*
- *Give it the tools it needs to thrive in the global economy and*
- *Reshape the relationship between Ontario and its capital city.*

*“A modernized City of Toronto Act will be introduced at Queen’s Park by the end of [2005].”*

(\*Premier’s address to the Hub City Mayors’ Summit, Toronto, September 17, 2004)