

May 17, 2005

The Honourable Dalton McGuinty  
Premier of Ontario  
Room 281, Main Legislative Bldg.  
Toronto ON M7A 1A4

Dear Premier:

Congratulations on the introduction of your government's second Budget on May 11, 2005. I was encouraged to see that the Budget Papers made explicit reference to the Provincial Government's commitment to:

- continue the joint initiative with the City of Toronto to complete the development of a modernized *City of Toronto Act*; and
- work with Federal and Toronto officials to establish a tri-lateral framework agreement that will outline how the three governments will collaborate on urban development issues.

These commitments represent the very real and welcome progress that we are making on two of the critical components of a New Deal for Toronto and Ontario. These are the provision of greater authority to the City through a new, empowering legislative framework, and the facilitation of Toronto's participation in effective partnerships among mature governments on issues that significantly impact our communities and City government.

The third critical component of the New Deal involves the achievement of a better alignment of Toronto's resources and responsibilities. Authority to access a wider range of own-source revenues and greater flexibility to set policies for the use of revenue tools, that we anticipate will be afforded by a modern *City of Toronto Act*, will contribute to restoration of Toronto's fiscal health. However, enhanced own-source revenue powers available through the new Act will not solve what are deeper, structural problems.

There is no single magic bullet to resolve the City's fiscal woes. Resolution of these bigger, structural financial issues involves rationalizing cost shared programs in the near term, removing income redistributive programs from the property tax base in the medium term, and developing mechanisms to enable the City government to access a share of the additional revenues that result from economic growth. Access to revenues that grow as the economy grows would enable the City government to make the important investments that help sustain the conditions for continued economic prosperity.

I understand that the solution to these structural financial problems will not happen overnight. I am cognisant that the Province's own fiscal challenges set a difficult context within which to find solutions. That is why, when I met with Minister Gerretsen on March 8, 2005 I suggested that the City of Toronto and the Province need to work together to seek creative solutions over the longer-term. Such an approach deals with the City's interest of addressing the structural mismatch between Toronto's resources and responsibilities, while allowing the Province to focus on meeting its deficit reduction timetable.

I am writing now to propose that the City and the Province commit to a plan to look at these issues over a five-year horizon. The objectives of such a plan of action should be to put Toronto on a sound financial footing within three years, enable Toronto to engage in serious city building within five years, and tide the City over for the next two years. The key elements of the plan of action would be:

- our common vision for an economically strong, socially and culturally vibrant and environmentally sustainable city that works, is the heart of a dynamic region, serves as the economic engine for Ontario and Canada, provides a great quality of life and attracts talent and investment from around the world;
- common understanding of the fiscal gap we must bridge to realize the vision;
- recognition that some of the services provided by the City of Toronto have a purely local impact, some have a regional impact and some are delivered on behalf of the Province;
- recognition that each order of government has a role to play and articulation of the public policy rationale for the role played by each; and
- identification of concrete measures to be taken by each government in the near, medium and longer terms.

Toronto will continue its efforts to manage its resources wisely, ensure that services are delivered efficiently and make necessary strategic investments in local services, within the framework of a fiscally prudent debt policy and a sensible mix of own-source revenues and policies. These activities must be complemented by a longer-term plan aimed at ending the City's need to turn to the Province year after year with cap in hand. I am also confident that working together on a longer-term plan will provide a sound public policy rationale to secure additional commitments from the Federal Government for programs and services that will strengthen Toronto, strengthen Ontario and strengthen Canada.

I look forward to discussing this proposal with you further. In anticipation of that conversation, I have requested the City Manager to discuss with the Secretary of the Cabinet ways in which the ideas in this proposal can be advanced.

Yours truly,

Mayor David Miller  
City of Toronto