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'It's going to be a challenge'

By [ROB GRANATSTEIN](#)

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Mayor David Miller is asking Torontonians to pitch in an extra 25 cents a day this year to help balance the city's budget. Next year, he'll be demanding your whole wallet.

Miller introduced an \$8.7-billion budget that does little more than stand pat from 2008. But huge trouble is on the horizon.

City finance staff confirmed yesterday the city is tapped out.

"We're screwed for 2010," one councillor said.

Here's why:

This year the city will tap its reserve funds for \$43 million, money used to plug the budget hole. The tap is drained.

"For 2009-10 there's no longer any reserves," City Manager Joe Pennachetti said yesterday. "What is in this budget is what's left. There's no rainy-day fund."

It's a scary thought as the city's welfare demand is expected to soar to more than 102,000 cases by the end of the year, from 76,000 at the end of 2008.

The city also found \$102 million of savings by trimming and tightening programs -- \$70 million came from gapping, not filling existing jobs where someone has left.

"We have, to some degree, hit the wall this year (on gapping)," Pennachetti said. "We've found all the efficiencies possible within our operations."

In past years the city trimmed \$40-\$60 million from its operations, but it has become harder every year, Pennachetti said.

"We don't have a lot of low-hanging fruit left."

NO POTS OF CASH

Then there are the one-time pots of cash that may not appear again in 2010. For example, the province has tossed in \$238 million -- money to pay TTC debt that comes due in 2009. This is the fourth year of one-time funding from the province.

There's no guarantee all that money returns for 2010.

"It's one of the challenges for next year," Miller said.

The city is catching a break in 2009 because the price of fuel has dropped substantially, as drivers have seen. Still an additional \$10 million is budgeted to power city buses, cars and trucks. The price of oil won't stay this low forever.

The city's assessment growth -- money from newly built condos and business properties that just started paying property taxes in 2009 is \$40.5 million. That number used to be in the \$10-\$15 million range, but in the recent boom times it has been \$25-\$28 million. Found money!

That \$40.5 million saved an additional 2% property tax hike. As this recession deepens, building will slow, new properties won't be added to the tax rolls as quickly and assessment growth will stagnate. That's trouble. The money could be lost again.

But, the city hasn't reaped the rewards yet from the new office buildings, including the Telus, RBC or the Adelaide Centre projects -- and businesses pay tax at a far higher rate than homes. There, your ray of sunshine for the day.

TRIMS EXPECTATIONS

Finally, the city has trimmed its expectations for revenue from the land-transfer tax by 25% to \$160 million. If the housing market gets hot again, money could flow. Don't hold your breath.

Conservatively, that's about \$125 million between reserves, gapping, cuts, fuel and assessment growth that likely won't be available for 2010, never mind what the province (also drowning in a sea of red ink) will do with its \$238 million.

And then you add in inflation costs. The city that never says no to spending money is heading for a budget blowout.

Reporters asked Miller yesterday how 2010 looks. He wouldn't say a word. But it's no secret Toronto is facing a scary 2010.

"I don't know if I'd call it a nightmare," said acting Chief Financial Officer Cam Weldon. "It's going to be a challenge."

The size of that challenge will largely depend on how well the city weathers the economic storm of this year.

Oh, one more little note: 2010 is an election year. David Miller will not lose sight of that fact.

The pressure cooker just got a little bit hotter.

Hold on to your wallets.