



January 17<sup>th</sup>, 2023

City of Toronto Budget Committee  
100 Queen St W  
Toronto, ON M5H 2N2

Re: 2023 City Budget

**Dear City of Toronto Budget Committee members,**

Please accept this submission for consideration in development of the City of Toronto's 2023 budget.

Entering 2023, The Toronto region's businesses face several urgent challenges they must contend with if they're to remain competitive, viable, and productive, some of which include:

- **Continuing economic uncertainty:** The ongoing COVID-19 pandemic and related economic disruptions will continue to impact businesses in 2023, particularly hospitality, travel, and retail.
- **Rising costs:** Higher interest rates, increased input costs, and continued (though hopefully declining) generalized inflation will make it difficult for businesses to maintain profitability and may require them to find ways to increase efficiency or raise prices.
- **Changes in regulations:** New and altered regulations (e.g., needed investments in green infrastructure to meet climate goals, changing reporting requirements, uncertain and variable approval timelines) will create additional challenges for businesses, increasing operating and compliance costs – especially for small businesses.
- **Competition:** Increased competition from technology-enabled new entrants and consolidated global industry will require local businesses to increase investment in innovation and R&D to assert their market position.
- **Talent shortage:** With 200,000 unfilled jobs, the labour shortage in the GTA has doubled in size since the beginning of the pandemic. Businesses of all sizes continue to struggle with recruitment and retention of workers and red tape, meaning businesses must invest more in training, HR, and development for their existing workforce.

The challenges faced by the business community are paired with similarly formidable economic challenges faced by the City. Ailing infrastructure must be maintained before it becomes a more expensive problem, such as the TTC state-of-good repair projects and infrastructure projects delayed in 2022 due to pandemic-related budget shortfalls. These problems are exacerbated by forthcoming infrastructure needs required to satisfy growth and alleviate congestion plaguing the City's streets and transit system.

These urgent needs are threatened by the current significant budget shortfall of \$900 million. If the City is to preserve its current service level while also maintaining critically needed investment in City infrastructure, higher tiers of government must step in to cover the gap while the City carefully reviews how it can recalibrate revenue streams to satisfy operating and capital expenses in a post-pandemic world.

As the City looks to acknowledge these challenges in developing the 2023 Budget, the Board would like to offer the following points of consideration for the Budget Committee, gathered from the Board's membership and broader business community.

## **Transit & Congestion**

In a recent Toronto Region Board of Trade survey, businesses identified the biggest barrier to their success is their workers' ability to get to work. In the face of a labour crisis, this adds to the nearly impossible task of attracting and keeping talent. The need for reliable, safe, and convenient all-day transit is especially important in our new world of work. Many essential workers work in shifts outside the traditional 9-to-5 commute period, and remote and flexible work have meant that even more workers need to travel outside rush hour.

The TTC has long had an enviable level of service frequency throughout the City, and it is important that this is maintained rather than reduced. In this spirit, the Board applauds steps to move toward improved overnight bus service and looks forward to future investments in transit priority measures, new technology for traffic management, measures to address service reliability and passenger safety concerns, and fully restored transit service with support from higher levels of government. We need to get people back on transit to address congestion and revitalize our core.

Comprehensive fare integration across the Toronto Region, with the financial support of higher levels of government, is the quickest way to dramatically improve transit service for Torontonians and to improve Toronto businesses' access to talent. A rider from north Scarborough to downtown could save 40 minutes each way by transferring from a TTC bus to the GO train instead of to the subway, but few do because it would cost \$10.82 instead of \$3.20. Drawing on its comprehensive plan for fare integration, the Board calls on the City to partner with the province and other GTA municipalities to implement a comprehensive fare structure for the region.

## **Fiscal Policy**

The Board applauds the City's efforts to reduce the commercial residential tax ratio in 2022. However, commercial and industrial properties in Toronto can still expect to pay in excess of 3.3x what residents pay. This ratio stands in contrast to the national average, at roughly 2.8x. As businesses continue to struggle in the wake of the pandemic and rising costs, the high ratio puts the continued viability and growth of businesses in peril and incentivises them to relocate to lower cost municipalities.

As the City endeavours to more effectively align the services and infrastructure investments it provides citizens with the limited set of revenue streams at its disposal, the Board recommends the City update its current service review plan. Ideally such a plan would be regularly updated, account for timely economic challenges and opportunities, and identify which services and capital investments the City is best equipped to deliver, and those it has difficulty delivering. Critically, such a plan would clearly outline what the City would require from higher tiers of government if the services and investments it has identified as 'difficult' are not re-uploaded to higher tiers of government.

## **Comprehensive Economic Growth Plan**

A regularly updated comprehensive economic growth plan can help governments promote sustainable economic growth by identifying and addressing key economic challenges and opportunities, and by encouraging innovation. A growth plan that clearly outlines forthcoming economic policies and regulations creates a stable and predictable environment, allowing businesses valuable foresight in the wake of the tremendous uncertainty caused by the pandemic. By clearly understanding where the government's priorities lie, businesses can identify new opportunities for growth and make decisions about where to most effectively allocate resources.



### **Streamlining Business Approvals**

During the municipal election campaign, the Board called for the City to lower high business operating costs by establishing a Toronto Red Tape Elimination Panel. The Panel would be mandated to identify and remove unnecessary, outdated, overly complex or duplicative provincial-municipal red tape, all of which constrain competitiveness by adding costs with no benefit. The City should evaluate opportunities to reduce the number of different categories of business licenses, as well as the number of different licenses that businesses need to apply for—starting with areas where provincial approvals are already required. This can also build on learnings from the Concept 2 Keys program, which has restructured developmental approvals for priority projects to accelerate reviews and approvals. Streamlining these processes would also assist in easing the workload for city departments, helping to improve the City's internal efficiencies and costs.

### **Talent and Workforce Development**

With increased immigration levels committed to by the Federal government, the City must ensure that Toronto remains an attractive place to live and work for the best and brightest from the international community. To that end, to ensure the region can continue to be viewed as a key location for top international talent, specific funding is required to support immigrant attraction, settlement and employment services, engage in international advertising and active outreach, support local firms seeking international talent, and to keep pace with the immigration attraction activities of our global competitors. Additionally, with both significant immigration and demographic changes on the horizon and rapidly changing skills needs from employers, transparent and robust labour market data will be essential to workforce development planning. All levels of government must work together to standardize and improve upon labour market data.

### **Procurement Process**

Formal and conventional RFP processes are restricted in their ability to allow innovative firms the opportunity to assess where they might offer government the most value. Modernizing procurement practices to centre on developing dynamic dialogue with industry on how innovative firms can improve government services and practices could improve both government efficiency and efficacy.

Further, in taking advantage of opportunities made available through the development of new technology, government can serve the critical role of an 'initial adopter'. Being an early adopter of new technology would allow government the opportunity to tailor solutions to its specific needs, and demonstrate the commercial value the technology could offer broader industry. In doing so, the City would actively cultivate local technology development and adoption, helping to enhance the competitiveness of regional industry.

Thank you for your consideration.

Sincerely,

Roselle Martino  
Senior Vice President, Public Policy & Economic Blueprint Institute  
Toronto Region Board of Trade