SCOPE OF MUNICIPAL SERVICES

- Solid Waste Collection & Recycling
- Water and Wastewater
- Emergency Services
  - Police
  - Fire
  - EMS
- Transportation and Transit
  - TTC
  - Roads
  - Sidewalks
- Economic Development
- Libraries
- Parks and Recreation
- Court Services
- Arts, Culture and Heritage
- Bylaw Enforcement and Inspections
- Planning and Development
- Building Permits
- Licensing
- Tourism Promotion
- Social and Health Services
  - Social Assistance
  - Homes for the Aged
  - Child Care
  - Hostels
  - Social Housing
  - Public Health
  - Community Support
Current Revenue Sources
TORONTO 2017 OPERATING BUDGET REVENUES (VS 2008)

2008
- Provincial Transfers, 1,770, 20%
- Federal Transfers, 204, 2%
- TTC Fares, 877, 10%
- Rate Programs, 790, 9%
- Municipal Land Transfer Tax, 155, 2%
- User Fees & Donations, 397, 4%
- Other Revenues, 1,090, 12%
- Reserves/Reserve Funds, 364, 4%

2017
- Provincial Transfers, 2,071, 17%
- Federal Transfers, 147, 1%
- TTC Fares, 1,246, 10%
- Rate Programs, 1,786, 14%
- Other Revenues, 1,324, 11%
- Reserves/Reserve Funds, 451, 4%
- Municipal Land Transfer Tax, 716, 6%
- Property Tax, 4,046, 33%

2008 $9B
2017 $12B
<table>
<thead>
<tr>
<th>Source</th>
<th>2008</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>37%</td>
<td>33%</td>
</tr>
<tr>
<td>Water &amp; Waste fees</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>Transit Fares</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>MLTT</td>
<td>2%</td>
<td>6%</td>
</tr>
</tbody>
</table>
CITY REVENUES – REAL PER CAPITA SINCE 2010

- Rate (Water, Waste & Parking)
- Government Transfers
- MLTT
- TTC - Fare/Ridership Inc
- User Fees, Licenses, Permits
- Property Tax
- Other (IDRs, Fines, Investment, Reserves)
CITY REVENUES – REAL PER CAPITA SINCE 2010

- Rate (Water, Waste & Parking)
- Government Transfers
- TTC - Fare/Ridership Inc
- User Fees, Licenses, Permits
- Property Tax
- Other (IDRs, Fines, Investment, Reserves)
Revenue Options
• Rates have increased at or below inflation for over ten years
• Non res tax ratios are declining toward 2.5x target (2020)
• Multi res rates frozen by regulation
• CIP based programs (IMIT) taking increasingly larger bite from revenues
• Res demand high, commercial, multi res vacancies low
• Residential, commercial assessment growth high compared to 20 yr average. Multi-res improving, industrial flat
Property Tax Assessment Growth

- York
- Halton
- Durham
- Peel
- Toronto

2008 = 100
ASSESSMENT GROWTH

Assessment Index
2001 = 100


York
Halton
Peel
Durham
Toronto
PROPERTY TAXES

- Taxes declining as a share of household income, per capita, and GDP
- Tax effort (taxes vs average household income) relatively low and declining in Toronto (but excludes MLTT, mismatched taxes vs. household incomes)
- Generational transfers
  - boomers & seniors over housed; millenials under-housed (TD Economics)
  - increasing municipal debt load, debt term
- Economic wealth gap
  - Propensity to own multiple homes
  - Propensity to travel, rent households
  - Price expectations, transaction costs reduce propensity to sell/move
RESIDENTIAL PROPERTY TAXES AS A % OF HOUSEHOLD INCOMES – GTHA MUNICIPALITIES & OTTAWA

Average 3.7%

Source: 2015 Municipal Study – BMA Consulting Inc. Includes Education Property Taxes
• Completely funds water, waste water and storm water distribution and treatment
• Rates have increased (+9% per year to 2016, +5% in 2017); volumes have decreased (-2% per year)
• Close to 100% metered accounts – high compliance rate
• 100% variable (consumption based rates) despite significant fixed cost component
• Conservation programs have been successful and phased-out in recent years
• A storm water charge based on impermeable surface area was rejected in 2017
• Low rates for large industrial users help retain employment
• Lower rates for seniors and people with disabilities helps support low income households with low consumption
TRANSIT FARES

- Funds about 70% of transit operating costs
- Fare policies controlled by transit commission
- Over 10 years, fares have increased by about 4% per year (2x inflation); ridership has increased by about 1.9% per year (1.5x pop growth rate)
- Flat fare per multi-modal trip; contractual arrangements with other municipal operators, regional commuter service
- Transitioning to electronic fare media (Presto card) from passes, cash, tokens and tickets
- Transitioning to proof of payment system, enforced by special constables, from driver as conductor model
- Increased avoidance during transition, but still low at about 3%
• Many concession fares: children (free), students, seniors, monthly pass discounts, business promotions
• Passes and Presto cards transferrable
• Federal Income tax deduction for passes recently rescinded
• Lower rates for low income persons to be considered
MUNICIPAL LAND TRANSFER TAX

• The City of Toronto is the only Ontario municipality authorized to levy a municipal land transfer tax under the City of Toronto Act, 2006
• Provincial tax since 1970’s; Municipal tax since 2008
• Collection in conjunction with electronic land titles registry system – high compliance
• Tiered (progressive) tax rate matches provincial tax structure
• Each tax averages about 1.6% for $1m property transfer ($16,000)
• Rebates up to $4,475 for first purchase (“first time homebuyer”)
• Province introduced 15% non-resident tax in April 2017
• City revenue has grown with market prices and volumes – average increase 19% per year since 2008
• Increasing dependence in operating budget; City vulnerable in event of market downturn
IS IT A GOOD TAX FOR TORONTO?

- Toronto has legislative authority to apply other taxes
- Restrictions apply: sales, income, wealth, etc.

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Principle</th>
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<tbody>
<tr>
<td>Legislative Authority</td>
<td>Provincial Authorized</td>
</tr>
<tr>
<td>Revenue Quality</td>
<td>Significant, growing, reliable</td>
</tr>
<tr>
<td>Fairness</td>
<td>Ability to pay, Transparency, High compliance</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Low Overhead Ratio, Enforcement cost, cost/time to implement</td>
</tr>
<tr>
<td>Minimal Economic Impacts</td>
<td>Broader base is better, avoid distortions</td>
</tr>
<tr>
<td>Policy Fit</td>
<td>Alignment with policy objectives</td>
</tr>
</tbody>
</table>
Options approved by Toronto Council:
- Municipal Land Transfer Tax ($700m)
- Personal Vehicle Ownership Tax (repealed) ($50m)
- Third Party Sign (Billboard) Tax ($10m)
- Hotel and Short Term Rental Tax (2018) ($20m)
- Plastic grocery bag fee (repealed)
UNDER REVIEW REVENUE OPTIONS

- Vacant Homes Tax
- Hotel & Short Term Rental Tax
- Tax Preferences
  - IMIT
  - DC exemptions
  - Concession pricing
POTENTIAL REVENUE OPTIONS

• Potential for expanded authorities:
  • Road (Hwy) Tolls (approved by Council)
  • Share of value added tax (AMO)
  • Marijuana sales tax
  • Personal Income tax
Questions?
SUPPLEMENTARY MATERIALS
DC Rate Comparison – Large Apts ($/unit)

Large Apartments
Average: $36,510
Toronto: $26,131

Source: Hemson Consulting Ltd.
SUMMARY OF CORPORATE REVENUES

- Provincial Gas Tax: $91 M
- Interest / Investment Income: $102 M
- Toronto Hydro Dividend: $75 M
- Toronto Parking Dividend: $49 M
- Municipal Land Transfer Tax: $716 M
- Third Party Sign Tax: $12 M
- Gaming & Slots Revenue: $29 M
- Parking Enforcement Revenues: $113 M
- Supplementary & Tax Penalty Revenue: $165 M
MLTT Net Revenue
2008 - 2017 monthly

Budget $708M

- Tightening of mortgage rules announced Jul 2008
- Recession 2008Q3-2009Q2
- HST Jul 2010
- Federal mortgage insurance changes Jul 2012
- Harmonization with Province, Mar 1, 17
- Ontario Foreign Buyer’s Tax Apr 21, 17

2008 Actuals
2009 Actuals
2010 Actuals
2011 Actuals
2012 Actuals
2013 Actuals
2014 actuals
2015 actual
2016 actual
2017 budget
2017 actual

MLTT Net Revenue
2008 - 2017 monthly

- $155M
- $178M
- $274M
- $319M
- $344M
- $357M
- $432M
- $517M
- $640M
WHERE I’M COMING FROM

   Led demonstrations against the Harris government’s 1997-98 property tax reforms.

2. QUEEN’s PARK, 1999-2004
   If you can’t beat them, join them. As a senior political advisor, occasionally consulted by OPO & other ministries staff on tax, assessment & municipal policy.

3. RED TAPE COMMISSION, 2004-2005
   Reviewed issues with tax design, especially with the Winnipeg’s Entertainment Tax.

4. BUDGET ADVISOR, 2005-2008
   Political lead on all tax and budget policy, including design of the -20%/+5% caps of the 2006 business tax assessments.

5. STATE OF THE CITY, >2008
   Consultant and writer on a range of taxation & city policy issues; managed David Soknacki’s “nerd candidate” campaign for TO mayor in 2014.

6. TORONTO REGION BOARD OF TRADE
   Led development of the Board’s response to the 2016 “search for the Holy Revenue grail”
Canadian municipalities have lobbied for decades for new revenue models that would permanently address the imbalance in Canadian fiscal federalism.

Tellingly, the closest anyone has come is the 2006 City of Toronto Act – yet most of the tax authority created by it is unused. Several potential taxes permitted within it have never been presented as options.
THE HIDDEN TREND: BOUTIQUE REVENUE

Despite the rhetoric, major Canadian cities – and some smaller municipalities – have one or more alternative tax and revenue options. Tellingly, almost all are dedicated sources.
MANAGING CRITICISM

Expect any new revenue proposal – no matter how good - to take flak regardless

STAGE YOUR DETAILS
Minor details can have a huge impact on how badly revenue proposal is received... there is a huge difference between “we don’t want this” and WAR

TAX ME WITH BENEFITS
The more new revenue you raise, the more opportunities you have to (literally) buy off potential critics with benefits. Winnipeg’s increased development fees (2008) to cost-recovery paired with commitment to increase service staff.

DEDICATE YOUR REVENUE
...but don’t overdo it: Winnipeg’s impact fee, frontage levy and hotel tax have all had their terms revised since inception, as has the Scarborough Subway Surtax.
THERE ARE ALWAYS MORE OPTIONS THAN YOU THINK
WINNIPEG: ENTERTAINMENT TAX, 2005

The solution to Winnipeg’s most complex red tape problem came from two simple observations: most actual revenue came from cinemas, while most of the chaos came from exempting arts groups.

WINNIPEG: BUSINESS TAX REASSESSMENT, 2006

Pushing it to the legal limit allowed us to “phase-in” right to the last day of the four-year assessment cycle, creating de facto caps on increases at 5% paid for by capping decreases at 20%.
CALGARY v. EDMONTON: RIDESHARE fees, 2015-2017

Both Edmonton and Calgary wanted rideshare legalized – but a simple tweak in Calgary’s fee model pushed Uber out for years. Once it was remedied in Calgary, Uber returned.

Calgary: COMMERCIAL TAX SHIFTS, 2017

City officials weren’t aware of their phase in authority because they did not compare their situation to those in other cities. $40m+ charge on reserves meant that the City addressed the small business issue differently, but long-term problem remains.
Business community resistance to the parking tax was as much about how it would be levied and on whom as it was about the notion of a parking tax at all. TRBOT tried to shift focus to the Toronto Parking Authority, leaving room open for a paid parking tax ($14m possible from TPA alone). City Hall shifted focus to tolls and a hotel tax; TRBOT grudgingly supported both as meeting at least some of its four tests. Note: hotel tax revenue budgeted based on early regulatory approval.