

Municipal Revenues

September 21, 2017



SCOPE OF MUNICIPAL SERVICES

🕒 Services provided 24 / 7

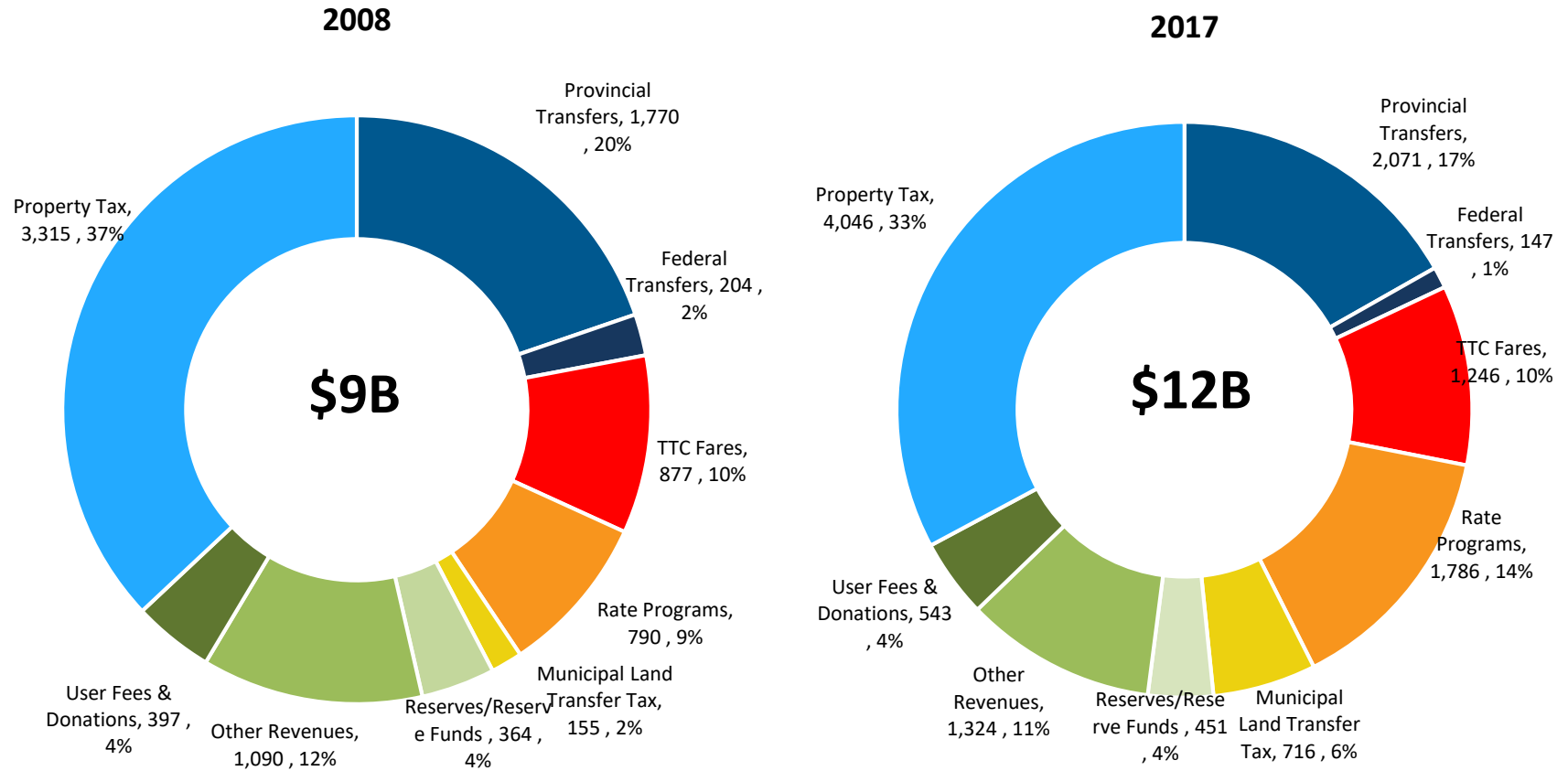
- **Solid Waste Collection & Recycling**
- **Water and Wastewater** 🕒
- **Emergency Services**
 - **Police** 🕒
 - **Fire** 🕒
 - **EMS** 🕒
- **Transportation and Transit**
 - **TTC** 🕒
 - **Roads** 🕒
 - **Sidewalks**
- **Economic Development**
- **Libraries**
- **Parks and Recreation**
- **Court Services**
- **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



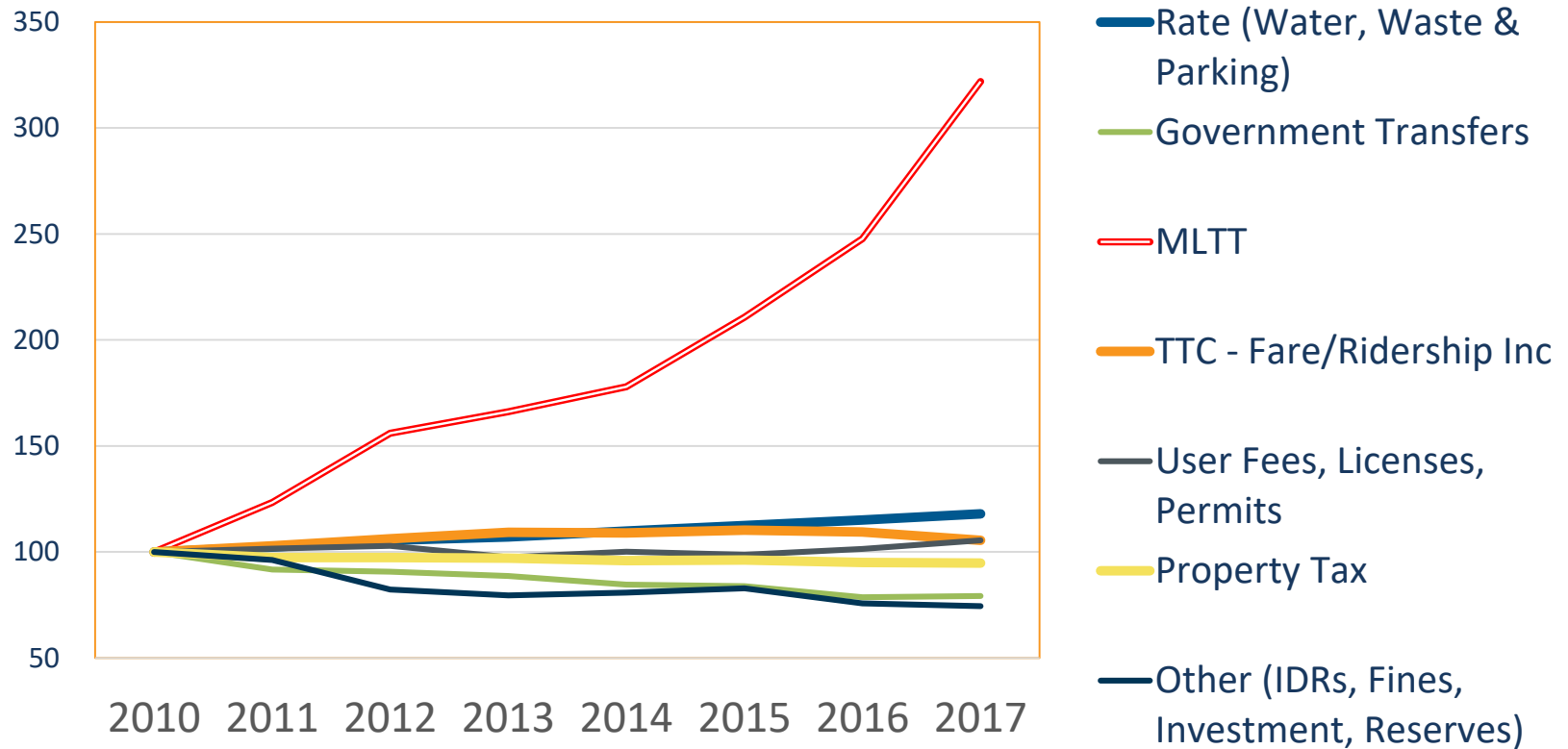
TORONTO 2017 OPERATING BUDGET REVENUES (VS 2008)



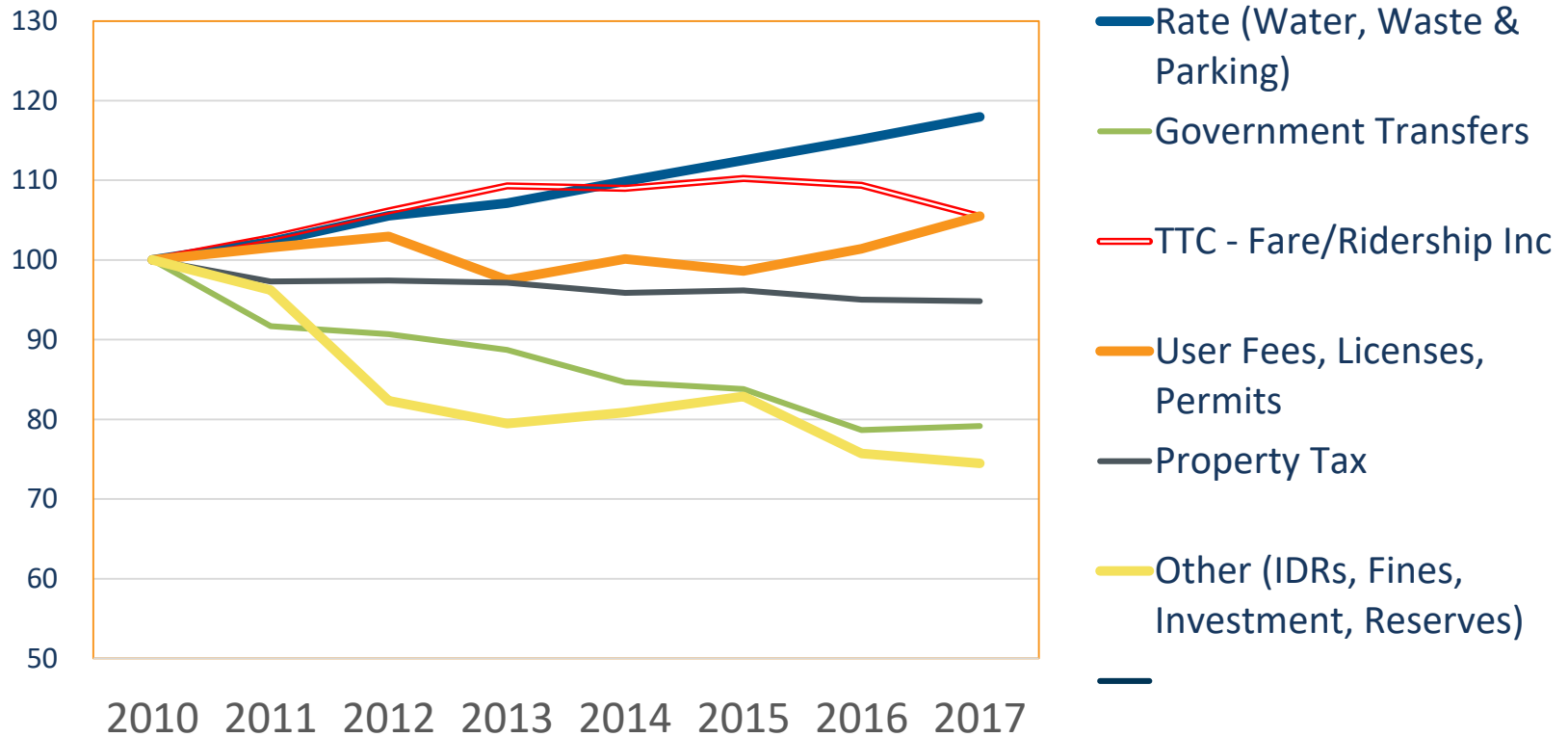
LARGEST 'OWN SOURCE' 2017 REVENUES (CONTROLLED BY THE CITY)

	2008	2017
• Property Tax	37%	33%
• Water & Waste fees	9%	14%
• Transit Fares	10%	10%
• MLTT	2%	6%

CITY REVENUES – REAL PER CAPITA SINCE 2010



CITY REVENUES – REAL PER CAPITA SINCE 2010



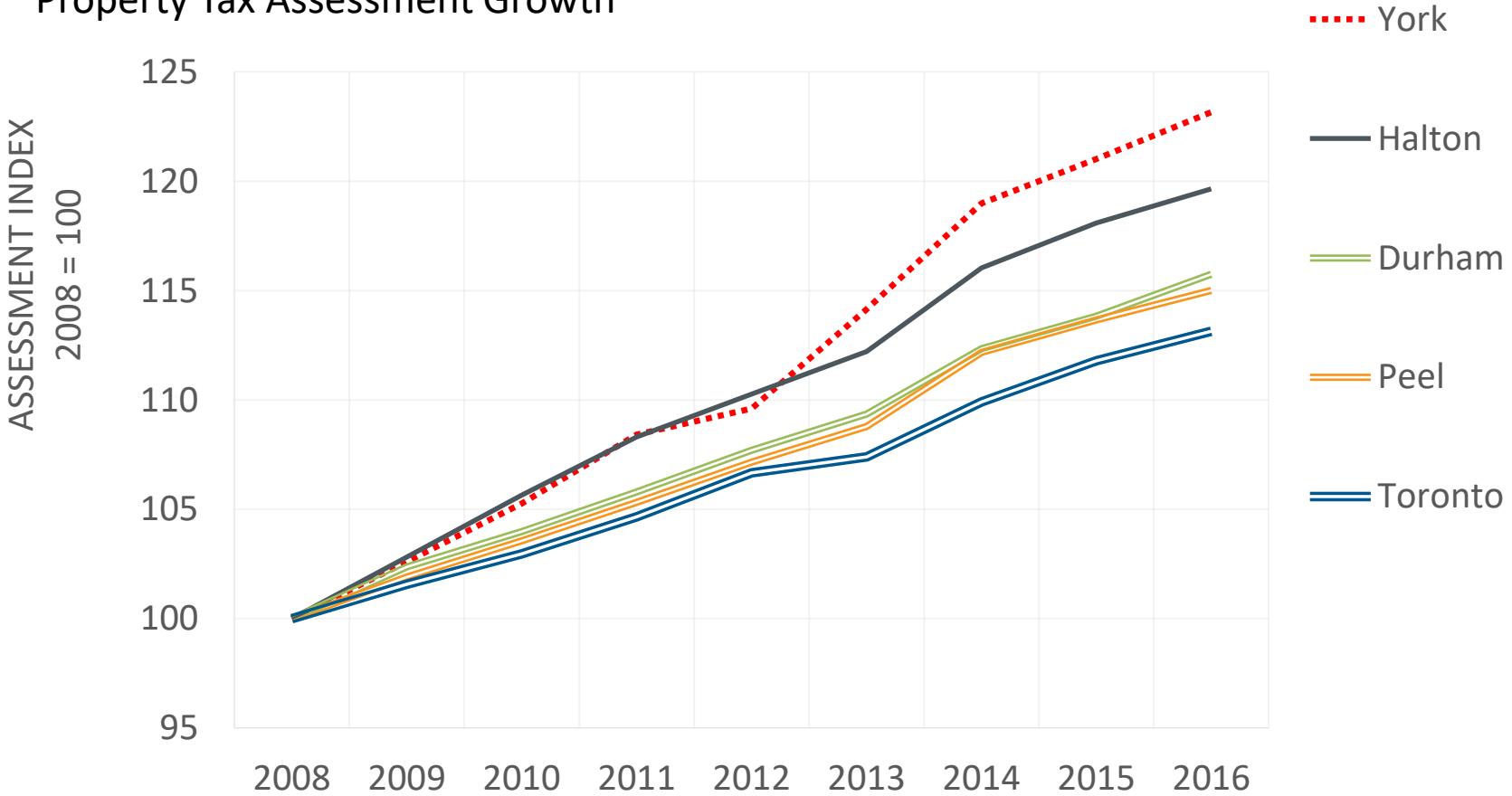


Revenue Options

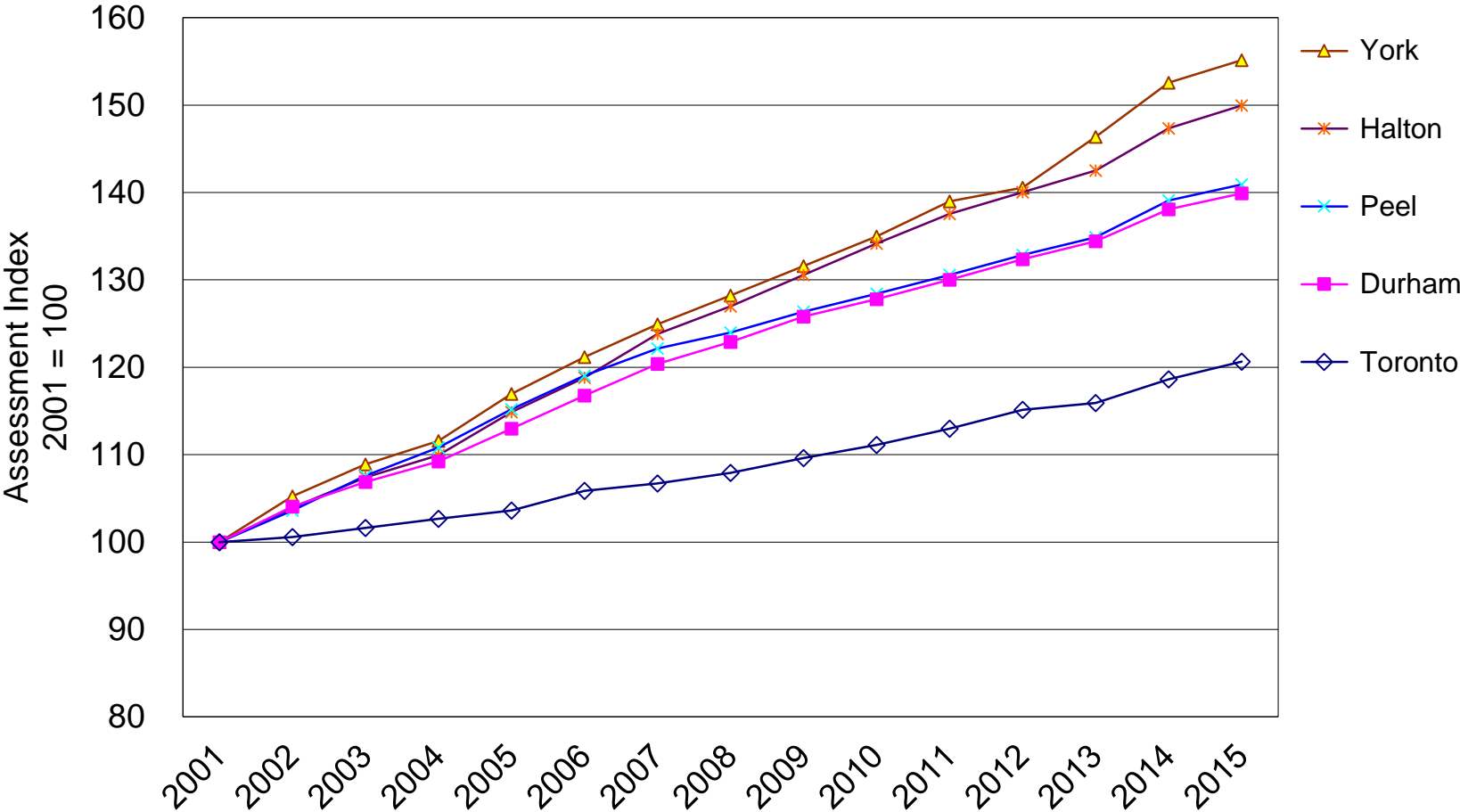


- Rates have increased at or below inflation for over ten years
- Non res tax ratios are declining toward 2.5x target (2020)
- Multi res rates frozen by regulation
- CIP based programs (IMIT) taking increasingly larger bite from revenues
- Res demand high, commercial, multi res vacancies low
- Residential, commercial assessment growth high compared to 20 yr average. Multi-res improving, industrial flat

Property Tax Assessment Growth

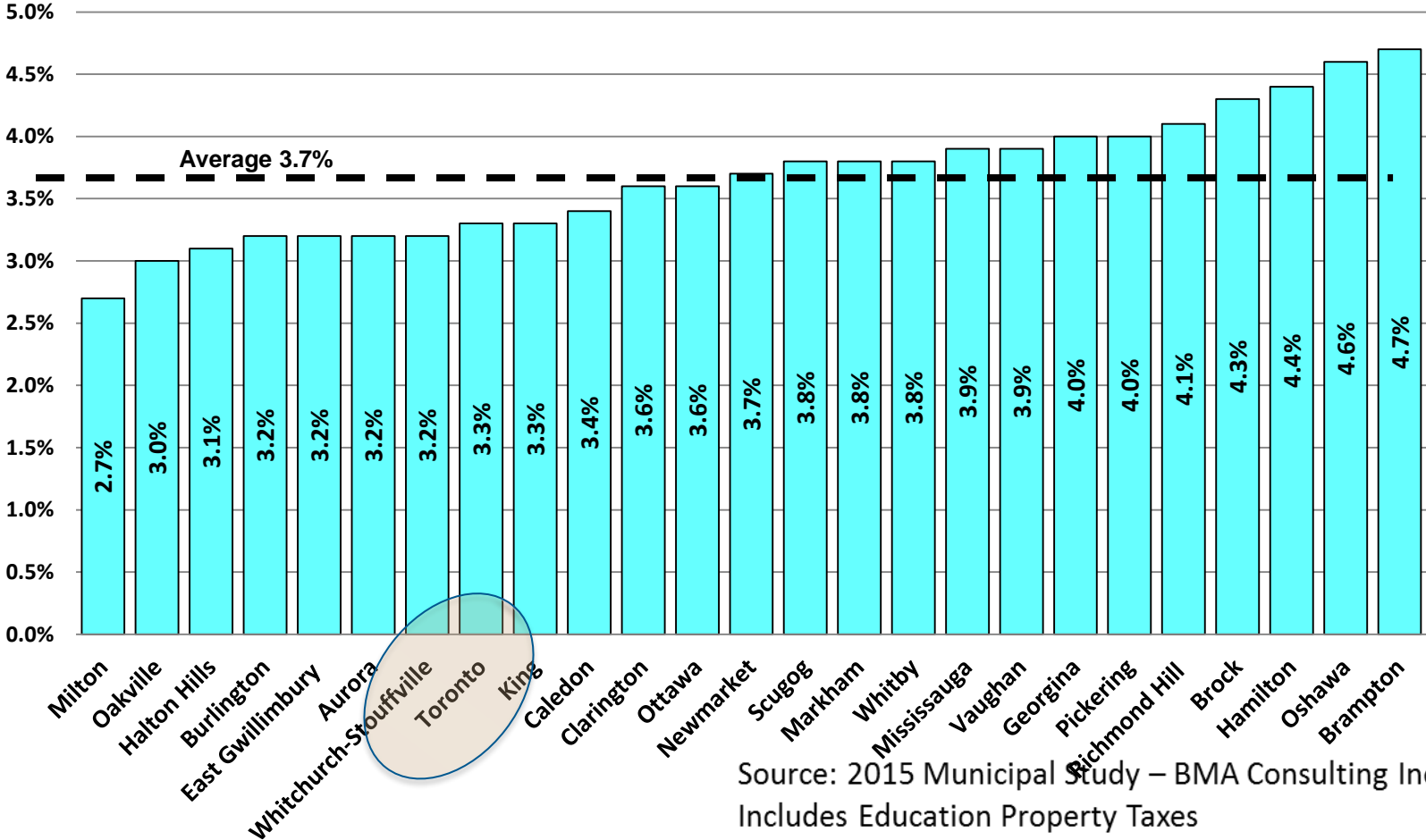


ASSESSMENT GROWTH



- 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



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

- 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%

TRANSIT FARES CONTINUED

- 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.

Evaluation Criteria	Principle
Legislative Authority	Provincial Authorized
Revenue Quality	Significant, growing, reliable
Fairness	Ability to pay, Transparency, High compliance
Efficiency	Low Overhead Ratio, Enforcement cost, cost/time to implement
Minimal Economic Impacts	Broader base is better, avoid distortions
Policy Fit	Alignment with policy objectives

APPROVED REVENUE OPTIONS

- 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?



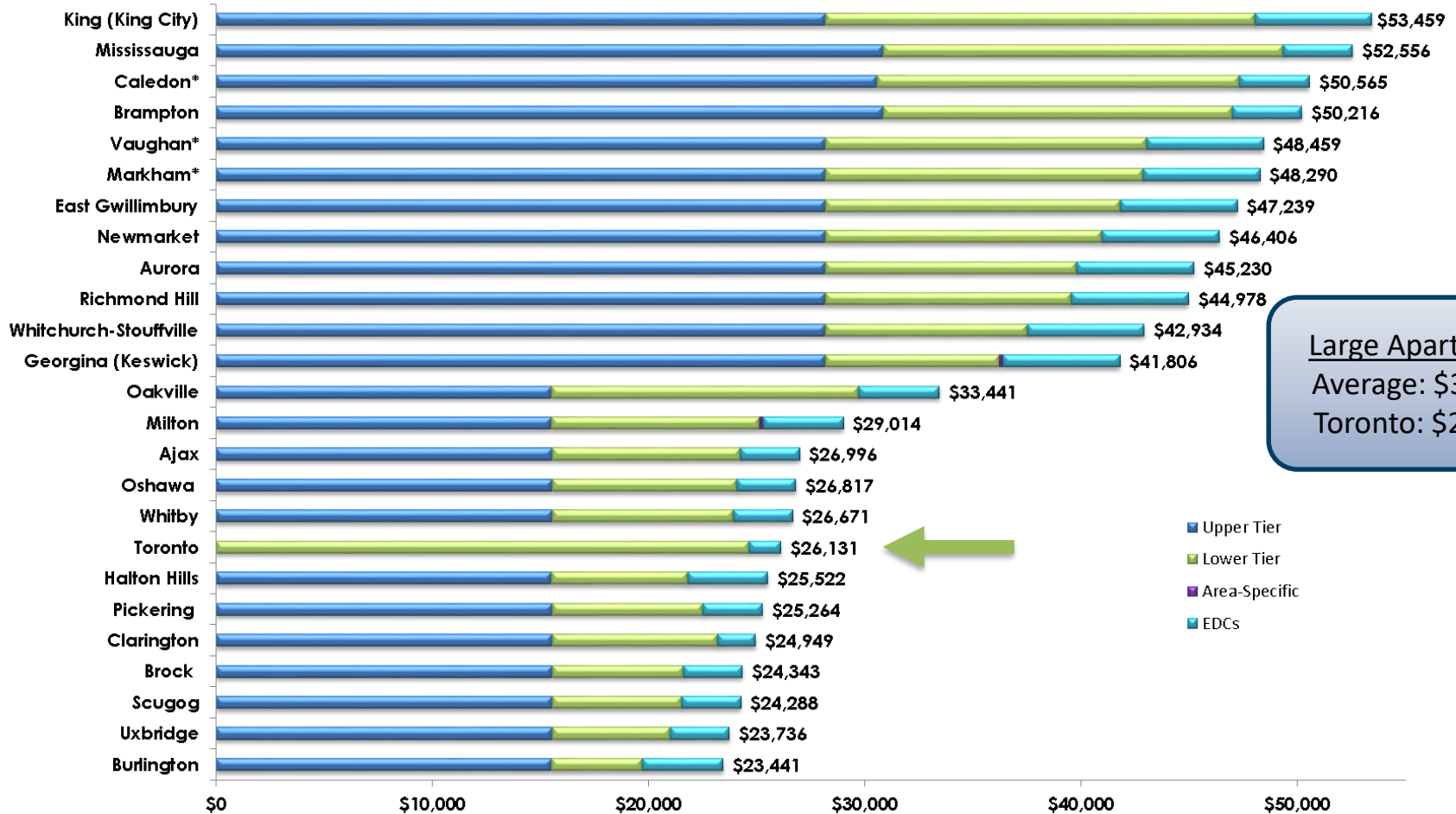


SUPPLEMENTARY MATERIALS



Sept 21, 2017 MFOA Conference

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

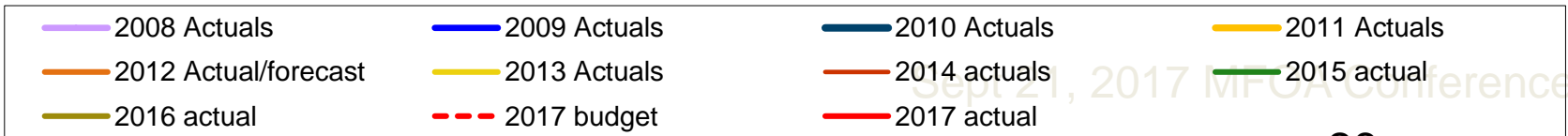
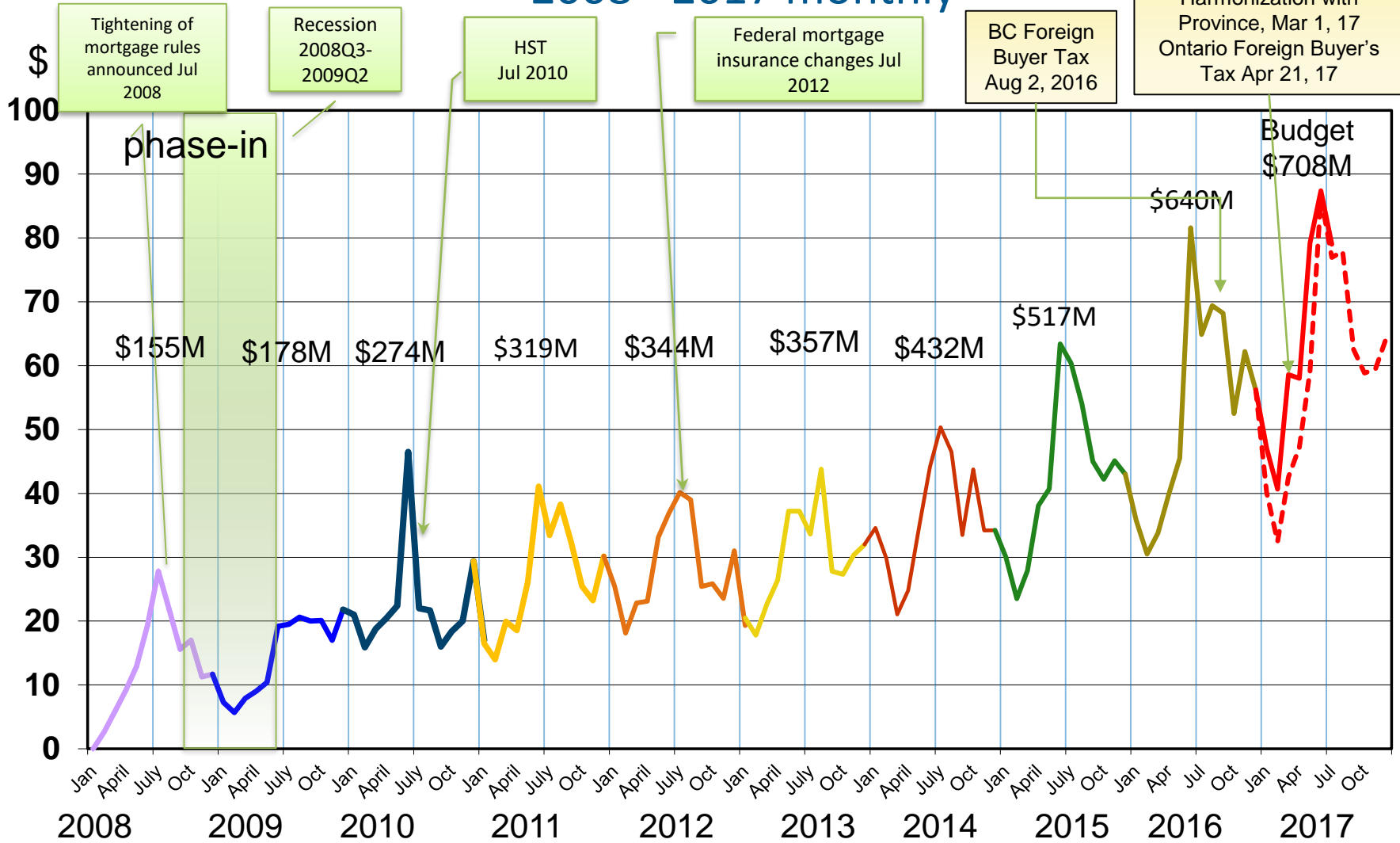
Third Party Sign Tax
\$12 M

Gaming & Slots
Revenue
\$29 M

Parking Enforcement
Revenues
\$113 M

Supplementary &
Tax Penalty Revenue
\$165 M

MLTT Net Revenue 2008 - 2017 monthly





STATE OF THE CITY

URBAN POLICY, POLITICS AND STRATEGY

1 Cdn TAXPAYERS FEDERATION, 1995-1999
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"

WHERE
I'M
COMING
FROM



TAX POLITICS

NO MAGIC WANDS, FEW HOLY GRAILS

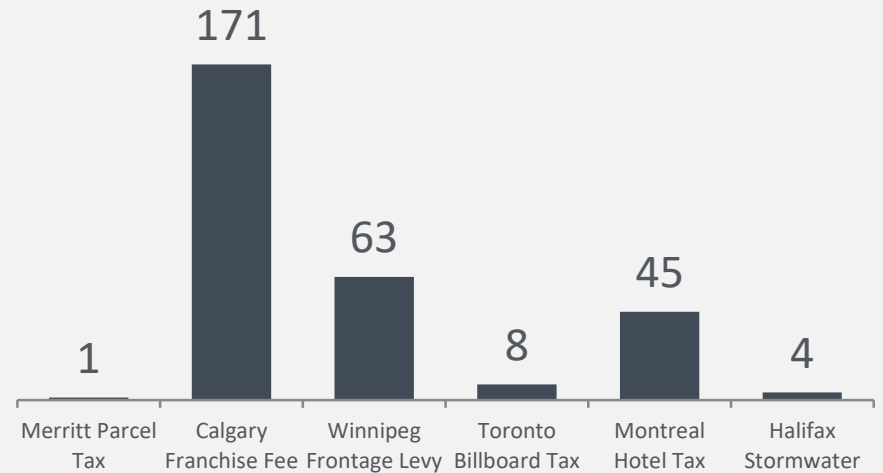
Canadian municipalities have lobbied for decades for new revenue models that would permanently address the imbalance in Canadian fiscal federalism.

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



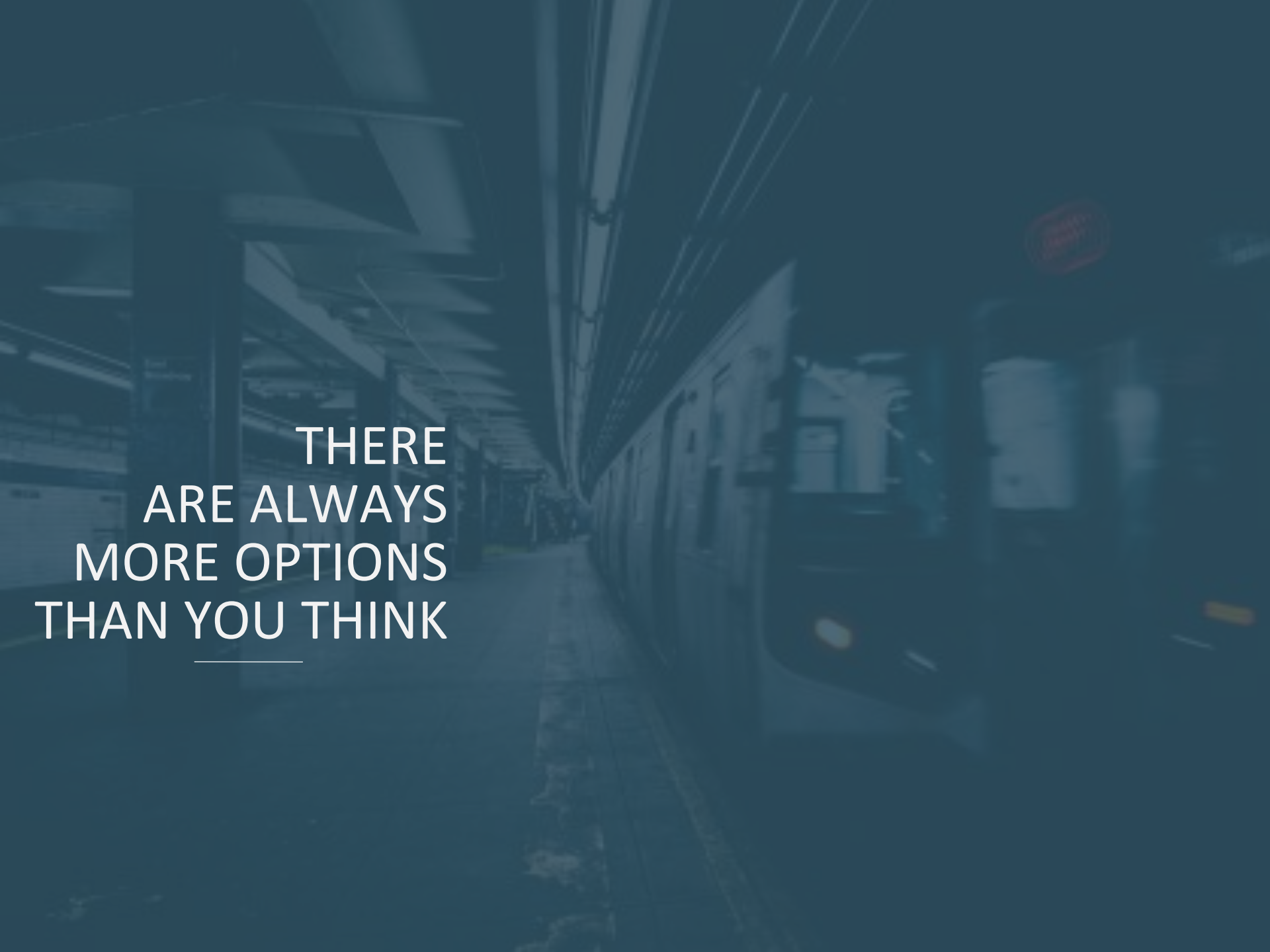
TAX ME WITH BENEFITS

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.







STATE OF THE CITY

URBAN POLICY, POLITICS AND STRATEGY