



**STAFF REPORT
ACTION REQUIRED**

**Personal Vehicle Tax – Administrative Design Features
and Implementation Authorities**

Date:	March 18, 2008
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	

SUMMARY

This is to advise that the Personal Vehicle Tax – Administrative Design Features and Implementation Authorities report will be on the Supplementary Agenda for the Executive Committee meeting of April 7, 2008.

SIGNATURE

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

Attachment 1 – Public Release of Confidential Information – October 14, 2008

Personal Vehicle Tax – Administrative Design Features and Implementation Authorities

Date:	April 1, 2008
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer

Issue / Background

The purpose of this report (attachment) is to set the terms of the agreement between the City of Toronto and the Province, based on discussions to date, for the collection, administration and enforcement of Personal Vehicle Tax (PVT) on behalf of the City. Discussion is continuing with Provincial officials on the specifics of the Agreement and any additional terms will be reported for adoption directly to Council at its meeting of April 28-29, 2008.

CONFIDENTIAL RECOMMENDATIONS

The City Manager and the Deputy City Manager and Chief Financial Officer recommend that:

1. staff be authorized to enter into an agreement with the Province (the “Provincial Agreement”) in accordance with the terms as set out in Table 1 below;
2. appropriate City officials be authorized and directed to take necessary actions to incorporate the terms in the Provincial Agreement;
3. the City Manager and the Deputy City Manager and Chief Financial Officer be authorized to report directly to Council at its meeting of April 28-29, 2008 on any additional significant terms to be included in the Provincial Agreement following further discussions with the Province.

CONFIDENTIAL INFORMATION

In order to facilitate implementation of the tax as early as possible in 2008 in keeping with City 2008 budget assumptions, the Province has undertaken certain system

development and project management activities with the expectation of full reimbursement of costs from the City, subject to staff expenditure authority.

Council, at its November 19-20, 2007 meeting, requested the Deputy City Manager and Chief Financial Officer to report back to Council in early 2008 on the progress of discussions with the Province on an agreement to collect and administer the PVT.

Based on negotiations with the Province, terms of an agreement were negotiated for Council consideration, including provincial fees for its PVT collection / administration / enforcement services, and reporting requirements.

The guiding principle behind the Provincial fee structure is the requirement that full cost of collecting/administering/enforcing the PVT on behalf of the City be recovered.

The Provincial fee structure adopts the costing methodology based on provincial Corporate Full Costing Guideline, which incorporates the following cost components:

- i. One-time costs to implement PVT project (i.e. all expenditures prior to the PVT implementation date);
- ii. On-going costs (based on an average cost per transaction, to be reviewed annually);

The Province has provided cost estimates to the City for comment. System development and project management costs have been estimated to be approximately \$1.8 million. Ongoing operations costs are estimated to be approximately \$650,000 annually, billable @ 92¢ per tax transaction, with annual inflationary increases. As of March 30, 2008 the Province estimates that reimbursable costs of \$450,000 have been incurred.

Development costs would be based on use of the current Provincial IT systems to collect PVT. If the Province ultimately replaces these systems, as may occur as early as 2011 according to Provincial officials, the City may be exposed to additional system development costs at that time.

Agreement Terms

If adopted, the terms of the Provincial Agreement would be as follows:

Table 1

Term of the Agreement	A minimum of 5 years, with costs updated in accordance with methodology described herein, and an appropriate reopening clause should the Provincial IT systems be redeveloped.
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Services	<p>Collection and remittance of PVT for all taxable vehicles registered to a Toronto address, through Provincial permit renewal channels (counters, kiosks, internet and mail) throughout the Province.</p> <p>Periodic reporting on various activities pertaining to PVT, including taxes assessed, vehicles registered in Toronto, address changes, etc.</p> <p>Notice to tax payers through direct mailing of advance renewal notices (notices to be provided by the City).</p> <p>Registrants who do not pay PVT will be refused renewal of their vehicle licence plate.</p>
Date	PVT implementation effective September 1, 2008.
Fees	<p>Reimbursement of actual system development costs (i.e., relevant provincial activity based costs incurred) as vetted by the Provincial Office of Controller), invoiced upon implementation of the PVT (i.e. September 1, 2008), currently estimated @ \$1.8 million, including:</p> <ul style="list-style-type: none"> - Component costs such as IT systems changes; - Project management; and - Legal costs <p>The Province has indicated that it may replace its vehicle permit renewal system within the next 5 years. If so, the City would be expected to pay costs for system replacement that relate to PVT collection.</p> <p>Reimbursement of actual ongoing operational costs, currently estimated to be \$650,000 annually, or 92¢ per transaction, as vetted by the Provincial Office of Controller, including:</p> <ul style="list-style-type: none"> - provision of notices; - program administration; and - PVT processing costs at point of sale (e.g. private issuer network, kiosk, internet and mail) <p>The per transaction rate of 92¢ is based on current transaction volume estimates. The cost of additional volumes will be billed at the marginal cost rate, currently estimated @ 19¢.</p> <p>Annual ongoing costs will be subject to inflationary impacts.</p> <p>Ongoing costs will be reimbursed (netted) from PVT proceeds.</p>

Enforcement of PVT	The Province will refuse to issue vehicle permit renewals without payment of PVT.
Freedom of Information Requests	Province will refer FOI requests related to PVT to the City of Toronto.
Reporting	<p>As a minimum the Province will provide the following periodic reports to the City as follows:</p> <ul style="list-style-type: none"> (a) Reconciliation Report (monthly): identifying the number of transactions and PVT revenue collected and submitted to the City; (b) PVT Count (annually): monitoring the number of vehicles registered in Toronto subject to PVT; (c) Address Change Report (annually): identifying aggregate plate registrant address changes from addresses within the City to addresses outside the City and vice versa.