

**Ref: 2008-MM24.10**

September 30, 2008

**EXECUTIVE COMMITTEE:**

City Council on September 24 and 25, 2008, referred the following Motion to the Executive Committee:

**MM24.10 Petition Provincial Government to Transfer One Percent of Provincial Sales Tax (PST) to Ontario's Municipalities**

*Moved by Councillor Walker, seconded by Councillor Ootes*

**SUMMARY:**

The Federal sales tax, or Goods and Services Tax (GST), rate is 5 percent. The GST has been reduced from 7 percent over the last two years by the Federal Government.

Over the past few years, there has been discussion and a public campaign for Canada's major cities to acquire one percent of the GST, in order to rectify some of the inequalities in the historical imbalance in revenue and funding flow to and from Canada's major cities and the Federal Government. In the City of Toronto's case, billions of taxpayer dollars flow out of our City into the Federal Government's coffers which are not reinvested in our City. In effect, Cities like Toronto enable the Federal Government to report billion-dollar surpluses every year because it does not reinvest in our major cities at the rate it should.

The Provincial sales tax (PST), or Ontario Retail Sales Tax (ORST), rate is 8 percent. The PST rate has never been reduced.

In fiscal year 2007-2008, the Provincial government collected \$16.9 billion in PST revenue. PST revenues have increased by 60 percent in the last decade.

Similar to the revenue/funding imbalance between the Federal Government and the City of Toronto, a parallel imbalance exists between the Provincial Government and the City of Toronto. There is a multi-billion-dollar deficit between the amount of taxes the City of Toronto taxpayers pay out to the Provincial Government and how much funding comes back as reliable and permanent income to the City. In effect, Cities like Toronto enable the Provincial Government to report billion-dollar surpluses every year because it does not reinvest in Ontario's major cities at the rate it should.

Strangely, there is not a discussion or campaign from Ontario's major cities to acquire 1 percent of the 8 percent PST in order to address the historical inequity and urgent requirements for reliable and permanent funding. If Ontario's major cities were given 1 percent of the 8 percent PST, this would supply a city like Toronto with the permanent, reliable funding we need to properly plan our long-term financial future. The viability and the sustainability of the City of Toronto and other cities in Ontario depend on such reliable and permanent funding. Our infrastructure deficit (i.e. bridges, roads, transit and waterfront) and City building initiatives (i.e., housing and environmental protection) require funding to be guaranteed every year – not hoped for each year. The Provincial social services and decrepit housing portfolios that were downloaded a decade ago have not yet been formally uploaded back to the Province and are not likely to be in the foreseeable future, as Premier McGuinty announced on August 25, 2008, at the Association of Municipalities of Ontario (AMO) annual meeting another postponement in uploading and funding of responsibilities to the Province of Ontario. The City of Toronto requires stable funding to address the increasing cost of these downloaded Provincial responsibilities as well.

This stable funding could come in the form of a legislative change in the calculation and distribution of the PST revenue in Ontario. Ontario's municipalities need access to 1 percent of the 8 percent PST. We, as Torontonians and Ontarians, need to start this discussion to make this happen.

**RECOMMENDATIONS:**

1. That City Council petition the Province of Ontario to transfer the equivalent of 1 percent of the 8 percent Provincial Sales Tax (PST) to Ontario's municipalities (proportionally based on population) and such annual funding be made permanent via amendments to current legislation.
  
2. That City Council direct the City Clerk to forward this Resolution to the Federation of Canadian Municipalities (FCM), Association of Municipalities of Ontario (AMO) and all municipalities in Ontario for their endorsement.

Council also considered a Fiscal Impact Statement (September 23, 2008) from the Deputy City Manager and Chief Financial Officer.

for City Clerk

M. Toft/cd

Attach.