EX16.3

STAFF REPORT
ACTION REQUIRED

Updated Assessment of Revenue Options under the City of Toronto Act, 2006

Date:	June 14, 2016
To:	Executive Committee
From:	City Manager Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2016\Internal Services\Cf\Ec16018Cf

SUMMARY

During the 2016 budget deliberations, City Council directed staff to engage an external consultant to perform an updated assessment of the revenue potential of certain new taxes permitted under the *City of Toronto Act, 2006* (COTA). The last time Council broadly considered new tax options was in May 2013 (2013EX31.3) in context of providing advice to Metrolinx regarding its transportation growth funding strategy.

The consulting firm KPMG LLP ("KPMG") was subsequently retained to undertake the Revenue Options Study. This report serves to transmit the consultant study to Committee and Council.

The scope of work for the study includes those revenue options previously studied in 2007, as well as certain specified taxes currently not permitted under COTA. In addition the report includes a jurisdictional scan for Municipal Land Transfer Tax (MLTT), Carbon Tax and Uber Registration Fee. Finally there is a discussion on alternatives to these revenue options relative to property taxes.

The study and this report are also important groundwork for the Long-Term Financial Direction, and will be used for reference during the upcoming report in the fall of 2016. In June 2016 Council directed the City Manager and Deputy City Manager & Chief Financial Officer to report in the fall on a strategy that would optimize existing and potential new revenues, the latter based on a set of principles for their selection.

Table 1 below is excerpted from the study and lists the revenue options, summarizes the range of net revenue potential based on the rates indicated, whether the tax is currently

permitted under COTA, and the estimated time to implement (from the time City staff receive approval and direction to proceed to the time of revenue realization).

TABLE 1 — Summary of Findings, City of Toronto Revenue Options Study by KPMG			
Revenue Option	**Range of Net Annual Revenue Potential ($ millions)**	**Permitted Under COTA**	**Estimated Time to Implementation**
Alcoholic Beverage Tax *(1 – 10% rate)*	21 – 151	Yes	12 months
Entertainment and Amusement Tax *(1 - 10% rate)*	4 – 35	Yes	12 months
Motor Vehicle Registration Tax *($20 to $100)*	18 – 94	Yes	6 months
Parking Levy *($0.50 to $1.50 per spot / day)*	171 – 535	Yes	18 months
Road Pricing (Cordon Pricing) *($5 to $20 per day)*	89 – 377	Yes	36 months
Tobacco Tax *(1 – 10% rate)*	5 - 46	Yes	12 months
Development Levy *(2 – 10% rate)*	17 – 87	No	12 months
Hotel Tax *(2 – 14% rate)*	21 – 126	No	12 months
Municipal Business Income Tax *(0.5 – 2%)*	145 – 580	No	24 months
Municipal Personal Income Tax *(1%)*	580 – 926	No	24 months
Municipal Sales Tax *(0.5 – 2% rate)*	125 - 515	No	24 months
Parking Sales Tax *(5 – 20% rate)*	30 – 121	No	12 months

In addition, this report responds to two City Council directions during the 2016 budget deliberations relating to Municipal Land Transfer Tax ("MLTT"): the feasibility of establishing a MLTT Stabilization Reserve Fund funded through budgeted surpluses of MLTT; and the advisability and feasibility of harmonizing the City's MLTT rate structure with that of the Province's Land Transfer Tax (LTT).

RECOMMENDATIONS

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

1. City Council receive this report for information.

Financial Impact

The KPMG study identifies certain new taxation options that will be considered as part of the Long-Term Financial Direction report in the fall of 2016.

This report also describes potential options for the City's Municipal Land Transfer Tax ("MLTT") that could also be considered as part of the Long-Term Fiscal Direction, including a strategy for managing budget variances in MLTT.

DECISION HISTORY

On June 7, 2016 City Council adopted staff report EX15.1 titled "City of Toronto's Long-Term Financial Direction" with amendments. City Council requested the City Manager and the Deputy City Manager & Chief Financial Officer to report in the fall of 2016 on a multi-year revenue strategy that:

a. examines ways the City can optimize revenue generation from existing and new sources;
b. identifies implementation costs, timing, and the sustainability of revenue options;
c. establishes principles to guide the selection of potential revenues; and
d. establishes a framework for the further application of both existing and new revenues.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.1

On February 17, 2016 Council considered staff report EX12.2 titled "2016 Capital and Operating Budgets" and adopted the following:

"**270**. City Council direct the City Manager and the Deputy City Manager & Chief Financial Officer to commission an external consultant's updated analysis of the City of Toronto Act revenue potential using the guidelines of the 2007 Hemson report, updated to include the impact of HST on collection and that the report add a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of obtaining permission and collecting a municipal sales tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models; and that the cost of the report, estimated at $125,000, be funded from the Corporate Studies Account (Corporate Finance) within the Non-Program Corporate Expenditures Budget.

263. City Council direct the City Manager and the Deputy City Manager and Chief Financial Officer to report back on the feasibility of establishing a Municipal Land Transfer Tax Stabilization Reserve Fund funded through excess Municipal Land Transfer Tax annual revenues which exceed the annual budgeted revenue."
http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilMinutesReport&meetingId=10870

On January 26, 2016 Budget Committee considered staff report BU18.1 titled "2016 Capital and Operating Budgets" and adopted the following:

"**x**. City Council direct the Deputy City Manager and Chief Financial Officer to report to Executive Committee in the second quarter of 2016 with an assessment of the remaining ways that the City's Municipal Land Transfer Tax (MLTT) is different from the Provincial Land Transfer Tax, including the revenue impact of these differences, and on the advisability and feasibility of being fully harmonized."
http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getMinutesReport&meetingId=11001

On May 3, 2013 City Council adopted staff report EX31.3 titled "Metrolinx Transportation Growth Funding - Dedicated Revenues" with amendments. City Council indicated to Metrolinx that it did not support the use of the following GTHA revenues to fund Metrolinx Transportation Growth Strategies: congestion levy, employer payroll tax, land transfer tax, land value capture, personal income tax, property tax, transit fare increase, utility bill levy, fuel tax, parking levy, highway tolls or other road pricing, and high occupancy toll lanes.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.3

ISSUE BACKGROUND

New Revenue/Taxation Options:

The *City of Toronto Act, 2006* (COTA) was proclaimed as law on January 1, 2007 and provides the City with broad and permissive authorities commensurate with its size, responsibilities and status as an order of government, including the use of direct taxation tools to support its activities. The Province has not extended these powers of direct taxation to any other Ontario municipality.

Part X of COTA provides the City with general authority to implement new direct taxes within the City of Toronto, subject to a list of prohibited taxes. Appendix A is a summary of the list of prohibited taxes under Part X of COTA. Consequently, there is not a specified list of taxation options that the City can consider. However, in practice, the City has studied taxes that are of particular revenue or policy benefit, in use in other jurisdictions, and are not on the list of prohibited taxation.

In late 2006 the City retained Hemson Consulting Ltd. to study eight taxation options which were permitted by COTA. Hemson released its report in March 2007 titled "Assessment of Potential New Tax Measures under the *City of Toronto Act, 2006*". Of the eight taxes studied, three taxes have since been implemented by the City:

- Municipal Land Transfer Tax (implemented February 1, 2008)
- Personal Vehicle Tax (implemented September 1, 2009, repealed January 1, 2011), and
- Third Party Sign Tax /Billboard Tax (implemented April 6, 2010)

The remaining five taxes studied but not implemented to-date include: Alcohol Tax, Tobacco Tax, Amusement Tax, Parking Levy/Tax and Road Pricing (i.e. Road Tolls, Congestion Tax).

As outlined in the City's Long-Term Financial Direction report (2016EX15.1), the City needs to develop a multi-year revenue strategy that examines ways the City can optimize revenue generation from existing and new sources, identifies implementation costs, timing and the sustainability of revenue options, establishes principles to guide the selection of potential revenues, and a framework for further application of both existing and new revenues. The multi-year revenue strategy is integral to the City's Long-Term Financial Direction, which will also comprise a multi-year expenditure management plan and an asset optimization plan.

The purpose of the attached KPMG report is intended to provide a comprehensive and updated assessment of revenue options, both permitted and not permitted under COTA, to inform and support the deliberation of the City's Long-Term Financial Direction, and discussions with other orders of government.

COMMENTS

A. New Revenue Options

1. Study Content

The City retained KPMG LLP ("KPMG") to provide a revised assessment of revenue options permitted under the *City of Toronto Act*, 2006 ("COTA") and to review additional revenue mechanisms identified by Council that the City does not have legislative authority to implement.

The KPMG report contains substantial quantitative and qualitative analyses of each of the revenue options which will lay the groundwork for policy considerations. The revenue options reviewed in this report currently permitted under COTA are:

- Alcoholic beverage tax
- Entertainment and amusement tax
- Motor vehicle ownership registration tax
- Parking levy
- Road pricing (specifically downtown cordon charges)[1]; and
- Tobacco tax

The revenue options reviewed that are not currently permitted under COTA include:

- Development levy
- Hotel tax
- Parking sales tax

[1] The City's Transportation Services Division has commissioned a separate study to focus on the potential tolling/ road pricing of the Gardiner Expressway and Don Valley Parkway. See Executive Committee report 2015 EX8.14, entitled "Tolling Options for the Gardiner Expressway and Don Valley Parkway", dated September 10, 2015.

- Municipal income tax (including business income and personal income); and
- Municipal sales tax

In addition, staff requested KPMG to report on the use of MLTT and two other emerging revenue options in other jurisdictions (carbon tax and Uber registration fee).

Appendix B contains the scope and approach used by KPMG in the study, and a summary of findings which contains the range of revenue potential of the revenue options, the estimated time to implementation, as well as the equivalent percentage property tax rate increase to raise the same amount of revenues identified by the new revenue options.

The full KPMG report titled the "City of Toronto Revenue Options Study" is attached as Appendix C. An electronic copy is available on the City's website for committee meeting agenda, and a limited number of hard copies will be distributed under separate cover.

The revenue potential figures in the KPMG report are estimates based on existing research or data currently available. Should Council decide to proceed with any of these options, staff will take greater due diligence to assess the revenue potential, ancillary costs and policy implications.

In its report, KPMG considered these revenue options to be implemented only within the boundaries of the City of Toronto. However, some may be better implemented on a regional or provincial level such that border issues can be minimized, and administrative economies of scale can be found. Further discussions with the Province should take place should Council decide to proceed with any of these options.

Staff have not undertaken broad consultations with stakeholders during the initial study phase. If Council wishes to go ahead with any of the taxes, staff would develop an appropriate consultation process, targeted to those taxes Council wishes to consider and as part of a broader consultation on the City's Long-Term Financial Direction.

2. Interpretation of Results

All taxes are by nature mandatory payments required by law, with associated penalties for non-compliance. Governments owe a duty of care and consideration not just for how they spend the proceeds of taxation, but also for the impacts of taxes they implement on the lives and businesses of the citizens. This is particularly true for taxes that have a relatively narrow application, singling out certain activities or groups.

Council may wish to consider factors in relation to the City's long-term revenue strategy such as the following:

- Incidence:

  Perhaps the most important consideration is the incidence of a tax, and whether those who are likely to be required to pay it are generally in a position to do so. For example, is a new tax option generally more or less regressive than alternatives? Can the burden on vulnerable populations be easily mitigated by manageable exemptions, rebates, etc.? In addition, a tax that can easily be avoided can quickly split would-be taxpayers into camps of opportunists vs. honest citizens. Another important incidence consideration is whether a new tax applies to non-residents who benefit from related City programs and investments.

- Efficiency:

  Another longer term consideration is the tax efficiency vis-à-vis the potential related ancillary costs necessary to implement a new tax. The KPMG study estimates the administration and implementation costs, and where these are high as a percentage of gross new revenues it may be more difficult to justify a new tax. In addition, some taxes may require new municipal investments to be made. Also, a new tax could impact other municipal revenues, such as assessment growth.

- Policy Fit:

  Some taxation options are aligned with City policy aspirations. For other taxes the policy benefit may be weaker, mixed, or contradictory. Council should consider whether the new revenue option is aligned with the City policies such as public health policies, climate change mitigation and adaptation, economic development and land use policies.

- Minimizing Economic Distortion:

  Implementing a new tax may lead to unintended economic impacts on affected business and related employment. Some taxes can be very narrow in terms of these impacts, and Council should consider whether the effects on a particularly activity are reasonable and manageable before implementing a tax.

- Revenue Quality:

  The KPMG study summarizes the immediate net revenue potential of each tax. However, Council should consider other aspects of the revenue, such as how it is likely to vary over time, what market trends will affect it in the future, and how might the tax itself change consumer behavioural and further affect revenue. Council will need to consider its future budgetary exposure if the revenues from new taxes were to decline rather than grow.

3. Use of Proceeds:

In the past, revenue options have been considered primarily to provide relief to the operating budget. Municipal Land Transfer, Personal Vehicle and Third Party Sign taxes have all been allocated to the operating budget. However, this strategy has exposed the City to two risks. The inherent revenue variability of most new tax options in comparison to property tax exposes the City budget to the benefit of revenue growth, but also the direct impact of an eventual downturn. In addition, the lack of visible changes to City services in response to the new revenue can undermine public confidence in the City's prudent use of new revenues. This is considered to have contributed to the public backlash and eventual cancellation of the personal vehicle tax, an otherwise better than average tax in terms of cost of administration, compliance and ability to pay.

A possible strategy to counter these two problems is to allocate new tax revenues to specific capital projects or programs. The list of unfunded capital projects is extensive, and represents a major future budget pressure. Applying new revenues to capital not only insulates the operating budget from revenue variability, but the enabled projects can be highly visible evidence of the benefit of a new tax initiative.

B. Existing Revenue Options

1. Property Tax:

Property tax is the City's primary revenue source for municipal services. As the City's Long-Term Financial Direction report pointed out, there is a sustained decline in the relative yield from property taxes over the last six years:

- The City is budgeted to collect 4.8% less through Council approved property tax increases when adjusted for inflation.
- There is a decrease from 60% in 2006 to 49% in 2016 of the property tax as a share of the City's total budgeted own source revenues. Overall revenue growth has been supported by increases in utility rates for water and solid waste, transit fares and other user fees, and rapid growth in Municipal Land Transfer Tax revenues.

Council's priority towards limiting residential property tax increases to the rate of inflation has translated into overall property tax growth that is actually less than the rate of inflation. When population growth is factored in, the incidence of property tax per capita has declined even more.

The KPMG report discusses property tax as an alternative or benchmark against which to test the new revenue options. The table in Appendix C shows the equivalent percentage increases in residential property tax rate (RT) (and the corresponding 1/3 increase in non-residential tax rate according to the current property tax policy) for each of the new revenue option.

In addition, the KPMG report indicates that Toronto's municipal property tax rate is the lowest in comparison with those in the GTHA, and its tax burden (measured in absolute dollars and also by the percentage of property tax on household income) is amongst the lowest of the comparables.

As the City's Long-Term Financial Direction report pointed out, property taxes have the following characteristics: stability, efficiency, transparency, a broad base and low avoidance.

Under a regulation of COTA, the City is legislatively required to limit tax increases for non-residential property classes (commercial, industrial and multi-residential) to one-half of the residential increase, as long as the non-residential tax ratios exceed a threshold multiple over the residential rate. However, the City's current policy is in fact to limit the non-residential rate increases to one-third of the residential rate increase. If the City were to align its policy with that required by statute, a 1% residential tax increase along with a 0.5% increase in each of the non-residential classes (as compared to one-third or 0.33% increase) would result in an additional tax revenue of $3.2 million per year.

2. Municipal Land Transfer Tax (MLTT):

a. Harmonizing with Provincial Rate Structure

Council directed staff to review the differences between the City's MLTT rate structure and that of the Provincial LTT.

On February 1, 2008 the City implemented the Municipal Land Transfer Tax. Purchasers of properties registered in Toronto are required to pay a municipal tax in addition to the provincial land transfer tax. The City's MLTT is applied on a tiered rate basis, similar to the Provincial Land Transfer Tax, and using the same collection system and value thresholds for setting the rates. However, there are purchase value tiers where the City's rates are lower than the provincial rates:

- For consideration values ranging from $250,000.01 to $400,000.00, for all property transactions, the City's rate is 1.0% compared with Ontario's 1.5%
- For transactions involving all properties other than residential, in excess of $40 million, the City's rate is 1.0% compared with Ontario's 1.5%

Table 2 below compares Toronto's MLTT rates with Ontario's LTT rates:

TABLE 2 — Comparison of tax rates of Toronto's MLTT with the Ontario LTT

Value of Consideration	Residential *			All other properties		
	City of Toronto	Province of Ontario	Total	City of Toronto	Province of Ontario	Total
$0-$55,000.00	0.50%	0.50%	1.00%	0.50%	0.50%	1.00%
$55,000.01 - $250,000.00	1.00%	1.00%	2.00%	1.00%	1.00%	2.00%
$250,000.01 - $400,000.00	*1.00%*	*1.50%*	2.50%	*1.00%*	*1.50%*	2.50%
>$400,000.00	2.00%	2.00%	4.00%	1.50%	1.50%	3.00%
>$40 million				*1.00%*	*1.50%*	2.50%

* Residential = property which contains at least one, and not more than two, single family residences

Both tax regimes also incorporate a First-Time Home Buyers (FTHB) Rebate, which is an automatic rebate at the time of payment for purchasers who identify themselves as first time home-owners i.e. never having previously owned a home at any location. However, the maximum rebate is higher for the City's MLTT. The maximum provincial exemption is $2,000 (corresponding to the LTT on a $227,500 home), and the maximum City exemption is $3,725 (corresponding to the MLTT on a $400,000 home). Appendix D contains certain financial data for MLTT.

Based on the 2015 actual MLTT data, the City's lower tax rates and higher FTHB rebate reduce City revenue by approximately $68 million, summarized as in Table 3 below.

TABLE 3 — Estimated additional revenue from harmonizing MLTT with the Provincial LTT ($Million)			
Rates	VOC $250,000.01 - $400,000.00	36.2	
	VOC >$40 million	6.3	42.5
First Time Home Buyer rebate			25.3
Combined harmonization of rates and FTHB rebate			**67.8**

VOC = value of consideration

These differences were created at the time the tax was introduced. After over eight years of operation, it is reasonable to consider whether the differences remain appropriate and whether they continue to provide value.

The MLTT has been a source of tremendous revenue growth since its implementation. It has a relatively narrow incidence, applying to approximately 70,000 transactions a year, and very high individual transaction cost at about $10,000 for a $700,000 home. Despite these features, the tax has coincided with a period of very robust activity and price appreciation in the Toronto real estate market, perhaps masking any negative effects of the tax on the marketplace. The tax is highly visible and incorporated into the Ontario land titles registry reporting system.

On balance, harmonization of rates represents a small change affecting almost all transactions, with significant impact only for high value transactions over $40 million. It is one option that the City could consider to increase revenues to deal with future budget shortfalls. In the case of FTHB rebate, two key concerns are the effect of the rebate on affordability, and its impact on competing land uses, such as rental and commercial. These issues require further study.

The City shares this tax field with the Province of Ontario, and while the City is not required to seek approval to make changes to its MLTT rates, staff would recommended consultations with the Ministry of Finance, as well as industry stakeholders before considering any changes.

b. Establishing an MLTT Reserve Fund:

Council directed staff to report back on the feasibility of establishing a Municipal Land Transfer Tax Stabilization Reserve Fund funded through excess Municipal Land Transfer Tax annual revenues which exceed the annual budgeted revenue.

The MLTT revenue budget is provided in the Non-Program Corporate Revenue Account in the Operating Budget. In response to concerns that MLTT budget estimates were too conservative, beginning in 2015, budgets were increased to reflect prior year actuals. To insulate the operating budget from potential cyclical revenue swings, a portion of the forecasted revenue ($40 million or about 10%) was budgeted as a contribution to the Capital Financing Reserve Fund. Table 4 below shows the MLTT budget provisions for 2015 and 2016:

TABLE 4 — MLTT budget provisions (net) for 2015 and 2016 ($Million)

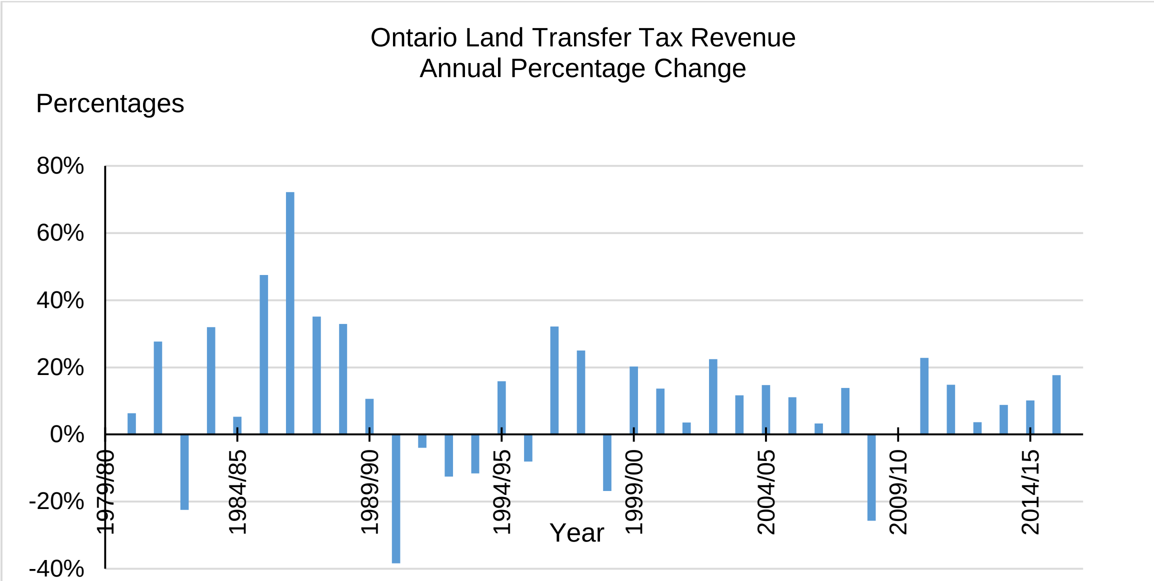
	2015	**2016**
Total budgeted MLTT revenue (Net)	425.0	525.5
Contribution to Capital Financing Reserve Fund (XQ0011)	40.0	40.0
Net Operating Revenue Budget	385.0	485.5
Reserve contribution as a % of total budgeted revenue	9.4%	7.6%

Note: Appendix D contains MLTT annual budget variances since inception

This budget strategy helps insulate the Operating Budget from a modest decline in MLTT (of about 7% to 10%) due to unforeseen market changes. If the actual 2016 total MLTT revenue were to drop by less than 7% of the budget, the MLTT operating budget would not incur a deficit. Instead, the impact would be a reduction to the reserve contribution and available funding for the capital budget. Any potential capital budget shortfall can be made up for by expenditure reductions, deferrals or debt financing, with a much lesser operating budget impact.

Higher-than-budget MLTT revenue contributes to the corporate surplus, allocated according to the Corporate Surplus Management Policy, whereby 75% of the surplus is allocated to the Capital Financing Reserve Fund, with the remainder to fund any underfunded liabilities and/or reserve funds at the discretion of the DCM&CFO.

The chart below shows the annual changes (in percentages) in the provincial Land Transfer Tax for the entire province over a period of 36 years from 1980 to 2015. The annual swings ranged from +72% to -38%. Fluctuations within a smaller area, such as the City of Toronto, would be expected to be even greater.



Source: Ontario Public Accounts, Ontario Budgets

A stabilization reserve fund is typically used to provide funding to smooth out changes in the annual program funding due to unforeseen circumstances such as an economic downturn. However, a stabilization reserve for MLTT would have to be very substantial to deal with multi-year market downturn. The four consecutive years of negative growth in the early 1990s would have required more than $330 million in today's terms in reserve funding. In addition, a stabilizaton reserve fund strands funds in reserve when operating and capital funding is urgently needed.

The current budget strategy can effectively insulate the operating budget from fluctuations in MLTT revenue if the allocation to capital is appropriately sized, within a range of 10% to 20% of the budgeted revenue, depending on current circumstances. Staff will propose an appropriate allocation based on this strategy for the 2017 budget process.

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SIGNATURE

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Peter Wallace City Manager	Roberto Rossini Deputy City Manager & Chief Financial Officer

ATTACHMENTS

Appendix A: Exclusions of Types of Taxes under Part X of *City of Toronto Act, 2006*

Appendix B: Scope, approach and summary of findings of KPMG Revenue Options Study

Appendix C: City of Toronto's Revenue Options Study, KPMG LLP, June 2016

Appendix D: Financial data for MLTT

Appendix A
Exclusions of Types of Taxes, under Part X of City of Toronto Act, 2006

The City of Toronto Act, 2006 (COTA) expressly excludes the power to impose the following taxes:

1. income tax and sales tax*;
2. tax imposed on a person in respect of the person's paid up capital, reserves, earned surplus, capital surplus or any other surplus, indebtedness or in respect of similar amounts
3. tax on lodging, such as hotel, motel, apartment house, boarding house and club;
4. tax on the supply of natural gas or artificial gas;
5. tax on the generation, exploitation, extraction, harvesting, processing, renewal or transportation of natural resources;
6. tax on the use of a highway in respect of equipment placed under, on or over the highway for the purpose of supplying a service to the public;
7. tax on a person's wealth, including an inheritance tax and a tax in respect of:
    i. the total value of assets owned by the person, or
    ii. any monetary assets or financial instruments owned by the person
8. poll tax imposed on an individual by reason only of his or her presence or residence in the City or in part of it;
9. tax on machinery and equipment used in research and development or used in manufacturing and processing and on assets used to enhance productivity, including computer hardware and software;
10. tax on the acquisition of any gas or liquid that may be used for generating power by internal combustion; and
11. tax imposed on the consumption or use of energy, including electricity

*COTA explicitly provides exemptions to the sales tax prohibition for the following (i.e. the City is allowed to impose these types of sales taxes):
1. tax on admission to a place of amusement;
2. tax on purchase of liquor for use or consumption;
3. tax on production of beer or wine at a brew-on-premise facility for use or consumption;
4. tax on purchase of tobacco for use or consumption.

Appendix B
Scope, Approach and Summary of Findings of KPMG's City of Toronto Revenue Options Study

The KPMG report contains revenue profiles for each revenue option as listed below.

Revenue options currently permitted under COTA	Revenue options that require additional legislative approval
• Alcoholic beverage tax • Entertainment and amusement tax • Motor vehicle ownership registration tax • Parking levy • Road pricing (specifically downtown cordon charges)[2]; and • Tobacco tax	• Development levy • Hotel tax • Parking sales tax • Municipal income tax (including business income and personal income); and • Municipal sales tax

Each revenue profile includes a summary of the revenue option structure, assumed approach for implementation, a qualitative and quantitative assessment, and an overview of how the revenue option has been implemented in other jurisdictions. Specifically, the scope of review for each revenue option addresses the following topics:

- Overview of the Revenue –
  - Potential design scheme
  - Potential implementation issues, including whether the option is permitted under COTA and if not, what legislative changes would be required
  - Whether the Ontario or Federal governments currently implement the revenue option (including current rate/structure) and, if so, whether the City could potentially "piggy-back" on existing administration mechanisms
  - Comparable national or international jurisdictions where the revenue option has been implemented including revenue structure, revenue generation and lessons learned, where available
- Quantitative Assessment –
  - Estimates of revenue potential, including factors for demand reduction or consumer/vendor avoidance, and limitations of available data
  - Estimates for implementation costs and ongoing administration
  - Factors affecting the revenue as a sustainable, long-term source of revenue, and impacts on existing revenues generated by other orders of government.
- Qualitative Assessment –
  - Potential impacts on stakeholders and businesses

[2] The City's Transportation Services Division has commissioned a separate study to focus on the potential tolling/ road pricing of the Gardiner Expressway and Don Valley Parkway. See Executive Committee report 2015 EX8.14, entitled "Tolling Options for the Gardiner Expressway and Don Valley Parkway", dated September 10, 2015.

- Economic impacts relative to potential impact on the sale of goods and services and in shifting the location of economic activity
- Impacts on Toronto's competitive position relative to existing or potential new business, and tourists

The KPMG report also includes a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the above revenue options. In addition, the report presents a summary of jurisdictional reviews of other specific revenue options including carbon taxes and Uber registration fees, as well as municipal land transfer taxes and property taxes, which are existing revenues of the City.

The following table summarizes the findings of the report, arranged in descending order of revenue potential. The right column is the equivalent percentage property tax increase required to raise the same amount of revenue under the new revenue option.

Revenue Option	**Range of Net Annual Revenue Potential ($ millions)**	**Estimated Time to Implementation ****	**Equivalent % Increase in Residential Tax *****
Permitted Under COTA			
Motor Vehicle Registration Tax *($20 to $100)*	18 – 94	6 months	0.7% - 3.5%
Alcoholic Beverage Tax *(1 – 10% rate)*	21 – 151	12 months	0.8% - 5.7%
Entertainment and Amusement Tax *(1 - 10% rate)*	4 – 35	12 months	0.1% - 1.3%
Tobacco Tax *(1 – 10% rate)*	5 - 46	12 months	0.2% - 1.7%
Parking Levy *($0.50 to $1.50 per spot / day)*	171 – 535	18 months	6.5% - 20.3%
Road Pricing (Cordon Pricing) * *($5 to $20 per day)*	89 – 377	36 months	3.4% - 14.3%
Not Permitted under COTA			
Development Levy *(2 – 10% rate)*	17 – 87	12 months	0.7% - 3.3%
Hotel Tax *(2 – 14% rate)*	21 – 126	12 months	0.8% - 4.8%
Parking Sales Tax *(5 – 20% rate)*	30- 121	12 months	1.1% - 4.6%
Business Income Tax *(0.5 – 2%)*	145 – 580	24 months	5.5% - 22.0%
Personal Income Tax *(1%)*	580 – 926	24 months	7.9% - 35.1%
Sales Tax *(0.5 – 2% rate)*	125 - 515	24 months	4.7% - 19.5%

* Provincial approval may be required

** Implementation time: from the time City staff receive approval and direction to proceed to the time of revenue realization, as some options may require legislative changes or cooperation from other orders of government such as the Canada Revenue Agency

*** Non-residential tax rate would correspondingly increase by one-third of the residential rate increase in each case

Appendix C

Report titled City of Toronto Revenue Options Study by KPMG, June 2016

See pdf attachment

Appendix D
Financial Data for MLTT

The value of the FTHB rebate since inception is summarized below:

$Million							
2008	2009	2010	2011	2012	2013	2014	2015
37.1	54.4	58.5	61.6	54.5	54.6	58.2	65.7

MLTT Budget Variance since inception:

Net MLTT		2008	2009	2010	2011	2012	2013	2014	2015 *	2016 budget *
Budget	$M	155.0	160.0	170.0	220.0	288.0	315.0	349.8	425.0	525.5
Actual	$M	154.9	178.5	274.5	319.2	344.5	356.8	432.0	517.1	Na
Variance	$M	(0.1)	18.5	104.5	99.2	56.5	41.8	82.2	92.1	Na
	%	0%	12%	61%	45%	20%	13%	24%	22%	Na
* Includes $40M contribution to Capital Financing Reserve Fund										