



Giuliana Carbone
Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Office of the Treasurer
Metro Hall, 14th Floor
55 John Street
Toronto, Ontario, M5V 3C6

Tel: 416-392-8427
Fax 416-392-8003
gcarbone@toronto.ca
www.toronto.ca

2015 OPERATING BUDGET BRIEFING NOTE

2015 -2018 Revenue Projections for Third Party Sign Tax

Issue:

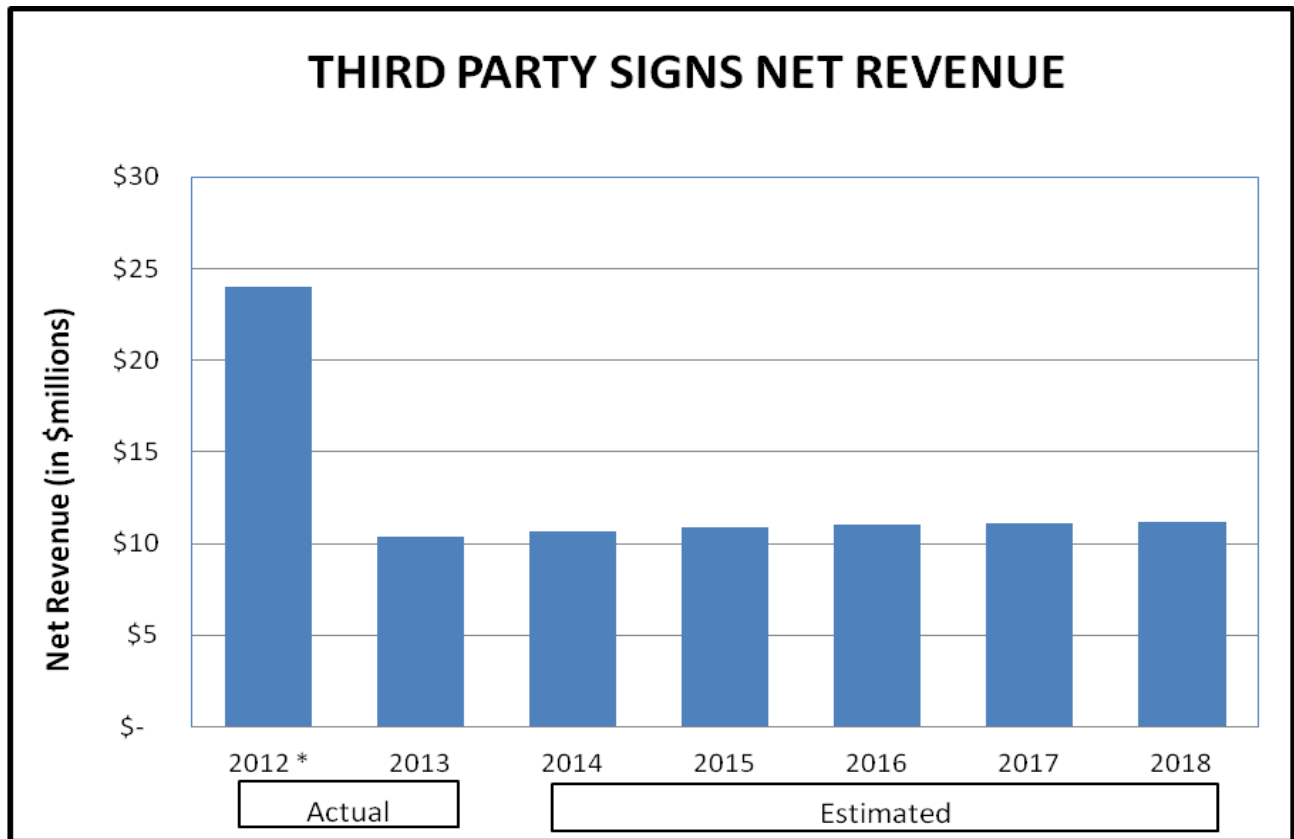
- The Budget Committee requested an analysis of revenue projections for the Third Party Sign Tax ("TPST") from 2015 to 2018, and an explanation of the assumptions used in the projection.

Background:

- On December 7th, 2009, Toronto City Council adopted By-law No.197-2010, which created the TPST, an annual tax on all third party signs in the City of Toronto. The tax came into effect on April 6, 2010.
- The tax was initially challenged to the Superior Court of Ontario in April/May 2010.
 - In March 2011 the Superior Court ruled that the tax could not be applied to signs lawfully erected prior to April 6, 2010. This ruling was challenged to the Ontario Court of Appeal in summer 2011.
 - The Ontario Court of Appeal heard the appeal in November 2011 and ruled in April 2012 that the tax was legal and could be applied to all signs regardless of the date they were erected.
 - In May/June 2012, the Outdoor Advertising Industry petitioned the Supreme Court of Canada to appeal the Court of Appeal's ruling. In November 2012, The Supreme Court of Canada issued a decision not to hear an appeal. As a result the ruling of the Ontario Court of Appeal stands.
- Revenues from the TPST were originally forecast based on approximately 2,300 taxable signs. However, the number of taxable signs has decreased slightly as a result of industry changes, enforcement action and property redevelopment.
- As a result of the Supreme Court Decision, 2012 actual revenues included amounts from previous years and as such were substantially above budget. In January 2013 City Council, as part of the 2013 Operating Budget process, approved a one-time transfer of up to \$22.5 million from the 2012 TPST net revenues to the Tax Stabilization Reserve, to fund a multi-year strategy to increase the City of Toronto's cultural funding to \$25 per capita. The following is the link to the Council decision. Motion 171 relates to this matter.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX27.1>
- Beginning in 2013, revenues realized from the TPST are recorded as general corporate revenues.

Key Points:

- The projected annual revenues from 2015 to 2018 assumes a 1.4% increase to the TPST rates year over year.
- The forecast assumes that the inventory of taxable signs will remain relatively constant over the next 4 years: 2015 to 2018 and that net revenues will be about \$11 million.
- The following chart provides actual net revenues for 2012 and 2013, estimated revenues for 2014 and projected revenues for 2015 through 2018:



YEAR	2012	2013	2014	2015	2016	2017	2018
NET REVENUE (\$Millions)	\$24.0*	\$10.4	\$10.7	\$10.9	\$11.0	\$11.1	\$11.2

*Represents revenues for 2010, 2011 and 2012. The positive variance to budget of \$22.446 m was transferred to reserve as directed by Council.

Prepared by: Arthur Dookhoo, Manager, General Ledger Services, 416-392-7253, dookhoo@toronto.ca

Further information: John Heggie, Deputy Chief Building Official and Director, 416-396-5035, jheggie@toronto.ca
 Mike St. Amant, Director Accounting Services, 416-397-4438, astaman@toronto.ca
 Ann Borooh, Chief Building Official and Executive Director, 416-397-4446, aborooha@toronto.ca

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