

2017 Heads and Beds Levy on Institutions

Date: May 31, 2017
To: Executive Committee
From: Treasurer
Wards: All

SUMMARY

This report requests Council authority to adopt a by-law to levy amounts for the 2017 taxation year for colleges and universities, public hospitals, and correctional facilities (the “institutions”), estimated at approximately \$17.9 million (annual “Heads and Beds” levy).

RECOMMENDATIONS

The Treasurer recommends that:

1. City Council authorize the levy and collection of amounts for the 2017 taxation year on colleges and universities, public hospitals, and correctional facilities as authorized by Section 285 of the *City of Toronto Act, 2006* and Council direct that the maximum prescribed amount of \$75 be applied per provincially rated hospital bed, full time student, or resident place as prescribed by Ontario Regulation 121/07.
2. Executive Committee request the Treasurer to report directly to City Council at its meeting of July 5, 2017 on the final 2017 Heads and Beds levy amount should the final 2017 capacity figures for colleges be received from the Province prior to this Council meeting.

FINANCIAL IMPACT

Estimated revenue of approximately \$17.9 million will be raised through the 2017 levy on institutions. While the Province has provided 2017 final capacity figures for universities, hospitals and correctional facilities, the 2017 capacity figures for colleges have not been received to date from the Province. Therefore, the 2017 levy for colleges has been estimated using the 2016 capacity figures. The estimated levy amount for 2017 is similar to the range of the levy amounts reported for the past three (3) years

(2014-2016), which vary from \$16 to \$18 million, as displayed in Attachment 1 to this report.

The Non-Program 2017 Operating Budget includes a revenue estimate of approximately \$17.9 million.

Should the final 2017 capacity figures for colleges be received from the Province prior to Council's scheduled meeting of July 5, 2017, the Treasurer will report directly to Council at that meeting on the actual projected revenues associated with the final 2017 Heads and Beds levy. If the capacity figures are not received by the July Council meeting, the actual 2017 Heads and Beds revenues will be reported by way of the 2017 third quarter operating budget variance report, reflecting any difference between the actual and budgeted amounts for 2017.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting held on July 12, 13, 14 and 15, 2016, Toronto City Council, while considering item EX16.24: "2016 Heads and Beds Levy on Institutions," dated June 14, 2016, adopted the recommendations authorizing the levy and collection of amounts for 2016 and amended the recommendation by adding the following:

3. City Council forward this Item on the 2016 Heads and Beds Levy on Institutions to the Premier of Ontario and the Minister of Finance and request that the Province increase the \$75.00 levy annually by the rate of inflation.

4. City Council forward this Item to the Association of Municipalities of Ontario.

The staff report and Council decision document can be accessed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.24>

ISSUE BACKGROUND

Section 285 of the *City of Toronto Act, 2006* provides the authority for the City of Toronto to pass by-laws to levy amounts payable on colleges and universities, public hospitals, and correctional institutions in an amount not to exceed the prescribed amount.

Section 15 of *Ontario Regulation 121/07* made under the *City of Toronto Act, 2006* prescribes a rate of \$75 for each full time student, provincially rated bed, or resident place respectively as determined by the owner Ministry of each facility.

COMMENTS

The by-law associated with this report provides for levies on institutions in Toronto for 2017. This is an annual levy that applies each year to colleges and universities, public

hospitals, and correctional institutions. The Ministry of Municipal Affairs and Housing has not yet provided 2017 final capacity figures for colleges. The 2017 levy amounts in this report were estimated using the 2016 college capacity figures. The total revenue for all institutions has been calculated to be approximately \$17.9 million.

The by-law authorizing the levy for the 2017 taxation year can be passed in advance of receiving the actual confirmed capacity figures for colleges from the Ministry of Municipal Affairs and Housing. The actual levy for all institutions will be determined and billed once the confirmed 2017 capacity figures for colleges are received from the Ministry.

Given that we anticipate receiving the capacity figures for colleges from the Province in June or July, adopting the by-law at this time will authorize and allow staff to issue and collect the 2017 Heads and Beds tax bills over the summer months. *The City of Toronto Act, 2006* provides that the annual amounts are payable by each institution on or after July 1, 2017. Assuming that the City's by-law is enacted by Toronto City Council at its meeting of July 5, 2017, it is anticipated that the taxes levied on institutions will be billed in August and will become due and payable on or before September 1, 2017.

Delaying the adoption of the levy by-law will delay collection of approximately \$17.9 million to the last quarter of 2017.

Council's request for regulatory amendments

Based on Section 285 of the *City of Toronto Act, 2006* and as prescribed by *Ontario Regulation 121/07*, the City of Toronto levies a maximum of \$75 per provincially rated hospital bed, full time student, or resident place.

In 1970, the fixed rate for universities per full time student was \$25. In 1973, the rate increased to \$50 and included hospitals and provincial correctional facilities and in 1987, the rate increased to its current level of \$75.

As early as 1998, Toronto City Council has consistently maintained that the Heads and Beds rate should be increased to a level that reflects what these properties would pay if they were taxed based on current value assessment (CVA) and the applicable tax rates, or at a minimum, that the rates be increased annually to reflect inflation.

In 2001, Toronto City Council again recommended that the Heads and Beds rates be increased annually to reflect inflation and that increases to the rate be phased-in over time until these institutions pay the equivalent of property taxes. Council adopted similar recommendations in 2004, 2005 and 2006.

On July 16, 2013, Toronto City Council adopted a recommendation requesting that the Province of Ontario enact regulations to prescribe a rate of not less than \$135.29 for each full time student, provincially rated bed, or resident place for the 2013 taxation year, which reflects inflationary increases since 1987 when the current \$75 rate was enacted. In addition, Council approved that the Heads and Beds rate should be adjusted annually in each future year to reflect an average annual inflationary increase.

In August 2013, in accordance with Council's July 2013 amended recommendations for the "2013 Heads and Beds Levy on Institutions" report, City staff requested that the Province consider the above noted legislative/regulatory changes in the taxation of these institutions.

Further, in July 2015, Toronto City Council directed that the 2014 report be forwarded to the Premier of Ontario and the Minister of Finance, requesting that the \$75 levy be increased annually by the rate of inflation. To date, the Province has not committed to any review of the legislative or regulatory provisions that govern the levy on provincial institutions. If the rates had been increased to reflect increases in the Consumer Price Index in each year from 1987 to 2017 (such that the 2017 rate would be \$145.43 for each full time student, provincially rated bed, or resident place), an additional \$16.8 million in tax revenue would be received in 2017.

Toronto City Council's approved position has been identified to the Province as part of the City's 2015 review of the *City of Toronto Act, 2006*.

CONTACT

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SIGNATURE

Mike St Amant
Treasurer

ATTACHMENTS

Attachment 1 - Summary of Heads and Beds Levy on Institutions

Attachment 2 - Letter dated May 23, 2017 from the Ministry of Municipal Affairs and Housing, Municipal Programs & Education Branch, regarding the capacity of Institutions information to be used for the 2017 Payments in Lieu levy calculations