# EX32.4

TORONTO

## REPORT FOR ACTION

# Third Party Sign Tax - Review and Proposed Amendments

Date: March 8, 2018
To: Executive Committee
From: Treasurer; Chief Building Official and Executive Director (Interim), Toronto Building
Wards: All

## SUMMARY


This report proposes amendments to Chapter 771 of the Municipal Code (Taxation, Third Party Sign Tax) to clarify which sign owners are exempt from Third Party Sign Taxes. It proposes reorganizing and redefining the five existing Sign Classes in the By-law in order to establish more appropriate tax rates for each sign class based on their impact. Part of this reorganizing and redefining of the sign classes includes the introduction of a sixth Sign Class, with the corresponding tax rate, for substantially larger electronic signs with greater impact than other signs. The report also updates the current definitions in Chapter 771 to be consistent with recent amendments to the Sign By-Law, and proposes that the annual tax increase for all Sign Classes reflect the annual rate of inflation effective 2019 and onward.

The proposed amendments result in only inflationary increases to the 2019 tax rates for approximately 88% of third party signs, an above inflation increase for approximately 2 % of signs, and a tax decrease for approximately 10 % of signs. The proposed amendments will have no impact on the sign tax classes or tax rates in 2018.


## RECOMMENDATIONS

The Treasurer and the Chief Building Official and Executive Director, Toronto Building (Interim) recommend that:

1. City Council approve the amendments to Chapter 771, Taxation, Third Party Sign Tax contained in Attachment 1 of this report, including the definitions, administrative changes, and clarification of the exemption provided under s.771-8K, to come into effect upon enactment and have any and all identified retroactive effects and impacts;

2. City Council approve the amendments to Chapter 771, Taxation, Third Party Sign Tax contained in Attachment 2 of this report, implementing modifications to the Sign Classes, annual indexing formula, and the annual tax rates for all sign classes, commencing in 2019; and

3. City Council authorize the City Solicitor to prepare the necessary Bills for introduction in Council to implement the above recommendations, subject to such stylistic and technical changes to the draft bills as may be required.

## FINANCIAL IMPACT

The proposed changes to the TPST will result in no changes to the 2018 TPST revenues of approximately $11.3 million. The proposed changes to the TPST, in combination with the changes to the sign classes proposed in this report to be effective January 1, 2019, will result in no incremental revenues for 2019. These changes are forecast to be revenue-neutral in 2019.

The Acting Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## DECISION HISTORY

EX20.2 - The City of Toronto's Immediate and Longer-term Revenue Strategy Direction. City Council referred the revenue option of introducing an above inflationary increase to the Third Party Sign Tax to the Budget Committee for consideration as part of the 2017 Budget Process.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.2

Item 33.10 - New Sign Regulation and Revenue Strategy for the City of Toronto, introduced Chapter 771 which was added to the Municipal Code by the enactment of By-law No. 197-2010 on February 23, 2010.
http://www.toronto.ca/legdocs/mmis/2009/pg/reports/2009-11-04-pg33-cr.htm#PG33.10

CC31.13 - Court Decision Respecting Clarity Outdoor and the Applicability of s.771-8.K of Chapter 771, Taxation, Third Party Sign Tax.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CC31.13

GM18.3 - Four Appeals Regarding the Disallowance of Requests for Refund Concerning Third Party Sign Taxes Paid for Sign I.D. No. 19-059 (2 Strachan Avenue).
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM18.3

PG 5.12 - Amendments to the Sign By-law and Related Fees. Adopting amendments to Chapter 694 concerning sign types including signs displaying topiary sign copy and other regulatory amendments.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PG5.12

PG 5.13 - Electronic and Illuminated Sign Study and Recommendations for Amendments to Chapter 694. Adopting amendments to Chapter 694 concerning sign types including signs displaying electronic copy, and other regulatory amendments.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PG5.13

## COMMENTS

The Third Party Sign Tax was adopted by Council in December 2009 and was implemented in 2010 and 2011. The revenues realized by the TPST between 2011 and 2018 have ranged between $11 and $12 million annually. Since 2011, the TPST revenues have remained relatively stable as lost revenues due to attrition in the inventory of third party signs is offset by increased revenues from annual increases to the TPST rates.

### CONSULTATION

Throughout 2017, and in early 2018, there were several consultations with representatives from the third party sign industry as well as one public consultation related to amendments to the TPST. Consultations were also done through the development of the Long-Term Financial Plan and the 2017 Budget Process.

Through the consultations, representatives from the Third Party Sign Industry raised concerns about the impacts that the current tax structure had on smaller electronic signs and that any significant increases to the TPST could lead to the removal of signs throughout the city.

Refer to Attachment 4 for details of the consultation process.

### EXEMPTIONS FROM THE TPST SIGN BY-LAW

In 2016, the City and the Board of Governors of Exhibition Place were involved in multiple legal proceedings with Clarity Outdoor Media Inc. (Clarity) in respect of disputes regarding the operation of an agreement between Clarity and the Board of Governors of Exhibition Place. The dispute pertained to a ground sign erected at Exhibition Place and the applicability of Chapter 771 to this sign. The court rendered Judgment in Clarity's favour holding that Clarity was exempt from paying the TPST. The City initiated an appeal of the Judgment. As part of a global resolution of all of the outstanding legal proceedings with Clarity, the City Solicitor, in consultation with the Chief Building Official and Executive Director, Toronto Building, and the City Treasurer deemed it appropriate to resolve the appeal of the Judgment.

The court application addressed the question of whether the City had sufficiently given effect to Council's intent by the wording used in Chapter 771 which exempts sign owners who have entered into a revenue sharing agreement with the City from paying TPST during the term of said agreement (the Revenue Sharing Exemption). While it has always been the City's intention that Chapter 771 exempts only sign owners who have entered into revenue sharing agreements with the City directly, and not sign owners who have entered into revenue sharing agreements with City boards, some uncertainty regarding the interpretation of the provision has arisen as a result of the Judgment.

City Council's intent to exclude local boards (including City Boards) from the Revenue Sharing Exemption was evidenced by the financial information concerning the impacts of Chapter 771 provided to City Council at the time of its implementation. Further, in relation to Item GM18.3 Four Appeals Regarding the Disallowance of Requests for Refund Concerning Third Party Sign Taxes Paid for Sign I.D. No. 19-059 (2 Strachan Avenue), City Council expressly determined that the City did not intend to exempt Sign Owners who have entered into revenue sharing agreements with City boards from the payment of TPST and that the Revenue Sharing Exemption does not to apply to a sign owner who has entered into a revenue sharing agreement with a City board.

An amendment to the TPST By-law clarifying exemptions related to City boards and agencies is proposed in Attachment 1 to this report.

## PROPOSED MODIFICATIONS TO SIGN CLASSES AND ASSOCIATED TAX RATES COMMENCING 2019

Signs are currently divided into the five Sign Classes for the purposes of determining their respective tax amounts. The existing classes utilize the sign types defined by Chapter 694, Signs, General, established to reflect the relative impact that each sign has on its surroundings. Amendments in 2015 to the sign types and other related changes to the Sign By-law require corresponding amendments to the TPST By-law to ensure clarity in its application.

The TPST is a flat, annual rate based on the size, location and type of sign, payable by the owner of the sign in respect of that ownership. The current proposals concerning Sign Classes and tax rates reflect changes in the sign types encouraged by the City, while ensuring that the structure of the TPST sign classes reflect the policy objectives of the City that signs are appropriate to their surroundings and contribute to the quality and character of shared public spaces. Signs proposed to be contained in Class 5, and Class 6 which attract the highest levels of taxation, are the most significant contributors to light pollution, energy use, and other concerns. By contrast, the proposed changes favour signs that have minimal environmental impacts, or reflect the objectives concerning signs of pedestrian focused scale.

Table 1 on the following page provides the 2018 TPST rates and revenues by sign class, as well as the proposed rates for 2019. Projected revenues for 2019 are expected to be revenue neutral, subject only to an inflationary increase based on the percentage change to the Consumer Price Index (All Items) for Toronto.

As noted, the cumulative effect of the proposed changes to the TPST will result in approximately 88% of third party signs seeing only inflationary changes, while almost 200 signs will receive a reduction in the applicable TPST to be paid, and 37 signs in Classes 5 and 6 will see an above inflationary increase in the TPST payable. While a moderate number (38) of the approximately 1950 total signs would see an increase in the TPST payable, the total effect of the changes are forecast to be revenue-neutral in 2019.

**Table 1: Summary of Changes to Third Party Sign Tax Classes and Rates**

| Class | Number of Signs (2018) | Proposed Number of Signs (2019) | % of total signs (2018) | % of total signs (2019) | % Change in Sign Class | Current Rate (2018) | Proposed Rate (2019) |
|---|---|---|---|---|---|---|---|
| **1** | 166 | 169 | 8.5% | 8.7% | 0.2% | $1,255.13 | 2018 rate + inflationary increase |
| **2** | 660 | 758 | 34.0% | 39.0% | 5.0% | $3,110.53 | 2018 rate + inflationary increase |
| **3** | 784 | 701 | 40.3% | 36.1% | -4.2% | $5,402.50 | 2018 rate + inflationary increase |
| **4** | 280 | 278 | 14.4% | 14.3% | -0.1% | $12,005.55 | 2018 rate + inflationary increase |
| **5** | 54 | 11 | 2.8% | 0.6% | -2.2% | $26,193.91 | $31,000.00 |
| **6** | 0 | 27 | 0.00% | 1.39% | 1.39% | $26,193.91 | $42,500.00 |

A complete listing of the signs proposed to make up Classes 1 to 6 can be found in Attachment 2 of this report.

**Class 1 Signs**

Signs that currently make up Class 1 include:

- Ground signs or fuel pump signs displaying static copy, with an aggregate sign face area of less than or equal to 15 square metres; and,
- Wall signs, overhanging structure signs, window signs or projecting signs displaying static copy, with an aggregate sign face area of less than or equal to 25 square metres.

Currently, Class 1 contains 166 signs (or approximately 8.5% of taxable signs). Within this sign class, the attributes for ground signs and wall signs displaying static copy which currently make up most of Class 1, are proposed to remain the same.

Staff have found that window signs, projecting signs or overhanging structure signs in excess of 15 square metres are likely to project further off of a building wall, requiring that new structures be added to a building or occupying windows which may be designed for other uses. As a result, signs belonging to these sign types, where the sign face area exceeds 15 square metres have a greater impact than others in this sign class, and should be subject to a higher tax rate. It is proposed that, commencing in 2019, the size limit for window signs, projecting signs or overhanging structure signs displaying static or mechanical copy be reduced from an aggregate sign face area of 25 square metres to an aggregate sign face area of 15 square metres.

It is also proposed that Class 1 be modified as of January 1, 2019 to include topiary signs displaying static or mechanical copy, with a sign face area less than 45 square metres. As a result, some topiary signs will be moved from Class 2 to Class 1. This proposed change is based on modifications to the Sign By-law which provides broad permissions for topiary signs. As well, topiary signs have been seen to have minimal impacts on their surroundings.

The 2018 tax rate for Class 1 signs is $1,255.13, which generated annual revenues of $208,352. The proposed 2019 Class 1 tax rate will be the 2018 rate plus an amount representing the percentage change in the Consumer Price Index for the City of Toronto for 2018.

**Class 2 Signs**

Signs that currently make up Sign Class 2 include:

- Ground signs, fuel pump signs or topiary signs displaying static copy, with an aggregate sign face area greater than 15 square metres and less than 45 square metres;
- Wall signs, overhanging structure signs, window signs or projecting signs displaying static copy, with an aggregate sign face area greater than 25 square metres but less than 45 square metres; and
- Wall signs, overhanging structure signs, window signs or projecting signs displaying mechanical copy, in whole or in part, with an aggregate sign face area of less than or equal to 25 square metres.

Currently, there are 660 signs in Class 2, (or approximately 34% of taxable signs). The changes proposed to Class 2 will increase the number of Class 2 signs to 758, or approximately 39% of taxable signs.

It is proposed that Class 2 be modified as of January 1, 2019 to include roof signs displaying static or mechanical copy, with an aggregate sign face area less than or equal to 25 square metres. Currently, these signs reside in Class 3 and represent approximately 7.4% of signs in the City; this change will result in an annual tax decrease of approximately $2,300.00 per sign structure. No changes to the Class 2 attributes for wall signs and ground signs displaying static and mechanical copy are proposed.

Also, it is proposed that commencing in the 2019 taxation year that window signs, overhanging structure signs and projecting signs displaying static or mechanical copy, with an aggregate sign face area greater than 15 square metres and less than 45 square metres, be included in Class 2. This proposed realignment of Class 2 reflects industry feedback as well as a staff review, which indicated these sign types have a similar level of impact on their surroundings as wall and ground signs currently in this sign class. As well, it is proposed that topiary signs displaying static or mechanical copy, with a sign face area greater than 45 square metres, be moved to Class 2 commencing in 2019 rather than the current Class 4 due to their broad permissions in the Sign By-law and minimal impacts on surrounding areas.

It is also proposed that, commencing January 1, 2019, Class 2 include electronic ground signs and electronic wall signs with an aggregate sign face area of less than five square metres. Since the adoption of the TPST, there has been a shift toward electronic signs of all sizes and for all purposes. Small electronic signs have been found to have limited impacts on their surroundings and can be more easily integrated in a building or existing sign structure. Currently, any sign displaying electronic copy is considered a Class 5 sign and must pay an annual tax of $26,193.91. This proposed change would represent a tax decrease of more than $23,000 annually for any signs at this size.

The 2018 tax rate for Class 2 signs is $3,110.53, which generated annual revenues of $2,052,950. The proposed 2019 Class 2 tax rate will be the 2018 rate plus an amount representing the percentage change in the Consumer Price Index for the City of Toronto for 2018.

**Class 3 Signs**
The signs that are currently included in Class 3 are:

- Ground signs, fuel pump signs or topiary signs displaying mechanical copy, in whole or in part, with an aggregate sign face area of less than or equal to 25 square metres; and
- Roof signs displaying static or mechanical copy, in whole or in part, with an aggregate sign face area less than or equal to 45 square metres.

While there are currently 784 signs in Class 3, representing approximately 39% of taxable signs, the proposed changes to the sign classes in this report will decrease the number of Class 3 signs to 701 sign structures, or approximately 36% of the sign structures in Toronto.

The changes to Class 3 in 2019 proposes the inclusion of wall signs displaying mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres but less than 45 square metres, which are currently included in Class 4. This is due to the minimal impacts that signs displaying mechanical copy have on surrounding properties and the ability to integrate wall signs into an existing building without significant modifications.

It is proposed that as of the 2019 taxation year, roof signs, projecting signs and overhanging structure signs displaying static or mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres but less than 45 square metres, remain in this category.

It is also proposed that ground signs displaying mechanical copy with an aggregate sign face area less than 45 square metres are proposed to be included in Class 3 rather than Class 4 commencing in 2019 as their impacts on surrounding properties are easily mitigated. These signs represent approximately 1.2% of the signs in the city. Moving these signs from Class 4 to Class 3 will result in an annual tax savings of approximately $6,600 for each sign structure.

Electronic wall signs with an aggregate sign face area greater than five square metres but less than 25 square metres, are proposed to be moved from Class 5 to Class 3 as of 2019. Electronic wall signs of this size are now permitted by the Sign By-law, and can be displayed with little adverse impacts on surrounding properties. This proposed reclassification would represent a tax decrease of approximately $20,790 annually for any electronic wall signs approved and constructed at this size.

There are currently no electronic third party signs in the city that would fit into the parameters set out above. Staff have heard consistent feedback from the third party sign industry that applying the current Class 5 tax rate to smaller electronic signs renders these signs not economically viable. Although staff have not been able to obtain information to confirm the industry feedback in this regard, the proposed change to Class 3 provides a favourable taxation environment for smaller electronic signs. This may result in the increased deployment of smaller electronic signs within the city, resulting in an opportunity for staff to evaluate the third party sign industry feedback concerning the impact of the TPST on smaller electronic signs.

The 2018 tax rate for Class 3 signs is $5,402.50 per sign structure, which generated annual revenue of $4,235,560. The proposed 2019 Class 3 tax rate will be the 2018 rate plus an amount representing the percentage change in the Consumer Price Index for the City of Toronto for 2018.

**Class 4 Signs**
Signs that currently make up this sign class are:

- Ground signs, fuel pump signs or topiary signs displaying static copy, with an aggregate sign face area greater than 45 square metres;
- Ground signs, fuel pump signs, or topiary signs displaying mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres;
- Wall signs, overhanging structure signs, window signs or projecting signs displaying static copy, with an aggregate sign face area greater than 45 square metres;
- Wall signs, overhanging structure signs, window signs or projecting signs displaying mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres; and
- Roof signs displaying static or mechanical copy, in whole or in part, with an aggregate sign face area greater than 45 square metres.

Currently, any sign type displaying static or mechanical copy with a sign face area greater than 45 square metres falls within Class 4. Despite the variable levels of impact that these signs may have, no changes are recommended to the signs or attributes listed above.

Based on changes to the Sign By-law to permit electronic signs in certain sign districts throughout the city, and the impacts associated with each of the following sign types, it is recommended that as of 2019 the following signs be placed within Class 4:

- Electronic ground signs with an aggregate sign face greater than 5 square metres and less than 45 square metres;
- Electronic wall signs with an aggregate sign face greater than 25 square metres and less than 45 square metres; and
- Electronic roof, projecting and overhanging structure signs with an aggregate sign face less than 25 square metres.

There are currently 280 signs in Class 4 representing approximately 14.4% of the taxable signs. The proposed changes would increase Class 4 by adding 11 existing electronic signs previously included in Class 5. This reclassification of these existing signs will result in a decrease of approximately $14,200 in their annual taxes based on 2018 rates.

The 2018 tax rate for Class 4 signs is $12,005.55, which generated annual revenues of $3,361,554. The proposed 2019 Class 4 tax rate will be the 2018 rate plus an amount representing the percentage change in the Consumer Price Index for the City of Toronto for 2018.

**Class 5 Signs**

Currently**,** Class 5 contains any sign displaying electronic copy. It is proposed that Class 5 be modified so that commencing with the 2019 taxation year, it would include only the following signs:

- Electronic wall signs and ground signs with a sign face area greater than 45 square metres and less than 75 square metres. These signs can have significant impacts on surrounding properties, even those located hundreds of metres away from the sign;
- Electronic roof signs, projecting signs, window signs and overhanging structure signs with a sign face area between 25 square metres and 45 square metres. These signs are also included in this group as they not only have impacts on surrounding properties, but can also significantly impact and over-power the buildings where they are located; and,
- Projected image signs. This is due to the fact that their display can impact several properties and buildings and are often much larger than other sign types.

Class 5 currently contains signs that range widely in size and includes the largest signs in the city. There are currently 54 signs in Class 5 representing approximately 2.7% of the taxable signs. The proposed changes would, by reclassifying some Class 5 signs as Class 4 and Class 6, change Class 5 to approximately 0.6% of the taxable signs.

The 2018 tax rate for Class 5 signs is $26,193.91, which generated annual revenues of $1,414,471. The proposed 2019 Class 5 tax rate is $31,000.00, which represents an above inflationary increase to the 2018 Class 5 tax rate.

**Class 6 Signs:**

The proposed modifications would result in a new Sign Class 6 - to be implemented commencing in 2019. Class 6 would include electronic signs that are significantly larger than all other electronic signs in the city, and which have greater impacts than any other signs.

The proposed Class 6 would include the following signs:

- Electronic roof signs, projecting signs, window signs and overhanging structure signs with an aggregate sign face greater than 45 square metres; and,

- Electronic wall signs and electronic ground signs with an aggregate sign face area greater than 75 square metres.

Class 6, if created, will contain 27 sign structures, which account for approximately 1.6% of the third party signs in the city. In 2018, these signs will pay the Class 5 tax rate of $26,193.91, and generate an expected annual revenue of approximately $707,236. The proposed 2019 Class 6 tax rate is $42,500.00, which represents an above inflationary increase to the tax rate previously imposed on these signs.

**Proposed Rates and Composition for Class 5 and 6**

When established in 2009, the signs making up each sign class were grouped based on the impact that they had on their surroundings and their relationship to the policy objectives set out in the Sign By-law. The sign classes were designed so that signs with greater impacts on their surroundings and not in keeping with the Sign By-law were taxed at a higher rate than signs that were in keeping with the Sign By-law with lower impacts on their surroundings**.**

At that time, the sign inventory in Toronto was composed mainly of roof, wall and ground signs displaying static and mechanical sign copy; there were very few signs displaying electronic sign copy. Since 2009, the number of signs displaying electronic copy has more than doubled, and staff have had the opportunity to study these signs and their impacts in greater detail. As a result, the Sign By-law has been updated to permit electronic signs more broadly than it did in 2009.

The signs proposed to be in Class 5 and 6 are among the largest signs in the city, and have heights and sizes that exceed almost all permissions for electronic signs in the Sign By-law. Many of these signs also display multiple sign faces which, in combination with their larger sign face area and height, have significant impacts not only on adjacent properties, but on properties located several hundred metres away from the signs.

In addition to being larger and more prominent structures, all signs in Class 5 and 6 display electronic sign copy, which will either be moving copy or copy that changes at regular intervals. This further increases the impact that these signs can have on adjacent properties and increases the difficulty in integrating these signs into existing buildings and neighbourhoods.

An economic review of these proposed rate changes for Class 5 and Class 6 indicate that the adjusted and proposed tax rates for Class 5 and Class 6 are well below taxation levels which have a potential adverse effect on signs within these sign classes. The adjustment of signs in Class 5 and the creation of Class 6 will help to update the TPST and ensure that its policy objectives and resulting tax rates remain consistent with the changing sign inventory and regulations in the city.

## MODIFICATION TO DEFINED TERMS

Since the adoption of the TPST in 2010, City Council has amended Chapter 694 of the Toronto Municipal Code to establish new sign types, particularly with respect to signs displaying topiary sign copy and signs displaying electronic copy. In addition, City Council adopted regulatory amendments for these sign types establishing new permissions and regulations concerning the erection and display of these sign types. The amendments to Chapter 694 have resulted in new defined terms, which have not been implemented with respect to Chapter 771 as of yet. The defined terms within Chapter 771, and the current sign classes, require modifications to update these elements of Chapter 771 to reflect City Council's decisions concerning sign types, to address the issue of the various sign types dealing with Electronic Signs and Topiary Signs, as well as the changes to the regulatory provisions addressing these new sign types.

## ADMINISTRATIVE CHANGES TO CHAPTER 771

Chapter 771 currently contains provisions which provide for reductions, or refunds of taxes in relation to signs based on the date of permit issuance, as well as signs removed on the basis of revocation or expiry of permits, or due to enforcement action.

Only a small number of signs are eligible, under these provisions, to receive reductions or refunds of the TPST each year. These provisions have proven to have limited benefits to the administration of the TPST, and extensive drawbacks. These provisions often lead to prolonged disputes between sign owners and the City with respect to the entitlement for a reduction or refund, and with respect to the effective date for the appropriate refund of TPST for the sign in question. These disputes often result in sign owners improperly withholding taxes from the City, for both the sign in question, and other signs owned by the Sign Owner, despite any interest or penalties that these outstanding amounts attract.

The prorating of TPST amounts has not resulted in an increased compliance with the City's regulatory by-laws concerning signs. These provisions have increased the administrative burdens related to both Chapter 771, and the City's regulatory by-laws. Removal of these administrative provisions will be reflected in the amended TPST By-law provisions.

Chapter 771 also contains a relatively complex formula in an effort to ensure that TPST rates are adjusted annually to reflect inflationary pressures. Although there is no direct relationship between the property tax and the TPST, the TPST ties the annual rate of increase to a balance of property tax increases for various property classes.

The existing formula has not maintained the value of the tax rates in relation to inflation, nor is the formula particularly user-friendly. Since the adoption of the TPST in 2010, the annual rates in each sign class have increased by 9.1% to keep pace with inflation. By comparison, the Consumer Price Index has increased by approximately 15.3% over the same time period.

It is proposed that the existing formula for the annual adjustment of TPST rates be replaced with a simpler formula that would result in the TPST rates being adjusted annually in-line with the percentage change in the Consumer Price Index (All Items) for the City of Toronto, as the current rate of increase used for the TPST has allowed the tax rates to fall behind inflation.

## USE OF TPST REVENUES

Because the TPST is a tax, as opposed to a fee, the annual revenues generated are accounted for as general revenues in the City's Non-Program Revenue Budget. A portion of these revenues are used to directly fund the cost of administering the TPST and enforcing the Sign Tax By-Law, with the net revenues being treated as a general funding source in the City's Operating Budget.

As there was a court challenge to the TPST that was outstanding in the early years of the tax, prudence was taken in the recognition of revenues, pending a court decision. During 2012, net revenues totalling $22.5 million were recognized for prior years, and transferred to a reserve as part of the year end surplus distribution.

During the 2013 Budget process, City Council directed that this reserve be used as part of a funding strategy to phase-in tax-based funding increases to arts and culture funding, to reach a $25 per capita target by 2018. The reserve funding allowed for a gradual property tax funded increase to Economic Development and Culture's base operating budget. From 2013 to 2016, the TPST reserve funds were drawn down as the property tax base increase was phased in over five years. The final draw down of the reserve funds was in 2016, and the City is on target to reach $25 per capita this year.

## CONTACT

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## **SIGNATURE**

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Mike St. Amant
Treasurer

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Diane Damiano
Chief Building Official and Executive Director (Interim)
Toronto Building

## ATTACHMENTS

Attachment 1 - Amendments to Chapter 771, Third Party Sign Tax with respect to clarifying certain TSPT Exemptions and other administrative changes.

Attachment 2 - Amendments to Chapter 771, Third Party Sign Tax with respect to the defined Sign Classes and the tax rates to commence in 2019.

Attachment 3 - Changes to Sign Inventories between 2010 and 2018 and Jurisdictional Review

Attachment 4 - Results of Public and Industry Consultations