



## REPORT FOR ACTION

### 2019 Heads and Beds Levy on Institutions

**Date:** May 23, 2019  
**To:** Executive Committee  
**From:** Controller  
**Wards:** All

#### SUMMARY

---

This report requests Council authority to adopt a by-law to levy amounts for the 2019 taxation year for colleges and universities, public hospitals, and correctional facilities (the “institutions”), estimated at approximately \$18.8 million (annual “Heads and Beds” levy).

#### RECOMMENDATIONS

---

The Controller recommends that:

1. City Council authorize the levy and collection of amounts for the 2019 taxation year on colleges and universities, public hospitals, and correctional facilities as authorized by Section 285 of the *City of Toronto Act, 2006* and City 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 Controller to report directly to City Council at its meeting of June 18, 2019 on the final 2019 Heads and Beds levy amount should the final 2019 capacity figures for colleges be received from the Province prior to this Council meeting.
3. City Council authorize the amendment of By-law 746-2018 for the 2018 taxation year based on the revised capacity figure of 1,246 for the Toronto South Detention Centre as described in Attachment 1 of this report.

#### FINANCIAL IMPACT

---

Estimated revenue of approximately \$18.8 million will be raised through the 2019 levy on institutions. While the Province has provided 2019 final capacity figures for

universities, hospitals and correctional facilities (see Attachment 2), the 2019 capacity figures for colleges have not been received to date from the Province. Therefore, the 2019 levy for colleges have been estimated using the 2018 capacity figures. The estimated levy amount for 2019 is similar to the range of the levy amounts reported for the past three (3) years (2016-2018), which vary from \$17 to \$19 million, as displayed in Attachment 3 of this report.

The Non-Program 2019 Operating Budget includes a revenue estimate of approximately \$18.2 million.

Should the final 2019 capacity figures for colleges be received from the Province prior to Council's scheduled meeting of June 18, 2019, the Controller will report directly to Council at that meeting on the actual projected revenues associated with the final 2019 Heads and Beds levy. If the capacity figures are not received by the June Council meeting, the actual 2019 Heads and Beds revenues will be reported by way of the 2019 third quarter operating budget variance report, reflecting any difference between the actual and budgeted amounts for 2019.

### **Revised Capacity Figure for the 2018 Taxation Year**

Based on the request made by the Ministry of Municipal Affairs and Housing to revise the capacity figure for the Toronto South Detention Centre from 1,412 to 1,246 for the 2018 taxation year, the levy amount for the Toronto South Detention Centre will be adjusted for the 2018 taxation year by \$12,450. This adjustment will be reflected in the 2019 fiscal year.

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

## **DECISION HISTORY**

---

At its meeting held on June 26, 27, 28 and 29, 2018, City Council, while considering item EX35.17: "2018 Heads and Beds Levy on Institutions," dated June 4, 2018, adopted the following recommendations:

1. City Council authorize the levy and collection of amounts for the 2018 taxation year on colleges and universities, public hospitals, and correctional facilities as authorized by Section 285 of the *City of Toronto Act, 2006*, and City 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. City Council direct that this Item be forwarded to the Premier of Ontario and the Ontario Minister of Finance and request the Province to increase the \$75.00 levy annually by the rate of inflation.
3. City Council direct that this Item be forwarded to the Association of Municipalities Ontario.

The staff report and Council decision document can be accessed at:  
[2018 Heads and Beds Levy on Institutions \(EX35.17\)](#)

## **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 2019. 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 yet to provide 2019 final capacity figures for colleges. The 2019 levy amounts in this report were estimated using the 2018 college capacity figures. The total revenue for all institutions has been calculated to be approximately \$18.8 million.

The by-law authorizing the levy for the 2019 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 2019 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 2019 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, 2019. Assuming that the City's by-law is enacted by City Council at its meeting of June 18, 2019, it is anticipated that the taxes levied on institutions will be billed in August and will become due and payable on or before September 4, 2019.

Delaying the adoption of the levy by-law will delay collection of approximately \$18.8 million to the last quarter of 2019.

## **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, 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, 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, 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.

Since 2013, City Council has directed that a Heads and Beds Levy on Institutions 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 2019 (such that the 2019 rate would be \$152.20 for each full time student, provincially rated bed, or resident place), an additional \$19.4 million in tax revenue would be received in 2019.

## **Revised Capacity Figure for the 2018 Taxation Year**

A request was made by the Ministry of Municipal Affairs and Housing by way of letter, dated March 13, 2019, requesting the City to revise the capacity figure for the Toronto South Detention Centre from 1,412 to 1,246 for the 2018 taxation year. This results in a decrease of \$12,450 in the levy amount for the Toronto South Detention Centre for the 2018 taxation year.

## **CONTACT**

---

Casey Brendon, Director, Revenue Services  
Phone: (416) 392-8065, Fax: (416) 696-3778, E-mail: [Casey.Brendon@toronto.ca](mailto:Casey.Brendon@toronto.ca)

## **SIGNATURE**

---

Andrew Flynn  
Controller

## **ATTACHMENTS**

---

Attachment 1 - Revised Capacity of Institutions Letter from the Ministry of Municipal Affairs and Housing to be used for the 2018 Payments in Lieu Levy Calculations

Attachment 2 - Letter dated May 14, 2019 from the Ministry of Municipal Affairs and Housing, Municipal Programs and Analytics Branch, regarding the capacity of institutions information to be used for the 2019 payments in lieu levy calculations

Attachment 3 - Summary of Heads and Beds Levy on Institutions