

Property Taxes, User Fees and Related Matters

Date: January 31, 2023

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to make recommendations on the property tax rates, user fees and other matters requiring City Council authority to give effect to the Mayor's proposed budget and the Budget Committee's recommendations, as requested by the Budget Committee. City Council retains authority over these matters, separate from the approval process of the Mayor's proposed Budget pursuant to the Bill 3 amendments to the City of Toronto Act, 2006 (COTA).

2023 Property Tax Rates and Related Matters: At the end of the budget process as outlined in Bill 3, City Council is required by COTA to levy the tax rates to raise the amount of tax revenue approved in the budget by enacting a municipal tax levy by-law. The recommendations in this report request the approval of 2023 municipal tax ratios and tax rates arising from the concurrent consideration of the Mayor's proposed 2023 Tax Supported Operating and Capital Budgets for the City of Toronto.

User Fees: Historically, user fee adjustments were included as part of Budget decisions. User Fee revenues are still being considered as part of the Budget process and are reflected in the 2023 Budget Notes. This includes final approval of the 2023 interim rates for Solid Waste and Toronto Water that Council has previously approved on December 14, 2022.

Under Bill 3, an approval to the user fee adjustments, including new user fees and changes to existing user fees, remains under City Council's authority. Additionally, this report requests City Council's approval to discontinue specific user fees. Fees are generally discontinued because a service is no longer provided, or to transition to a new fee structure.

Intergovernmental Funding Support: The 2023 Operating Budget was balanced based on the expectation of continued COVID-19 support funding from the Government of Canada and Province of Ontario with a total funding amount of \$932.777 million. In addition, the City is seeking reimbursement for Federal and Provincial responsibilities related to Refugee Response of estimated \$96.509 million and Supportive Housing of

estimated \$48.000 million. This report includes the recommendations for City Council to request the Provincial and Federal governments to provide this funding, and for the City to continue to advocate for the required ongoing funding support.

In addition, an annual summary of federal and provincial intergovernmental infrastructure funding programs which are identified in the 2023-2032 Tabled Capital Budget and Plan is included as part of this report.

Reserves/Reserve Funds: The City utilizes reserves and reserve funds as a funding source to finance both operating and capital expenditures. This report requests City Council approval for administrative amendments to the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"). The recommendations for creation and amendment of the reserves/reserve funds in this report are designed to align with the current business practice and reduce the manual processes of funds management.

Items Pertaining to Previous Council Direction: This report requests City Council's authority to implement a list of items based off of previous City Council direction, including:

- Implementation of the Construction Hub Pilot Program
- A report back on Income Sharing Renewal Agreement with Toronto Parking Authority
- Intergovernmental Transfers – SafeTO

RECOMMENDATIONS

In order to fund and implement the Mayor's proposed 2023 Operating and 2023-2032 Capital Budget and Plan and the Budget Committee's recommendations, the Chief Financial Officer and Treasurer recommends that:

2023 PROPERTY TAX RATES AND RELATED MATTERS

1. In respect of calculations to establish 2023 tax rates and tax ratios, City Council elect, for the purposes of determining the notional tax rates, to raise the previous year's levies to adjust the total assessment for property in a property class so that the assessment excludes changes to the tax roll for the previous year resulting from eligible assessment-related losses from prior years, in accordance with an election under subsection 19 (4) of O. Reg. 121/07 to make subsections 19 (4.2), (4.3) and (4.4) apply.
2. City Council adopt the 2023 tax ratios shown in Column II for each of the property classes set out below in Column I:

Column I	Column II (to be adopted)	Column III (for information only)
Property Class	2023 Recommended Tax Ratios	2023 Ending Ratios (after Levy and CBF Increases)
Residential	1.000000	1.000000
Multi-Residential	1.963498	1.899274
New Multi-Residential	1.000000	1.000000
Commercial	2.581835	2.497387
Industrial	2.513009	2.513013
Pipeline	1.923561	1.923565
Farmlands	0.250000	0.250000
Managed Forests	0.250000	0.250000

3. City Council elect to raise the tax rates as follows

a. On the restricted property classes:

1. On the Commercial Property Classes, by one-half of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class,

b. On the unrestricted property classes:

1. On the Multi-Residential Property Classes, by one-half of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class,

2. On the Industrial Property Classes, by the full tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class.

4. City Council adopt the following tax rates, subject to the Mayor's proposed budget being adopted as the City's 2023 budget, and in the event Council amends the Mayor's proposed budget so as to impact the following tax rates and such amendments are not subsequently vetoed by the Mayor, City Council direct the Chief Financial Officer and Treasurer to report to Council with any necessary adjustments to the tax rates to reflect the final budget amendments for Council's consideration:

a. The tax rates set out below in Column IV, which will raise a general local municipal tax levy for 2023 of \$5,141,680,582 inclusive of a 5.50% residential,

new multi-residential, industrial, pipeline, farmlands and managed forest tax rate increase, and a 2.75% commercial and multi-residential tax rate increase.

b. The additional tax rates set out below in Column V, which will raise an additional special general tax levy of \$58,888,959 dedicated for priority transit and housing capital projects (the "City's Building Fund levy"), in accordance with Council adopted Recommendation 6 of Executive Committee Report [EX22.2](#) (February 15, 2017) and Item [EX11.26](#) (December 17, 2019).

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2023 Tax Rate for General Local Municipal Levy	2023 Additional Tax Rate to Fund Budgetary Levy Increase	2023 Municipal Tax Rate (excluding Charity rebates) (Column II+III)	2023 Additional Tax Rate to Fund City Building	2023 Municipal Tax Rate Inclusive of City Building Fund Rate (excluding Charity rebates) (Column IV+V)
Residential	0.479696%	0.026383%	0.506079%	0.007195%	0.513274%
Multi-Residential	0.941882%	0.025902%	0.967784%	0.007064%	0.974848%
New Multi-Residential	0.479696%	0.026383%	0.506079%	0.007195%	0.513274%
Commercial	1.238496%	0.034059%	1.272555%	0.009289%	1.281844%
Industrial	1.205481%	0.066301%	1.271782%	0.018082%	1.289864%
Pipelines	0.922725%	0.050750%	0.973475%	0.013841%	0.987316%
Farmlands	0.119924%	0.006596%	0.126520%	0.001799%	0.128319%
Managed Forests	0.119924%	0.006596%	0.126520%	0.001799%	0.128319%

5. City Council elect to have the subclasses set out in Column II for each of the property classes set out in Column I apply for the 2023 taxation year, and to apply the respective tax rate reductions set out in Column III below.

Column I	Column II	Column III
Property Class	Tax Subclass	Applicable Tax Rate Reduction
Commercial	Creative Facilities Enterprise subclass (Creative Co-location Facilities Subclass)	50% of Commercial rate
	Small Business subclass	15% of Commercial rate
	Excess Land	30% of Commercial rate
	Vacant Land	30% of Commercial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	30% of Commercial rate
Industrial	Creative Facilities Enterprise subclass (Creative Co-location Facilities Subclass)	50% of Industrial rate
	Excess Land	35% of Industrial rate
	Vacant Land	35% of Industrial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	35% of Industrial rate
Residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	0% of Residential/Farm rate
Multi-residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	0% of Residential/Farm rate

6. City Council determine that the 2023 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of \$9,882,974 to fund the mandatory 2023 property tax rebates to registered charities in the commercial and industrial property classes, which provision is to be funded, for a net impact on the 2023 operating budget of zero, by the following:

- a. An additional tax rate of 0.007973% be levied as part of the general local municipal levy on the commercial class to raise a further additional local municipal tax levy of \$9,796,753 to fund the total estimated rebates and any prior year deficiencies to registered charities for properties in the commercial class in 2023.
- b. An additional tax rate of 0.001062% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$86,220 to fund the total estimated rebates and any prior year

deficiencies to registered charities for properties in the industrial class in 2023.

7. City Council adopt the following property tax capping policies for the 2023 taxation year:

a. limit tax increases for the commercial, industrial, and multi-residential property classes by capping taxes at 10% of the preceding year's annualized taxes, by opting to have subsection 292(1), paragraph 1, of the City of Toronto Act, 2006, apply for the 2023 taxation year;

b. continue to provide that the 10% cap on tax increases apply to any property within the commercial, industrial and multi-residential classes, regardless of whether the property had reached full Current Value Assessment taxation levels in a prior year, subject to the threshold adopted in Part c. below.

c. for the purposes of subsection 292(1), paragraphs 3 and 4 of the City of Toronto Act, 2006, adopt a threshold limit of \$500 to determine the taxes for municipal and school purposes, such that properties that are within \$500 (plus or minus) of their full Current Value Assessment level of taxation in the current year are taxed at full Current Value Assessment taxation levels for the year, and are therefore excluded from capping/claw-back provisions for that year.

8. City Council direct the Chief Financial Officer and Treasurer to report to Executive Committee, or directly to Council or a special meeting of Council if necessary, on the 2023 tax rates for school purposes, and the 2023 percentage of the tax decreases required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2023 'clawback' rates).

9. City Council determine that:

a. The instalment dates for the 2023 final tax bills be set as follows:

1. The regular instalment dates be July 4, August 1, and September 1 of 2023.

2. For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 17, August 15, September 15, October 16, November 15 and December 15 of 2023.

3. For taxpayers who are enrolled in the two installment program, the final instalment date be July 4, 2023.

b. The collection of taxes for 2023, other than those levied under the interim levy By-law 6-2023, be authorized.

10. City Council amend City of Toronto Municipal Code Chapter 767-5.4, to update the Tax Cancellation program eligibility for 2023 to increase the household income

threshold for eligible persons to \$49,361, and the assessed value for eligible property to \$975,000.

11. City Council express its support for generating additional revenue through 2035 to fund the tax-supported capital plan through a 1.5 percent annual increase to the City Building Fund Levy for priority transit and housing projects, and request the Mayor to include such revenue in their future proposed annual budgets.

MUNICIPAL ACCOMMODATION TAX

12. City Council approve an increase to the Municipal Accommodation Tax from 4% to 6% effective May 1, 2023, with the corresponding total revenue of \$41.6 million net included in the 2023 Budget.

USER FEES

13. Subject to the Mayor's proposed budget being adopted as the City's 2023 budget, City Council:

(a) approve the 2023 new user fees, market rate user fee changes, rationalized user fees, discontinuation of fees and other fee changes above the inflationary adjusted rate for all programs identified in Appendix B and amend the Municipal Code Chapter 441 "Fees and Charges" to reflect these user fee changes. In the event Council amends the Mayor's proposed budget so as to impact the following user fees and/or user fee revenue and such amendments are not subsequently vetoed by the Mayor, City Council direct the Chief Financial Officer and Treasurer to report to Council with any necessary adjustments to the user fees and/or user fee revenue to reflect the final budget amendments for Council's consideration;

(b) direct that the interim 2023 water and wastewater consumption rates and service fees adopted in 2023.EX1.3 are the final rates and fees for 2023; and

(c) direct that the interim 2023 solid waste management service rates and fees adopted in 2023.EX1.2 are the final rates and fees for 2023.

INTERGOVERNMENTAL FUNDING

14. City Council request the Provincial and Federal governments to provide funding support to the City of Toronto to offset the financial impacts of COVID-19 through recovery, which are estimated to be \$932.8 million in 2023, with forecasted impacts expected to continue into 2024 and 2025.

15. City Council continue to advocate to the Federal and Provincial governments for ongoing funding support of an estimated \$96.5 million for Refugee/Asylum Claimant and \$48.0 million Supportive Housing programs in 2023, with forecasted impacts expected to continue into 2024 and 2025.

16. City Council authorize the City Manager and/or any other relevant City Official, in consultation with the Chief Financial Officer and Treasurer, to apply for and receive

federal and provincial intergovernmental funding, and negotiate, enter into and execute any agreements required in respect of receiving such funding, including any amendments and extensions thereto, with the Government of Canada, the Government of Ontario, their respective agencies/partners, or other funding partners.

RESERVES/RESERVE FUNDS

17. City Council establish a discretionary reserve fund called the 'Vacant Home Tax Reserve Fund' in Appendix B, Schedule 7 - Corporate Discretionary Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to receive net proceeds from the Vacant Home Tax Program to support affordable housing initiatives, with criteria set out in Appendix D of this report.

18. City Council establish a discretionary reserve fund called the 'Debt Servicing Reserve Fund' in Appendix B, Schedule 7 - Corporate Discretionary Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to mitigate effects of the rising costs of capital and capital financing, and reduce the volatility of the City's annual debt service costs, with criteria set out in Appendix E of this report.

19. City Council direct that the balance of the 'Debt Servicing Stabilization Reserve' be transferred to the 'Debt Servicing Reserve Fund', and that it be closed and deleted from Appendix A, Schedule 3 in Toronto Municipal Code Chapter 227.

20. City Council establish a discretionary reserve fund called the 'Capital From Current Reserve Fund' in Appendix B, Schedule 7 - Corporate Discretionary Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to provide a financing mechanism on a pay as you go basis for ongoing capital needs of assets that have a shorter lifecycle and reduce reliance on debt issuance with criteria set out in Appendix F of this report.

21. City Council approve the establishment of an obligatory reserve fund called the 'Canada Community-Building Fund Reserve Fund' in Appendix C, Schedule 15 – Third Party Agreements Obligatory Reserve Funds of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to fund priority infrastructure projects eligible under the Canada Community Building Fund Program including the acquisition, planning, design, construction, or renovation of a tangible capital asset, with criteria set out in Appendix G of this report.

22. City Council direct that the balance of the Development Charges Reserve Fund – Transit (Scarborough Subway Extension) be transferred to the Development Charges Reserve Fund – Transit, and that it be closed and deleted from Appendix C, Schedule 11 in Toronto Municipal Code Chapter 227.

23. City Council authorize the Chief Financial Officer and Treasurer to make all budgeted contributions and withdrawals to and from reserves for all City Programs and Agencies, as reflected in the 2023 Budget, including \$251.784 million contribution to the City Building Reserve Fund from the dedicated City Building levy for priority transit and housing capital projects, and \$40.699 million to the Scarborough Transit Reserve Fund

from the dedicated special property tax levy in support of commitments to transit investments.

OTHER

24. City Council approve the continuation of the existing Solid Waste Rebates for Low Income Seniors, Disabled and Multi-Residential customers as following:

Bin Size	Rebate**
For Single Family Residential & Residential Units Above Commercial	
Small	\$0.00
Medium	\$0.00
Large	\$0.00
Extra Large	\$0.00
Bag-Only	\$0.00
For Low Income Seniors, Disabled and Multi-Residential Customers	
Small	\$227.01
Medium	\$163.76
Large	\$72.41
Extra-Large	\$0.00
Bag-Only	\$215.01
Multi-Residential*	\$185.00

* Multi-residential is per dwelling unit and includes Curbside Property and Front-End Collections

** Please note the rebates for Single Family Residential and Residential Units Above Commercial (RUAC) Weekly & Bi-Weekly had been approved to be reduced to \$0 in prior budget years. This applied to all bin sizes including Small, Medium, Large, Extra Large and Bag Only customers.

25. That all sub-projects with third-party financing be approved conditionally, subject to the receipt of such financing in 2023. If such funding is not forthcoming, their priority and funding will be reassessed by City Council relative to other City-financed priorities and needs

26. City Council authorize the designation of areas as "construction hubs" and amend City of Toronto Municipal Code Chapter 743, Streets and Sidewalks, Use Of, to include a definition of construction hub and to create a new Appendix C: Construction Hubs generally as set out in Appendix H of this report, and City Council authorize the City Solicitor to make any necessary clarifications, refinements, minor modifications,

technical amendments, or by-law amendments as may be identified by the City Solicitor or General Manager, Transportation Services, in order to give effect hereto.

27. City Council direct the Chief Financial Officer and Treasurer, in consultation with the President of Toronto Parking Authority to report to the Executive Committee on an updated Income Sharing Renewal Agreement no later than December 31, 2023.

28. City Council authorize the General Manager, Solid Waste Management Services, enter into the Community Benefits Agreement with the Munsee-Delaware Nation with respect to the City's Green Lane Landfill that is being negotiated pursuant to the City Council-adopted Reconciliation Action Plan, in line with the existing First Nations Community Benefits Agreements and based on terms and conditions acceptable to the City Manager, General Manager, Solid Waste Management Services and is in a form satisfactory to the City Solicitor.

29. City Council authorize the appropriate officials to take the necessary actions to give effect to Council's decision and authority to the City Solicitor to introduce the necessary bills in Council including a bill to give effect to the final tax rates and final user fees at the first Council meeting following the completion of the budget process.

FINANCIAL IMPACT

2023 Property Tax Rates and Related Matters:

The tax ratios and rates recommended in this report reflect tax policy decisions *previously adopted by City Council* as permitted and/or mandated by recent Provincial regulatory changes, including:

- one-half of the tax rate increase on the Residential property class to be applied to the Commercial and Multi-residential property classes;
- the full tax rate increase on the Residential property class to be applied to the Industrial property class;
- making a property tax rate calculation adjustment to reflect the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment-related changes (i.e. adjustment for appeals)

The recommended total municipal tax levy for 2023 is summarized in Table 2:

Table 1: 2023 Municipal Tax Levy

	Property Tax Levy (\$ millions)
2022 Levy	4,878.8
Traditional Assessment Growth during 2022	39.11
Adjustment for Appeals	7.84
2023 General Levy	4,925.75
2022 Budgetary Levy Increase (5.5%)	215.93
2023 Municipal Levy before CBF	5,141.68
2023 City Building Fund (1.5%)	58.89
2023 Total Municipal Tax Levy	5,200.57

As a result of the postponement of the planned property tax reassessment by the Province, assessments for the 2023 taxation year continue to be based on the January 1, 2016 valuation date, with the same current assessment value that was in effect for the 2022, 2021 and 2020 taxation years, unless there was a change to the assessed value or tax classification. The average residential property value for tax assessment purposes for 2023 is \$695,268.

A summary of the 2023 tax impacts on the average residential property, with the above noted adjustments and budgetary tax increases is as follows in Table 3:

Table 2: Impact of Budgetary Levy and City Building Fund Increases in 2023 for an Average Home (assessed value of \$695,268)

	Impact on Average Residential Household	
2023 Starting Municipal Tax*	\$3,335	% Impact
Budgetary Levy Increase	\$183	5.5%
City Building Fund	\$50	1.5%
2023 Municipal Tax	\$ 3,569	7.0%

* The 2023 starting municipal tax amount includes an appeal adjustment impact of 0.16%.

The average 2023 impact on the various property classes are as follows in Table 4:

Table 3: 2023 Average Tax Impact by Property Class

	Budgetary Levy Increase	City Building Fund	Total Recommended Budgetary and CBF Increases
Residential	5.50%	1.50%	7.00%
Multi-Residential	2.75%	0.75%	3.50%
Commercial	2.75%	0.75%	3.50%
Industrial	5.50%	1.50%	7.00%
City Average	4.38%	1.20%	5.58%

User Fees:

The proposed User Fee adjustments align with the 2023 Mayor's proposed Budget for each Program and Agency. The COVID-19 pandemic has had a significant impact on user fee revenues. In addition, User Fees are reviewed on an annual basis and are proposed for discontinuation as a result of the service no longer being provided, or to transition to a new fee structure. The decrease in user fee revenues resulting from aforementioned changes are provided in the Budget Notes for each Program and Agency.

The solid waste management service rate and fee increase of 3%, as adopted by City Council on an interim basis ([EX1.2](#)), is anticipated to generate approximately \$9.379 million in additional revenue for solid waste management service operational and capital program needs, if adopted by City Council on a permanent basis for 2023 as recommended in this report.

The water and wastewater consumption rate increase of 3%, as adopted by City Council on an interim basis ([EX1.3](#)), is anticipated to generate approximately \$32.506 million in additional revenue for Toronto Water's operational and capital program needs, if adopted by City Council on a permanent basis for 2023 as recommended in this report.

Intergovernmental Funding Support:

The 2023 Operating Budget was balanced based on the expectation of continued COVID-19 support funding from the Government of Canada and Province of Ontario with a total funding amount of \$932.777 million. The majority of the COVID-19 impacts are within Transit (\$366M), Shelters (\$317M) and Public Health (\$87M). These areas make up 83% of the total impacts. If provincial and federal government funding is not fully received, the City will be required to redirect available and eligible capital funding to

maintain a balanced budget, which will result in a significant impact to the City's ability to proceed with capital and infrastructure projects; depending on total 2023 COVID-19 impacts the level of provincial and federal government funding received.

Intergovernmental Infrastructure Funding in the City's 2023-2032 Recommended Capital Budget and Plan

The City's 2023-2032 Tax and Rate Supported Capital Budget and Plan identifies \$49.3 billion in public investments to infrastructure such as transit and transportation, water and wastewater, environmental and other capital assets. Capital projects are funded from user fees (rates), reserves, development charges, borrowing (debt), and by federal and provincial government transfers.

Contributions from the federal and provincial governments account for a total of 10% (\$5.0 billion) of the funding outlined in the 2023-2032 Tax and Rate Supported Capital Budget and Plan. Additional details on the summary of intergovernmental funding programs for 2023-2032 can be found in Appendix C of this report.

The City will continue to seek funding partnerships with the government of Canada and the Ontario Government towards capital infrastructure needs including investments in our transit system; opportunities to advance the national, provincial and the City's climate goals; and to invest in affordable housing needs in the region.

DECISION HISTORY

2023 Property Tax Rates and Related Matters:

Each year, Council must pass a by-law for the purposes of raising the general local municipal levy in an amount Council decides to raise in its budget for that year. The by-law shall establish the tax ratios for that year for the City, and shall specify a separate tax rate on the assessment in each property class in the City rateable for municipal purposes, determined in accordance with legislation and regulations.

The 2022 Property Tax Rates and Related Matters Report can be viewed at (EX30.1): <https://secure.toronto.ca/council/agenda-item.do?item=2022.EX30.1>

On November 9, 2021 City Council adopted a small business tax subclass for the commercial property tax class, approved the subclass eligibility criteria, the process to approve the inclusion of properties in the subclass, as well as a tax rate reduction for the subclass of 15 percent of the commercial property tax rate (EX27.7). <https://secure.toronto.ca/council/agenda-item.do?item=2021.EX27.7>

On December 17, 2019 City Council adopted an increase to the City Building Levy by adding 1 percent in 2020 and 2021 to the existing 0.5 percent increment, and an additional 1.5 percent annually from 2022-2025, inclusively (EX11.26). <https://secure.toronto.ca/council/agenda-item.do?item=2019.EX11.26>

User Fees:

In 2011, City Council adopted the User Fee Policy, which set out a consistent and transparent approach for establishing and managing user fees. The fundamental principle of the Policy is that user fees should be utilized to finance those City services and goods that provide a direct benefit(s) to specific users and that user fees should be set to recover the full cost of those services to the extent that there is no conflict with City policy objectives and other legislative requirements (EX10.2).

<https://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-40701.pdf>

Historically, user fee recommendations were included as part of Budget decisions. User Fee revenues are still being considered as part of the Budget process and are reflected in the 2023 Budget Notes. Under Bill 3, City Council retains authority for user fee adjustments approval, which is requested as part of this report.

At its meeting on December 14, 2022, City Council adopted, effective January 1, 2023, the interim Solid Waste Management Services rates and service fees to be charged. The interim fees remain in effect until such time as they are amended or repealed by City Council.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX1.2>

Reserves:

As per Chapter 227 of the Municipal Code, the Chief Financial Officer and Treasurer will report inflows and outflows of the City's deferred revenues and reserves and discretionary reserve funds on a quarterly basis, as well as provide updates to this chapter of the Municipal Code, which reflects City Council's decisions and administrative changes made to maintain the accuracy of the City's reserves and discretionary reserve funds. To view the most recent prior reports online, please see the links below:

Obligatory Reserve Funds (Deferred Revenues) and Reserves and Discretionary Reserve Funds (Accumulated Surplus) as at December 31, 2021 (EX34.18).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX34.18>

Obligatory Reserve Funds (Deferred Revenues) and Reserves and Discretionary Reserve Funds as at September 30, 2021 (EX28.9).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX28.9>

Since the initial reorganization of Chapter 227 - Administration of Reserves and Reserve Funds, adopted by Council on October 31, 2005, the Chief Financial Officer has reported on updates to this chapter of the Municipal Code as a result of Council actions, administrative requirements of Programs and Agencies and/or financial administration considerations. The last such report was included as part of the above Obligatory Reserve Funds (Deferred Revenues) and Reserves and Discretionary Reserve Funds as at September 30, 2021 report.

Items Pertaining to Previous Council Direction:

At its meeting on November 25, 2020, City Council requested the General Manager, Transportation Services to develop Key Performance Indicators to review and assess the Construction Hub Pilot Programs' performance. City Council also requested the General Manager, Transportation Services to review additional allocations to the Construction Hub Pilot Program as part of the 2021 Budget process to hire dedicated administrative and By-law Enforcement staff (IE17.6).

<https://secure.toronto.ca/council/agenda-item.do?item=2020.IE17.6>

As part of Budget 2021, City Council approved the 2021 staff complement for Transportation Services, which included the additional allocation of four Temporary staff to expand the Construction Hub Pilot program to effectively manage access to the right-of-way with an emphasis on Vision Zero Road Safety Plan principles, while developing traffic management and communications plans to help mitigate the congestion-related impacts associated with unavoidable road closures.

<https://www.toronto.ca/legdocs/mmis/2021/ex/bgrd/backgroundfile-163745.pdf>

COMMENTS

2023 Property Tax Rates and Related Matters:

The recommendations in this report include 2023 property tax rates for municipal purposes on a preliminary basis concurrent with the 2023 Operating Budget proposed by the Mayor on January 10, 2023, the City's 2023 Tax Ratios, and other property tax policy decisions for 2023. If, the Mayor's proposed budget is amended at Council so as to affect the revenue to be raised from property taxes, the tax rates recommended in this report will have to be adjusted accordingly. Subject to the Mayor's proposed budget being adopted as the City's 2023 budget, and in the event Council amends the Mayor's proposed budget so as to impact the following tax rates, and such amendments are not subsequently vetoed by the Mayor, recommendation #4 requests City Council to direct the Chief Financial Officer and Treasurer to report to Council with any necessary adjustments to the tax rates to reflect the final budget amendments for Council's consideration.

Toronto's 2023 tax ratio for the multi-residential tax class is 1.96, which is below the Provincial threshold of 2.0 for the first time, and as a result, the multi-residential tax class is not subject to any municipal levy restrictions in 2023, and the full levy increase can be applied to the class. In order to mitigate the impact of transitioning from a restricted tax class with mandated freeze in municipal tax burden since 2017, to a tax class without mandated levy increase restrictions, this report recommends half of the residential increase to be applied to the multi-residential properties.

The tax ratios and tax rates recommended in this report incorporate up to the permissible property tax rate calculation adjustments, an increase in the commercial and multi-residential tax rate of one-half of the residential tax rate increase, and full increase in the industrial tax rate.

Additional details on the 2023 Property Tax Rates and Related Matters can be found in Appendix A of this report.

User Fees:

User Fee Adjustments:

In accordance with the City User Fee Policy, the following adjustments must be approved by City Council: additional fee changes for certain market based fees, creation of new fees, and any changes beyond the rate of inflation to existing user fees. Details on these fee changes are included in Appendix B.

Subject to the Mayor's proposed budget being adopted as the City's 2023 budget, and in the event Council amends the Mayor's proposed budget so as to impact the user fees and/or user fee revenue, and such amendments are not subsequently vetoed by the Mayor, recommendation #13 requests City Council to direct the Chief Financial Officer and Treasurer to report to Council with any necessary adjustments to the user fees and/or user fee revenue to reflect the final budget amendments for Council's consideration.

The City gives notice to the public of its intent to change existing user fees above inflation and introduce new fees. The public notice is posted on the City of Toronto website five business days before the Budget Committee public hearings, where constituents are given the opportunity to provide input or depute the proposed changes to fees.

User Fee Discontinuations:

Fees are generally discontinued because a service is augmented, transferred or transitioned to a new fee structure.

Fees for the City's directly operated child care services will be discontinued and de-listed from Municipal Code Chapter 441 "Fees and Charges", given the introduction of the Canada-Wide Early Learning and Child Care (CWELCC) system.

- Ontario will receive a total of approximately \$13.2 billion over six years, which the Province will allocate through a phased approach over a five-year period, to meet its CWELCC commitments and to deliver an average of \$10 a day child care for eligible children by September 2025.
- Amendments have been made to O. Reg 137/15 and O. Reg 138/15 under the Child Care and Early Years Act, 2014, including newly introduced legislation of child care fees in the Province.

There are no financial impacts arising from the de-listing of the user fees, and all regulated fee reductions will be offset by incremental CWELCC funding.

In addition to user fees for the City's directly operated child care services, some of the user fees are being discontinued for Leaside Arena Boards of Management to align with the current fee structure, duplicated user fees for George Bell Arena Board of Management, Toronto Archives specific printing fees within City Clerk's Office, change in process and new fitness membership model for Parks, Recreation and Forestry, user fees for Transportation Services to align with the current parking fee structure. Full details of discontinued user fees are listed in Appendix B of this report.

Interim Rates - Solid Waste Management Services and Toronto Water:

On December 14, 2022 City Council approved interim rates for Solid Waste Management Services and Toronto Water December in order to allow the new rates to become effective from January 1, 2023. The recommended rate increase, currently adopted on an interim basis, is consistent with financial modelling and the rate increase requirements presented during the 2023 Budget Process including the 10 Year Plan approved by City Council. This report confirms as final for 2023 the rates that were approved on an interim basis on December 14, 2022.

Reserves and Reserve Funds

Vacant Home Tax Reserve Fund

The purpose of the proposed reserve fund is to receive net proceeds from the Vacant Home Tax Program to support affordable housing initiatives, as presented in Executive Committee Item EX28.2 adopted by City Council at its meeting of December 15-17, 2021, and levied pursuant to the City of Toronto Municipal Code Chapter 778, Taxation, Vacant Home Tax. The funding available for affordable housing initiatives through this Reserve will be based on how much capital issuance can be supported by the net Vacant Home Tax revenues. The establishment of the Reserve will also enable the annual reporting through the budget process on all the projects financed and/or funded through the revenue secured through the Vacant Homes Tax as was requested in EX28.2.

The proposed criteria page for the Vacant Home Tax Reserve Fund follows in Appendix D of this report.

Debt Servicing Reserve Fund

The purpose of the proposed reserve fund is to mitigate effects of the rising costs of capital and capital financing, and reduce the volatility of the City's annual debt service costs. The proposed reserve fund will also enable tracking of repayments/recovery of recoverable debt and facilitate debt modelling. It will replace the existing Debt Servicing Stabilization Reserve (XQ0709) created in Executive Committee Item [EX28.9](#) and adopted by City Council at its meeting of December 15-17, 2021 which had a similar purpose but less flexibility in terms of revenue recognition and capital funding.

The proposed criteria page for the Debt Servicing Reserve Fund follows in Appendix E of this report.

Capital from Current Reserve Fund

The purpose of the proposed reserve fund is to fund capital projects on a pay as you go basis, as well as it provides a financing mechanism for ongoing capital needs of assets that have a shorter lifecycle and reduce reliance on debt issuance, and the volatility of the City's annual debt service costs. Currently, Capital from Current funds are held within unallocated capital project. To improve reporting and budgeting of Capital from Current funds, creation of a dedicate reserve fund is being proposed.

The proposed criteria page for the Capital from Current Reserve Fund follows in Appendix F of this report.

Canada Community-Building Fund Reserve Fund

As of June 29, 2021, the Gas Tax Fund was renamed the Canada Community-Building Fund (CCBF). The CCBF is a permanent source of funding provided up front, twice-a-year, to provinces and territories, who in turn flow this funding to their municipalities to support local infrastructure priorities. Municipalities can pool, bank and borrow against this funding, providing significant financial flexibility. Eligible projects include investments in infrastructure for its construction, renewal or material enhancement in each of the respective 19 project categories.

The establishment of an obligatory reserve fund is required at this time to improve tracking and reporting of the funds that are currently being deposited into a deferred revenue account. The City's budget systems are limited in ability to apply funding directly from a deferred revenue account to the budgeted projects. These funds are a critical source of state of good repair funding for the Transit. As the funds received from the CCBF are primarily used to fund capital projects for Transit, the City needs to report out on the use of funds annually and the creation of the new reserve will improve that process.

The proposed criteria page for the Canada Community-Building Fund Reserve Fund follows in Appendix G of this report.

Items Pertaining to Previous Council Direction

Construction Hubs:

Construction Hubs are a Vision Zero measure to improve road safety and coordinate the public right-of-way around areas in the city that have a dense concentration of construction activity including private development, capital construction projects, and transit expansion projects. Through the program, Transportation Services provide a comprehensive suite of services that enhance work zone coordination and mitigate traffic congestion. Recommendations 13 and 26 would implement Construction Hubs and include new fees for permits in Construction Hubs, which term is to be defined in City of Toronto Municipal Code Chapter 743, Streets and Sidewalks, Use of. These new fees are based on the fees for the same permits in non-Construction Hubs, but increased by 25% to offset increased costs to the City for the delivery of enhanced work zone coordination services to constructors occupying the right-of-way in Construction

Hubs. These new fees will also ensure sustainability and efficiency of the program and deliver new and necessary services to improve road safety and coordination in the public right-of-way around areas in the City that have a dense concentration of construction activity.

Toronto Parking Authority:

The Chief Financial Officer and Treasurer, in consultation with the President of Toronto Parking Authority are going to report to the Executive Committee on an updated Income Sharing Renewal Agreement no later than December 31, 2023 that will replace the current agreement that commenced in January of 2017 and expired on December 31, 2019. The agreement will set a benchmark for net operating profit allocations over the term of the new agreement.

Funding for Munsee-Delaware Nation:

Solid Waste Management Services is advancing the City's commitment to strengthen relationships with Indigenous communities and advance reconciliation. City Council, through the 2022 Reconciliation Action Plan, provided authority and direction to Solid Waste to negotiate the terms of a Community Benefits Agreement with the Munsee-Delaware Nation in light of the City's existing commitments with other First Nations communities in the vicinity of Green Lane Landfill. Funding has been established within the 2023 budget.

Intergovernmental Transfers - SafeTO

Building Safer Communities (BSC):

In keeping with the SafeTO Community Safety and Well-Being Plan, the City will be receiving \$12.33 million from Public Safety Canada over the period of 2023 to 2026 to fund projects that advance the work of the new Toronto Office to Prevent Gun Violence being established in Social Development, Finance and Administration Division. For 2023, \$4.538 million in funding will support comprehensive, integrated prevention and intervention initiatives in collaboration with communities and multiple sectors to increase service access and supports for youth and communities impacted by gun violence, and strengthen a culture of violence prevention and intervention in Toronto. Through Project Prevention and Project Interruption, the City is working with its partners to build an effective set of integrated strategies to deepen approaches to gun violence intervention and prevention. For 2023, \$4.538 million in funding will support increased service access for youth and communities to community-led violence intervention especially in Scarborough, the North-West Justice Centre, expanded Restorative Justice, life stabilization and workforce development supports, supports to parents, expansion to the FOCUS program, and systems coordination with school boards to better service students and their families.

SafeTO Collaborative Analytics and Learning Environment (SCALE):

The City will also be receiving \$4.299 million from Public Safety Canada over the period of 2023 to 2026 to fund the development of a multi-sector data linkage strategy to support the prevention of gun violence. In addition, the funding will support piloting an approach to better understand victims and perpetrators of gun violence, empower

locally driven community-based research approaches with cohorts of individuals with lived experience of violence, trauma and anti-black racism to improve violence intervention and prevention initiatives.

City Council had delegated authority to the City Manager to secure intergovernmental funding opportunities, including entering into any necessary agreements with other orders of government, through [2022.CC47.4](#). Due to the urgency to enter into these agreements the City has received from Public Safety Canada for funding related to SafeTO programs, the City Manager has delegated authority to Executive Director, Social Development and Finance Administration the authority to enter into necessary agreement with Public Safety Canada to commit this funding, and other actions necessary to execute the agreements with Public Safety Canada.

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SIGNATURE

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ATTACHMENTS

Appendix A – 2023 Property Tax Rates and Related Matters

Appendix B – User Fees: Adjustments for City Council Approval

Appendix C – Intergovernmental Infrastructure Funding

Appendix D – Vacant Home Tax Reserve Fund Criteria

Appendix E – Debt Servicing Reserve Fund Criteria

Appendix F – Capital from Current Reserve Fund Criteria

Appendix G – Canada Community-Building Fund Reserve Fund Criteria

Appendix H – Construction Hubs