REPORT FOR ACTION

Updated Long-Term Financial Plan

Date: August 14, 2023
To: Executive Committee
From: City Manager and Interim Chief Financial Officer and Treasurer
Wards: All

SUMMARY

Following the 2023 Budget Process, the City, with the support of an independent third-party, updated its financial model to assess the long-term fiscal risks anticipated in the next 10 years. This updated analysis was presented to City Council in March 2023 and indicated that the City faces a combined operating and capital pressure of $46.5 billion over 10 years, a pressure which has been created over decades. The analysis represented the City's first 10-year consolidated operating and capital financial model.

The purpose of this report is to provide an updated Long-Term Financial Plan (LTFP) which identifies and considers immediate and long-term opportunities to address the City's fiscal challenges, including options to review operating expenditures, financial incentives, new and existing revenue tools, capital prioritization, asset transactions, and intergovernmental funding arrangements.

From the opportunities identified in Attachment 1, staff have assessed these and are recommending implementation or further exploration of a subset of options, some of which are expected to realize financial benefits as early as 2024. However, it's important to highlight that these actions alone will not be sufficient to address the City's fiscal risks in 2024 or over the next 10 years. It will require continued collaborative efforts with City Council and other orders of government to promote the long-term financial sustainability of the City, and to ensure the City continues to generate financial benefits for the Province and for Canada. Further, it's critical to note that, given the urgency of the financial challenges ahead, inaction is not an option at this time to address the City's financial sustainability and urgent 2024 financial needs.

As the economic engine of Canada, the City of Toronto currently delivers services, initiatives and projects that far exceed the traditional role of municipal government, and which substantially benefit the region and other orders of government. In addition, the City is faced with growing demands for services and infrastructure, for which the City is not able to capture the benefits of growth. This is unlike the provincial and federal governments whose funding tools are indexed with the growth of the economy, such as income and sales taxes. Rather, the City is unable to keep up with the costs of delivering both the upfront infrastructure requirements associated with growth, or the ongoing and sustained demand for services.

While the City has limited revenue tools and strategies available under the *City of Toronto Act* (COTA), the LTFP makes every effort to address the City's financial challenges on its own. However, ultimately, the City's existing revenues do not match the complexity or the level of expenditures incurred. As will be demonstrated in this report, without a new fiscal framework for municipalities or sustained long-term funding support commensurate with City responsibilities, the City will have no choice but to further consider reduction of service levels and cancellation of capital projects.

Pending Council's consideration and direction, staff will initiate additional review, analysis and implementation plans of identified options, and report back as indicated below. The LTFP can be leveraged to guide future decision-making by Council with a focus on long-term planning and financial sustainability.

RECOMMENDATIONS

The City Manager and the Interim Chief Financial Officer and Treasurer recommend that:

1. City Council acknowledge the magnitude of the City's financial challenges amount to $46.5 billion and commit to exploring and implementing a wide range of solutions to address the fiscal gap.

2. City Council approve graduated Municipal Land Transfer Tax (MLTT) rates for high value residential properties containing at least one, and not more than two, single family residences, by introducing additional thresholds as follows:

Value of Consideration	Rate
Over $3,000,000 and up to $4,000,000	3.5%
Over $4,000,000 and up to $5,000,000	4.5%
Over $5,000,000 and up to $10,000,000	5.5%
Over $10,000,000 and up to $20,000,000	6.5%
Over $20,000,000	7.5%

a) Direct the Chief Financial Officer and Treasurer to implement graduated MLTT rates effective for all transactions registered or upon which MLTT otherwise becomes payable on or after January 1, 2024;

b) Amend City of Toronto Municipal Code Chapter 760, Municipal Land Transfer Tax to reflect the changes detailed above;

c) Authorize the Chief Financial Officer and Treasurer to amend the City's Collection Agreement with Teranet to allow Teranet to collect the Municipal Land Transfer Tax in accordance with these changes.

3. City Council amend Subsection 179-7D of the Toronto Municipal Code to delete the restrictions on the limited delegated authority currently provided to the Toronto Parking Authority (TPA) and to delegate authority entirely to TPA to fix rates for on-street parking meters or parking machines, specifically to delete the words “such rates do not

exceed $5.00 (inclusive of HST) per hour and have been agreed to by the Ward Councillors for the Ward in which the parking meters or parking machines are located," and impose a condition that the TPA consult with "the Ward Councillor(s) for the Ward(s) in which the parking meters or parking machines are located" prior to the fixing of rates.

4. City Council direct the City Manager and the Chief Financial Officer and Treasurer to develop a multi-year approach for the remaining term of City Council when recommending property tax rates and policies.

5. City Council direct City Officials to report back in advance of City Council's consideration of the Mayor's proposed 2024 Budget, as follows:

> a) The Chief Financial Officer and Treasurer with an implementation plan to introduce a land transfer tax on foreign buyers of residential property in the City including a recommended tax, collection and enforcement design, estimated revenues and required timelines for implementation by the end of 2024.
>
> b) The Chief Financial Officer and Treasurer on the development of a levy on commercial parking within the City with an implementation plan including a recommended tax, collection and enforcement design, estimated revenues and required timelines for implementation in 2025.
>
> c) The City Manager to develop an implementation plan, estimated revenues and required implementation timelines to introduce a 911 levy dedicated to fund Next Generation 911 and associated costs.
>
> d) The Deputy City Manager, Corporate Services, in consultation with the Chief Executive Officer, CreateTO, on a review of all City-wide surplus and underutilized real estate assets with a recommended strategy for disposition or change in use as required, with priority consideration given to opportunities which may:
>
> > 1) Be leveraged to support affordable housing initiatives;
> > 2) Enhance the City's revenue generating potential and/or contribute to the City's goals of long-term financial sustainability; or
> > 3) Allow for joint ventures or partnerships which benefit the local community.
>
> e) The General Manager, Economic Development and Culture, in consultation with the Chief Financial Officer and Treasurer and the Chief Planner and Executive Director, City Planning, as part of their review of the Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentive Program, to evaluate the effectiveness and outcomes of financial incentives provided under the program to date, and to recommend changes to the design, program objectives or eligibility criteria in consideration of immediate and longer-term financial and economic impacts, including options to restructure the IMIT Program through amendments to the Community Improvement Plan, or a dissolution of the Community Improvement Project area; and

f) The Chief Financial Officer and Treasurer, in consultation with the Chief Planner and Executive Director, City Planning, the General Manager, Economic Development and Culture, and the City Solicitor, to complete all procedural and statutory requirements including undertaking a Development Charges Background Study, and bring forward an amendment to the development charges by-law that would remove the non-residential non-ground floor exemption, for Council consideration, or at such a time that the Background Study is complete.

6. City Council direct the Chief Financial Officer and Treasurer, to include, in the report on the Status of the Vacant Home Tax Implementation planned for the fourth quarter of 2023, an analysis of the feasibility of increasing the existing Vacant Home Tax rate from one percent tax of the current value assessment of the residential property on which the vacant unit is located to three percent.

7. City Council direct the Executive Director, Environment and Climate Division to:

a) Report by the fourth quarter of 2023, with a proposed by-law that would require existing buildings in Toronto to annually submit to the City of Toronto building-level performance data, including but not limited to emission data, energy data, water data, and building characteristic information and

b) Report in 2024, with a proposed by-law that would require existing buildings in Toronto to meet specific greenhouse gas emissions performance standards.

8. City Council request the Province of Ontario to authorize the City of Toronto under the *City of Toronto Act, 2006* and/or required regulations, to be able to implement new revenue tools reflective of the City's responsibilities and contributions to the economy, including specifically a Municipal Sales Tax that applies to the purchase of goods and services in Toronto.

9. City Council direct the City Manager to continue advocacy efforts with other orders of government and, should authority be granted under the *City of Toronto Act, 2006,* to report back with a proposed implementation plan including recommended tax, collection and enforcement design, estimated revenues and timelines in 2024, on the introduction of a Municipal Sales Tax.

10. City Council inform the Province of Ontario that the City is unable to implement the previously announced 978 new long-term care home beds in the City in the absence of a revised funding model, currently planned for introduction in future years.

11. City Council direct the City Manager to continue discussions with the Province of Ontario and Metrolinx regarding the urgent need for funding transit operations and maintenance for Eglinton Crosstown (Line 5) and Finch West (Line 6) in recognition of the City’s immediate financial challenges.

12. City Council inform the Province of Ontario, that in the absence of a new funding model for transit operations in the City of Toronto commensurate with the scope and

demands of the largest public transit system in Canada, the City will pause negotiation of further funding agreements for the Provincial Priority Transit Projects and any future provincial transit expansion projects.

13. City Council direct the City Manager to continue to advocate with the provincial and federal governments for a new fiscal framework that is commensurate with the complexity and scope of municipal services delivered by the City of Toronto, including those that are delivered as extensions of other orders of government or that benefit the Greater Toronto and Hamilton Area region, and City Council inform the provincial and federal governments, in the absence of a new fiscal framework, the City will be required to reduce essential service levels and cancel capital projects, including those that contribute to intergovernmental priorities.

FINANCIAL IMPACT

As was noted in the 2023 Financial Update and Outlook presented to City Council in March 2023, the City faces material fiscal risks over the next 10 years, including a combination of increasing annual operating pressures, additional debt servicing costs, and a growing list of capital needs, totalling $46.5 billion.

As these pressures will be experienced as early as 2024, there are two priority components which are included in this total figure:

- $1.5 billion in anticipated 2024 opening operating budget pressures, consistent with what was reported during the 2023 budget process; and
- $29.5 billion in unfunded capital needs over the 10-year planning period.

The City's 10-year outlook may be further worsened in light of recent legislative changes and in the absence of full funding support for ongoing pandemic-related impacts. For example, due to the Province's introduction of Bill 23, the City estimates that there will be reduced development-related revenues of $2.3 billion over the 10-year period. In the absence of the City being fully reimbursed by the Province for the lost revenues as a result of Bill 23, and without new financial and policy tools, the City will not be able to provide the services and investments essential to support growth in the short or long term.

While some of the recommendations contained in this report are expected to realize financial benefits as early as 2024, it's important to note that these actions alone will not be sufficient to address the City's fiscal risks in 2024 or the 10 year period, and will require continued collaborative efforts with City Council and other orders of government to ensure the long-term financial sustainability of the City or else the City may have no choice but to consider reduction of services, increased taxes, or cancellation of capital projects.

Additional information regarding potential financial benefits associated with the opportunities discussed in this report is contained in Attachment 1.

DECISION HISTORY

At its meeting on March 29-31, 2023, City Council considered the report '2023 Financial Update and Outlook' and requested the City Manager and the Chief Financial Officer and Treasurer, as part of the upcoming phase 2 report on the City's long term fiscal plan, to include the details on the $1.1 billion in property tax revenue spent on extensions of Federal and Provincial responsibilities.
Item EX3.2: https://secure.toronto.ca/council/agenda-item.do?item=2023.EX3.2

At its meeting on February 7-8, 2023, City Council directed the City Manager, the Deputy City Manager, and the Chief Financial Officer and Treasurer, to report in the third quarter of 2023 with an updated assessment of revenue generating options available under the City of Toronto Act, 2006.
Item MM3.5: https://secure.toronto.ca/council/agenda-item.do?item=2023.MM3.5

At its meeting on February 17, 2022, City Council requested the City Manager and the Chief Financial Officer and Treasurer to provide an updated Long Term Fiscal Plan during the 2023 budget that includes recommendations to address the backlog of state of good repair, unfunded capital projects and other City Council plans and strategies.
Item EX30.1: https://secure.toronto.ca/council/agenda-item.do?item=2022.EX30.1

COMMENTS

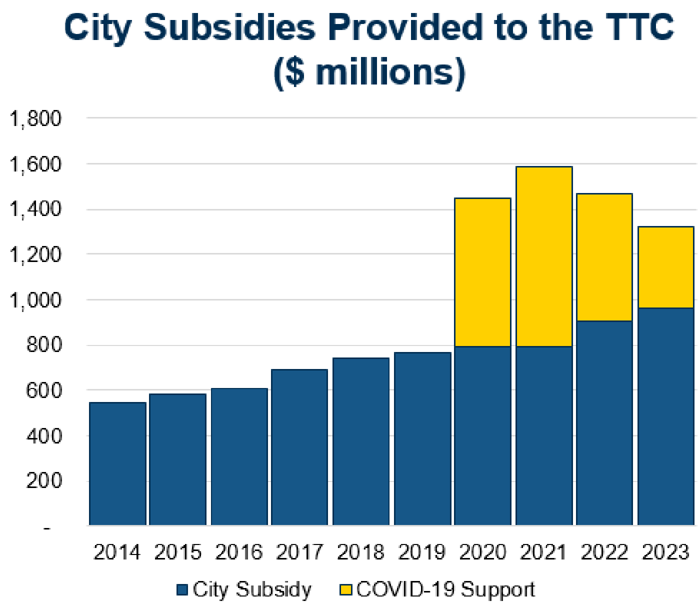
Current Context

As was demonstrated during the 2023 budget process, the City is facing significant and unprecedented financial challenges which have impacted both the 2023 operating and capital budgets. Like other jurisdictions around the world, the City of Toronto has been challenged by rising inflation, which has resulted in cost escalations and economic impacts, increased interest rates which have impacted the cost of borrowing, global supply chain disruptions and specialized labour shortages, all of which have contributed to accelerating the urgency of Toronto's challenges. Looking ahead to future years, the City anticipates continued challenges in the development of the budget due to growing fiscal operating and capital risks.

In addition, the City of Toronto faces growing demand for services, particularly those that are more "regional" in nature such as transit services and shelter supports (for refugees and non-refugees) which have seen sustained impacts following the pandemic. The City of Toronto operates the largest public transit system in Canada and has more shelter beds per capita than any other municipal shelter system. However, the financial burden of delivering these high-demand services is reliant on property tax funding. Over the past decade, the City has continued to invest additional property tax funding into delivering these services.

For example, below in Figure 1, even when excluding additional funding required during the pandemic, the City has increased its annual base subsidy to the TTC from $547 million in 2014 to $959 million in 2023, an increase of 75%. The pandemic has exacerbated Toronto's outlook, with an expected long-term reduction to transit ridership revenue and a sustained increase in demand for shelter supports. It is clear that this increased level of investment is no longer financially viable for the City of Toronto, with the complexity, scale and scope of services offered exceeding the traditional and intended role of property tax funding.

Figure 1: City Subsidies (Net Property Tax Funding) Provided to the TTC



Transit and shelter services are just two examples of the scale of demands on the City. Toronto's annual operating and capital spending exceeds that of all other Canadian cities and all but six provinces and territories. In addition, the Toronto region is responsible for 20% of Canada's gross domestic product (GDP), a greater share than any other metropolitan region or any other province. Within Ontario, Toronto represents the majority of the Province's GDP, contributing to over 53%.

With nearly $50 billion in planned capital investments over the next 10 years, Toronto is Canada's economic engine, positively contributing to national and provincial goals associated with housing, transit and climate action. All of these actions have a positive impact on job growth, economic activity and socioeconomic outcomes which directly benefit the provincial and federal governments through income taxes and sales taxes, rather than financially benefitting the City.

The City continues to identify opportunities internally wherever it can and has already made significant efforts to address long-term financial sustainability. For example, the City was able to successfully manage the immediate and significant pressures associated with the global pandemic due to prudent financial actions and strategies made by the City. Toronto has been able to weather the majority of the impacts associated with COVID-19 due to its proactive allocation of funds towards an emergency provision, or 'backstop'.

In addition, during the 2023 budget process, City Council expressed its support for generating additional revenue to 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 (Item CC4.1). This annual increase is expected to generate an incremental cumulative total of $3.2 billion over the next 10 years. Since its inception in 2017, the City Building Fund levy has proven successful in mitigating partial pressures associated with transit and housing capital investments including dedicated funds for state of good repair. It is critical that the Mayor and City Council continue to support an annual incremental increase to the levy until, at minimum, 2035 as is currently planned and endorsed by City Council. In addition, on an annual and ongoing basis, staff are dedicated to finding efficiencies and internal opportunities wherever possible. However, efficiencies will not be able to close Toronto's fiscal gap alone.

Recent provincial legislative changes such as the introduction of Bill 23 present further risks to Toronto's outlook while also threatening the City's ability to deliver on its current growth plan including its affordable housing plan, a key priority for the provincial government. Currently, every dollar in development charge funding in the 10 Year Capital Plan is matched by an equal contribution from the City. Bill 23 will require the City to re-evaluate its Capital Plan, including the timing of essential infrastructure investments based on funding availability, which will impact the rate which development will be able to proceed. The City already does not financially benefit from growth, with growth-related funds insufficient for upfront infrastructure investments required and the ongoing operating requirements associated with increased demands. With Bill 23 changes, this has further worsened, with municipal revenues from development charges expected to be reduced by $2.3 billion over the next 10 years.

Since the previous LTFP was delivered in 2018, the City's financial risks have become significantly more urgent. The fiscal environment today has evolved significantly from five years ago. These challenges are no longer in the future and will have to be addressed immediately to avoid significant revenue and service impacts. Without firm funding commitments or a revised fiscal framework with other orders of government, increased taxes and service level reductions are increasingly becoming a reality for 2024. Given the absence of funding support from other orders of government for sustained impacts from COVID-19 in 2022 and 2023, this is made more likely as the City's emergency backstop will be nearly depleted and insufficient to address lasting impacts in 2024. It's important to note that commitments and decisions will need to be made in advance of the 2024 budget process, to ensure Toronto can deliver a balanced budget.

Staff Recommendations

From the opportunities identified in Attachment 1, staff have assessed and are recommending implementation or exploration of a selection of them based on a variety of factors, not limited to:

- Estimated financial benefits to the City of Toronto
- Time and ease of implementation, including authority to implement
- Impact to stakeholders including residents, businesses and visitors
- Alignment with the City's corporate strategic priorities and objectives
- A balanced approach of opportunities (operating, revenue, capital, assets and intergovernmental)

- Ability to execute the opportunity vs. requirement to explore or consider concepts further before implementation

It's important to note that the options recommended by staff will not fully address the financial pressures the City faces in 2024 or over the 10-year period. Beyond the recommendations outlined in this report, Council may advise to further explore other opportunities with some decisions required in advance of the 2024 budget process.

In addition, continued advocacy with other orders of government is essential. This updated LTFP has demonstrated that the City of Toronto cannot preserve its current service offering in the absence of immediate and sustainable support from other orders of government. Funding is required to prevent any service level reductions and/or cancellation of projects which align with other government's goals and objectives including housing, transit, refugee response and climate action.

It should also be noted that, for all recommendations, upon Council consideration, further analysis is required to determine the full intersectionality of the options selected, including careful consideration of any equity impacts. Given the evolving financial circumstances, staff will continue to monitor the estimated financial benefits associated with each option. In addition, while other opportunities may not be specifically referenced in this report, staff will continue to consider advancing other options that may result in financial benefits for the City. It is understood that labour costs represent the largest cost driver for the City's operating budget. A reduced size of the public service would reduce operating costs but would be directly correlated to reduced service levels. The below list summarizes staff recommendations according to each area of opportunity identified in the report:

Operating and Expenditure Reviews

Procurement and Contract Compliance

Attachment 1 indicates that there are opportunities related to contract compliance and procurement processes for the City. Staff are already actively working to improve contract management and procurement approaches, in order to realize financial benefits and ensure best value for money for the City. For example, a June 2022 report to the General Government and Licensing Committee from the Chief Financial Officer and Treasurer identified that $83 million in annual financial benefits were achieved as part of Phase 2 of Category Management and Strategic Sourcing (Item GL32.10).

The City is also currently working with other municipalities in the Greater Toronto and Hamilton Area (GTHA) as part of the GTHA Regional Prosperity Alliance, which has identified ways to enhance regional collaboration in procurement and ensure financial benefits for all participants.

Continuation and expansion of these initiatives underway will further the City's annual financial benefits including savings and cost avoidance.

Financial Incentives

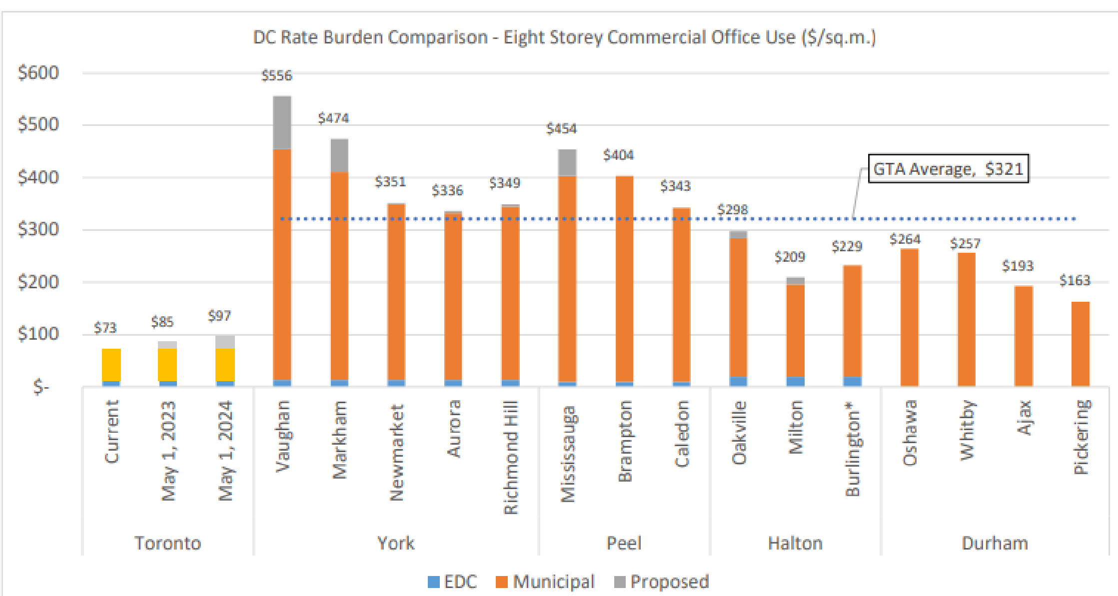
Discretionary Exemptions to Development Charges

Development charges (DCs) are fees imposed on land development and redevelopment projects to help pay for the capital costs of infrastructure that is needed to service new development. While DCs are based on the premise that "growth pays for growth", as noted earlier in the report, DCs and other growth-related funding tools do not fully cover the cost of growth. In addition, the City offers a variety of exemptions including statutory exemptions, as required by provincial legislation, and discretionary exemptions, as identified in the Development Charges By-Law. This includes exemptions for affordable rental housing, public hospitals, and places of worship.

This report recommends initiating the removal of the exemption provided to non-ground floor non-residential uses. Currently, Toronto's non-residential development charges are imposed only on the ground floor non-residential gross floor area (GFA). Non-residential floor area that is above or below the ground floor is exempted from DCs, resulting in approximately $190 million in foregone revenues each year for the City of Toronto, as informed by the City's analysis completed in 2022.

This exemption results in Toronto receiving significantly less revenues than other municipalities in the GTA. A report presented by the Chief Financial Officer and Treasurer and the Chief Planner and Executive Director, City Planning to City Council in July 2022 provided an illustrative example showing the relative DC rate burden for an eight-storey office tower, seen in Figure 2 below (Item EX34.1).

Figure 2: Comparison of DC Rate Burden for an Eight Story Office Tower



*Calculated DC rates in Burlington have been reduced prior to indexing

In order to facilitate the change, before Council can enact a by-law to amend the current Development Charge by-law, staff will need to comply with the various requirements in the *Development Charges Act* to enact an amending by-law, including preparation of a

Background Study, statutory public meeting(s), a draft development charge by-law amendment and various notice requirements.

In addition to the removal of the exemption for non-ground floor non-residential uses, staff will consider the results of the LTFP in a longer-term review of financial incentives including other existing DC discretionary exemptions. This analysis could also consider opportunities to reduce the financial pressures and resources required during with the application process.

Imagination, Manufacturing, Information and Technology (IMIT) Program

The City's IMIT Financial Incentive Program was established in 2008 in response to limited employment growth and employment-related construction activity relative to other municipalities in the GTA. Over the years, it has largely supported the development of office towers in the downtown core. The IMIT program is primarily administered by the Economic Development and Culture division, along with support from Revenue Services.

The IMIT program provides grants relative to the incremental new property taxes that are paid due to new development, in the form of a tax increment equivalent grant (TIEG), generally equal to 60% of the municipal tax increment for approved new developments over a 10-year period. The Program also provides Brownfield Remediation Tax Assistance (BRTA), providing up to three years of property tax increment cancellations capped at the total cost of remediation. When TIEG and BRTA grants are combined, the total amount of assistance ranges from 67%-77% over a 12-year period, depending on the sector. In the 2023 Operating Budget, TIEG funding commitments for approved applications amount to $50 million and are expected to grow to over $60 million in the next two years, an increase over the annual average of $13.8 million since the program's inception. The amount is disbursed upon construction completion and property reassessment, and once eligible recipients have demonstrated annual compliance with all parameters of the program.

As directed by City Council in March 2022, staff initiated a review of the IMIT Financial Incentive Program. However, as the City's long-term economic and financial circumstances evolve, the IMIT Program Review must consider the program's objectives to ensure alignment with the City's objectives. It is important for the review to assess the scope and future role of the IMIT program in incentivizing commercial development and should evaluate the effectiveness of the financial incentives provided to date, with an opportunity to redesign comprehensive financial incentives to deliver targeted assistance to projects that are consistent with the City's development objectives. This report recommends that, as part of the review and report back, options are considered to restructure the IMIT Program through amendments to the Community Improvement Plan, or a dissolution of the Community Improvement Project area.

Revenue and Policy Tools

Multi-Year Approach to Property Tax Rates

Attachment 1 identifies that the City could increase property taxes to levels comparable to that of other GTHA municipalities, without placing itself in a negatively competitive position to other municipalities. Staff recommend to the Mayor and City Council, that in their consideration of property tax related matters during the budget process, they also consider implementing a multi-year approach to rate setting that will appropriately address long-term financial sustainability. As the most reliable and predictable funding source for the City of Toronto, property tax rates could be established with a multi-year lens, with an annual review and confirmation process during the budget process. This would aid with multi-year financial planning, both from a City administrative perspective, but also to enable residents and businesses to plan for the short and longer term. Staff will consider this further and provide relevant recommendations for a multi-year approach during the 2024 budget process.

Graduated Municipal Land Transfer Tax (MLTT) Rates

Given its ease of implementation, graduated MLTT rates for high value residential properties are identified as a "quick win" in the 'Prioritization of Revenue Options' matrix developed in the Attachment and could help to generate additional revenue for the City in 2024. As a result, staff are recommending the implementation of a graduated MLTT rate for high value residential properties valued at over $3 million, effective January 1, 2024. The below recommended graduated rates would only apply to the property category 'Single Family Residence - containing at least one and not more than two single family residences'. Historical residential property sales data from 2018-2022 indicates that had these rates been in effect for the past five years, they would have impacted 929 properties annually, and generated total annual incremental revenue of $26.1 million, on average. Staff continue to monitor real estate market activity and trends.

Table 1: Recommended Graduated MLTT Rates for 2024

Value of Consideration	Rate
Over $3,000,000 and up to $4,000,000	3.5%
Over $4,000,000 and up to $5,000,000	4.5%
Over $5,000,000 and up to $10,000,000	5.5%
Over $10,000,000 and up to $20,000,000	6.5%
$20,000,000 and higher	7.5%

As MLTT is an unpredictable revenue tool, Council has moved away from relying on 100% of MLTT as a funding source for the operating budget. It is recommended that any additional revenue generated from the graduated MLTT rates be primarily leveraged to alleviate annual ‘capital from current’ funding requirements and to address capital pressures. However, given the critical nature and urgency of the 2024 operating budget pressures, it may be appropriate to first dedicate funds primarily to supporting the operating budget, with a phased approach to reduce reliance over 3 years.

Review of the Vacant Home Tax

In consideration of the City's objectives to increase housing supply, and in recognition of the financial challenges the City faces in future years, staff will analyze the feasibility of increasing the existing Vacant Home Tax from one percent of the current value assessment of the residential property to three percent. This analysis will be presented to City Council in Q4 2023 for their consideration as part of a report back on the status and findings of the Vacant Home Tax implementation. Any recommended increases in rates for the 2024 taxation reference year will be collected in 2025.

Exploration and Introduction of New Revenue and Policy Tools

As part of Phase 2 of the LTFP, Attachment 1 reviews and considers potential opportunities to implement 29 different revenue tools including revenue tools authorized under the existing COTA and those which may require regulatory or legislative changes. Of the 29 opportunities, staff are recommending the immediate exploration or introduction of specific tools indicated below, with additional details to be found in Attachment 1. Overall, staff are recommending a blend of new tools to limit impacts on any one stakeholder group. Recommendations include a mix of property-based, sales-based, user fees, and climate-related tools.

It's important to note that for the revenue tools identified, staff will need to conduct further analysis including legal feasibility, equity and economic considerations and develop detailed tax or policy designs and implementation plans with report backs planned to City Council, as required. Following Council direction and approval of this report, this analysis will include consideration of elasticity assumptions, as each revenue tool was explored in isolation. It should also be noted that the City does not have capacity to implement a vast number of new revenue tools simultaneously given the operational requirements to develop and administer revenue tools. In addition, if Council decides to implement additional revenue tools beyond this list, market analysis should be completed to understand the cumulative impacts on stakeholders and the economy, as well as potential impacts to revenue generation.

- **Commercial Parking Levy -** a levy on lands utilized for non-residential paid and unpaid parking within the City of Toronto ("Commercial Parking Levy") could be applied. With similar revenue tools currently implemented in both Vancouver and Montreal, funds generated by a Commercial Parking Levy could address the City's corporate strategic objectives of "keeping Toronto moving" and "tackling climate change" while being feasible to implement. Pending Council direction, as a next step, staff will report back to Council during the 2024 budget process with an implementation plan which will outline key considerations and requirements, the recommended levy, collection and enforcement design, jurisdictional analysis including lessons learned from Vancouver and Montreal, estimated revenues and timelines, and next steps required including the creation of a parking space inventory, in order to implement a Commercial Parking Levy in 2025.

  As part of this report back, staff will address the directions issued by Council as part of Item MM3.5 and will review the scope and applicability of a commercial parking levy such as:
  - How and where the levy is applied;
  - Geographic and regional considerations;
  - Applicability to paid and/or unpaid parking spaces;
  - Methodology of applying the levy to parking spaces vs. parking areas; and

- Any exemptions proposed for certain parking spaces or parking facilities, such as accessible spaces, electric vehicle charging spaces, institutions and/or municipal properties.

- **Foreign Buyer Land Transfer Tax** - staff are recommending the exploration and introduction of a new municipal land transfer tax which would be applied when a foreign citizen or non-permanent resident of Canada purchases a residential property in Toronto. A tax of 20% has been implemented in a number of municipalities in British Columbia, such as designated regions on Vancouver Island. As this new tax could leverage existing partnerships for the collection of the municipal land transfer tax at the time of registration, this has been identified as a tool with revenue potential while being relatively easy to implement. Staff will review and report back with recommendations to City Council during the 2024 budget process with an implementation plan, in consideration of other existing and new revenue tools such as the Vacant Home Tax and the proposed graduated MLTT rates referenced above. It's estimated that a Foreign Buyer Land Transfer Tax could be implemented by the end of 2024.

  The Province of Ontario implemented a non-resident speculation tax (NRST) in 2017, and currently mandates a 25% tax on the purchase of a residential property in Ontario by individuals who are not citizens or permanent residents. Any municipal Foreign Buyer Land Transfer Tax would be applied in addition to the NRST.

  As part of the report back, staff will also consider any implications as a result of the federal *Prohibition on the Purchase of Residential Property by Non-Canadians Act,* which is in effect from January 1, 2023, to December 31, 2024, and prevents non-Canadians from buying residential property in Canada during this period.

- **911 Levy** - as has been previously recommended by the City's Auditor General *(*Item AU13.5*)* staff are recommending the introduction of a dedicated 911 levy given its relative ease to implement and precedent across Canada. As just one of two Canadian provinces without a dedicated 911 levy, there is an opportunity to introduce a new monthly levy on mobile telecommunications customers which could be used to support mandated Next Generation 911 operating and capital costs such as new technological solutions to support communications operators, training costs and modifications to equipment. Staff will report back with an implementation plan during the 2024 budget process.

- **Municipal Sales Tax -** as noted earlier in the report, the City contributes enormously to the overall economy, with 20% of Canada's GDP and 53% of Ontario's GDP derived from the Toronto region. Toronto requires a revenue tool which grows with the economy, such as a municipal sales tax, in order to capture the value of growth and have a tool commensurate with the City's impact on the national and provincial economies. The analysis in the Attachment considers an incremental 1% applied to the existing HST/GST though the City is open to negotiations regarding the appropriate structure, which could include remittance of a portion of the existing rate by the provincial and/or federal governments. For example, Quebec granted a share of the growth of their value-added tax to their cities. This report recommends that the City formally engage with the Province to initiate discussions about the introduction of a municipal sales tax, with a report back in 2024 to provide an update on advocacy efforts and an implementation plan. In addition, the City should continue to advocate with the federal government in order to capture a portion of the economic growth that Toronto contributes to the Canadian economy.

Emissions Performance Standards for Buildings

While the review of revenue tools has primarily focused on revenue generating opportunities to reduce the City's fiscal pressures, there is also an opportunity to advance tools which align with the City's corporate strategic priorities. This includes the introduction of a dedicated tool to fund actions to tackle climate change and resilience in the buildings sector.

In recognition of City Council's declaration of a climate emergency, staff are recommending accelerated action to avoid the worst impacts of climate change. City Council has adopted TransformTO, an ambitious strategy to reduce community-wide greenhouse gas (GHG) emissions to net zero by 2040, 10 years earlier than initially proposed.

In support of this, staff are recommending the expedited introduction of a mandatory Emissions Performance Standards (EPS) by-law which is necessary to drive the scale and depth of emissions reductions in the buildings sector, including residential, commercial, industrial and institutional buildings in the City of Toronto.

The Net Zero Existing Building Strategy adopted by City Council in July 2021 first identified the concept of an EPS to collect and analyze building emissions data while promoting positive environmental outcomes. EPS requires that all buildings meet an emission performance standard and provides alternative compliance pathways if a building cannot meet its requirements in a given compliance period. Building owners with buildings not meeting the EPS or alternative compliance options will be subject to a financial penalty. With the buildings sector the primary source of GHG emissions in Toronto, totalling 58% of community-wide emissions in 2020, an EPS is an effective policy tool to monitor and reduce emissions. Introduction of an EPS would establish the City of Toronto as a leader in its commitment to reducing buildings emissions and provide certainty to the development and retrofit sectors on actions needed to support emission reduction.

Annual building performance reporting is critical to improving building owners' and the City's understanding of emissions in Toronto. Staff will review and report back by Q4 2023 with a proposed by-law that would require existing buildings to annually submit building-level performance data, including but not limited to emission data, energy data, water data, and building characteristic information. Staff will report back in 2024 with an additional proposed by-law on requirements for existing buildings to meet specific GHG emissions performance standards. These report backs will address key considerations including equity considerations, affordability, and engagement required with other orders of government and the private sector. The City aims to establish requirements which will gradually require performance improvements in a way that allows flexibility and acknowledges sector-specific challenges. Initial exploratory discussions with other

Canadian municipalities have demonstrated there is growing interest and feasibility to introduce these important measures.

Capital Prioritization and Review

The majority of the City's projected financial challenges is related to the 10-Year Capital Plan. The City has a $29.5 billion "unfunded capital plan" forecasted over the next 10 years. In order to appropriately address these pressures, Attachment 1 recommends a formal portfolio optimization and capital project prioritization process based on a detailed review of projects contained in both the "funded" and "unfunded" capital plans. Staff agree that the City requires a formalized City-wide prioritization framework which can enhance existing prioritization processes and be used by City Council to make decisions regarding the 10-Year funded and unfunded capital plans. When coupled with recommendations on enhanced governance processes, a new framework will allow Council to set strategic direction in the allocation of available capital funds using a consistent set of guiding principles, while considering overall affordability and capacity to deliver capital investments.

As a next step, staff will consider and develop a prioritization framework for the 2025 planning process. This framework will consider prioritization according to capital project categories, spend rates, availability and eligibility of funding, risk assessment, environmental, social and governance contributions, and strategic alignment with the City's priorities.

In addition to enhanced prioritization of the capital plan, staff will review the current portion of the plan funded by "capital from current" funding (excluding any dedicated MLTT funding) and will recommend any adjustments required to alleviate annual operating budget pressures while acknowledging the State of Good Repair (SOGR) requirements usually funded by this source.

Review of City Assets

In alignment with the principles outlined in a report presented to the General Government Committee by the Deputy City Manager, Corporate Services, in July 2023 titled 'City Building Objectives for the Sale of Transfer of City-Owned Real Estate', staff are recommending further and ongoing review of City-wide surplus and underutilized real estate assets and will report back with any recommendations for disposition or change in use of specific assets in advance of the 2024 budget process as required, in order to ensure the greatest value for the City.

As part of this report back, priority consideration will be given to opportunities which:
- May be leveraged to support affordable housing initiatives;
- Enhance the City's revenue generating potential and/or contribute to the City's goals of long-term financial sustainability; or
- Allow for joint ventures or partnerships which benefit the local community.

Attachment 1 also identifies the substantial investment that the City, as shareholder, will be required to inject into Toronto Hydro over the next decade to address ongoing operational needs, including, for example, street lighting in addition to strategic investments such as its climate action plan. Toronto Hydro's electricity distribution subsidiary is governed by the Ontario Energy Board's rules, guidelines, legislation and regulations. There are strict rules regarding the cost of capital funding sources for investments in electricity distribution assets. In light of the City's current financial context, staff will assess how best to leverage Toronto Hydro to balance the financial needs of the City and Toronto Hydro, including opportunities to maximize revenue potential and financial sustainability.

As part of those report backs, staff will consider how funds could best be leveraged to support the capital plan whether through immediate one-time investment to support City priorities or as a potential endowment to support future SOGR requirements.

Intergovernmental Funding Arrangements

New Municipal Fiscal Framework

As noted throughout this report, the City of Toronto is a significant driver of the provincial and Canadian economies and delivers services on behalf of other orders of government as well as those that go beyond municipal borders such as transit services and regional highways. Over the years, the responsibilities of municipal government have increased, especially in areas such as social housing and transit, without adequate, commensurable and reliable funding. Both this report and Attachment 1 outline the vast pressures the City faces including growing demands for services and legislative changes which further reduce revenues associated with growth. However, the City of Toronto remains reliant on traditional property-based tax measures to fund operations, which are not indexed to economic growth, unlike tools available to other orders of government such as income and sales taxes.

There are significant differences in the financial circumstances between the City, who has to deliver services and investments without appropriate funding sources, and the federal and provincial governments. For example, in their Economic and Budget Outlook, Spring 2023, the Financial Accountability Office (FAO) of Ontario indicated that the Province has a "cumulative $22.6 billion in excess funds that the FAO estimates are not required to support the cost of current programs and announced commitments". Given the Province's financial position which has benefitted by the City of Toronto's economic contribution, and in recognition of the City's contributions to provincial goals and priorities for example health care, transit and housing while dealing with sustained impacts associated with the pandemic, the Province has the ability to address the municipal pressures outside of the City's control through its $22.6 billion excess funds.

In alignment with the principles identified in the attached report, staff are recommending that City Council and the City Manager continue to advocate for a new framework with the provincial and federal governments that is commensurate with the complexity and scope of municipal services delivered by the City of Toronto, including those that are delivered as extensions of other orders of government or that benefit the region.

As part of those advocacy efforts, it is recommended that the City inform the federal and provincial governments that Toronto will do its part to address the components of the fiscal gap within its capacity to manage, but that the magnitude of the gap exceeds the

City's fiscal capacity to address on its own. There is an urgent need to create a new allocation of service delivery and funding responsibilities between different orders of government. At minimum, a new arrangement must be developed for key services delivered including transit, housing and long-term care. In addition, any provincial or federal policies must be accompanied by appropriate funding to deliver them. For example, the City's refugee response efforts require at least $157 million in funding support to address increased demand in 2023. These efforts are in direct response to the federal government's immigration policies.

A new fiscal framework with other orders of government may result in:
- Increased funding for responsibilities that are extensions of other orders of government, such as shelter supports;
- A realignment of service responsibilities such as delivery of social services; or
- Additional revenue generation tools not currently permitted under COTA, such as a new municipal sales tax.

Failure to implement a new funding deal will inevitably lead to an underinvestment in, and reduction of, essential services which are currently delivered and funded by the City of Toronto.

Transit Funding Agreements

Prior to planned transit expansion, the City was in need of a new funding agreement which appropriately reflected the regional and economic benefits of the City's transit system. The need for a new funding model has been further exacerbated by the sustained reduction to transit ridership following the pandemic and changing travel behaviours. Furthermore, the introduction of new operating cost pressures associated with the provinces transit expansion initiatives further compound the City's financial challenges, with significant and immediate costs associated with Eglinton Crosstown (Line 5) alone, to be followed shortly by Finch West (Line 6).

At its meeting on June 12, 2023, the TTC Board considered a report from the Chief Executive Officer *(*CEO*)*, TTC, titled '[Sustaining a Reliable Transit System: Outlook 2024 and Beyond]' which identified the significant challenges the TTC faces as it undertakes planning for 2024 and beyond. Notably, as further reported to the TTC Board in the July 2023 [CEO's Report], ridership currently represents 75% of the pre-pandemic experience. The heavy reliance on the fare box has demonstrated the vulnerability of the system and poses a risk to service, with approximately two-thirds of operating costs pre-pandemic funded by fares in comparison to today at approximately 30%.

In the wake of these unprecedented challenges, new rapid transit lines are being built, which will transform the network, benefitting both City and regional transit riders, but will also introduce new operating cost pressures to an already challenging fiscal framework once service begins, including Eglinton Crosstown (Line 5), Finch West (Line 6) and future transit expansion.

A new framework must consider appropriate arrangements for ongoing operating costs associated with both existing transit infrastructure and new capital infrastructure delivered by other orders of government, which appropriately reflects the cost and regional and national benefits of operating the largest public transit system in Canada.

As part of the LTFP, City staff have identified significant pressures forecasted for 2024 that will mean, in the absence of a revised transit funding agreement, the City would need to consider reallocation of funds currently dedicated to the existing transit system to address costs associated with operating the new Lines 5 and 6. This comes as the City is also challenged with transitioning sustained COVID-19 related impacts to the City's tax base if no further COVID-19 support funding is forthcoming.

As indicated above, Toronto's financial circumstances have significantly worsened since the initial principles of transit funding were agreed to between the City and the Province. The City can no longer afford to fund operations and maintenance of planned or future transit expansion. Given the current fiscal environment the City of Toronto will need to take drastic actions in order to manage the $46.5 billion pressure it faces and absent a new funding arrangement will need to reconsider its level of investment in transit.

It is mutually beneficial that the City continue to partner with other orders of government in order to successfully deliver key transit services for both the City of Toronto and the greater region, but in order to do so, desperately requires a new funding arrangement. This is most urgent as it relates to the funding arrangements of Eglinton Crosstown (Line 5) and Finch West (Line 6), which must be addressed prior to the 2024 budget process to avoid impacts across the existing transit service.

Beyond Lines 5 and 6, and absent a new funding model for transit operations in the City of Toronto, it is recommended that City Council inform the Province of Ontario that it will not be able to fund operations or maintenance costs of all future provincial transit expansion plans, including the Provincial Priority Transit Projects.

While transit represent one of the City's greatest challenges, this fiscal framework should not solely focus on transit, but requires a broader review of Toronto's overall financial relationship with the provincial and federal governments.

Long-Term Care

A new framework should also consider increased funding where the City is the delivery agent on behalf of provincial or federal governments. For example, the City of Toronto operates 10 long-term care homes, with the responsibility for long-term care primarily overseen and partially funded by the provincial government. While the City has a cost-sharing agreement with the Province to deliver long-term care to its residents, the City still is required to significantly subsidize operations of long-term care homes from the property tax base as a direct result of provincial directions and policies. As an example, the 2023 Operating Budget for Seniors Services and Long-Term Care included an additional 394 positions at a net cost to the City of $6 million to meet the Ministry of Long-Term Care's direct care target.

In alignment with the Ontario government's focus on increasing long-term care capacity, in May 2018, Council supported the addition of another 978 beds. The expansion is being undertaken during the redevelopment of five long-term care homes. In addition, the City has plans to open a long-term care home in Scarborough in 2027, which would add another 336 to 365 beds. The City is required to fund the construction up front and would be only partially reimbursed by the province over a 25-year period at $23.78 per bed, a rate which does not reflect significant recent increases to construction costs.

Staff are recommending that City Council formally inform the Province that there is an inability to continue with the expansion plans to add 978 additional long-term care beds, unless significant funding changes occur. For example, the Province could increase funding to the City to fully cover operating costs or could provide funding to cover the remaining SOGR costs for existing long-term care homes.

Enhanced Governance

While enhanced financial governance may not be able to address the $46.5 billion fiscal gap the City faces, it can help to prevent the problem from getting worse. Staff are strongly recommending the consideration of a revised and formalized treasury and governance function at the City of Toronto, including enhanced political governance to ensure all financial details associated with a proposal are considered by City Council in advance of decisions on the relevant initiative. This may be comparable to a Treasury Board-function at the provincial and federal governments and could provide critical ongoing oversight and control of the important management and financial aspects of the City. It would also ensure that Council consider all financial implications before making critical decisions on City initiatives, limiting the approval of items with unknown significant future impacts.

In addition, staff also recommend a multi-year approach to financial planning including the establishment of multi-year property tax rates to enable effective and long-term budgeting. Staff do encourage the Mayor and/or City Council to consider issuance of budget directions in advance of the 2024 budget process. In addition to the specific actions identified in this report, it's important to note that given the urgency and the magnitude of the financial challenges ahead, the 2024 budget process may require further review of efficiencies, expenditures and/or service level changes.

Additional Information Requested

At its meeting on March 29-31, 2023, City Council requested the City Manager and the Chief Financial Officer and Treasurer, as part of this report, to include the details on the $1.1 billion in property tax revenue spent on extensions of Federal and Provincial responsibilities, including the origins of the various commitments and Council's option to adjust the City's response to prior commitments (Item EX3.2).

As reported during the 2023 Budget Launch Presentation (slide 18), 22% or $1.1 billion of Torontonian's annual property taxes are directly invested in three main areas of service, which reduce the financial burden for other orders of government, including: housing ($616 million); social services ($247 million); and health services ($256 million). Additional details on the amount and origin are noted below:

- **Housing** - as detailed further in a 2023 Budget Briefing Note, the City's net investments in housing-related services are delivered by the Housing Secretariat, Shelter Support & Housing Administration, the Toronto Community Housing Corporation and the newly created Toronto Seniors Housing Corporation. Since 2014, the City's net investments in housing have increased from $276 million in 2014 to $616 million in 2023 (123% increase), excluding continued COVID-19 impacts. The City's growth in net investments have primarily resulted from:

- **Change in intergovernmental funding -** in June 2013 the Province unexpectedly announced the phase-out of Toronto Pooling Compensation, which had been in place to mitigate the financial burden of delivering social housing, given Toronto's disproportionate responsibilities among the greater region (more information). Since then, delivery and operations of housing-related services have increasingly been the responsibility of the City to deliver.

- **Increased demand for housing and shelter services** - The housing crisis across Canada, along with current mental health challenges, has had a disproportionate impact on major cities and continues to increase demand on shelter services and other services supporting the shelter system. As an example, pre-pandemic, the City provided 6,000 shelter beds. Today, the 2023 Operating Budget provides funds for 9,000 shelter beds.

- **The City's corporate strategic plan** identifies maintaining and creating housing that's affordable as a key strategic priority for the City of Toronto. Aligned with this, the City has initiated a number of programs with the intention of expanding affordable housing opportunities across the full housing spectrum. Most notably, Council adopted the HousingTO 2020-2030 Implementation Plan in 2020 (Item PH16.5).

- **Social Services** - the City delivers a variety of social services which act as extensions of other governments' responsibilities and offer benefits which directly reduce the financial burden for the provincial government. This includes Toronto Employment and Social Services, high-quality and affordable childcare delivered by Children's Services, and social programming administrated by Social Development & Finance Administration which aims to drive positive outcomes for the community including equity and reconciliation, community safety and wellbeing, poverty reduction, and neighbourhood development. The 2023 Operating Budget contains a total of $247 million in property tax funding to deliver these social services.

- **Health Services** - the City positively contributes to the provincially led healthcare system through the delivery of services including Toronto Paramedic Services, Seniors Services and Long-Term Care, and Toronto Public Health. While long-term care and care for seniors is a responsibility of the Ontario Ministries of Long-Term Care and Seniors and Accessibility respectively, the City contributes a significant portion of funding each year to delivering these services, given the existing cost-sharing agreements with the Province. In some instances, these cost-sharing agreements have a cap to program reimbursements. In addition, as the sole provider of emergency medical response for the City of Toronto, Toronto Paramedics Services is the largest municipal paramedic service in Canada and a critical component of the healthcare system. Paramedics Services also experience negative financial implications as a result of the current state of the emergency services offered by the provincial government, such as overtime costs attributed to hospital drop-off wait times, which place additional strains on City resources and service levels. Toronto Public Health also acts as an extension of the provincial health-care system, providing key services in support of family health, promotion of healthy living, and aims to reduce illnesses and chronic diseases, directly resulting in cost avoidance for the provincial government. In total, the 2023 Net Operating Budget for these three divisions totals $256 million.

Opportunities to address these amounts are consistent with other options outlined in this report including a review of expenditures; further analysis of foregone revenues or financial incentives; service level decisions, and intergovernmental funding advocacy.

Alignment with Additional City Initiatives and Reviews

While the LTFP made significant efforts to comprehensively review financial opportunities across the organization, there are a variety of other initiatives, reviews and report backs scheduled which align with the project that will be made available separately and may offer additional findings or financial benefits:

Toronto Community Housing Corporation (TCHC) Financial Review

TCHC is facing financial sustainability challenges. Delivering housing in a complex economic environment has become increasingly demanding for the organization. In 2023, TCHC, with the support of the City of Toronto, commissioned an independent financial review with the objective of developing a Strategic Financial Sustainability Plan. The purpose of this review was to:

- Assess TCHC's recent operating and capital financial performance
- Provide a financial forecast for the next 10 years
- Identify opportunities for cost savings and increased efficiency
- Establish a path to a sustainable financial future in the short- and long-terms

Independent analysis was conducted between March and May 2023, reflecting insight and input from TCHC staff, its Board of Directors, the Toronto Seniors Housing Corporation and its Board, and select City of Toronto staff including the Housing Secretariat as Service Manager. The basis of the analysis included a dedicated financial forecast model, a leading practice review of global jurisdictions and interviews with stakeholders. Preliminary findings indicated that TCHC has had to manage structural challenges related to increasing demand, misaligned funding, and extraordinary circumstances resulting from the pandemic and high inflation.

The financial forecast set out in the review highlighted the significant challenges that TCHC will face over the next decade including both operating and capital budget pressures. It was determined that the organization will face approximately $1.9 billion in cost pressures over the next 10 years to maintain current service levels. This shortfall includes operating pressures and capital funding required to complete in-flight and future development projects.

Further, on top of continued long-term City investment into building repair capital, TCHC will require additional funding starting in 2028 to keep its building portfolio in a state of good repair once the National Housing Co-Investment Fund agreement expires.

The review also identified a series of opportunities that will inform investment requirements to maintain service levels and long-term sustainability. The opportunities focus on financial, operational and community improvements that will provide reliable and consistent funding to TCHC, effective and efficient management of housing stock and tenancy obligations and supports to achieve positive life outcomes for tenants.

To be sustainable, TCHC requires an effective funding, performance, and accountability framework that benefits TCHC, its tenants, its Service Manager, and its Shareholder. The City and TCHC are actively working together on further analysis and assessment of the opportunities to address both operating and capital pressures.

Toronto Water: Stormwater Charge and Consultation

In July 2021, City Council adopted recommendations in IE23.6 which authorized the General Manager, Toronto Water, and the Chief Financial Officer and Treasurer to consult with water customers and stakeholders on the possible changes to water rates, fees and charges including the possible implementation of:

- An administrative water charge (or water service charge) which would recover certain fixed costs related to the administration of water and sewer services (e.g., water meter servicing, billing, insurance, real estate costs, etc.). These fixed costs are currently included in the water rate but do not vary directly based on a customer's water consumption and would be removed from the water rate.

- A stormwater charge for all property classes, based on a review of the stormwater charge implementation plan considered by City Council in 2017. This charge would be dedicated to funding the City's Stormwater Management Program and would be based on the hard surface (impervious area) on a property instead of its water consumption. Revenues from the stormwater charge would be removed from the water rate.

- A stormwater charge credits program for large properties. This program would provide a discount on a stormwater charge to eligible property owners that implement improved stormwater management practices.

A report back to Executive Committee on the outcomes of the consultation was requested for Q2 2023. The consultation was planned to take place in two rounds. The first round of consultation took place in November and December 2022 to receive initial feedback from water stakeholders. The second round of stakeholder and broader public consultation was initially planned for Spring 2023 but was paused to align with the LTFP's broader review of revenue tool options, so that the consultations could be better informed by any considerations or decisions made by Council.

Toronto Water will prepare a new work plan to determine a feasible time frame for completing the consultation, analysis of feedback and the report back to Executive Committee in consideration of the LTFP and any related directions provided by Council.

Toronto Parking Authority (TPA): On-Street Parking Rate Review

As indicated to their Board in May 2023, TPA is in the process of conducting a comprehensive review of their on-street parking rates with a plan to report back with recommendations as part of the 2024 budget process. This will represent the first detailed review of on-street parking rates since 2017, with delays experienced due to COVID-19.

On-street parking rates currently range from $1/hour to a maximum of $5/hour with the highest rates changed in high-demand areas within the City's core. An initial jurisdictional scan notes that on-street parking hourly rates in Toronto are considerably lower than other comparable cities in North America with the City of Vancouver charging up to $11, the City of Chicago charging up to $7 USD, New York City charging up to $7.50 USD, and San Francisco charging up to $10.25 USD. In addition, there is an existing disparity between the rates charged for TPA's on-street parking and off-street parking facilities, with some Green P lots or garages charging up to $10/hour. A preliminary estimate by TPA indicates on-street parking rate changes could generate $12-15 million in potential incremental annual revenue.

In order to enable an effective consultation and review process in advance of 2024 budget recommendations, this report recommends removal of the existing on-street parking rate cap outlined in Chapter 179 by delegating additional authority to the Toronto Parking Authority in order to set on-street parking rates. This would result in a similar level of authority currently provided to the TPA to establish rates for off-street parking facilities. Any recommended changes to on-street parking rates will be developed in consultation with local Ward Councillors, Transportation Services, Economic Development & Culture and local Business Improvement Areas.

Toronto Transit Commission: Review of Non-Fare Box Revenue Streams

As reported during its June 2023 Board Meeting (Item 4), and as directed by the TTC Board in April 2023, an analysis of opportunities associated with non-fare box revenue streams will be undertaken and reported to the Board. Recognizing the importance of the fare box as a primary revenue stream for TTC operations, the TTC is also undertaking an updated baseline analysis of the financial exposure the TTC is facing due to fare evasion. Nevertheless, the TTC is one of the few large transit systems without diverse revenue sources beyond passenger revenue and property tax.

Review of City Partnership Programs and Sponsorship Revenues

At its meeting on May 10, 2023, City Council requested staff to report to City Council in Q1 2024 with a review of City partnership programs including an inventory of sponsorship and advertising arrangements, potential new revenue opportunities for naming rights, sponsorships or advertising and an enterprise-wide strategy to coordinate opportunities across City divisions, agencies and corporations (Item MM6.26). This review is being led by the City Manager's Office and will be reported on in 2024.

Conclusion

This report recommends a series of actions that can help to reduce the City's fiscal gap over the next ten years. However, these actions are not enough to close the gap for 2024 or beyond, and City will face real and urgent consequences starting in 2024 if additional actions and commitments are not made.

There will be devastating consequences for the City of Toronto and the greater region and country without serious attention given to address the City's financial challenges. This is not just because Toronto is Canada's economic engine and will see a ripple effect from reduced investments, job losses and reduced income taxes, but because the City will not be equipped to deliver goals on behalf of other orders of government such as housing priorities, transit expansion, refugee response or climate action.

Without an appropriate fiscal framework or tools commensurate with the City's unique complexity, scale and scope of services delivered, the City of Toronto will be faced with extremely challenging decisions in the immediate future for the 2024 planning cycle and considerations to inform and impact the 10-year outlook.

CONTACT

Stephen Conforti, Interim Chief Financial Officer and Treasurer, 416-397-4229, stephen.conforti@toronto.ca

Lauren Birch, Manager, Strategic Planning & Initiatives, Office of the Chief Financial Officer & Treasurer, 416-392-4258, lauren.birch@toronto.ca

Kate Bassil, Chief of Staff, City Manager's Office, 416-338-5632, kate.bassil@toronto.ca

SIGNATURE

Stephen Conforti
Interim Chief Financial Officer and Treasurer

Paul Johnson
City Manager

ATTACHMENTS

Attachment 1: **Long-Term Financial Plan -** "Fixing the Problem: Addressing the City's Immediate and Long-Term Financial Pressures"