

## **Budget Implementation Including Property Tax Rates, User Fees and Related Matters**

**Date:** February 7, 2024

**To:** City Council

**From:** Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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The purpose of this report is to recommend the additional approvals required to give effect to the 2024 Budget and includes the following matters:

**2024 Property Tax Rates and Related Matters:** City Council is required to enact a by-law levying the property tax rates to raise the amount of tax revenue set out in the City's budget. The recommendations in this report request the approval of 2024 municipal tax ratios and tax rates arising from the 2024 Mayor's Proposed Budgets. This report also recommends annual property tax policy decisions.

**2024 User Fees:** User fees are monitored and adjusted for price changes through the annual budget process. This includes final rates and service fees for Rate Supported Programs for Toronto Water and Solid Waste Management Services. The budget process prompts assessment of existing fees resulting in recommended changes to existing fees and the introduction of new fees. The estimated revenues from user fees are outlined in the 2024 Mayor's Proposed Budget and are reflected in the 2024 Budget Notes. Under the City of Toronto Act, 2006 (COTA), City Council must still approve the imposition of user fees, including new user fees and changes to existing user fees, as required to raise the user fee revenue to give effect to the City's budget. This approval is requested as part of this report.

**Intergovernmental Infrastructure Funding:** An annual summary of federal and provincial intergovernmental infrastructure funding programs which are identified in the 2024-2033 Capital Budget and Plan, as set out in the 2024 Mayor's Proposed Budget (the "2024-2033 Capital Budget and Plan"), is included as part of this report in Appendix C.

**Other Items Requiring Council Direction:** This report also makes recommendations with respect to matters related to the 2024 budget that do not fall under the strong mayor powers:

- Requests of Program specific report backs and interdivisional collaboration
- Provide authority to negotiate and execute specific capital project agreements

- Technical requests to allocate and receive funding in Corporate Accounts
- Establishment of a new reserve fund

**RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

*2024 PROPERTY TAX RATES AND RELATED MATTERS*

1. In respect of calculations to establish 2024 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 2024 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)
Property Class	2024 Recommended Tax Ratios
Residential	1.000000
Multi-Residential	1.899274
New Multi-Residential	1.000000
Commercial	2.498988
Industrial	2.500000
Pipeline	1.923425
Farmlands	0.250000
Managed Forests	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 37 percent 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 to raise the property tax revenue set out in the 2024 Mayor’s Proposed Budget (MPB15.1):

a. The tax rates set out below in Column IV, which will raise a general local municipal tax levy for 2024 of \$5,596,396,426, inclusive of an 8.0% residential, new multi-residential, industrial, pipeline, farmlands and managed forest tax rate increase, a 4.0% commercial, and a 2.95% 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 \$62,312,866 dedicated for priority transit and housing capital projects (the "City’s Building Fund levy"), in accordance with previously adopted Council policy.

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2024 Tax Rate for General Local Municipal Levy	2024 Additional Tax Rate to Fund Budgetary Levy Increase	2024 Municipal Tax Rate (excluding Charity rebates) (Column II+III)	2024 Additional Tax Rate to Fund City Building	2024 Municipal Tax Rate Inclusive of City Building Fund Rate (excluding Charity rebates) (Column IV+V)
Residential	0.513506%	0.041080%	0.554586%	0.007703%	0.562289%
Multi-Residential	0.975289%	0.028791%	1.004080%	0.005398%	1.009478%
New Multi-Residential	0.513506%	0.041080%	0.554586%	0.007703%	0.562289%
Commercial	1.283245%	0.051330%	1.334575%	0.009624%	1.344199%

Column I	Column II	Column III	Column IV	Column V	Column VI
Industrial	1.283765%	0.102701%	1.386466%	0.019256%	1.405722%
Pipelines	0.987690%	0.079015%	1.066705%	0.014815%	1.081520%
Farmlands	0.128377%	0.010270%	0.138647%	0.001926%	0.140573%
Managed Forests	0.128377%	0.010270%	0.138647%	0.001926%	0.140573%

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 2024 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

Column I	Column II	Column III
	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 2024 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of \$5,540,996 to fund the mandatory 2024 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 2024 operating budget of zero, by the following:

- a. An additional tax rate of 0.004478% be levied as part of the general local municipal levy on the commercial class to raise a further additional local municipal tax levy of \$5,522,211 to fund the total estimated rebates to registered charities for properties in the commercial class in 2024.
- b. An additional tax rate of 0.000234% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$18,786 to fund the total estimated rebates to registered charities for properties in the industrial class in 2024.

7. City Council adopt the following property tax capping polices for the 2024 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 2024 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 2024 tax rates for school purposes, and the 2024 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 2024 'clawback' rates).

9. City Council approve:

a. The instalment dates for the 2024 final tax bills be set as follows:

1. The regular instalment dates be July 2, August 1, and September 2 of 2024.

2. For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 15, August 15, September 16, October 15, November 15 and December 16 of 2024.

3. For taxpayers who are enrolled in the two installment program, the final instalment date be July 2, 2024.

b. The collection of taxes for 2024, other than those levied under the interim levy [By-law 1119-2023](#), be authorized.

10. Effective January 1, 2024, City Council amend the eligibility criteria for the tax deferral and tax cancellation programs for low-income seniors and low-income disabled persons, and amend, as may be required to give effect to Council's decision, City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, and any other necessary Municipal Code Chapters, to:

a. increase the maximum household income for an eligible person from \$55,000 to \$57,112, and for each calendar year after 2024, effective January 1 of the year, annually adjust the maximum household income for eligible persons in accordance with the Statistics Canada, All-Items Consumer Price Index by City, Annual Change – Toronto; and

b. add annual flat rate cancellation and deferral amounts for eligible persons residing in non-profit housing co-operatives and co-ownership buildings by:

1. amending the definition of eligible property to include the following two additional types of residential properties:

a. property owned by a non-profit housing co-operative in which an eligible person-is a member for at least one year; and

b. property owned by an eligible person for at least one year, together with other owners in proportional ownership shares relative to the portion of the building each occupies

2. amending both the tax deferral amount and the tax cancellation amount for which an eligible person occupying eligible property under (1) is eligible to a flat annual amount of \$50; and

3. making any other amendments as may be required to give effect thereto

11. City Council increase the small business subclass eligibility to include strip plaza properties where the following criteria are satisfied, and amend City of Toronto Municipal Code Chapter 767, Taxation, Property Tax accordingly:

- The property is located anywhere within the City;
- The property is categorized by the Municipal Property Assessment Corporations as one of the following Property Codes: 425 Neighbourhood Shopping Centre with anchor, 429 Community Shopping Centre, or 430 Neighbourhood Shopping Centre without anchor;
- The property has two or more attached retail establishments and shared or common parking areas;
- The current Value Assessment of the property is \$10,000 or more and \$7,000,000 or less; and
- The property has a site area of less than or equal to 25,000 square feet, and a gross floor area of less than or equal to 25,000 square feet.

## *USER FEES*

12. City Council impose the 2024 fees and charges set out in Appendix 3 to the 2024 Mayor's Proposed Budget (MPB15.1) as amended, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges, and any other necessary Municipal Code Chapter accordingly.

13. City Council impose as final, the water and wastewater consumption rates charged to metered and flat rate consumer, the water and wastewater services fees and charges, and the solid waste management service rates and fees in the amounts set out in Appendix 5 to the 2024 Mayor's Proposed Budget (MPB15.1) as amended, which are a continuation of the 2024 interim rates, fees, and charges previously adopted by Council in EX10.4 and EX10.5 at its meeting on December 13, 14 and 15, 2023

14. City Council delegate authority to the Chief Financial Officer and Treasurer to approve automatic annual inflationary adjustments to the fees and charges set out in Table 1 of Appendix B in this report, effective January 1st of each year commencing in January of 2025, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges accordingly.

15. City Council approve the continuation of the previously approved interim water rebate for eligible low-income seniors and low-income persons with disabilities at a rate

of \$1.3553 per cubic metre, representing a 30 percent reduction from the Block 1 rate (paid on or before the due date).

16. Effective January 1, 2024, City Council amend the eligibility criteria for the solid waste single family residential low-income relief program and the water rebate for low-income seniors and low-income disabled persons, and amend, as may be required to give effect to Council's decision, City of Toronto Municipal Code Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill, and any other necessary Municipal Code Chapters, to:

a. increase the maximum household income for an eligible person from \$55,000 to \$57,112, and for each calendar year after 2024, effective January 1 of the year, annually adjust the maximum household income for eligible persons in accordance with the Statistics Canada, All-Items Consumer Price Index by City, Annual Change – Toronto; and

b. add annual flat rate rebates for eligible persons residing in non-profit housing co-operatives and co-ownership buildings by:

1. amending the definition of eligible property to include the following two additional types of residential properties:

a. property owned by a non-profit housing co-operative in which an eligible person is a member for at least one year; and

b. property owned by an eligible person for at least one year, together with other owners in proportional ownership shares relative to the portion of the building each occupies

2. amending the water rebate for which an eligible person occupying eligible property under (1) is eligible to a flat annual amount of \$200;

3. amending the solid waste rebate for which an eligible person occupying eligible property under (1), which property receives garbage collection from the City, is eligible to a flat annual rebate amount of \$163.76; and

4. making any other amendments as may be required to give effect thereto

17. City Council authorize user fees for online payments processed through the City's Parking Violation Notice Services website at the lesser of:

a. 2.35 percent of the payment amount for online credit card transactions and 1.5 percent of the payment amount for online debit card transactions, and

b. the amount permitted to be charged to users by the card brand rules for payments for parking violations as may be permitted by the card brand rules,



and City Council authorize the necessary amendments to City of Toronto Municipal Code, Chapter 441, Fees and Charges and any other necessary Municipal Code Chapters as may be required.

#### *OTHER*

18. City Council request the Board of Directors of TO Live to direct the President and Chief Executive Officer, TO Live, in consultation with the Executive Director, Corporate Real Estate Management, to continue to advance the design refinement of the St. Lawrence Centre for the Arts Redevelopment project funded through existing approved capital budget, and report back to Executive Committee, during the first or second quarter of 2024, on the refined project cost estimates upon completion of a schematic design with appropriate Class Estimates, and status on the financing strategies, as outlined in the report [EX6.13](#) entitled "St. Lawrence Centre for the Arts Redevelopment", for City Council consideration prior to the next phase of development.

19. City Council request the Toronto Police Services Board to work with the General Manager, Economic Development and Culture on opportunities to leverage up to \$10.0 million in funds available from the Major Special Events Reserve Fund (XR1218), included in the 2024 Mayor's Proposed Budget for Toronto Police, to offset premium pay costs incurred relating to policing services during the City's special events.

20. City Council authorize the Executive Director, Transit Expansion to negotiate and execute all required capital delivery agreements related to project design, including amendments thereto, with the Toronto Waterfront Revitalization Corporation ("Waterfront Toronto"), on terms and conditions satisfactory to the Executive Director, Transit Expansion and in a form satisfactory to the City Solicitor, for Waterfront Toronto to facilitate the completion of projects that support the Waterfront East Light Rail Transit.

21. City Council direct the City Manager to continue to negotiate with the Province of Ontario to recover the costs for the Line 3 Scarborough Rapid Transit (SRT) Busway project.

22. 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, 2024.

23. City Council, in respect of the 2024-2033 Capital Budget and Plan, express its intent to ensure that:

- a. the increase in need for services attributable to anticipated development will be met; and
- b. any future excess capacity identified will be paid for by development charges or other similar charges.

24. Notwithstanding the Policy on Management of Operating Budget Surpluses, City Council direct Chief Financial Officer and Treasurer to allocate \$10 million from the 2023 Operating year-end actual results due to stronger than expected Supplementary

Taxes performance, to the Tax Stabilization Reserve Fund to replenish it as a result of the draw from it to fund additional investments in 2024 Mayor's Proposed Budget (MPB15.1).

25. City Council request CreateTO to facilitate dividend declarations by the Board of Directors of Build Toronto Inc. in the amount of \$30 million in 2024 to fund items in the 2024 Mayor's Proposed Budget (Item MPB15.1).

26. City Council approve the establishment of a discretionary reserve fund called the Budget Bridging and Balancing Reserve Fund in City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, Appendix B, Schedule 7 – Corporate Discretionary Reserve Funds, for the purpose of holding funds to support operational bridging strategies from the 2025 budget year onward, with criteria set out in Appendix D of this report.

27. City Council authorize the General Manager, Parks, Forestry and Recreation, and the General Manager, Children's Services, in consultation with the Chief Financial Officer and Treasurer, to accelerate the cash flows included in their respective 2024-2033 Capital Budgets and Plans as operationally required to enable implementation of the 2024 Mayor's Proposed Budget, including for capital projects associated with state of good repair, community centres, pools, park infrastructure and child care centres, consistent with direction communicated in the 2024 Mayor's Proposed Budget.

## **FINANCIAL IMPACT**

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### **2024 Property Tax Rates and Related Matters:**

The tax ratios and rates recommended in this report align with tax policy decisions previously adopted by City Council as permitted and/or mandated by Provincial legislation and regulation, including: one-half of the tax rate increase on the Residential property class to be applied to the Commercial property class; 37 percent of the tax rate increase on the Residential property class to be applied to the Multi-residential property class, in recognition of the recommendations by Budget Committee to maintain the increase below the provincial threshold in order to prevent above-guideline rent increases; and 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 2024 is summarized as follows:

**Table 1: 2024 Municipal Tax Levy**

	<b>Property Tax Levy (\$ millions)</b>
<b>2023 Levy</b>	<b>5,200.57</b>
Traditional Assessment Growth during 2023	61.64
Adjustment for Appeals	1.86
<b>2024 General Levy</b>	<b>5,264.07</b>
2024 Budgetary Levy Increase	332.33
<b>2024 Municipal Levy before City Building Fund</b>	<b>5,596.40</b>
2024 City Building Fund Increase	62.31
<b>2024 Total Municipal Tax Levy</b>	<b>5,658.71</b>

As a result of the continued postponement of the planned property tax reassessment by the Province, assessments for the 2024 taxation year continue to be based on the same current assessment value that was in effect for the 2023, 2022, 2021 and 2020 taxation years, unless there was a change to the assessed value or tax classification. The average residential property value in Toronto for tax assessment purposes for 2024 is \$694,381.

A summary of the 2024 tax impacts on the average residential property, with the above noted adjustments and budgetary tax increases is as follows:

**Table 2: Impact of Budgetary Levy and City Building Fund increases in 2024**  
(average residential property assessed at \$694,381)

	<b>Impact on Average Residential Household</b>	
<b>2024 Starting Municipal Tax</b>	<b>\$3,566</b>	<b>% Impact</b>
Budgetary Levy Increase	\$285	8.0%
City Building Fund	\$53	1.5%
<b>2024 Municipal Tax*</b>	<b>\$ 3,904</b>	<b>9.5%</b>

*\*This amount excludes provincial education property taxes*

The average 2024 impact on the various property classes are as follows:

**Table 3: 2024 average tax impact by property class**

Prior Year / Policy Impacts	Assessment Appeals Adjustment / Policy Impact	2024 Budget Impacts	Budgetary Levy Increase	City Building Fund	2024 Rec'd Budgetary and CBF Increases
Residential	0.045%	Residential	8.0%	1.50%	9.50%
Multi-Residential	0.045%	Multi-Residential	2.95%	0.55%	3.50%
Commercial	0.112%*	Commercial	4.0%	0.75%	4.75%
Industrial	-0.522%	Industrial	8.0%	1.50%	9.50%
<b>City Average</b>	<b>0.035%</b>	<b>City Average</b>	<b>6.31%</b>	<b>1.18%</b>	<b>7.49%</b>

*\*Includes impact of making strip plazas eligible for 15% rate reduction for small businesses, funded from the remainder of the commercial class.*

**2024 User Fees:**

*Adjustments Requiring City Council Approval*

The budget process prompts assessment of existing fees that are subject to change and the introduction of new fees. The proposed user fee adjustments requiring Council approval are required to raise the user fee revenue set out in the 2024 Mayor’s Proposed Budget. These fee adjustments include additional fee changes for certain market-based fees, the creation of new user fees, changes to user fees beyond inflation, and user fees for technical adjustment, transfer, discontinuation and/or rationalization. It is also recommended that certain fees requiring Council approval for technical adjustment (as set out in Table 1 of Appendix B) be delegated to the Chief Financial Officer and Treasurer commencing in 2025 to automatically apply inflationary increases effective January 1, in the same way as other automatically adjusted fees already are, as described below. In accordance with the 2024 Mayor’s Proposed Budget, user fee adjustments, excluding automatic inflationary user fees, will generate \$12.66 million in total incremental revenue, including \$0.85 million in new fees. Revenue impacts from the proposed changes are reflected in the Budget Notes for each Program and Agency.

*Automatic Adjustments: User Fee Inflationary Increases*

In accordance with the City User Fee Policy, all user fee adjustments incorporated into the City’s budget require Council approval, except for Automatic Annual Inflationary Adjustments which have previously approved delegated authority and are effective on January 1 each year.

These automatic annual inflationary adjustments to the user fees are increased by the applicable rate of inflation each year. Authority for this increase has been delegated to the Chief Financial Officer and Treasurer. These adjustments will generate incremental user fee revenue of \$9.97 million in 2024. Details of these automatic inflationary fee changes are included for information purposes in Appendix 4 of the 2024 Mayor's Proposed Budget.

### *Water, Wastewater and Solid Waste Fees*

The water and wastewater consumption rate increase of 3%, as adopted by City Council on an interim basis ([2023.EX10.4](#)), is anticipated to generate approximately \$41.3 million in additional revenue for Toronto Water's operational and capital program needs, if adopted by City Council on a permanent basis for 2024 as recommended in this report.

Inflationary increases to water and wastewater service fees for services provided by Toronto Water and Revenue Services, also adopted by Council on an interim basis, are anticipated to generate approximately \$1.9 million in additional revenue to offset the cost increases associated with delivering these services, if adopted by City Council on a permanent basis for 2024 as recommended in this report.

The solid waste management service rate and fee increase of 3%, as adopted by City Council on an interim basis ([2023.EX10.5](#)), is anticipated to generate approximately \$10.3 million in additional revenue for solid waste management service operational and capital program needs, if adopted by City Council on a permanent basis for 2024 as recommended in this report.

### *Online Payments for Parking Tickets*

Toronto City Council, in its adoption of [Item EX23.2: Innovative Partnership to Accelerate Digital Services with Payments](#) has previously approved that customers electing to make payments for parking ticket violations through the PayIt/My Toronto Pay website would bear the costs of credit and debit card charges associated with their payment. These charges were first implemented in 2023, following changes to the credit card brand rules.

This report is recommending Council's approval to similarly pass credit and debit card charges on to customers who elect to make payments for parking ticket violations at the City's [Parking Violation Notice Services](#) website. This approval will ensure that the fees payable for parking violations is consistent across the City's current and future payment service providers, and consistent with similar payment type transactions in place at other municipalities (e.g., Ottawa and Mississauga).

As the City has previously and currently absorbed the costs of these credit/debit card payments for parking violations, transitioning to a user-pay model will provide budgetary savings in the Office of the Controller Revenue Services' 2024 operating budget. The reduction in payments to the City's service providers for credit/debit card charges has already been captured in the estimates in the 2024 Mayor's Proposed Budget for the Office of the Controller Revenue Services. As such, there are no further financial

implications of this recommended change to the user fee structure for parking violation payments.

### **Intergovernmental Infrastructure Funding in the City's 2024-2033 Capital Budget and Plan:**

In total, the Government of Canada and the Ontario Government are expected to contribute \$6.4 billion in funding towards the \$49.8 billion 2024-2033 Tax and Rate Supported Capital Budget and Plan (federal: \$3.0 billion; provincial: \$3.4 billion), reflect 13% of total funding in the City's 10-Year Capital Plan. Key areas of investment from other levels of government include transit and housing.

Investment in transit from a variety of programs leverage \$4.0 billion of funding in the City's 10-Year Capital Plan, including \$1.4 billion from the Government of Ontario, and \$2.6 billion from the Government of Canada. It is important to note, the provincial commitment of \$758 million funding towards 55 new subway trains in the New Deal is not included in the 10-Year Capital Plan of the Toronto Transit Commission (TTC), as it is subject to a matching funding commitment from the federal government.

Investments in housing programs leverage \$24.5 million in federal funding through the Canada Mortgage and Housing Corporation (CMHC). It is also important to note that in 2023 the federal and provincial governments announced additional funding for housing initiatives through the Housing Accelerator Fund (HAF), and the Building Faster Fund that have not been budgeted in the City's 10-Year Capital Budget Plan, but will be allocated through future budget process as Toronto's share of the funds is made available.

The City proactively commits funding for capital projects to leverage anticipated future provincial and federal funding programs. The current 10-Year Capital Plan includes intergovernmental funding commitments of \$6.4 billion over 10 years; however, the City will continue to seek additional funding partnerships towards transit needs; opportunities to advance the provincial and national climate goals; and to address regional housing and shelter needs. These programs require committed funding and successful partnerships with other orders of government.

### **Other Items:**

#### *CreateTO One-Time Dividend*

The 2024 Mayor's Proposed Budget includes one-time CreateTO dividend as a funding source of \$30 million that was not included in 2024 Staff Prepared Operating Budget. In order to receive this one-time dividend City Council request CreateTO to facilitate dividend declarations by the Board of Directors of Build Toronto Inc. CreateTO is a City Agency that is comprised of Toronto Port Lands Company and Build Toronto. The dividend will be issued by Build Toronto through the request from CreateTO.

#### *Supplementary Taxes Allocation*

Based on 2023 preliminary year-end results, Supplementary Taxes had stronger than budgeted performance. The 2024 Mayor's Proposed Budget includes one-time funding from Tax Rate Stabilization Reserve Fund. The recommendation in this report is

directing the Chief Financial Officer and Treasurer to allocate \$10 million from Supplementary Taxes favourable variance into Tax Rate Stabilization Reserve Fund as part of 2023 operating year-end results.

## **DECISION HISTORY**

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### **2024 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 the City 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 “2023 Property Tax Rates and Related Matters” Report with the adopted motions can be viewed at: <https://secure.toronto.ca/council/agenda-item.do?item=2023.CC4.1>

As part of the Updated Long-Term Financial Plan ([EX7.1](#)), on September 6, 2023, City Council also directed the Chief Financial Officer and Treasurer to report back on an approach to graduated municipal property tax rates for high value residential properties, an approach to graduated municipal property tax rates for properties that are not the owner’s primary residence, and to include the feasibility of a land transfer tax, above the otherwise applicable rate, on buyers of residential resale property where the purchaser owns more than one (1) property within the City of Toronto at the time of purchase.

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.

<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 ([Item EX11.26](#)).

### **2024 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](#)).

*User Fee Policy:* <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 2024 Budget Notes. Under COTA, City Council retains authority for approval of user fee adjustment and of new user fees, which approval is requested as part of this report. (Appendix 3 to the 2024 Mayor's Proposed Budget). Exceptions include Automatic Annual Inflationary Adjustments which have previously approved delegated authority and are effective on January 1 each year. These are included for information as part of Appendix 4 to the 2024 Mayor's Proposed Budget.

Recent decisions by Council regarding the Long-Term Financial Plan report ([EX7.1](#)) in September 2023 impacted Toronto Parking Authority. At that time, City Council amended Subsection 179-7D of the Toronto Municipal Code Chapter 179, Parking Authority, to delegate authority entirely to Toronto Parking Authority to fix rates for on-street parking meters or parking machines. As such, details for their rates can be found in the [Toronto Parking Authority Board minutes](#) and in the [2024 Budget Note](#) for Toronto Parking Authority.

At its meeting on December 13, 2023, City Council adopted in item: [EX10.4](#), effective January 1, 2024, the interim 2024 water and wastewater consumption rates and service fees, as well as the interim 2024 solid waste management services rates and service fees adopted in item: [EX10.5](#). The interim fees remain in effect until such time as they are amended or repealed by City Council.

At its meeting on May 5, 2021, City Council adopted item [EX23.2](#) - Innovative Partnership to Accelerate Digital Services with Payments that provided details on and gave authority to City staff to enter into the recommended agreement with PayIt, and provided authority to charge payment processing fees to customers using the PayIT/My Toronto Pay system choosing to pay by credit or debit card.

At its meeting on November 8, 2023, City Council adopted in item [EX9.14](#) Advancing Waterfront East Light Rail Transit that included approval to advance to 60% design of the Queens Quay to Villiers Loop segments and corresponding early works of the Waterfront East Light Rail Transit project.

## COMMENTS

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### **2024 Property Tax Rates and Related Matters:**

City Council will be considering the 2024 Mayor's Proposed Budget at a Special Meeting of Council scheduled to be held on February 14, 2024. In accordance with the COTA, at the end of the budget process City Council is required to approve the tax rates to raise the amount of tax revenue approved in the City's budget by enacting a municipal tax levy by-law.

This report recommends, on a preliminary basis concurrent with the 2024 Mayor's Proposed Budget, the City's 2024 Tax Ratios, Tax Rates and Levy for municipal purposes. If the 2024 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.



Various tax policy decisions are also required to be made by Council, including setting tax ratios in accordance with the statutory requirements.

Provincial legislation stipulates restrictions on tax levy increases for tax classes for which tax ratios are above the Provincial threshold. The commercial tax class is the only remaining tax class with a tax ratio above the Provincial threshold in 2024 and subject to a restriction of up to one-half of the residential tax rate increase.

Toronto's 2024 tax ratio for the multi-residential tax class is 1.899, which is below the Provincial threshold of 2.0, and hence a full levy increase can be applied to the class. In order to continue to mitigate the impact on the Multi-Residential tax class, this report recommends 37 percent the residential increase to be applied to the multi-residential properties, rather than the full amount. This will result in a total property tax increase of 3.5% on the multi-residential property class. This rate is below the amount the Province has defined as an “extraordinary increase” to municipal taxes and charges which, for 2024, is 2.5% plus an additional 50% (i.e., 3.75% total). Maintaining a property tax increase lower than this threshold for 2024 is intended to mitigate impacts to tenants, by limiting potential landlord applications to increase rent above the provincial guideline of 2.5%.

The tax ratios and tax rates recommended in this report incorporate the permissible property tax rate calculation adjustments, an increase in the commercial tax rate of one-half of the residential tax rate increase, an increase in the multi-residential tax rate of 37 percent of the residential tax rate increase, and full increase in the industrial tax rate.

Additional details on the recommended 2024 property tax rates and related policy matters can be found in Appendix A of this report.

Further refinements to eligibility are also recommended to the tax relief programs for low-income seniors and disabled persons, which are further explained in Appendix A.

## **2024 User Fees:**

### *Adjustments Requiring City Council Approval*

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 user fees, any changes to user fees beyond inflation, and user fees for technical adjustment, transfer, discontinuation and/or rationalization as set out in Appendix 3 to the 2024 Mayor's Proposed Budget. Certain fees being recommended to be approved to be added to the existing delegated authority to approve annual inflationary purposes are also included. Details on these fees are included in Table 1 of Appendix B.

The City provided notice to the public of the intent to change existing user fees and introduce new fees. The [public notice](#) was posted on the City of Toronto website more than five business days before the Budget Committee public hearings, where constituents were given the opportunity to provide input or depute the proposed changes to fees.

### *Automatic Adjustments: User Fee Inflationary Increases*

In accordance with the City User Fee Policy, automatic annual inflationary adjustments are increased by the applicable rate of inflation each year. Authority for this increase is delegated to the Chief Financial Officer and Treasurer and incremental revenue expected to be generated from these inflationary fee adjustments is incorporated into the 2024 Mayor's Proposed Budget. Details of these user fees, which have previously approved delegated authority, are included for information in Appendix 4 to the 2024 Mayor's Proposed Budget.

The inflationary adjustment applied to each user fee service is based on a blended rate of the inflation factors for each cost component in the basket of goods used to provide a specific service. This method, which was approved with the User Fee Policy, accurately reflects the inflation rate for each service provided.

### *Interim Rates - Solid Waste Management Services and Toronto Water*

On December 13, 2023, City Council approved interim rates and fees for Solid Waste Management Services and Toronto Water December in order to allow the new rates and fees to become effective from January 1, 2024. The recommended increase, currently approved on an interim basis, is consistent with financial modelling and the increase requirements presented during the 2024 Budget Process and aligned with the 2024-2033 Capital Plan. This report recommends as final for 2024 the rates and fees that were approved on an interim basis on December 13, 2023.

Further refinements to eligibility are also recommended to the rebate programs for low-income seniors and disabled persons for water and solid waste fees, which are further explained in Appendix A.

### **Intergovernmental Infrastructure Funding in the City's 2024-2033 Capital Budget and Plan:**

The intergovernmental funding in City's 2024-2033 Capital Budget and Plan includes the:

- (1) Provincial Gas Tax Fund,
- (2) Canada Community Building Fund (formerly the Federal Gas Tax Fund),
- (3) Disaster Mitigation and Adaptation Fund (DMAF),
- (4) TTC Streetcar Program,
- (5) Investing in Canada Infrastructure Program (ICIP) – Public Transit, and
- (6) Ontario-Toronto New Deal Funding.

There are also a range of smaller funding programs that the City currently leverages to support specific projects, outlined in Table 1 of Appendix C in this report.

The City's 2024-2033 Capital Budget and Capital Plan focuses on investments in both state of good repair and new capital construction. Relationships with other orders of government through funding agreements provide significant capital contributions that help address many of the City's key strategic priorities including investments within our

transit system; opportunities to advance City's, provincial and national climate goals; and to invest in affordable housing needs in the region.

The Intergovernmental and Agency Relations Unit coordinates many of these intergovernmental funding opportunities with support from key divisions including Financial Planning and Accounting Services and divisional project experts. City staff continue to identify additional intergovernmental funding opportunities to leverage funds for City Council approved priority projects. In addition to intergovernmental infrastructure funding, the City continues to seek and advocate for on-going sustainable funding to help service the operating and maintenance costs associated with capital investments. Additional details can be found in Appendix C: Intergovernmental Infrastructure Funding in the City's 2024-2033 Capital Budget and Plan report.

Related to intergovernmental funding, per Budget Committee's recommendation at its meeting on January 26, 2024, staff will develop and bring forward a proposed plan to allocate capital funds made available by the upload of the F. G. Gardiner Expressway and Don Valley Parkway. This report will be presented to the July 2024 Executive Committee meeting and include consideration in allocating funds to state of good repair needs for Transportation Services, TTC and Parks, Forestry and Recreation.

In addition, this report enables implementation of the 2024 Mayor's Proposed Budget by authorizing the General Manager, Parks, Forestry and Recreation and the General Manager, Children's Services, to accelerate project cash flows included in their respective 2024-2033 Capital Budgets and Plans, as operationally required to deliver capital projects associated with state of good repair, community centres, pools, park infrastructure and child care centres, consistent with direction communicated in the 2024 Mayor's Proposed Budget.

### **Other Items Requiring Council Direction:**

#### **TO Live Capital Funding Reallocation Related to St. Lawrence Centre for the Arts Redevelopment Project**

The proposed rebuild of the St. Lawrence Centre for the Arts (STLC) will create a cultural ecosystem where renewed cultural spaces, innovative spaces and gathering spaces will anchor the STLC as a cultural and civic hub along the important Front Street cultural corridor. A stage-gating approach will be implemented to govern the development and approval process for the STLC Redevelopment project. The first phase of the redevelopment includes planning and managing contracts to complete the design schematic. Funding of \$8.6 million, previously approved in 2023, is available for this initial phase of work within TO Live's 10-Year Capital Plan.

As directed by City Council, TO Live was to seek consideration of repurposing and reallocating capital funding of \$47.0 million gross and debt, previously budgeted for SOGR and AODA at the STLC towards the next phases of the STLC Redevelopment. It is recommended that TO Live, in consultation with Corporate Real Estate Management, continue to advance the design of the STLC and report back to Executive Committee by the end of Q2 2024 with refined project cost estimates upon completion of a schematic design, as well as the status of financing strategies prior to commencing the next phase of development, which includes the \$47.0 million in reallocated capital funding within TO Live's 10-Year Capital Plan.

## **Major Special Event Funding for Toronto Police Service**

The \$10.0 million in funding from the City's Major Special Events Reserve (XR1218) is being made available for use by the Toronto Police Service to address premium pay costs in support of major special events held across the City. Due to other policing demands and priorities, policing services for special events causes premium pay. As described in the briefing note entitled "[2024 City Staff Prepared Budget for Toronto Police Service](#)", this added contribution of \$10.0 million available in the City's reserve is funded by property tax base to help address premium pay costs for potential cost recovery relating to providing public safety services during major special events. It is recommended that the Toronto Police Service Board work with the General Manager, Economic Development and Culture on opportunities to leverage and utilize up to \$10.0 million in funds available for the City's major special events.

## **Waterfront East Light Rail Transit**

On November 8, 2023, City Council approved the advancement to 60% design of the Queens Quay to Villiers Loop segments and corresponding early works of the Waterfront East Light Rail Transit (WELRT) project ([EX9.14](#)). Waterfront Toronto, in consultation with the City of Toronto and the Toronto Transit Commission is leading the advancement of the 60% design. Pursuant to [EX9.14](#), City Council provided authority to an increase of \$63.6 million to the Transit Expansion division's 2023–2032 Capital Budget and Plan. Recommendation #20 of this report will enable the City to negotiate and execute an agreement with Waterfront Toronto to transfer a portion of approved project funding from Transit Expansion to Waterfront Toronto to facilitate the completion of the design work noted above.

## **Line 3 Scarborough Rapid Transit (SRT) Busway project**

The 2024 Mayor's Proposed Budget includes capital funding of \$67.9 million for the construction of Line 3 Scarborough Rapid Transit (SRT) Busway project (based on 60% design), from a reallocation of savings from the SRT Life Extension/Transition project, and from property acquisition funding reflected within the Line 1 Capacity Enhancement project. In alignment with prior City Council direction, it is necessary for City staff to continue negotiating with the Province through the Toronto-Ontario Subway Agreement in Principle (AIP) discussions for funding towards the SRT Busway project. This includes funding for the Busway design and final construction costs (at 100% design estimate), as well as, for the decommissioning and demolition of the remaining Line 3 infrastructure, which is, based on an early cost estimate was anticipated to be between \$150 million to \$175 million.

## **Toronto Parking Authority**

It is recommended that the Chief Financial Officer and Treasurer, in consultation with the President of Toronto Parking Authority be directed to report to the Executive Committee on an updated Income Sharing Renewal Agreement no later than December 31, 2024, 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.

## **Increase in Need for Services Attributed to Anticipated Development**

The report recommends that Council express its intent that the increased need for service for new development will be met and any excess capacity will be funded by development charges or similar charges. This is a technical requirement under the Development Charges Act, 1997 to ensure that the City can continue to recover DCs for any excess capacity created in a growth-related project. This would also apply to capital needs constraint projects, which could be moved above the line in the future upon meeting the eligible conditions such as: available funding, coordination needs, etc. Either before or at the time the excess capacity is created, Council must express clear intention that the excess capacity would be paid for by DCs or other similar charges.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Appendix A: 2024 Property Tax Rates and Related Matters

Appendix B: Summary of Chapter 441 Fees Moving to Delegated Authority for Automatic Annual Inflationary Adjustment

Appendix C: Intergovernmental Infrastructure Funding

Appendix D: Budget Bridging and Balancing Reserve Fund Criteria