



Stephen Conforti
Chief Financial Officer & Treasurer

Finance and Treasury Services
City Hall
100 Queen Street West
4 Floor East Tower

Stephen Conforti
Chief Financial Officer &
Treasurer

Tel: 416-397-4229
Stephen.Conforti@toronto.ca
www.toronto.ca

2025 BUDGET BRIEFING NOTE

Global Research on Fiscal Frameworks

Issue/Background:

- On July 24, 2024, through item [MM20.20](#), City Council requested the Chief Financial Officer and Treasurer, in consultation with the City Manager, to conduct jurisdictional research on intergovernmental funding relationships for comparable cities around the world. The item also requested for a report back with any findings in advance of the 2025 budget process to inform ongoing intergovernmental discussions regarding municipal fiscal frameworks.

Key Points:

- A jurisdictional scan of fiscal frameworks in comparable global cities to Toronto was conducted to examine funding structures for municipal services and how other cities manage expenditures, leverage diverse revenue tools, and address fiscal challenges. This briefing note highlights some of the key findings. For a comprehensive analysis of the jurisdictional scan, refer to the research paper attached – Global Research on Fiscal Frameworks.
- As the City continues to advocate for a new fiscal framework, including continuing discussions about the longer-term sustainability of Toronto's finances through the Ontario-Toronto New Deal, it can draw valuable insights from the experiences of cities worldwide. A jurisdictional scan of fiscal frameworks in comparable cities provides an opportunity to identify strategies and strengthen the City of Toronto's advocacy for greater support from other levels of government, moving Toronto away from an overreliance on property taxes and towards a more robust and sustainable financial future.

Policy and Funding Jurisdiction

- Under the Canadian constitution, municipalities derive their authority from provincial and territorial legislation. In the case of Toronto, the Government of Ontario is responsible for delegating and clarifying which policy areas are within municipal jurisdiction.
- Toronto has a primary role in delivering critical services, such as public transit, affordable and social housing, and emergency services. However, Canadian

municipalities generally have limited influence over broader policy decisions made at the provincial and federal level, that impact these services.

- The jurisdictional research revealed that Toronto is distinct in funding and delivering public transit as well as all three emergency services—police, fire, and paramedic services. In most of the cities, public transit and/or emergency services responsibilities are delegated to other levels of government.
- Similar to Toronto, it was found that many cities share delivery and funding responsibility of affordable and social housing, and shelter services.
- The delivery and funding responsibility of social services, such as financial and employment assistance, was found to be shared with other levels of government amongst all cities.

Table 1: Policy Jurisdiction and Funding Responsibility of Worldwide Citiesⁱ

| City | Transit | Affordable and Social Housing | Shelters | Social Services | Police Services | Fire Services | Paramedic Services |
|-----------------|---------|-------------------------------|----------|-----------------|-----------------|---------------|--------------------|
| Toronto | Yes | Shared | Shared | Shared | Yes | Yes | Shared |
| New York City | No | Shared | Shared | Shared | Yes | Yes | Yes |
| Tokyo | Shared | Shared | Unclear | Shared | Yes | Yes | Yes |
| Berlin | Shared | Shared | Shared | Shared | No | No | No |
| Greater London | Yes | Shared | Shared | Shared | Yes | Yes | No |
| Metro Vancouver | Yes | Shared | No | No | No | No | No |
| Vancouver | No | Shared | Shared | Shared | Yes | Yes | No |
| Edmonton | Yes | Shared | Shared | Shared | Yes | Yes | No |
| Montreal | Shared | Shared | Shared | Shared | Yes | Yes | No |
| Chicago | No | No | Yes | Shared | Yes | Yes | Yes |
| Melbourne | No | No | No | Shared | No | No | No |
| Sydney | No | No | No | Shared | No | No | No |
| Birmingham | No | No | Shared | Shared | No | No | No |
| Madrid | No | Yes | Yes | Shared | Yes | Yes | No |
| Helsinki | No | Shared | Shared | Shared | No | Shared | No |
| Eindhoven | Shared | No | Yes | Shared | No | Shared | No |
| Setagaya-ku | No | No | Unclear | Shared | Unclear | Unclear | Unclear |

Government Structure

- Differences in government structure, from single-tier governments to multi-tiered structures, have influence on service delivery and budgetary responsibilities.
- Regional districts and services have the ability to help foster greater regional collaboration amongst municipalities and promote equitable cost-sharing for critical services.
- Some cities have formal agreements and/or mandates for other levels of government to consult or report on the fiscal impact of policies on local government.

- As a single-tier government, coordination of cost-shared services across municipalities is less formalized for Toronto, relative to some other global cities. In addition, there are no requirements for provincial or federal governments to consult on policies that may impact municipal finances.

Revenue Tools

- To manage service delivery and increasing demands, Toronto's fiscal model primarily relies on revenue tools which do not generally capture economic growth including property taxes, land transfer tax, rates, and user fees. It is important to note that municipalities in Canada are required by law to maintain a balanced budget.
- The City's ability to amend existing legislation or create new revenue tools requires permission from the Province.
- Cities with access to high-revenue-generating tools, such as sales and income taxes, often demonstrate greater financial efficiency, autonomy, and success in addressing local needs. The ability to draw on diverse revenue streams allows cities to meet broader demands without over-reliance on a single tax base.
- The jurisdictional scan indicated that in some other global cities, revenues from sales and income taxes are shared between municipal and other levels of governments.

Table 2: Property Tax, Sales Tax, and Income Taxes Access by Cityⁱⁱ

| City | Property Tax | Sales Tax | Income Tax |
|-----------------|--------------|-----------|------------|
| Toronto | Yes | No | No |
| New York City | Yes | Yes | Yes |
| Tokyo | Yes | Shared | Yes |
| Berlin | Yes | Share of | Share of |
| Greater London | Share of | No | No |
| Metro Vancouver | Share of | No | No |
| Vancouver | Yes | No | No |
| Montreal | Yes | Shared | No |
| Edmonton | Yes | No | No |
| Chicago | Yes | Yes | Shared |
| Melbourne | Yes | No | No |
| Sydney | Yes | No | No |
| Birmingham | Yes | No | No |
| Madrid | Yes | Shared | Shared |
| Eindhoven | Yes | No | No |
| Helsinki | Yes | No | Yes |
| Setagaya-ku | Yes | No | Shared |

- Many cities leverage a diverse range of tax tools to generate additional revenue. These tools provide supplementary funding for city services.

- The ability to leverage different tax tools also reflect how global cities have varying degrees of autonomy to create, pass, and amend their own revenue sources.

Table 3: Examples of Tax Tools in Worldwide Cities

| Categories | Source of Tax Revenue |
|--|--|
| <i>Business and Economy-Related Taxes</i> | Income Tax |
| | Sales Tax |
| | Vacant Storefront Tax |
| | Utility Tax |
| | Commercial Rent Tax |
| <i>Land, Wealth and Property-Related Taxes</i> | Property Tax |
| | Real Estate Transfer Tax |
| | Second Home Tax |
| | Special Tax on Land Holdings |
| | Establishment Tax |
| | Foreign Buyer Tax |
| | Stock Transfer Tax |
| <i>Entertainment and Leisure Taxes</i> | Mortgage Recording Tax |
| | Beer, Liquor, Spirits, and/or Alcohol Tax |
| | Cigarette/Tabacco Tax |
| | Commercial Motor Vehicle Tax |
| | Hotel and Motel Occupancy or Accommodation Tax |
| <i>Other</i> | Taxi Medallion Transfer |
| | Residential Carbon Tax |
| | Motor Vehicle Use Tax |
| | Congestion Pricing |
| | Vehicle Fuel Tax |
| | Downtown Parking Sales Tax |
| | Construction Tax |

Prepared by: Anna Hardie, Toronto Urban Fellow – Research Associate, Financial Strategy & Policy, Office of the CFO & Treasurer, 416-338-3821, anna.hardie@toronto.ca

Further information: Cindy Williamson, Manager, Financial Strategy & Policy, Office of the CFO & Treasurer, 416-397-4531, Cindy.Williamson@toronto.ca

Date: January 20, 2025

ATTACHMENTS

Appendix 1 – Research Paper: Global Research on Fiscal Frameworks

ⁱ Service areas categorized as within ‘municipal jurisdiction’ are those explicitly recognized by the province to be within municipal responsibility, characterized by significant municipal budgetary funding, and/or are widely acknowledged as such according to academic literature.

ⁱⁱ “Shared” taxes refer to cases where other levels of government “set the tax base, set the tax rate, and share the revenue with cities”. “Share of” refers to cities that are given a share of the tax revenues. Source: [IMFG](#)