Appendix 1 - Research Paper: Global Research on Fiscal Frameworks

1. 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.

- As the City continues to advocate for a new fiscal framework and future phases of the provincial 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.

2. EXECUTIVE SUMMARY

This briefing note provides an overview of Toronto's historical intergovernmental funding relationships for major cost-shared services and presents a jurisdictional scan of fiscal frameworks in comparable cities around the world. It examines funding structures for key cost-shared services such as public transit and shelters, highlighting how other cities manage operating and capital expenditures, leverage diverse revenue tools, and address fiscal challenges. The research also considers differences in policy and funding responsibilities, government structures, and fiscal autonomy.

The jurisdictional scan for this briefing note includes research on 16 cities worldwide, in comparison to Toronto. The selection of the cities considered various factors such as population size, similarities in fiscal relations and spending by service area. Cities were also selected by gross expenditures per capita and share of own-source revenue as a percentage of total revenue. Additionally, some major metropolitan cities were included due to similarities to Toronto such as being among the largest within their country and economic impact.

For the purposes of this briefing note, major cost-shared services are defined as municipal services that are funded by two or more levels of government, typically to address shared mandates, financial constraints, or services with regional significance. This definition and scope were applied to assess the funding relationships in comparable jurisdictions worldwide, with a focus on identifying best practices and opportunities for improving Toronto's intergovernmental funding framework.

It is important to note that although the jurisdictional scan outlined in this briefing note is comprehensive, there are limitations and comparability challenges due to differences in policy jurisdiction and government structure between cities. Additionally, differences in how operating and capital expenditures are categorized may limit comparability of findings.

Although Toronto is not alone in facing significant financial challenges, this scan found that many other cities are not typically responsible for funding key services such as public transit, emergency services, and housing. Additionally, without appropriate revenue tools that grow with the economy, the City is challenged with enhancing long-term financial sustainability. There are many lessons to be learned from other cities that have diversified revenue streams, fiscal autonomy, and strong intergovernmental fiscal coordination.

3. KEY POINTS

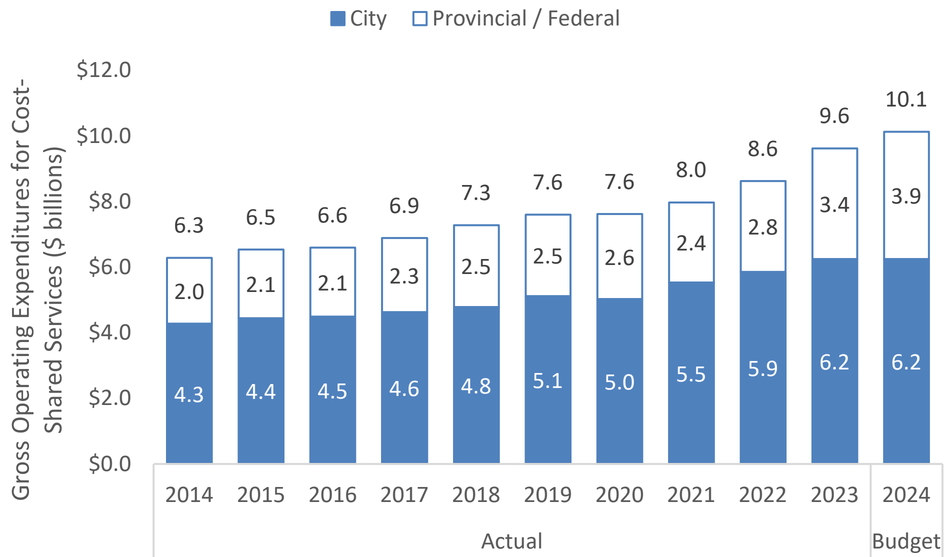
Overview of Toronto's Intergovernmental Funding Relations for Major Cost-Shared Services

Gross Operating Expenditure Trends

Between 2014 and 2023 the City's gross operating expenditures for major cost-shared services[1], increased from \$6.3 billion to \$9.6 billion, at an average annual growth rate of 4.8% (see Figure 1).[2] The share of City funding for these expenditures was relatively consistent over this period, accounting for, on average, just above two-thirds or 67.1% of gross operating expenditures while the province and federal governments provided, on average, 32.9% of funding for cost-shared services. Figure 1 demonstrates a notable increase in funding from provincial and federal governments during 2021 and 2022, driven by pandemic related supports. It is important to note that City-source revenues for cost-shared services increased from \$3.7 billion in 2014 to \$5.0 billion in 2023.

[1] Major cost-shared services include services such as transit, emergency services (police, fire, and paramedics), affordable and social housing, public health, long-term care, children's services, and social services. For more information, see Table 1.
[2] Over the same period, the average inflationary rate was 2.67%.

Figure 1: Total gross operating budget for major cost-shared services from 2014 to 2024 by City and Provincial/Federal funding, $ billions



Note: Numbers include COVID support during the pandemic

While the ten-year trend shown above reflects that the City of Toronto pays for the majority of operating costs of cost-shared services, the share of City funding varies greatly by service (see Table 1 below). For example, the Toronto Transit Commission's (TTC) 2024 Operating Budget had total gross expenditures of $2.6 billion of which the City covered $2.4 billion, or 90%, including transit fares, whereas the provincial and federal governments accounted for $267 million, or 10%, of funding. Similarly, the Toronto Police Service (TPS), the second largest cost-shared service, had a gross operating budget expenditure of $1.4 billion, of which the City covered $1.3 billion, or 96%, and the other levels of government provided the remaining $48 million, or 4%.

In contrast, cost-shared services such as childcare, employment and social services, public health and paramedic services received higher shares of intergovernmental funding, due to being largely within provincial jurisdiction. To see trends over time on municipal versus provincial and federal funding for the City's major cost-shared services, see Appendix 1.

Table 1: Toronto's 2024 Operating Budget by Major Cost-shared Service; breakdown by total gross expenditures, and municipal vs. provincial/federal funding, $ millions

Service	City Division	Total Gross Expenditures	Municipal Funding	Provincial and/or Federal Funding	Municipal %	Provincial and/or Federal %
Transit	TTC	2,641	2,374	267	90%	10%
Transportation	TS	483	476	7	99%	1%
Police	TPS	1,363	1,315	48	96%	4%
Fire Services	TFS	562	561	1	100%	0%

Service	City Division	Total Gross Expenditures	Municipal Funding	Provincial and/or Federal Funding	Municipal %	Provincial and/or Federal %
Paramedics	PS	352	120	232	34%	66%
Shelter	TSSS	846	299	547	35%	65%
Affordable and Social Housing	HS, TCHC	775	528	247	68%	32%
Public Health	TPH	285	91	194	32%	68%
Senior Services & Long-term Care	SSLTC	390	141	249	36%	64%
Childcare	CS	1,105	105	1,000	9%	91%
Social Services	TESS, SDFA	1,330	234	1,096	18%	82%
Total		**10,132**	**6,334**	**3,798**	**63%**	**37%**

While intergovernmental partnerships have provided support for Toronto's major cost-shared services, the above highlights the importance of collaborative funding relationships with other levels of government. Given the City's limited access to revenue tools that grow with the economy and challenges faced as the largest city in Canada, predictable and adequate funding mechanisms are essential to addressing the increasing demands of a rapidly growing and evolving city.

Comparative Analysis of Fiscal Responsibilities and Government Structures Across Cities Worldwide

Policy and Funding Jurisdiction

Under the Canadian constitution, municipalities are not recognized as an independent level of government and are commonly referred to as 'creatures of the province'. Municipalities derive their authority from provincial and territorial legislation, such as Ontario's *Municipal Act* or the *City of Toronto Act* in the case of Toronto. The Government of Ontario is responsible for delegating and clarifying which policy areas are within municipal jurisdiction across the province. There are also multiple legal interpretations to policy jurisdiction, and instances where there are unclear roles and responsibilities for governments and non-governmental parties involved. In many cases, the responsibility of major city services are shared across multiple orders of government. The Institute for Municipal Finance & Governance (IMFG) has released a series of papers on the topic of 'Who Does What' describing the roles and responsibilities of each order of government for a range of services and the importance of clarifying policy jurisdiction.[3]

Despite their primary role in delivering critical services, such as public transit, housing, and emergency services, Canadian municipalities generally have limited influence over broader policy decisions made at the provincial and federal level, that impact these

[3] *Who Does What Series*, Institute on Municipal Finance and Governance.

services. These decisions do not always align with local priorities, needs, or funding capacities.

The jurisdictional research revealed that, in comparison to the worldwide cities analyzed, Toronto plays a unique role in funding and delivering public transit as well as all three emergency services—police, fire, and paramedic services. **None of the other 16 cities were found to have jurisdiction over both transit and all three of these emergency services.** For instance, New York City is responsible for funding police, fire, and paramedic services, but funding for transit primarily falls to the state and is therefore excluded from the New York City budget. Only Toronto and Edmonton were found to have public transit primarily funded at the municipal level. However, in Edmonton, paramedic services are funded and operated by the province, not by the municipality. Further, Edmonton provides transit services on a much smaller scale to Toronto, limited to bus services and light-rapid transit.

In cities like Melbourne and Sydney, there are much fewer localized services that are within their budgetary responsibilities. Services such as public transit and emergency services are funded at the state level, which significantly reduces the financial burden on these cities. For more details on policy and funding jurisdiction across the cities, see Appendix 2.

Government Structure

Government structure refers to the physical and organizational characteristics of a government, such as the population and geography it services, as well as the tiers of administration. These factors significantly influence the funding required for matters such as day-to-day service delivery and the scale of infrastructure development. Appendix 3 provides a detailed comparative overview of government structures across the global cities, focusing on key metrics such as population, land area, and the number of electoral districts or governance tiers. It highlights the differences in municipal organization, from single-tier governments like Toronto to multi-tiered structures such as New York City and Greater London. The research revealed varying scales and administrative complexities that influence service delivery and budgetary responsibilities within the cities, offering insights into how government frameworks relate to structure, including population size and land area.

An example of a city with a unique governance structure in Canada is the City of Vancouver. The local government system in British Columbia includes 27 regional districts, consisting of all 161 municipalities in the province. Regional districts aim to foster greater regional collaboration amongst the municipalities and can promote equitable cost-sharing for critical services like water and sewage services, emergency telephone services (911), and more.

Some cities in the U.S, Austria, and Australia also have formal agreements and/or mandates to help support fiscal relations and policy coordination between different levels of government. In the U.S, some states are required to issue a note on the fiscal impact of policies on local government. In Austria, a formal agreement between the federal, states, and municipal associations requires consultation if a new law or regulation by one government places a financial burden onto another order of government. As for Australia, an agreement is set out where federal, states and territories, and local government are to be consulted on any devolution of powers and its financial impact.

In comparison, Toronto is a single-tier municipality consisting of 25 wards, each represented by a councillor and the mayor. While the City is part of the Greater Toronto Region, coordination of major cost-shared services across municipalities is less formalized 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.

Worldwide Research on Fiscal Frameworks for Key Cost-Shared Services

The following subsections provide comparative examples of jurisdiction and funding frameworks for City of Toronto key cost-shared services. For the purposes of this briefing note, public transit, shelter services, affordable and social housing, and paramedic services were selected as key for comparison due to factors including the service and cost demands they place on the City's budget, and the noteworthy differences from Toronto in jurisdiction and funding frameworks found through the global research.

Public Transit

The jurisdictional scan revealed that, in most of the selected worldwide cities, transit systems are typically funded, operated, and coordinated through a regional or provincial-equivalent level body, such as the prefecture or state. Toronto and Edmonton stand out as unique cases where the majority of transit costs are funded by the municipal government. In contrast, transit systems in New York City, Tokyo, London (U.K), Vancouver, Chicago, Melbourne, Sydney, Birmingham, and Madrid are all examples of transit systems that are primarily funded, at either the regional or provincial-equivalent level.

Transit systems in other cities are funded in various ways by other levels of government or regional bodies, examples include:

- **Tokyo:** Tokyo Metro was initially owned jointly by the federal government and Tokyo Metro Government. However, in October 2024, 50% of the transit system was listed out on the Tokyo Stock Exchange to raise revenues and is therefore now half owned by the private investors, raising $2.3 billion.

- **New York:** New York City has ownership of the transit system while the State of New York holds much of the decision-making and funding authority. As a result, the New York City Transit Authority is excluded from the city's budget.
- **Metro Vancouver:** TransLink, a regional transportation authority established by the province, is responsible for developing a robust transportation network in Metro Vancouver, including public transit, roads, bridges, and infrastructure supporting walking and cycling. In the 2024 Budget, TransLink had $420 million in revenues from senior government transfers.
- **Montreal:** Revenues collected to fund transit may be tailored to specific geographies and populations that benefit from having access to public transit. For instance, in Montreal, Société de transport de Montréal (STM) receives most of its funding directly from the Autorité régionale de transport métropolitain (ARTM) who is responsible for strategic planning of public transit, financing of services, and deciding the fare framework. By district, the City of Montreal applies a range of "special taxes" in addition to property taxes, including the ARTM tax which contributes directly to funding the regional transit system. In ARTM's 2024 Budget, total contributions from municipalities were projected to account for approximately 31% of total revenues.

In comparison to the key findings above, Toronto's 2024 Operating Budget reflected that the City's budget for the TTC is primarily funded by the City (90%), with a strong reliance on property taxes and transit fares, while the remaining operating funding is from other levels of government (10%). The TTC is the largest public transit system in Canada and provides regional benefits. While its operations provide benefits beyond municipal boundaries, its funding is primarily derived from municipal sources. For example, 13% of transit trips start or end outside of Toronto.

Outside of Canada, funding for transit systems often is secured through dedicated taxes. In addition, public transit tends to be funded by levels of government that have access to revenues collected through income and/or sales taxes. For example, as noted above, New York and Tokyo's transit systems are major networks supported by governments that have access to these tax revenues that grow with the economy to fund its transit operations.

Research by the IMFG also notes that the importance of transportation governance must be emphasized in the discussion of securing sustainable financing for public transit, as the governance structure and distribution of responsibilities influences how multiple level parties and levels of government can coordinate with each other and plan future projects.

Shelter Services

The research on the selected cities worldwide revealed notable insights into the shared challenges and approaches in addressing shelter demands. It highlighted the global need for clearer jurisdictional responsibility and coordinated funding between levels of government in achieving sustainable progress to address homelessness and housing insecurity.

Key findings in global cities include:

- **Cities in Australia (Sydney, Melbourne):** In Australia, state and territory governments have primary responsibility for homelessness. The federal government also provides supports through the National Housing and Homelessness Agreement which provides around $400 million a year in homelessness funding to states and territories of which states and territories are required to match their share of homelessness funding.
- **Helsinki:** Homelessness has declined significantly over 30 years, from 18,000 individuals in 1987 to 5,482 in 2018, with over 60% concentrated in the metropolitan area. National policies provided central funding for non-profit organizations to purchase apartments from the private market, enabling about 80% of individuals experiencing homelessness to access housing. A successful partnership between national funding and local implementation highlights the effectiveness of the Housing First principle to invest in community housing and homelessness prevention, reducing the cost of shelter services.

In comparison to the key findings above, Toronto's 2024 Operating Budget reflected that Toronto Shelter and Support Services are primarily funded by other levels of government (65%) while the remaining operating funding is from the City (35%). TSSS operates the largest municipal shelter system in Canada, with more shelter beds per capita than any other municipality. Variability in funding from other levels of government can impact the ability to plan long-term for shelter services and homelessness prevention.

Affordable and Social Housing

The research on the selected worldwide cities indicated that affordable and social housing programs and services vary widely, ranging from market-oriented and incentive-based programs to direct housing provision. In addition, globally, there is great diversity in governance models and funding structures for affordable and social housing.

Below are a few examples of how the structure and funding of affordable and social housing programs and public housing are set up in other cities:

- **Eindhoven:** Social housing is entirely funded and operated by the not-for-profit sector, eliminating the need for direct government subsidies. As of 2022, not-for-profit entities owned about 29% of the housing supply in the Netherlands. These units are managed by 284 non-profit housing associations who build, own and manage a total of about 2.3 million units across the country. The non-profit housing associations are financially self-sufficient by relying on strategies such as portfolio-based financing, long-term guaranteed loans, and tenant rental assistance subsidies from the federal government. The national government also regulates the affordability (i.e. rent), quality, and availability of social housing.

- **Helsinki:** In Finland, the role of cities is largely to promote improving efficiency of the housing development process and setting local targets. For instance, many major cities aim for 25-55% of new housing stock to be non-profit. As for the provision of affordable and community housing, non-profit foundations play a critical role. The financial portfolio of the Y-Foundation[4] reflects revenues from government subsidies and rental income. The Y-Foundation also issues bonds in order to finance construction of new units and relies on a small amount of private sector loans. The national government subsidizes the bond interest rate so future payouts to borrowers are lower for the foundation.
- **New York City (NYC):** Affordable and public housing is less prominent in NYC than in Eindhoven or Helsinki, however funding support from the federal government far exceeds that in Toronto. For example, the 2024 operating budget for New York City Housing Authority (NYCHA) includes $5.0 billion USD in expenditures, of which federal supports account for around 61% or $3.0 billion USD and city funds account for just 4% or $205 million USD. As for capital expenditures, the NYCHA's 2024-2028 5-year capital budget expects $8.2 billion USD in spending of which 54.4% ($4.5 billion USD) is funded by the federal government, 38.7% ($3.2 billion USD) is funded by the city, and 4.3% ($355 million USD) is funded by the state.

Toronto's 2024 Operating Budget reflected that Housing Secretariat is primarily funded by the City (68%) while the remaining operating funding is from other levels of government (32%). However, this excludes the recent significant capital investments made by the City in support of new housing supply. For example, the 2025 10-Year Capital Plan includes over $9.0 billion to be invested in housing, the vast majority of which is funded by the City (95%), and 5% coming from other levels of government. The total investment includes direct funding for upgrades to community housing facilities and City-led housing supply projects, as well as City foregone revenue and financial incentives ($4.5 billion) for the development industry to promote new housing units.

Paramedic Services

Diverse approaches to funding and delivering paramedic services were found through the global jurisdictional research. In Toronto these services are delivered and partially funded at the municipal level. In contrast, other cities often have provincial or state-level management and rely on a mix of government funding and user fees.

[4] The Y-Foundation is an independent, non-profit social housing landlord and social enterprise, and owns 18,500 apartments across 57 municipalities. The Y-Foundation builds, renovates, and leases buildings for use in Housing First projects through partnerships with municipalities and other non-governmental organizations.

Noteworthy variations in paramedic service delivery frameworks and funding responsibilities include the following:

- **Vancouver**: Paramedic services are managed and delivered by the BC Emergency Health Services (BCEHS), a provincial body responsible for emergency health and ambulance services across British Columbia. BCEHS collaborates with the Provincial Health Services Authority to ensure coordinated care for a population of 5.2 million.
- **Edmonton**: Paramedic services are subsidized and managed at the provincial level by Alberta Health Services. User fees range from $250 to $385 per service, though exemptions and subsidies are available for specific groups, such as individuals with government insurance or low income.
- **Sydney**: Paramedic services are provided by the state of New South Wales (NSW). NSW ambulance fees range from $445 to $7,229 (AUD), depending on the service and patient status, with pricing regulated by the Independent Pricing and Regulatory Tribunal. Residents of NSW pay 51% of the service cost, with the state government subsidizing the remaining 49%. Exemptions are available for residents with private health insurance or those who meet specific criteria.

These findings highlight Toronto's municipal delivery and funding model differs from shared or state-driven frameworks in other cities, where user fees and provincial oversight are common. Toronto’s 2024 Operating Budget reflected that Paramedic Services is primarily funded by the Province (66%) while the remaining operating funding is from the City (34%). Toronto Paramedics Services is the largest municipal paramedic service in Canada and a critical component of the healthcare system, which is a provincial responsibility.

Revenue Tool Availability in Comparable Cities

Municipalities in Canada are required by provincial law to maintain a balanced budget each year and are responsible for delivering critical services. These responsibilities are primarily funded through property taxes and intergovernmental funding agreements, which are often time limited. Toronto manages its budget with these constraints while addressing pressures such as population growth, service expansion, cost downloading, and increasing program delivery costs. Additionally, the City’s ability to amend existing legislation or create new revenue tools requires permission from the Province.

The remainder of this section focuses on revenue-generating opportunities through taxation. While a variety of rates and user fees contribute to municipal revenues, a jurisdictional scan of specific rates, fee structures, and service fares in other cities was beyond the scope of this analysis.

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 jurisdictional scan across the cities worldwide indicated that revenues from sales and income taxes are commonly shared between municipal and other levels of governments. For instance, cities such as Tokyo, Madrid, and Berlin have cost-sharing arrangements where sales and/or income tax revenues are shared between local and other levels of government. While these cities may have jurisdictional responsibilities for major expenditure programs, such as education — an area not within Toronto's jurisdiction — their ability to draw on diverse revenue streams allows them to meet broader demands without over-reliance on a single tax base, such as property taxes.

New York City benefits from a combination of local income and sales taxes in addition to property taxes, and similarly, Chicago imposes a local sales tax and receives shared revenue from state income taxes. In Helsinki, the city gains revenues from the municipal income tax as well as a portion of the national corporate income tax. In 2023, the municipal tax rates ranged from 4.36% and 10.86% across Finland. As for cities in the Netherlands, almost three quarters of income for municipal governments are from the central government (equivalent to federal), a trend that has occurred over the past 20 years. For more details on access to property, sales, and incomes taxes by city, see Appendix 4.

Toronto's fiscal model primarily relies on revenue tools including property taxes, land transfer tax, rates and user fees. The Toronto region contributes to 52% of Ontario's GDP and 20% of Canada's. While Toronto is the economic engine of Canada, accounting for 1 in every 5 jobs in Ontario, and attracting millions of visitors each year, the City does not have access to tools such as sales or income taxes that grow with the economy. Comparable cities with diversified revenue sources may be better positioned to address rising service demands and economic fluctuations, enabling them to invest in transformative programs and achieve financial sustainability.

Beyond property, sales, and income taxes, a 2017 jurisdictional study published by the IMFG highlighted the significant range of revenue tools available to cities worldwide. For example, many cities leverage a diverse range of tax tools to generate additional revenue which include motor vehicle taxes, tobacco taxes, residential carbon taxes, TV taxes, dog taxes, and alcohol taxes. These tools not only provide supplementary funding for city programs but also reflect how global cities have varying degrees of autonomy to create, pass, and amend their own revenue sources. For more details on additional tax tools, please see Appendix 5.

Financing of New Growth Infrastructure and State-of-Good-Repair in Comparable Cities

Municipalities in Canada, such as Toronto, use a wide range of financing tools to fund capital expenditures, ensuring the construction of new projects and the maintenance and improvement of existing infrastructure. Three primary instruments for financing capital investments are borrowing, reserves, including those for growth-funding tools, and grants from other levels of government. These funding mechanisms are crucial for critical infrastructure such as roads, transit systems, and public facilities.

New Growth Infrastructure Financing

The City's funding for growth-related infrastructure is supported by growth-funding tools, including development charges (DCs), community benefits charges (CBCs), and the alternative parkland dedication rate. These tools are designed to ensure that "growth pays for growth" by charging developers to help fund the infrastructure required to support new developments. Where revenue from these tools is insufficient to fully cover costs, the City supplements financing through mechanisms such as debt, other reserves, and intergovernmental grants.

Over the last decade, DC revenues have played a role in financing major City capital projects for critical services such as public transit. As the city continues to grow and infrastructure costs increase, there may be need to explore alternative funding mechanisms to address long-term financial requirements.

The research on the worldwide cities indicated that a diverse range of tools and frameworks are used to fund growth-related infrastructure, in relation to jurisdictional differences in ownership, governance, and financial autonomy. While DCs are a common mechanism, many cities face limitations in their ability to fund infrastructure, necessitating additional sources such as user fees, intergovernmental grants, and private sector partnerships. Understanding these variations provides insights into the challenges and opportunities cities face in delivering sustainable growth-related infrastructure.

Examples of the findings on growth-related infrastructure financing include the following:

- **New York City**: The city imposes various impact fees to fund new development which are designed to address issues including gentrification, increased infrastructure usage, and environmental impacts. The charges only apply to specific types of development and, as a result, there is ongoing debate about introducing a new one-time impact fee on all new developments to offset broader impacts on local infrastructure, services, and the environment. Currently, New York City does not have this impact fee policy in place. There is also a lack of clarity in the New York State law and disputes over the authority of local governments to implement impact fees on their own.
- **Metro Vancouver**: For Metro Vancouver, the City of Vancouver collects regional Development Cost Charges (DCCs) on its behalf, with rates varying by area and building type. Similar to Toronto, Metro Vancouver faces funding challenges in delivering growth-related infrastructure, for example for its water and sewer systems. The region has sought legislative changes to increase liquid waste and water DCC rates, and to introduce a new DCC for regional parkland acquisition. Where DCCs are insufficient to fully fund growth-related projects, the region relies on other funding sources including long-term debt, contributions from the

operating budget, reserves, and grants from other levels of government. Overall, a large portion of Metro Vancouver's budget is financed by utility fees collected from providing water, sewage, and solid waste services.

The global research also revealed that when looking at water and sewer infrastructure, specifically, there is variability in ownership and funding for this infrastructure in cities worldwide:

- **Ontario**: Large and medium-sized municipalities commonly use DCs to fund water, sewer, and stormwater infrastructure related to new development.
- **United States**: Water and sewer systems are typically managed at the regional level, similar to the structure of electricity distribution in Ontario.
- **United Kingdom**: Water infrastructure is integrated at a regional level and features mixed ownership models, with delivery often handled by private sector entities.
- **Europe**: Ownership and delivery of water services are frequently contracted to national or across national border utility companies, showcasing a model where services are scaled regionally with significant private sector involvement.

State-of-Good-Repair (SOGR) Financing

In North America, SOGR is an infrastructure maintenance benchmark used to guide municipal capital budgets. The City of Toronto defines SOGR as the cost of maintaining assets to ensure they are able to support the delivery of city services and meet service demands. The City has an expansive asset inventory and an aging infrastructure. Aging infrastructure requires more frequent and intensive investments to meet safety standards, minimize service disruptions, and extend asset life cycles.

Findings from the jurisdictional scan on the selected global cities revealed that Toronto is not alone in facing a large SOGR backlog and there are numerous financing strategies being used. The following are a few examples from the research:

- **Montreal:** Montreal faces significant challenges in maintaining and upgrading its aging infrastructure, including roads, bridges, and public transit systems. The city's harsh winters exacerbate wear and tear, increasing repair needs and costs. Montreal has utilized "public-public partnerships"[5] to develop major infrastructure. The Reseau express metropolitan (REM) project (evaluated cost of $7.95 billion) exemplifies Montreal's use of public-public partnerships to finance infrastructure in need of repair.
- **New York:** New York's Metropolitan Transportation Authority (MTA) is an agency funded largely by the state of New York. The MTA faces significant repair backlogs, particularly in subway ventilation and repair shops, although some

[5] Public-public partnerships (PuPs) is a type of financing and/or service model where two or more public or non-governmental entities coordinate and pool resources. For more details see Is There an Ideal Approach to Northern Development? And Public-Public-Partnerships-Report-Feb-2012-1.pdf

progress has been made in reducing the repair backlog over the past decade. To create new funding sources, the 2020 MTA budget included new funding tools such a congestion pricing scheme and increased revenues from a sales tax on internet sales and the mansion tax. New York City has also leveraged federal funding through the Infrastructure Investment and Jobs Act which provided $11 billion USD across the state and may help transit systems to address some of the backlog in SOGR needs.

- **Greater London:** Greater London area faces various SOGR needs, for example across its transit network. The London Underground (the "Tube"), notes that the backlog of defects and poor condition have been reduced due to strong investment in the mid-2010s. However, the SOGR of road assets has been declining for the last five years due to the loss of government subsidies and pandemic impacts.
- **Sydney:** Across Australia, the state and local governments play an important role in funding SOGR for local infrastructure. In the City of Sydney, water, stormwater, and sewage infrastructure is largely funded by Sydney Water, a state agency, which serves residents of Greater Sydney, Blue Mountains, and the Illawarra. Funding for public transit is also a state responsibility in Australia, meaning that local governments are not responsible for financing the SOGR for transit. As for road infrastructure, repairs on local roads are funded mainly by the local government. In 2023, the New South Wales Government (state) also provided some funding support by announcing $500 million to assist local councils across the state with urgent road repairs, in response to the significant infrastructure damage caused by severe flooding, storm damage and persistent wet weather events that occurred during 2022.

The City continues to advance capital infrastructure investments and explore sustainable long-term financing strategies to address on-going SOGR needs. The $1.9 billion in financial relief provided by the upload of the Gardiner Expressway to the province highlights the role intergovernmental funding relationships have in supporting the City's priorities, including both SOGR and growth and service improvements.

4. CONCLUSION

The findings of the jurisdictional research highlight the financial variations and funding strategies in place across global cities. In Toronto, a large portion of operating costs for services such as transit, shelter, housing, and emergency services is funded through municipal resources. These costs are primarily supported by an overreliance on property taxes, other and non-scalable revenue tools and often short-term funding arrangements with the provincial and federal governments. In comparison, some cities benefit from diversified and scalable revenue streams, such as income and sales taxes, and structured intergovernmental funding arrangements.

Toronto faces systemic and complex challenges as it navigates its jurisdictional responsibilities and evolving demands. This includes exploring options for regional cost-sharing models, access to higher revenue-generating tools that grow with the economy, and improved policy coordination with other orders of government. Insights from this jurisdictional scan emphasize the importance of stable and predictable long-term funding mechanisms to support the delivery of critical services and address the needs of a growing population.

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ATTACHMENTS

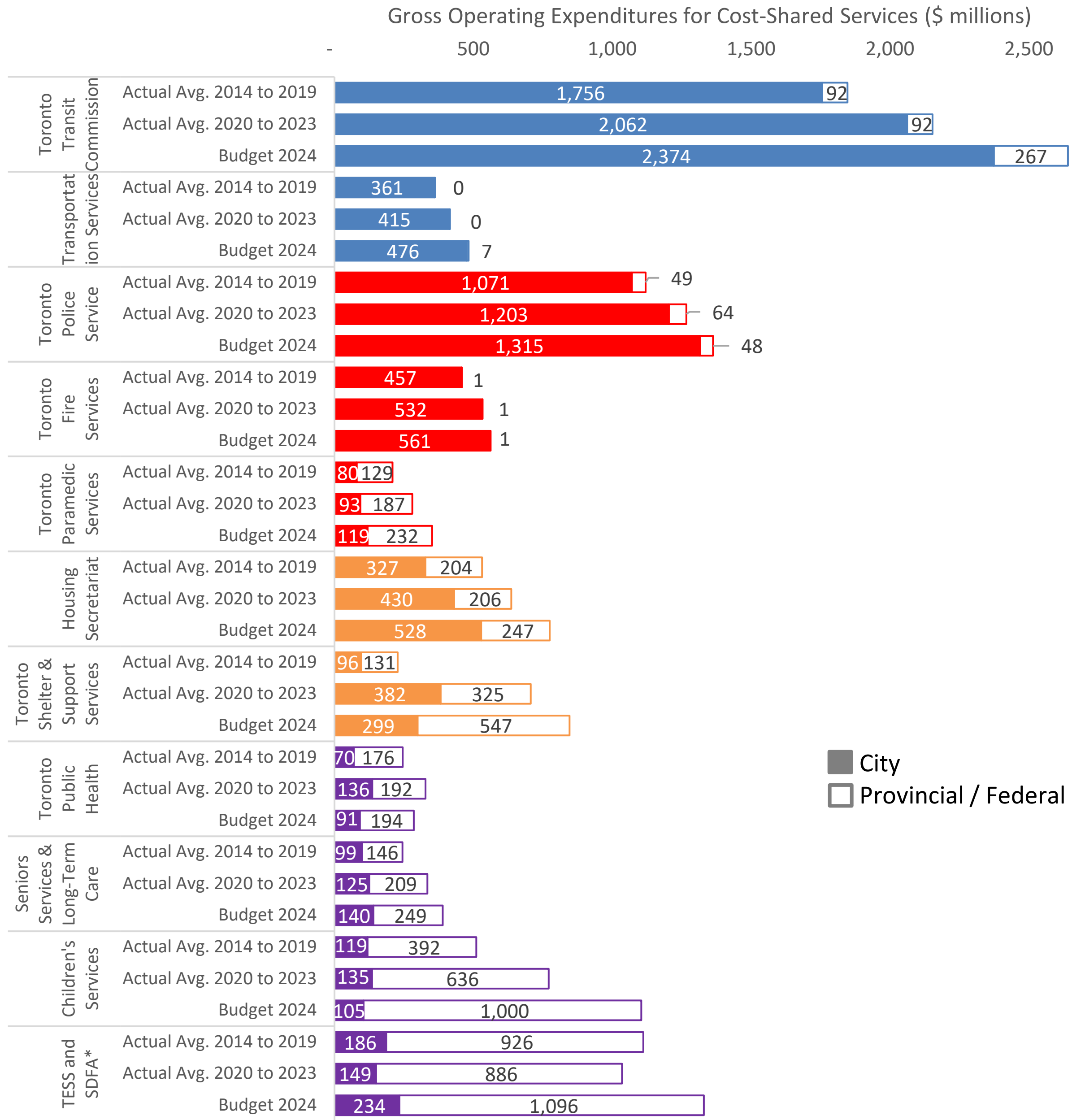
Appendix 1 - Intergovernmental Funding for Cost-Shared Operating Expenditures
Appendix 2 - Funding Responsibility and Policy Jurisdiction
Appendix 3 - Government Structures
Appendix 4 - Property Tax, Sales Tax, and Income Taxes by City in 2024
Appendix 5 - Examples of Tax Tools in Worldwide Cities

APPENDICES

Appendix 1

Intergovernmental Funding for Cost-Shared Operating Expenditures

City and Provincial / Federal government funding for operating expenditures by major service area comparing 2014-2019 actual average, 2020-2023 actual average, and 2024 Budget



*TESS - Toronto Employment & Social Services
SDFA - Social Development, Finance & Administration

Appendix 2

Funding Responsibility and Policy Jurisdiction

Funding responsibility of worldwide cities for cost-shared services based on policy jurisdiction in 2024:

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

Note: This section on government jurisdiction interprets the term ‘funding responsibility’ broadly. 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.

Appendix 3

Government Structures

City	Population* (millions)	Land Area (km-squared)	Electoral districts and governance structure
Toronto	3.2	630	Single-tier municipal government with 25 wards represented by a councillor.
New York City	8.3	489	NYC contains 5 boroughs (Manhattan, Brooklyn, Queens, Staten Island, and The Bronx), with 51 districts each represented by a councillor.
Tokyo	9.7	627	Tokyo is a metropolitan prefecture consisting of 62 wards/cities/town/villages, of which the “central” area is made up of 23 special wards and has a population of 9.7 million. The 23 special wards are home to 69% of the prefecture’s population. Each ward, city, town, or village has its own budget and therefore the Tokyo Metropolitan Government can be understood to be similar to other provincial or state level governments.
Berlin	3.9	892	Berlin is considered a federal state within Germany and consists of 12 boroughs.
Greater London	8.9	1,572	London is commonly referring to Greater London which consists of 32 boroughs, and the City of London. The City of London largely represents the financial district of London and contains a resident population of 8,600 people as of 2021.
Metro Vancouver	2.6	2,879	Metro Vancouver is a partnership consisting of 21 municipalities, one electoral area and one treaty First Nation which plan and deliver regional-scale services such as water, waste water, and other services.
Vancouver	0.7	114	City council for the City of Vancouver is made up of 10 councillors who are elected at large. The Metro Vancouver Regional District consists of 21 municipalities, including the City of Vancouver.
Edmonton	1.0	700	City of Edmonton consists of 12 wards, each of which are represented by a councillor.
Montreal	1.8	365	There are 19 boroughs in the City of Montreal. For election and representation purposes, each borough is divided into districts. The City of Montreal has a total of 58 electoral districts and resides within the Greater Montreal, which encompasses 82 municipalities.
Chicago	2.7	366	City of Chicago publishes a budget each year and has 50 legislative wards, each of which is represented by an alderperson.
Melbourne	0.1	37	City of Melbourne is a local government and consists of 9 councillors and 11 neighbourhood areas. The city exists within the Greater Melbourne region which had a population of 4.9 million (as of 2021).
Sydney	0.2	26	City of Sydney has 9 councillors and consists of 32 local government areas. The City of Sydney resides within the Greater Sydney area which provides regional services and has a population of 5.2 million

			(as of 2021). Similar to Canada, local governments are given authority from the state government and are not mentioned in the Australian Constitution.
Birmingham	1.2	268	City of Birmingham consists of 69 wards, each of which elects one to two councillors to members of city council. The city resides within the West Midlands region.
Madrid	3.3	606	Madrid is a city that consists of 21 districts with 128 wards.
Setagaya-ku	0.9	58	Setagaya-ku is one of the 23 special wards within the Tokyo prefecture.
Helsinki	0.7	138	The City of Helsinki exists within the Greater Helsinki region, alongside three other municipalities.
Eindhoven	0.2	88	City of Eindhoven has 20 boroughs and exists within the Metropolitan Region Eindhoven, alongside 20 other municipalities.

*Population numbers represent the most recent year for the data available ranging from 2021 to 2024 at the time of writing this report.

Appendix 4

Property Tax, Sales Tax, and Income Taxes Access by City in 2024

The table below compares the three most common types of taxes available to the selected global cities: property tax, sales tax, and income tax. The City of Toronto does not generate or receive revenue from sales or income taxes, unlike many cities worldwide, such as Chicago and Madrid. Metropolitan cities such as New York City and Tokyo can also levy sales and income taxes. Some example cities, such as in the case of Quebec, a share of the provincial value-added tax (i.e. sales tax) is provided to municipalities, including Montreal.

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

Note: “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 and other sources.

Appendix 5

Examples of Tax Tools in Worldwide Cities

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

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