

Toronto's Fiscal Future

Revenue Alternatives & Accountability Gaps

A Strategic Analysis of the 2026 Budget Recommendations and Long-Term Structural Reform.

Darrell Brown - Jan. 21, 2026
Budget Committee Deputation

Analysis based on the 2026 Operating Budget, TIF Policy Report,
and Alternative Funding Sources Research. January 2026.

The Strategic Imperative

\$46.5 Billion 10-Year Funding Gap

Toronto faces a structural mismatch: the city bears the costs of a senior government but relies on the revenue tools of a small town.

The Diagnosis

- 1. Managed Austerity:**
The 2026 budget leaves **\$1B in structural pressure** and relies on reserve draws.
- 2. The Growth Paradox:**
Property taxes are flat while service costs grow with the economy.
- 3. The Blind Spot:**
Lack of ward-level data prevents ROI tracking.



The Recommendations

- 1. Unlock Revenue:**
Implement true Tax Increment Financing (TIF) and advocate for a **1% Municipal Sales Tax (\$360M/yr)**.
- 2. Enforce Transparency:**
Mandate ward-level spending reports.
- 3. End Secrecy:**
Eliminate business confidentiality exemptions.

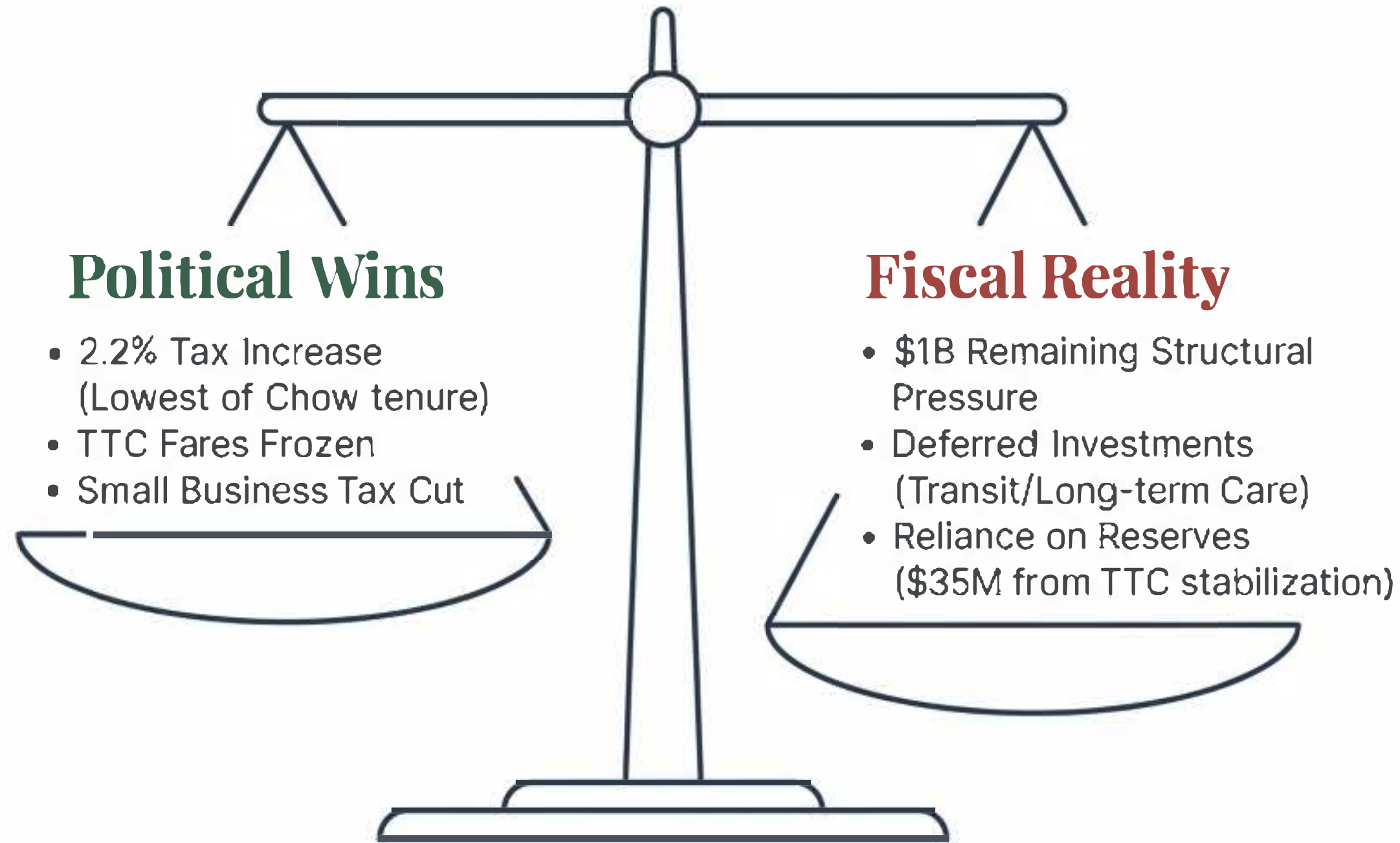


The Outcome

- Path A:
Managed Decline
(Status Quo)
- Path B:
Sustainable Growth
(Reform)
- **Path B**
The Clear Choice for
Toronto's Future.



2026 Snapshot: Competency Within Constraints



The Credit Rating Paradox

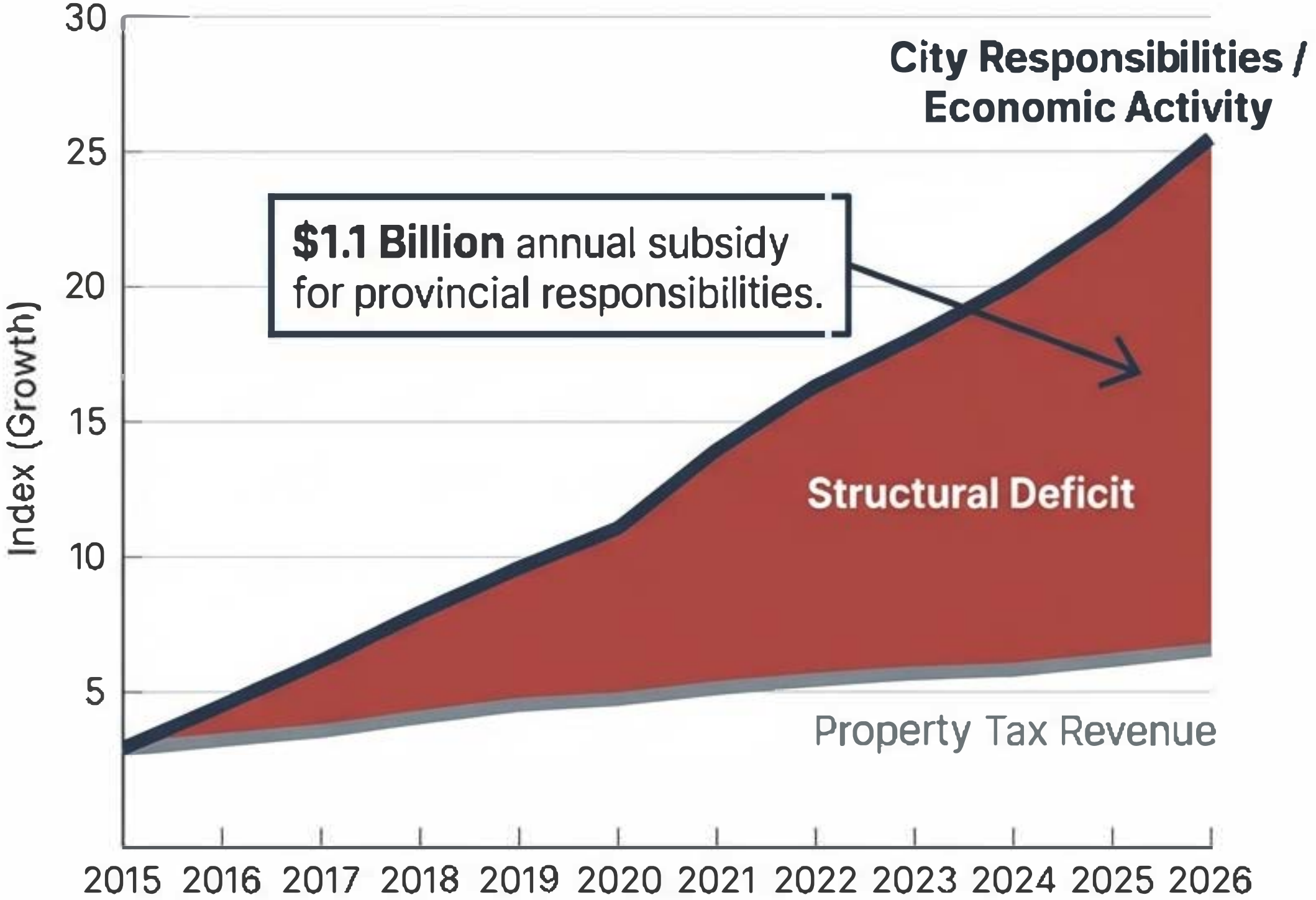
Status: AA+ (Upgraded)

Analysis: Rating agencies reward debt management, not infrastructure health. A city can maintain AA+ status while transit systems crumble due to deferred maintenance.

Context: The pivot from a 9.5% hike (2024) to 2.2% (2026) suggests election-year calibration.

The Structural Trap: Why Property Tax Fails

The widening gap between economic growth and city revenue capability.

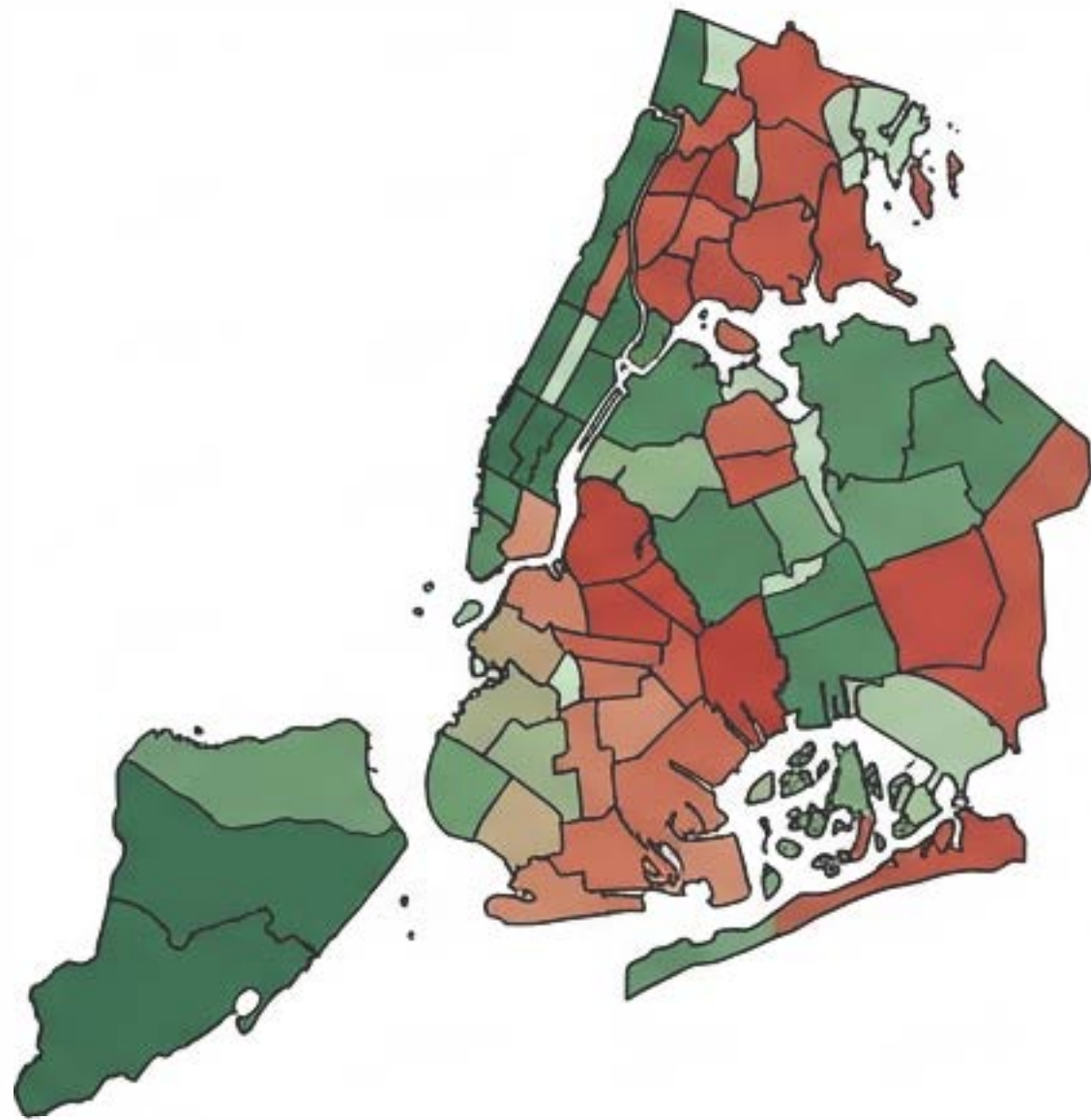


The Problem: \$1.1B of property tax funds senior government files (Social Housing, Public Health, Transit Operations).

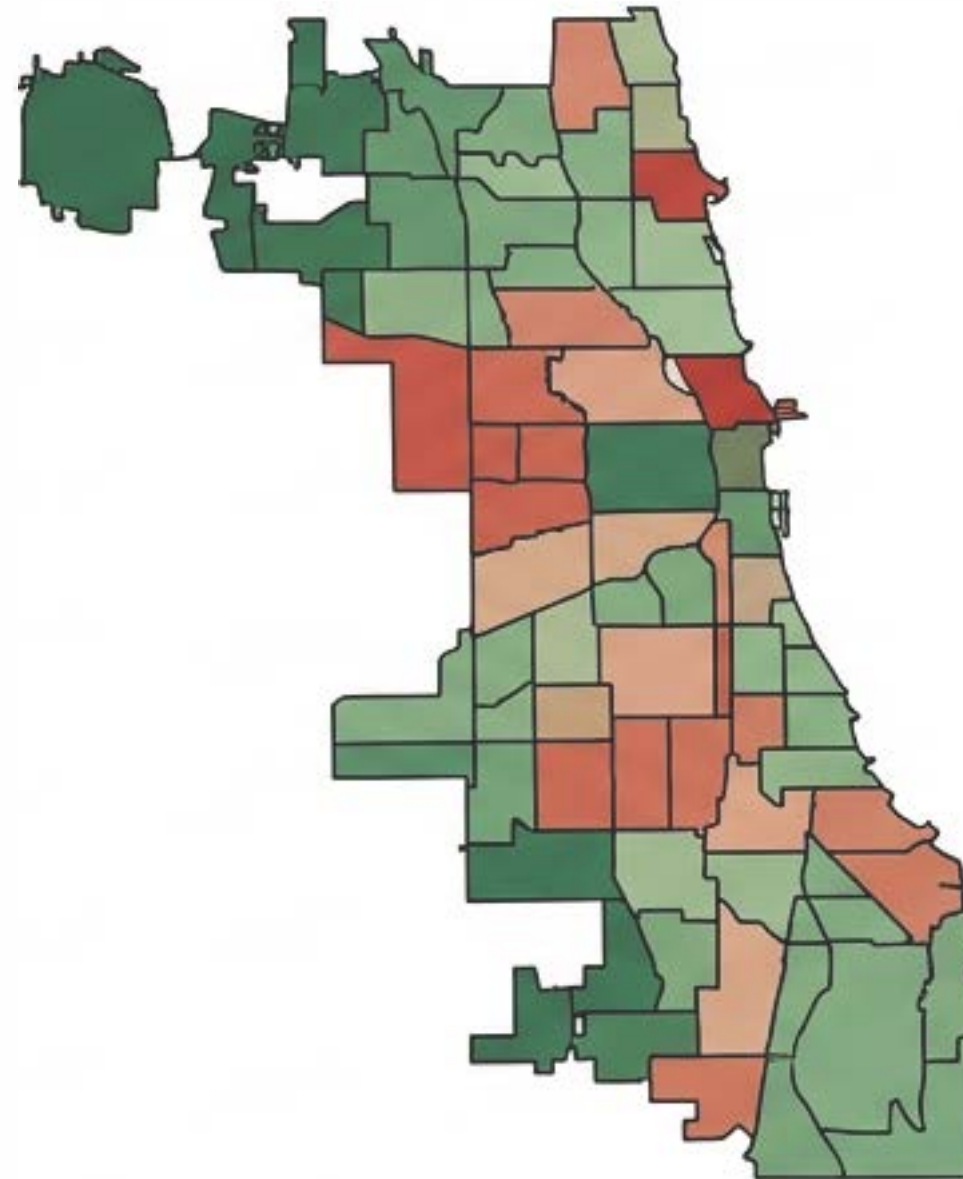
The Flaw: Property taxes do not capture economic upside. When the economy expands, the City incurs costs (congestion, demand) but captures zero value without rate hikes.

The Reality: At the current deficit reduction pace (~\$100M/year), it will take a decade to close the gap.

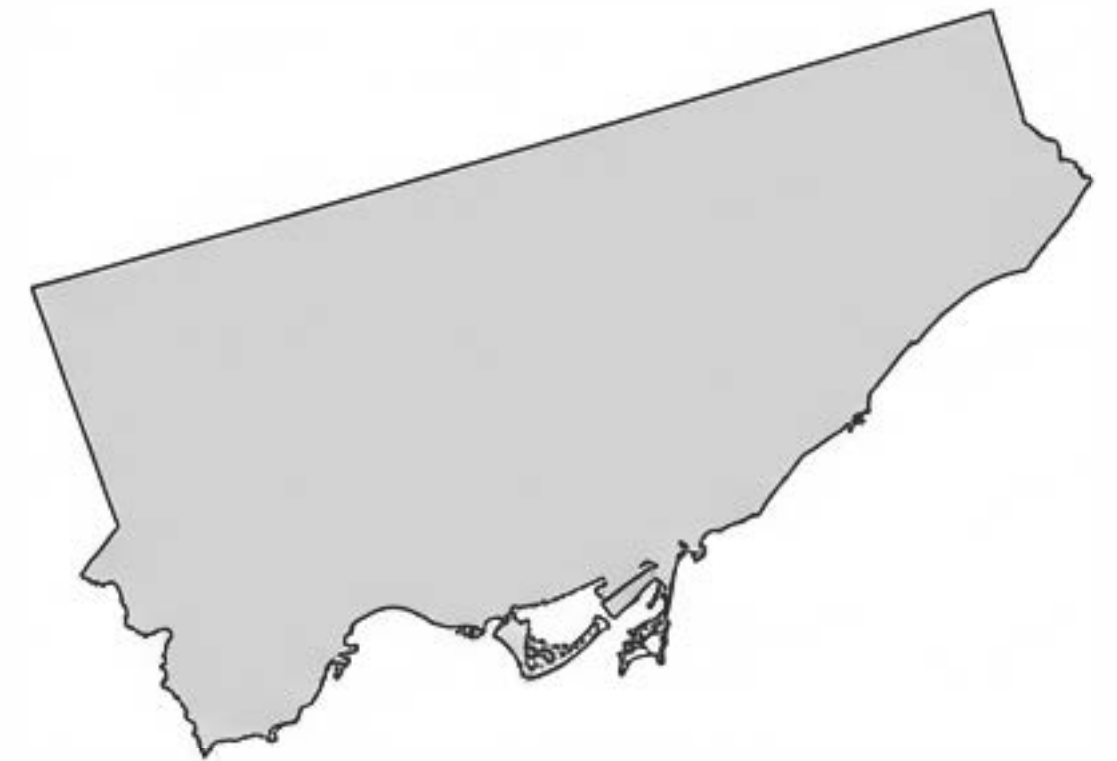
The Transparency Void: Geographic Accountability



NYC: Capital Plans by Community Board



Chicago: Ward Menu Allocations

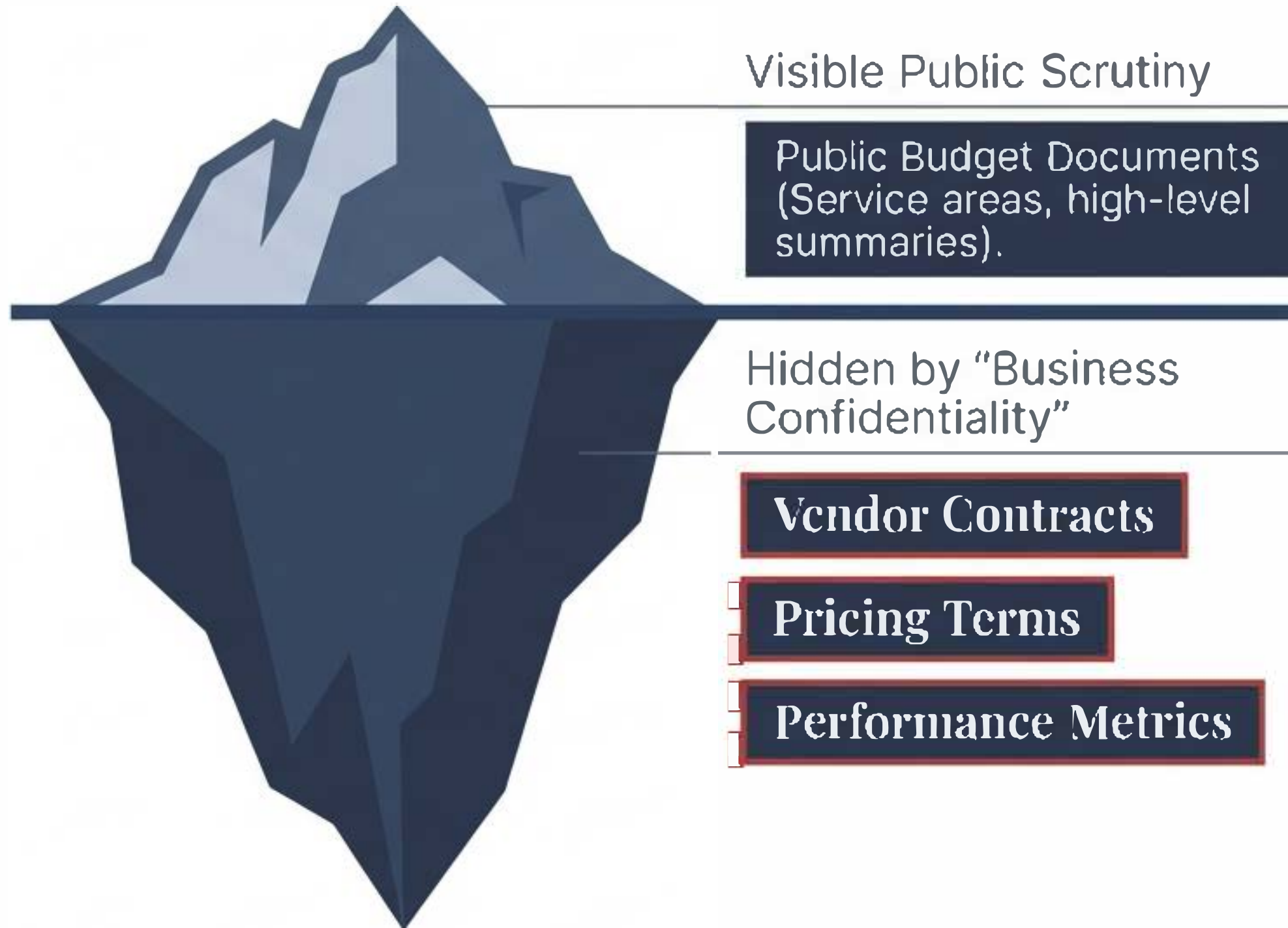


Toronto: NO DATA

What We Cannot See

- Revenue allocations by ward.
- Return on taxpayer dollar by constituency.
- Capital investment distribution (Inner suburbs vs. Downtown).

The Transparency Void: Contract Secrecy

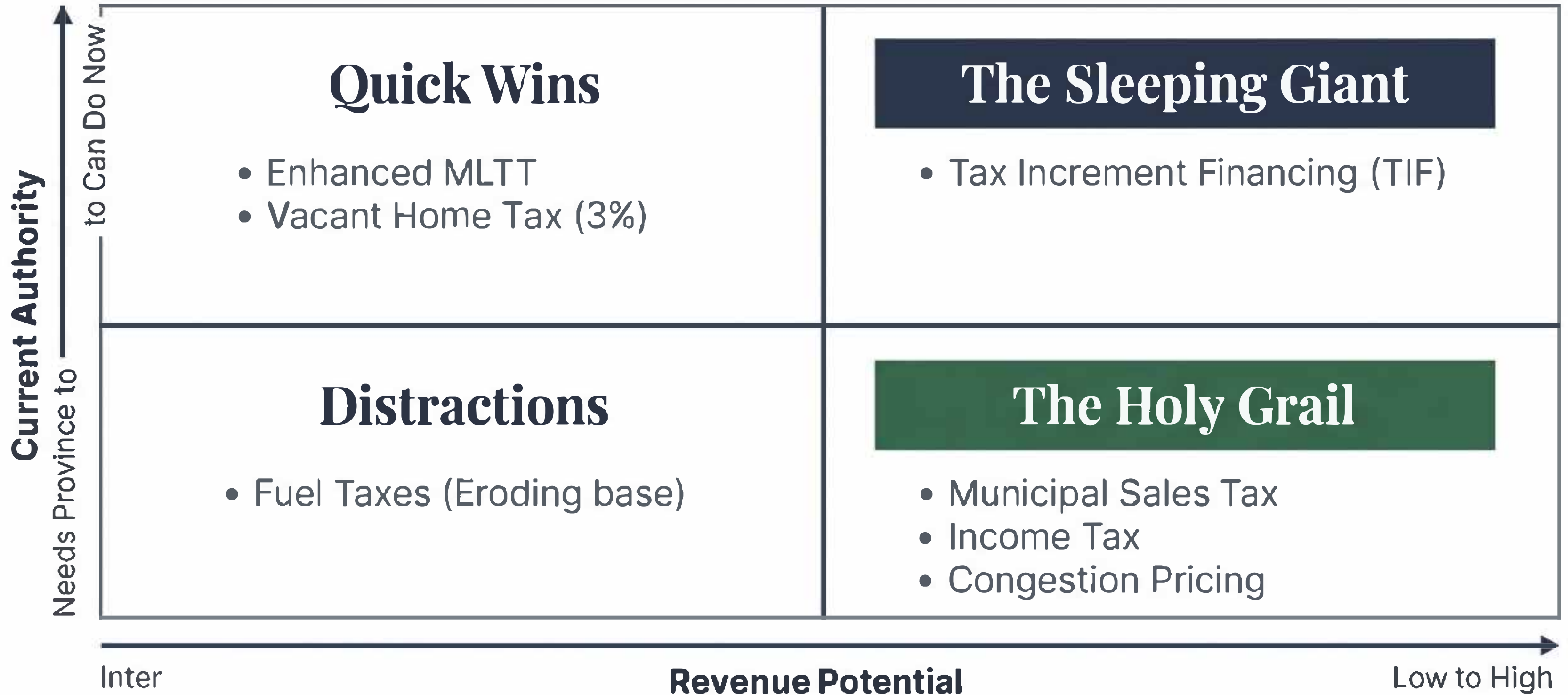


The Principle: Public dollars require public accountability. Vendors accepting government funds must accept transparency.

The Comparison: The UK and New Zealand publish contract details as standard practice. Transparency encourages competition; it does not deter it.

The Loophole: Exemptions currently shield billions in spending from effective Council oversight.

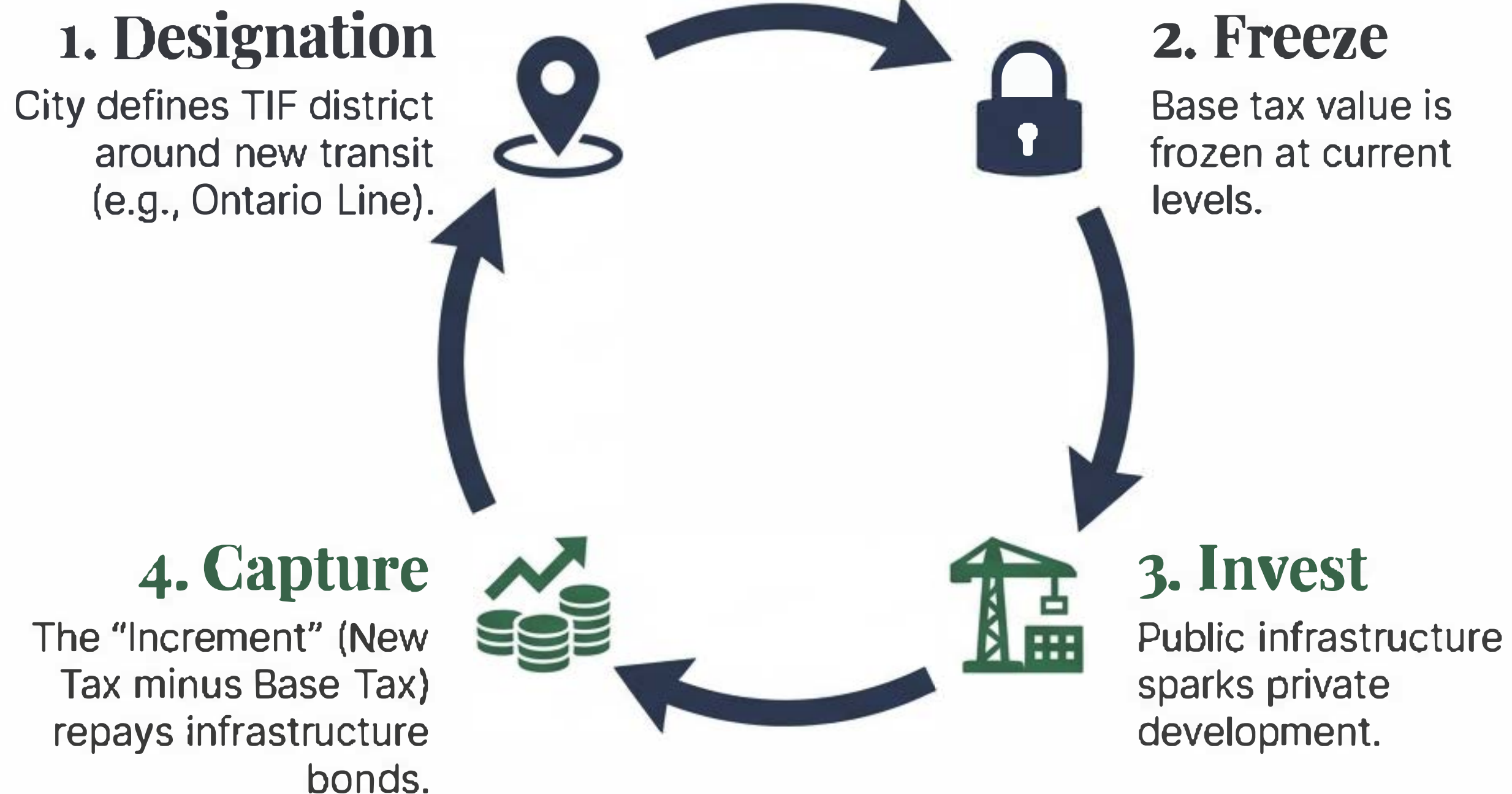
The Revenue Matrix: A Strategic Toolkit



Toronto has exhausted its 'Quick Wins'. The future lies in activating TIF and advocating for Sales Tax.

Unlocking Value: Tax Increment Financing (TIF)

Capturing the private wealth created by public infrastructure.



The 'But For' Test:
Ensures TIF is used only where development would not otherwise occur.

Chicago Comparison:
Chicago collects \$660M/year in TIF revenue (1/3 of total property tax).
Toronto collects \$0.

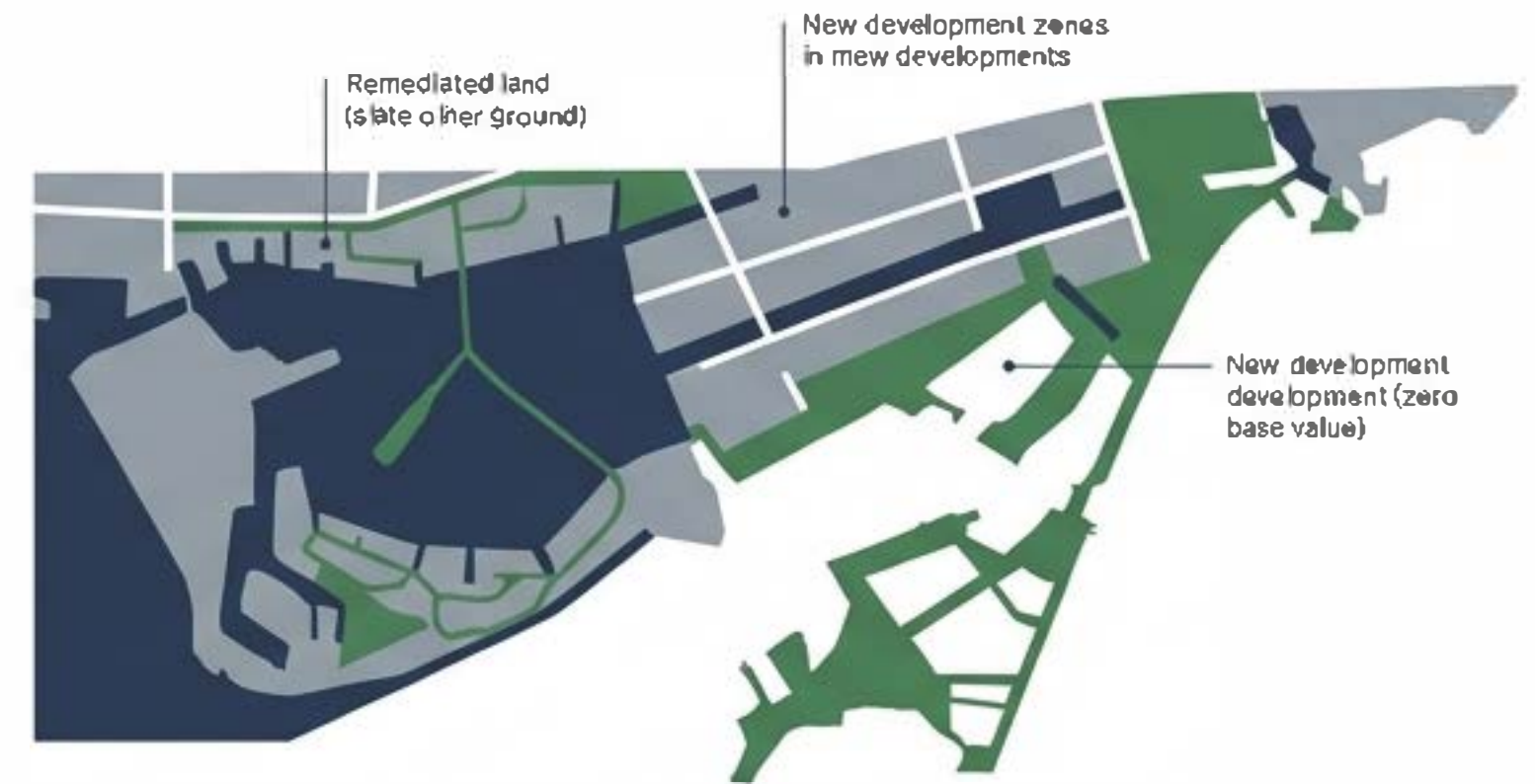
TIF in Action: A **\$3.6 Billion** Opportunity

Project 1: The Ontario Line



- **15 Stations** (incl. Corktown, East Harbour)
- Mechanism: High-density Transit-Oriented Communities
- Bond Capacity: **\$1.0 - \$1.5 Billion**

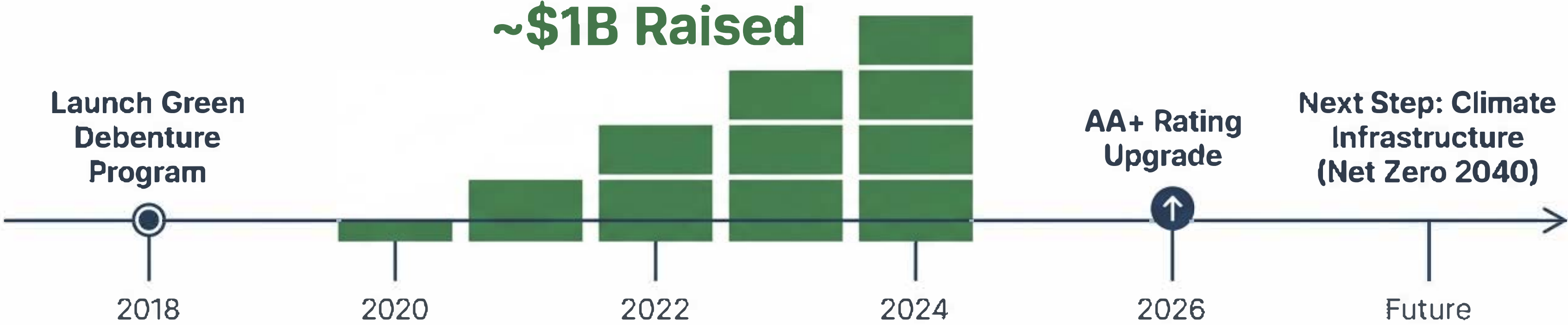
Project 2: The Port Lands



- **240 hectares** of remediated land
- Mechanism: Greenfield development (zero base value)
- Bond Capacity: **\$500M - \$1.3 Billion**

Total Impact: \$2.0 - 3.6 Billion in financing capacity across major projects.

Creative Financing: Green & Social Bonds



Constraint:

Bonds are Capital Only. Cannot fund operating deficits or pay salaries.



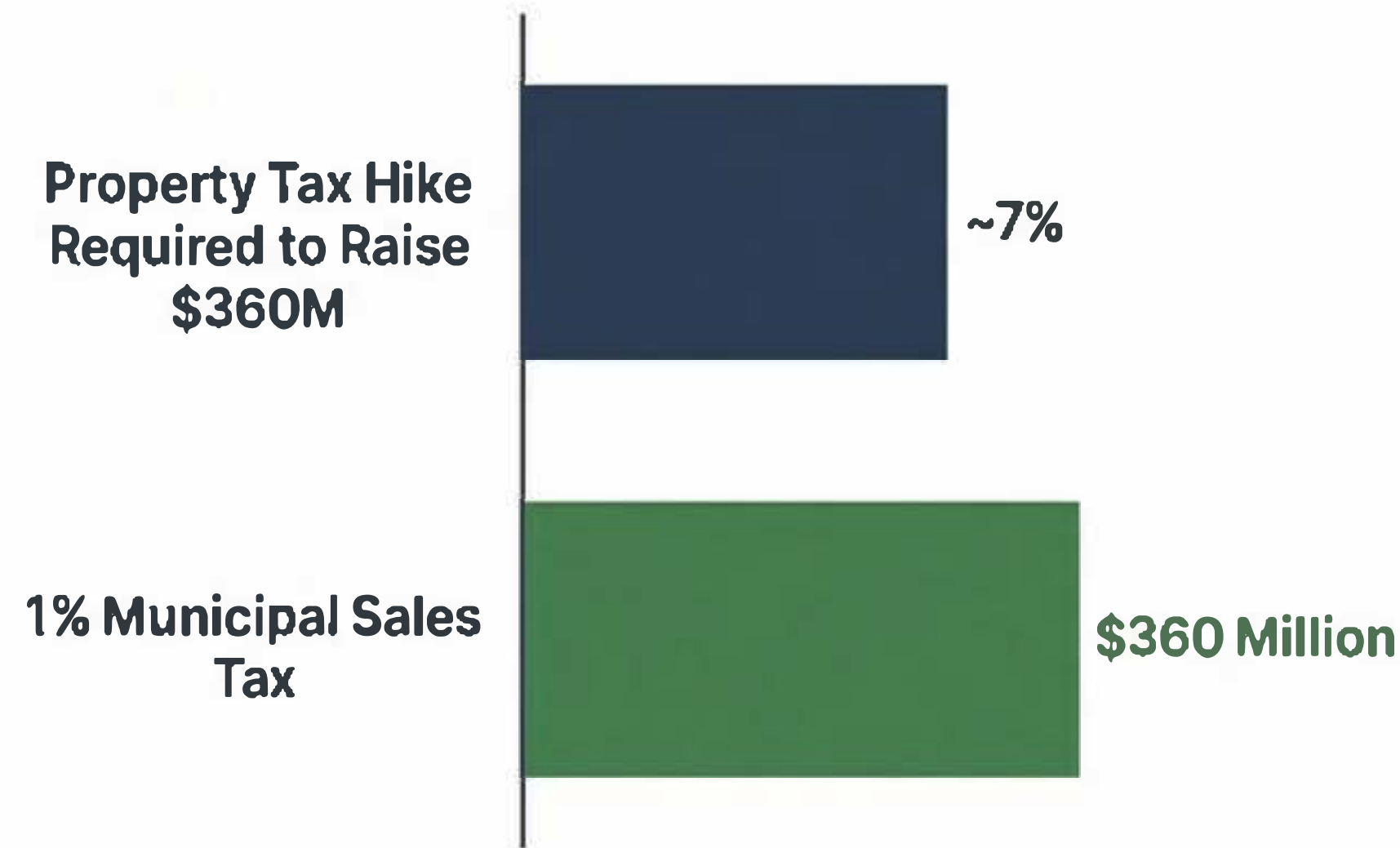
Strategy:

Expand usage for climate retrofits to free up tax-base room. Explore "Revenue Bonds" backed by specific streams (tolls) rather than general obligation.



The Case for Growth-Linked Revenue

Reframing the “Prohibited Tools” as substitutes, not additions.



Municipal Sales Tax (1%)

- Yield: **\$360 Million / year**
- Fairness Factor: **\$91 Million** comes from visitors/commuters who currently pay \$0 to the City.
- Precedent: Quebec municipalities receive sales tax share.

Municipal Income Tax (1%)

- Yield: **\$580M - \$926M / year**
- Precedent: NYC levies up to 3.8%. Toronto had this authority until 1936.

Argument: These are fair substitutes that reduce pressure on the regressive property tax system.

Congestion Pricing: The Cost of Delay

Case Study

New York City (Launched Jan 2025)

- Charge: **\$9/day peak**
- Revenue: **\$1 Billion / year**
- Impact: Secures **\$15B in capital funding** for MTA.

The Toronto Reality

- Status: **Rejected by Province in 2017.**
- Result: **Congestion among worst in North America.**
- Opportunity: Revenue Bonds backed by toll receipts could clear the transit backlog.

Political windows open unexpectedly. Toronto must have detailed implementation plans ready now.

Addressing the Objections

Q: Why tax when residents are struggling?

A: These are alternatives, not additions. Sales taxes and tolls capture revenue from the millions of visitors and commuters who currently pay nothing to the City.

Q: The Province has already said 'No'. Why bother?

A: NYC fought for congestion pricing for a decade. Circumstances change. We must have "shovel-ready" policy legislation for when the political window opens.

Q: Won't contract transparency discourage bidders?

A: Evidence from the UK and open-data jurisdictions suggests transparency increases competition by leveling the playing field.

The Roadmap to Sustainability

1. The 'Look Within' (Immediate)

- Direct staff to produce Ward-Level Spending Reports.
- Pass motion to remove "Business Confidentiality" exemptions.

2. The 'Maximize' (2026-2027)

- Implement TIF Districts for Ontario Line and Port Lands.
- Expand Green Bond issuance for climate capital.

3. The "Advocate" (Long-Term)

- Formal request for 1% Municipal Sales Tax.
- Prepare Revenue Bond framework for future Congestion Pricing.

The Cost of Inaction

Toronto cannot fund a 21st-century city with a 19th-century revenue model.

Path A: Managed Decline

- Continued deferral of maintenance
- Reliance on reserves
- Invisible inequity

Path B: Sustainable Growth

- Growth-linked revenue
- Transparent spending
- Value capture from infrastructure

“Fiscal sustainability requires both new revenue authority and enhanced transparency. Residents deserve to know how public funds are raised and spent.”

Adopt the recommendations.

Solving Toronto's Fiscal Gap: A Three-Part Path Forward



SOLUTION 1: GROWTH-BASED REVENUE



Revenue tools that grow with the economy, reducing pressure on property taxes.



\$360M/Year
from a 1% Municipal Sales Tax

Captures revenue from visitors and grows with economic activity.



\$580M - \$926M/Year
from a 1% Municipal Income Tax

Common in major cities like New York, which Toronto had until 1936.



\$500M+/Year
from Congestion Pricing

New York's model expected to generate over \$1 billion annually for transit.

These options require action from the provincial government to amend the City of Toronto Act.

SOLUTION 2: ENHANCED ACCOUNTABILITY



Lack of Geographic Budget Data

Unlike other major cities, Toronto provides no ward-level data on spending or investment.



Hidden Public Contracts

Billions in contracts are shielded from public view by "business confidentiality" clauses.

SOLUTION 3: NEW FINANCING TOOLS



Tax Increment Financing (TIF)

Use future property tax growth from new development to finance current infrastructure needs.

\$2.0B - \$3.6B Potential

TIF could generate billions in financing capacity for major projects like transit and the Port Lands.



Accelerates Development

Allows the city to borrow for upfront infrastructure costs, repaid by the value it creates.