

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

Date: February 6, 2026

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to recommend the additional approvals required to give effect to the 2026 Budget and includes the following matters:

2026 Property Tax Rates and Related Matters

City Council must enact a by-law to levy property tax rates that generate the tax revenue set out in the City's budget. This report recommends the 2026 municipal tax rates, in alignment with the 2026 Mayor's Proposed Budget.

For 2026, an average budgetary tax rate increase of 0.57 percent is proposed, as detailed in Table 1. This includes a 0.70 percent increase for residential and industrial properties and a 0.35 percent increase for multi-residential and commercial properties. Additionally, this report recommends an incremental tax rate increase for the City Building Fund Levy to support critical capital investments in transit and housing. This includes a 1.50 percent increase for residential and industrial properties, and a 0.75 percent increase for multi-residential and commercial properties.

Table 1: 2026 Recommended Municipal Property Tax Rate Increases

Property Class	2026 Tax Rate Increase for Operating Budget	2026 Tax Rate Increase for City Building Fund	2026 Total Municipal Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, Pipelines	0.70%	1.50%	2.20%
Multi-Residential	0.35%	0.75%	1.10%
Commercial	0.35%	0.75%	1.10%
Industrial	0.70%	1.50%	2.20%
Total Tax Rate Increase	0.57%	1.22%	1.79%

This report also recommends continuation of the City's existing capping approaches, and annual adjustments to the income threshold for the City's property tax, solid waste and water relief programs.

2026 Education Property Tax Levy

This report recommends adoption of the 2026 education tax rates and education property tax levy for school purposes, as required by legislation. The City of Toronto levies and collects education taxes on behalf of the Province of Ontario, based on the education tax rates set out in Ontario Regulation 400/98, as amended. The education property tax rates prescribed by the Province for 2026 remain unchanged from the previous year for all classes. Accordingly, the average household will see no increase in their education tax this year.

2026 User Fees

User fees are reviewed and adjusted through the budget process, including the final rates and service fees for Rate Supported Programs (Solid Waste Management Services and Toronto Water). The 2026 Mayor's Proposed Budget outlines estimated revenues from user fees, subject to City Council approval as required by the *City of Toronto Act*, 2006. This report seeks Council approval for user fee changes and the introduction of new fees.

Provincial Gas Tax and Build Communities Strong Fund

In accordance with the directive to report annually to City Council through the capital budget process, this report provides an overview of the Provincial Gas Tax (PGT) and Build Communities Strong Fund (BCSF) programs, which are vital to supporting Toronto's public transit and infrastructure investments. These programs, as outlined in the 2026-2035 Capital Budget and Plan, have enabled the City to fund key projects aimed at maintaining and expanding its transit network. Details of the planned eligible projects funded under these programs are included in Appendix B.

Other Items

This report also makes recommendations with respect to matters related to the 2026 Budget that do not fall under the strong mayor powers:

- Financial governance, budget implementation, and delegated authorities, including suspension of the Toronto Parking Authority Net Income Share Agreement, in-year expenditure management measures, capital cash flow acceleration, and related financial and expenditure authorities to support effective budget delivery;
- Operational service delivery and capital management actions, including updates to solid waste collection communications and the consolidation of transit-related capital reserves into the City Building Reserve Fund to support long-term infrastructure priorities;

- Regulatory framework and enforcement updates, including amendments to Toronto Municipal Code chapters to modernize maximum fines, enable officer and director liability, and enhance compliance and deterrence;
- Program, community, and service-focused initiatives, including Parks & Recreation partnerships, expansion of the Air Conditioner Program for low-income and vulnerable residents, acceptance of donations, humanitarian assistance, community nutrition funding, and reviews of homelessness outreach services; and
- Authorities and oversight measures to support major City initiatives, including funding flexibility, procurement and reporting authorities to support the delivery of the FIFA World Cup 2026, as well as targeted transit planning analysis.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

2026 MUNICIPAL PROPERTY TAX RATES AND RELATED MATTERS

1. City Council adopt the 2026 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	2026 Recommended Tax Ratios
Residential	1.000000
Multi-Residential	1.737361
New Multi-Residential	1.000000
Commercial	2.313431
Industrial	2.500000
Pipeline	1.923425
Farmlands	0.250000
Managed Forests	0.250000

2. City Council elect to raise the tax rates as follows:

a. On the restricted property classes:

i. 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; and

b. On the unrestricted property classes:

i. On the Multi-Residential 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; and

ii. 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.

3. City Council adopt the following tax rates, subject to the 2026 Mayor's Proposed Budget being adopted as the City's 2026 Budget, and in the event City Council amends the 2026 Mayor's Proposed Budget so as to impact the following tax rates and such amendments are not subsequently vetoed by the Mayor, City Council direct the Chief Financial Officer and Treasurer to report to City Council with any necessary adjustments to the tax rates to reflect the final budget amendments for Council's consideration:

a. The tax rates set out below in Column IV, which will raise a general local municipal tax levy for 2026 of **\$6,174,269,194**, inclusive of a 0.7% residential, new multi-residential, industrial, pipeline, farmlands and managed forest tax rate increase, and a 0.35% commercial and multi-residential tax rate increase; and

b. The additional tax rates set out below in Column V, which will raise an additional special general tax levy of **\$74,996,117** dedicated for priority transit and housing capital projects (the "City's Building Fund levy").

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2026 Tax Rate for General Local Municipal Levy	2026 Additional Tax Rate to Fund Budgetary Levy Increase	2026 Municipal Tax Rate* (Column II+III)	2026 Additional Tax Rate for City Building Fund	2026 Municipal Tax Rate Inclusive of City Building Fund Rate* (Column IV+V)
Residential	0.601087%	0.004208%	0.605295%	0.009016%	0.614311%
Multi-Residential	1.044305%	0.003655%	1.047960%	0.007832%	1.055792%
New Multi-Residential	0.601087%	0.004208%	0.605295%	0.009016%	0.614311%
Commercial	1.390573%	0.004867%	1.395440%	0.010429%	1.405869%
Industrial	1.502718%	0.010519%	1.513237%	0.022541%	1.535778%
Pipelines	1.156146%	0.008093%	1.164239%	0.017342%	1.181581%
Farmlands	0.150272%	0.001052%	0.151324%	0.002254%	0.153578%
Managed Forests	0.150272%	0.001052%	0.151324%	0.002254%	0.153578%

* (excluding Charity rebates)

4. 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 2026 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 Municipal 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
	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
New Multi-residential	New Multi-Residential Property (Municipal Reduction) Tax subclass	15% of Residential/New Multi-Residential rate

5. City Council adopt the following property tax capping policies for the 2026 taxation year, consistent with the 2025 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 2026 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; and

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.

6. City Council determine that:

a. The instalment dates for the 2026 final tax bills be set as follows:

i. The regular instalment dates be July 2, August 4, and September 1 of 2026;

ii. For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 15, August 17, September 15, October 15, November 16 and December 15 of 2026; and

iii. For taxpayers who are enrolled in the two-installment program, the final instalment date be July 2, 2026; and

b. The collection of taxes for 2026, other than those levied under the interim levy [By-law 1336-2025](#), be authorized.

PROPERTY TAX, WATER AND SOLID WASTE RELIEF PROGRAMS

7. Effective January 1, 2026, City Council amend the eligibility criteria for the Tax Deferral and Tax Cancellation programs, the Solid Waste Single Family Residential Low-Income Relief Program and the Water Rebate for Low-Income Seniors and Low-Income Disabled Persons, the Co-Operative Housing Grant program, comprised of the Co-Operative Housing Property Tax Grant Program, the Co-Operative Housing Solid Waste Grant Program and the Co-Operative Housing Water Grant Program, and amend, as may be required to give effect to Council's decision, the City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill, and any other necessary Municipal Code Chapters, to increase the maximum household income for an eligible person to \$62,000, and for each calendar year after 2026, effective January 1 of the year, to annually adjust the maximum household income for an eligible person in accordance with the Statistics Canada, All-Items Consumer Price Index by City, Annual Change – Toronto.

8. 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 \$1.4589 per cubic metre, representing a 30 percent reduction from the Block 1 rate (paid on or before the due date).

9. City Council determine that the 2026 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of

\$7,274,452 to fund the mandatory 2026 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 2026 operating budget of zero, by the following:

- a. an additional tax rate of 0.005381% be levied as part of the general local municipal levy on the commercial class to raise a further additional local municipal tax levy of \$6,771,766 to fund the total estimated rebates to registered charities for properties in the commercial class in 2026; and
- b. an additional tax rate of 0.000996% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$502,686 to fund the total estimated rebates to registered charities for properties in the industrial class in 2026.

2026 EDUCATION PROPERTY TAX RATES AND LEVY

10. City Council adopt the 2026 tax rates for school purposes, as shown in column II, which will generate an education tax levy on rateable properties for 2026 in the total amount of \$2,213,525,317 in accordance with Ontario Regulation 400/98 as amended, prescribing such rates for the City of Toronto, of which \$4,223,129 (0.2% of the total education levy) is to be retained by the City pursuant to Ontario Regulation 121/07:

Column I	Column II
Property Class	2026 Tax Rates for Education Levy
Residential	0.153000%
Multi-Residential	0.153000%
New Multi-Residential	0.153000%
Commercial	0.880000%
Commercial Shared Payment-in-Lieu	0.980000%
Industrial	0.880000%
Industrial Shared Payment-in-Lieu	1.067220%
Pipelines	0.880000%
Farmlands	0.038250%
Managed Forests	0.038250%

USER FEES

11. City Council approve the 2026 fees and charges in Appendix 1 of the 2026 Mayor's Proposed Budget, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges, and any other necessary Municipal Code Chapter accordingly.

12. City Council direct that the water and wastewater consumption rates for metered and flat rate consumers and water and wastewater services fees in the amounts set out in Appendix 3 to the Mayor's Proposed Budget, which is consistent with the 2026 interim water and wastewater consumption rates for metered and flat rate consumers and water

and wastewater services fees adopted by Council in Item [2025.EX28.9](#) at its meeting on December 16 and 17, 2025, are the final rates and fees for 2026.

13. City Council direct that the solid waste management service rates and fees in the amounts set out in Appendix 3 to the Mayor's Proposed Budget, which is consistent with the 2026 interim rates adopted by Council in Item [2025.EX28.10](#) at its meeting on December 16 and 17, 2025, are the final rates and fees for 2026.

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 A in this report, effective January 1 of each year, commencing in January of 2027, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges accordingly.

OTHER

15. City Council approve the suspension of the 2024–2026 City of Toronto–Toronto Parking Authority Net Income Share Agreement, effective January 1, 2026, to enable all Toronto Parking Authority net revenues to be remitted to the City of Toronto, while a longer-term fiscal and governance review is underway, consistent with the Toronto Parking Authority Board decision (Agenda Item [2025.PA17.3](#)).

16. City Council request the Toronto Parking Authority Board direct the President, Toronto Parking Authority, to consider applying an inflationary adjustment or modified rates for parking locations for 2026.

17. City Council authorize the Chief Financial Officer and Treasurer, in consultation with the General Managers and Division Heads, to accelerate the cash flows included in divisional 2026-2035 Capital Budgets and Plans as operationally required to enable implementation of the 2026 Mayor's Proposed Budget, consistent with direction communicated in the 2026 Mayor's Proposed Budget.

18. City Council direct the Chief Financial Officer and Treasurer to report back to Council in the annual Year-End Capital Variance report on accelerations of cash flows that were operationally required to enable the implementation of the 2026 Mayor's Proposed Budget.

19. City Council direct the General Manager, Solid Waste Management Services to distribute all future waste collection schedules through a full standalone mailing.

20. City Council direct the consolidation of major capital reserves through the transfer of the balance of the Scarborough Transit Reserve Fund in the amount of \$332.996 million to the City Building Reserve Fund, while preserving funds for their intended purposes.

21. City Council amend the Toronto Municipal Code Chapters contained in Appendix C to this report to increase the maximum fine amount for offences to \$100,000 and provide that a director or officer of a corporation who knowingly concurs in the contravention of the chapter by the corporation is guilty of an offence.

22. City Council direct that the amendments to Toronto Municipal Code Chapters, to give effect to City Council's decision in Recommendation 21, come into force on September 1, 2026.

23. City Council authorize the General Manager, Parks and Recreation to negotiate and execute an agreement with Park People to implement a citywide initiative to support and strengthen community-led park groups, with funding of up to \$120,000 to be provided to and matched by Park People, for a term expiring on December 31, 2026, on terms and conditions satisfactory to the General Manager, Parks and Recreation and in a form satisfactory to the City Solicitor.

24. City Council direct the Executive Director, Environment, Climate and Forestry, and the Executive Director, Social Development, or their designates, to expand the existing Air Conditioner Pilot Program for Low-Income Seniors by renaming the program as the Air Conditioner Pilot Program for Low-Income and Vulnerable Residents and by authorizing the Executive Director, Environment, Climate and Forestry and Executive Director, Social Development, in consultation with the Medical Officer of Health, to expand eligibility criteria to include other low-income or vulnerable groups based on similar City programs, together with the following:

- a. other program eligibility criteria;
- b. collection of personal information for the purpose of determining eligibility;
- c. administration of air conditioner benefits;
- d. evaluation framework; and
- e. the geographic equity component proposed on page 5 of the revised report (May 7, 2025) from the Executive Director, Environment, Climate and Forestry, and the Executive Director, Social Development, without limitation.

25. City Council authorize the Executive Director, Environment, Climate and Forestry and the Executive Director, Social Development, to accept donations for the purpose of the Air Conditioner Program for Low-Income and Vulnerable Residents.

26. City Council authorize the City Manager to reallocate FIFA related funding included in Division and Agency 2026 Operating and Capital Budgets within the FIFA hosting costs envelope of \$380 million, as required to address emerging cost pressures, operational requirements, delivery risks, and schedule constraints.

27. City Council direct the City Manager to report back to Council on FIFA-related funding reallocations for which the City Manager exercised the authority granted by City Council under Recommendation 26.

28. City Council direct the City Manager, the Executive Director, FIFA World Cup 2026 Toronto Secretariat, and the Chief Procurement Officer:

- a. to exercise their authorities currently delegated under Municipal Code Chapter 71, Financial Control, and Municipal Code Chapter 195, Procurement, to make commitments, awards, amendments, and to authorize over-expenditures for procurements required for the delivery of the FIFA World Cup 2026 that are not

included in the Council approved Procurement Plan, and to report to every meeting of the FIFA World Cup 2026 Subcommittee on all such commitments, awards, amendments, and over-expenditures made during the previous reporting cycle.

b. for commitments, awards, amendments, and over-expenditures for procurements under Recommendation 28 (a), City Council rescind any requirement for the Chief Procurement Officer to exercise their discretion to bring forward recommendations to Executive Committee, via the FIFA World Cup 2026 Subcommittee.

29. City Council delegate authority to the City Manager or their delegate to approve over-expenditures up to \$1,000,000 in addition to the original amount of the commitment, and to execute any necessary purchase order amendments required in compliance with Chapter 195, Procurement, required for the delivery of the FIFA World Cup 2026, provided that:

a. City Council has provided funds in the Operating or Capital budgets for that purpose, or donated funds are provided in accordance with Chapter 71, Financial Control;

b. sufficient funds remain within the Capital project or program's budget or within the relevant Operating budget; and

c. the City Manager and the Chief Procurement Officer report, for information, on the use of this authorization to each meeting of the FIFA World Cup 2026 Subcommittee.

30. City Council authorize the City Manager, in consultation with the Executive Director, FIFA World Cup 2026 Toronto Secretariat and the Chief Procurement Officer, to award, negotiate, and enter into non-competitive procurement contracts valued up to \$1,000,000, in accordance with Section 7.1(P) of Chapter 195, Section 7.1(P), for the purposes of delivering the FIFA World Cup 2026, provided that:

a. the City Manager and the Executive Director, FIFA World Cup 2026 Toronto Secretariat have determined that the agreement is necessary to meet the requirements of the FIFA Host City Agreement;

b. the agreements do not conflict with the Council approved FIFA World Cup 2026 Procurement Plan;

c. the costs are funded through the approved 2026 FIFA World Cup 2026 Operating and Capital budgets;

d. the City Manager and the Executive Director, FIFA World Cup 2026 Toronto Secretariat report, for information, on the use of this authorization to the Executive Committee through the FIFA World Cup 2026 Subcommittee; and

e. the terms and conditions are satisfactory to the City Manager and the Executive Director, FIFA World Cup 2026 Toronto Secretariat, and are in a form satisfactory to the City Solicitor.

31. City Council request the Executive Director, Transit Expansion conduct a high-level analysis of grade separation, underground, or at-grade alternative options for the Eglinton East Rapid Transit (EERT) project and report in 2026 on a high-level assessment of risks and considerations of an alternative alignment, including necessary changes to current approvals, and the timeline that an alternative approach would impose on the project.

32. City Council direct the City Manager conduct a review of the homelessness outreach programs delivered by Toronto Shelter and Support Services, Toronto Public Health, Social Development and the Housing Secretariate to support better coordination of services aimed at improving the impact of these programs to deliver more long-term housing solutions for vulnerable individuals.

33. City Council authorize the General Manager, Fleet Services, to donate up to five generators at no cost to Kyiv City State Administration in Ukraine for humanitarian purposes.

34. City Council authorize the Medical Officer of Health to enter into agreements and other suitable arrangements, on behalf of the City of Toronto, for the transfer of funds to the Angel Foundation for Learning (\$100,000) and the Toronto Foundation for Student Success (\$700,000) for the purpose of administering municipal funds to eligible new school communities as part of the Phase 3 expansion of the Student Nutrition Program, on terms satisfactory to the Medical Officer of Health and in a form satisfactory to the City Solicitor.

35. That City Council authorize the City Manager and the Chief Financial Officer & Treasurer to allocate the \$75.0 million in-year expenditure management target, across applicable City divisions, which will amend the Council-adopted 2026 Operating Budgets for specific divisions while maintaining the overall consolidated City Budget.

FINANCIAL IMPACT

2026 Municipal Property Tax Rates and Related Matters

The tax ratios and rates recommended in this report reflect tax policy decisions adopted by City Council as permitted and/or mandated by Provincial regulatory requirements, including:

- one-half of the tax rate increase on the Residential property class to be applied to the Commercial;
- the full tax rate increase on the Residential property class to be applied to the Industrial property class; and
- one-half of the tax rate increase on the Residential property class to be applied to the Multi-Residential property class, as recommended by staff.

Municipal Tax Levy

The recommended total municipal tax levy for 2026 is summarized in Table 2:

Table 2: 2026 Municipal Tax Levy

Property Tax Levy	(\$ millions)
2025 Levy	6,063.1
2025 Assessment Growth	76.2
2026 General Levy	6,139.3
2026 Operational Budget Levy Increase	35.0
2026 Municipal Levy before City Building Fund	6,174.3
2026 City Building Fund Levy Increase	75.0
2026 Total Municipal Tax Levy	6,249.3

As per the above table, the City will generate \$6.249 billion in municipal property tax funding, including an incremental \$35 million associated with the 0.70 percent increase for the operational levy and an incremental \$75 million reflective of a 1.5 percent increase for the City Building Fund levy.

Impact of Operational and City Building Fund Levy Increases

The average residential property value for tax assessment purposes for 2026 is \$692,140. A summary of the 2026 tax impacts on the average residential property is outlined in Table 3. The average home will receive a municipal property tax bill of \$4,252 for 2026. This excludes provincial education property taxes.

Table 3: Average Residential Impact of Operational and City Building Fund Levy Increases in 2026

Impact on Average Residential Household		
2026 Starting Municipal Tax Bill	\$4,160	
Operational Budget Levy Increase	\$29	0.70%
City Building Fund Levy Increase	\$62	1.50%
2026 Municipal Tax Bill	\$4,252	2.20%

The 2026 operational levy and City Building Fund levy increases on the various property classes are outlined in Table 4 below:

Table 4: Impact of Operational and City Building Fund Levy Increases in 2026 by Property Class

Property Class	Operational Budget Levy Increase	City Building Fund Levy Increase	2026 Total Municipal Tax Rate Increase
Residential	0.70%	1.50%	2.20%
Multi-Residential	0.35%	0.75%	1.10%
Commercial	0.35%	0.75%	1.10%
Industrial	0.70%	1.50%	2.20%
City Average	0.57%	1.22%	1.79%

Education Tax Rates Impact

The education property tax rates prescribed by the Province for 2026 remain unchanged from the previous year for all classes, including the education rates for certain properties where municipalities are permitted to retain the education portion of payment in lieu of taxes (PILTs).

Accordingly, the average household assessed at \$692,140 in 2026 will see no increase in their education tax bill of \$1,059, which has remained the same since 2020. The total impact of 2026 municipal and education property taxes on the average home is presented in Table 5 below.

Table 5: 2026 Total Residential Impact for the Average Home

	2025 Taxes	2026 Taxes	Increase \$	Increase %
City	\$4,160	\$4,252	\$92	2.20%
Education	\$1,059	\$1,059	-	0.00%
Total	\$5,219	\$5,311	\$92	1.75%

The City is required by legislation to levy and collect property taxes for school purposes at the tax rates prescribed by the Minister of Finance. For 2026, the education tax levy is \$2.213 billion. For certain PILT properties, the portion of the payment that would normally go toward education taxes is retained by the City under prior agreements and existing legislation/regulations. Of the total education levy, the City retains only \$4.223 million (0.2%) as the education portion of PILTs, as permitted by Ontario Regulation 121/07, and remits the remaining balance of \$2.209 billion to the Province. The City is required to remit the amounts levied for school purposes within the calendar year.

The current 15% education tax rate reduction for the small business tax subclass will result in \$25.1 million in reduced education taxes for the subclass in 2026.

2026 User Fees

Adjustments Requiring City Council Approval

In accordance with the City User Fee Policy, Council approval is required for user fee revenue set out in the 2026 Mayor's Proposed Budget, including fee adjustments above inflation, new fees, discontinuations, rationalizations, transfers, and technical adjustments. The proposed changes to user fee adjustments, excluding automatic inflationary user fees, will generate \$15.14 million in total incremental revenue, including \$0.012 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

Annual inflationary increases are applied under delegated authority, generating an additional \$16.25 million in the 2026 Budget. The Chief Financial Officer and Treasurer has been delegated authority to apply these increases effective January 1 of each year. It is recommended that authority be delegated to apply inflationary adjustments to new fees in 2026, as outlined in Appendix 4 of the 2026 Mayor's Proposed Budget.

Water, Wastewater and Solid Waste Fees

Proposed increases in water, wastewater, and solid waste fees were initially adopted by City Council as part of the 2026 interim rates and service fees ([Item EX28.9](#) and [Item EX28.10](#)), with final approval requested in this report. These fee adjustments are aligned with financial modeling and the 2026-2035 Capital Budget and Plan.

- A 3.75 percent increase in solid waste management and increases in water and wastewater rates of 3.75 percent for Block 1 and 1.25 percent for Block 2 are expected to generate \$14.13 million and \$55.15 million in additional revenue for Solid Waste Management Services and Toronto Water respectively to support operational and capital program needs.
- Inflationary increases to water and wastewater service fees for services provided by Toronto Water and Revenue Services are projected to generate an additional \$2.3 million.

Provincial Gas Tax and Build Communities Strong Fund in the City's 2026-2035 Capital Budget and Plan

Provincial Gas Tax (PGT):

Introduced in 2004, the PGT permanently allocates two cents per litre of provincial gas tax revenues to municipalities to expand and improve public transit systems. Annual allocations are determined by a provincial formula based on transit ridership (70 percent) and population (30 percent), ensuring funding is responsive to transit demand and population growth.

Since 2005, Toronto has received over \$3.3 billion in PGT funding, with the 2024-25 allocation confirmed at \$178.2 million. The 2026-2035 Capital Budget and Plan includes approximately \$866 million in PGT-funded investments, supporting essential transit projects. Specific details are provided in Appendix B, Table 1.

Build Communities Strong Fund (BCSF)
(formerly the Canada Community Building Fund)

The Build Communities Strong Fund is a long-term federal infrastructure funding program announced in 2025, that incorporates and will replace the Canada Community Building Fund (CCBF) as its Community Stream in 2026-27. The program provides stable, predictable funding to municipalities on a per-capita basis to support local infrastructure priorities, including public transit.

Since the introduction of the federal gas tax-based funding framework in 2005, Toronto has received \$3.4 billion, primarily directed toward the Toronto Transit Commission to support transit system investments.

In 2025, Toronto received \$184.0 million under the Canada Community Building Fund. Over the next decade, the City projects \$1.9 billion in funding under the Build Communities Strong Fund (including the CCBF Community Stream) to support initiatives such as fleet replacement and state of good repair projects, helping maintain the reliability and functionality of Toronto's transit network. Full details of planned projects can be found in Appendix B, Table 2.

DECISION HISTORY

2026 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 Council 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 “2025 Budget Implementation Including Property Tax Rates, User Fees and Related Matters” report with the adopted motions can be viewed at [Item CC27.1](#).

At its meeting on February 15, 2023, City Council expressed its support for a 1.5 percent annual increase for the City Building Fund Levy for priority transit and housing projects through to 2035 and requested the Mayor to include such revenue in their future proposed annual budgets ([Item CC4.1](#)).

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 ([Item EX27.7](#)).

On November 13, 2024, City Council adopted the New Multi-Residential Property (Municipal Reduction) Tax subclass (the "Subclass"), approved the Subclass eligibility criteria and amended City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, to add the Subclass ([Item EX18.2](#))

At its meeting of April 23 and 24, 2025, City Council adopted Item [EX22.4](#): 2025 Education Property Tax Levy and Clawback Rate By-Law that established the 2025 education property tax levy and tax rates.

2026 User Fees

City Council reviews and approves user fee adjustments as part of the annual budget process. Under the *City of Toronto Act*, 2006, Council must approve the implementation of user fees, including new fees or changes to existing fees, to ensure the City raises the necessary revenue for its operations. Exceptions include automatic annual inflationary adjustments, which have previously been approved through delegated authority and take effect on January 1 of each year.

On April 12, 2011, City Council adopted the User Fee Policy ([Item EX10.2](#)), establishing a consistent and transparent framework for setting and managing user fees. This policy mandates that fees should recover the full cost of services, except where this conflicts with City policy objectives or legislation ([User Fee Policy](#)).

On December 16 and 17, 2025, City Council adopted 2026 interim rates and service fees for water and wastewater consumption ([Item EX28.9](#)) solid waste management services ([Item EX28.10](#)), both effective January 1, 2026. These interim fees remain in effect until amended or repealed by City Council.

Provincial Gas Tax and Build Communities Strong Fund in the City's 2026-2035 Capital Budget and Plan

On January 29 and 30, 2014, City Council adopted recommendations in the report (January 16, 2014) from the City Manager on Federal Gas Tax Fund Renewal ([Item EX37.1](#)) directing staff to report annually to City Council through the capital budget process on planned eligible projects funded by the Provincial Gas Tax and the federal Build Communities Strong Fund (BCSF, formerly the Canada Community Building Fund).

Other Items Responding To Council Direction

At its meeting on June 26 and 27, 2024, City Council adopted ([Item 2024.EX15.9](#)) and approved the terms of the new Net Income Share Agreement between the City of Toronto and the Toronto Parking Authority for a three (3) year period, effective January 1, 2024, as outlined in Attachment 2 to the report (May 15, 2024) from the President, Toronto Parking Authority and the Chief Financial Officer and Treasurer. In addition, City Council authorized the appropriate City staff to prepare a Net Income Sharing Agreement between the Toronto Parking Authority and the City of Toronto, in accordance with the terms set out in Attachment 2 to the report (May 15, 2024) from the President, Toronto Parking Authority TPA 2026 Operating Budget and 2026-2028

Capital Budget and the Chief Financial Officer and Treasurer, in a form satisfactory to the City Solicitor, and subject to the approval of the Board of Directors of the Toronto Parking Authority.

At its meeting on February 11, 2025, City Council adopted recommendations in the Budget Implementation Including Property Tax Rates, User Fees and Related Matters report ([Item 2025.CC27.1](#)), including a request for the Chief Financial Officer and Treasurer to report on the following as part of the 2026 budget process: a. the annual impact to property taxes in the event that the Municipal Land Transfer Tax is no longer a source of revenue.

At its meeting on October 9 and 10, 2024, City Council adopted Member Motion [2024.MM22.2](#), which directed City staff to review Municipal Code chapters governed by the *City of Toronto Act, 2006* where maximum fines are below the applicable statutory limits. Through the adoption of the motion, City Council approved staff undertaking a review of existing fine provisions and bringing forward recommended amendments, where appropriate, to increase maximum fines to the levels authorized under provincial legislation and to provide for charges against officers and directors of corporations where permitted. City Council further authorized the appropriate City officials to take the necessary steps to implement the direction, including consultation with Legal Services, and to prepare the required bills and by-law amendments, in a form satisfactory to the City Solicitor, for Council consideration.

At its meeting on December 16 and 17, 2025, City Council requested ([Item EX28.1](#)) the Chief Financial Officer and Treasurer to review the First Time Homebuyers Rebate Program and consider options to improve the program, including necessary offsets, in the budget process.

During its meeting on January 23, 2026, Budget Committee requested the Chief Financial Officer and Treasurer to prepare a briefing note for the Special Council Meeting on February 10, 2026 on increasing the municipal rate reduction for the Small Business Property Tax Subclass from 15 percent to 20 percent for the 2026 taxation year, including the corresponding municipal tax rate adjustment required to offset the impact within the remainder of the commercial property tax class, without affecting the total municipal levy identified in the Mayor's Proposed Budget ([Item BU12.1](#)).

COMMENTS

2026 Municipal Property Tax Rates and Related Matters

Council will consider the 2026 Mayor's Proposed Budget and Tax Levy at a Special Meeting on February 10, 2026. In accordance with the *City of Toronto Act, 2006*, Council is required to approve the tax rates to generate the approved tax revenue by enacting a municipal tax levy by-law.

This report recommends on a preliminary basis the City's 2026 Tax Ratios, Tax Rates and Levy for municipal purposes, concurrent with the 2026 Mayor's Proposed Budget on February 1, 2026. If Council amends the 2026 Mayor's Proposed Budget affecting

property taxes revenue, the tax rates recommended in this report will have to be adjusted accordingly.

Council must also make tax policy decisions, including setting tax ratios per statutory requirements. The Province restricts levy increases for tax classes exceeding the ratio thresholds. The tax ratios and tax rates recommended in this report include a full increase for all classes, except for the commercial and multi-residential classes. The commercial tax class ratio remains above Provincial threshold in 2026, limiting increases to half the residential increase.

Assessment Cycle and Changes

Property assessments are conducted by the Municipal Property Assessment Corporation (MPAC), under the *Assessment Act, 1990*. Reassessments have traditionally been carried out on a four-year cycle with Current Value Assessment (CVA) increases phased-in equally over each year of the proceeding four-year period. The most recent reassessment cycle, based on a January 1, 2016, valuation date, was intended to cover the period from 2017 to 2020, with increases applied annually throughout the four-year phase-in period. 2020 marked the final year of that phase-in.

In 2021, the Provincial government postponed the scheduled 2021 reassessment, and to-date the Province has not announced the timing for the next reassessment cycle or the effective valuation date. As a result of this postponement, property assessments for 2026 remain unchanged from those applied in 2020, based on the January 1, 2016, valuation date, unless the property has undergone changes that affected the assessed value, such as renovations, improvements, or demolitions.

Property Tax Class Ratio Policy

In 2005, City Council adopted a policy under the 'Enhancing Toronto's Business Climate' initiative to reduce the tax ratios for the commercial, industrial and multi-residential tax classes to 2.5-times the residential tax rate by 2020. The plan also provided for an accelerated reduction in tax rates for small businesses, with a ratio target of 2.5-times the residential rate by 2015.

The small business ratio target was met in 2015 and has continued to decrease. By 2024, all ratios reached Council's 2.5 target, meaning no further policy ratio reductions are needed in 2026. While the ratio has met Council's target, the Commercial ratio in 2026 of 2.29 remains above the Provincial threshold of 1.98 in 2026, limiting increases to half the residential rate.

In 2017, the Province set the ratio threshold for the multi-residential property tax class at 2.0, restricting the City's ability to increase property tax rates for the multi-residential class. However, by 2023, the City's ratio dropped below this threshold, removing the restriction on tax rate increases for multi-residential tax properties. Since that time, the City has chosen to apply a reduced rate increase to the multi-residential class. In 2026, the multi-residential tax class ratio is 1.719. Despite the class being unrestricted, this report recommends only 50 percent of the residential increase to mitigate impacts on multi-residential properties. In addition, staff are examining long-term ratio reduction

policies and projections through 2035, at which time New Multi-Residential properties will conclude their 35-year classification period and transition to the Multi-Residential class.

Table 6 below shows progress of the ratio reductions since 2015. The last column indicates the Provincial threshold, which limits tax rate increases when ratios exceed the threshold.

Table 6: Tax Ratio Projections

Tax Class / Subclass	Actual											2026 Projected	Provincial Threshold
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Commercial	3.00	2.90	2.85	2.81	2.74	2.65	2.61	2.58	2.50	2.39	2.31	2.29	1.98
Industrial			2.83	2.76	2.71	2.62	2.59	2.51	2.51	2.50	2.50	2.50	2.63
Multi-Residential			2.66	2.46	2.28	2.10	2.05	1.96	1.90	1.90	1.74	1.72	2.00
Small Business	2.50	2.50	2.49	2.44	2.43	2.43	2.43	2.19	2.12	2.03	1.97	1.95	1.98

Small Business Subclass

On November 9, 2021, City Council adopted the recommendations in [Item EX27.7](#) to implement a Small Business Subclass for the commercial property tax class with a rate reduction of 15 percent of the commercial property tax rate.

In 2026, approximately 28,239 commercial properties, including eligible strip plazas, are included in the Subclass and expected to benefit from a tax rate reduction. The 15 percent municipal reduction will result in about \$40.07 million in levy savings. The Province will also provide a corresponding reduction in the education tax rate, with an additional estimated savings of over \$25.1 million for these properties.

Appendix D provides a Briefing Note on the impact of increasing the municipal rate reduction for the Small Business Property Tax Subclass from 15% to 20%.

New Multi-Residential Subclass

In the 2024 Ontario Budget, the Province introduced an optional subclass within the New Multi-Residential property class, enabling municipalities to offer reduced municipal property tax rates for eligible new multi-residential rental properties. On November 13, 2024, City Council adopted the New Multi-Residential Property (Municipal Reduction) Tax subclass and approved its eligibility criteria ([Item EX18.2](#)). This report recommends continuing the 15 percent municipal rate reduction for this subclass for the 2026 taxation year, consistent with the reduction applied in 2025.

The continued application of a stable reduced rate supports predictability for taxpayers while the City undertakes ongoing work on long-term tax rate planning for the Multi-Residential property class. In particular, this work is focused on the gradual harmonization of municipal multi-residential tax rates over the 35-year period during which eligible properties are included in the subclass. Maintaining a consistent annual reduction helps to limit the accumulation of tax rate disparities between new and

existing multi-residential properties over time and mitigates significant year-over-year impacts as properties transition through the new class framework.

For the 2026 taxation year, MPAC did not identify any properties in this subclass within the City of Toronto. As one of the eligibility criteria requires that the first building permit be issued after the by-law came into effect (November 2024), the first eligible properties are expected to be added to the assessment roll in late 2026 or 2027, and the financial impact of the 15 percent municipal rate reduction will be determined as qualifying buildings are completed and added to the assessment roll.

To date, the Province has not granted the requested matching reduction in education tax rates for this property subclass.

Property Tax Assistance for Low-Income Seniors and People with Disabilities

The City offers two property tax assistance programs for eligible low-income seniors and persons with disabilities, based on criteria that include age, household income, and, in some cases, the property's assessed value:

- **Tax Increase Cancellation Program:** This program cancels annual property tax increases for eligible homeowners.
- **Tax Increase Deferral Program:** This program allows eligible homeowners to defer tax increases without interest, with repayment due when the homeowner no longer owns the property.

In February 2017, City Council established a maximum household Current Value Assessment (CVA) threshold for the Tax Increase Cancellation Program. The threshold was set at \$850,000 for 2017 and 2018 and increase to \$975,000 for 2019 and 2020. Since the 2026 taxation year is based on 2020 assessment values, this threshold will remain at \$975,000 until the next reassessment. The Deferral Program does not have a CVA threshold.

In 2025, City Council updated the eligibility criteria for both programs, increasing the household income threshold to \$60,000. Since their inception, the programs have benefitted over 10,900 households with the City providing approximately \$60.6 million in total tax relief, including \$15.2 million in provincial education taxes. This total reflects \$45.4 million through the Tax Increase Cancellation Program (City portion) and over \$9.06 million in deferred tax increases, which also include provincial education taxes. Of the provincial portion cancelled, \$3.8 million remains as a receivable to the City. These figures highlight the broad financial assistance provided to qualifying households, offering vital financial relief for seniors and persons with disabilities.

For 2026, given the focus and direction to prioritize affordability, staff are recommending the income threshold be established at \$62,000, reflecting a 3.3 percent increase over the 2025 amount. It is estimated that approximately 12,000 households will benefit from these programs in 2026, however there is no cap or restriction to the program.

It should be noted that low-income seniors and low-income people with disabilities who are eligible for either of the above property tax assistance programs are also eligible for a 30 percent rebate on their water bill, so long as their water consumption is less than 400 m3 annually. Since April 1, 2019, eligible homeowners also receive the benefit of a higher rebate adjustment on the solid waste management component of their utility bill.

Funding Rebates for Registered Charities

Provincial legislation requires the City to adopt a tax rebate program for charities located in properties of the Commercial or Industrial property class. The rebate must be no less than 40 percent. The regulation also permits higher tax rates and ratios for these classes to fund charity rebates from within the Commercial and Industrial classes. The Province funds the education share of the rebates.

For 2026, the estimated funding requirements are based on 1,013 applications received in 2024. The funding requirements are as follows:

- Commercial Charity Rebates:
 - Funding requirement for 2026: \$6.788 million
 - Minus surplus from 2024: (\$0.016 million)
 - Net requirement of 2026: \$6.772 million.
- Industrial Charity Rebates
 - Funding requirement for 2026: \$0.073 million
 - Plus deficit from 2024: \$0.430 million
 - Net requirement for 2026: \$0.503 million.

City Building Fund

On February 15, 2017, City Council approved a dedicated property tax levy for priority transit and housing capital projects equal to a 0.50 percent residential property tax increase in 2017, followed by additional 0.50 percent increases each year from 2018 to 2021 ([Item EX22.1](#)).

On December 17, 2019, City Council adopted an additional increase of 1 percent for the City Building Levy in both 2020 and 2021, followed by an additional 1.5 percent annually from 2022 to 2025 ([Item EX11.26](#)).

In 2023, City Council endorsed extending the 1.5 percent increase until 2035 to support ongoing investments in transit and housing ([Item CC4.1](#)). The incremental increase of 1.5 percent will raise an additional \$75 million, resulting in total expected revenue of \$459 million in 2026.

The continued growth of the City Building Fund is required to maintain funding for existing capital commitments in the City's 10-Year Capital Plan. The 1.5 per cent increase in 2026 is expected to generate \$75 million in incremental revenue, bringing total City Building Fund revenues to \$459 million in 2026, and rising to a required \$1.3 billion annually by 2035 to support approved capital commitments.

The Scarborough Transit Reserve Fund was established in 2013 to accumulate funds to partially fund a replacement for the rapid transit line in Scarborough. The City Building Fund was established to hold capital funding dedicated to housing and priority transit capital projects. In order to consolidate major capital reserves and leverage funding capacity of the City Building Fund to increase annual contributions dedicated to Scarborough transit, it is recommended that the balance of the Scarborough Transit Reserve Fund be transferred to the City Building Reserve Fund, while specifically accounting for and preserving the transferred funds for their intended purposes.

Annual Impact of Municipal Land Transfer Tax (MLTT)

During 2025 budget implementation considerations ([Item CC27.1](#)), City Council requested the Chief Financial Officer and Treasurer to report on the annual impact to property taxes in the event that the Municipal Land Transfer Tax (MLTT) is no longer a source of revenue as part of the 2026 budget process.

The projected MLTT revenue for 2025 is approximately \$805 million, equivalent to about a 16.1 percent increase in the Residential property tax rate in 2026.

As part of [Item EX28.1](#), City Council requested staff to review the First Time Homebuyers Rebate Program and consider options to improve the program, including necessary offsets, in the budget process. The City of Toronto currently provides an MLTT rebate to first-time purchasers of residential property, up to a maximum rebate value of \$4,475. In 2024, the City provided a total of \$60.3 million in rebates.

At this time, staff are not recommending any changes to the program due to the financial impacts. If the City were to increase the maximum rebate value, it would result in additional foregone revenue for the City and would create an added financial pressure. For example, if the rebate value was increased to \$11,475, which would essentially provide a full rebate for home purchases up to \$750,000, it would cost the City an estimated additional \$86 million. Staff will continue to monitor MLTT and first-time home buyer activity. Should there be future consideration to adjusting the program, staff recommend aligning program changes with recovery in the real estate market to mitigate the annual financial impact on the City.

2026 Education Tax Rates and Levy

The *Education Act, 1990*, requires every municipality to levy and collect taxes for school purposes each year at the education tax rates prescribed by the Minister of Finance. In accordance with these legislative requirements, City Council must annually adopt the following by-laws:

- (iii) the municipal levy;
- (iii) the education levy; and
- (iii) the claw-back rate for properties in the commercial, industrial, and multi-residential property classes.

These by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes, and may be combined into one by-law.

On December 5, 2025, the Minister of Finance filed O. Reg. 297/25 amending [O. Reg. 400/98](#) under the Education Act, prescribing 2026 tax rates for school purposes. The 2026 education rates remain the same as in 2025. The release of this information occurred earlier than prior years and therefore enables City Council to adopt the required by-laws as part of this Budget Implementation report, rather than consider a separate report later in the year.

The current regulation provides that the tax rate for school purposes for the Small Business subclasses be reduced by 15 per cent, matching the municipal tax rate reduction for the subclass in 2025. The 15% reduction will result in \$25.1 million in education tax relief for the properties in the small business subclass in Toronto. The Province does not currently provide a matching 15% reduction for the New Multi-Residential (Municipal Reduction) Subclass.

The applicable subclass tax rate reductions on the education rates in 2026 for the City of Toronto are shown in Table 7 below.

Table 7: Applicable Education Tax Rate Reductions

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	0% of Commercial rate
	Vacant Land	0% of Commercial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
Industrial	Excess Land	0% of Industrial rate
	Vacant Land	0% of Industrial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
Multi-residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate

Since the assessment values for the 2026 taxation year remain the same as for the last five taxation years, and the rates are the same since 2021, there is no CVA-related or rate-related education tax increase in 2026. To ensure municipalities are not negatively

impacted by business education tax reductions, the education rates for payment-in-lieu properties, where the education portion of taxes are retained by the municipality, have been maintained at the 2021 rates.

Table 8 below provides a reconciliation of the 2026 education tax levy for Toronto by property class. The Province will receive an additional \$24.48 million in education tax levies in 2026 arising from new development and assessment growth in the City, largely driven by condominium, multi-residential and commercial development.

Table 8: 2026 Education Taxes (\$000s)

Property Class	2025 Education Levy	2025 Levy Change from Assessment Growth	2026 Education Levy
Residential	917,518	14,933	932,451
Multi-Residential	78,294	-889	77,405
New Multi-Residential	15,193	2,954	18,147
Commercial	1,101,538	7,737	1,109,275
Industrial	73,067	-249	72,818
Pipelines	3,427	-1.9	3,426
Farmlands	1.5	0.0	1.5
Managed Forests	1.6	0.0	1.6
Total	2,189,041	24,484	2,213,525

Table 9 summarizes the tax impacts on the average home in Toronto with an assessed value of \$692,140. The breakdown of the average 2026 household impact arising from the municipal portion of taxes of \$92 (a 2.2% increase including the City Building Fund) is shown in Table 3. The 2026 education tax rates, prescribed by the Province and recommended in this report, will see no increase in education taxes on the average home in Toronto. The total 2026 combined municipal and education levy impact for the average household in Toronto will be \$92, or a combined 1.75% increase on the total property tax bill.

Table 9: Average Residential Tax Impact

	2025 Taxes	2026 Taxes	Increase \$	Increase %
City	\$4,160	\$4,252	\$92	2.20%
Education	\$1,059	\$1,059	-	0.00%
	\$5,219	\$5,311	\$92	1.75%

As part of administering education property taxes on behalf of the Province, the City incurs costs related to billing, collection, customer service, and associated staff resources. These administrative costs are currently partially offset through the City's ability, under provincial legislation, to retain a small portion of education taxes collected, as authorized by City Council through the annual Education Property Tax Levy By-law.

While existing legislative authority enables limited cost recovery, it may be appropriate to assess whether the current level of retention remains aligned with the actual costs incurred. Any consideration of adjustments would require further analysis and, where applicable, consultation with the Province, including an examination of fiscal impacts, consistency with legislative authority, and implications for taxpayers.

Capping Policy and Funding Capping Limits (Commercial, Industrial and Multi-Residential Property Classes)

Legislation mandates a cap on CVA-related tax increases on properties in the Commercial, Industrial, and Multi-Residential classes. This report recommends continuing the policy of limiting ('capping') allowable tax increases to a maximum of 10% of a property's prior year's annualized taxes. This applies to any property in the Commercial, Industrial, and Multi-Residential tax classes that would otherwise experience a tax increase greater than 10%, and where the tax increase exceeds \$500 for the 2026 taxation year. This policy provides protection from significant tax increases to all business properties. The application of the \$500 threshold, however, allows for faster transition to full CVA and reduces the number of capped and clawed back properties impacted. Only properties with a 10% increase exceeding \$500 will continue to be capped.

As permitted by current legislation, the capping of tax increases is funded by "clawing back" tax decreases that some properties may otherwise experience following a reassessment. The percentage reductions in the tax decreases for 2026 (the "clawback rate") necessary to fund the foregone revenue resulting from the recommended 10% cap on tax increases for 2026 will be reported to City Council in second quarter of 2026.

2026 User Fees

Adjustments Requiring City Council Approval

In accordance with the City User Fee Policy, City Council must approve the following adjustments: changes to certain market-based fees, the creation of new user fees, any changes to existing user fees beyond inflation, and user fees requiring technical adjustments, transfers, discontinuations or rationalizations as outlined in Appendix 3 to the 2026 Mayor's Proposed Budget. New fees, added under the existing delegated authority for annual inflationary adjustments are also included. Details on these fees are provided in Table 1 of Appendix A.

The City provided public notice of its 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 on the proposed changes to fees.

Automatic Adjustments: User Fee Inflationary Increases

As part of the City User Fee Policy, annual inflationary adjustments are applied to user fees based on the applicable inflation rate. Authority to implement these adjustments is delegated to the Chief Financial Officer and Treasurer, and the expected incremental revenue generated from these adjustments is included in the 2026 Mayor's Proposed Budget. Details of user fees with previously approved delegated authority are provided in Appendix 4 of the 2026 Mayor's Proposed Budget.

Rates and Service Fees - Solid Waste Management Services and Toronto Water

On December 17, 2025, City Council approved interim rates and service fees for Solid Waste Management Services and Toronto Water to take effect on January 1, 2026. These rates align with the financial modelling and required increases presented during the 2026 budget process and are consistent with the 2026-2035 Capital Budget and Plan. This report recommends adopting these interim rates and service fees as final for 2026.

Provincial Gas Tax and Build Communities Strong Fund in the City's 2026-2035 Capital Budget and Plan:

The Provincial Gas Tax (PGT) and Build Communities Strong Fund (BCSF, formerly the Canada Community Building Fund) are essential funding sources that enable Toronto to sustain and enhance its public transit system. These programs ensure that critical investments in transit infrastructure align with the City's operational and strategic goals, as reflected in the 2026-2035 Capital Budget and Plan for the Toronto Transit Commission.

Provincial Gas Tax funding supplements municipal transit expenditures, addressing both operating and capital needs. The allocation formula ensures that funding is responsive to transit ridership and population trends, enabling the Toronto Transit Commission to meet evolving needs. Projects funded by the PGT are detailed in the 10-year capital plan provided in Appendix B.

The Build Communities Strong Fund offers municipalities with flexibility to prioritize projects across infrastructure categories, with Toronto directing its allocation primarily to transit-related projects. This funding's inflation-indexed structure ensures stability for long-term projects, while the Administrative Agreement with the Government of Canada, the Ontario Government, and the Association of Municipalities of Ontario ensures that funding is distributed in a structured and transparent manner, aligned with the City's strategic goals.

Together, these programs support Toronto's long-term infrastructure needs and contribute to the City's ability to meet growing demands for public transit and related services. The 2026-2035 Capital Budget and Plan, with its detailed Appendix B lists all

planned projects reflects the significant role these funding sources play in Toronto's infrastructure future.

Other Items:

Toronto Parking Authority

The Toronto Parking Authority (TPA) 2026 Operating budget does not include an inflationary adjustment or a modification to rates for parking locations. This report includes a recommendation for City Council to request the TPA Board direct the President, TPA, to consider applying an inflationary adjustment or modified rates for parking locations for 2026 in keeping with TPA's past practice.

Amendments to Toronto Municipal Code Chapters for allowable maximum fines for offences

In response to City Council direction through Member Motion 2024.MM22.2 - *Credible Maximum Fines for Offences Contrary to Toronto Municipal Code*, City divisions reviewed Toronto Municipal Code chapters governed by the *City of Toronto Act, 2006* to determine whether existing maximum fines remain appropriate. This included assessing opportunities to increase fines to the maximum levels permitted under provincial legislation and, where authorized, to allow charges against corporate officers and directors.

Under the *Provincial Offences Act*, fines are imposed by the courts following a conviction. When setting a penalty, judicial officers look to the maximum fine established in the applicable by-law as the outer limit in determining what is appropriate in a given case. Updating these maximums provides courts with greater discretion to impose penalties that reflect the seriousness of the offence and the specific circumstances of each case, supporting compliance and deterrence.

Legal Services provided guidance on the statutory maximum fines permitted under the *City of Toronto Act, 2006*, which allows Council to set fines of up to \$100,000 for certain by-law contraventions, compared to the default \$5,000 maximum where no higher fine is specified. With this guidance, City divisions assessed 19 Municipal Code chapters, considering public safety, alignment with comparable offences, feedback from the public, potential policy impacts, and the risk of disproportionate impacts on vulnerable populations.

Appendix C outlines the recommended amendments, which would update maximum fines where appropriate and authorize charges against corporate officers and directors, consistent with legislative authority.

Revenues from by-law enforcement fines are projected at approximately \$192.7 million in 2026, representing about 1 per cent of the City's total planned revenue. The majority of this revenue is generated from parking enforcement and red light camera infractions.

Impacts of Provincial Policy Changes

Recent provincial policy changes have also had direct revenue and operational impacts on the City. In particular, the Province's removal of municipal authority to implement and operate Automated Speed Enforcement (ASE) eliminated a source of revenue that had been used to support road safety initiatives and traffic enforcement activities. While the financial impact of the removal of ASE has now been addressed through the 2026 Budget, this change reduced a dedicated revenue stream and increased pressure on the City's operating budget to continue funding road safety priorities. The City continues to monitor the impacts of provincial policy decisions on municipal service delivery and financial sustainability.

Cost-of-Living Adjustment Rate For Non-Union and Management Employees

The City Manager will continue to establish the cost-of-living adjustment rate for non-union and management employees as directed by City Council on February 2, 2025 ([CC27.2](#)).

Parks and Recreation

To advance priorities to support community-led parks groups, it is recommended that the City enter into a collaborative agreement for 2026 that will enable Parks and Recreation to allocate a portion of Parks and Recreation's base budget to be matched by Parks People's funding resources. This collaborative agreement will support growing "Friends of" parks organizations, leveraging existing city-wide relationships with local parks groups, with the aim of enhancing community stewardship within parks.

Environment, Climate and Forestry

Toronto is experiencing more frequent and extreme heat events, which pose a public health risk for residents without access to adequate indoor cooling, particularly low-income seniors and other vulnerable populations. In response, the City launched a pilot Air Conditioner Assistance Program in 2025, which delivered approximately 500 air conditioners to low-income seniors, including professional installation at no cost. The pilot demonstrated strong demand and delivered meaningful benefits to recipients.

Building on the pilot, staff are proposing an expanded Air Conditioner Assistance Program in 2026. Subject to Council approval and funding, the program would deploy up to 1,000 air conditioners prior to the summer of 2026. Eligibility would continue to prioritize low-income seniors and would be expanded include additional low income or vulnerable populations, informed by similar City programs and public health considerations.

Council authorization is requested to expand program eligibility and administration parameters for 2026 to enable timely implementation. The City would accept donations to support program delivery and expand access to no-cost air conditioners for eligible residents.

FIFA World Cup 2026

With the FIFA World Cup 2026 (FWC26) approaching, certain decisions may need to be made on an immediate or just-in-time basis to support the successful delivery of the FWC26.

Accordingly, this report recommends authorizing the City Manager to:

- reallocate budgets within the \$380.0 million FWC26 Toronto Secretariat budget;
- exercise temporary delegated authorities to mitigate procurement delay arising from unexpected or time-sensitive operational requirements needed to meet obligations under the FIFA Host City Agreement.

In [2024.EX16.32](#), City Council adopted a Procurement Plan for FWC26-related procurements and established additional reporting requirements. Specifically, where the actual value of a proposed procurement award exceeds the estimated value in the approved Procurement Plan by the lesser of 5 percent or \$250,000, the Chief Procurement Officer would exercise their discretion to bring forward recommendations to Executive Committee, via the FIFA World Cup 2026 Subcommittee, regardless of any existing authority.

For FWC26-related procurements not included in the approved Procurement Plan, this report recommends rescinding the requirement for the Chief Procurement Officer to exercise discretion to bring forward recommendations to Executive Committee. In these cases, delegated authorities under Municipal Code Chapter 71, *Financial Control*, and Chapter 195, *Procurement*, will be relied upon to make commitments and awards.

This also recommends temporarily increasing the City Manager's authority, or that of their delegate, to approve over-expenditures on commitments and non-competitive procurements (NCPs) of up to \$1,000,000 required to delivery the FWC26.

- Under Chapter 71, *Financial Control*, the City Manager's authority is limited to over-expenditures up to \$500,000. A temporary increase to this authority will allow FWC26 to use of existing City contracts without negatively impacting the procurement activities of the division(s) that owns the contact to be leveraged.
- As FWC26 approaches, urgent and time-sensitive procurements may be required to address operational needs, delivery risks and schedule constraints, which may necessitate purchasing goods and/or services using NCPs exceeding existing authorities for divisions (\$50,000) and the City Manager (\$500,000).

The authority or delegation set out in these recommendations are intended to provide operational flexibility while maintaining appropriate financial controls and reporting oversight. They are required to manage risks associated with the scale, complexity, and timelines of hosting a major international event such as the FWC26. Staff will report back to the FIFA World Cup 2026 Subcommittee for information on any use of these authorities granted via this report.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

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

Appendix B: Provincial Gas Tax and Build Communities Strong Fund Projects Funded Through the City's 2026-2035 Capital Budget and Plan

Appendix C: Amendments to Toronto Municipal Code Chapters

Appendix D: 2026 Operating Budget Briefing Note - Impact of Increasing the Municipal Rate Reduction for the Small Business Property Tax Subclass from 15% to 20%