INVESTING IN TORONTO'S

FUTURE

CITY OF TORONTO LONG-TERM FINANCIAL PLAN CONSULTATIONS

Background Information on Expenditures, Revenues, and Assets

INVESTING IN TORONTO'S FUTURE

This document provides important background information on the City's expenses, revenues, revenue options, and assets to help inform the Long-Term Financial Plan Consultations.

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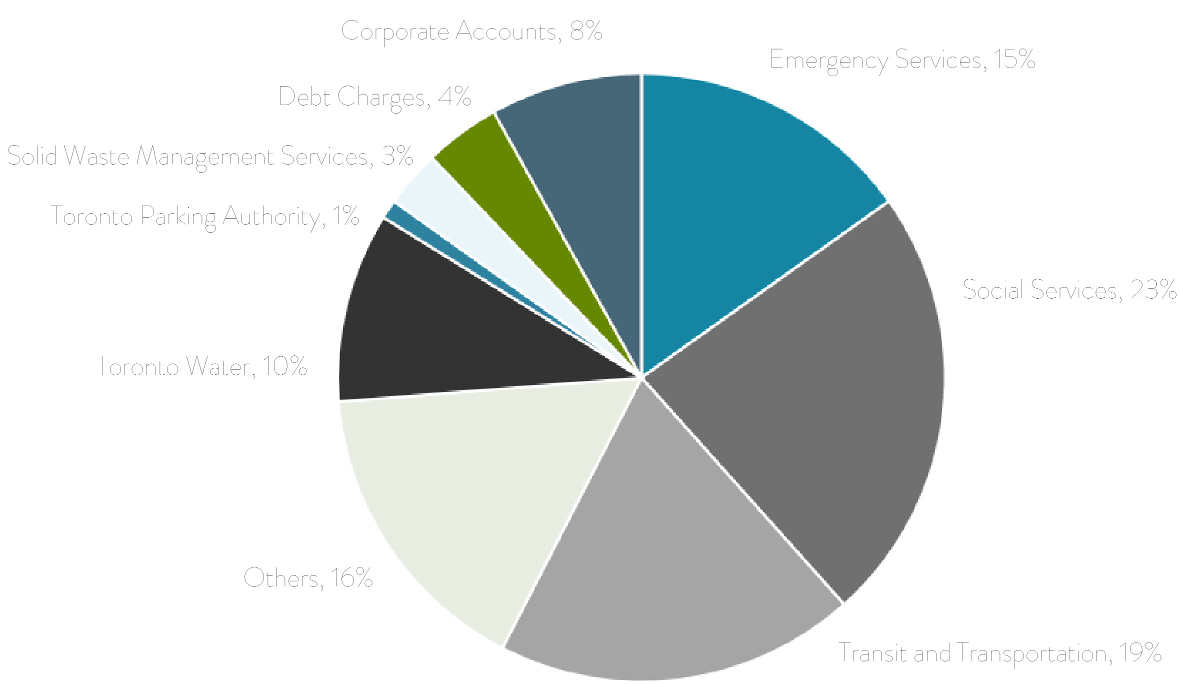
BACKGROUNDER: CITY EXPENSES

Current City of Toronto Expenses

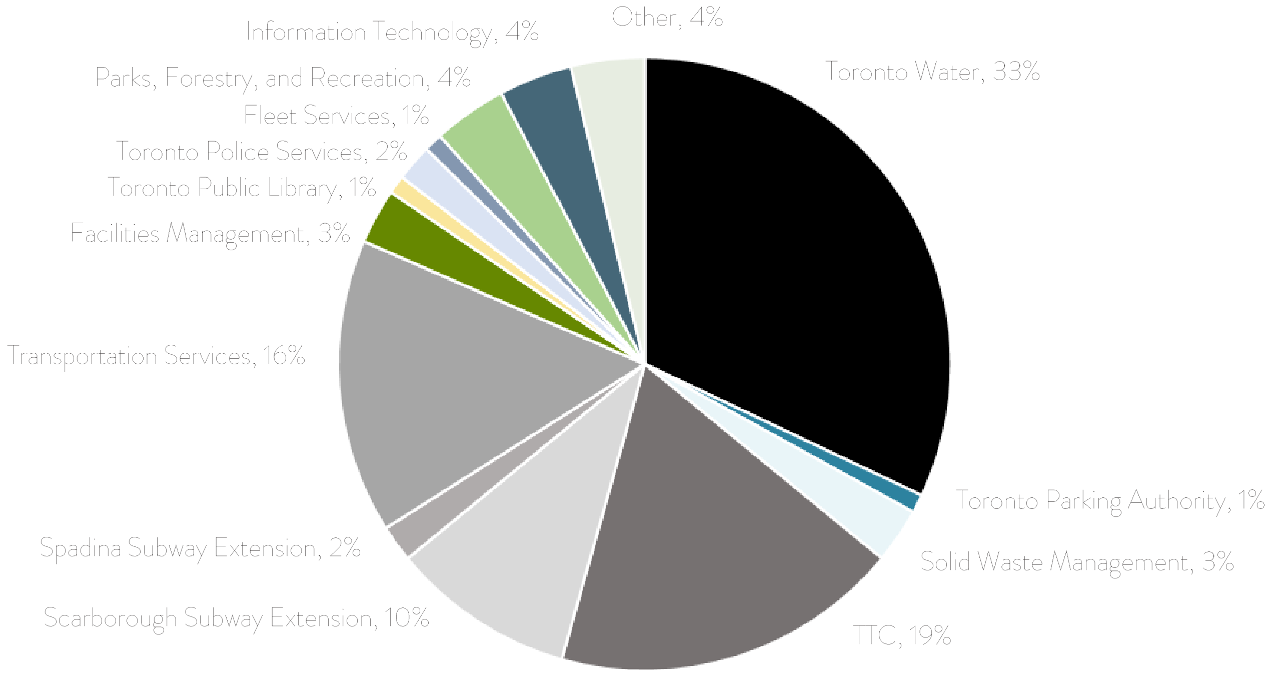
- The City delivers 155 different services, many of them 24 hours a day, seven days a week.
- A very significant portion of the City's budget pressures are driven by its agencies – for example, the TTC, Toronto Police Service and Toronto Community Housing.
- The costs for several of the City's services are shared between the City and other levels of government. For example shelters, child care, emergency medical services, public health and incomes support programs are funded by both the City and the Province of Ontario.
- It is important to recognize that the City performs a key role to deliver core businesses required by the Province.

WHERE THE MONEY GOES: OPERATING BUDGET



These are percentages based on previous budgets. The 2017 preliminary budget will be released on December 6, 2016. Council is set to approve the 2017 budget on February 15, 2017.

WHERE THE MONEY GOES: CAPITAL BUDGET



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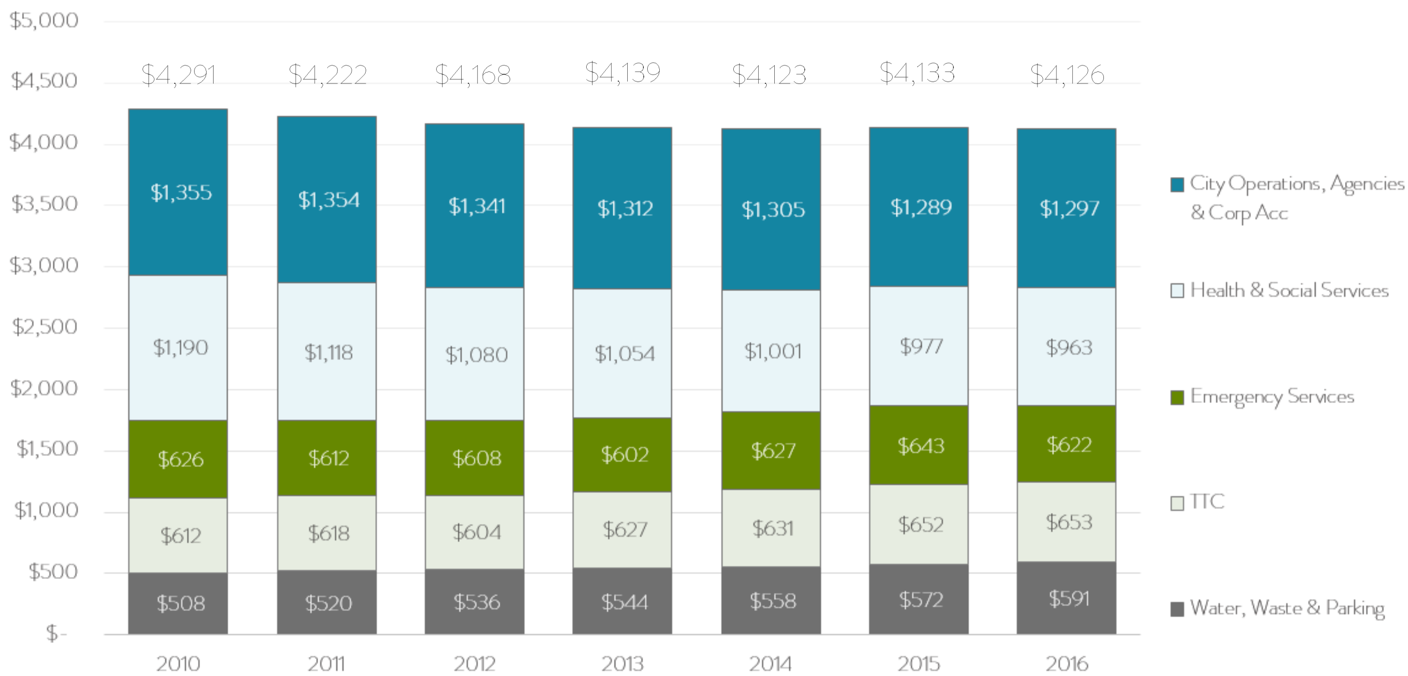
Recent Trends

- Demand for services is increasing and the cost to deliver these services is rising faster than inflation.
- Each year, the cost required to deliver the same level of day-to-day services to residents and businesses increases by hundreds of millions of dollars.
- Billions more are required to build planned infrastructure like housing, parks and transit.
- Overall City expenses have been constrained over the past six years, rising much more slowly than earlier periods.
- Spending per resident is slightly lower over the past six years, when adjusted for inflation, even with the addition of new services.

GROSS EXPENDITURE PER RESIDENT
(Adjusted for inflation & population)



- Council has also annually approved new and enhanced service levels.
- Expenses related to three broad service areas – transit, emergency services and rate-supported programs – account for almost three-quarters of the gross expenditure increase incurred by the City.
- These increases have been offset by other areas of direct savings or lower growth:
    - Efficiencies achieved through line-by-line savings, program reviews, new technology and changes to collective agreements.
    - Moderate savings from social programs which are cost-shared with the Province. The savings from social programs may not be available in the future, reflecting Ontario's assumption of increased responsibility for these programs.
    - Deferrals of operating and capital expense – unfunded capital projects are now over $30 billion.
- The strategy of deferral is reaching practical limits as investment becomes necessary.
- Current expense management strategies alone have not been enough to maintain existing services and programs.

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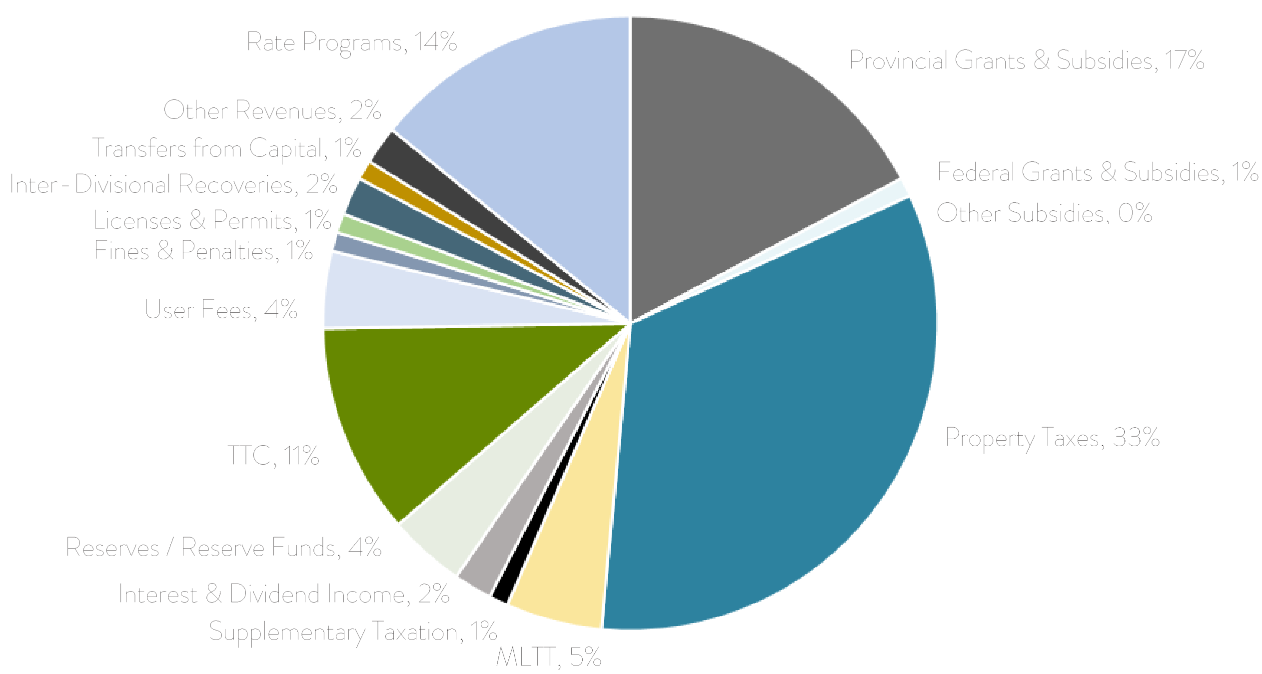
BACKGROUNDER: CITY REVENUE

Current City of Toronto Revenues

- The City of Toronto's main revenue source is property tax, which accounts for about 33% of the City's total operating budget.
- The City also has three rate based programs, Toronto Water, Solid Waste Management Services and Toronto Parking Authority. These programs are funded entirely by the user in the form of fees.
    - For example, your water and garbage costs are calculated by how much water you use and the size of your garbage bin.
    - Some City services or programs such as the TTC and recreation programs have user fees which pay for a portion of the service.
- Toronto also has two other taxes: Municipal Land Transfer Tax (MLTT) which is paid by the buyer when they take ownership of their property, and Third Party Sign Tax/Billboard Tax.
- The City also receives provincial and federal transfers or subsidies for cost-shared services.

WHERE THE MONEY COMES FROM: OPERATING BUDGET



These are percentages based on previous budgets. The 2017 preliminary budget will be released on December 6, 2016. Council is set to approve the 2017 budget on February 15, 2017

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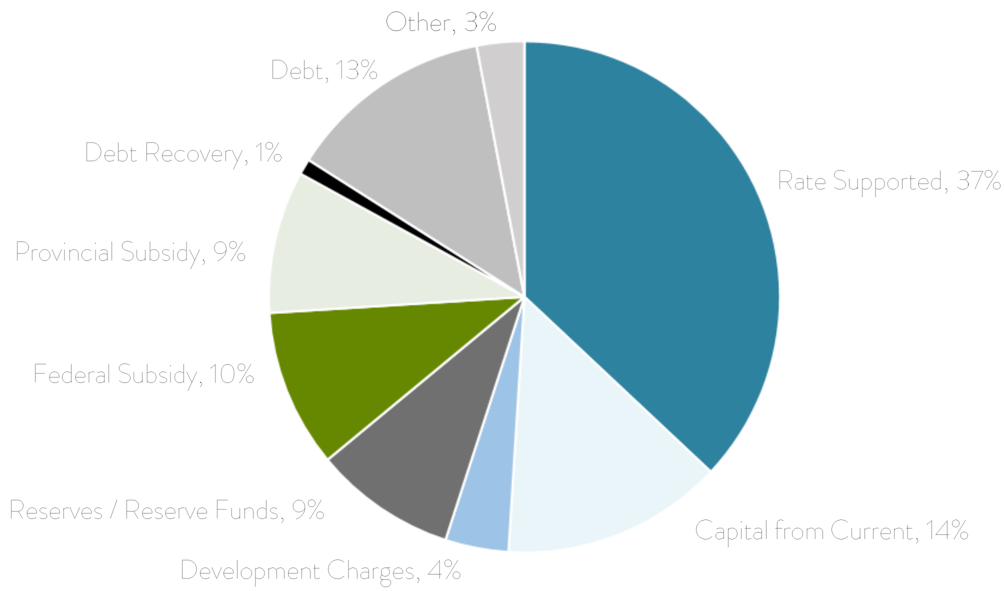
WHERE THE MONEY COMES FROM: CAPITAL BUDGET

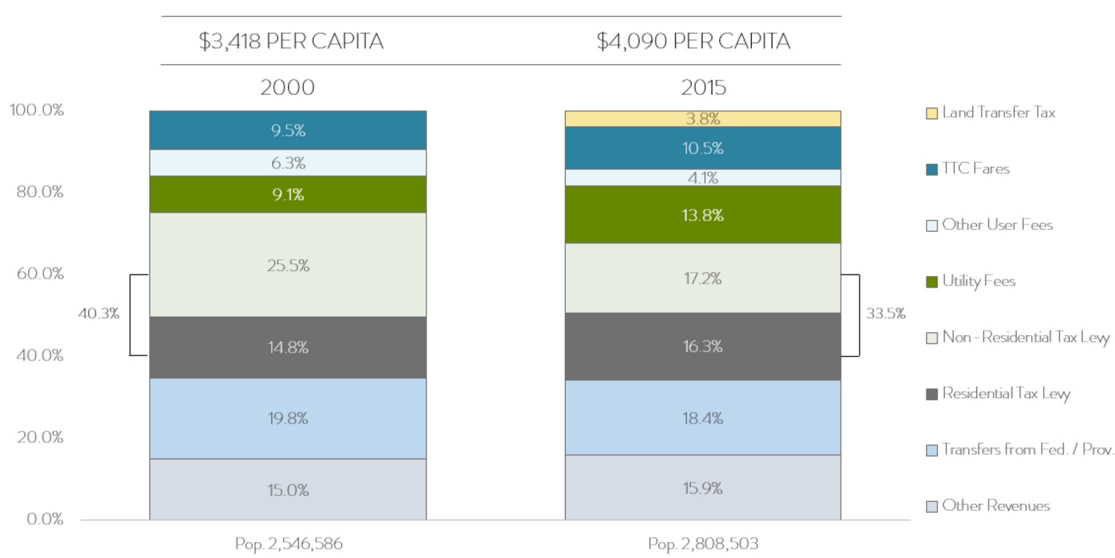


These are percentages based on previous budgets. Numbers and projects are likely to change. The 2017 preliminary budget will be released on December 6, 2016. Council is set to consider the 2017 budget at its meeting of February 15, 2017.

Recent Trends

- Reliance on property tax – the City's most important and stable revenue source – has decreased over the past six years.
- Council has made long-standing decisions to hold overall property tax increases at or below inflation.
- In recent years overall revenue growth has been supported by increases in utility rates for water and solid waste, transit fares and other user fees, and the rapid growth of MLTT revenues.

REVENUE TREND (2015$)



What revenues or taxes can the City collect?

- Through the City of Toronto Act (COTA), 2006 the Province legislates what revenues or taxes Toronto can and cannot collect.
- Revenue options under the COTA that have been implemented include the Municipal Land Transfer Tax (MLTT), Personal Vehicle Tax (subsequently rescinded), and the Third Party Sign Tax.

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BACKGROUNDER: REVENUE OPTIONS

Revenue Approaches

- The City has three general types of revenue options: taxes on real property, specialty taxes allowed under provincial legislation, and user fees.
- When considering revenue options, it is important to consider:
    - Incidence – who they impact and how
    - Efficiency – related costs
    - Policy Fit – ability to reinforce desirable behaviours
    - Economy – impacts on business activities, and
    - Revenue Quality – the growth/stability of the revenue compared to an equivalent marginal property tax increase.

Revenue Options

- City Council has directed staff to report on a multi-year revenue strategy to help achieve the City's aspirations – so we can build the city we all want.
- In June 2016, a revenue options study was presented to Executive Committee. On December 1, 2016, further analysis on an immediate and longer-term revenue strategy was presented to Executive Committee.
- Some of the revenue options explored are allowed under provincial legislation. Other revenue options would require major provincial policy change.
- The revenue options that have been considered by City Council are listed below. Council consideration of these matters is underway.
- All estimates are based on assumed rates and/or tax or fee changes. These estimates may not reflect significant public policy and administrative complexities.

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ALCOHOL TAX

Type: Specialty Tax

Sales tax of 1% to 10% at stores (LCBO, The Beer Store, and certain grocery stores)

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Permitted under provincial legislation • However conflicts with the LCBO's policy for uniform pricing across Ontario • And requires improved provincial regulatory authority for third parties to collect the tax on the City's behalf How long would it take to implement and why: • 12 months • City would need to administer the tax and establish a dedicated unit with additional staff and new collection system	Estimated amount per year: $16M to $127M Cost to the City to collect: • One-time: Unknown • Annual: $1M (preliminary estimate) Difference between funds collected and cost to the City to collect: $15M to $126M Predictable? Very – Same amount each year Notes: LCBO has reported consistent sales growth over the last 10 years	Impact on Residents/Users: • Consumers may choose to purchase alcohol outside the City • Underground or online sales may increase • People with lower income may spend more of their income on alcohol in the short term and may drink less alcohol in the long-term Impact on Businesses: • Retailers may relocate to neighbouring municipalities Impact on City ability to achieve priorities: • May impact employment in the city • Potential for improved health outcomes through less alcohol consumption

BILLBOARD TAX *(also called Third Party Sign Tax)*

Type: Specialty Tax

Tax on owners of billboards (third party signs)

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Tax in place since April 6, 2010 • An inflationary increase is applied to the tax each year • Staff are exploring changes to the tax. Options being explored could generate a minimum of $2.5M in additional revenue How long would it take to implement and why: • Immediately if approved by City Council	Estimated amount per year: Minimum of $2.5M in additional revenue Cost to the City to collect: • One-time: Minimal • Annual: Minimal Difference between funds collected and cost to the City to collect: Minimal Predictable? Somewhat – may vary each year Notes: Staff are currently reviewing potential changes to the billboard tax and impact on sign owners	Impact on Residents/Users: • No impacts on residents Impact on Businesses: • A significant tax rate increase could change some sign locations and types Impact on City ability to achieve priorities: • Minimal

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CAR RENTAL TAX

Type: Specialty Tax

Daily fee or additional sales tax paid by individuals who rent vehicles (rate TBD)

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • The provincial legislation prohibits sales taxes How long would it take to implement and why: • Requires change to provincial legislation • Tax design for auto share companies requires more research	Estimated amount per year: Unknown Cost to the City to collect: • One-time: Unknown • Annual: Unknown Difference between funds collected and cost to the City to collect: Unknown Predictable? Somewhat – May vary each year Notes: Revenue has not been quantified	Impact on Residents/Users: • Minimal impact to most residents • Higher cost to residents who rent cars Impact on Businesses: • Would increase the cost for rental and rideshare businesses marginally • Would result in avoidance through rental or vehicle ownership registration outside of the city Impact on City ability to achieve priorities: • Supports and conflicts with the City's efforts to reduce greenhouse gas emissions (encourages transit usage but also discourages rental/sharing of vehicles)

CARBON TAX

Type: Specialty Tax

Tax applied per volume of carbon based fuels (rate TBD)

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Requires changes to provincial legislation • Carbon pricing is usually implemented at the provincial and federal level How long would it take to implement and why: • Unknown • Requires major policy change	Estimated amount per year: Unknown Cost to the City to collect: • One-time: Unknown • Annual: Unknown Difference between funds collected and cost to the City to collect: Unknown Predictable? Unknown	Impact on Residents/Users: • Would result in higher prices for carbon fuels (e.g., gasoline, diesel, natural gas) Impact on Businesses: • Would result in higher prices for carbon fuels (e.g., gasoline, diesel, natural gas) Impact on City ability to achieve priorities: • Consistent with City goals for greenhouse gas reductions

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CORDON CHARGES/CONGESTION PRICING

Type: Specialty Tax, User Fee

Daily charge of $5 to $10 per vehicle for entering a set geographic area of the city

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Requires change to provincial regulations How long would it take to implement and why: • Unknown • Requires change to provincial regulations • Requires major system design and development – vehicle tracking, billing at numerous entry points, etc.	Estimated amount per year: $169M to $299M Cost to the City to collect: • One-time: approximately $300M • Annual: $80M (preliminary estimate) Difference between funds collected and cost to the City to collect: $89M to $219M Predictable? Somewhat – may vary each year Notes: Revenues are tied to the economy	Impact on Residents/Users: • Would impact travel and parking patterns • Would encourage transit use Impact on Businesses: • Could change business investment, especially near cordon boundaries Impact on City ability to achieve priorities: • Would reduce traffic • Would increase transit use

DEVELOPMENT LEVY

Type: Specialty Tax

Tax on the value of land being developed (2%-10%)

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • A land development levy could be interpreted as a wealth tax, which is currently excluded or prohibited under the Provincial City of Toronto Act. • The Provincial Development Charges Act prohibits adding a development tax to those already allowed by legislation How long would it take to implement and why: • Requires major provincial policy change • More than 12 months	Estimated amount per year: $17M to $87M Cost to the City to collect: • One-time: Unknown • Annual: Unknown Difference between funds collected and cost to the City to collect: $17M - $87M Predictable? Not – likely to vary each year Notes: Limited contributors (e.g., not many transactions per year) and the revenue are likely to be volatile (e.g., changes to the development market)	Impact on Residents/Users: • Costs of the levy could be passed on to individual homeowners and building tenants in the short term Impact on Businesses: • Would increase developers' costs and potentially dampen future development activity • May result in developers moving their development activities outside of the city Impact on City ability to achieve priorities: • Conflicts with City policy to promote economic competitiveness and increase employment

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ENTERTAINMENT AND AMUSEMENT TAX

Type: Specialty Tax

1%-10% sales tax on goods or services

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Permitted under provincial legislation • However, requires improved provincial regulatory support to collect How long would it take to implement and why: • 12 months • City would need to allow entertainment venues such as movie theatres, live performances, sporting events and nightclubs to set up systems to collect the tax • To administer the tax the City would need to staff a new office and create a collection system	Estimated amount per year: $4M to $36M Cost to the City to collect: • One-time: Unknown • Annual: Unknown$1M (preliminary estimate) Difference between funds collected and cost to the City to collect: $3M to $35M Predictable? Somewhat – May vary each year Notes: • The revenue amount would depend on the types of businesses that were included • Revenues would increase when prices increase	Impact on Residents/Users: • Higher income residents may pay more at major sporting and entertainment venues, and lower income residents at cinemas • Potential to export a portion of the tax burden to non-residents who spend money at events Impact on Businesses: • May impact organizations and activities that promote the arts and non-profits • Small businesses as well as movie theatres will be more impacted as they are less unique to Toronto Impact on City ability to achieve priorities: • Conflicts with City policy to promote small businesses, and arts and culture

EXPRESSWAY TOLLING

Type: Specialty Tax, User Fee

Charge for use of the Gardiner Expressway and Don Valley Parkway for every trip or kilometre: $2.00 /trip or $0.20 /km

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Requires a change to provincial regulation • Requires a rate structure, tracking, and billing system How long would it take to implement and why: • Possible to implement in stages as early as 2019/2020	Estimated amount per year: $166M net of costs (in 2016 dollars) Cost to the City to collect: • One-time: $100M to $150M • Annual: $50M to $70M Difference between funds collected and cost to the City to collect: $166M net of costs (in 2016 dollars) Predictable? Very – same amount each year Notes: Effective in generating significant revenue for transit and transportation	Impact on Residents/Users: • Travel time savings on the Gardiner Expressway and the Don Valley Parkway • Increased travel time and vehicle volumes on some local roads • Better distribution of cost to non-residents (40% of trips) • Drivers without transportation alternatives may spend more of their income on transportation Impact on Businesses: • Currently being studied, could impact some areas of the economy such as moving goods

Authority	Revenue	Considerations
	infrastructure. Once tolls are established, expressway use is expected to remain stable.	Impact on City ability to achieve priorities: • May encourage use of more transit use and active transportation • May help manage traffic congestion

HOTEL TAX

Type: Specialty Tax

4% to 5% tax on the cost of a room OR a fixed charge per room, per night

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Provincial legislation prohibits any tax on lodging, which includes hotel taxes • Legislative changes would have to be made to allow the City to tax both hotels and short-term rentals How long would it take to implement and why: • 12 months • Requires: changes to provincial legislation, arrangements with short-term rentals to collect tax, new by-law, and collection system	Estimated amount per year: $42M to $52M Cost to the City to collect: • Nominal • Annual: Not quantified • Other costs involved: $20M to $30M (see notes below) Difference between funds collected and cost to the City to collect: $22M Predictable? Very – Same amount each year Notes: $20M to $30M of the tax raised would replace funding for Tourism Toronto from the current $20M voluntary Destination Marketing Program contribution, and potentially $10M provincial funding.	Impact on Residents/Users: • Visitors may choose to stay outside of the city Impact on Businesses: • Potential loss of convention business and leisure tourism • Most impact may be felt by hotels at the city boundary near Pearson Airport • May reduce investment in new hotels when hotel supply is being crowded out by condo development Impact on City ability to achieve priorities: • Could affect employment in the hotel and tourism industry – a major employer for youth and new citizens • Any changes to funding for Tourism Toronto may impact regional tourism

MUNICIPAL BUSINESS INCOME TAX *(Fundamental changes required)*

Type: Specialty Tax

0.5% to 2% income tax on Toronto businesses

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Not permitted under provincial legislation • May be extremely difficult to implement	Estimated amount per year: $153M to $611M Cost to the City to collect: • One-time: Unknown • Annual: $8M to $31M	Impact on Residents/Users: • Businesses may leave Toronto, resulting in potential job losses or longer commutes • Potentially lower property taxes Impact on Businesses: • Impact will vary widely depending on profitability

Authority	Revenue	Considerations
How long would it take to implement and why: • 24 months • Provincial legislative change needed • An administration system needs to be developed to determine taxable income • May take considerable time to finalize agreements between governments	Difference between funds collected and cost to the City to collect: $145M to $580M Predictable? Not – Likely to vary each year Notes: Revenues would be tied to the economy because business income varies substantially with the economy	Impact on Businesses: • Makes Toronto less attractive as a business location (more likely to choose the 905) • Adds to already high non-residential property tax rates relative to residential rates and surrounding jurisdictions Impact on City ability to achieve priorities: • Could increase rate of condo developments outbidding business developments

MUNICIPAL LAND TRANSFER TAX (MLTT)

Type: Specialty Tax, Property Tax

Tax paid to the City when property or land is purchased. Potential changes to increase the tax rate.

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Implemented since Feb 1, 2008 How long would it take to implement and why: • Potential changes include raising the City's MLTT rate structure to be in-line with announced changes to Provincial Land Transfer Tax taking effect January 1, 2017. • Changes, if approved by Council, could be effective March 1, 2017	Estimated amount per year: $75M Cost to the City to collect: • One-time: Minimal • Annual: Covered by administration fees Difference between funds collected and cost to the City to collect: $75M Predictable? Not – Likely to vary each year. Notes: • Changes are relatively small and not expected to change market behaviour • Tax on an average home of $770,000 is about 1.4% or $11,125	Impact on Residents/Users: • Eligible first-time home buyers receive a tax rebate. The maximum rebate would increase from $3,725 to $4,000 • Proposed changes would increase tax on typical property purchase by $750. Purchases over $2M would pay an additional 0.5% on the property value over $2M Impact on Businesses: • Non-residential buyers would pay same rates as residential buyers (except for residential properties over $2M), increasing the maximum rate from 1.5% to 2% • May marginally reduce prices and transaction volumes • Minimal impact on the economy Impact on City ability to achieve priorities: • Increases revenue but also risk due to over reliance on highly variable tax revenue

MUNICIPAL PERSONAL INCOME TAX *(Fundamental changes required)*

Type: Specialty Tax

1% income tax on Toronto residents

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Not permitted under provincial legislation • May be extremely difficult to implement How long would it take to implement and why: • 24 months • Provincial legislative change needed • An administration system needs to be developed to determine taxable income • May take considerable time to finalize agreements between governments	Estimated amount per year: $589M to $939M Cost to the City to collect: • One-time: Unknown • Annual: $9M to $13M • Difference between funds collected and cost to the City to collect: $580M to $926M Predictable? Somewhat – May vary each year Notes: Revenues would be tied to the economy	Impact on Residents/Users: • Residents may leave Toronto to avoid the tax • Potential inequity: Toronto residents that work in Toronto would be taxed on income, while co-workers that commute into the city won't be Impact on Businesses: • May impact location decisions of some businesses; may impact ability to attract staff • Impact may vary by sector depending on competitive pressure; additional cost of reporting Impact on City ability to achieve priorities: • Reduces reliance on property taxes • May be appropriate for goals related to income redistribution (e.g., housing) and regional benefits (e.g., transit)

MUNICIPAL SALES TAX *(Fundamental changes required)*

Type: Specialty Tax

0.5% to 2% on retail sales in Toronto

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Not permitted under provincial legislation How long would it take to implement and why: • 24 months • Requires provincial legislative change or agreements • Requires development of a revenue sharing protocol	Estimated amount per year: $143M to $533M Cost to the City to collect: • One-time: Unknown • Annual: $18M Difference between funds collected and cost to the City to collect: $125M to $515M Predictable? Very – Same amount each year Notes: Revenues would be tied to the economy	Impact on Residents/Users: • Increases the price of goods and some services in Toronto • Residents may avoid the tax by shopping in neighbouring jurisdictions Impact on Businesses: • Impacts businesses competitiveness, with higher impacts on retailers located closer to the 905 or those that sell to 905 residents Impact on City ability to achieve priorities: • Diversifies potential revenues • Proportionately larger impact on lower income groups with less disposable income and ability to avoid the tax

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PARKING LEVY

Type: Specialty Tax, Property Tax

$6.75/m2 a year for non-residential off-street parking (based on parking area)

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • The City has provincial legislative authority How long would it take to implement and why: • 12-18 months • An inventory of parking areas needs to be developed • Council would need to consider tax design, such as rates, paid vs unpaid parking, and geographic location (e.g. downtown versus city-wide)	Estimated amount per year: $28M to $192M Cost to the City to collect: • One-time: $8M to $13M for implementation • Annual: $10M Difference between funds collected and cost to the City to collect: $18M to $182M Predictable? Somewhat – May vary each year Notes: Tax may lead to reduction in parking area over time	Impact on Residents/Users: • Could raise cost of goods or services in Toronto • Could decrease economic activity in Toronto, resulting in job loss Impact on Businesses: • Potentially inequitable and highly variable impact on businesses depending the business and on parking levy design • Increases operating costs for businesses and reduces Toronto's business competitiveness • Makes shopping online or outside of Toronto more desirable Impact on City ability to achieve priorities: • Conflicts with efforts to enhance business competitiveness • May reduce congestion and greenhouse gas emissions by encouraging transit usage

PARKING SALES TAX

Type: Specialty Tax

5% to 20% on the cost of all paid parking

Authority	Revenue	Considerations
Can the City implement this now? NO Because • Not permitted under provincial legislation and regulation How long would it take to implement and why: • 12 months • Provincial legislation would have to be amended • City would need a separate agency to collect from parking lot operators	Estimated amount per year: $33M to $123M Cost to the City to collect: • One-time: Unknown • Annual: $2.5M Difference between funds collected and cost to the City to collect: $30M to $120M Predictable? Very – Same amount each year	Impact on Residents/Users: • Higher parking fees for paid parking spaces • Impact may be greater for people who park frequently and for long times Impact on Businesses: • Areas with more parking lots (downtown core and commercial districts) may pay more Impact on City ability to achieve priorities: • May encourage greater use of transit • Challenge to enforce where parking is not automated (cash business)

Authority	Revenue	Considerations
	Notes: Tied to the number of parking spaces in the city, and could therefore decrease over time with improved transit usage	

PERSONAL VEHICLE TAX

Type: Specialty Tax

$120 annually for four-wheeled personally owned vehicles

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • City has provincial legislative authority How long would it take to implement and why: • Could be re-instated effective April 1, 2017 • Would require coordination with existing provincial collection systems	Estimated amount per year: $100M Cost to the City to collect: • One-time: Minimal • Annual: $1M Difference between funds collected and cost to the City to collect; $100M Predictable? Very – Same amount each year Notes: Previously implemented between September 1, 2009 and December 31, 2010	Impact on Residents/Users: • Increases the cost of car ownership to Toronto residents • May be perceived as unfair by residents of suburban areas that have higher reliance on cars • Likely minimal impact on car ownership rates Impact on Businesses: • Unlikely to impact businesses or overall economic activity Impact on City ability to achieve priorities: • Diversification of revenue from property tax

PROPERTY TAX

Type: Property Tax

Tax paid on assessed property value. Estimates per 1% residential property tax rate increase.

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • City has provincial legislative authority How long would it take to implement and why: • Upon adoption by Council	Estimated amount per year: $25.2 million per 1% residential property tax increase Cost to the City to collect: • One-time: Minimal • Annual: Minimal Difference between funds collected and cost to the City to collect: $25.2M Predictable? Very – Same amount each year	Impact on Residents/Users: • Higher property tax rate • Could be accompanied by enhanced relief/mitigation programs for low income homeowners • Toronto has relatively low residential property taxes Impact on Businesses: • Increases annual operating costs to businesses, may marginally reduce business competitiveness

Authority	Revenue	Considerations
	Notes: For each 1% residential increase, currently commercial and industrial property tax rates increase at one-third of the residential rate	Impact on City ability to achieve priorities: • A stable source of income to fund on-going program costs

PROPERTY TAX – DEDICATED TO CAPITAL FUND

Type: Property Tax

Tax paid on assessed property value. Estimates per 1% residential property tax rate increase.

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • City has provincial legislated authority How long would it take to implement and why: • Can immediately be implemented if approved by City Council • Could be phased in	Estimated amount per year: $25.2 million per 1% residential property tax increase Cost to the City to collect: • One-time: Minimal • Annual: Minimal Difference between funds collected and cost to the City to collect: $25.2M Predictable? Very – Same amount each year Notes: For each 1% residential increase, currently commercial and industrial property tax rates increase at one-third of the residential rate	Impact on Residents/Users: • Higher property tax rates • Could be accompanied by enhanced relief/mitigation programs for low income homeowners Impact on Residents/Users: • Toronto has relatively low residential property tax rates compared to other GTA municipalities Impact on Businesses: • Increases annual operating costs to businesses, may marginally reduce business competitiveness Impact on City ability to achieve priorities: Provides a sustainable funding source to help pay for the new capital investments and unfunded capital needs

PROPERTY TAX – GRADUATED RESIDENTIAL RATE

Type: Specialty Tax, Property Tax

Higher residential property tax rate applied to more expensive property values (e.g., $2 million property assessment)

Authority	Revenue	Considerations
Can the City implement this now? NO Because: • Requires provincial legislative change	Estimated amount per year: A 25% surcharge on the portion of property values over $2M would generate $20M Cost to the City to collect: • One-time: Minimal • Annual: Minimal	Impact on Residents/Users: • Some owners with high property values have high incomes. However, other owners of expensive property may not. • Could be accompanied by enhanced relief/mitigation programs for low income homeowners

Authority	Revenue	Considerations
How long would it take to implement and why: • Unknown • Requires major provincial policy change	Difference between funds collected and cost to the City to collect: A 25% surcharge on the portion of property values over $2M would generate $20M Predictable? Very – Same amount each year	Impact on Businesses: Minimal Impact on City ability to achieve priorities: • Moves City residential tax rate toward GTHA averages • Will reduce property tax ratios

RATE-BASED FEES

Type: User Fee

Programs funded entirely by rates paid by residents and businesses

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Water, solid waste, and Green P parking services are funded entirely through rates now How long would it take to implement and why: • Currently implemented	Estimated amount per year: Rate-based fees accounted for 14% of the 2016 operating budget, and 37% of the 2016-2026 capital budget and plan Cost to the City to collect: • One-time: Minimal • Annual: Minimal Difference between funds collected and cost to the City to collect: See above. Predictable? Very – Same amount each year Notes: • These programs are funded primarily by the user. For example, how much water is used or the size of a garbage bin • The revenues pay the cost of the services provided. Rates are set every year and have been increasing over the last ten years	Impact on Residents/Users: • Residents pay for how much is used Impact on Businesses: • Businesses pay for how much is used Impact on City ability to achieve priorities: • Rates for water, solid waste, and parking fees are dedicated to providing day-to-day services, and maintaining and improving infrastructure

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TOBACCO TAX

Type: Specialty Tax

1% to 10% sales tax on tobacco sales

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Permitted under provincial legislation • However, requires improved provincial regulatory authority for third parties to collect the tax on the City's behalf How long would it take to implement and why: • 12 months • City would need to administer the tax and establish a dedicated unit with additional staff and new collection system	Estimated amount per year: $6.4M to $47.2M Cost to the City to collect: • One-time: Unknown • Annual: $1.4M (preliminary estimate) Difference between funds collected and cost to the City to collect: $5M to $45.8M Predictable? Somewhat – May vary each year Notes: Tobacco consumption is steadily declining, and affected by the introduction of vaporisers.	Impact on Residents/Users: • Consumers may choose to purchase tobacco outside the city • Black market or contraband sales may increase • People with lower income may spend more of their income on tobacco in the short term and may smoke less in the long term Impact on Businesses: • Retailers may relocate to neighbouring municipalities Impact on City ability to achieve priorities: • May impact retail employment in the city • Potential for health benefits through less consumption

UBER REGISTRATION FEE

Type: Specialty Tax

Fees charged to Uber: a $20,000 application, a $10 annual license fee, and a $0.2 per trip fee

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • Council approved the new Vehicle-for-Hire by-law effective July 15, 2016 How long would it take to implement and why: • Requires provincial amendments to regulate Private Transportation Companies (PTC), approve new insurance products for the taxicab industry, amend the Highway Traffic Act to strengthen enforcement powers, and penalties.	Estimated amount per year: $3.5M Cost to the City to collect: • One-time: Unknown • Annual: $2.2M Difference between funds collected and cost to the City to collect: $1.3M Predictable? Somewhat – May vary each year	Impact on Residents/Users: • Could result in potentially higher costs per ride Impact on Businesses: • Regulation of PTCs ensures that these vehicle-for hire participants are regulated, as are taxicabs and limousines, supporting fair and open competition amongst PTCs and balancing the City regulatory interests with existing industry practices Impact on City ability to achieve priorities: • Levels the playing field between the taxi-cab industry and ride-sharing service providers

USER FEES

Type: User Fee

A fee or charge paid to the City by a resident or business in order to use the service

Authority	Revenue	Considerations
Can the City implement this now? YES Because: • The City has a wide range of user fees currently in place (e.g., recreation classes) How long would it take to implement and why: • Currently implemented. No changes proposed.	Estimated amount per year: User fees operate on a cost-recovery basis unless there is a policy consideration. Some fees are also set at a rate comparable to the open market. Cost to the City to collect: • One-time: Minimal • Annual: Minimal Difference between funds collected and cost to the City to collect: Minimal Predictable? Very – Same amount each year Notes: • The City has a comprehensive User Fee Policy • The City's recreation fees are lower than neighbouring municipalities. This is to help improve access.	Impact on Residents/Users: • People pay user fees for the use of many City services and facilities Impact on Businesses: • Businesses pay user fees in the form of permits or licences e.g. Building Permit Fees, Development Application Fees • Increased cost to business, depending on the fee design Impact on City ability to achieve priorities: • User fees promote equity by recovering the cost of services from those who receive direct benefits • To the extent possible, the City's User Fee Policy protects citizens who, through inability to pay, would be denied access to services

BACKGROUNDER: CITY ASSETS

Current City Assets

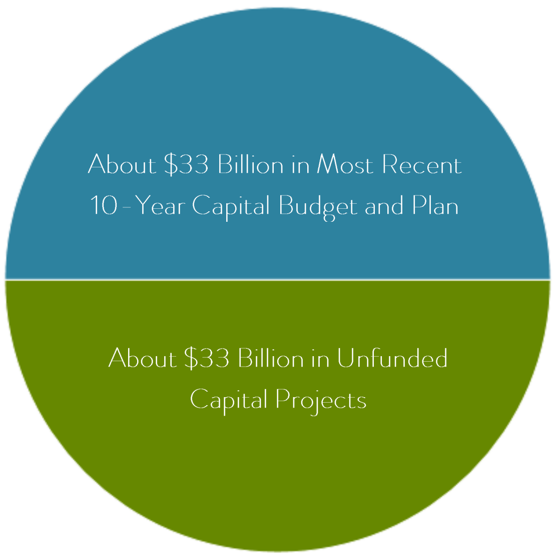
- The City is focused on building the necessary social and physical infrastructure to support Toronto's growth and maintain the City's aging infrastructure in a state of good repair.
- Toronto has over $75 Billion in existing infrastructure such as transit, roads, community centres, libraries, water and sewer facilities, parks and other things.
- The City's assets support the many services that the City delivers.

How our City Assets are Funded

- The capital budget funds City assets that support service delivery.
- The capital budget is funded from reserves, development charges, other levels of government, and by borrowing funds or taking on debt.
- Toronto Water and Solid Waste Management Services are rate supported programs; the fees collected for the services also pay for the infrastructure to deliver it.
- In 2016, transportation and transit comprised 74% of the City's 10-year tax supported capital budget and plan. Nearly $14 Billion of this investment was to keep existing transit, roads and bridges running properly.

RECENT TREND

The City had $33.5 billion in approved capital projects in the 2016-2025 Capital Plan.
Council has approved in principle or is considering about $33 billion in projects that remain unfunded.



Areas of spending include:

- State of Good Repair
- Growth Related Projects
- Service Improvements
- Legislated, and Health and Safety Requirements

Examples of unfunded projects:

- George Street Revitalization
- Lower Don Flood Protection
- TCHC State of Good Repair Projects
- TTC Projects

These are percentages based on previous budgets. Numbers and projects are likely to change. The 2017 preliminary budget will be released on December 6, 2016. Council is set to consider the 2017 budget at its meeting of February 15, 2017.

- There is a limit to the amount of debt that the City can manage. The City currently has a policy that debt charges are limited to 15 per cent of property tax revenue.
- Toronto's capital needs far exceed its current revenue sources.
- In order to provide sustainable funding for capital projects, the City needs to consider potential revenue options.
- The City will also seek support from both the provincial and federal governments for specific projects.

Asset Reviews

- The City holds a wide variety of land, corporate and other assets.
- Optimizing asset performance and disposing under-utilized assets may improve the City's fiscal position.
- In the past, consideration has been given in terms of value and impact on future revenue and broader policy objectives.
- City Council has directed staff to explore which assets with commercial potential could be sold in part or total to the private sector to generate revenue.
- These assets include selling all or part of major land holdings. Staff have recommended against selling Toronto Hydro Corporation or the Toronto Parking Authority.