

CITY BUDGET MATTERS 101

MUNICIPAL REVENUES

Each year, the City of Toronto approves a [City Budget](#), which is a financial plan for how our local government earns and spends money. The budget defines how much money goes toward local services such as public transit, childcare, employment and social services, social housing, garbage collection, public health, arts and cultural services, long-term care and senior housing, and more. The City Budget is funded by municipal revenues, as well as by financial supports from other levels of government, primarily the Government of Ontario.

HOW DOES THE CITY OF TORONTO RAISE MONEY?

The City of Toronto receives grants and funding from the provincial and federal governments. In addition, our local government is responsible for raising funds at the local level.

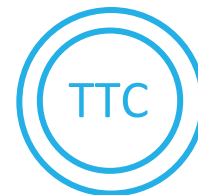
The City of Toronto's main revenue sources include:

- property taxes paid by homeowners, business owners, and tenants;
- user fees, such as TTC fares; and
- other taxes permitted by the Government of Ontario, such as the Municipal Land Transfer Tax.

The City of Toronto has two [operating budgets](#):

1. the rate-supported budget, which plans financially for services that users pay for through rates or fees, such as garbage disposal and water, and
2. the tax-supported budget, which plans financially for services paid for by taxes, including parks, roads, and arts and culture.

In this backgrounder, our discussion of municipal revenues focuses on the tax-supported budget.



WHAT IS THE PROBLEM?

The Government of Ontario requires the City of Toronto to deliver certain programs and services, yet the Province does not provide the City with enough money to pay for them.

The [Government of Ontario mandates the City of Toronto](#) to deliver certain social programs, such as childcare, public health, and Ontario Works. The Province provides the City with some funding to cover costs, but it also requires the City to contribute to the cost of these programs. At any point in time, however, the Province can change the terms of a program or [change the amount of money](#) it provides without any consultation with the City.

The City of Toronto is limited in how it can raise money to pay for services and programs.

The City of Toronto is restricted by the *City of Toronto Act* in how it can earn money to pay for municipal services and programs. Only the Government of Ontario can expand the range of taxes or fees that the City can use.

The City of Toronto does not take full advantage of its current taxation powers.

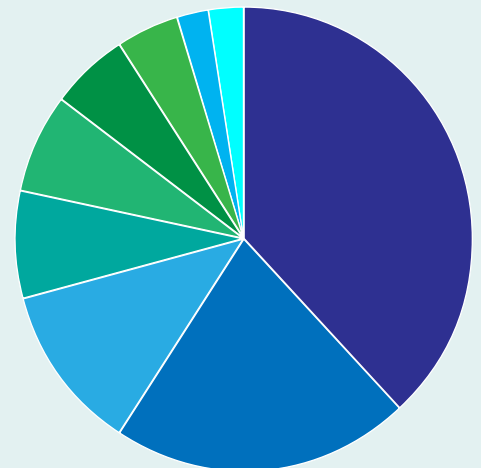
For many years, the City of Toronto has not used its full taxation powers outlined in the [City of Toronto Act \(2006\)](#). If our local government took complete advantage of its available powers, described on page 3, not only would the City add revenue to the tax-supported budget, but it would also increase the City's credibility in negotiating for [more revenue powers](#) with the provincial and federal governments by demonstrating that the City is doing its part to generate revenues locally.

The City of Toronto relies too heavily on property taxes and user fees.

Significant portions of the City's [tax-supported budget](#) are funded by property taxes (approximately 38%) and user fees (approximately 20% combined, including fees, fines, and TTC fares). Relying heavily on these revenue sources makes our local government [less flexible and resilient](#), fiscally speaking. Also, user fees (e.g., fees to use the community swimming pool) have a bigger [impact on low-income residents](#).

The City of Toronto's Tax-Supported Operating Budget, 2020

- Property Tax 38.2%
- Fed/Prov Revenue 21.3%
- TTC Fares 11.6%
- User Fees & Fines 7.5%
- Land Transfer Tax 6.9%
- Other 5.6%
- Reserves 4.4%
- Investment Income 2.3%
- Capital Transfers 2.3%



MOVING FORWARD: WHAT CAN BE DONE?

The City of Toronto projects a [\\$1.8 billion budget shortfall for 2021](#). Our local government cannot sustain current services and programs without more money. There is no easy answer to finding \$1.8 billion.

COVID-19 has heightened existing inequities among residents and communities. Despite the City of Toronto’s financial constraints in its pandemic response and rebuilding efforts, it should not make budget tradeoffs that further disadvantage residents whose situations have worsened since the start of the pandemic, including women, seniors, and racialized, Black, and Indigenous communities.

The City of Toronto needs more financial support from the provincial and federal governments. At the same time, our local government requires more options to raise money. To increase municipal revenues and cover the costs of rebuilding [an equitable and strong city](#), the City of Toronto can:

Lobby for more money and funding stability from the Government of Ontario to pay for provincial programs delivered by the City of Toronto.

Advocate with other levels of government to increase the City of Toronto’s authority to access new revenue sources, such as:

- a portion of the Provincial Sales Tax — for example, a [1% increase in HST](#) could be dedicated to municipalities,
- a portion of federal and provincial [income taxes](#), and
- [tolls](#) on the Don Valley Parkway and Gardiner Expressway.

Adopt or increase already permitted revenue sources under the *City of Toronto Act*, including Property Tax, Vehicle Registration Tax, Municipal Land Transfer Tax, Vacant Homes Tax, and Commercial Parking Levy. Specifically, the City of Toronto can:



Continue to [increase property tax rates](#) above the rate of inflation to finance essential

municipal services and supports and continue to offer [property-tax relief](#) to low-income homeowners. The City of Toronto has generally maintained property tax increases at or below inflation and population growth, which has kept residential property taxes in Toronto lower than in neighbouring municipalities. In 2020, our local government approved a 4.24% increase in property tax rates to respond to increased need and to offset provincial funding cuts.



Restore the Vehicle Registration Tax, which was implemented in 2008 and

then cancelled in 2011. If reintroduced, this tax could earn the City of Toronto approximately [\\$64 million per year](#).



Increase the Municipal Land Transfer Tax for real estate selling for over \$2

million to [pay for nonprofit affordable and supportive housing](#).



Implement, as soon as possible, the [Vacant Home Tax](#) and dedicate generated

revenue toward affordable housing. The City of Vancouver has raised nearly \$40 million per year using this tax and applied the revenue toward affordable housing. Vancouver’s Vacant Home Tax rate will increase in 2021, [from 1.25% to 3%](#).



Charge commercial parking levies, which could help the City of Toronto earn

approximately [\\$500 million per year](#) and encourage the use of other forms of transportation, like the TTC.

CALL TO ACTION

In this time of great need, the City of Toronto cannot cut services available to residents. Our local government must advocate with the provincial and federal governments for more funding to help address the City's \$1.8 billion shortfall for 2021. However, our municipal government cannot rely solely on new money from other levels of government. The City of Toronto must also look to existing and new revenue sources to raise funds at the local level.

STAY INFORMED AND HAVE YOUR SAY IN THE 2021 CITY BUDGET

The decisions made during the City Budget process determine the type of city we have. The Budget process kicks off on January 14, 2021, and concludes with the final City Council vote on February 18–19. Here are some ways you can learn more or share your input about the 2021 City Budget:

- Follow our [City Budget Watch blog](#).
- [Watch](#) Council and Budget Committee meetings ([meeting dates](#)).
- Make a deputation (a five-minute speech) to the Budget Committee.
- Send written comments to the Budget Committee (email buc@toronto.ca or mail Toronto City Hall, 100 Queen St. W., 10th floor, West Tower, Toronto, ON M5H 2N2).
- Write a letter to [your local City Councillor](#).
- Read the other backgrounders in our [City Budget Matters 101 series](#).

