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Is Toronto Broke? Financing the City of Toronto

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Outline

- Toronto's budget – where the money goes; where it comes from
- Fiscal challenges facing the city and what they have meant for Toronto's fiscal health
- The role of the property tax
- What do other cities do?
- How to fund city services: the need for a mix of taxes

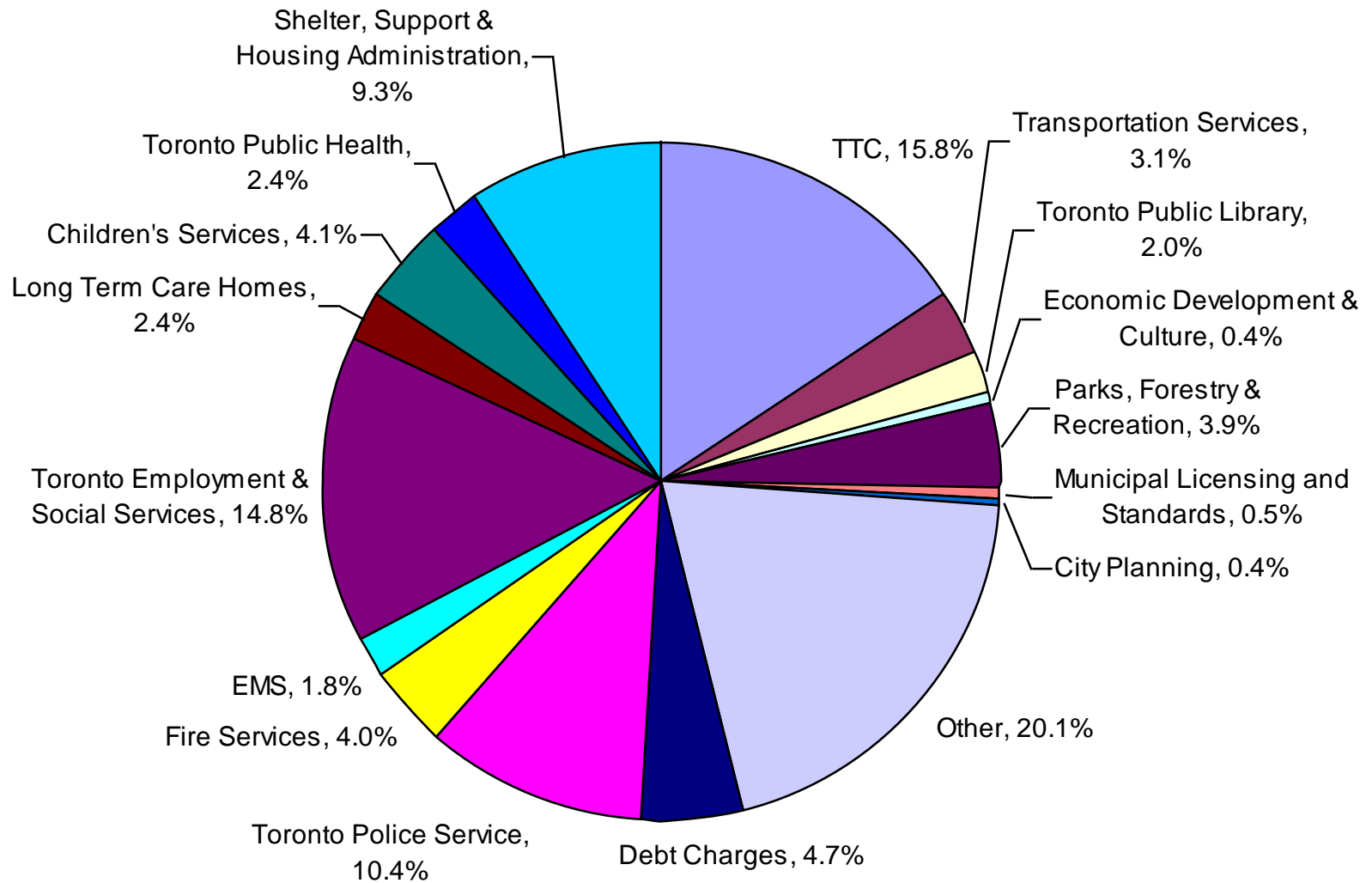
Toronto Budget 2011

- Operating Expenditures -- \$9.4 billion
- Water Expenditures (operating) -- \$821 million
- Solid Waste Budget (operating) -- \$343 million
- Total Operating -- \$10.5 billion

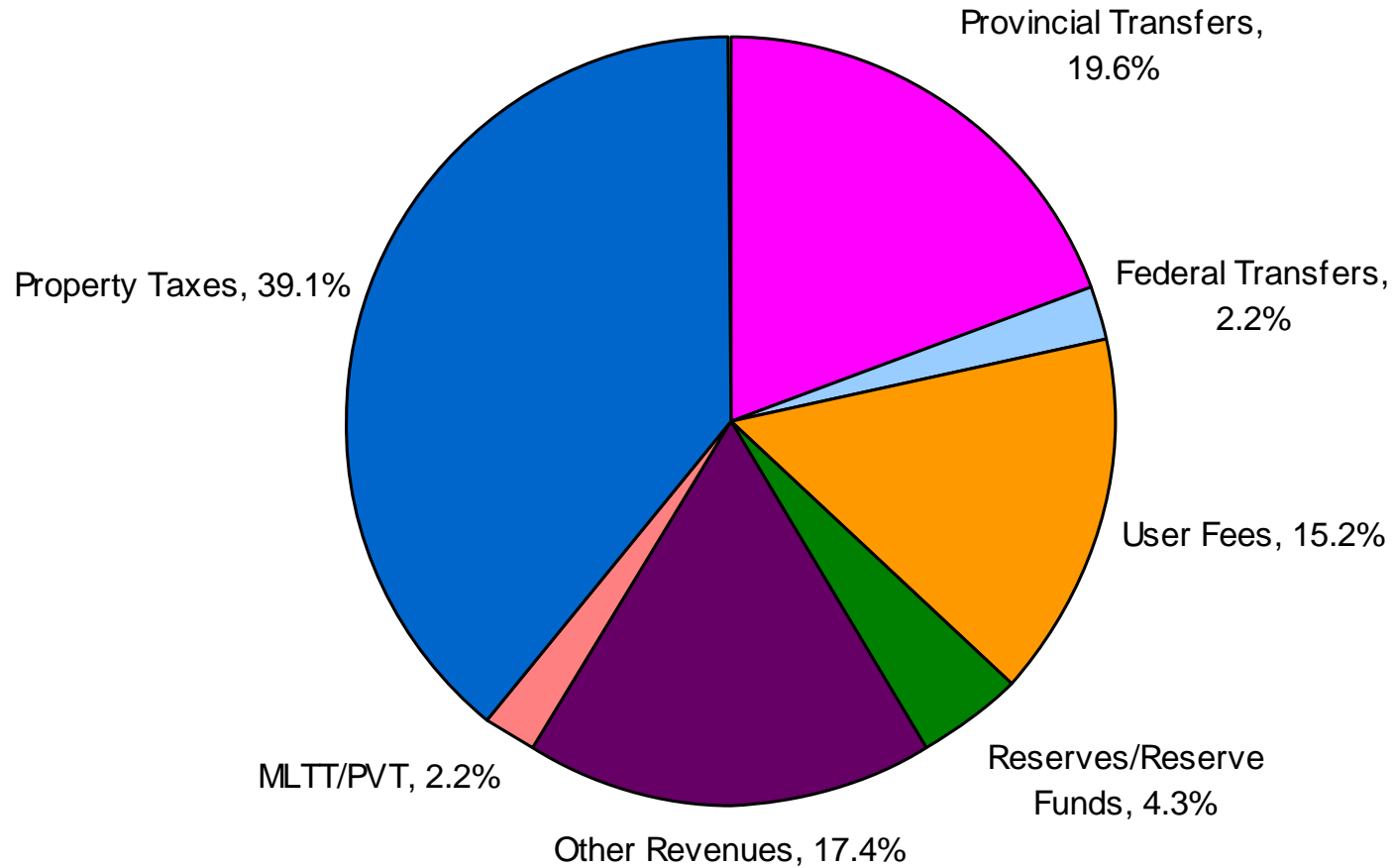
- Capital expenditures -- \$2.0 billion
- Water expenditures (capital) -- \$560 million
- Solid waste (capital) -- \$98 million
- Total capital -- \$2.65 billion

- Total - \$13 billion
- As large or larger than most Canadian provinces!!

Distribution of Operating Expenditures, City of Toronto, 2010



Sources of Operating Revenues, City of Toronto, 2010



Challenges facing the city over the last 20 years

- Offloading – WDW; service standards; not funding own responsibilities adequately
- Need to be internationally competitive
- Impact of recession -- Lower property tax revenues and increase in property tax arrears; pressure to keep property taxes down; Reduced development-related charges; Increased social service costs; Increased federal spending on infrastructure
- Limited diversification of revenue sources
- City of Toronto Act “anything but...”

Impact of challenges on fiscal health of city

- Have to balance operating budget by law
- Impact on infrastructure and service delivery
- Constant focus on service cuts

The Role of the Property Tax

- Property tax is a good tax for local government but has unique features that make it difficult to raise:

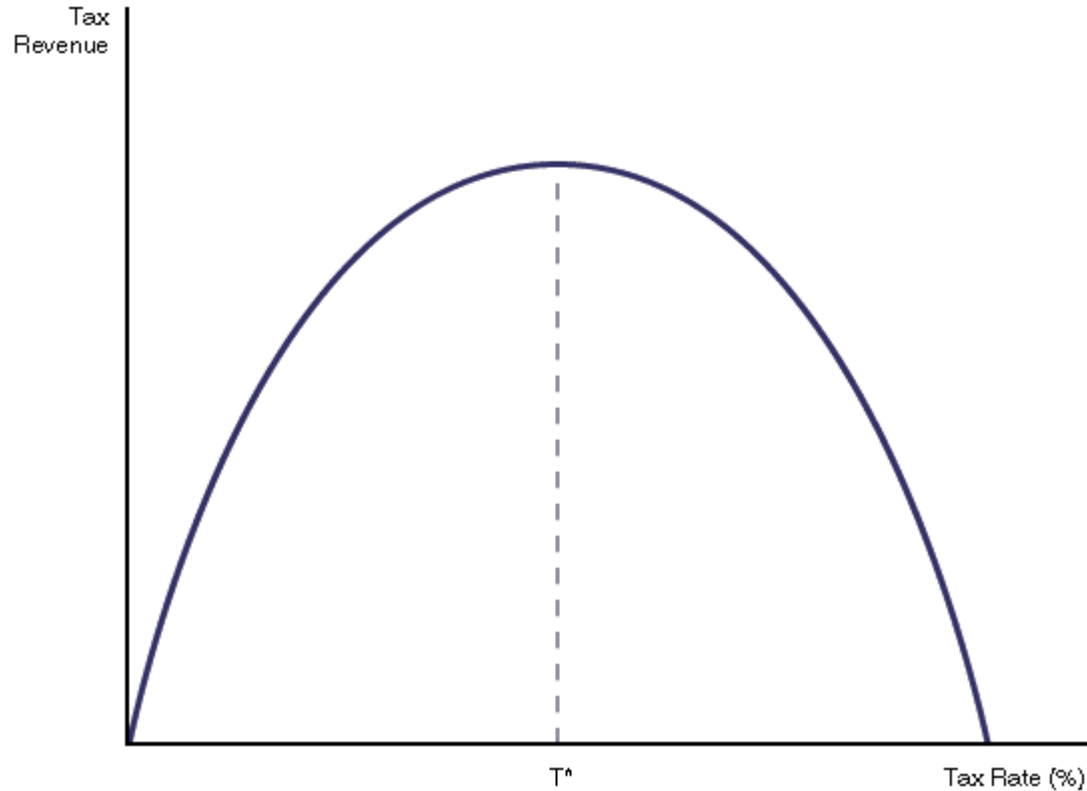
- Visibility

- Inelasticity

Revenue hills research – can we increase the property tax further?

Results show some on residential but not much on commercial/industrial

HAVE WE REACHED THE PEAK OF THE REVENUE HILL?



Taxes in Three Cities

Toronto	Berlin		New York City
Property tax	Land (state) taxes and tax shares:	Land (state) plus local shares:	General property
Land transfer tax	Share of corporate income tax	Personal income tax	General sales
Billboard tax	Share of capital income tax	Business tax	Personal income
	Real estate transfer tax	Local taxes:	General corporation
	Motor vehicle tax	Real estate tax	Commercial occupancy
	Inheritance tax	Entertainment tax	Banking corporation
	Tax on betting and lotteries	Dog tax	Utility
	Fire protection tax	Second home tax	Unincorporated business
	Beer tax		Real property transfer
			Mortgage recording
			Tax audit revenues
			Cigarette
			Hotel

DIFFERENT SERVICES – DIFFERENT REVENUE TOOLS

Private

Water

Sewers

Garbage

Transit

Public

Police

Fire

Local parks

Street lights

Redistributive

Social assist.

Social housing

Spillovers

Roads/transit

Culture

Social assistance



User fees



Property tax

Sales tax



Income tax



Transfers

CITY NEEDS A MIX OF TAXES

- To reflect wide range of services they deliver
- To give them flexibility
- City should piggyback on income and sales tax with city setting the rate (Calgary asking for this)
- Less reliance on provincial and federal transfers – improve predictability of revenues