

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 24, 2013

SUBJECT: City of Toronto Item EX31.3 - Metrolinx Transportation Growth Funding – Dedicated Revenues

ACTION ITEM

RECOMMENDATION

City of Toronto Item EX31.3 - Metrolinx Transportation Growth Funding – Dedicated Revenues is submitted for the consideration of the TTC Board.

BACKGROUND

At its meeting on Wednesday, April 24, 2013 the TTC Board adopted a motion to bring forward for discussion at the May 24, 2013 TTC Board Meeting City Manager report EX31.3 - Metrolinx Transportation Growth Funding – Dedicated Revenues.

DISCUSSION

EX31.3 – Metrolinx Transportation Growth Funding – Dedicated Revenues was deferred by the City of Toronto Executive Committee at its meeting on April 23, 2013. City Council subsequently adopted a procedural motion at its meeting on May 7, 8 & 9 to remove this item from the Executive Committee's jurisdiction and added it to the agenda for that meeting.

JUSTIFICATION

The foregoing is submitted at the request of the TTC Board.



**STAFF REPORT
ACTION REQUIRED**

Metrolinx Transportation Growth Funding- Dedicated Revenues

Date:	April 9, 2013
To:	Executive Committee
From:	City Manager Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\Cf\Ec13003cf (AFS #16738)

SUMMARY

Metrolinx is the provincial agency responsible for coordinating, and integrating all modes of transportation in the Greater Toronto and Hamilton Area (GTHA). On June 1, 2013, Metrolinx is required to submit its transportation investment strategy, including proposals for revenue generation tools to fund its \$34 billion "next wave" capital projects, to the Province and municipal councils. Combined with its first phase of investment of \$16 billion, a total of \$50 billion will be spent to address transportation related congestion expected to result from the additional population growth anticipated in the GTHA over the next two decades.

At the October 9, 2012 meeting of Executive Committee, the City Manager was directed to conduct a public consultation and report back on results along with a recommended City position on various funding tools for Council endorsement and subsequent submission to Metrolinx as input to their investment strategy. The purpose of this report is to respond to Executive Committee direction.

The results of the Ipsos Reid and public consultation surveys indicate that a considerable majority of Toronto residents (85% Ipsos Reid) believe new revenues are required to fund transportation expansion. Ninety-two percent (both surveys) would support the use of dedicated government revenues to fund transportation infrastructure. Respondents demonstrated a preference for revenue sources that would be expected to influence travelling behaviour (i.e. as highway tolls, congestion charges, parking levies, fuel taxes, etc). Also, there was a preference for the use of development charges, making a link to growth-related capital costs. However, options that had little or no connection to transportation (i.e. income tax, land transfer tax, and utility bill levies) were not preferred.

Consistent with the majority public view, this report recommends that Council support regional transportation expansion in the GTHA and the use of select dedicated revenues to be implemented by the Province to fund the Metrolinx Big Move plan subject to following specific implementation principles. Development Charges, fuel tax, a parking levy, and sales tax should be considered by Council as potential revenue tools for implementation by Metrolinx. Further revenue sources specific to vehicle use such as highway tolls or other road pricing are considered for future implementation upon completion of the first phase of Metrolinx projects which should be operational in 2020. These projects include the \$8.7 billion transit expansion on Eglinton, Sheppard and Finch Avenues and the conversion of the Scarborough RT.

The use of a proposed regional property tax to fund regional transportation expansion should not be considered, as the municipal tax base is required to finance existing transportation operations, capital maintenance requirements, and local transportation expansion priorities that will not be funded through the Metrolinx plan. Furthermore, the report recommends that Council request the federal government commit to transportation expansion in Ontario and contribute an equitable and increased share of funding towards the Metrolinx plan.

The report also recommends that the City Manager prepare a follow up report for Council on the outcome of the Metrolinx Investment Strategy, advice on appropriate changes to the Metrolinx governance model, and principles for allocating the 25% share of new revenues for local transportation priorities in Toronto.

The City Manager will lead City's involvement in the overall Metrolinx Big Move plan, both first phase and "Next Wave" and is the intergovernmental lead in discussions with the provincial and federal governments and related agencies, including Metrolinx, Infrastructure Ontario, and PPP Canada. The City Manager's Office will coordinate across City divisions and agencies (e.g. TTC) supporting transportation expansion planning and priority setting for the Metrolinx Big Move plan.

RECOMMENDATIONS

The City Manager and Deputy City Manager and Chief Financial Officer recommend that:

1. Council indicate its support for regional transportation expansion in the Greater Toronto and Hamilton Area (GTHA), which is necessary for the growth, economic and social health, of both the City and the GTHA region;
2. Council indicate its support for dedicated revenues to be implemented by the Province to fund the Metrolinx transportation plan (the "Big Move");
3. Council adopt the following implementation principles as the basis for its support for new GTHA taxes and fees related to the Big Move capital transportation plan:

- a. Approval and a clear commitment from Metrolinx and the Province to build the transportation projects planned within the Big Move;
 - b. All project selections be based on a cost/benefit analysis that emphasizes improving transportation capacity, relief from congestion, and is linked to appropriate land-use planning;
 - c. New GTHA taxes or fees must be dedicated to funding GTHA transportation expansion;
 - d. New taxes or user fees imposed in the GTHA should be assessed at the same rates across the GTHA;
 - e. The mix of revenue should balance the impact across various segments of society (e.g., both residents and businesses), with particular attention to affordability for lower-income citizens.
4. Council indicate to Metrolinx that it supports the use of the following GTHA revenues:
- a. development charges
 - b. fuel tax
 - c. parking levy
 - d. sales tax
5. Council indicate to Metrolinx that it supports the use of the following GTHA revenues upon substantial completion of the first wave of Big Move projects (\$16 billion):
- a. high occupancy toll lanes
 - b. highway tolls or other road pricing
 - c. vehicle registration tax
6. Council indicate to Metrolinx that it does not support the use of the following GTHA revenues:
- a. congestion levy
 - b. employer payroll tax
 - c. land transfer tax
 - d. land value capture
 - e. personal income tax
 - f. property tax
 - g. transit fare increase
 - h. utility bill levy
7. Council indicate that its support is conditional on 25% of the new revenues being allocated to incremental funding of local municipal transportation expansion priorities at the discretion of municipal councils;
8. Council indicate that it does not support the use of a regional property tax to fund regional transportation expansion, noting that the municipal tax base is required to finance existing operations, capital maintenance requirements, and expected

- contributions to local transportation expansion not funded by the 25% share of new revenues;
9. Council request the federal government to commit to transportation expansion in Ontario and contribute an equitable and increased share of dedicated program funding for the Metrolinx Big Move plan;
 10. Council request that Metrolinx work with Infrastructure Ontario and PPP Canada to explore options to minimize capital costs associated with the construction and delivery of its regional transportation projects;
 11. Council endorse the principle that the capital maintenance costs for major regional transportation infrastructure investments that are to be owned by Metrolinx, such as those included in the Big Move, be borne by Metrolinx;
 12. Council direct the City Manager to report back to Council regarding:
 - a. appropriate changes to the Metrolinx governance model; and
 - b. principles for the allocation of the 25% share of new revenues for local municipal transportation expansion priorities; and
 13. This report be forwarded to Metrolinx, the Provincial Ministries of Finance, Transportation, and Municipal Affairs & Housing, and the Federal Ministry of Finance and the Federal Ministry of Transport, Infrastructure and Communities.

Financial Impact

The Metrolinx Big Move is a major provincial investment in transportation infrastructure in the GTHA, with no direct municipal contribution required. The Metrolinx next wave projects to be funded from new revenues could result in expenditures of \$10 billion or more in Toronto alone. The investment will reduce transportation congestion, facilitate growth, and create jobs.

Metrolinx seeks to raise \$2 billion per annum to fund the next wave of \$34 billion in regional transportation capital expansion through new taxes and fees affecting all citizens and businesses of the GTHA. It is estimated that \$2 billion is equivalent to about 5% of total annual provincial taxes raised in the GTHA, or approximately \$315 per capita, or up to \$860 per household on average across the GTHA.

Metrolinx GTHA Dedicated Revenues

The revenue options discussed in this report were considered for application regionally, and not just within Toronto's boundaries. This is due to a number of reasons, including that the revenue options outlined are either:

- a. expressly beyond the legislative authority of the City (e.g. income tax, sales tax);
- b. not in the interest of the City to impose on its own due to economic boundary impacts on businesses (e.g. parking levy, sales tax); and/or
- c. already available to the City, or in use by the City (e.g. development charges).

The list of taxes and user fees recommended for Council consideration is designed to reflect a balance of key criteria and principles, such as beneficiary pays, efficiency, and affordability. The preferred list of revenue options recommended in this report for early implementation includes two broad taxes and two measures applicable to the non-residential sector. The recommended list provides revenue potential over the \$2 billion annual requirement, as provided in the table below.

Potential Revenue Sources	Nominal Rate	Estimated Annual Revenue Potential (GTHA) \$ millions	Average Annual Impact - Toronto Household or Business
Early Implementation			
Fuel tax	5- 10 cents/ litre	\$330- \$660	\$3- \$6 per fill-up, assuming a 60 litre fuel tank
Sales Tax	0.5%-1%	\$700 - \$1,400	\$275 - \$550/household
Commercial Parking Levy	\$0.50 - \$1/space/day	\$700 - \$1,400	Depends on number of spaces
Development Charges	7.5% - 15% increase	\$50 - \$100	Varies depending on type of build
Upon Completion of Phase 1 Projects			
Highway Tolls	5 -10 cents/km travelled	\$700 - \$1,400	Dependent on number of highway km driven
HOT lanes	15 - 30 cents/km travelled	\$22.5 - \$45	Dependent on use of HOT lanes
Vehicle Registration Tax	\$50 - \$100/registration or renewal	\$150 - \$300	\$50 - \$100/vehicle/year

The recommended options described in the table above have been segmented into two phases of potential implementation—early implementation and later implementation. The revenue options (i.e. highway tolls, HOT lanes and Vehicle Registration Tax) recommended for later implementation are more appropriate when additional transit choices are available to residents. The report recommends that while fuel tax, sales tax, commercial parking levy and development charges can be implemented in the near term, the revenue options which more directly impact vehicle users should be delayed until phase one investments are substantially completed, providing alternative modes of transportation.

Except for development charges, the recommended options do not include taxes or fees currently in use by the City. Also, property taxes are not recommended, despite the obvious benefit of new transportation investment to property owners, as it does not rate well under other public policy and affordability criteria, and will be needed to fund local

transportation priorities not included in the Big Move project lists. Similarly, transit fares are already optimized to balance encouraging ridership against operating cost recovery of the existing system, and therefore is not suited to generating additional funds for capital expansion. Land transfer taxes are not related to the benefits of transportation expansion, and is already at relatively high levels in Toronto as a source of revenue for current operating costs.

Local Municipal Transportation Priorities

Metrolinx has proposed that 25% of the \$2 billion raised each year would be allocated to local municipal transportation priorities, although a the transfer mechanism has yet to be identified. Of the 25%, Metrolinx has outlined a preliminary allocation to be dedicated to municipal transportation support (15%), improvements to regional highways (5%), and active transportation and transportation demand management (5%). The City's portion and the associated terms and conditions are not yet known, but could potentially result in transfers in the order of \$200 - \$300 million per year (depending upon allocation methodology), a significant enhancement to the funding currently available to support the City's local transit, roads, pedestrian and cycling growth-related infrastructure.

Council previously directed staff to consider new funding options for local municipal transportation initiatives. The Metrolinx proposal to dedicate 25% of new revenues to local priorities would be a significant step toward satisfying municipal funding requirements. However, municipal discretion to prioritize local transportation requirements is preferred compared to defined transportation eligibility categories. The City would utilize local funding for all transportation modes with a priority on transit.

The Big Move will also impose local-related costs on the City and other municipalities, mostly related to the growth and intensification enabled by these projects, and the resultant requirement to consider accelerating growth-related capital projects to the time of construction. In addition, the question of liability for operating and maintenance costs related to new Big Move projects has not yet been formally addressed by Metrolinx or the Province. There is some risk that a portion of these costs will ultimately be borne by municipalities.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

CC20.1: "Report from the Sheppard Transit Expert Advisory Panel Regarding Transit on Sheppard Avenue East", March 21 2012, Special Meeting of City Council
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.CC20.1>

Council directed the City Manager to prepare a long term rapid transit funding strategy outlining public and private revenue tools that could be implemented in the City to

generate sustainable revenue dedicated to financing continuous rapid transit expansion, such strategy to take into consideration the results of public consultation.

EX23.1 "Long Term Transportation Plan and Funding (Investment) Strategy", October 9, 2012, Executive Committee

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX23.1>

At this meeting, the Executive Committee authorized the City Manager to undertake public consultations seeking input from the citizens of Toronto on transportation infrastructure funding options, and directed the City Manager to report back in spring 2013 on the results, along with a recommended City position on various funding tools for Council's endorsement and submission to Metrolinx. The City Manager was also directed to report on options to establish a Rapid Transit Planning Office.

Committee directed the City Manager to analyze, as part of the consultation process, the true annual cost of each of the Revenue Generation Options on the average family in Toronto, and the true annual cost on the average family of not implementing the transportation strategy.

EX27.1 "2013 Capital and Operating Budgets", January 15, 2013

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX27.1>

Council approved the 2013 Budget Committee Recommended (Tax Supported) Capital Budget, which included the following recommendation:

"75. City Council request the City Manager to explore options for a world-wide Request for Expressions of Interest (REOI) or Request for Information (RFI) for alternative service delivery for the Gardiner Expressway, Don Valley Parkway, and building subways, and report back by May 2013."

HL20.2 "Transportation Priorities and Investment for a Healthy Toronto", March 25, 2013 Board of Health

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL20.2>

The Board of Health adopted the recommendations included in this report, including: "2. Noting that the income tax is the least regressive way to fund transit, the Board of Health requested the City Manager to include health and equity criteria in Attachment 2 to the report (March 11, 2013) from the Medical Officer of Health, when developing the City's position on funding tools for Council's endorsement and submission to Metrolinx."

ISSUE BACKGROUND

Need for transportation investment

In 2008, the Board of Metrolinx, then consisting of municipal appointees from across the GTA, announced a \$50 billion plan for investment in regional transportation capacity expansion called the Big Move.

A 2011 report from the Toronto Board of Trade estimated the cost of Toronto region congestion to the GTA, in terms of lost productivity, at \$6 billion annually (2006). Unaddressed, the estimated loss was forecasted to increase to \$15 billion annually by 2031. This translates to an average impact per household of \$2,800 in 2011, and \$7,100 by 2031. Given the inevitable worsening of transportation congestion in the GTHA if action is not taken, it is important for Metrolinx to proceed with the implementation of its Big Move plan.

Need for new revenues

While the Province has funded Metrolinx's first phase regional transportation projects (\$16 billion), its "next wave" projects (\$34 billion) are currently unfunded. The Province of Ontario is concurrently working to eliminate its \$13 billion deficit by 2017-18, and has indicated a reluctance to fund additional Big Move projects from its current revenue base. Metrolinx has researched the use of dedicated regional taxes and fees in other jurisdictions to address similar circumstances and is now seeking to raise new funding through the implementation of new GTHA based revenue sources, which are the subject of this report.

The Metrolinx Act (2006) was amended in 2009 to direct Metrolinx to report to the Province and GTHA municipalities by June 1, 2013 on its investment strategy, including proposals for revenue generation tools that would support implementation of the Big Move. Aware of the approaching deadline, Council directed staff to identify a list of potential revenue sources to be used for transit funding, and in October 2012, Executive Committee considered and amended that list, directing staff to undertake public consultations in order to raise public awareness of the issue and help form City advice to Metrolinx for its June report.

On November 29, 2012, Metrolinx announced its "next wave" of new regional and local transportation projects, requiring a total investment of \$34 billion, and reiterated a \$2 billion annual revenue target to fund related costs. Metrolinx also proposed to set aside 25% of that funding for local municipal transportation projects, and suggested it be allocated to:

- local transit priorities (15%);
- improvements to regional highways (5%); and
- other smaller projects that support transportation initiatives (5%).

On April 2, 2013, Metrolinx released its preliminary strategy, which included more focused list of eleven revenue source options, along with and a study analyzing the various options that it had considered.

Public Consultations

Both Metrolinx and the City have recently held (separate) public consultations regarding transportation expansion and funding in the GTHA. The City recently held the first of three phases of its public consultations with the citizens of Toronto, in the context of the City's five-year review of its Official Plan. City staff are undertaking a review and refinement of existing transportation policies, including the development of a long term transportation plan focussing primarily on the next phase of transit expansion (2020 to 2031), as well as on other broad transportation policies for goods movement, pedestrians, cyclists, and public roads.

During this first phase, City staff also sought public input on potential revenue tools for transportation infrastructure as directed by Executive Committee. The City's position on potential revenue tools will be submitted to Metrolinx for its consideration, in order to assist with its requirement to report back with its regional transportation investment strategy and proposed revenue generation tools.

COMMENTS

City Consultations

Stakeholder and Public Consultations

The City's revenue source consultation process was undertaken as part of the public consultation for the review of the transportation component of the City's Official Plan. The City's Chief Planner led the process and there will be two subsequent phases of public consultations to be held in the spring and the fall of 2013, which will identify policy refinements and priority projects, and a recommended project list that will be linked to revenue sources. The City's Chief Planner will report back on the transportation planning aspects of the consultations in due course.

In December 2012, City Planning staff retained the services of a consulting team comprised of Dialog, Swerhun Consultation, Public Inc., Envision ("Metroquest" online consultation tool), and Steer Davies Gleave for the purposes of conducting public and stakeholder consultations to gather input on future transportation priorities and revenue sources tools that could be used to fund regional transportation expansion. The work of these consultants led to the "feeling congested?" media awareness campaign that followed.

On January 31, 2013, City staff held a first stakeholder working session with a group of 28 stakeholders from a range of public and private organizations, to present and seek feedback on the information to be provided during the sessions with the public. This session resulted in some refinements to the planned public consultations, and agreement to continue to communicate with stakeholders throughout the process.

In February 2013, the City held four public consultation sessions, and posted a website and online survey tool (www.feelingcongested.ca). More than 370 people attended the four (in-person) public consultations. The consultation website received 12,510 visits from January 30 - March 18, 2013, with 6,791 responses were submitted to the online tool, including information gathered at the public meetings. Of those responses, 4,491 provided valid postal codes in the 416 area, and 4,310 provided their investment tool option preferences.

On March 4, 2013, more than 450 citizens attended a discussion panel event, held at the St. Lawrence Centre, on the topic of transportation planning and funding issues.

As part of the public consultations, the City also retained Ipsos Reid to conduct a controlled random survey (using a pre-arranged representative pool of City of Toronto respondents) to test acceptance of new taxes and/or fees to fund GTHA transportation expansion. The test was conducted in late March after the various public meetings and the closing of the web site based consultation (see Appendix I).

Details of the consultation measures and results are provided in Appendix E.

Public Consultation Process - Results

Participants were asked a series of questions (see Appendix A) relating to whether or not they supported the use of dedicated government revenues to fund transportation infrastructure, and, if new fees and/or taxes were to be imposed in the GTHA, which tools they felt were most appropriate to raise the \$2 billion per year revenue target. Members of the public were provided with a list of 14 (fourteen) revenue source options (listed below), and were asked to select their top five. These revenue sources were developed from a list of 18 tools as identified by Executive Committee. The list was narrowed to 14 as some options were considered to be subsets of existing options (Property Tax Uplift with Value Capture; HST Revenue from Gas/Diesel Sales Tax with Fuel Tax; Employer Payroll Tax in areas with higher order transit service with Payroll Tax). Another, P3 Partnership Funding Options, was considered a project delivery strategy rather than a source of funding, and so was not included in the funding option list for consultation purposes. (Metrolinx typically delivers its regional transportation projects using an Infrastructure Ontario's Alternative Financing and Procurement/P3 method.)

The resulting list of options for consultation purposes is shown below:

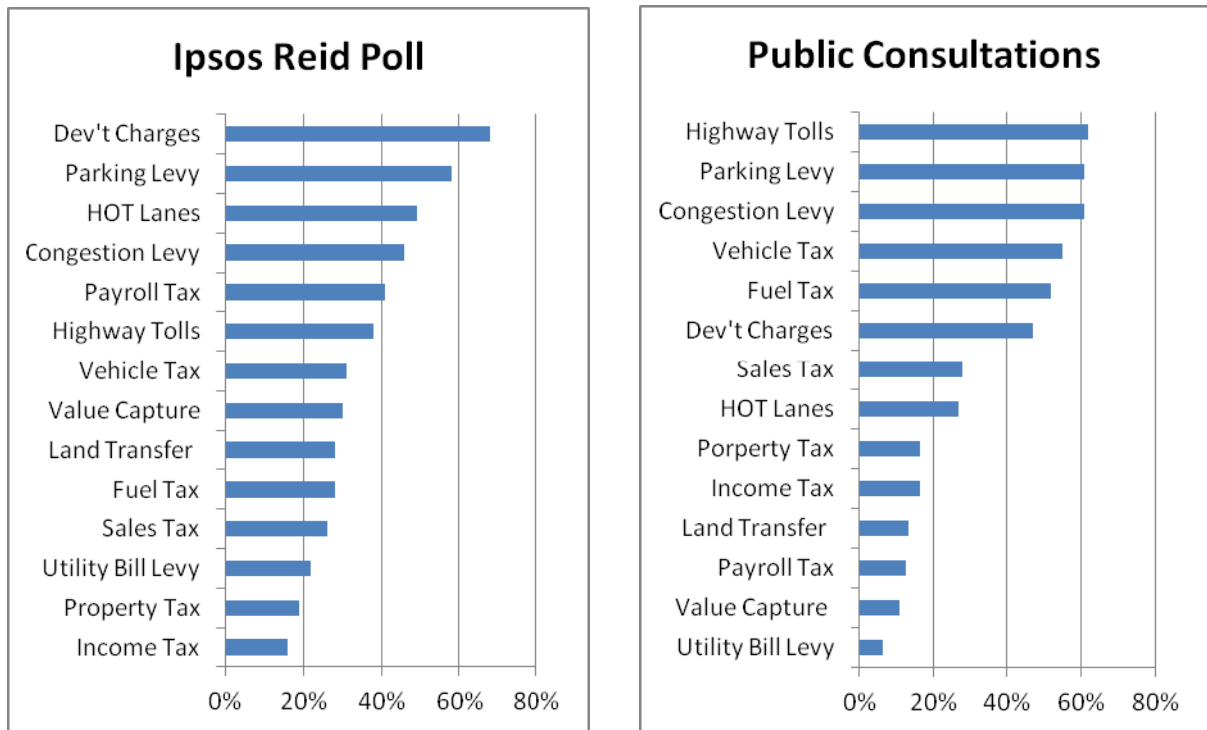
1	Personal Income Tax	8	Fuel Tax
2	Sales Tax	9	Parking Levy
3	Payroll Tax	10	Highway Tolls
4	Property Tax	11	HOT Lanes (HOV tolls)
5	Land Transfer Tax	12	Downtown Congestion Levy
6	Development Charges	13	Vehicle Tax
7	Value Capture Levy	14	Utility Bill Levy

The comments and preferences of the consultation meeting participants were recorded, and are summarized in Appendix D. All were also encouraged to complete the City's on-line survey. Respondents (4,310) to the online survey selected their five preferred revenue tools, and were invited to set the relative rates for each in order to obtain the targeted \$2 billion annual revenue. This provided respondents with a sense of how much of each selected revenue source would be required to achieve the \$2 billion annual target.

An Ipsos Reid survey was also undertaken on behalf of the City, seeking similar information (without the interactive option of setting specific tax rates), and based on a 1,548 person sample from a pre-arranged representative base of over 30,000 respondents. This approach was expected to yield a more representative sample of the population than the City's on-line survey.

The table below provides a high level summary of the public consultation responses and comparable Ipsos Reid survey results. The Ipsos Reid survey identified development charges and parking levy as the revenue source options most often selected by respondents as their first and second choices. There was no clear favourite option identified through the City consultation process.

Revenue Options Most Often Selected



The results of both the Ipsos Reid poll and public consultation survey indicate that a considerable majority of Toronto residents (85% Ipsos Reid) believe new revenues are

required to fund transportation expansion, and 92% (both sources) would support the use of dedicated government revenues to fund transportation infrastructure.

The results of both surveys demonstrated a preference for revenue sources that would be expected to influence travelling behaviour, such as highway tolls, congestion charges, parking levies, fuel taxes, etc. Also, there was a preference for the use of development charges, perhaps making a link to growth-related capital costs. However, options that had little or no connection to transportation, such as income tax, land transfer tax, and utility bill levies were not preferred.

Public Engagement by Other Organizations

GTHA Municipalities

As directed by Council in June 2012, the City Manager and senior staff have been engaging with Metrolinx and GTHA counterparts on the Toronto region's transportation funding needs. The City Manager and Deputy City Manager & Chief Financial Officer have convened a series of roundtables with GTHA City Managers/Chief Administrative Officers (July 2012, September 2012, January 2013 and April, 2013) and Chief Financial Officers (August 2012, March 2013 and April 2013) across the region. These regional dialogues will be continued as Toronto's long term transportation plan and funding strategy progresses.

These meetings were used to assess municipal reaction to the pending investment strategy report. Many individual mayors have been quite outspoken in favour of the need for funding for transportation expansion (eg. Mississauga, Oakville), but in most cases municipal councils not formally submitted any recommendations to Metrolinx. Only Durham Council is known to have adopted a report on the subject in February endorsing a set of principles in regard to the investment strategy plan.

Report: The Regional Municipality of Durham, Report No. 2013-J-3, "*Proposed update to the Metrolinx Regional Transportation Plan: The Big Move, Announcement of the Next Wave of Big Move Projects and New Investment Strategy*", January 31, 2013. ([Link to Report](#))

Other municipalities are preparing information reports, and expecting to submit more detailed reports and recommendations after Metrolinx releases its final revenue proposals on June 1st.

Metrolinx

Metrolinx undertook a public engagement process to discuss its Big Move regional transportation plan, which involved holding twelve (12) public roundtable discussions across the GTHA, stakeholder consultations, a residents reference panel and the use of the BigMove.ca website and online tool.

Metrolinx has examined over 25 strategies and revenue sources to fund transit, and on April 2, 2013, released a preliminary short-list of potential revenue tools for potential consideration to provoke and consider public reaction prior to finalizing its June 1, 2013 report to the Province and GTHA municipalities. Metrolinx has also released a 230 page study ([Link to Report](#)), assessing a long list of options, which assisted in the selection of its short list.

The Metrolinx shortlist (provided below) was guided by four principles in selecting its shortlist. Principles include the presence of a clear link between revenue and projects, fairness among population groups, geographic equity, and accountability.

Metrolinx Short-List of Potential Revenue Sources Tools	
Development Charges	Parking Space Levy, including pay-for-parking at transit stations
Employer Payroll Tax	Property Tax
Fuel Tax	Sales Tax
High Occupancy Tolls (HOT)	Transit Fare Increase
Highway Tolls	Vehicle Kilometres Travelled (VKT) Fee
Land Value Capture	

Toronto Region Board of Trade

The Toronto Region Board of Trade held its own consultation process that included its broad membership, Board of Directors, Infrastructure Committee/Transportation cabinet, Advisory Council, and stakeholder network of business, consumer and community organizations such as Civic Action and Evergreen, and coordinated a technical roundtable comprised of consumer, industry and environmental organizations to discuss potential revenue sources. As a result, on March 18, 2013, the Board of Trade released a discussion paper, entitled "A Green Light To Moving The Toronto Region: Paying For Public Transportation Expansion", on March 18, 2013 ([Link to Report](#)).

This discussion paper recommends implementation of the following four dedicated revenue sources, to be used for the purpose of funding of regional transportation projects.

1. Sales Tax (1%)
2. Parking Levy (\$1/space/day)
3. Fuel Tax (\$0.10/litre)
4. High Occupancy Toll Lanes (\$0.30/kilometer for single-occupant vehicles)

The Toronto Region Board of Trade is currently undertaking a public awareness campaign (<http://letsbreakthegridlock.com/>) for the purposes of elevating public debate about the need to deliver a funding solution to address the current gridlock in the GTHA

Board of Health

At its meeting of March 25, 2013, the Board of Health heard public deputations on the Medical Officer of Health's report *Transportation Priorities and Investment for a Healthy Toronto*. There was strong support for generating funds without delay for

expansion of the transportation infrastructure. As noted in the Medical Officer of Health's report, revenue generation and investment in transportation infrastructure should support public policies and initiatives that promote active transportation (i.e. walking, cycling and transit), reduce air pollution and prevent traffic-related injuries. While the expansion of affordable multi-modal transport will benefit all people in the city, it is crucial that revenue collection incorporates equity so that it does not increase the burden on people living on low income, who already are at higher risk of poor health. The Board of Health supported inclusion of the Medical Officer of Health's health and equity criteria (identified in Appendix J) in developing the City's position on funding tools.

Civic Action

Civic Action launched its "What would you do with 32?" campaign in January 2013, raising awareness of the Big Move plan by inviting participants to imagine a better quality of life through a better transportation network by sharing what they would do with 32 extra minutes in their day. Civic Action plans to continue this outreach initiative, but shift the emphasis to the question of paying for the need investment.

Public Consultations- Analysis

A. Major Themes

1. Are new revenues required?

In contrast to the City's revenue tool public consultations several years ago, this time very few participants questioned the need for additional revenue to combat congestion, regardless of where in the City the meeting was held. Recognition appears to be widespread that without intervention, continuing population growth will make the congestion problem worse. Most people came to the consultations to learn more about the problem and to participate constructively in the discussions about potential solutions. Those who did express doubt about the need for new revenues were primarily concerned about whether they would be spent wisely.

These attitudes are reflected in the Ipsos Reid results, in which 85% of respondents agreed with the need for new revenues to fund transportation, and 92% supported the use of dedicated new revenue sources. Support was strong throughout the City, with only minor variations. Consistent with the majority public view, staff have recommended that Council indicate its support for new revenue sources dedicated to funding the Big Move transportation plan, in order that the investment in major regional and local transportation priorities can continue.

2. Is the GTHA the appropriate source of new revenues?

The question of the most appropriate geographic tax base was not posed directly to consultation or survey participants. Staff emphasized that the revenue options were not being considered for Toronto, but for the entire GTHA. Metrolinx has indicated its base

assumption is that all new revenues would be collected exclusively from the GTHA, which is considered the primary beneficiary of the Big Move expenditures. This approach has been used in many other jurisdictions in North America. Metrolinx has also emphasized that the \$16 billion of transportation project expenditures already underway or approved have been funded largely from the general Ontario tax base (although it included some municipal and federal contributions).

Nevertheless, it is reasonable to argue that transportation investments benefit the broader economy, and should be borne by a broad tax base. In addition, setting up a new region for taxation could create incentives for avoidance, such as through arranging taxable activities to occur outside the region, reducing tax revenue generation, and potentially affecting business investment within the region.

Some consultation participants expressed concerns about boundary issues (as did some municipal officials representing jurisdictions on the border of the GTHA), and new special taxes only within the GTHA. However, on the whole, concern with the "GTHA pays" approach for the next phase of projects was not strongly expressed at the consultation meetings.

These considerations help rule out consideration of new taxes and fees applied by specific municipalities (such as solely by Toronto), and hence, the recommendation that any new taxes or fees be assessed at standard rates across the region. The Province may want to consider implementing broad based tax increases (such as fuel tax or sales tax) province-wide in order to minimize new boundary issues, and direct incremental revenues collected outside the GTHA to transportation priorities as well.

3. Balancing the cost burden.

A large part of the discussion and feedback centered on how to distribute the cost burden of the potential revenue sources. Three main themes consistently arose: individual vs. corporate burden; transportation user vs. taxpayer burden; and burden on the relatively poor vs. the wealthy.

a. Individual vs. corporate burden

The options the City presented included some taxes on individuals (personal income tax), some that would apply to corporations (payroll tax, parking levy) and some that apply to both (fuel tax). Nevertheless, many participants felt that taxes on the corporate sector were not being adequately considered.

Staff were asked why corporate income tax was not provided as an investment tool option. The difficulties with a corporate income tax would be that it was considered difficult to administer on a GTHA basis, and that it was contrary to Provincial (and Federal) economic development policy.

However, the Province should consider maintaining its Ontario corporate tax rate freeze, at 11.5%, rather than reducing the rate to 10% once the provincial budget is balanced. This could generate a total of \$1.5 billion provincially, or approximately \$750 million GTHA-wide on an annual basis, which could be applied as an investment tool to fund regional transportation expansion.

The parking levy option was the most frequently selected on the on-line survey, and this may have been in part because it was expressed as a tax on commercial entities, rather than residents.

Payroll tax, despite its application to employers, was among the least selected options, possibly because it is widely seen as a tax on jobs.

b. Transportation User vs. General Taxpayer

Among on-line consultation respondents, taxes and fees on car owners and road system users were the top five most frequently selected options. Similarly, respondents to the Ipsos Reid survey selected four automobile-related taxes and fees in their top five most frequently selected options. A significant percentage of Torontonians clearly believe that part of the solution to congestion is making car use more expensive.

However, vehicle-related charges are not without issues. For example, establishing a (downtown) congestion levy would make downtown Toronto a less attractive location for establishing and operating a business, and is inconsistent with the principle of raising revenues from across the entire GTHA.

Highway tolls could push drivers onto city roads unless or until adequate transit alternatives have been established. The cost and complexity of road pricing systems can be significant, so the choice of technology requires careful consideration.

Tax measures such as fuel tax or sales tax have clear implementation advantages in terms of cost and simplicity. Furthermore, they have been widely and successfully used to fund transportation projects in other jurisdictions. Finally, if rate increases are kept small by implementing a variety of tax and fee measures, the economic impacts from a fuel or sales tax would also be relatively minor.

c. Affordability: Low income vs. wealthy

Many consultation participants raised the issue of the impact of new taxes and fees on those least able to afford them. (The Toronto Board of Health has echoed these concerns). This may have been behind the prevalence of selecting vehicle-based fees and taxes, or commercial tax options, such as the parking levy, development charges and payroll taxes. However, personal income tax, which according to the Board of Health is "the least regressive way to fund transit" was the least frequently selected option in the Ipsos Reid poll, and among the least popular choices in the City's on-line survey and

public meeting consultations. It may be that there is poor understanding of how an income tax might be applied, and little trust in how it would be dedicated to Metrolinx.

Staff concluded that, given the diverse perspectives on these issues, any new tax or fee regime should strive to demonstrate balance between the burden on individuals and the corporate sector, and between broad-based taxation and targeted behaviour changing user fees. Furthermore, the impact on the vulnerable or low income segments of society should be minimized to the extent possible.

d. Summary

The multiple objectives outlined above cannot be achieved by a single tax or user fee measure. Furthermore, for any single measure to achieve the full revenue target, the rate would have to be set so high that it could be expected to exacerbate market reaction. For example, a GTHA sales tax premium of about 1.5% would be required to raise the full \$2 billion per year. The higher the rate premium, the greater the avoidance effort would be – such as arranging purchases outside the GTHA, to the detriment of the local economy. These concerns lead to the recommendation that Council adopt the principle that a combination of revenue sources be considered to balance the impact across various segments of society.

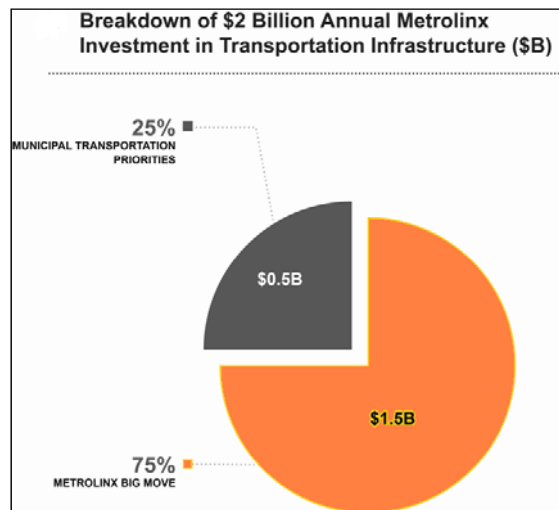
4. Role of Federal funding:

Participants suggested that the federal government should be contributing more funding for transportation expansion in the GTHA. The idea that ameliorating congestion in the GTHA has broader if not national benefit have been behind a common expression of frustration at the absence of a specific Federal role in funding the Big Move.

In response, staff provided information that the federal government has contributed substantial amounts of funding to transportation projects such as the Union Station revitalization, the Toronto-York Spadina Subway Extension Project, and to Metrolinx projects, as well as for the purchase of transit vehicles. The Federal budget identified capital funds for both Infrastructure and Public Private Partnership projects. However, a continued, but increased Federal contribution to the Big Move next wave projects is required to enhance commitment to long-term transportation funding. It would also be consistent with the long standing commitment among developed countries to provide federal support for major transportation infrastructure as an economic enabler.

5. Funding of local municipal transportation expansion priorities

The Big Move plan recognizes the need for concurrent investment in local roads and highways, transit and active transportation networks, as a critical part of a system that can mitigate increasing congestion. Metrolinx proposes that these priorities be funded from an allocation of 25% of new dedicated revenues, through a mechanism yet to be determined. Metrolinx proposes a general framework based on a 15% transfer to municipalities for local transportation priorities, a 5% allocation for highway improvements such as HOV lanes, and a final 5% allocation for active transportation, fare integration and other smaller projects. In total, the 25% allocation would be \$500 million per year across the region, of which the City share might be between \$150 and \$300 million, depending on transfer and allocation details.



Metrolinx has not attempted to set out local priorities for local roads and highways, transit, and active transportation, nor would it be appropriate for it to do so. Decisions about local priorities should be handled by local municipal councils. The proposed 25% revenue allocation is fundamental to ensuring that municipal investment in local priorities keep pace with regional project developments made directly by Metrolinx.

The consultations revealed, not surprisingly, that public is very concerned about local priorities, and whether they would be facilitated through the introduction of new revenue sources. Consequently, this report recommends that Council express its support for the new tools conditional on the implementation of a 25% allocation for local priorities, including active transportation.

B. Specific Revenue Tool Recommendations

Staff have divided the fourteen City revenue options, plus five additional options included in the Metrolinx shortlist into the following three categories: supported, supported for future implementation, and not-supported.

The recommendations take into account the results of the public consultations, the Board of Health's health and equity criteria, and staff analysis of the options in terms of the key criteria described in the October 9th report to Executive Committee, as follows:

- Policy Fit – How well each revenue tool aligns with the objectives of reduced congestion, increased intensification and transit use, while minimizing negative consequences.
- Revenue – The amount of revenue that can be generated vs. the target, and the quality of the revenue stream in terms of consistency, predictability and sustainability.
- Fairness – The degree to which the option contributes to fair allocation of the cost burden among residents and business, with due regard to affordability constraints.
- Efficiency – The relative cost of implementing and administering the revenue option, taking into consideration systems cost, enforcement costs, etc.

Supported Revenue Sources:

- Parking Levy,
- Fuel Tax,
- Development Charges,
- Sales Tax

The preferred revenue sources are those that are recommended for consideration by Metrolinx. A combination of two or more of these options, with due regard for balancing the impact on various segments of society, could provide sufficient revenue to meet the annual revenue objective. Two of these measures would be paid primarily by businesses, fuel tax by both individual and businesses, and the sales tax burden would ultimately fall on individual consumers.

The majority of these revenue options were consistently selected through the public consultation process. Three of the four are consistent with the shortlist proposed by the Toronto Region Board of Trade, and all four are on the Metrolinx shortlist.

Parking levies and fuel tax affect the cost of car ownership and use, which is linked to the policy goal of reducing congestion. A parking levy on commercial spaces (paid and unpaid) might be administered through the property tax collection system as it is effectively a tax on a specific type of real property – but there would be challenges and costs associated with establishing and maintaining an inventory of commercial parking spaces. A Big Move development charge, applied region wide, would enhance the ability of growth to pay for itself, and could replace the current system of inadequate GO transit development charges outside Toronto and redirect municipal contributions payments in Toronto that currently funds a portion of GO transit expansion costs. Sales tax balances these other charges as a broad based tax unrelated to the specific expenditures, and would take advantage of the tax room vacated when the Federal GST was reduced. The impact of sales tax on lower income households could be mitigated through the income tax

system or by other means. Furthermore, the Province could consider levying a sales tax increase province-wide to mitigate the impact of avoiding the sales tax by purchasing across a GTHA border.

Other Supported Revenue Source Alternatives for Later Implementation:

- Highway Tolls and Other Road Pricing
- High Occupancy Toll lanes
- Vehicle Registration Tax

These potential revenue sources have positive policy and/or revenue attributes, and should be considered for implementation following completion of the first wave of projects in 2020. This group of revenue options was also supported by the public consultation process, and road user charges are represented on both the Board of Trade list (HOT lanes) and the Metrolinx shortlist. However, neither the Board of Trade nor Metrolinx included vehicle registration tax on their recommended options.

The City recently rescinded a vehicle ownership tax. Two of the major concerns with the City's tax were that it was not dedicated to transportation programs, and in any case it did not apply to non-resident users of the City's roadways. A Metrolinx vehicle charge could address both of these concerns. However, in Metrolinx's assessment the tax option was not a useful policy instrument for reducing congestion, provided relatively low (but stable) revenue potential, and was not particularly equitable in terms of its incidence on the poor. City staff have nevertheless concluded that it warrants consideration in combination with other measures.

Vehicle ownership and road user charges make the most sense when there are transportation choices available. This is why these fees make the most sense after phase one investments have been substantially completed, and phase two projects are visibly underway. Another factor is the considerable cost and complexity for road pricing systems. Time and thought are required to choose the best systems, and to implement them effectively. Finally, the issue of how to integrate the City's highways into a tolling system on provincial highways would need to be resolved before any decision is made. All these factors suggest that delayed implementation is appropriate.

The City did not explicitly consult on the VKT option, aside from the traditional highway tolls option. However, Metrolinx recently included the VKT option on its shortlist. A VKT would have certain advantages compared to typical highway tolls, as outlined in further detail in Appendix E. At this early stage it is too soon to select one over the other, and the report recommends that both be supported for a later implementation.

Revenue Sources Not Supported:

- congestion levy
- employer payroll tax
- land transfer tax

- land value capture
- personal income tax
- property tax
- transit fare increase
- utility bill levy

These revenue sources were typically not well linked to policy objectives, have poor revenue attributes, and/or have serious market or fairness impacts that should be avoided. Most of the investment tool options in this group were not favoured in the public consultation process.

A congestion levy did get very high support in the public consultations and on-line survey, perhaps due to its high profile and perceived successful implementation in London England. However, a congestion levy or cordon charge for vehicles entering a prescribed downtown area would hurt investment in Toronto, and penalize compact urban transit friendly urban form. It is also contrary to the recommended principle of generating revenue across the region.

Other options not supported suffer from a variety of problems:

- property tax is already excessively relied upon for current municipal operations;
- land transfer tax is already implemented in Toronto, and utilized for current municipal operations;
- payroll tax, although a potential option for taxing businesses rather than individuals, is a tax on full time employment;
- value capture levy has an unknown revenue potential and administrative cost, and may conflict with the current value assessment system which already distributes property tax burden in proportion to market prices, which in turn already reflect the benefit of proximity to transportation infrastructure; and
- utility bill levies are so removed from the issue of congestion, and low on the scale of revenue potential, that they were the among the least supported by the public.

Some participants suggested raising funds from transit fare increases or fare restructuring (fare by distance). Transit fares are also on the Metrolinx short list of investment tool options. However, fare increases are constrained by concern about encouraging ridership, and affordability for a largely captive low-income segment of transit users. Also, transit fares are currently used to partially fund transit operations, and are supplemented by property tax revenues. While the revenue to cost ratio for TTC, at 73% (budget 2013), and for GO Transit, at approximately 80%, are already extremely high as compared to other North American and European metropolitan areas, they still do not fully cover operating costs. A further diversion of transit fares to fund transportation expansion would be inappropriate.

For these reasons, staff do not see any potential to use fares to fund capital expansion. However, in the future, as in the past, zonal fares of fare by-distance could be considered if there is a demonstrated operational or revenue benefit.

C. Other Key Considerations

City input on 'next wave' priorities

As part of a review of the City's Official Plan, the Chief Planner and Executive Director is undertaking a review and refinement of existing City transportation policies, including the development of a long term transportation plan, which will give consideration to the Metrolinx "Next Wave" set of Big Move projects. Two more phases of public consultation are planned in the late spring and early fall of 2013, and City staff will report back on this issue in the fall of 2013. Metrolinx has indicated that it is expecting further City input and confirmed that it will be taken into consideration.

Operating and Maintenance costs

The current process of public consultation by both Metrolinx and the City have focused on regional transportation capital expenditures for the Big Move. However, the construction of this new infrastructure, which will be delivered and owned by Metrolinx, will give rise to the requirement to pay for the ongoing operation and maintenance of the infrastructure. Operating and maintenance costs can be significant, particularly for a transit system, with maintenance costs increasing as that infrastructure begins to age. Staff expects, and this report recommends that maintenance costs for the Big Move should be borne by Metrolinx, as owner of the assets. The funding of operating costs is expected to be part of future discussions as projects progress toward the implementation stage. It is important that any future revenue arrangements that may include single fare integration with existing TTC transit ensure that the municipal ability to pay for TTC operating and maintenance requirements are not adversely impacted.

GO Transit Expansion Funding Model

The City currently contributes \$20 million to GO Transit expansion as a requirement to receive Provincial gas tax funding. Other GTHA municipalities across the GTHA currently levy a development charge to pay for GO Transit expansion. Given that GO is now a division of Metrolinx, and as Metrolinx has responsibility for integrated transportation planning in the GTHA, the introduction of, especially if a new region-wide development charge is among them, should allow municipalities to be relieved of the obligation to fund GO Transit.

Public-Private Partnerships (P3s)

Council has directed staff to pursue a Request for Expressions of Interest (REOI) or Request for Information (RFI) for alternative service delivery (ASD) for the Gardiner

Expressway, the Don Valley Parkway, and building subways. The primary goal of ASD is to find a more efficient, or more cost effective, method of delivering infrastructure, which could include a P3 methodology. City transportation projects that will require the identification of ASD methods may be determined by way of Environmental Assessment, as in the case of the Gardiner Expressway, or through transportation priorities as identified in the City's Official Plan. This report recommends that Council request Metrolinx work with Infrastructure Ontario and PPP Canada for the purposes of minimizing capital costs associated with the construction and delivery of its regional transportation projects, meaning a consideration of P3 delivery options. This is consistent with the 2013 Federal Budget, which extended the Building Canada Fund for another 10 years, and added a requirement that all capital projects of at least \$100 million in size must be screened for potential implementation using a P3 project delivery methodology.

Implementation:

As part of the \$16 billion first phase of the Metrolinx Big Move plan, Metrolinx, the City of Toronto, and the TTC have entered into a Master Agreement for the implementation of the Toronto Light Rail Transit Program, budgeted at \$8.7 billion, for the following projects:

- the Eglinton Crosstown LRT, already underway and to be completed by 2020;
- the Scarborough RT replacement, to begin in 2014 and be completed by 2020;
- the Finch West LRT, to begin in 2015 and to be completed by 2020; and
- the Sheppard East LRT, to begin in 2017 and to be completed by 2021.

In October 2012, Council authorized the City Manager to oversee coordination of the appropriate City divisions and the TTC relative to City responsibilities to implement these projects.

The \$34 billion "Next Wave" of the Big Move plan includes the following proposed Toronto regional transportation projects, with an estimated total cost of \$10.8 billion:

- Downtown Relief Line, an approximately 13 km new rapid transit line, estimated at a cost of \$7.4 billion.
- Yonge North Subway Extension; a 6 km extension of the Yonge-University-Spadina subway line, including 5 new stations, estimated at a cost of \$3.4 billion.

As mentioned in this report, Metrolinx is proposing to allocate 25% of their investment plan to address local transit, roads and highways and other projects. Based on the City's population, the allocation for local Toronto transportation expansion priorities could equal \$200 million/year as part of the completion of the Big Move "Next Wave" projects.

The City's interests and priorities for the Big Move "Next Wave" plan will be outlined in a follow up report to Council by the City Manager, in consultation with the TTC, City Planning, Transportation Services, Corporate Finance and other appropriate City divisions. The report would include:

- the outcome of the Big Move investment strategy;
- proposed options to the Metrolinx governance model related to taxation accountability;
- principles for the allocation and eligibility of funds for local transportation priorities;
- the City's regional and local transportation expansion priorities, as determined through the Official Plan review; and
- recommended authorities for the City Manager to negotiate terms and conditions for future agreements with Metrolinx to implement "Next Wave" projects.

The City Manager will lead the City's involvement in the overall Metrolinx Big Move plan, both first phase and "Next Wave" and is the intergovernmental lead in discussions with the provincial and federal governments and related agencies, including Metrolinx, Infrastructure Ontario, and PPP Canada. The City Manager's Office will coordinate across City divisions and agencies (e.g. TTC) supporting transportation expansion planning and priority setting for the Metrolinx Big Move plan.

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ATTACHMENTS

Appendix A - City Public Consultation Questions- Revenue Tool Questions
Appendix B - Revenue Sources for Consideration
Appendix C - Revenue Tools Screening Criteria
Appendix D - Selection of Revenue Sources
Appendix E - Analysis of Revenue Sources
Appendix F - City of Toronto-led Meetings and Consultations
Appendix G - List of Organizations Participating in January 31, 2013 Stakeholder
Consultations
Appendix H – Health and Equity Criteria

Attachment 1 - Feeling Congested- Phase 1 Consultation Summary Report
Attachment 2 - Ipsos Reid – Transportation Investment Survey, Summary Report

Appendix A

City Public Consultation Questions- Revenue Tool Questions

During the public consultations, the following questions were asked regarding revenue tools:

1. Do you support the use of dedicated government revenues to fund transportation infrastructure?
2. Would you be more likely to support your selected revenue tools if the revenue were dedicated to one or more of the following modes of transportation:

Transit	Cycling
Roads	Pedestrian Infrastructure
Highways	All of the above

3. Are you unconvinced that new revenue tools are required?
4. Select the top five revenue tools that you would be most interested in supporting. (See Appendix B for list of revenue sources)

Appendix B

Revenue Sources for Consideration						
GTHA Revenue Sources	Nominal Rate Increase	Who Pays		Annual Revenue (2014 \$)		Toronto Average Annual Cost Estimate
				GTHA	Toronto*	
Personal Income Tax	1%	Everyone		\$1.36 billion	\$551 million	\$600/household
Sales Tax	1%	Everyone		\$1.4 billion	\$567 million	\$550/household
Payroll Tax	1%	Businesses	Based on gross salaries of employees. May be based on proximity to new transportation infrastructure	\$700 million	\$284 million	Depends on number of employees and salaries
Property Tax	5% overall	Property Owners		\$670 million	\$271 million	\$196 average residential increase
Parking Levy	\$1/day/space	Commercial Property/Land owners		\$1.4 billion	\$567 million	Depends on number of spaces
Land Transfer Tax	1%	Property purchasers		\$450 million	\$182 million	\$4,750/average residential property purchase
Fuel Tax	5 cents/litre	Drivers		\$330 million	\$134 million	\$3/fill up assuming 60 litre fuel tank
Vehicle Registration Tax	\$100 registration/renewal	Vehicle owners		\$300 million	\$122 million	\$100/year/vehicle
Highway Tolls	10 cents/km	Drivers	All 400 series highways and major municipal expressways	\$1.4 billion	\$567 million	10 cents/km
High Occupancy Toll Lanes on GTHA Highways	30 cents/km	Drivers	Vehicles with less than 3 occupants in HOV lanes	\$25 million	\$10 million	30 cents/km
Downtown Toronto Congestion Levy 6:30 am - 6:30 pm	\$8/vehicle entering downtown	Drivers		\$110 million	\$45 million	\$8/vehicle/entry
Development Charges	15% increase	Property developers		\$100 million	\$41 million	Varies depending on type of build
Value Capture Levy	To be determined	Land/property owners	Capitalize on increase in property values, and new property development resulting from new transportation investment	\$20 million (preliminary estimate)	\$8 million	To be determined
Utility Bill Levy	\$3/month	Utility users		\$90 million	\$36 million	\$36/year/household

* Based on population

Appendix C

Revenue Tools Screening Criteria	
Policy Fit	Alignment of market response with objectives of reduced congestion, increased
Revenue	Potential revenue amount, predictability – revenue capacity, predictability,
Fairness	Equity, fairness, in terms of beneficiary pay, affordability, equitable enforcement
Efficiency	Cost, complexity – implementation, simple collection & low enforcement cost,

	Preliminary Relative Ranking [1 is best]				
	Policy Fit	Revenue	Fairness	Efficiency	
					Known examples of City's with these taxes dedicated to transportation investments
Personal Income Tax	2	1	1	1	
Sales Tax	2	1	1	1	Chicago, Georgia, LA, New York City, San Francisco
Property Tax	2	3	1	1	Montreal, Vancouver, Portland
Payroll Tax	3	2	2	2	NYC, Paris, Portland
Hwy Tolls	1	1	1	3	Vancouver, Georgia, London UK, New York City, Pennsylvania, New York, New Jersey, San Francisco
Fuel Tax	1	2	1	1	Montreal, Vancouver, New York City, Washington DC, Georgia, Portland
Vehicle Tax	1	2	1	1	Montreal, New York City
Parking Levy	2	1	1	2	Vancouver, Pennsylvania, New York, New Jersey
Land Transfer Tax	2	2	2	1	
Development Charges	2	3	2	1	

Appendix D

Selection of Revenue Sources

Public Consultations

Total number of responses provided through online tool in the 416 area code: 4,491

1. Highway Tolls (2781 respondents selected this tool in their top five)
2. Parking Levy (2731)
3. Congestion Levy (2723)
4. Vehicle Registration Tax (2460)
5. Fuel Tax (2321)
6. Development Charges (2115)
7. Sales Tax (1240)
8. High Occupancy Toll Lanes (1203)
9. Property Tax (737)
10. Personal Income Tax (729)
11. Land Transfer Tax (588)
12. Payroll Tax (557)
13. Value Capture Levy (489)
14. Utility Bill Levy (282)

Ipsos Reid Transportation Investment Survey

Total number of responses: 1,548

1. Development Charges (68%)
2. Parking Levy (58%)
3. High Occupancy Toll Lanes (49%)
4. Congestion Levy (46%)
5. Payroll Tax (41%)
6. Highway Tolls (38%)
7. Vehicle Registration Tax (31%)
8. Value Capture Levy (30%)
9. Fuel Tax (28%)
10. Land Transfer Tax (28%)
11. Sales Tax (26%)
12. Utility Bill Levy (22%)
13. Property Tax (19%)
14. Personal Income Tax (16%)

Appendix E

Analysis of Revenue Sources

Contents

Supported

- Development charges
- Fuel Tax
- Parking Levy
- Sales Tax

Supported upon completion of first wave

- High Occupancy Toll (HOT) Lanes
- Highway Tolls
- Vehicle Registration Tax

Not Supported

- Congestion Levy
- Employer Payroll Tax
- Land Transfer Tax
- Land Value Capture
- Personal Income tax
- Property Tax
- Utility Bill Levy

Other Options

- Vehicle Kilometre Travelled (VKT) (supported)
- Transit Fares (not supported)
- Corporate Income Tax

Development Charges

Description and Policy Fit

Development charges are levied on new developments to recover municipal growth related capital costs, established in accordance with provincial legislation. They help growth 'pay for itself', rather than the cost being borne solely by property tax payers. Development charges have no direct impact on congestion and transit use. In some areas, development charges are already a significant portion of the cost of development. A large increase for the Big Move could have a short term effect on the market.

In recent years, the City of Toronto has levied development charges to help fund the municipal share of the Sheppard Subway and Toronto-York Spadina Subway Extension project. Development charges are also used by numerous public entities in the USA, including California and Maryland.

It should be noted that GTHA municipalities, with the exception of the Toronto, currently levy development charges to fund contributions to GO Transit capital expansion. A development charge implemented for Metrolinx transportation expansion GTHA-wide could replace these direct municipal contributions.

Revenue Potential and Ease of Implementation

However, this option would be inexpensive to implement, as the existing collection system may be easily modified to impose the charge.

A GTHA-wide development charge increase of 15% was estimated on a preliminary basis to generate annual revenues of \$100 million, with the impact on each development typically varying dependant on its size and type of use.

Public Consultation Results

The development charge option was selected by 47% of public consultation respondents as one of their top five revenue sources. Of respondents to the Ipsos Reid survey, development charges were the most preferred choice with 68% selecting this option. Some of the public consultation participants indicated that their reason for supporting the development charge was that it would be paid for by developers rather than (directly) by individuals. Others stated that the amount of the proposed increase would not be onerous.

Metrolinx

Metrolinx has included Development Charges on its April 2, 2013 shortlist of potential revenue sources.

Conclusion:

Development charges are recommended for Council support. Staff also suggest that there should be an exemption for affordable housing, consistent with the current City by-law.

Fuel Tax

Description and Policy Fit

Fuel tax is an excise tax levied on the sale of transportation fuels (i.e. gas or diesel), taking the form of a flat fee added to the cost of fuel purchased, which would apply to all drivers (both personal and commercial vehicles). Consequently, they increase the cost of trucking and other good transportation dependent businesses, offsetting some of the economic benefit of congestion mitigation. Vehicle fuel taxes support congestion reduction, although to a lesser degree than tolls. They may have a marginal impact on reduced travel, increased intensification and transit use. Their biggest impact may be on vehicle efficiency and reducing CO2.

Currently, in Canada regional gas taxes dedicated to transportation are used in British Columbia (17 cent/litre charge in Metro Vancouver Area dedicated to Translink funding), Alberta, and Quebec (3 cent/litre surcharge in the Greater Montreal area).

Revenue Potential and Ease of Implementation

Fuel tax has significant revenue potential, and growth potential, but over the long term is vulnerable to a fuel efficiency gains and a shift to alternative fuels. A fuel tax would be inexpensive to implement, as it would use currently existing systems. Preliminary estimates indicate that a fuel tax premium of 5 cents/litre for transportation fuels (i.e. gas or diesel) would generate \$330 million annually across the GTHA. The impact of a fuel tax is \$3.00 per fill-up for an average personal vehicle with a 60 litre tank, or \$100 to travel 20,000 km at a fuel efficiency of 10 litres per 100 km.

Public Consultation Results

52% of respondents to the City's online consultation tool selected fuel tax as one of their preferred five revenue sources, compared with only 28% of respondents to the Ipsos Reid poll. Some public consultation participants indicated their support on the proviso that the revenues be dedicated to transportation. Others indicated their support because fuel tax is a user-based fee, and could influence driver behaviour. One individual suggested at-the-pump automated variable fuel tax rates set inversely to the fuel efficiency of each car.

Metrolinx and Board of Trade

Metrolinx has included the fuel tax on its April 2, 2013 shortlist of potential revenue sources. The Board of Trade has also endorsed the fuel tax as one of its four preferred revenue sources.

Conclusion:

Given that the fuel tax is a user-based fee, which would be paid by those who can most afford it so long as transit and live/work alternatives exist, and that it also supports environmental policy objectives, this option should be supported as a preferred investment tool.

Parking Levy

Description and Policy Fit

A parking space levy is a fee charged to owners of both paid and unpaid non-residential off-street parking spaces within the GTHA. A parking levy is consistent with land-use policy, and could impact travel patterns where it results in reduced supply of non-residential parking, or new or increased fees for parking users. Per-space parking levies are used in Sydney and Melbourne, Australia.

Revenue Potential and Ease of Implementation

A parking levy of \$1/day or \$365/year per non-residential parking space is estimated to generate \$1.4 billion per year across the GTHA. The impact per commercial enterprise (e.g. shopping malls) will vary depending on the number of parking spaces. The enterprise could choose to either absorb the cost, pass it on to its leaseholders and/or customers, or through charges for paid parking. Parking levies would be relatively stable, as the inventory of spaces is not likely to change dramatically after an initial period of adjustment.

Costs associated with implementing this levy would be relatively low. The primary cost is associated with the establishment and administration of an inventory of all non-residential, off-street parking. There would also be costs associated with collection and enforcement, possibly managed through the property tax system.

Public Consultation Results

Results from the City's public consultations indicate that a parking levy was selected most often by respondents as one of their top five revenue sources. Approximately 61% of respondents indicated their support for a parking levy. Results to the Ipsos Reid survey are similar, as 58% of respondents selected a parking levy in their top five.

Participants at the public consultation sessions were generally in favour of a parking levy due to its revenue generating potential, and because it is seen as one of the rare options that would be paid for by businesses, not individuals. The annual amount of the levy would be consistent with the amount of parking provided, and therefore related to ability to pay. However, concerns were expressed that a parking levy may not be fair in circumstances where public transit is not an option.

Metrolinx and Board of Trade

Metrolinx has included the parking levy on its April 2, 2013 shortlist of potential revenue sources. Furthermore, the Board of Trade has also endorsed the parking levy as one of its four preferred revenue sources.

Conclusion:

Given the revenue potential, the ease with which it may be implemented, its consistency with land-use policy, the results of the public consultations, and the support provided from other entities, this report recommends the parking levy as a preferred revenue tool.

Sales Tax

Description and Policy Fit

Sales tax is a percentage-based value added tax applied to goods and services. A tax premium would be applied to transactions based in the GTHA, and used to fund transportation projects. Increased sales tax does not advance congestion, intensification or transit use policy goals except to the extent that it applies to gasoline sales. Additionally, a sales tax increase can cause consumers to shift some purchases outside the taxation zone, especially for larger consumer purchases. Finally, a sales tax increase could have a negative impact on low income individuals, although the effect could be mitigated through the income tax system.

US Cities that have used sales taxes as a way of funding transportation infrastructure include those in California, New York, Chicago, Minneapolis, and Houston.

Revenue Potential and Ease of Implementation

Sales tax has significant revenue potential that grows with the economy, and would be raised from both GTHA residents and non-residents. Furthermore, it would be inexpensive to implement. A sales tax of 1% was estimated on a preliminary basis to generate annual revenues of \$1.4 billion across the GTHA. The average impact per Toronto household is estimated at approximately \$600/year.

Public Consultation Results

During the City's public consultation, there was a mixed reaction to a sales tax. Some participants liked it for its ease of implementation, and others were of the view that a sales tax increase would be readily accepted since it has recently been reduced (by the federal government). However, concern was expressed at all of the public meetings about the negative impact of a sales tax increase on those of lower income. Results from the City's public consultations demonstrate that a sales tax was selected by 28% of respondents as one of their top five revenue sources. Results from the Ipsos Reid survey were similar, with 26% of respondents selecting the sales tax.

Metrolinx and Board of Trade

Metrolinx has included sales fuel tax on its April 2, 2013 shortlist of potential revenue sources. The Board of Trade has also endorsed the sales tax as one of its four preferred revenue sources.

Conclusion:

The sales tax is a preferred investment tool, on the proviso that the impact on those of lower income be mitigated through the income tax system, or by other means. In addition, as a sales tax would cause some consumers to shift purchases outside the taxation zone, the Province should consider implementing a province-wide sales tax and allocating revenues derived from outside the GTHA to other government priorities.

High Occupancy Toll (HOT) Lanes

Description and Policy Fit

HOT lanes would involve applying a toll to vehicles with fewer than three occupants using restricted High Occupancy Vehicle (HOV) lanes. The Province has announced plans to build additional HOV lanes on 400 series highways over the next several years through to 2020. Instituting region wide HOT lanes would be consistent with congestion reduction, encouraging drivers to carpool to avoid charge, while achieving better utilization of the lanes and generating revenue for transportation expansion.

HOT lanes have been successfully implemented in Colorado, Florida, Utah, Georgia, Minneapolis, Washington State, California, Virginia and Texas.

Revenue Potential and Ease of Implementation

Preliminary estimates indicate that HOT lanes would initially generate annual revenues of \$25 million to \$45 million at a rate of 30 cents per km travelled based on only 400 series highways in the GTHA, and increase as the network expands. Revenues are expected to be relatively stable, although it is difficult to predict volumes and price sensitivity.

Establishing a HOT lane network is expected to be less expensive and time consuming than full highway tolling, but capital investment would be required for lane separation associated with planned HOV lane expansion, and construction of tolling infrastructure. Nevertheless, implementing HOT lanes will take years to fully implement, and may also require consideration of use of City expressways, with the related jurisdictional issues.

Public Consultation Results

Results from the City's online consultation tool indicate that only 27% of respondents selected HOT lanes as one of their five preferred revenue sources. However, 49% of respondents to the Ipsos Reid survey selected HOT lane tolls. Some of the public consultation participants indicated that they were in favour of HOT lanes as they may promote a change in driver behaviour.

Metrolinx and Board of Trade

Metrolinx has included HOT lanes on its April 2, 2013 shortlist of potential revenue sources. The Board of Trade has also endorsed HOT lanes as one of its four preferred revenue sources.

Conclusion:

As with highway tolls, HOT lanes are an option best suited for later implementation, when expanded transit alternatives in place. However, as this option would require significant time to implement, so Council support is recommended now to allow Metrolinx to begin the necessary preparatory work.

Highway Tolls

Description and Policy Fit

Highway tolls are typically levied on drivers on a per kilometre travelled basis, on a designated road or section of road or for the use of a particular asset such as a bridge crossing or tunnel. Highway tolls are considered a good policy fit because they can reduce highway congestion, and tend to increase both land use intensification and transit use. In some cases they may lead to higher use of alternative municipal roadways. They also increase the cost of trucking and other good transportation dependent businesses, offsetting some of the economic benefit of congestion mitigation.

Many jurisdictions globally use highway tolls for funding improvements to their transportation networks, such as Austin, Texas, the Indiana Toll Road, the Everglades Parkway (Florida), the M1 (Dublin, Ireland), and the M6 Toll Motorway (England).

Revenue Potential and Ease of Implementation

Metrolinx has estimated the revenue potential of highway tolls at 10 cents/km applied to all GTHA 400 series highways, including City-owned and maintained expressways. This jurisdictional issue would need to be addressed prior to implementation.

Preliminary estimates indicate that highway tolls across the GTHA could generate annual revenues of up to \$1.4 billion, net of capital and administration costs which can be relatively high. Metrolinx should commence its investigation of this option in the near future in order to address issues such as technology choice, cost mitigation, and municipal jurisdiction.

Public Consultation Results

Results from the City's online consultation tool indicate that highway tolls were selected by 62% of respondents as one of their top five revenue sources, compared to 41% of Ipsos Reid respondents. Public consultation participants were divided in their views about highway tolls, with some participants noting that unless there is a transit alternative to driving, it may not be fair to impose a greater cost onto drivers.

Metrolinx

Highway tolls are on the April 2, 2013 Metrolinx shortlist of options. The Board of Trade did not include not endorse highway tolls on its recommended list, although they were noted as a potential medium term option.

Conclusion:

Highway tolls are an option to be best suited at a later date, when the Big Move first phase of works are in place providing improved transit alternatives, the appropriate technology has been identified, and jurisdictional issues over City expressways have been sorted out. This option could require years to implement, so Council support is recommended now to allow Metrolinx to begin the necessary preparatory work.

Vehicle Registration Tax

Description and Policy Fit

A vehicle registration tax is a fee paid by vehicle owners upon registering a new vehicle, or renewing an existing registration annually. At moderate rates under consideration, it would be expected to have little impact on the vehicle ownership decision, except by owners who rarely use their cars. While this option is currently viewed as a flat fee per vehicle, it could also be tiered according to vehicle class, engine size or vehicle value.

Vehicle registration taxes are used in New York City and the Province of Quebec, and were used in Toronto before they were removed in January 2011.

Revenue Potential and Ease of Implementation

A registration tax of \$100/year per vehicle registration/renewal has been estimated on a preliminary basis to generate \$300 million per annum across the GTHA. The vehicle registration tax offers stable revenue potential, and an ability to grow with the population and related automobile ownership. Furthermore, it would be relatively inexpensive to implement and enforce through the Province's vehicle registration system.

Public Consultation Results

The vehicle registration tax was selected by 55% of public consultation respondents as one of their top five revenue sources. Of respondents to the Ipsos Reid survey, 31% selected this option. While many participants indicated their support for this option so long as the funds are dedicated to improving transportation, there were concerns expressed that it could penalize some drivers who own cars, but do not drive them every day (e.g. seniors).

Metrolinx and Board of Trade

Neither Metrolinx nor the Board of Trade included a vehicle registration tax in their short listed options. The Metrolinx research suggests that lack of policy benefit and modest revenue potential were the main reasons for discarding this option

Conclusion:

A vehicle registration tax is recommended as an option for implementation at a later date, once expanded transportation alternatives are in place. The tax could contribute to achieving the revenue targets, at low cost to implement and administer, and little negative impact. Consideration could be given for a tiered tax in relation to engine size or efficiency.

Congestion Levy (Cordon Charge)

Description and Policy Fit

A congestion levy would involve drivers being charged a fee for entering the Toronto downtown core. Similar levies are currently used in London (England), Stockholm, Singapore, and in (Norway) Bergen, Oslo and Trondheim.

Establishing a congestion levy would make downtown Toronto a less attractive location for establishing and operating a business, depending on the travel patterns of the business employees and customers. A congestion levy in downtown Toronto would do nothing to address congestion that does not relate to the area (e.g. the 905 areas). Finally, the negative attributes would be borne almost entirely in downtown Toronto alone, inappropriate for funding transportation projects across the region.

Revenue Potential and Ease of Implementation

A congestion levy would generate only a modest amount of income, and would require a significant capital expenditure to implement. A fee of \$8 has been proposed for drivers entering the Toronto downtown core, and was estimated on a preliminary basis to generate annual revenues of \$110 million.

Public Consultation Results

Results from the public consultations indicate that a congestion levy is supported by 61% of respondents as one of their top five revenue sources. Of respondents to the Ipsos Reid survey, 46% selected this option. Participants at the public meetings offered mixed views, and expressed concern that a downtown Toronto congestion charge imposed would unduly impact its residents.

Metrolinx and Board of Trade

Neither Metrolinx nor the Board of Trade included a congestion levy in their short listed options. The Metrolinx research suggests that modest revenue potential, high cost, and equity issues were the main reasons for discarding this option.

Conclusion:

For the reasons discussed above, the congestion levy is not a preferred investment tool.

Employer Payroll Tax

Description and Policy Fit

A payroll tax is a tax paid by employers and remitted to the government, as a percentage of gross pay, or as a flat tax based on their number of employees. Collection of the payroll tax could function similar to employer deductions for Federal and Provincial payroll taxes (e.g. Employment Insurance, Canada Pension Plan contributions, etc.). Payroll taxes do not discourage congestion, or encourage intensification or transit use, and are frequently cited as having negative implications for job creation. Payroll tax is somewhat unique within options under consideration as a broad based tax that applies only to the business sector.

A transportation dedicated payroll tax is currently being used in Portland, Oregon, and Paris, France.

Revenue Potential and Ease of Implementation

Payroll tax has significant revenue potential that grows with the economy. Implementation would be relatively inexpensive using existing income tax infrastructure. Preliminary estimates indicate that a payroll tax of 0.5% applied to businesses throughout the GTHA would generate annual revenues of \$700 million. The impact on individual businesses would vary depending on the number of employees, and on their salaries.

Public Consultation Results

Results from the City's online consultation tool indicate that payroll tax was selected by 12% of respondents (close to last) as one of their top five revenue sources. Results from the Ipsos Reid survey indicate a significantly higher selection rate, with 41% of respondents choosing payroll tax as one of their top five preferred revenue sources. Participants at the public consultation sessions indicated mixed views on implementing a payroll tax to fund regional transportation expansion.

Metrolinx & the Board of Trade

Payroll tax is on the April 2, 2013 Metrolinx shortlist of investment tool options. It was not recommended by the Board of Trade

Conclusion:

Payroll taxes are not a preferred revenue tool option, as they may have negative implications for job creation, and do not to discourage congestion or encourage intensification or transit use.

Land Transfer Tax

Description and Policy Fit

Land Transfer Tax applies to the purchase of property within a designated area. Land Transfer Tax does not directly support policy goals regarding congestion, intensification, or transit use, and at the margin may reduce the propensity to move to a location closer to work.

Currently, there is a Provincial Land Transfer Tax and a Municipal Land Transfer Tax in the City of Toronto at a combined rate of up to 4% of the purchase price. Addition of a significant third layer of tax would be considered onerous. Several other locations worldwide utilize land transfer taxes as a source of funding, including Chicago, New York, Philadelphia, Washington DC, Oakland (California), and several Australian states, and countries in southern Europe.

Revenue Potential and Ease of Implementation

Revenues from land transfer taxes can be substantial, but subject to market fluctuations. The existing provincial collection system would be easily modified to impose a GTHA rate, and has generally has an excellent compliance and enforcement record

Preliminary estimates indicate that a GTHA land transfer tax of 1% would generate revenues of \$450 million per annum. This land transfer tax would add \$4,750 to an average residential property purchase in Toronto.

Public Consultation Results

Results from the City's online consultation tool indicate that land transfer tax was selected by 13% of respondents as one of their top five revenue sources. Of respondents to the Ipsos Reid survey, 28% selected this option. Participants at the January 31, 2013 stakeholder working group were concerned that implementation of this tax could act as a disincentive to people moving closer to work in order to reduce their commute time.

Metrolinx & the Board of Trade

Neither Metrolinx nor the Board of Trade included a land transfer tax in their short listed options. The Metrolinx research suggests that highly variable revenue potential, low policy benefit, and equity issues were the main reasons for discarding this option.

Conclusion:

Land transfer tax is not a preferred revenue tool option.

Land Value Capture Levy

Description and Policy Fit

A land value capture levy is designed to capture a share of one-time gain in property values associated with a decision to locate a transportation infrastructure in the vicinity. For example, developments around transit stations benefit from greater accessibility, which often leads to increased property values. Value capture can refer to both the increase in value of privately held and public land. It is important to note that the existing property tax system of current value assessment in Ontario already captures increases in property values in the form of taxation.

Value capture levies have been employed in Virginia and Oregon, and are used in various locations in Europe, South America, and Asia

Revenue Potential and Ease of Implementation

A value capture levy may require implementation on a site-by-site basis, which limits the revenue potential, makes value predictions difficult, and increases the cost of administration. The revenue generation potential can vary considerably depending on the ultimate land value capture arrangement, or the type of transit investment and the size, location and type of developments located in the vicinity. Initial estimates from Metrolinx suggested a value of at least \$20 million per year, but this was related only to publicly held lands.

Public Consultation Results

Results from the City's online consultation tool indicate that a value capture levy was selected by only 11% of respondents as one of their top five revenue sources. Of respondents to the Ipsos Reid survey, 30% selected this option. Opinions expressed at the public consultation sessions were mixed with respect to a value capture levy. The varied views were a result, in part, of the uncertainty surrounding how this tool would be used.

Metrolinx & the Board of Trade

Value capture is on the April 2, 2013 Metrolinx shortlist of investment tool options. The Board of trade did not recommend this option.

Conclusion:

Value capture levy is not a recommended revenue option, although it may have limited applicability that could be pursued. The existing system of current value assessment already captures increases in property values in the form of taxation.

Personal Income Tax

Description and Policy Fit

As with other personal income taxes, this option would be structured as a percentage of gross income in a given period, and would apply to all personal income including employment income, small business income, investment income, and capital gains. Increased income tax does not advance congestion, intensification or transit use policy goals. Income tax does have the advantage of being flexible to reduce impacts on low income or vulnerable populations.

Revenue Potential and Ease of Implementation

A personal income tax premium of 1% (vs. the current average Provincial rate of just over 9%) applied to GTHA residents, would generate estimated (preliminary) annual revenues of \$1.36 billion, and grow (or decline) with the economy. The average household impact in Toronto would be approximately \$600/year.

An income tax premium or surcharge would be relatively inexpensive to implement. The taxes would continue to be collected by the Federal Government, who would forward the provincial portion to the Province of Ontario, who would in turn forward the transportation portion to Metrolinx. However, tracking the flow of tax revenues to be allocated to transportation would prove to be a challenge, due in part to the multi-tiered flow of funds, and the varying contribution per individual (based on their personal taxation circumstances).

Public Consultation Results

Despite the potential for mitigating impacts on the poor, support for personal income tax was very low. Results from the City's public consultations indicate that personal income tax was selected by only 16% of respondents as one of their top five revenue sources. The Ipsos Reid survey yielded the same result, with 16% selecting this option. Public consultation participants were of mixed views with respect to this option.

Metrolinx and Board of Trade

Neither Metrolinx nor the Board of Trade included a personal income tax in their short listed options. The Metrolinx research suggests that lack of policy benefit and potential for economic distortions were the main reasons for discarding this option.

Conclusion:

Given the lack of public support, and the transparency challenges, personal income tax is not a preferred investment tool option.

Property Tax

Description and Policy Fit

Property taxes are typically a percentage-based tax levied on the value of real property owned by individuals and organizations in a given region. Property taxes are the primary revenues source for municipal governments and also fund education in Ontario.

A new property tax would have little policy related impact on congestion or transit use, although it could marginally induce more development outside the tax zone. Use of property tax to fund transportation investment is supported by the beneficiary pay principle. Most GTHA municipal officials have expressed concern over any further pressure on property tax rates to fund the Big Move. In the City of Toronto, approximately 26% of the City's property tax levy is already used to fund transportation related expenses, and further property tax contributions are expected to be necessary to fund local transportation expansion initiatives. Finally, property tax is not as strongly associated with ability to pay as other broad based tax options.

Property taxation has been is specifically used for funding transit projects by the Metro Vancouver Region (TransLink) and by the City of London, Ontario.

Revenue Potential and Ease of Implementation

Property tax revenues are very stable, and increase with assessment growth. A new property tax would be relatively inexpensive to implement and enforce.

A property tax increase across the GTHA averaging 5%, has been estimated on a preliminary basis to generate annual revenues of \$670 million. The average household impact in Toronto would be \$196.

Public Consultation Results

Results from the City's online consultation tool indicate support for a property tax is quite low. Only 16% of respondents as one of their top five revenue sources. Similarly, 19% of respondents to the Ipsos Reid survey selected property tax among their five top choices. Public consultation participants were of mixed views about the appropriateness of using a property tax to fund regional transportation expansion.

Metrolinx & the Board of Trade

Property tax is on the April 2, 2013 Metrolinx short list of investment tool options. It was not recommended by the Board of Trade.

Conclusion:

Staff have recommended that property tax not be used to fund the Metrolinx Big Move, as a reflection of lack of public support and the policy reasons discussed above.

Utility Bill Levy

Description and Policy Fit

A utility bill levy is a monthly amount that would be collected through residential utility bills to help fund transportation initiatives, to be implemented as a fixed fee. A utility bill levy does not advance congestion, intensification or transit use policy goals, and if applied as a flat fee would be considered a regressive tax.

To date, twelve Oregon communities have adopted transportation utility programs to augment shrinking roadway maintenance revenues from gas taxes and other sources. Port Orange in Florida has also used the tool successfully. In Vancouver, TransLink has implemented a \$1.90/month hydro levy which generates just over \$18M annually.

Revenue Potential and Ease of Implementation

A utility bill levy has the potential to generate only moderate revenues. Although it would be relatively inexpensive to implement, it may also require regulatory approval to do so. A utility bill levy of \$3/month per household, or \$36/year, has been proposed, and is estimated on a preliminary basis to generate annual revenues of \$90 million in the GTHA.

Public Consultation Results

Only 6% of respondents to the public consultation online tool selected the utility bill levy as one of their top five revenue sources. This investment tool option was least preferred by respondents, and was generally not supported in the public consultations. Of respondents to the Ipsos Reid survey, 22% selected this option, although it ranked lowest as a first or second investment tool option choice. A few public consultation participants did indicate their support for a utility bill levy, but on the proviso that it would be calculated on a usage basis, rather than the proposed flat fee.

Metrolinx & the Board of Trade

Neither Metrolinx nor the Board of Trade included a utility bill levy in their short listed options. The Metrolinx research suggests that moderate revenue potential, low policy benefit, and equity issues were the main reasons for discarding this option.

Conclusion:

The utility bill levy is not a preferred revenue tool, given its limited revenue potential, its lack of public support, and poor policy characteristics.

Other Revenue sources included on Metrolinx Short-List, April 2, 2013

1. Vehicle Kilometers Travelled (VKT)

The vehicle per-kilometre toll ("VKT") option on the Metrolinx shortlist would involve drivers paying a fee of 3 cents for every kilometre travelled within a designated area or in all areas. Each driver's VKT would be recorded either through odometer readings, or GPS. Preliminary estimates provided indicate potential annual revenues of \$1.6 billion GTHA-wide.

The City did not explicitly consult on the option of a VKT, aside from the traditional highway tolls option. A VKT could have certain advantages over highway tolls, as it would apply regardless of the roadway used, and would not push travellers off of highways and onto local streets. Different rates could be assessed based on time of day, type of vehicle or even location. Finally, unlike fuel taxes, it does not depend on the continued use of gas and diesel engines.

Alternatively, a VKT could be assessed annually through a mandatory odometer report, foregoing the option of time of day or location based rates. This approach would result in charges for travel outside the GTHA, which could be considered unfair, and could also lead to avoidance through odometer tampering. A VKT could also be charged through a complex and expensive computerized transponder and tracking system for each vehicle, although this approach often raises privacy and administrative cost concerns, would take years to implement, and makes charging of non-resident road users difficult. As implementing a VKT would require adequate time to implement, Metrolinx should commence its investigatory phase in the near future.

2. Transit Fare Increase

A transit fare increase to fund transportation expansion is on the Metrolinx shortlist. This issue was also raised and discussed by participants at the City's public consultations. Preliminary estimates indicate that a fare increase of 15 cents/ride would generate annual revenues of \$50 million GTHA-wide.

Transit fares are a user charge for public transit, and are collected at the local level. As a revenue source, they are primarily used to fund the ongoing operations and maintenance of the transit system. As operating costs are not completely recovered by transit fares, the property taxpayer is also required to fund transit operations. Therefore, a further diversion of transit fares to fund transportation expansion would be inappropriate.

Additionally, increased transit fares tend to drive down ridership. Participants at the City's public consultations noted the negative impact of fare increases on those of lower income, including seniors. Another effect of increased transit fares is they result in more people driving, which would have the effect of worsening road congestion.

Other Potential Revenue sources for Consideration

Corporate Income Tax

In 2009, the Province announced a decrease in the Ontario general corporate income tax (CIT), which would decline over time from the then 14%, to 10 %. At that time, it was suggested that when fully implemented, Ontario's combined federal-provincial corporate income tax rate would be 25%, lower than the average OECD corporate tax rate of 26.7 per cent.

The CIT rate has since declined to 11.5%, and has been frozen at that level. Current indications are that the Province plans to maintain the CIT rate freeze until the provincial budget is balanced, which is now anticipated in fiscal 2017-18.

The Province could consider maintaining the CIT level at its current rate of 11.5%, rather than reducing it to 10% once the provincial budget is balanced. This could generate a total of \$1.5 billion provincially, or approximately \$750 million GTHA-wide on an annual basis, and would be available for application as an investment tool to fund regional transportation expansion. Many citizens supported a role for increased corporate income taxes to fund transportation expansion during the City's public consultations.

A corporate income tax premium would be difficult to administer if applied only to the GTHA. Furthermore, imposing a corporate income tax in the GTHA may have negative implications for job creation and economic competitiveness. Other tax options are considered more appropriate for a generating transportation funding from the business sector.

Appendix F
City of Toronto-led
Meetings and Consultations

Stakeholder Workshop Meeting

- Metro Hall, January 31, 2013

Public Consultation Meetings

1. York Civic Centre, February 4, 2013
2. Scarborough Civic Centre, February 6, 2013
3. North York Civic Centre, February 11, 2013
4. Toronto City Hall, February 13, 2013

Discussion Panel

- St. Lawrence Centre for the Performing Arts, March 4, 2013

Municipal Engagement

1. GTHA City Managers/Chief Administrative Officers
 - July 2012
 - September 2012
 - January 30, 2013
 - April 15, 2013
2. GTHA Chief Financial Officers
 - August 2012
 - March 1, 2013
 - April 12, 2013

Appendix G

List of Organizations Participating in January 31, 2013 Stakeholder Consultations

BA Group (Transportation Consultants)
BILD
Canadian Courier and Logistics Association
Civic Action
Daniels Corporation
Diamond Corp.
Financial District BIA
Goodmans LLP
Institute on Municipal Finance and Governance
MHBC Planning
Ontario Motor Coach Association
Open Policy
People Plan Toronto
Residential and Civil Construction Alliance of Ontario
Stikeman Elliot
Streetcar Developments Inc.
Toronto Atmospheric Fund
Toronto Centre for Active Transportation
Toronto Environmental Alliance
Toronto Pedestrian Committee
Toronto Public Health
Urban Land Institute
Wellesley Institute

Transportation Discussion Panel List of Participants March 4, 2013

Moderator:
Matt Galloway, host of CBC “Metro Morning”

Panel:
Jennifer Keesmaat, City Chief Planner and Executive Director
City of Toronto Councillor Peter Milczyn
City of Toronto Councillor Michael Thompson
Larry Beasley, former Chief Planner of Vancouver
Carol Wilding, President and CEO, Toronto Board of Trade
John Howe, Vice-President, Investment Strategy and Project Evaluation, Metrolinx

Appendix H

Health and Equity Criteria for Guiding the Selection of Revenue Tools for Transportation Expansion under the Metrolinx Regional Transportation Plan

Criterion	Comments
Criteria that promote health of the whole population	
Make walking, cycling and taking transit more attractive options	For example, the use of road tolls, congestion charges and parking fees which increase the relative cost of using the private automobile compared to other travel modes makes walking, cycling and taking transit more attractive options; this also helps to reduce congestion ^{a,b} .
Encourage the adoption of least polluting transport technologies that support climate change and sustainable energy use policies	For example, fuel taxes or permitting hybrid or electric cars to use high-occupancy vehicle lanes are incentives for using more fuel efficient and low-emission vehicles that result in fewer greenhouse gas emissions and air pollutants for the distance travelled ^{a,c} .
Support healthy communities	For example, if development charges or value capture levies are used to fund transportation investments they need to be structured to promote the creation of mixed-use, compact, walkable and bikeable communities ^{a,b} .
Criteria that promote health equity	
Ensure revenue collection for transportation does not place a disproportionate burden on people living on low-income	The regressive nature of tools to fund transit is mitigated using tax rebates or other mechanisms as needed. For example, using the revenues from road tolls and fuel taxes to improve walking, cycling and transit reduces their regressive impacts ^b .
Provide affordable transit for people living on a low income	Fares are kept low to ensure that people living on low income do not have to pay a disproportionate amount of their income on transit or subsidies are provided to offset the cost to those in greater need ^b .
Maximize local economic growth and strengthen social infrastructure	For example, if development charges or employee levies (payroll tax) are used they need to be structured not to increase commercial rents or reduce housing affordability in areas of infrastructure improvements ^{a,b} .

^a Irwin, N. and Bevan, A. (2010). *Time to Get Serious: Reliable Funding for GTHA Transit/ Transportation Infrastructure*. Prepared for Toronto City Summit Alliance (CivicAction). <http://www.civicaaction.ca/sites/default/files/AllianceReliableFundingPaper.pdf>

^b Litman, T. (2013). *Local Funding Options for Public Transportation*. Victoria Transport Institute. Available at <http://www.vtpi.org/tranfund.pdf>

^c Burda, C., Bailie, A. and Haines, G. (2010). *Driving Down Carbon: Reducing GHG Emissions from the Personal Transportation Sector in Ontario*. The Pembina Institute. <http://pubs.pembina.org/reports/driving-down-carbon-report.pdf>

Source: Toronto Public Health. *Transportation Priorities and Investment for a Healthy Toronto*. Report to March 25, 2013 Board of Health meeting.