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**NEW FISCAL TOOLS TO HELP FUND THE CITY'S  
INFRASTRUCTURE GAP**

**Presentation by**

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# TD ECONOMICS

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## KEY ISSUES

- City capital spending about \$1 billion per year
- Toronto's accumulated infrastructure deficit \$4-\$10 billion, probably higher
- Deficit growing by about \$200 million per year

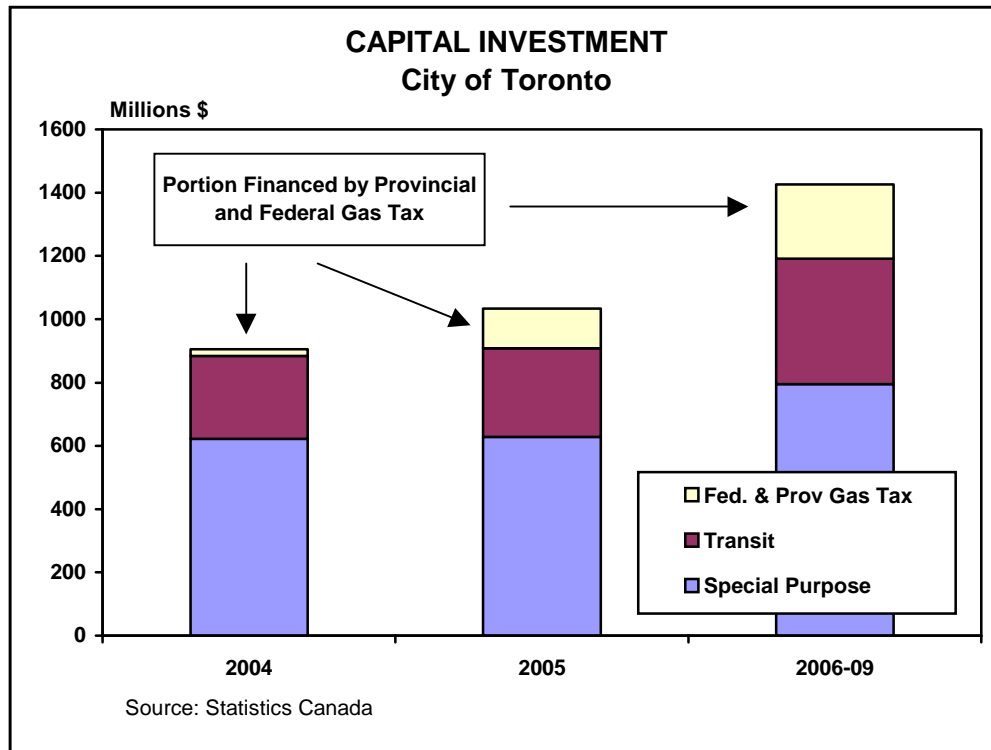
## ACT NEEDS TO GIVE CITY RIGHT EQUIPMENT FOR JOB

### **First, city must further strive to:**

- Reform property tax system
- Price services more in line with cost of provision
- Reduce sprawl
- Improve management of assets

**Better use will only go so far...**

# NEW FEDERAL & PROVINCIAL GAS TAX PROMISES ONLY TO FILL SOME OF THE GAP



## TORONTO NEEDS TO DIVERSIFY AWAY FROM PROPERTY TAX

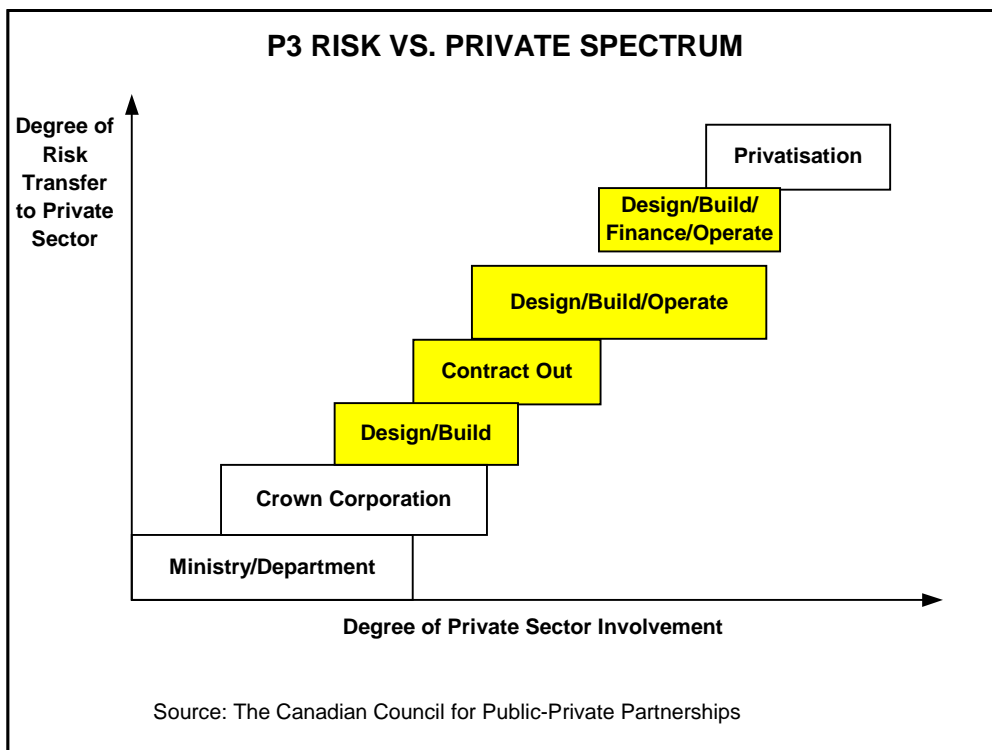
### Give city new revenue arrangement that would:

- Provide long-term reliable funding, more flexibility and raise accountability
- Grants and revenue-sharing arrangements (i.e., portion of provincial gasoline tax) fail these tests
- Give local governments power to levy taxes and where they have control of rate setting
- No one magic bullet – all tax alternatives have their advantages and disadvantages
- One preferred option would be a municipal gasoline tax levied across a commuter area

# U.S. INSTRUMENTS NO PANACEA, BUT SHOULD BE LOOKED AT

- Tax-exempt bonds should be left on the shelf
- Municipal financing through infrastructure banks and revenue bonds offer some potential
- Tax-increment financing and enterprise zones can be effective for re-development, but should pass the “but for” test
- Asset-backed borrowing could provide significant proceeds for development

## BRING THE PRIVATE SECTOR ON BOARD



## **P3s USED ONLY SPARINGLY IN CANADA, BUT SOME SUCCESS STORIES**

- Town of Goderich, Ont. is a leader in initiating P3s for water and wastewater treatment facilities
- Canmore, Edmonton, Hamilton-Wentworth, Halifax, Moncton, and Winnipeg have also experienced success in water P3s
- List of P3 examples at the provincial level in Canada is longer and more diverse, but also at the early stages of the learning curve
- Act needs to knock down barriers for City to enter into P3s

## **TIME TO ELIMINATE ROADBLOCKS TO P3s**

### **Need to educate public in Canada:**

- P3s are not privatization
- P3s not necessarily pricier because of higher private sector borrowing costs and need for rate of return because:
  - private sector assumes risk (like absorbing cost over-runs or penalties for missed deadlines)
  - opportunity cost of tying up government resources
  - further public costs if public projects are late, over- budget, or fail
- Need to compare costs and benefits on an objective, even basis

## SOME APPEALING FEATURES OF THE UK APPROACH TO P3s

- Standardize contracts for “like” projects
- Define minimum reporting standards
- Continually monitor and evaluate project performance
- Develop a group such as UK Partnerships to centralize resources and provide expertise on P3s