TORONTO REGION BOARD OF TRADE

WHAT'S AT STAKE

TORONTO MUNICIPAL ELECTION ISSUE GUIDE

Funding Public Services

SEPTEMBER 2026

The choices Torontonians make in the municipal election on October 26 will shape how our city grows over the next decade. To help voters understand what is at stake, the Toronto Region Board of Trade is publishing a series of three non-partisan issue guides breaking down some of the city's most complex economic challenges. Each guide explains the problem, why it matters and the actions the next mayor and council should consider.

Canada's economic engine is straining under structural budget pressures. The City of Toronto's (the City) existing fiscal framework is ill-equipped to support the scale and complexity of its role in the national economy.

The scale of the City's obligations to deliver federal and provincial objectives leaves limited room for the projects that make Toronto a liveable, world-class city. Core city-building investments, like parks, libraries, community recreation centres, cultural infrastructure, and road safety are deferred, scaled back, or never advanced. These define Toronto's quality of life, attract and retain residents and talent, and underpin the city's long-term economic competitiveness.

Toronto cannot grow its way out of this challenge without a fundamentally different approach to its budget strategy – and a more equitable partnership with provincial and federal governments.

A Structural Budget Challenge

Toronto is the fourth-largest city in North America and Canada's economic engine. The Toronto Region generates 20% of the country's GDP, manages the country's largest stock of public housing, operates its largest transit network, and serves as the primary settlement city for newcomers. Despite this scale and its role in the national economy, the City is straining under mounting budget pressure.

Approximately 90 per cent of the services and infrastructure delivered by the City are defined by provincial and federal mandates yet funded through a narrow set of revenue tools that do not grow with the economy. As a result, mandated responsibilities crowd out investments in parks, libraries, cultural infrastructure, and community services that are critical to attract and retain both talent and business investment.

This imbalance is rooted in how public revenues are divided in Canada. Of every tax dollar collected, municipalities receive approximately nine cents, compared with 47 cents for the federal government and 44 cents for provincial governments. Yet municipalities are responsible for roughly 60 per cent of public infrastructure.

The 2023 Ontario–Toronto New Deal was an important recognition that Toronto's fiscal challenges are structural rather than temporary. The uploading of the Gardiner Expressway and Don Valley Parkway, along with operating support for transit and shelter services, provided meaningful relief. However, much of the agreement was designed as a time-limited intervention rather than a permanent solution.

The next Mayor should make securing a new long-term funding arrangement with the provincial government a central objective of the mandate. Without a durable framework that aligns responsibilities with revenues, Toronto's budget challenges will continue undermining its ability to attract investment, be globally competitive, and stimulate business growth.

BY THE NUMBERS

$18.9 billion

2026 Operating Budget, making Toronto the eighth largest government in Canada by budget size.

$1.35 billion

estimated budget shortfall at the beginning of the budget process. Closing this gap would have required a 27 per cent property tax increase.

$1.6 billion /year

approximately 27 per cent of property tax revenue funds services that are extensions of federal and provincial responsibilities, including housing, social services, and health programs.

$63.1 billion

10-year Capital Plan (2026–2035), with only 13 per cent being funded by federal and provincial contributions.

Where Does the Money Go?

Of the average household's $4,252 municipal property tax bill in 2026:

SERVICE AREA	AMOUNT	SHARE
Transit (TTC)	$814	19%
Police Services	$789	19%
Cost-shared social programs (housing, social services)	$481	11%
Debt servicing and financing	$460	11%
Fire and Paramedic Services	$403	9%
Governance and corporate services	$399	9%
Agencies, boards, and commissions	$373	9%
Other City operations	$366	9%
Transportation infrastructure (roads)	$167	4%

Source: City of Toronto 2026 Budget, based on the average assessed residential value of $692,140.

Downloaded Costs: The Federal & Provincial Responsibilities on Toronto's Books

The three examples below demonstrate how the City currently carries the financial weight of services and infrastructure that reflect federal and provincial policy decisions.

Housing

Toronto faces $8.8 billion in housing-related capital pressures over 10 years, representing 13 per cent of Toronto's total capital needs.

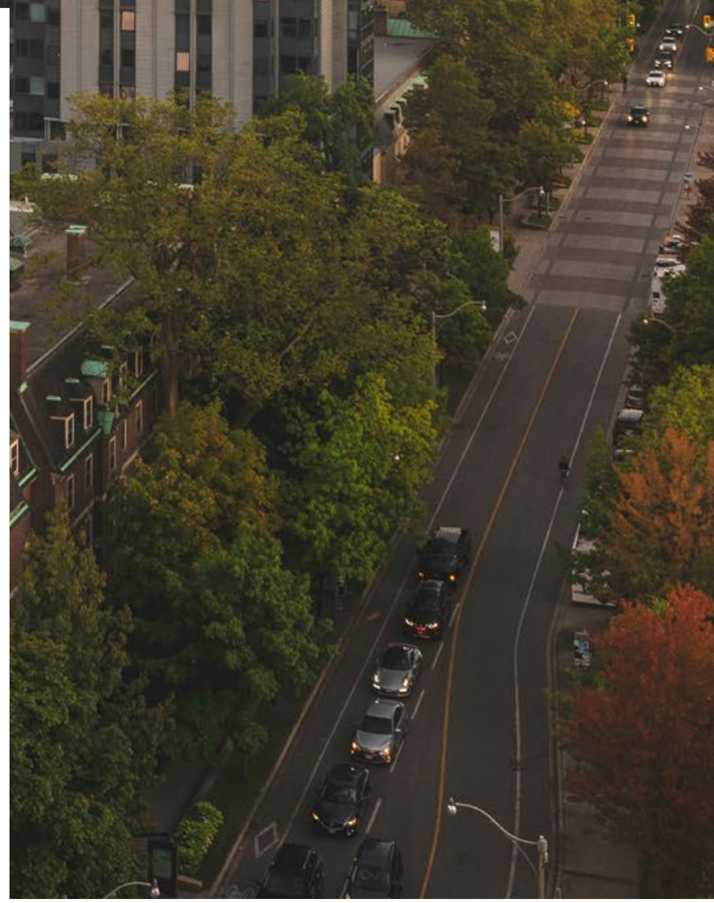
The City manages over 55,000 public housing units – the largest stock in Canada – while also developing new supply. These responsibilities were historically funded by senior governments before being downloaded to the municipal level in 1998. Today, the City delivers and maintains these systems with limited revenue tools and growing demand.

Transit

Toronto faces $17.3 billion in transit capital pressures over 10 years, representing 26 per cent of total capital needs. While transit is delivered locally, its benefits are regional and national. The TTC supports labour mobility, economic productivity, and growth across the region. Despite this, the primary financial responsibility continues to rest solely with the City, supported by intermittent provincial and federal contributions rather than a stable, predictable funding framework.

Shelter System

Toronto faces $1.1 billion in shelter capital pressures over 10 years, representing 2% of total capital needs. A significant portion of shelter demand is driven by asylum seekers and refugee claimants, reflecting federal immigration policy. At times, this has represented more than half of the shelter population. Federal contributions have been time-limited and do not match the scale or predictability of demand.



A New Approach to Toronto's Budget Strategy

Toronto's fiscal challenge cannot be solved by any single lever. New funding from senior governments is essential, but it is not sufficient on its own – and it is not a precondition for action.

The City has substantial tools of its own. Growing the assessment base and unlocking value from public assets would expand Toronto's fiscal capacity directly, and using those tools well is what makes the case for a new intergovernmental framework credible. A rebalanced funding relationship then addresses the structural gap the City cannot close alone.

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1. Invest for Growth

Apply an economic lens to every major investment decision. Prioritize spending that generates new value, such as protecting employment lands, expanding affordable housing for the workforce and funding infrastructure that unlocks development. Tie every major investment to a measurable outcome – new assessment generated, jobs supported, housing units enabled, development unlocked – reported against and carried into the next budget decision. Investments that grow the assessment base strengthen the City's fiscal capacity over time.

EXAMPLE: Employment Areas occupy about 12% of city land but generate approximately 27% of its GDP. Yet these lands remain under threat from conversation to residential uses. Protecting, improving, servicing and marketing the city's employment lands can help increase revenues generated from economic activity.

2. Maximize the Value of Public Assets

Apply an asset management lens to the City's balance sheet. Use public assets to unlock capital for reinvestment through structured partnerships while leveraging private sector investment to finance revenue-generating infrastructure. Capital recycled from existing assets can be reinvested in the infrastructure driving housing, employment, and economic growth.

EXAMPLE: Toronto Community Housing's (TCHC) Regent Park revitalization demonstrated how public assets can be leveraged to renew and expand housing supply. Rather than selling off public housing assets, TCHC retained ownership while partnering with private-sector developers to deliver both affordable and market housing. Revenue generated from private development financed the replacement and expansion of affordable housing, the update of infrastructure, parks, and community facilities, and the addition of market housing.

3. Rebalance the Intergovernmental Funding Relationship

Rebalance Toronto's relationship with senior governments. Pursue a durable, long-term funding framework with the Province that reflects Toronto's role as Canada's economic engine and the scale of provincial responsibilities delivered through municipal governments. Such an arrangement should move beyond one-time negotiations and establish predictable, formula-based funding that grows with population, inflation, economic activity, and service demand.

A modern partnership could include fixed formulas for downloaded social programs, predictable transit capital arrangements, and multi-year infrastructure agreements that provide support for housing-enabling infrastructure, state-of-good-repair investments, and major city-building projects.

EXAMPLE: The City operates ten long-term care (LTC) homes serving more than 2,600 residents with a 2026 operating budget of approximately $451.1 million. The Province regulates and sets standards for long-term care but does not provide the funding needed to meet growing operating and capital pressures. Toronto's 10-year LTC capital program totals approximately $538.9 million, with 81 per cent funded by the City, 19 per cent by the Province, and no direct federal contribution. A more balanced provincial funding framework for long-term care operations and capital renewal would reduce pressure on the property tax base and free municipal capacity for other local priorities.

Our Questions for Candidates

1. How will you prioritize municipal investment decisions to grow Toronto's long-term tax base and budget capacity?

2. What is your strategy for leveraging the City's public assets to generate capital for infrastructure investment?

3. What is your plan to negotiate a durable, long-term fiscal framework with the Province and the Federal government?

TORONTO REGION BOARD OF TRADE

The Toronto Region Board of Trade is one of the largest and most influential chambers of commerce in North America and is a catalyst for the region's economic growth agenda. Backed by more than 10,500 members, we pursue policy change to drive the growth and competitiveness of the Toronto region, and facilitate market opportunities with programs, partnerships and connections to help our members succeed – domestically and internationally.

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