

Consolidated Clause in Administration Committee Report 6, which was considered by City Council on September 25, 26 and 27, 2006.

14

New User Fees - Revenue Services Division: Charges For Transferring Overdue Water Bill Amounts to the Tax Roll; and Fees for Applications for the Cancellation, Reduction or Refund of Property Taxes Made Under Section 334 of the *Municipal Act, 2001*

City Council on September 25, 26 and 27, 2006, adopted this Clause without amendment.

The Administration Committee recommends that City Council adopt the staff recommendations in the Recommendations Section of the report (August 21, 2006) from the Treasurer, subject to deleting the following Recommendation (2):

"(2) effective January 1, 2007, Revenue Services Division be authorized to implement a \$50.00 fee per tax account per taxation year for applications made to the City for the cancellation, reduction or refund of property taxes under Section 334 of the *Municipal Act, 2001* and continued under Section 297 of the *City of Toronto Act, 2006*;"

Action taken by the Committee:

Notice of the proposed fees discussed in the following report was given as required by the *Municipal Act, 2001*, section 14 of Ontario Regulation 244/02 and public notice was posted on the City's website. No one appeared before the Administration Committee.

The Administration Committee submits the report (August 21, 2006) from the Treasurer.

Purpose:

To seek authority to implement new user fees for services related to transferring overdue water bill amounts to the tax roll for collection purposes, and for applications for the cancellation, reduction or refund of property taxes made under Section 334 of the *Municipal Act, 2001*.

Financial Implications and Impact Statement:

In 2007, the proposed service fees (if implemented January 1, 2007) will result in increased revenues of approximately \$910,000 from fees for transferring overdue water bill amounts to the tax roll for collection purposes, and a further \$7,000 related to fees for applications for the

cancellation, reduction or refund of property taxes under Section 334 of the *Municipal Act, 2001*. These proposed service fees, totalling \$917,000 for 2007, will be included in Revenue Services Division's 2007 Operating Budget submission.

Recommendations:

It is recommended that:

- (1) effective January 1, 2007, Revenue Services Division be authorized to implement a \$35.00 charge per tax account for each overdue water bill amount that is added to the tax roll for collection purposes;
- (2) effective January 1, 2007, Revenue Services Division be authorized to implement a \$50.00 fee per tax account per taxation year for applications made to the City for the cancellation, reduction or refund of property taxes under Section 334 of the *Municipal Act, 2001* and continued under Section 297 of the *City of Toronto Act, 2006*;
- (3) a copy of this report be forward to Budget Advisory Committee for their information and referral to the 2007 Operating Budget process; and
- (4) authority be granted for the introduction of the necessary bills, and the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Municipal user fees are a charge to the user for a specific municipal service, activity or product, or for the use of municipal property. Part XII of the *Municipal Act, 2001*, provides the authority for implementation of municipal user fees and charges and requires that the user fees be approved by Council and enacted by by-law. This authority is continued under Part IX of the new *City of Toronto Act, 2006* under similar terms and conditions.

In establishing user fees for specific municipal services, activities or products, the municipality is recognizing a need to recover operating costs associated with the provision of that service. Utilizing a cost recovery approach ensures that the fees charged bear a relationship to the cost of providing the service. By passing the cost of certain services to the consumer, only those individuals or groups that utilize the service pay for the cost of providing it, rather than taxpayers in general.

In consideration of the above, Revenue Services Division staff are proposing the introduction and implementation of user fees for transferring overdue water bill amounts to the tax roll for collection purposes, and for applications for property tax reductions, cancellations and refunds made to the Assessment Review Board under Section 334 of the *Municipal Act, 2001*.

Comments:

The proposed fees outlined below are being recommended for implementation as a means to recover the costs associated with the provision of certain services, therein passing the costs of such services to those specific users that require such services.

I. Fees for Overdue Water Bill Amounts Added to the Tax Roll for Collection Purposes

The *Municipal Act, 2001* provides that a municipality may hold a property owner responsible for water arrears regardless of the consumer and may add unpaid water charges to the respective property's tax roll. In July 2003, Council authorized a bylaw that allows for unpaid water bill amounts to be added to the respective property's tax account (re: Clause 6 of Report No. 7 of the Administration Committee, "Administration and Collection of Water Accounts," adopted by Council on July 22, 23 and 24, 2003).

Prior to an overdue water amount being transferred to the tax account, a series of notifications of the overdue water amount are mailed to the property owner and, if applicable, to the tenant of a property, allowing the opportunity for the bill to be paid before action is taken, as follows:

- (i) Where a water account remains outstanding 14 calendar days beyond the payment due date, an "Overdue Notice" is mailed to the property owner or to another person (e.g. a tenant responsible for paying the water bill), as per the property owner's prior written direction.
- (ii) If the water amount remains outstanding 28 days beyond the payment due date, a "Transfer to Tax Notice" is mailed directly to the property owner, advising of pending action if payment is not received within 30 days.
- (iii) If the account remains outstanding 58 days beyond the payment due date, the outstanding amount is transferred to the property tax account, and a "Notice of Action" is mailed directly to the property owner advising that the amount has been transferred.

The addition of such charges to the tax roll requires staff time to enter and track these amounts on the tax system, to investigate and review supporting documentation where owners identify billing disputes, and to continually maintain and update the linking system between tax and water accounts, in addition to the costs of processing any payments received, and the necessary programming required to the City's tax and water billing systems to account for and report on these charges. Further, where tax arrears and/or charges added to the tax roll remain unpaid, the City may eventually issue the account to a bailiff for collection.

Given that the City actually incurs costs related to the transfer of these unpaid amounts to the tax account, it is recommended that a \$35 charge be applied per tax account for each overdue water bill amount that is added to the tax roll for collection purposes, and that this fee become effective January 1, 2007. This passes the City's administrative costs for collecting these amounts to the individual that incurred the fee or charge, rather than on all taxpayers. It should be noted that the outstanding water amounts are only added to the tax roll after repeated collection requests have failed to produce payment.

The \$35 service charge is consistent with the current charge levied for Non Sufficient Fund (NSF)/returned cheques, and with the existing \$35 fee that is imposed on property owners where other City divisions have requested that uncollectible charges be added to the tax roll (e.g., unpaid fees levied for grass or weed cutting, debris removal, false fire alarms, etc.). The recommended fee is intended to cover a portion of the City's administrative costs for processing and collecting overdue water bill amounts that are transferred to the tax account for the property. At an estimated volume of 26,000 transfers to the tax roll per year, this service charge will generate approximately \$910,000 in new revenue in 2007 and subsequent years. Upon Council approval of the recommendations within this report, a by-law will be introduced for implementation of this administrative fee.

II. Fees for Applications for the Cancellation, Reduction or Refund of Property Taxes under Section 334 of the *Municipal Act, 2001* and continued under Section 297 of the *City of Toronto Act, 2006*

Section 334 of the *Municipal Act, 2001* allows owners of commercial, industrial and/or multi-residential properties to make an application to the Treasurer of a local municipality for the cancellation, reduction or refund of taxes levied, if it was believed that the municipality had incorrectly calculated the capped or clawed-back property taxes. This provision was enacted in recognition of the legislative complexities associated with the calculation of the capping and claw-back adjustment on the tax levy. A similar provision allowing such appeals is continued under Section 297 of the *City of Toronto Act, 2006*, that will come into force in January 2007.

The deadline for submitting an application to the Treasurer is February 28 of the year following the taxation year in respect of which the application is made. The *Municipal Act, 2001* also provides municipalities the option of passing a by-law authorizing the Assessment Review Board (ARB) to hear the appeal and to make any decision that council could have made.

In February 2005, Council approved by-law 131-2005 which delegated power to hear and dispose of applications made to the City under section 334 of the *Municipal Act, 2001* to the Assessment Review Board.

A fee of \$25 is charged by the ARB for applications filed under this section by the City. To date, the City has absorbed these charges passed on by the ARB since the number of applications was not significant. However, over the past few years, the number of applications has increased and it is appropriate that the City recover the costs of filing these applications on behalf of the taxpayer.

It is recommended that, effective January 1, 2007, a fee of \$50 be charged to recover the filing fee charged by the ARB, and to recover the nominal costs associated with the administration of the application by City staff. City staff must receive, review and record each application, initiate the appeal process with the ARB, track decisions rendered, process necessary adjustments, and prepare any associated mailings. The \$50 fee is consistent with the existing fee of \$50 charged by the City for applications for tax apportionments under Section 36 of the *Municipal Act, 2001* (as established by By-law No. 238-2004). The proposed fee level is also in line with the fee charged by the Assessment Review Board to hear an assessment appeal.

Table 1 below provides a summary of the total applications received each year under Section 334.

Table 1
Applications made under Section 334 of the *Municipal Act, 2001*

	2001	2002	2003	2004	2005	2006*	2007*
Number of S. 334 Applications	20	77	0	81	104	125	140

* *projected to year end*

Given a projected volume of 140 applications for 2007 and subsequent years, these fees will generate approximately \$7,000 in new revenue in 2007 and each year thereafter. As \$25 of the \$50 fee charged for the application will be remitted to the ARB for their filing fee, the net new revenue to the City from these fees is estimated to be approximately \$3,500. Upon Council approval of the recommendations within this report, a by-law will be introduced for implementation of this administrative fee.

Conclusions:

This report recommends the introduction of new service fees for transferring overdue water bill amounts to the tax roll for collection purposes, and new fees for applications for the cancellation, reduction or refund of property taxes under Section 334 of the *Municipal Act, 2001*. The proposed fees are recommended as a means to recover the costs associated with the provision of certain services, by passing the costs of these services on to the consumer/individuals that either require the service, or that caused the charge to be imposed. Combined, the two new service fees represent new potential revenue of \$917,000 in 2007, which will be included in Revenue Services Division's 2007 Operating Budget submission.

Contact Names:

Giuliana Carbone, Director, Revenue Services Division
Phone: 416-392-8065 Fax: 416-395-6811 E-mail: gcarbone@toronto.ca

Casey Brendon, Manager, Operational Support, Revenue Services Division
Phone: 416-395-0125 Fax: 416-395-6703 E-mail: cbrendo@toronto.ca