



**STAFF REPORT
ACTION REQUIRED**

CVA and Reassessment Impacts Reporting

Date:	June 17, 2014
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\rev\ec14022rev (AFS19107)

SUMMARY

This report provides the timelines for reporting on Current Value Assessment (CVA) changes and potential property tax impacts as part of the City's annual budget process.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Executive Committee receive this report for information.

Financial Impact

There is no financial impact from receipt of this report.

DECISION HISTORY

At its meeting on January 29 and 30, 2014, City Council adopted the following motion:

"That City Council request the Deputy City Manager and Chief Financial Officer to report to the Executive Committee prior to the 2015 budget process on a new transparent process that ensures that the Current Value Assessment (CVA) and associated tax policy shifts are estimated in the tax rate information that is provided to Councillors and the public at the time of Budget Launch."

ISSUE BACKGROUND

The assessment of real property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's *Assessment Act*. Reassessments are conducted on a four-year cycle with property value increases being phased-in over the four-year period. Decreases in property value are not phased-in but are applied in the first year of the reassessment. Because of the phasing-in of assessment values, every year has some assessment-related impacts.

Reassessment is revenue-neutral to the City, meaning that increases in the values of properties do not provide the City with additional property tax revenues. Legislation requires municipalities to reduce their tax rates in proportion to the increase in total assessed value arising from reassessment, such that the reassessment by itself does not result in additional revenues to the municipality.

However, tax shifts between properties and between property classes will occur as a result of reassessment. A property which appreciates at a rate greater than the property class average will experience an increase in tax burden, and conversely, a property which appreciates at a rate less than the class average will experience a decrease in tax burden. Similarly, property classes that appreciate at a rate greater than the City-wide average will experience an increase in tax burden, and conversely, property classes that appreciate at a rate less than the City-wide average will experience a decrease in tax burden.

The City also has the option to reduce the tax ratios for the commercial, industrial and multi-residential classes (the "non-residential classes"), which could cause shifts in tax burden between classes. Since 2006, the City has been reducing its non-residential tax ratios, and hence tax burden, with a view of achieving a non-residential tax ratio of 2.5-times the residential tax rate by 2020. This policy causes a tax shift onto the residential class equivalent to a tax increase on average 0.3% to 0.5% annually for residential properties, with a corresponding decrease on non-residential properties (including multi-residential).

COMMENTS

It would be desirable and informative to Councillors and the public if CVA-impacts and tax policy impacts were known early in the Budget Process. In this way, the sum of total impacts (budgetary + CVA + tax policy) could form part of the decision making process regarding the City's operating budget. However, in order to provide a final calculation of the CVA and tax policy impacts, the City must have received the final assessment roll from MPAC, and finance staff require reasonable time to analyze the roll and calculate the impacts (approximately 1-2 weeks).

Return of the Assessment Roll

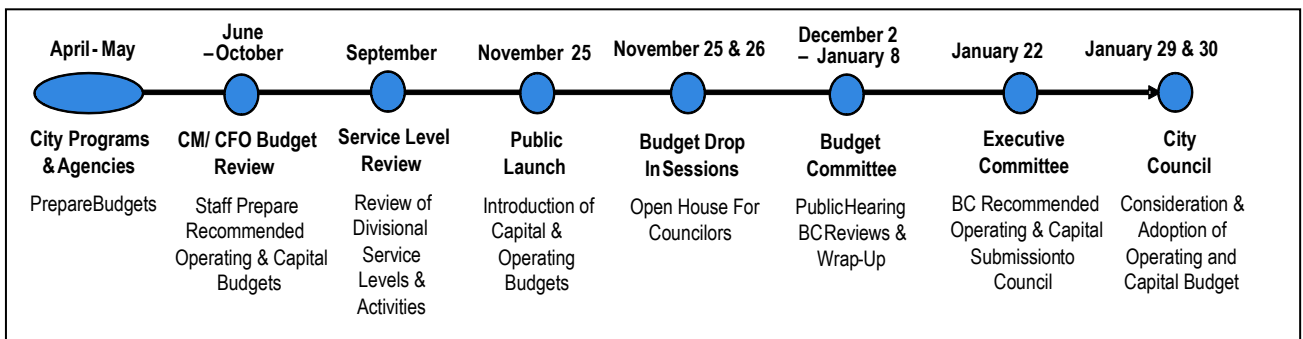
Legislation requires that MPAC provide the final assessment roll to municipalities not later than the second Tuesday following December 1 in the year in which the assessment is made, which for the 2014 taxation year was December 10, 2013. Actual CVA and tax policy impacts can be determined only from this final returned assessment roll. Allowing for time for staff to analyze the final roll, this means that actual CVA and tax policy impacts cannot be determined until the later part of December at the earliest.

However, prior to the return of the final assessment roll, MPAC provides municipalities, as a courtesy for planning purposes, a preliminary assessment roll generally based on the Assessment Notices sent to property owners in early November. This gives property owners the opportunity to contact MPAC about any concerns related to their assessment, and for MPAC to make changes prior to the submission of the final assessment roll to municipalities. Differences between the Notice Based Roll and the Returned Roll reflect changes as a result of appeals, errors, sales, new developments, school support, etc. By legislation, the City can bill only on the final roll, and the actual CVA impacts and policy shifts are based on the final roll.

Budget Process Timelines

The public launch of the Operating Budget, in a non-election year, usually takes place in the latter part of November (the public launch of the 2014 budget occurred on November 25, 2013). The public launch is followed by a period of time to allow for Budget Committee and public consultation, culminating in a "Wrap-Up" meeting of the Budget Committee, around the first or second week of January (the Budget Committee wrap-up meeting to consider the 2014 Budget took place on January 8, 2014). This is followed by consideration by Executive Committee and then Council as a whole in the last week of January. In an election year, this process is delayed by approximately two months to allow for the swearing-in of the new Council in December.

Budget Process (Non-Election Year)



Given the timing of the assessment roll in relation to the budget process, finance staff can only provide an estimate of CVA and tax policy impacts based on the Notice Based Roll in time for the public launch of the budget (the last week of November). This will be done by way of a briefing note and presentation at budget launch. Accordingly, we will communicate throughout the budget process on the total tax impacts (including CVA) although the figures will be preliminary and subject to change. Staff will then formally report on actual CVA and tax policy impacts, based on the final assessment roll, at the budget wrap-up meeting in early January. In an election year, staff will report directly on the actual CVA and tax policy impacts at the first regular meeting of the new Council in January.

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SIGNATURE

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