2023

MUNICIPAL TAX POLICY STUDY

Tax Policy Development

STUDY

Prepared For:

THE CITY OF ELLIOT LAKE

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TABLE OF CONTENTS

INTRODUCTION 4

SPECIAL CONSIDERATIONS FOR 2023 4
UNDERSTANDING REASSESSMENT, MARKET UPDATES AND REAL GROWTH 5
GROWTH VS. MARKET VALUE CHANGES 5
TAX IMPLICATIONS OF GROWTH 6
TAX IMPLICATIONS OF REASSESSMENT 7
WHAT IS AND IS NOT IMPACTED BY THE PAUSE IN REASSESSMENT? 7

PART ONE: ASSESSMENT AND REVENUE GROWTH ANALYSIS 8

2022 ASSESSMENT GROWTH 8
GROWTH VS. LOSS 9
HISTORIC GROWTH PATTERNS 11
REVENUE GROWTH 13
REVENUE LIMIT AND ZERO PER CENT LEVY CHANGE 14

PART TWO: 2023 BASE-LINE TAX LANDSCAPE 17

ESTABLISHING 2023 STARTING TAXES WITH PRECISION AND ACCURACY 17
NOTIONAL VS. REVENUE NEUTRAL TAX RATES 17
NOTIONAL LEVY AND DISTRIBUTION OF TAX 18
IMPACT OF URBAN SERVICE AREA LEVY 19
BUSINESS, NON-BUSINESS AND PUBLIC SECTOR REVENUE 20
TYPICAL PROPERTIES 21

PART THREE: OTHER REVENUE AND LEVIES 22

PROVINCIAL EDUCATION TAXES 22
RETAINED EDUCATION LEVIES FOR CERTAIN PAYMENT IN LIEU (PIL) PROPERTIES 25
POTENTIAL RISKS RELATED TO RETAINED EDUCATION PAYMENTS 25
BUDGETING FOR RISKS 26

PART FOUR: MUNICIPAL TAX POLICY SENSITIVITY ANALYSIS 27

MOVING TAX RATIOS 27
TAX POLICY AND BUDGET CHANGE SENSITIVITY ANALYSIS 28
TAX RATIOS AND BALANCE OF TAXATION 29
URBAN RURAL SPLIT 30
SENSITIVITY MODEL OUTCOMES 30
CENTRAL COMMERCIAL AREA 37

PART FIVE: GENERAL SUMMARY AND NEXT STEPS 38

ASSESSMENT AND REVENUE GROWTH 38
RECOMMENDED NEXT STEPS 38

INTRODUCTION

Each year Ontario municipalities must make a host of decisions in relation to the local property tax regime. These decisions will influence how much is raised and how the burden will be shared. Municipalities are not, however, making these decisions in a vacuum. Due to the complexities of the Province's tax and assessment system, and the constantly changing landscape of the local tax base, even a choice to rely on last year's decisions will come with new implications. In reality, there is no "status-quo" in the realm of municipal property tax in Ontario. In order to make informed decisions sensitive to local priorities, objectives and goals, the municipality's options and choices need to be considered within a broader context.

This study has been prepared to provide the reader with an informed and precise picture of 2023 assessment and the tax landscape. In doing this we will document how the tax and assessment circumstances have changed since taxes were levied for 2022 and also consider the various tax policy options and choices that can be used to influence final tax outcomes for 2023.

The overall goal is to provide municipal Staff and decision makers with the core insight and analysis needed to consider 2023 property tax decisions in an informed and strategic manner. This in turn will maximize the attainment of municipal priorities and objectives.

Special Considerations for 2023

This new taxation year will be unique and potentially eventful in the realm of property taxation for a host of reasons. In addition to the fact that reassessment has been paused for another year, the municipal policy landscape is changing rapidly. Adjustments to and implications for Ontario's property tax regime could come in a variety of forms and from a variety of sources.

Municipalities are experiencing indirect impacts on and implications for the property tax, such as stresses on other revenue streams and a general increased demand (expectations) for relief and special treatment. At the same time, inflationary and budgetary pressures at a two-decade high.

In addition to all these systemic factors and changes, the fall elections brought significant changes to the composition of many municipal councils. As a result, there is a significantly high proportion of decision makers for whom the technicalities involved in setting tax policy and levying taxes will be new.

Recognizing these challenges and uncertainty, MTE has continued to adapt our annual Municipal Tax Policy Study (this report) to account for new and changing circumstances and provide a measure of clarity as to what this all means for how we interpret and explain tax and assessment matters.

Although we are not dealing with reassessment for 2023, we are in a circumstance where the values we are taxing on are further away from the actual market than has been the case since the 1990's. As such, MTE suggests it remains critical for those in both administrative and decision-making potions understand how market value updates impact the tax landscape when they do occur (and how they do not). We also feel that a clear understanding of these concepts is critical as we brace for and prepare for the inevitable implications of restarting reassessment after the longest pause in over two decades.

Understanding Reassessment, Market Updates and Real Growth

For the 2017 taxation year all properties in Ontario were reassessed based on their Current Value Assessment (CVA) as of January 1st, 2016. These updated CVA values, as adjusted under the Province's assessment phase-in program, were to form the basis of taxation through the 2020 taxation year. Those properties that experienced a CVA increase as of 2017 were taxed in accordance with a *phase-adjusted* CVA value through 2019, while all properties in the Province were subject to taxation based on their full, unmitigated CVA for 2020.

While 2021 should have been the first year of a new reassessment cycle, with all destination (Full CVA) values being updated to reflect January 1, 2019 market conditions, the Province put a pause on reassessment in the spring of 2020. This decision was made as part of a host of early measures in response to the ongoing public health crisis stemming from COVID-19. This pause was subsequently extended meaning that property taxes for 2023 will again rely on the full destination values based on the January 1, 2016 valuation date.

This will be the third year in a row without any market driven valuation changes at the municipal level and we will be taxing on values that are further out of date than at any time since 1997.

As noted in the introduction to this study, in order to understand the implications of this year's circumstances and the continued lack of reassessment/phase-in, it is important to have a clear understanding as to how those forces impact the tax landscape when they are in place.

Growth vs. Market Value Changes

The Assessment Roll is a living data set, which is continually evolving in response to real-world market and property changes. The assessed value of a property can and does change for a number of reasons; for the purposes of the property tax system in Ontario, all valuation changes must be considered in one of only two categories; Real Growth in the Tax Base and Market Value Updates (reassessment).

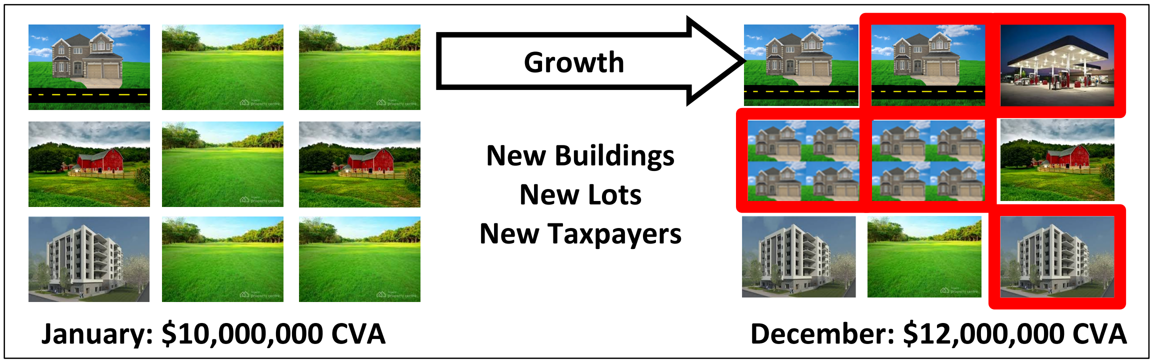
Growth (positive or negative) reflects the value increase or decrease associated with a change to a property's state, use or condition.

- Properties are developed, improved, or intensified;
- Involves actual changes in the size and intensity of the tax base;
- Positive growth means an increase in tax revenue supplied exclusively by taxpayers of new homes, businesses, buildings, etc.;
- Equate positive growth to increased income tax resulting from new or better paying jobs.

Reassessment change is simply a matter of revaluating what a property's market value would be at one point in time (2016) vs. an earlier point in time (2012) in the absence of any other changes.

- Reassessment (and annual phase-in adjustments) do not represent or reflect new property, improved or intensified property, and are not accompanied by new taxpayers;
- If additional revenue is raised from market updates (phase-in) those amounts represent a net tax increase on existing taxpayers;
- Equate to inflation; the product or job has not changed but the price/salary has been updated to reflect current market conditions.

The following illustrations can be helpful in considering the difference between **additional assessment** that comes from growth and the **restatement of values** for existing assessable property within the context of a reassessment or the annual phase-in of those changes.



Tax Implications of Growth

Real growth (and loss) within the municipality's assessment base has real and direct implications for the municipality's overall tax revenue. Positive growth means net-new revenue for the municipality, while negative growth reduces the municipality's revenue and future revenue capacity.

The property tax implications of growth materialize at the property level and do not have any immediate impact on other taxpayers. Growth related tax increases are carried solely by those taxpayers who improve, develop, or otherwise alter their property in a manner that results in additional assessment. Growth related decreases are enjoyed by those taxpayers whose property taxes are reduced.

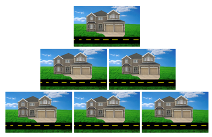
That said, secondary implications of both positive and negative growth can and do impact the broader base. Significant and/or unanticipated losses resulting from assessment appeals, plant closures or other circumstances can alter the balance of taxation and create budgetary pressures that must be carried by other taxpayers. Material growth can ease the burden that might otherwise be carried by the pre-growth base, however, this is largely dependent on the nature of the growth and the increased budgetary requirements the growth brings.

The municipality's growth and growth patterns are examined in greater detail in Part 1 of this report.

Tax Implications of Reassessment

When reassessment occurs, the tax base doesn't increase or grow, properties are simply assigned new values (CVA's) that reflect a more current market. Although this generally means that the overall "value" of the base increases, reassessment has no direct implications for municipal revenue, only the share each taxpayer will carry.

Ultimately, it is not the absolute value of a property that determines one's tax liability, it is the property's **relative value**, or more precisely, the **share of the total base** that the property's value represents. Hence, the actual tax implications of reassessment are driven by the **realignment of value shares** rather than the actual value changes.

						
CVA	**2,500,000**	300,000	300,000	550,000	600,000	750,000
Share of CVA	**100%**	12%	12%	22%	24%	30%
Tax	**$100,000**	$12,000	$12,000	$22,000	$24,000	$30,000
Share of Tax	**100%**	12%	12%	22%	24%	30%
Reassessment						
CVA	**3,750,000**	475,000	525,000	825,000	825,000	1,100,000
CVA Change	**50%**	58%	75%	50%	38%	47%
Change in CVA Share	**0%**	**6%**	**17%**	**0%**	**-8%**	**-2%**
New Tax	$100,000	$12,667	$14,000	$22,000	$22,000	$29,333
Reassessment Shift $	$0	$667	$2,000	$0	-$2,000	-$667
Reassessment Shift %	**0%**	**6%**	**17%**	**0%**	**-8%**	**-2%**

This simplified illustration show that it is the change in CVA Share, not the change in absolute CVA that drives the reassessment related tax shifts. In this example the base as a whole is increasing by 50%; properties increasing at a greater rate experience reassessment related tax increase, while properties increasing at a lesser rate see tax decreases. The magnitude of tax change is based on the degree to which each property's rate of change varies from the overall.

What Is and Is Not Impacted by the Pause in Reassessment?

Understanding how reassessment impacts the tax landscape is an important prerequisite for understanding what the pause in reassessment means for municipalities in terms of the 2023 taxation and tax policy. The pause in reassessment, will have no direct or independent implications for 2023 municipal revenue and there will be no market driven shifts among property, between classes or across local municipalities within two-tier jurisdictions.

The longer-term implications remain unknown, however, municipalities should be aware that the real-world market value changes that reassessment captures have not be paused. The longer reassessment is put off, the more dramatic and disruptive the update will be when finally made.

PART ONE: ASSESSMENT AND REVENUE GROWTH ANALYSIS

2022 Assessment Growth

Although we will not experience market change between 2022 and 2023, the reassessment pause does not have any independent implications for growth related assessment and tax change. As such, a restated 2023 revenue limit and starting tax position must still be established in order to make informed decisions in respect of the new taxation year.

The municipality's overall growth component will be made up of both positive and negative growth. Positive growth will be reflective of things such as new construction, additions, improvements, etc. The drivers of negative growth may include demolitions, Minutes of Settlement, and/or decisions of the Assessment Review Board.

Table 1 provides a comparison between the CVA values contained on the roll as returned and the roll as revised for 2022. Theoretically, Table 1 summarizes the net in-year changes to property within the municipality, as reflected for assessment and taxation purposes. Table 1-B summarizes these results for the City's Urban Service Area.

Table 1
2022 Assessment Growth Resulting from Changes in the State and/or Use of Property
(City Wide)

	2022 Current Value Assessment			
Realty Tax Class	***As Returned***	***As Revised***	***In-Year Growth***	
Taxable				
Residential	453,883,513	457,127,049	3,243,536	0.71%
Managed Forest	77,400	29,500	-47,900	-61.89%
Multi-Residential	50,856,120	50,932,060	75,940	0.15%
Commercial	55,751,136	56,854,460	1,103,324	1.98%
Industrial	2,595,840	2,731,840	136,000	5.24%
Pipeline	4,394,000	4,400,000	6,000	0.14%
Sub-Total Taxable	**567,558,009**	**572,074,909**	**4,516,900**	**0.80%**
Payment in Lieu				
Residential	305,300	305,300	0	0.00%
Commercial	8,984,800	9,030,800	46,000	0.51%
Industrial	230,800	232,800	2,000	0.87%
Landfill	5,500	5,500	0	0.00%
Sub-Total PIL	**9,526,400**	**9,574,400**	**48,000**	**0.50%**
Total (Tax + PIL)	**577,084,409**	**581,649,309**	**4,564,900**	**0.79%**

Table 1-B
2022 Assessment Growth Resulting from Changes in the State and/or Use of Property
(Urban Service Area)

	2022 Current Value Assessment			
Realty Tax Class	***As Returned***	***As Revised***	***In-Year Growth***	
Taxable				
Residential	380,245,609	382,081,245	1,835,636	0.48%
Multi-Residential	50,856,120	50,932,060	75,940	0.15%
Commercial	51,722,380	52,817,204	1,094,824	2.12%
Industrial	1,999,100	2,135,100	136,000	6.80%
Pipeline	4,394,000	4,400,000	6,000	0.14%
Sub-Total Taxable	**489,217,209**	**492,365,609**	**3,148,400**	**0.64%**
Payment in Lieu				
Residential	28,300	28,300	0	0.00%
Commercial	5,084,000	5,130,000	46,000	0.90%
Industrial	179,500	181,500	2,000	1.11%
Sub-Total PIL	**5,291,800**	**5,339,800**	**48,000**	**0.91%**
Total (Tax + PIL)	**494,509,009**	**497,705,409**	**3,196,400**	**0.65%**

Growth vs. Loss

As noted above, a municipality's net growth is the product of both positive and negative growth or gains and losses in CVA. While it is ultimately this net figure that will inform taxation and revenue models as we move into the new taxation year, considering the differential patterns and impacts of growth and loss can be a valuable exercise.

Considering loss patterns independently can assist in identifying potential areas of concern with respect to property valuations within a class, tax erosion stemming from appeals, or even economic pressures being felt within certain sectors, industries and/or geographic areas. Conversely, considering positive growth on its own can provide a better understanding of how new development, improvements and expansions are impacting the assessment base.

When these change patterns are broken out as seen in Table 2, it is possible to see trends and movement within the assessment base that may otherwise be obscured or skewed when only the net impact is being considered. For example, a trend of robust growth within a subset of a class may not be as evident if it is being offset by losses in another subset.

The results in these tables are not intended to provide a complete understanding of the assessment and economic dynamics of the municipality; however, considering growth in these ways can be an important first step to the identification of potentially important trends.

Table 2
2022 Assessment Growth and Loss Patterns

	2022 In-Year Current Value Assessment Growth					
Realty Tax Class	***Positive Growth***		***Negative Growth***		***Net Growth***	
Taxable						
Residential	3,437,336	0.76%	-193,800	-0.04%	3,243,536	0.71%
Managed Forest	1,500	1.94%	-49,400	-63.82%	-47,900	-61.89%
Multi-Residential	75,940	0.15%	0	0.00%	75,940	0.15%
Commercial	1,417,824	2.54%	-314,500	-0.56%	1,103,324	1.98%
Industrial	224,000	8.63%	-88,000	-3.39%	136,000	5.24%
Pipeline	6,000	0.14%	0	0.00%	6,000	0.14%
Sub-Total Taxable	**5,162,600**	**0.91%**	**-645,700**	**-0.11%**	**4,516,900**	**0.80%**
Payment in Lieu						
Residential	0	0.00%	0	0.00%	0	0.00%
Commercial	46,000	0.51%	0	0.00%	46,000	0.51%
Industrial	18,200	7.89%	-16,200	-7.02%	2,000	0.87%
Landfill	0	0.00%	0	0.00%	0	0.00%
Sub-Total PIL	**64,200**	**0.67%**	**-16,200**	**-0.17%**	**48,000**	**0.50%**
Total (Tax + PIL)	**5,226,800**	**0.91%**	**-661,900**	**-0.11%**	**4,564,900**	**0.79%**

Historic Growth Patterns

Tables 3 and 4 have been prepared to provide the reader with a measure of context within which to consider the current year's assessment growth. Table 3 provides a comparison between the full CVA growth realized during 2021, to the current year's final growth figures.

Table 4 compares the municipality's assessment base as it was at the beginning of the current assessment cycle, Roll Return for 2017. As with Table 1, this comparison looks at full, non phase adjusted CVA at both points in time and as such, none of the difference is attributable to phase-in change because all changes are based on full January 1, 2016 market values. Rather, the difference represents the net assessment base growth that has occurred over the intervening six years.

Table 3
Year-To-Year Assessment Growth Comparison

	Current Value Assessment Growth			
Realty Tax Class	***2021 In-Year***		***2022 In-Year***	
Taxable				
Residential	1,452,000	0.32%	3,243,536	0.71%
Managed Forest	28,000	56.68%	-47,900	-61.89%
Multi-Residential	0	0.00%	75,940	0.15%
Commercial	412,400	0.75%	1,103,324	1.98%
Industrial	35,000	1.37%	136,000	5.24%
Pipeline	4,000	0.09%	6,000	0.14%
Sub-Total Taxable	**1,931,400**	**0.34%**	**4,516,900**	**0.80%**
Payment in Lieu				
Residential	0	0.00%	0	0.00%
Commercial	0	0.00%	46,000	0.51%
Industrial	0	0.00%	2,000	0.87%
Landfill	0	0.00%	0	0.00%
Sub-Total PIL	**0**	**0.00%**	**48,000**	**0.50%**
Total (Tax + PIL)	**1,931,400**	**0.34%**	**4,564,900**	**0.79%**

Table 4
Cumulative Assessment Growth
Roll Return 2017 to Roll Return 2023

	Current Value Assessment (January 1, 2016 Valuation Date)			
Realty Tax Class	***Roll Return 2017***	***Roll Return 2023***	***Cumulative Growth***	
Taxable				
Residential	443,944,609	457,127,049	13,182,440	2.97%
Managed Forest	49,400	29,500	-19,900	-40.28%
Multi-Residential	57,583,400	50,932,060	-6,651,340	-11.55%
Commercial	58,609,500	56,854,460	-1,755,040	-2.99%
Industrial	2,718,200	2,731,840	13,640	0.50%
Pipeline	4,363,000	4,400,000	37,000	0.85%
Sub-Total Taxable	**567,268,109**	**572,074,909**	**4,806,800**	**0.85%**
Payment in Lieu				
Residential	761,900	305,300	-456,600	-59.93%
Commercial	8,657,700	9,030,800	373,100	4.31%
Industrial	157,000	232,800	75,800	48.28%
Landfill	19,400	5,500	-13,900	-71.65%
Sub-Total PIL	**9,596,000**	**9,574,400**	**-21,600**	**-0.23%**
Total (Tax + PIL)	**576,864,109**	**581,649,309**	**4,785,200**	**0.83%**

Revenue Growth

On an annualized basis, the net growth-related gain or loss in taxation is the difference between the total tax amount as determined against the returned roll and the total tax as determined against the roll as revised. Not all of this value will, however, have been realized in the form of additional revenue during the year. Some changes would not have been effective for the full tax year, while others may have been made for multiple years.

The net annualized revenue growth in general levy dollars is summarized by class in Table 5. Table 5-B summarizes these results for the Urban Service Levy. Table 6 compares the municipality's current year revenue growth against the final growth figures calculated as of roll return for 2023.

Table 5
2022 Annualized Revenue Growth by Property Class
(City General Levy)

	2022 General Levy			
Realty Tax Class	***As Levied***	***Year-End***	***In-Year Growth***	
Taxable				
Residential	$8,571,685	$8,632,940	$61,255	0.71%
Managed Forest	$365	$139	-$226	-61.92%
Multi-Residential	$1,789,278	$1,791,950	$2,672	0.15%
Commercial	$1,552,986	$1,583,719	$30,733	1.98%
Industrial	$72,309	$76,097	$3,788	5.24%
Pipeline	$58,087	$58,166	$79	0.14%
Sub-Total Taxable	**$12,044,710**	**$12,143,011**	**$98,301**	**0.82%**
Payment in Lieu				
Residential	$5,766	$5,766	$0	0.00%
Commercial	$250,278	$251,560	$1,282	0.51%
Industrial	$6,429	$6,485	$56	0.87%
Landfill	$104	$104	$0	0.00%
Sub-Total PIL	**$262,577**	**$263,915**	**$1,338**	**0.51%**
Total (Tax + PIL)	**$12,307,287**	**$12,406,926**	**$99,639**	**0.81%**

Table 5-B
2022 Annualized Revenue Growth by Property Class
(Urban Service Area Levy)

	2022 Urban Service Area Levy			
Realty Tax Class	***As Levied***	***Year-End***	***In-Year Growth***	
Taxable				
Residential	$666,327	$669,544	$3,217	0.48%
Multi-Residential	$166,027	$166,275	$248	0.15%
Commercial	$133,688	$136,518	$2,830	2.12%
Industrial	$5,167	$5,519	$352	6.80%
Pipeline	$5,390	$5,397	$7	0.14%
Sub-Total Taxable	**$976,600**	**$983,253**	**$6,653**	**0.68%**
Payment in Lieu				
Residential	$50	$50	$0	0.00%
Commercial	$13,141	$13,260	$119	0.90%
Industrial	$464	$469	$5	1.11%
Sub-Total PIL	**$13,654**	**$13,778**	**$124**	**0.91%**
Total (Tax + PIL)	**$990,254**	**$997,032**	**$6,777**	**0.68%**

Revenue Limit and Zero Per Cent Levy Change

For tax policy and tax levy purposes, the net annualized growth is a critical measure as it serves to inform the municipality's "revenue limit" for the coming year. This revenue limit represents the tax dollars that can be raised for the current year under a zero percent levy change scenario.

Table 6
Year-To-Year Revenue Growth Comparison
(City General Levy)

Realty Tax Class	General Levy Growth 2021 In-Year		2022 In-Year	
Taxable				
Residential	$26,479	0.32%	$61,255	0.71%
Managed Forest	$128	56.89%	-$226	-61.92%
Multi-Residential	$0	0.00%	$2,672	0.15%
Commercial	$11,093	0.75%	$30,733	1.98%
Industrial	$942	1.37%	$3,788	5.24%
Pipeline	$51	0.09%	$79	0.14%
Sub-Total Taxable	**$38,693**	**0.33%**	**$98,301**	**0.82%**
Payment in Lieu				
Residential	$0	0.00%	$0	0.00%
Commercial	$0	0.00%	$1,282	0.51%
Industrial	$0	0.00%	$56	0.87%
Landfill	$0	0.00%	$0	0.00%
Sub-Total PIL	**$0**	**0.00%**	**$1,338**	**0.51%**
Total (Tax + PIL)	**$38,693**	**0.33%**	**$99,639**	**0.81%**

Table 7 breaks down the municipality's taxable revenue growth by zone and class and illustrates the total share each zone carries in respect of the total levy.

Table 7
2022 Municipal Revenue Growth by Zone and Class
(Total Taxable Municipal Levy – General + USA)

	2022 Municipal Levy			
Realty Tax Class	***As Levied***	***Year-End***	***In-Year Growth***	
Urban Zone				
Residential	$7,847,346	$7,885,229	$37,883	0.48%
Multi-Residential	$1,955,306	$1,958,226	$2,920	0.15%
Commercial	$1,574,450	$1,607,777	$33,327	2.12%
Industrial	$60,853	$64,993	$4,140	6.80%
Pipeline	$63,477	$63,564	$87	0.14%
Urban Sub-Total	**$11,501,432**	**$11,579,789**	**$78,357**	**0.68%**
Urban Share	**88.33%**	**88.22%**		
Rural Zone				
Residential	$1,390,667	$1,417,256	$26,589	1.91%
Managed Forest	$365	$139	-$226	-61.92%
Commercial	$112,224	$112,460	$236	0.21%
Industrial	$16,623	$16,623	$0	0.00%
Rural Sub-Total	**$1,519,879**	**$1,546,478**	**$26,599**	**1.75%**
Rural Share	**11.67%**	**11.78%**		
Total	**$13,021,311**	**$13,126,267**	**$104,956**	**0.81%**

PART TWO: 2023 BASE-LINE TAX LANDSCAPE

Establishing 2023 Starting Taxes with Precision and Accuracy

In order to measure the true tax impact associated with changes in market value (reassessment), tax policy adjustments and/or levy dollar change we must calculate and reference revenue neutral tax rates. Although these will not generally be required to measure the impact of reassessment change for 2023, they must still be calculated and re-calculated as necessary depending on the final tax policy approach to be taken.

Notional vs. Revenue Neutral Tax Rates

There is no statutory distinction between *Notional* and *Revenue Neutral* tax rates. In fact, Notional rates are by definition revenue neutral rates, it is the fact that we may need multiple sets of revenue neutral rates to measure different forces that makes the distinction useful in the realm of property tax.

Put simply, ***Notional Tax Rates*** are a set of tax rates that will raise the municipality's revenue limit (prior year levy + growth) from the current year's assessment roll with no change in tax policy, class structure or any other variable. These rates allow us to measure the precise and isolated impact of market value change within a municipality's tax base. The tax levy structure calculated using these rates will represent a municipality's starting position for any year. Changes in tax policy or levy amounts in the absence of any policy change can be accurately measured against the municipality's notional levy position.

Any alternate set of ***Revenue Neutral Tax Rates*** will allow us to accurately measure the implications of any tax policy changes that may be contemplated. Should any change be made to a municipality's tax policy scheme, the levy change for that year would be measured between the taxes raised by these restated revenue neutral rates and the final tax rates for the year.

Notional Levy and Distribution of Tax

Under most circumstances a municipality's 2023 Notional Tax Rates will in fact be their 2022 Actuals. The only exception to this will be in those instances where start ratios must be restated. This should be limited to circumstances where a municipality has one or more classes subject to levy restriction. Table 8 sets out the municipality's 2023 Start Ratios, its Notional General Levy Tax Rates and Notional Levy.

Table 8
Starting Ratios, Notional Tax Rates and Levy
(City General and Urban Service Area Levies)

Realty Tax Class	Start Ratios	City General *Rate*	City General *Levy*	Urban Service Area *Rate*	Urban Service Area *Levy*
Taxable					
Residential	1.000000	0.01888521	$8,632,940	0.00175236	$669,544
Managed Forest	0.250000	0.00472130	$139		
Multi-Residential	1.863000	0.03518315	$1,791,950	0.00326465	$166,275
Commercial	1.475000	0.02785568	$1,583,719	0.00258473	$136,518
Industrial	1.475000	0.02785568	$76,097	0.00258473	$5,519
Pipeline	0.700000	0.01321965	$58,166	0.00122665	$5,397
Sub-Total Taxable			**$12,143,011**		**$983,253**
Payment in Lieu					
Residential	1.000000	0.01888521	$5,766	0.00175236	$50
Commercial	1.475000	0.02785568	$251,560	0.00258473	$13,260
Industrial	1.475000	0.02785568	$6,485	0.00258473	$469
Landfill	1.000000	0.01888521	$104		
Sub-Total PIL			**$263,915**		**$13,778**
Total (Tax + PIL)			**$12,406,926**		**$997,032**

Impact of Urban Service Area Levy

As the name suggests, the City's Urban Service Area Levy only applies to a limited geographic area, which we refer to as the "Urban Zone". Based on status-quo parameters and without any levy change, the USA levy sits at approximately $997,000, however, the impact of this levy on taxpayers within the urban zone is far less than this. As can be seen in Table 9, the USA shifts approximately $125,000 from the rural zone to the urban zone, this is the extent of its actual impact.

This is the case because if that $997,000 were to be rolled into the general levy, the taxpayers in the urban zone would carry 86.26% of it because they carry 88.26% of the general levy.

So, it is important to keep in mind that despite any outward appearances, the USA only redistributes approximately $125,000 between urban and rural taxpayers. This translates into a savings of approximately 7.5% for rural taxpayers at a cost of just over 1% for urban taxpayers.

Table 9
Impact of Urban Service Area on Start Levy
(Total Taxable Municipal Levy – General + USA)

	2023 Municipal Levy			
Realty Tax Class	***Without USA***	***With USA***	***Difference***	
Urban Zone				
Residential	$7,799,956	$7,885,229	$85,273	1.09%
Multi-Residential	$1,937,049	$1,958,226	$21,177	1.09%
Commercial	$1,590,391	$1,607,777	$17,386	1.09%
Industrial	$64,290	$64,993	$703	1.09%
Pipeline	$62,876	$63,564	$688	1.09%
Urban Sub-Total	**$11,454,562**	**$11,579,789**	**$125,227**	**1.09%**
Urban Share	**87.26%**	**88.22%**		
Rural Zone				
Residential	$1,532,014	$1,417,256	-$114,758	-7.49%
Managed Forest	$151	$139	-$12	-7.68%
Commercial	$121,567	$112,460	-$9,107	-7.49%
Industrial	$17,969	$16,623	-$1,346	-7.49%
Rural Sub-Total	**$1,671,700**	**$1,546,478**	**-$125,222**	**-7.49%**
Rural Share	**12.74%**	**11.78%**		
Total	**$13,126,262**	**$13,126,267**	**$5**	**0.00%**

Business, Non-Business and Public Sector Revenue

Although some groups or categories of taxpayers are not specifically defined by the *Municipal* or *Assessment Acts*, it is possible to make distinctions between various types of taxpayers to support informative, interesting, and useful analysis.

For many, the distinction between revenue that comes from non-business, business and public sector property owners is of significant interest. Figures 1 and 2 have been prepared to show how the relative burden of assessment and CVA tax is shared amongst various groups. For the purposes of this report, these categories incorporate the following assessment elements:

Residential	Taxable Residential
Farm and Forest	Taxable Farm and Managed Forest
Multi-Residential	Taxable Multi-Residential
Business	Taxable Commercial, Industrial, and Pipeline Classes
PIL	Properties from any class, which are subject to a Payment in Lieu, or Payment on Account of taxes

Figure 1:
2023 Full CVA

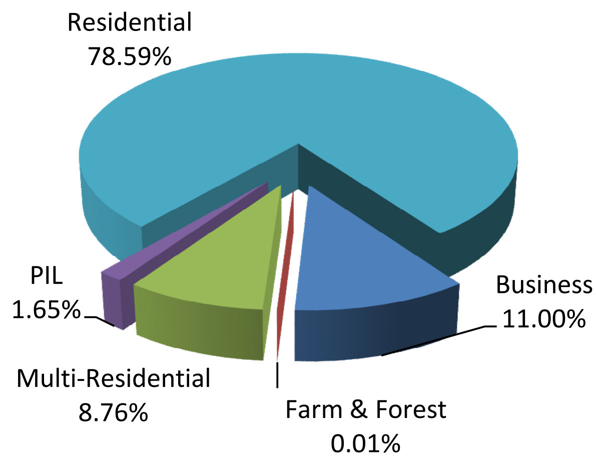
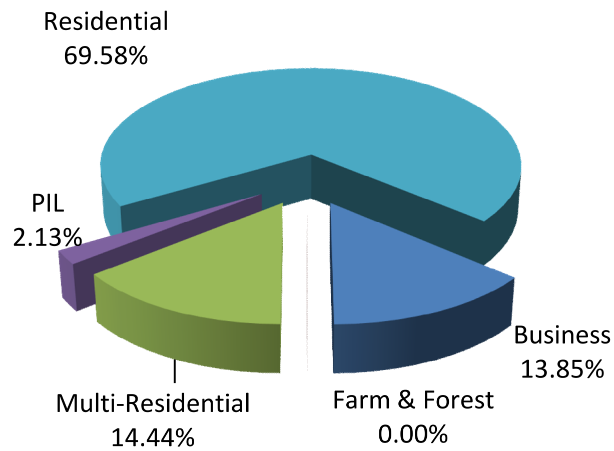


Figure 2:
2023 General Levy



Typical Properties

It is also important to consider taxes at the property level. While the taxes carried by each ratepayer can vary widely within a class, or sub-set of properties, considering the taxes for a typical or average property can be very helpful in placing the broader trends in an understandable perspective.

To this end, we have prepared Table 10 to illustrate the potential impact on various "typical" taxable properties within the jurisdiction, including:

- Single Detached Residential;
- Freehold Townhouse;
- Condominium;
- Waterfront Residential (located in rural zone only);
- All Residential;
- Occupied Multi-Residential;
- Commercial Occupied (CT); and
- Industrial Occupied (IT).

Table 10
Average CVA Tax for Typical Properties

	2023 Average		Municipal		Urban Service		Education	
Category	***CVA***	***Tax***	***Tax***	***Share***	***Tax***	***Share***	***Tax***	***Share***
Urban Residential								
Single-Detached	104,459	$2,316	$1,973	85%	$183	7%	$160	7%
Town/Row House	69,839	$1,548	$1,319	85%	$122	7%	$107	7%
Condominium	51,087	$1,132	$965	85%	$89	7%	$78	7%
Rural Residential								
Waterfront Residential	244,752	$4,622	$4,248	92%	$0	0%	$374	8%
All Residential Categories	**101,833**	**$2,235**	**$1,923**	**86%**	**$156**	**7%**	**$156**	**7%**
Business – City Wide								
Multi-Residential	1,695,219	$67,771	$59,643	88%	$5,534	8%	$2,594	4%
Commercial Occupied	280,023	$10,988	$7,800	71%	$724	7%	$2,464	22%
Industrial Occupied	173,922	$6,825	$4,845	71%	$450	7%	$1,531	22%

PART THREE: OTHER REVENUE AND LEVIES

Provincial Education Taxes

While municipalities levy and collect the education portion of the property tax bill, they have no authority over the tax rates employed for this purpose. Since 1998, education tax rates have been regulated by the Minister of Finance on an annual basis. Uniform education tax rates have been prescribed for properties in residential, multi-residential, farm and managed forest property classes, which apply across the entire Province. Traditionally, annual adjustments to the uniform residential education rate have been made to maintain approximate revenue neutrality on a Province-wide basis; it will inevitably impact overall tax levels within each municipal jurisdiction, depending on how values in each area have behaved relative to Province-wide phase-in change averages.

In the absence of any reassessment or phase-in change for 2023, the uniform education rates will remain constant at 2022 levels.

Business Education Tax

The Province also prescribes business education (BET) rates; however, these are set at a unique level for each Upper and Single-Tier jurisdiction. From 1998 through 2007, the Province maintained approximate revenue neutrality at the Single and Upper-Tier municipal level when setting education tax rates for the business classes. This meant municipal specific adjustments in reassessment years and rate freezes for non-reassessment years.

In 2008, the Province began a migration towards uniform education rates for business classes through a two-fold process:

1) Newly built or *new to class* commercial and industrial properties were designated to special New Construction classes, which attracted uniform rates on a province-wide basis. These five special classes (commercial residual, shopping centre, office building, industrial residual and large industrial) were based on the same criteria as their traditional counterpart classes and are subject to differential treatment for education tax purposes only.
2) Municipal specific rates for the traditional classes were migrated slowly downwards.

The most aggressive cuts were made between 2008 and 2010, with all Northern municipalities reaching uniformity and parity with the new construction rates in 2010. For the 2011 through 2020 taxation years both the target (new construction) and maximum ceiling rates were reset annually to approximate revenue neutrality in response to annual phase-in change. During this time, many municipalities fully migrated to the low-end target rate for one or more classes, others have followed the ceiling rate down and some have had specific rates prescribed in between those.

As of 2020 many southern municipalities continued to have one or more classes with rates that exceed the uniform new construction rates.

2021 Business Education Tax (BET) Cuts

As part of its 2020 Budget, the Province reduced BET rates province-wide to a uniform level of 0.88%. This meant rate reductions for 2021 of approximately 30% for any rate that was at the previous maximum, and just over 10% for new construction rates and those set to the previous target level of 0.98%.

The implication for the overwhelming majority of business class properties is that they saw tax reductions on the Education portion of their bill of between 10% and 30%. The other implication was that there was no longer any difference between standard class education tax rates and those set for the new construction classes.

Elimination of New Construction Education Classes

As noted above, commercial and industrial new construction classes were created under the *Education Act* and only apply to the education portion of the tax bill. They are indistinct from the traditional commercial and industrial classes for assessment and municipal tax purposes.

As there is no longer any differentiation between the rates for these classes vs. the traditional classes, they serve no further purpose. In light of this, these special education classes have been eliminated as of 2023. Any properties classified into one of these classes as of year-end 2022 has been returned on the roll for 2023 taxation under the traditional classification in accordance with the table below.

Realty Tax Class	Realty Tax Class Code (RTC)	
	New Construction	Standard
Commercial Residual	X	C
Office Building	Y	D
Shopping Centre	Z	S
Industrial Residual	J	I
Large Industrial	K	L

This change will have no impact on the tax rate applied to, or the levy imposed upon any taxable property. As the rate differentials were eliminated as of 2021, this is simply an administrative change and will ultimately simplify the classification and property coding system.

2023 Education Rates and Start Levy

Table 11 documents the municipality's 2023 education rates and starting levy by class. Only subclasses subject to a unique education rate have been broken out in this table (SSOFB & FAD1). Vacant and excess land are included in their respective class categories.

Table 11
2023 Education Rates and Start Levy

Realty Tax Class	2023 Education Rates	2023 Education Start Levy
Taxable		
Residential	0.00153000	$699,404
Managed Forest	0.00038250	$11
Multi-Residential	0.00153000	$77,926
Commercial	0.00880000	$500,319
Industrial	0.00880000	$24,041
Pipeline	0.00819560	$36,061
Sub-Total Taxable		**$1,337,762**
Payment in Lieu		
Residential	0.00153000	$373
Commercial	0.00880000	$9,320
Industrial	0.00880000	$451
Sub-Total PIL		**$10,144**
Retained Payment in Lieu		
Commercial	0.00980000	$58,708
Industrial	0.00980000	$1,779
Landfill	0.00980000	$54
Sub-Total Retained PIL		**$60,541**
Total (Tax + PIL)		**$1,408,447**

Important Notes:

This is an unofficial listing of the education rates, the municipality should refer to Ontario Regulation 400/98 as amended or official Ministry of Finance documentation.

The Education Payment In Lieu (PIL) of Tax amounts summarized in this table have been calculated using different rates depending on whether the amount is to be shared with School Boards or retained by the local municipality. This is discussed in greater detail later in this section.

Retained Education Levies for Certain Payment in Lieu (PIL) Properties

Federal and Provincially owned and occupied properties are exempt from both municipal and Provincial (education) property taxes. Both levels of government do, however, maintain programs whereby payments are made to local governments in lieu of the taxes that would otherwise be applicable to property that they own and occupy.

PIL payments are made and administered under a variety of Federal and Provincial statutes and regulations, including the federal *Payment in Lieu of Taxes Act,* and Ontario's *Municipal Tax Assistance Act, Municipal Act, 2001, Assessment Act,* and various supporting regulations. This collection of statutes and regulations prescribe not only the circumstances and amounts of PILs that are made, but also the manner in which the payments are shared and distributed.

Of particular interest regarding the sharing of revenues raised against PIL properties is the fact that in certain circumstances the local municipality retains the education portion of the levy as local revenue. This is provided for under section 2 of *Ontario Regulation 392/98,* which state that in the case of payments made under a number of specific authorities, the "education" portion is ultimately retained by the local municipality. The eligible payments captured by these rules, are those made in accordance with:

- Subsection 27 (3) of the *Assessment Act*;
- The *Municipal Grants Act* (Canada), which may be referenced as the *Payment in Lieu of Taxes Act*; and
- Subsections 84(2), (3) or (5) of the *Electricity Act*.

All education amounts raised against residential, multi-residential and new multi-residential property must be remitted to the school boards.

For some local municipalities, particularly smaller single-tiers, these retained payments are simply an exercise of paying themselves in respect of municipally owned properties. For others that have significant concentrations of federally owned properties and/or are receiving prescribed payments from an Upper Tier or neighbouring municipality, these can represent significant and material components of their revenue stream.

Potential Risks Related to Retained Education Payments

The Province's decision to reduce BET rates as of 2021 came with implications for municipalities that rely on retained education amounts as part of their annual revenue stream. In response to this, and the associated municipal concerns, the Province informed municipalities on that the status quo education rates would be used for the purposes of calculating PIL amounts for properties where the local municipality was entitled to retain the education portion. In reality, certain Federally owned PILs calculated their tax burden using the same rates as those that applied to taxable properties.

Although paragraph 257.12(1)(c) of the *Education Act* provides the Minister of Finance with the regulatory authority to prescribe rates for the purposes of calculating payments in lieu of taxes, the statutory provisions under which those payments are made all rely on the tax rates applicable to taxable properties. That is, while the *Education Act* states that rates applicable for PILs can be separately identified, the Acts which actually flow the payments dictate that those rates match the rates for taxable properties.

None of these payment provisions rely on specific tax rates due to the fact that they are not subject to taxation. It is prescribed by legislation that all these amounts must be calculated using the same rates as those that apply to taxable properties. This is very deliberate and an integral element of each piece of legislation. Quite simply, these statutes are crafted specifically to prevent and preclude special rates being used for the calculation of payments. That is, not only do these statutes not contemplate a special, dedicated PIL rate, they have been worded to ensure there is protection against any such rate being used.[1]

Budgeting for Risks

Many municipalities have received reduced payments from some agencies for 2021 and 2022 based on the taxable rather than the inflated special rates regulated by the Province. It remains possible (if not likely) the Federal Government, its agencies, and other bodies required to make retained education payments will follow suit on a go-forward basis. As such, MTE recommends that the municipality consider budgeting for the lower retained education amounts based on taxable rates rather than the full amounts calculated using the specially regulated *Retained PIL Education Rates*.

Table 12 provides a summary of retained education payment amounts that would be raised using the special regulated rates and the lower alternate amounts calculated using preliminary 2023 taxable education rates.

Table 12
Retained Education Levy Amounts

RTC RTQ	Retained Rates	Taxable Rates	Difference $	Difference %
CF	$51,691	$46,416	-$5,275	-10.20%
CJ	$216	$194	-$22	-10.19%
GF	$6,801	$6,107	-$694	-10.20%
IH	$1,478	$1,327	-$151	-10.22%
IK	$301	$270	-$31	-10.30%
HF	$54	$48	-$6	-11.11%
Total	**$60,541**	**$54,362**	**-$6,179**	**-10.21%**

[1] MTE has prepared a more in-depth discussion of this matter under separate cover. That report is available to all MTE client jurisdictions upon request. Requests should be made via email to peterf@mte.ca .

PART FOUR: MUNICIPAL TAX POLICY SENSITIVITY ANALYSIS

For 2023, the *Municipal Act* continues to provide Upper and Single-Tier municipalities with a range of tax policy tools that may be used to alter the distribution of the tax burden both within and between tax classes. The following tools may be used to change or achieve local tax policy objectives, target the benefits of growth, or redistribute the impacts of assessment change. [2]

1. Tax ratios may be adjusted to affect the level of taxation on different tax classes;
2. Optional business property classes may be employed or collapsed to alter taxation within broad commercial or industrial tax classes;
3. Subclass discounts for vacant and excess land may be adjusted;
4. Graduated taxation schemes for the business classes can be used to impose higher rates of taxation on properties with higher current value assessment in order to provide tax relief on properties with lower assessed values.

A comprehensive examination of tax ratios and a relevant sensitivity analysis should be undertaken each year. Specific examination of the use of optional tax classes and graduated taxation are generally only required if these options are being actively considered. After considering the contents of this report Council may wish to further explore the utility and application of these alternate apportionment and mitigation strategies.

Moving Tax Ratios

Both Upper-Tier and Single-Tier municipalities are required to establish tax ratios for the multi-residential, commercial, industrial, landfill and pipeline classes prior to finalizing tax rates for the current year's tax cycle. Established ratios will ultimately govern the relationship between the rate of taxation for each affected class and the tax rate for the Residential property class.

The tax ratio for the residential class is legislated at 1.0, while the farm and managed forest classes have a prescribed tax ratio of 0.25. Municipalities do have the flexibility to set a tax ratio for the farm class that is below 0.25, however, this reduction would only apply to the municipal portion of the property tax bill.

In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province. Council may choose to adopt: (1) either the current tax ratio for any class (2022 adopted or 2023 starting ratio where levy restriction and/or optional classes applied in 2022), (2) establish a new tax ratio for the year that is closer to or within the Range of Fairness, as shown in Table 13; or (3) utilize restated revenue neutral transition ratios to mitigate reassessment related tax shifts between classes in accordance with the regulated calculations.

[2] The by-law deadlines for many tax policy decisions is December 31st of the subject taxation year.

Table 13
Tax Ratio Summary

Realty Tax Class	Tax Ratios		Range of Fairness		Threshold Ratios	
	2022 Actual	*2023 Start*	*Lower Limit*	*Upper Limit*	*Threshold*	*Subject to Levy Restriction*
Residential	1.000000	1.000000	1.00	1.00	-	N/A
Managed Forest	0.250000	0.250000	1.00	0.25	-	N/A
Multi-Residential	1.863000	1.863000	1.00	1.10	2.00	No
Commercial	1.475000	1.475000	0.60	1.10	1.98	No
Industrial	1.475000	1.475000	0.60	1.10	2.63	No
Landfill	1.000000	1.000000	0.60	1.10	25.00	No
Pipeline	0.700000	0.700000	0.60	0.70	-	N/A

Tax Policy and Budget Change Sensitivity Analysis

To assist staff and Council in evaluating the potential impact of various tax policy and levy change scenarios, MTE has modelled the effects of the following on the municipal general levy:

- Reducing the multi-residential ratio by 5%;
- Reducing the commercial and industrial ratios by 5%;
- A 1% levy increase with status quo ratios.

Table 14 below provides the scenario parameters and impacts at a glance.

Table 14
Sensitivity Scenario Outline

Realty Tax Class	Status Quo Parameter	Scenario 1		Scenario 2		Scenario 3	
		Parameter	*Change*	*Parameter*	*Change*	*Parameter*	*Change*
Residential	1.000000	1.000000	0.00%	1.000000	0.00%	1.000000	0.00%
Managed Forest	0.250000	0.250000	0.00%	0.250000	0.00%	0.250000	0.00%
Multi-Residential	1.863000	1.769850	-5.00%	1.863000	0.00%	1.863000	0.00%
Commercial	1.475000	1.475000	0.00%	1.401250	-5.00%	1.475000	0.00%
Industrial	1.475000	1.475000	0.00%	1.401250	-5.00%	1.475000	0.00%
Landfill	1.000000	1.000000	0.00%	1.000000	0.00%	1.000000	0.00%
Pipeline	0.700000	0.700000	0.00%	0.700000	0.00%	0.700000	0.00%
General Levy	**$12,143,011**		**$12,143,011**		**$12,143,011**		**$12,264,441**
Urban Service Area	**$983,253**		**$983,253**		**$983,253**		**$993,086**
Total Levy	**$13,126,264**		**$13,126,264**		**$13,126,264**		**$13,257,527**

Tax Ratios and Balance of Taxation

Tax ratios and subclass discounts govern the tax rate of each property class in relation to the tax rate for the residential property class. Ontario's tax ratio system is not simply about expressing the relationship among tax rates, the real function of tax ratios is to manipulate the balance of taxation among property classes.

Tax ratios effectively alter the weighting, or distribution of the tax burden compared to how the total levy would be shared if each dollar of CVA was treated equally. Table 15 shows how the share of tax differs from the share of assessment for each class in accordance with the municipality's starting ratios for the year. The more dramatic the ratio, the larger the difference between the share of assessment and share of tax each class carries. By changing tax ratios, the municipality can influence and alter this balance.

Table 15
Balance of Taxation

	Assessment		General + USA Levy Share			
Realty Tax Class	***2023 CVA***	***Share***	***Status Quo***	***Scenario 1***	***Scenario 2***	***Scenario 3***
Taxable						
Residential	457,127,049	78.59%	69.58%	70.09%	70.12%	69.58%
Managed Forest	29,500	0.01%	0.00%	0.00%	0.00%	0.00%
Multi-Residential	50,932,060	8.76%	14.44%	13.82%	14.56%	14.44%
Commercial	56,854,460	9.77%	12.76%	12.86%	12.22%	12.76%
Industrial	2,731,840	0.47%	0.61%	0.62%	0.59%	0.61%
Pipeline	4,400,000	0.76%	0.47%	0.47%	0.47%	0.47%
Sub-Total Taxable	**572,074,909**	**98.35%**	**97.87%**	**97.86%**	**97.96%**	**97.87%**
Payment in Lieu						
Residential	305,300	0.05%	0.05%	0.05%	0.05%	0.05%
Commercial	9,030,800	1.55%	2.03%	2.04%	1.94%	2.03%
Industrial	232,800	0.04%	0.05%	0.05%	0.05%	0.05%
Pipeline	5,500	0.00%	0.00%	0.00%	0.00%	0.00%
Sub-Total PIL	**9,574,400**	**1.65%**	**2.13%**	**2.14%**	**2.04%**	**2.13%**
Total (Tax + PIL)	**581,649,309**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Balance by Zone						
Urban	497,705,409	85.57%	88.22%	88.13%	88.19%	88.22%
Rural	83,943,900	14.43%	11.78%	11.87%	11.81%	11.78%
Total (By Zone)	**581,649,309**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Urban Rural Split

As the name suggests, the City's Urban Service Area Levy only applies to a limited geographic area, which we refer to as the "Urban Zone". All properties that do not fall into the Urban Zone and are not subject to the USA levy are considered to be in the Rural Zone.

The net balance of taxation between urban and rural is established and can be adjusted based on the proportion of the City's overall levy requirement raised by the Urban Service Area levy, which is carried solely by taxpayers in the Urban Zone. This is a special policy tool that is no longer available to municipalities, but which can continue in Elliot Lake due to grandparenting rules.

Both tax ratios and the proportion of levy raised by the Urban Service Area levy will impact the balance of taxation on an urban/rural basis. For example, a reduction of the multi-residential ratio will shift taxes onto the residential class which will increase taxes for both urban and rural residents.

Sensitivity Model Outcomes

The detailed results for these models are set out in Tables 16-A through D, 17-A through D, and 18-A through D respectively.

Each of the "A" Tables contain the ratios and rates for each model, which are provided in comparison to the municipality's 2023 status quo starting rate and levy scenario.

The "B" Tables show the class level impacts that could be expected for the City general levy under each alternate model. These results are provided in contrast to the class distribution of taxes under the municipality's levy calculated using status quo tax policy.

The "C" Tables document the class level impacts for the Urban Service Area.

The "D" Tables break down the municipality's taxable revenue growth by zone and class and illustrates the total share each zone carries in respect of the total levy for the model.

In reviewing these results, the reader should note that these scenarios have been developed for illustrative purposes and are not intended to reflect specific recommendations or suggested strategies.

Scenario 1: Reduce the multi-residential ratio by 5%.

Table 16-A
Tax Rate Sensitivity

	Tax	City General Rates			USA Rates		
Realty Tax Class	**Ratios**	***Notional***	***Scenario 1***	***Diff.***	***Notional***	***Scenario 1***	***Diff.***
Residential	1.000000	0.01888521	0.01902559	0.74%	0.00175236	0.00176730	0.85%
Managed Forest	0.250000	0.00472130	0.00475640	0.74%			
Multi-Residential	1.769850	0.03518315	0.03367244	-4.29%	0.00326465	0.00312786	-4.19%
Commercial	1.475000	0.02785568	0.02806275	0.74%	0.00258473	0.00260677	0.85%
Industrial	1.475000	0.02785568	0.02806275	0.74%	0.00258473	0.00260677	0.85%
Landfill	1.000000	0.01888521	0.01902559	0.74%			
Pipeline	0.700000	0.01321965	0.01331791	0.74%	0.00122665	0.00123711	0.85%

Table 16-B
General Levy Sensitivity

	2023 City General Levy		Difference	
Realty Tax Class	***Notional***	***Scenario 1***	***$***	***%***
Taxable				
Residential	$8,632,940	$8,697,112	$64,172	0.74%
Managed Forest	$139	$140	$1	0.72%
Multi-Residential	$1,791,950	$1,715,007	-$76,943	-4.29%
Commercial	$1,583,719	$1,595,493	$11,774	0.74%
Industrial	$76,097	$76,663	$566	0.74%
Pipeline	$58,166	$58,599	$433	0.74%
Sub-Total Taxable	**$12,143,011**	**$12,143,014**	**$3**	**0.00%**
Payment in Lieu				
Residential	$5,766	$5,809	$43	0.75%
Commercial	$251,560	$253,429	$1,869	0.74%
Industrial	$6,485	$6,533	$48	0.74%
Landfill	$104	$105	$1	0.96%
Sub-Total PIL	**$263,915**	**$265,876**	**$1,961**	**0.74%**
Total (Tax + PIL)	**$12,406,926**	**$12,408,890**	**$1,964**	**0.02%**

Table 16-C
Urban Service Area Levy Sensitivity

Realty Tax Class	2023 Urban Service Area Levy Notional	Scenario 1	Difference $	%
Taxable				
Residential	$669,544	$675,252	$5,708	0.85%
Multi-Residential	$166,275	$159,308	-$6,967	-4.19%
Commercial	$136,518	$137,682	$1,164	0.85%
Industrial	$5,519	$5,566	$47	0.85%
Pipeline	$5,397	$5,443	$46	0.85%
Sub-Total Taxable	**$983,253**	**$983,251**	**-$2**	**0.00%**
Payment in Lieu				
Residential	$50	$50	$0	0.00%
Commercial	$13,260	$13,373	$113	0.85%
Industrial	$469	$473	$4	0.85%
Sub-Total PIL	**$13,779**	**$13,896**	**$117**	**0.85%**
Total (Tax + PIL)	**$997,032**	**$997,147**	**$115**	**0.01%**

Table 16-D
Municipal Levy Sensitivity *(Taxable only by Zone)*

Realty Tax Class	2023 Municipal Levy Notional	Scenario 1	Difference	
Urban Zone				
Residential	$7,885,229	$7,944,573	$59,344	0.75%
Multi-Residential	$1,958,226	$1,874,315	-$83,911	-4.29%
Commercial	$1,607,777	$1,619,878	$12,101	0.75%
Industrial	$64,993	$65,483	$490	0.75%
Pipeline	$63,564	$64,042	$478	0.75%
Urban Sub-Total	**$11,579,789**	**$11,568,291**	**-$11,498**	**-0.10%**
Urban Share	**88.22%**	**88.13%**		
Rural Zone				
Residential	$1,417,256	$1,427,791	$10,535	0.74%
Managed Forest	$139	$140	$1	0.72%
Commercial	$112,460	$113,297	$837	0.74%
Industrial	$16,623	$16,746	$123	0.74%
Rural Sub-Total	**$1,546,478**	**$1,557,974**	**$11,496**	**0.74%**
Rural Share	**11.78%**	**11.87%**		
Total	**$13,126,267**	**$13,126,265**	**-$2**	**0.00%**

Scenario 2: Reduce the commercial and industrial ratios by 5%.

Table 17-A
Tax Rate Sensitivity

	Tax	City General Rates			USA Rates		
Realty Tax Class	**Ratios**	***Notional***	***Scenario 2***	***Diff.***	***Notional***	***Scenario 2***	***Diff.***
Residential	1.000000	0.01888521	0.01901516	0.69%	0.00175236	0.00176511	0.73%
Managed Forest	0.250000	0.00472130	0.00475379	0.69%			
Multi-Residential	1.863000	0.03518315	0.03542524	0.69%	0.00326465	0.00328840	0.73%
Commercial	1.401250	0.02785568	0.02664499	-4.35%	0.00258473	0.00247336	-4.31%
Industrial	1.401250	0.02785568	0.02664499	-4.35%	0.00258473	0.00247336	-4.31%
Landfill	1.000000	0.01888521	0.01901516	0.69%			
Pipeline	0.700000	0.01321965	0.01331061	0.69%	0.00122665	0.00123558	0.73%

Table 17-B
General Levy Sensitivity

	2023 City General Levy		Difference	
Realty Tax Class	***Notional***	***Scenario 2***	***$***	***%***
Taxable				
Residential	$8,632,940	$8,692,344	$59,404	0.69%
Managed Forest	$139	$140	$1	0.72%
Multi-Residential	$1,791,950	$1,804,280	$12,330	0.69%
Commercial	$1,583,719	$1,514,887	-$68,832	-4.35%
Industrial	$76,097	$72,790	-$3,307	-4.35%
Pipeline	$58,166	$58,567	$401	0.69%
Sub-Total Taxable	**$12,143,011**	**$12,143,008**	**-$3**	**0.00%**
Payment in Lieu				
Residential	$5,766	$5,805	$39	0.68%
Commercial	$251,560	$240,626	-$10,934	-4.35%
Industrial	$6,485	$6,203	-$282	-4.35%
Landfill	$104	$105	$1	0.96%
Sub-Total PIL	**$263,915**	**$252,739**	**-$11,176**	**-4.23%**
Total (Tax + PIL)	**$12,406,926**	**$12,395,747**	**-$11,179**	**-0.09%**

Table 17-C
Urban Service Area Levy Sensitivity

Realty Tax Class	2023 Urban Service Area Levy *Notional*	*Scenario 2*	Difference *$*	*%*
Taxable				
Residential	$669,544	$674,415	$4,871	0.73%
Multi-Residential	$166,275	$167,485	$1,210	0.73%
Commercial	$136,518	$130,636	-$5,882	-4.31%
Industrial	$5,519	$5,281	-$238	-4.31%
Pipeline	$5,397	$5,437	$40	0.74%
Sub-Total Taxable	**$983,253**	**$983,254**	**$1**	**0.00%**
Payment in Lieu				
Residential	$50	$50	$0	0.00%
Commercial	$13,260	$12,688	-$572	-4.31%
Industrial	$469	$449	-$20	-4.26%
Sub-Total PIL	**$13,779**	**$13,187**	**-$592**	**-4.30%**
Total (Tax + PIL)	**$997,032**	**$996,441**	**-$591**	**-0.06%**

Table 17-D
Municipal Levy Sensitivity *(Taxable only by Zone)*

Realty Tax Class	2023 Municipal Levy *Notional*	*Scenario 2*	*Difference*	
Urban Zone				
Residential	$7,885,229	$7,939,751	$54,522	0.69%
Multi-Residential	$1,958,226	$1,971,765	$13,539	0.69%
Commercial	$1,607,777	$1,537,950	-$69,827	-4.34%
Industrial	$64,993	$62,171	-$2,822	-4.34%
Pipeline	$63,564	$64,003	$439	0.69%
Urban Sub-Total	**$11,579,789**	**$11,575,640**	**-$4,149**	**-0.04%**
Urban Share	**88.22%**	**88.19%**		
Rural Zone				
Residential	$1,417,256	$1,427,008	$9,752	0.69%
Managed Forest	$139	$140	$1	0.72%
Commercial	$112,460	$107,573	-$4,887	-4.35%
Industrial	$16,623	$15,900	-$723	-4.35%
Rural Sub-Total	**$1,546,478**	**$1,550,621**	**$4,143**	**0.27%**
Rural Share	**11.78%**	**11.81%**		
Total	**$13,126,267**	**$13,126,261**	**-$6**	**0.00%**

Scenario 3: A 1% levy increase using status quo ratios.

Table 18-A
Tax Rate Sensitivity

	Tax	City General Rates			USA Rates		
Realty Tax Class	**Ratios**	***Notional***	***Scenario 3***	***Diff.***	***Notional***	***Scenario 3***	***Diff.***
Residential	1.000000	0.01888521	0.01907406	1.00%	0.00175236	0.00176988	1.00%
Managed Forest	0.250000	0.00472130	0.00476852	1.00%			
Multi-Residential	1.863000	0.03518315	0.03553497	1.00%	0.00326465	0.00329729	1.00%
Commercial	1.475000	0.02785568	0.02813424	1.00%	0.00258473	0.00261057	1.00%
Industrial	1.475000	0.02785568	0.02813424	1.00%	0.00258473	0.00261057	1.00%
Landfill	1.000000	0.01888521	0.01907406	1.00%			
Pipeline	0.700000	0.01321965	0.01335184	1.00%	0.00122665	0.00123892	1.00%

Table 18-B
General Levy Sensitivity

	2023 City General Levy		Difference	
Realty Tax Class	***Notional***	***Scenario 3***	***$***	***%***
Taxable				
Residential	$8,632,940	$8,719,269	$86,329	1.00%
Managed Forest	$139	$141	$2	1.44%
Multi-Residential	$1,791,950	$1,809,869	$17,919	1.00%
Commercial	$1,583,719	$1,599,557	$15,838	1.00%
Industrial	$76,097	$76,858	$761	1.00%
Pipeline	$58,166	$58,748	$582	1.00%
Sub-Total Taxable	**$12,143,011**	**$12,264,442**	**$121,431**	**1.00%**
Payment in Lieu				
Residential	$5,766	$5,823	$57	0.99%
Commercial	$251,560	$254,075	$2,515	1.00%
Industrial	$6,485	$6,550	$65	1.00%
Landfill	$104	$105	$1	0.96%
Sub-Total PIL	**$263,915**	**$266,553**	**$2,638**	**1.00%**
Total (Tax + PIL)	**$12,406,926**	**$12,530,995**	**$124,069**	**1.00%**

Table 18-C
Urban Service Area Levy Sensitivity

Realty Tax Class	2023 Urban Service Area Levy *Notional*	*Scenario 3*	Difference *$*	*%*
Taxable				
Residential	$669,544	$676,238	$6,694	1.00%
Multi-Residential	$166,275	$167,938	$1,663	1.00%
Commercial	$136,518	$137,883	$1,365	1.00%
Industrial	$5,519	$5,574	$55	1.00%
Pipeline	$5,397	$5,451	$54	1.00%
Sub-Total Taxable	**$983,253**	**$993,084**	**$9,831**	**1.00%**
Payment in Lieu				
Residential	$50	$50	$0	0.00%
Commercial	$13,260	$13,392	$132	1.00%
Industrial	$469	$474	$5	1.07%
Sub-Total PIL	**$13,779**	**$13,916**	**$137**	**0.99%**
Total (Tax + PIL)	**$997,032**	**$1,007,000**	**$9,968**	**1.00%**

Table 18-D
Municipal Levy Sensitivity *(Taxable only by Zone)*

Realty Tax Class	2023 Municipal Levy *Notional*	*Scenario 3*	*Difference*	
Urban Zone				
Residential	$7,885,229	$7,964,079	$78,850	1.00%
Multi-Residential	$1,958,226	$1,977,807	$19,581	1.00%
Commercial	$1,607,777	$1,623,855	$16,078	1.00%
Industrial	$64,993	$65,643	$650	1.00%
Pipeline	$63,564	$64,199	$635	1.00%
Urban Sub-Total	**$11,579,789**	**$11,695,583**	**$115,794**	**1.00%**
Urban Share	**88.22%**	**88.22%**		
Rural Zone				
Residential	$1,417,256	$1,431,428	$14,172	1.00%
Managed Forest	$139	$141	$2	1.44%
Commercial	$112,460	$113,585	$1,125	1.00%
Industrial	$16,623	$16,789	$166	1.00%
Rural Sub-Total	**$1,546,478**	**$1,561,943**	**$15,465**	**1.00%**
Rural Share	**11.78%**	**11.78%**		
Total	**$13,126,267**	**$13,257,526**	**$131,259**	**1.00%**

Central Commercial Area

Table 19 provides the assessment, tax rates, and levy amounts for the Central Commercial Area while Table 20 details the roll ranges. The rates and levy amounts set out in Table 19 are based on status quo, starting ratios and a taxable revenue target of $150,000.

Table 19
Central Commercial Area – Special Municipal Levy Summary

Realty Tax Class	2023 CVA	Tax Rates	Levy
Taxable			
Residential	2,575,336	0.00656874	$16,917
Commercial	13,735,664	0.00968889	$133,083
Sub-Total Taxable	**16,311,000**		**$150,000**
Payment In Lieu			
Commercial	1,467,000	0.00968889	$14,214
Sub-Total PIL	**1,467,000**		**$14,214**
Total (Tax + PIL)	**17,778,000**		**$164,214**

Table 20
Central Commercial Area - Special Area Roll Range

From	To
57-41-000-005-001-00	57-41-000-005-004-00
57-41-000-005-006-00	57-41-000-005-009-00
57-41-000-005-009-03	57-41-000-005-009-04
57-41-000-005-010-00	57-41-000-005-014-01
57-41-000-005-016-00	57-41-000-005-018-00
57-41-000-005-019-00	57-41-000-005-019-00
57-41-000-005-020-00	57-41-000-005-038-00
57-41-000-005-048-00	57-41-000-005-048-00
57-41-000-005-049-00	57-41-000-005-057-00
57-41-000-005-059-00	57-41-000-005-060-00
57-41-000-005-061-00	57-41-000-005-063-00
57-41-000-005-065-00	57-41-000-005-065-00
57-41-000-005-068-00	57-41-000-005-068-00
57-41-000-005-073-00	57-41-000-005-096-00
57-41-000-005-106-03	57-41-000-005-106-03

PART FIVE: GENERAL SUMMARY AND NEXT STEPS

The following notes, commentary and suggestions represent a compilation of the observations and thoughts that arose throughout the preparation and review of this report. This qualitative content does not represent a comprehensive commentary on any issue, and it is not intended to be provided as policy advice. No financial, taxation or municipal policy decisions should be made on the basis of these comments; they are intended only as general observations, which may or may not be of interest to the reader.

Assessment and Revenue Growth

The City's assessment and revenue growth increased slightly in 2022 with the general levy revenue growth at 0.81% compared to last year's growth of 0.33%.

This is in part driven by efforts to update/correct the assessment roll throughout the year. This may also be impacted by the new ARB rules and scheduling protocols, which are putting appeal matters off further into the assessment cycle than in the past. The municipality is advised to monitor assessment and taxes at risk closely.

Recommended Next Steps

1. If any of the alternate tax policy models contained herein, or any other model that may deviate from the status quo is being considered, additional analysis should be undertaken.
2. Whether or not tax policy changes (ratio, class structure, discounts, etc.) are being considered, the municipality should prepare complimentary models to document the specific implications of budgetary change if the 2023 total levy is going to differ from the revenue neutral position.
3. It is recommended that specific tax policy options be modelled and considered with care before any annual decisions are made.
4. Where specific tax policy challenges or pressures are anticipated, early attention should be devoted in order to effectively address and understand any potential challenges, opportunities and/or tax implications.
5. In light of the fact that we continue to tax on values that are far removed from the actual market value of properties, MTE encourages all of our clients to undertake deliberate market analysis in order to build an understanding as to the potential assessment and tax changes that could be expected once reassessment is restarted.

Staff are also encouraged to take steps necessary to ensure that both Council and the public are well informed regarding base line tax impacts and any implications related to potential policy change. MTE would be pleased to provide any level or type of support that may be deemed appropriate and/or necessary in this regard.