

CITY OF ELLIOT LAKE
2023 TAX POLICY



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THE ANNUAL TAX DISCUSSION

- Each year the City must make a host of decisions that will shape the size and distribution of the tax levy.
 - How much revenue to raise; and
 - Set tax ratios, subclass treatment and may also choose to adopt or collapse optional property classes, which will impact how municipal taxes are distributed and shared

Addressing these Matters is an Annual Exercise

- As the underlying assessment base is in constant flux, even the renewal of the previous year’s choices will produce new outcomes.
- As such, in order to make informed decisions about this year, we need to know how things have changed since the day on which last year’s decisions were made.



THE 2023 TAX DISCUSSION

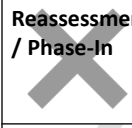



- 2021 should have been the first year of a new reassessment cycle, with all destination (Full CVA) values being updated to reflect a Jan. 1, 2019 market.
 - In 2020 the Province initially pressed pause on this for 2021 and later extended the order through 2023.
- Although we won’t be dealing with reassessment related impacts as part of this year’s tax levy exercise, it is not irrelevant to our discussion.
- Generally speaking, it is important to distinguish between the following system variables and to understand the very different implications they all have for tax outcomes.
 - Reassessment & Phase-In Related Tax Implications;
 - Assessment and Revenue Growth/Loss;
 - Tax Policy Adjustments; and
 - Municipal Levy Change



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GROWTH, REASSESSMENT, PHASE-IN, POLICY & LEVY CHANGE

How much tax we raise, and from whom is going to be impacted by each of these variables.

Variable	Tax Implications
 Reassessment / Phase-In	<ul style="list-style-type: none">• Updates the <u>relative</u> value of everyone’s property, which can impact the <u>proportional share of tax</u> each taxpayer is responsible for• <u>No new tax revenue</u> for municipalities, but individual tax liabilities will change/shift among properties and groups of properties
 Growth	<ul style="list-style-type: none">• <u>New municipal revenue</u> from new assessable property• Only properties with changes in <u>state, use or condition</u> are impacted• <u>Existing taxpayers do not contribute</u> to revenue increases
 Tax Policy	<ul style="list-style-type: none">• Tax ratios, discounts and other tax policy options can be adjusted to alter the <u>distribution of tax</u> among properties and groups of properties• Some of these tools alter the share of taxes based on a property’s use (Class & Ratios), other alter the balance based on value (Banding)
 Levy Change	<ul style="list-style-type: none">• The difference (+/-) in revenue a municipality chooses to raise compared to the prior year at year-end, after growth <p>Prior Year Levy + Growth = Revenue Limit Current Year Levy – Revenue Limit = Levy Change</p>



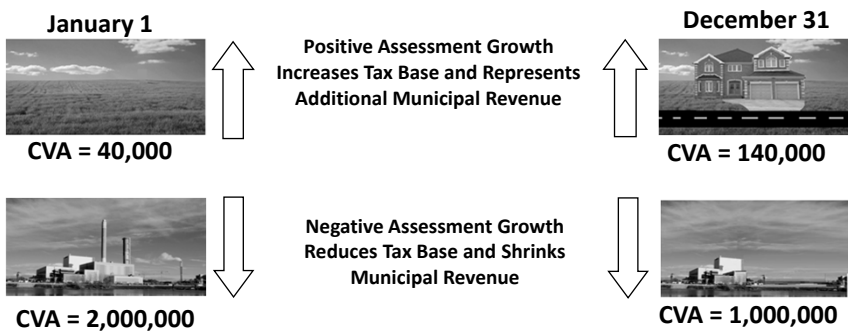
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MEASURING AND UNDERSTANDING ASSESSMENT AND TAX CHANGE

Growth, Reassessment, Phase-In
and Associated Tax Implications



REAL ASSESSMENT GROWTH (OR LOSS)

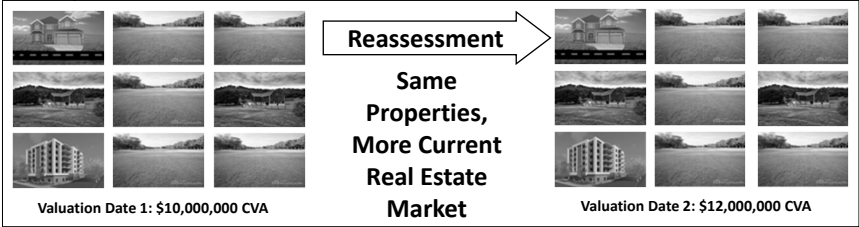


- When real growth in the base occurs, property values and classifications are updated in response to changes in the State, Use and/or Condition of property.
- This has a direct impact on municipal revenue.
- Increases in revenue are carried solely by new taxpayers, or those that changed the state, use or condition of their property.

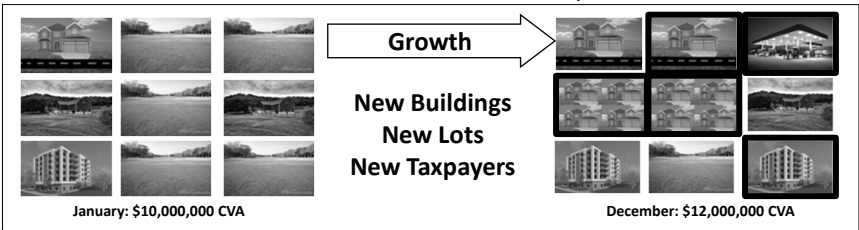


OBVIOUS QUESTION: IF REASSESSMENT BRINGS MORE ASSESSMENT DOLLARS, HOW IS THIS NOT GROWTH?

A: The tax base has not grown. No new taxpayers, properties or assessable improvements



A2: Growth looks much different and is the actual expansion of the tax base.



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QUANTIFYING ASSESSMENT GROWTH

Realty Tax Class	2022 CVA		CVA Growth	
	As Returned	As Revised	\$	%
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%
Total (Taxable)	567,558,009	572,074,909	4,516,900	0.80%
Urban Zone	489,217,209	492,365,609	3,148,400	0.64%
Rural Zone	78,340,800	79,709,300	1,368,500	1.75%

- The Urban Zone is the area which the City’s Urban Service Area levy applies
- The pause in reassessment and the continued reliance on 2016 destination values has no direct implications on:
 - The amount of growth realized;
 - How it is measured; or
 - How it impacts the tax base.



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QUANTIFYING REVENUE GROWTH

		2022 Taxable Levy		
Levy / Class	As Levied	Year-End	Revenue	Growth
General Levy				
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	\$1,583,720	\$30,734	1.98%
Industrial	\$72,309	\$76,097	\$3,788	5.24%
Pipeline	\$58,087	\$58,166	\$79	0.14%
Sub-Total General	\$12,044,710	\$12,143,012	\$98,302	0.82%
USA Levy				
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 USA	\$976,600	\$983,253	\$6,653	0.68%
Total (Gen + USA)				
	\$13,021,310	\$13,126,264	\$104,954	0.81%
	Applied to Roll as Returned	Applied to Roll as Revised		
	2022 Tax Rates			



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QUANTIFYING REVENUE GROWTH BY LEVY AND ZONE

Zone/Class	General	USA	Total
Urban Zone			
Residential	\$34,666	\$3,217	\$37,883
Multi-Residential	\$2,671	\$248	\$2,919
Commercial	\$30,497	\$2,830	\$33,327
Industrial	\$3,788	\$352	\$4,140
Pipeline	\$79	\$7	\$86
Urban Sub-Total	\$71,701	\$6,654	\$78,355
Rural Zone			
Residential	\$26,589	\$0	\$26,589
Managed Forest	-\$226	\$0	-\$226
Commercial	\$237	\$0	\$237
Industrial	\$0	\$0	\$0
Rural Sub-Total	\$26,600	\$0	\$26,600
Total	\$98,301	\$6,654	\$104,955

- The growth measurement sets the starting points for the new year
- It establishes the “Zero Change” revenue position against which levy change will be formally measured



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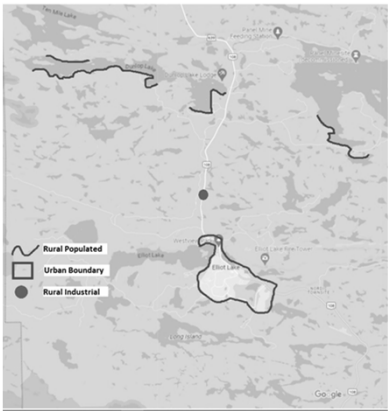
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START LEVY / URBAN RURAL SPLIT AND MUNICIPAL LEVY CHANGE



URBAN SERVICE AREA OVERVIEW

- The City’s Urban Service Area (USA) was established under a previous version of the municipal act which allowed a special levy to account for general service level distinctions between urban and rural zones
- The USA levy was originally instituted to help offset the dramatic, and disproportionate impact of Provincial assessment and tax reform on the City’s rural waterfront properties
- The continued use of this levy has allowed the City to maintain a relatively stable geographic balance of taxation
- The amount to be raised by the USA each year is based on a % of the total City requirement
- This has been set at 7.5% since 2019



TAX DISTRIBUTION BY LEVY & GEOGRAPHIC ZONE

This matrix illustrates how the City’s levy requirement is distributed:

- Between the General and Urban Service Area Levy; and
- Geographically among taxpayers in the Urban and Rural areas.

Zone	General Levy	USA Levy	Total	
Urban Zone Tax	\$11,124,752	\$1,033,647	\$12,158,399	Share of Municipal Tax Carried by Urban Zone Taxpayers
Urban Share	87.26%	100.00%	88.22%	
Rural Zone Tax	\$1,623,566	\$0	\$1,623,566	Share of Municipal Tax Carried by Rural Zone Taxpayers
Rural Share	12.74%	0.00%	11.78%	
Total	\$12,748,318	\$1,033,647	\$13,781,965	
Levy Share	92.50%	7.50%	100.00%	

Share Raised by
General Levy

Share Raised by
USA Levy

- Taxpayers in the Urban Zone are taxed on the basis of both a General and USA rate
- Rural Zone properties only attract the City’s General rate

(All properties are subject to the same rates for Provincial education purposes)



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REDISTRIBUTIVE IMPACTS OF USA

The actual tax Impact of the USA Levy is not equivalent to the amount it raises due to the fact that the urban zone makes up such a large proportion of the tax base, with or without the USA.

Zone / Class	Without USA	With USA	Impact of USA	
Urban Zone	Residential	\$8,189,594	\$8,279,231	\$89,637 1.09%
	Multi-Residential	\$2,033,812	\$2,056,072	\$22,260 1.09%
	Commercial	\$1,669,837	\$1,688,114	\$18,277 1.09%
	Industrial	\$67,502	\$68,242	\$740 1.09%
	Pipeline	\$66,017	\$66,740	\$723 1.09%
	Urban Sub-Total	\$12,026,762	\$12,158,399	\$131,637 1.09%
	Urban Share	87.26%	88.22%	1.09%
Rural Zone	Residential	\$1,608,542	\$1,487,903	-\$120,639 -7.50%
	Managed Forest	\$158	\$146	-\$12 -7.64%
	Commercial	\$127,638	\$118,066	-\$9,572 -7.50%
	Industrial	\$18,865	\$17,451	-\$1,414 -7.50%
	Rural Sub-Total	\$1,755,203	\$1,623,566	-\$131,637 -7.50%
	Rural Share	12.74%	11.78%	-7.50%
Total	\$13,781,965	\$13,781,965	\$0	0.00%

- Based on status quo tax policy and the City’s 2023 budgetary requirement, the USA shifts a total of \$131,637 from rural to urban taxpayers
 - This adds approximately \$24 dollars to the average single detached home in the urban zone
 - The average residential taxpayer in the rural zone saves approximately \$397



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MEASURING LEVY CHANGE

- The annual Notional levy raises the same tax on this year’s assessment as last year’s rates raised on last year’s assessment with no change in municipal policy.
- If we change ratios, discounts or class structure, we will have to recalculate a new base levy using the altered parameters.
- Any difference between the Base Levy calculated using final parameters and the levy requirement from the Budget is treated as a municipal levy increase (or decrease)
- The City’s current overall (General + USA) 2023 levy requirement represents an increase of approximately \$655,700, or 5.00% over year-end.



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2023 BASE LEVY AND LEVY CHANGE

This table summarizes General and USA levy changes under status quo tax policy.

		2023 Taxable Levy		
Levy / Class	Base Levy	Target Levy	Levy Change	
General Levy				
Residential	\$8,632,940	\$9,063,275	\$430,335	4.98%
Managed Forest	\$139	\$146	\$7	5.04%
Multi-Residential	\$1,791,950	\$1,881,275	\$89,325	4.98%
Commercial	\$1,583,720	\$1,662,665	\$78,945	4.98%
Industrial	\$76,097	\$79,891	\$3,794	4.99%
Pipeline	\$58,166	\$61,066	\$2,900	4.99%
Sub-Total General	\$12,143,012	\$12,748,318	\$605,306	4.98%
USA Levy				
Residential	\$669,544	\$703,859	\$34,315	5.13%
Multi-Residential	\$166,275	\$174,797	\$8,522	5.13%
Commercial	\$136,518	\$143,515	\$6,997	5.13%
Industrial	\$5,519	\$5,802	\$283	5.13%
Pipeline	\$5,397	\$5,674	\$277	5.13%
Sub-Total USA	\$983,253	\$1,033,646	\$50,394	5.13%
Total (Gen + USA)	\$13,126,264	\$13,781,964	\$655,700	5.00%

- Because of the fact that the urban and rural zones grew at different rates in 2022, the actual % change for the General and USA levies is slightly different in order to achieve the 7.5% / 92.5% levy split



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TAX POLICY OPTIONS AND TOOLS SETTING AND MANAGING THE BALANCE OF TAXATION



TAX RATIOS & THE BALANCE OF TAXATION

- Tax Ratios are a central element of Ontario’s property tax system
- Their essential function is to control how taxes are shared, or distributed among classes
- Comparing the distribution of City’s 2023 Assessment and General Levy by class illustrates how the current tax ratios influence the balance of taxation.
 - Each dollar of CVA is essentially *Weighted* by the tax ratio for its class thereby altering the proportional share each class represents

Realty Tax Class	Current Value Assessment		Tax Ratio	Weighted CVA			General Levy	
	\$	Share		Wtd. CVA	Share		\$	Share
Residential	457,127,049	79.91%	1.000000	457,127,049	71.09%		\$9,063,275	71.09%
Managed Forest	29,500	0.01%	0.250000	7,375	0.00%		\$146	0.00%
Multi-Res.	50,932,060	8.90%	1.863000	94,886,428	14.76%		\$1,881,275	14.76%
Commercial	56,854,460	9.94%	1.475000	83,860,329	13.04%		\$1,662,665	13.04%
Industrial	2,731,840	0.48%	1.475000	4,029,464	0.63%		\$79,891	0.63%
Pipeline	4,400,000	0.77%	0.700000	3,080,000	0.48%		\$61,066	0.48%
Total Taxable	572,074,909	100.00%		642,990,644	100.00%		\$12,748,318	100.00%

CVA Shares

Ratio Weighted
CVA Shares

Tax Shares



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ADJUSTING TAX RATIOS

- There are a number of tools available to adjust the balance of taxation, however, Tax Ratios are the central mechanism and Council must set them annually.
- The actual options for movement are constrained by a series of fairly complex Provincial rules and regulations
 - For the most part ratios may be adjusted towards or within the target ranges

Realty Tax Class	Current	Provincial Ranges		2023 Range of Flexibility		Threshold
		Low	High	Low	High	
Residential	1.000000	1.00	1.00	1.000000	1.000000	N/A
Managed Forest	0.250000	0.25	0.25	0.250000	0.250000	N/A
Multi-Residential	1.863000	1.00	1.10	0.600000	1.863000	2.00
Commercial	1.475000	0.60	1.10	0.600000	1.475000	1.98
Industrial	1.475000	0.60	1.10	0.600000	1.475000	2.36
Landfill	1.000000	0.60	1.10	0.600000	1.100000	25.00
Pipeline	0.700000	0.60	0.70	0.600000	0.700000	N/A

- In addition to constraints on movement, Provincial legislation imposes limitations on how certain classes share in the annual levy change when a class ratio crosses designated threshold



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SENSITIVITY MODEL: REDUCING MULT-RESIDENTIAL

- For 2023 we have prepared an alternate levy model under which the Multi-Residential ratio is reduced by 4.99%
- Multi-Residential is currently the City’s highest ratio and there are indications that the Province is looking at options for equalizing this class with residential
 - Even a small downward adjustment puts the class closer to equalization should that be mandated on a go-forward.

Levy / Class	Tax Ratio			Tax Rates with Levy Change		
	Status Quo	Model	Difference	Status Quo	Model	Difference
General Levy						
Residential	1.000000	1.000000	0.00%	0.01982660	0.01997360	0.74%
Managed Forest	0.250000	0.250000	0.00%	0.00495665	0.00499340	0.74%
Multi-Residential	1.863000	1.770090	-4.99%	0.03693696	0.03535507	-4.28%
Commercial	1.475000	1.475000	0.00%	0.02924424	0.02946106	0.74%
Industrial	1.475000	1.475000	0.00%	0.02924424	0.02946106	0.74%
Landfill	1.000000	1.000000	0.00%	0.01982660	0.01997360	0.74%
Pipeline	0.700000	0.700000	0.00%	0.01387862	0.01398152	0.74%
USA						
Residential	1.000000	1.000000	0.00%	0.00184217	0.00185784	0.85%
Multi-Residential	1.863000	1.770090	-4.99%	0.00343196	0.00328854	-4.18%
Commercial	1.475000	1.475000	0.00%	0.00271720	0.00274031	0.85%
Industrial	1.475000	1.475000	0.00%	0.00271720	0.00274031	0.85%
Pipeline	0.700000	0.700000	0.00%	0.00128952	0.00130049	0.85%



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RATIO SENSITIVITY MODEL: INTER-CLASS SHIFTS

- Tax Ratio changes are not made in isolation
 - When an adjustment is made to the tax share for one class, the shares carried by all other classes are automatically impacted

Levy / Class	Status Quo	Model	Difference	
General Levy				
Residential	\$9,063,275	\$9,130,473	\$67,198	0.74%
Managed Forest	\$146	\$147	\$1	0.68%
Multi-Residential	\$1,881,275	\$1,800,707	-\$80,568	-4.28%
Commercial	\$1,662,665	\$1,674,993	\$12,328	0.74%
Industrial	\$79,891	\$80,483	\$592	0.74%
Pipeline	\$61,066	\$61,519	\$453	0.74%
Sub-Total General	\$12,748,318	\$12,748,322	\$4	0.00%
USA Levy				
Residential	\$703,859	\$709,846	\$5,987	0.85%
Multi-Residential	\$174,797	\$167,492	-\$7,305	-4.18%
Commercial	\$143,515	\$144,736	\$1,221	0.85%
Industrial	\$5,802	\$5,851	\$50	0.86%
Pipeline	\$5,674	\$5,722	\$48	0.85%
Sub-Total USA	\$1,033,647	\$1,033,647	\$0	0.00%
Total (General + USA)	\$13,781,965	\$13,781,969	\$4	0.00%

Shifts of
General Levy
among Classes

Shifts of
USA Levy
among Classes



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RATIO SENSITIVITY MODEL: GEOGRAPHIC SHIFTS

- Taxes will shift among properties, across property classes and geographically based on the different concentrations of assessment type within each zone

Zone / Class	Status Quo	Model	Difference	
Urban				
Residential	\$8,279,231	\$8,341,384	\$62,153	0.75%
Multi-Residential	\$2,056,072	\$1,968,199	-\$87,873	-4.27%
Commercial	\$1,688,114	\$1,700,787	\$12,673	0.75%
Industrial	\$68,242	\$68,753	\$511	0.75%
Pipeline	\$66,740	\$67,241	\$501	0.75%
Sub-Total Urban	\$12,158,399	\$12,146,364	-\$12,035	-0.10%
Share	88.22%	88.13%		
Rural				
Residential	\$1,487,903	\$1,498,935	\$11,032	0.74%
Managed Forest	\$146	\$147	\$1	0.68%
Commercial	\$118,066	\$118,942	\$876	0.74%
Industrial	\$17,451	\$17,581	\$130	0.74%
Sub-Total Rural	\$1,623,566	\$1,635,605	\$12,039	0.74%
Rural Share	11.78%	11.87%		
Total	\$13,781,965	\$13,781,969	\$4	0.00%

Change in Tax
Carried by
Urban Zone
Taxpayers

Change in Tax
Carried by
Rural Zone
Taxpayers



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RATIO SENSITIVITY MODEL: YEAR-OVER-YEAR

- This table documents the net year-over-year tax change by Geographic Zone and Property Class
- While this model does shift taxes off of multi-residential onto all other classes, the net year-over-year change for residential taxpayers remains consistent with that contemplated during the City’s budget discussions.
- This is due to the offsetting implications of 2022 growth

Zone / Class	2022 Year End	Net Year-Over-Year Tax Change			
		Status Quo		Model	
Urban Zone					
Residential	\$7,885,228	\$394,003	5.00%	\$456,156	5.78%
Multi-Residential	\$1,958,225	\$97,847	5.00%	\$9,974	0.51%
Commercial	\$1,607,777	\$80,337	5.00%	\$93,010	5.79%
Industrial	\$64,993	\$3,249	5.00%	\$3,760	5.79%
Pipeline	\$63,563	\$3,177	5.00%	\$3,678	5.79%
Urban Sub-Total	\$11,579,786	\$578,613	5.00%	\$566,578	4.89%
Rural Zone					
Residential	\$1,417,256	\$70,647	4.98%	\$81,679	5.76%
Managed Forest	\$139	\$7	5.04%	\$8	5.76%
Commercial	\$112,461	\$5,605	4.98%	\$6,481	5.76%
Industrial	\$16,623	\$828	4.98%	\$958	5.76%
Rural Sub-Total	\$1,546,479	\$77,087	4.98%	\$89,126	5.76%
Total	\$13,126,265	\$655,700	5.00%	\$655,704	5.00%



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MULTI-RESIDENTIAL RATIO COMMENTS

- The strongest indicators that a move towards equalization may be introduced in the not-so-distant future include, but are not limited to:
- In February 2022, the Provincially commissioned report by the *Ontario Housing Affordability Task Force* included a recommendation that the property taxes for purpose-built rental be aligned with those of condos and low-rise homes.
- The Province’s 2022 Fall Economic Statement included a commitment to look at “potential approaches to reduce the current property tax burden on multi-residential apartment buildings”.
 - This was reiterated in the annual communication regarding tax policy decisions and considerations sent to all municipal treasurers by the Ministry of Finance in December 2022.
- On February 9th of this year a call for eliminating the rate differential was reiterated in a joint report released by the Building Industry and Land Development Association and the Federation of Rental-Housing Providers of Ontario.



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QUESTIONS & DISCUSSION



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