



22 March 2013

City Council Committee Report

To: Mayor Canfield & Members of Council

Fr: Melissa Shaw

Re: Tax Ratios and Rates

Recommendation:

That Council hereby provides three readings to the following By-laws:

A By-law to set tax ratios and to set tax rate reductions for prescribed property classes and subclasses for municipal purposes for the year 2013; and

A By-law to adopt the estimates for all sums required for the year, to establish rates to be levied for same and to provide for penalty and interest in default of payment thereof for 2013; and further

That in accordance with Notice By-law #144-2007, public notice is hereby given of Council's intention to set tax ratios and tax rates for 2013 at its April 15th, 2013 meeting.

Background:

Historically, the City was required under the Municipal Act to have its tax ratios set by April 30th of the year to which they relate. This requirement was changed in 2010 and now, tax ratios must be passed within the year to which they apply.

Generally, the City levies its final taxes in early June, The April Council meeting allows ample time for the City to set their tax rates and ensure the final levy is done on schedule.

Tax Ratio Background:

Before reviewing options related to tax ratios, it is important to have a basic understanding, for those of you who would like additional information on tax ratios; I have attached a brief explanation to this report.

Revenue Neutral Tax Ratios

In any given year, the City has a number of tax policy decisions available. Revenue Neutral tax ratios allow the City of Kenora to retain the same distribution of taxes between property classes that existed in the prior year. The year 2013 marks the first year of the mandated reassessment of current value assessment based on the Jan. 1, 2012 property values, the four-year phase in program will continue until 2016. Typically, when a reassessment or phase in of reassessment occurs, it may (and generally does) cause shifting in the tax burden between property classes. In order to address this issue, the Province has

introduced legislation that enables municipalities to restate their tax ratios to maintain the same tax burden by property class. The restatement results in what the Province refers to as "revenue neutral tax ratios". This year's reassessment is no exception; the trend in Kenora has been a shifting in tax burden to the residential class. If the City chose to pursue revenue neutral tax ratios, it is possible that either the commercial or industrial broad classes may exceed Provincial ranges of fairness, resulting in these classes being subject to levy restrictions. This option is not being recommended at this time.

50% Flow-Through for Levy Restricted Classes

Another option the City has available is to pass on 50% of any tax increase to the levy restricted classes. For the City, historically, the industrial property classes were restricted under this provision of the legislation, and the City used those restrictions under the tax legislation to help slowly draw down the industrial and large industrial tax rates. It consistently chose to not pass any increase onto the industrial taxpayers. In 2010 it was recommended that the City continue to draw down the industrial rates until the broad class ratio fell below the provincial average. In 2011, the industrial rates fell below provincial average, for that reason the industrial property classes were no longer subject to this restriction.

Sources of Financing

There is no cost related to passing these by-laws. These are the by-laws that enable the municipality to levy municipal property taxes within the City for 2013.

Communication Plan / Notice By-law Requirements

Notice will be provided in accordance with the notice provisions of the City's notice by-law.