



TAX POLICY WORKING GROUP

1:15 p.m., Monday, March 29, 2010

A meeting of the Tax Policy Working Group was held at 1:15 p.m., Monday, March 29, 2010 at the County of Renfrew Administration Office, 9 International Drive, Pembroke, Ontario.

Members:

- Annette Louis, Admaston/Bromley Township
- Bruce Lloyd, Township of Laurentian Valley
- Brian Quibell, Town of Deep River
- Angela Yolkowskie, Greater Madawaska
- Tracy Pearce, Ruth Morin, Township of Head, Clara & Maria
- Susan Sheridan, Township of Killaloe, Hagarty and Richards
- Brenda Sabatine, Madawaska Valley Township
- Connie Graham, McNab Braeside Township
- Dan Scissons, Town of Petawawa
- Valerie Jahn, Town of Renfrew
- Annette Mantifel, Whitewater Region

Staff Present:

- James D. Kutschke, Treasurer/Deputy Clerk
- Jeff Foss, Financial Services Officer
- Connie Wilson, Administrative Assistant, Finance Department

Mr. Jeff Foss, Financial Services Officer for the County of Renfrew called the meeting to order at 1:15 p.m. Mr. Foss distributed a copy of the presentation and began his overview.

2010 Tax Policy

The Municipal Act previously required the Councils of upper-tier and single-tier municipalities to make certain mandatory tax policy decisions by April 30th each year. However, the Good Government Act, 2009 (Bill 212) was given first reading on October 27, 2009. This omnibus bill amends a number of statutes, including the Municipal Act. The change impacting tax policy discussions is that the April 30th deadline for tax ratios, upper tier levy, capping, tax reductions for capped classes, etc have all changed to December 31st of each year.

Issues

Upper and single-tier municipalities are required on an annual basis to make a number of decisions in respect to tax policy that will affect the apportionment of the tax burden within and between classes, and among area municipalities. To meet these demands, the following issues must be examined for 2010:

1. The tax impacts related to assessment growth.
2. The impact of valuation (re-assessment).
3. The effect of tax ratios on the distribution of the tax burden.
4. The effect of the levy restriction.

5. The impact of the mandatory limit tax protection program (capping).
6. The discontinuation of or use of optional tools such as optional tax classes and graduated taxation.
7. The effect of changes to vacant property, farmland awaiting development, charitable organizations, low income seniors and persons with disabilities.

The following information is provided relative to these key issues:

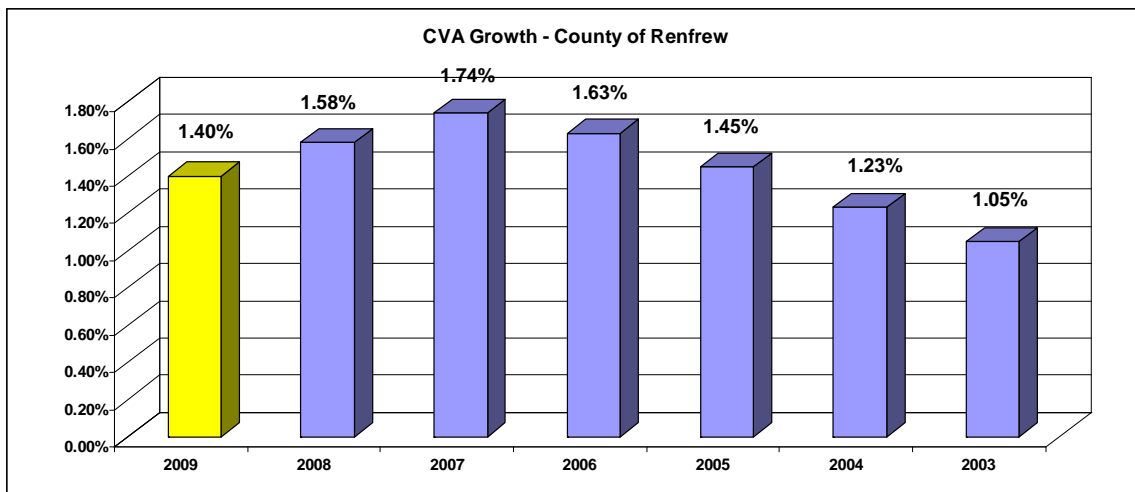
Current Value Assessment

Changes in current value assessment must be analyzed in terms of physical changes and change in use (growth) and changes related to valuation (re-assessment).

Physical changes to property like new construction, additions, improvements and demolitions as well as any equity changes in value triggered by Minutes of Settlement, decisions of the ARB or refund applications, all effect the tax base (growth or loss). Growth always has an impact to the municipal tax revenue base. For the County of Renfrew, the impact of growth is 1.40% or \$462,670 using notional tax rates for 2010. The following chart provides details on the 2009 net assessment growth by class:

	2009 Net Assessment Growth	2009 Net Growth
R - Residential and Farm	88,690,866	1.64%
M - Multi-Residential	247,039	0.36%
C - Commercial	14,595,451	4.04%
X - New Commercial	7,726,720	421.65%
S - Shopping Centre	-11,377,665	-50.48%
D - Office Building	0	0.00%
I - Industrial	286,140	0.67%
J - New Industrial	306,274	
L - Large Industrial	-2,049,308	-6.47%
P - Pipeline	564,250	0.20%
F - Farmland	-1,978,324	-0.83%
T - Managed Forest	543,237	4.08%
Commercial Total	10,944,506	2.83%
Industrial Total	-1,456,894	-1.95%
Total Taxable	97,554,680	1.51%
R - Residential and Farm	-94,887	-0.08%
M - Multi-Residential	0	0.00%
C - Commercial	-66,759	-0.02%
D - Office Building	-127,494	-11.09%
I - Industrial	-265,348	-36.92%
L - Large Industrial	1,061,131	14.59%
Commercial Total	-194,253	-0.07%
Industrial Total	795,783	9.96%
Total PIL	506,643	0.12%
Total Taxable and PIL	98,061,323	1.42%
E - Exempt	2,752,891	0.85%
Grand Total	100,814,214	1.40%

The CVA growth throughout the County of Renfrew in 2009 is consistent with the growth experienced over the last several years, as shown in the following chart:



Although the overall growth in CVA across the County was 1.40%, municipalities experienced growth differently, as shown in the following chart:

	2009 Growth CVA \$	2009 Growth %
GREATER MADAWASKA	12,912,157	2.8%
ARNPRIOR	15,384,314	2.5%
PETAWAWA	24,326,431	2.3%
LAURENTIAN HILLS	5,197,256	2.0%
LAURENTIAN VALLEY	10,379,893	1.4%
HORTON	3,122,150	1.3%
WHITEWATER REGION	6,250,994	1.1%
DEEP RIVER	3,157,035	1.0%
NORTH ALGONA WILBERFORCE	2,389,679	0.9%
ADMASTON/BROMLEY	2,375,061	0.9%
McNAB/BRAESIDE	5,320,634	0.8%
BONNECHERE VALLEY	2,117,828	0.7%
RENFREW	3,430,105	0.6%
MADAWASKA VALLEY	3,052,758	0.6%
KILLALOE, HAGARTY & RICHARDS	988,235	0.4%
BRUDENELL, LYNDON RAGLAN	463,855	0.3%
HEAD, CLARA & MARIA	(54,171)	0.0%
	100,814,214	1.40%

Once again, one of the more significant issues for the tax policy decision process for 2010 is the change in the current assessment valuation date. The 2009, 2010, 2011 and 2012 assessment information is based on January 1, 2008 values. For 2006, 2007 and 2008 the valuation date was January 1, 2005. Assessments are based on current value. Similar to market value, current value is an amount assigned to real property by an assessor from MPAC for property taxation purposes. The theory behind CVA is that it is designed to represent the current value a willing buyer would pay to a willing seller, within an arms length transaction, in a competitive and open market. Valuation change happens each time MPAC updates the CVA to a new, more recent point in time, and generally reflects changes in real estate market conditions. Reassessment does not automatically affect tax revenue because tax rates must be reconsidered in light of this valuation change. Valuation change can, however, affect the distribution of the tax burden between properties, between classes and between municipalities in a two tier structure.

To isolate the impact of reassessment from growth and physical changes, valuation change is measured from the previous years assessment (as most recently revised) and the new updated assessment as returned. By calculating the difference between these two values, we can isolate the impact of reassessment from the Jan 1, 2005 value to the Jan 1, 2008 value. For the County of Renfrew, the valuation change was 30.13%.

	2009-2012 Value/ Equity Change	2009-2012 Value/ Equity
R - Residential and Farm	1,820,131,810	36.05%
M - Multi-Residential	530,295	0.73%
C - Commercial	69,221,486	19.15%
X - New Commercial	1,717,325	18.81%
S - Shopping Centre	2,359,654	22.32%
D - Office Building	143,335	118.06%
I - Industrial	2,814,610	6.57%
J - New Industrial	16,968	5.62%
L - Large Industrial	1,384,842	4.73%
P - Pipeline	42,522,000	15.60%
F - Farmland	13,903,091	5.99%
T - Managed Forest	3,131,329	23.72%
Commercial Total	73,441,800	19.26%
Industrial Total	4,216,420	5.82%
Total Taxable	1,957,876,745	32.13%
R - Residential and Farm	24,149,298	22.58%
M - Multi-Residential	3,933,280	12.41%
C - Commercial	21,341,837	8.13%
D - Office Building	79,245	7.90%
I - Industrial	-46,823	-7.44%
L - Large Industrial	89,970	1.08%
Commercial Total	21,421,082	8.13%
Industrial Total	43,147	0.48%
Total PIL	49,546,807	12.05%
Total Taxable and PIL	2,007,423,552	30.86%
E - Exempt	48,585,831	15.25%
Grand Total	2,056,009,383	30.13%

New for 2009 was the impact of the 4 year phase in of assessment increases, designed to protect taxpayers from extreme market volatility. This program is predictable over the 4 year period (2009-2012). Decreases are not phased in as they will flow through automatically to avoid ratepayers being taxed on a value higher than CVA. The valuation change for the second year of the phase in (2010) will be 7.15% County wide, as shown on the following chart:

	Equity Change	Equity
R - Residential and Farm	458,830,143	8.35%
M - Multi-Residential	1,776,351	2.60%
C - Commercial	18,119,964	4.82%
X - New Commercial	429,331	4.49%
S - Shopping Centre	589,912	5.29%
D - Office Building	35,834	22.79%
I - Industrial	804,141	1.86%
J - New Industrial	4,242	1.39%
L - Large Industrial	346,215	1.17%
P - Pipeline	10,630,500	3.75%
F - Farmland	3,554,663	1.51%
T - Managed Forest	823,355	5.94%
Commercial Total	19,175,041	4.83%
Industrial Total	1,154,598	1.58%
Total Taxable	495,944,651	7.56%
R - Residential and Farm	6,142,421	5.45%
M - Multi-Residential	983,319	3.01%
C - Commercial	5,478,935	2.05%
D - Office Building	19,812	1.94%
I - Industrial	43,099	9.51%
L - Large Industrial	22,492	0.27%
Commercial Total	5,498,747	2.05%
Industrial Total	65,591	0.75%
Total PIL	12,690,078	3.00%
Total Taxable and PIL	508,634,729	7.28%
E - Exempt	14,095,236	4.34%
Grand Total	522,729,965	7.15%

As described earlier, valuation change impacts the apportionment of taxation between municipalities in a two tier municipal government structure. Local municipalities with valuation changes less than 7.15% will see some of their upper tier tax burden shift away from them, and onto other local municipalities. Those municipalities with valuation changes above 7.15% will have an increased share of total County taxation. Likewise, within a local municipality, shifts will occur between properties when any property exceeds the average valuation change for that particular property class. Valuation changes by lower tier municipality are reflected in the chart below:

	2010 Value/ Equity \$	2010 Value/ Equity %
NORTH ALGONA WILBERFORCE	24,945,465	9.4%
MADAWASKA VALLEY	44,300,414	9.2%
GREATER MADAWASKA	42,782,397	8.9%
KILLALOE, HAGARTY & RICHARDS	20,198,501	8.8%
BONNECHERE VALLEY	25,168,172	8.5%
LAURENTIAN VALLEY	56,424,714	7.7%
WHITewater REGION	41,559,419	7.5%
LAURENTIAN HILLS	19,043,050	7.3%
BRUDENELL, LYNDONCH RAGLAN	10,683,903	7.2%
DEEP RIVER	23,158,550	7.1%
PETAWAWA	74,451,051	7.0%
HORTON	16,194,565	6.5%
RENFREW	34,742,463	6.2%
McNAB/BRAESIDE	38,537,654	6.0%
ARNPRIOR	32,692,035	5.2%
ADMASTON/BROMLEY	11,529,481	4.5%
HEAD, CLARA & MARIA	6,318,131	4.3%
	522,729,965	7.15%

Tax Ratios

Upper and single-tier municipalities are required to establish ratios that govern the relationship between the rate of taxation for each class compared to the tax rate for the residential class. Council may choose to adopt the current 2010 starting ratios (where the levy restriction applied), establish a new ratio that is closer to the Provincial Range of Fairness, or adopt revenue neutral ratios.

Ratio Reductions - Options available to municipalities are generally limited to ratio reductions. Reductions are typically considered to relieve tax burdens that are perceived to be creating competitive disadvantage or inequity for properties in one or more classes. It must be clearly understood, that ratio reductions for one class would result in an increased tax burden to all other classes. To illustrate this point, a reduction in the business class ratios of 5% translates into a shift in the tax burden onto the residential class of \$328,200 and impacts the residential rate by 1.33% (see Table below).

Class	2010 Starting Ratio	Revised Ratio	Class Rate Reduction	Tax Reduction	Residential Rate Increase
Multi-Residential	1.943600	1.846420	- 5 %	-\$30,538	
Commercial	1.814700	1.723965	- 5 %	-\$187,960	
Industrial	3.308762	3.143324	- 5 %	-\$41,105	
Pipeline	1.332800	1.266160	- 5 %	-\$59,313	
Farm	0.250000	0.237250	- 5 %	-\$9,284	
To Residential				\$328,200	1.33%

Levy Restriction

Section 311 of the Municipal Act mandates that where a municipal tax ratio for any of the Multi-Residential, or Broad Commercial and Industrial classes is above the Provincial "Threshold" Average, the classes are deemed to be levy restricted and may not absorb any municipal budgetary increases. When this circumstance prevails, levy changes may only be passed through to unrestricted classes. In Renfrew County, the municipal levy restriction applies to the Industrial class. In 2009, the County of Renfrew experienced a budgetary increase, which caused a levy restriction on the Industrial and Large Industrial assessment class.

As a result, the 2010 starting ratios for the Industrial and Large Industrial assessment classes have been reduced from the 2009 adopted ratios. By applying the levy restriction in 2009, tax rate increases were fully applied to the non-restricted classes and only 50% of the tax rate increase applied to the restricted class, bringing the class rates for the restricted and non-restricted classes closer together, which has effectively reduced the tax ratio for the restricted class. Due to the levy restriction in 2009, the 2010 starting ratios for the Industrial and Large Industrial assessment classes are reduced to 2.967337 and 3.701962, respectively.

	2009 Ratio	2010 Start Ratio	Change
Multi-Residential	1.943600	1.943600	0%
Commercial	1.814700	1.814700	0%
Industrial	2.973236	2.967337	-0.1984%
Large Ind	3.709321	3.701962	-0.1984%
Pipeline	1.332800	1.332800	0%
Farm/Forest	0.25000	0.250000	0%

The following chart shows the downward movement of the Industrial Ratio each year that the levy restriction has been in place. The ratio has reduced a total of 18.46% over this time period.

	2001 Ratio	2010 Start Ratio	Change
Industrial	3.6393	2.967337	-18.46%
Large Ind	4.5401	3.701962	-18.46%

The levy restriction still applies to the industrial classes in 2010 because we are still above the Provincial broad Industrial threshold ratio of 2.63.

	2010 Tax Ratio	Threshold	Subject to Levy Restriction?
Multi- Residential	1.943600	2.740000	NO
Broad Commercial	1.814700	1.980000	NO
Broad Industrial	3.308762	2.630000	YES

To remove this barrier entirely and allow a full levy increase to the industrial class, the industrial tax ratio must be set to 2.63. If this option was chosen, all other classes of properties would see an increase in their tax rates of 0.68% and a transfer of the upper-tier tax burden away from the restricted classes onto the non-restricted classes of \$219,871.

	Start Ratio	Alt Ratio	Effect on Tax Rate
Non Industrial			0.68%
Industrial	2.967337	2.358614	-19.97%
Large Ind	3.701962	2.942538	-19.97%
Broad Ind	3.308762	2.630000	-19.97%

Levy Restriction – 2010 Option

The Province is again allowing municipalities to apply a municipal tax increase to restricted classes equal to 50% of any tax rate increase levied to the residential class. Based on the 2010 County levy requirement of \$34,048,322 this option would move \$10,651 of the County tax burden onto the industrial class.

Revenue Neutral Ratios – 2010 Option

For 2010, the Province is again giving municipalities tax ratio flexibility that was provided in previous reassessment years. Using revenue neutral tax ratios would avoid tax shifts between property classes as a result of reassessment. In other words, all classes would pick up the same share of the tax burden as they had during the previous valuation period.

Class	2010 Starting Ratio	Neutral Ratio	Tax Increase	Residential Rate Decrease
Multi-Residential	1.943600	2.047503	\$33,381	
Commercial	1.814700	1.894017	\$156,976	
Industrial	3.308762	3.52202	\$59,600	
Pipeline	1.332800	1.390239	\$48,569	
Cumulative			-\$298,526	-1.20%

The preceding chart attempts to show the impact on the residential class if we moved the business class tax ratios to a revenue neutral ratio for 2010. The residential class would experience a decrease in their share of the total tax burden of 1.20%, or \$298,526 using County notional tax rates.

If a municipality wishes to adopt revenue neutral ratios, they must make application to the Ministry of Finance. This process has been streamlined from prior years, and it now makes use of the Online Property Tax Analysis system to perform the required calculations.

Capping

For 2010, upper and single-tier municipalities will have the option to:

1. Continue with existing 5% capping rule; or
2. Increase the annual cap from 5% of last year's capped taxes up to a maximum of 10% of last year's capped taxes; and/or
3. Set an upper limit on annual increases at the greater of the amount calculated under (1) or (2) and up to 5% of the previous year's annualized CVA tax; and/or
4. Up to a maximum of \$250 threshold may be set for increasing properties, decreasing properties or both; this would move properties with a billing adjustment of less than the threshold to their full CVA tax liability for the year.
5. Exclude properties from capping in 2010 if they that were at CVA tax in 2009.

Any of these tools may be used on their own, or in combination and be applied differently to each capped class. Municipalities must pass a by-law setting out their capping threshold parameters if they differ from the default capping mechanism as outlined under item 1 above. If no by-law is passed, capped tax increases will be limited to 5% of the previous year's Annualized tax (funded by foregone revenue).

If clawbacks are to be utilized, municipalities must pass a by-law to specify the clawback percentage that they wish to implement for 2010. The default for funding the costs of capping is foregone revenue. For each capped class, municipalities may choose a single parameter or a combination of parameters.

As always, municipalities have 2 alternatives to fund the costs of capping:

- (i) **Foregone Revenue** - Under the forgone revenue approach, the upper and lower-tier would share in this cost based on our proportionate share of the tax levy from the class, similar to the approach in previous years. Council will recall that this method of funding the cost of capping was chosen in 1998 to support the existing businesses in Renfrew County by allowing them to keep any assessment related decreases they are entitled to.
- (ii) **Within Class Recovery** – Under this approach, the upper and lower-tier would share in any net cost based on our proportionate share of the tax levy from the class. A change to in-class recovery (clawback) by the County of Renfrew would represent a significant departure from past practice. Taxpayers who have enjoyed the full effect of decreases in CVA in the past, would now have to forego part or all of their anticipated reduction in order to fund those properties with increases.

Paragraph 2 of Subsection 329.1 (1) allows municipalities to pass a by-law, which allows the cap to be calculated with reference to the previous year's CVA tax. The municipality can specify the amount of the cap on the CVA tax, from 0% to a maximum of 5%. The capped increase for individual property will be the greater of:

1. The increase resulting from the selected (or existing) percent of the previous year's annualized tax (between 5% and 10%) or
2. The increase resulting from the selected percent of the previous year's CVA tax (up to 5%).

Paragraph 3 of Subsection 329.1 (1) allows municipalities to pass a by-law to move capped properties whose 2009 Revised Taxes fall within \$250 (or a lower specified amount) of the current year's CVA tax. The 2009 Revised Taxes are initially calculated to incorporate the increases based on the capping parameters, prior to the application of the threshold.

In 2009, a new initiative allowed municipalities to pass a by-law to exclude properties in certain situations from the capping program. If these options are selected, properties will be liable to pay full CVA taxes. The "Stay at CVA Tax" Option excludes properties that were at CVA tax in 2009 from the capping and claw-back calculation in 2010.

There is a final capping option available to those municipalities electing to utilize clawbacks. The "Cross CVA Tax" Option excludes properties that would move from being capped in 2009 to being clawed back in 2010 or from being clawed back in 2009 to being capped in 2010 as a result of the changes to the CVA tax caused by the 2010 reassessment. This option would have no impact on the County of Renfrew unless we elected to begin funding capping costs through the "clawback" process.

Optional Classes

Municipalities that would like to create new, or collapse existing, optional classes must now do so by December 31st of the current tax cycle. The County of Renfrew made the decision to introduce the Large Industrial class in 1998 and this continues to be the only optional class.

Discount Rates

Municipalities may use the legislated reductions of 30% for commercial and 35% for industrial vacant units, vacant land and excess land or choose a uniform reduction factor for both classes that is between 30% and 35%. Any change to the blended reduction factor will impact the residential tax burden. Farmland Awaiting Development (Phase 1) is currently discounted in the County of Renfrew at 65% and we have the latitude to move this rate up or down by 10% in any year, provided we stay between 25% and 75%.

Tax Relief for Low Income Seniors/ Disabled

Upper/single-tiers are required to create a policy to cancel or defer all tax increases, defined as the difference in current CVA tax and previous year CVA tax. The County of Renfrew currently has a by-law establishing that tax increases for these groups be deferred.

Tax Relief on Eligible Property Occupied By Eligible Charities

The County of Renfrew currently has a by-law establishing a tax rebate program for eligible charities in the amount of 40% of the taxes payable on eligible commercial or industrial properties. This rebate amount is to be shared by the lower tier, upper tier and school board.

Graduated Taxation

Graduated taxation, a mechanism whereby properties with higher assessments are taxed at a higher rate than those with lower values, was not considered as a viable alternative.

Graduated taxation has never enjoyed wide-spread popularity because it fails to address the problem that there is often not a strong correlation between the assessed value of a property and the size (or ability to pay) of the business operating out of it.

Municipal Tax Reduction Program

The Municipal Tax Reduction Program, as set out in Section 362 of the Municipal Act, 2001, is intended to provide a means for municipalities to flow through tax reductions to specific increasing properties in the capped classes. For those municipalities that fund all capping protection through foregone revenue (such as the County of Renfrew), institution of this program would be a redundant measure as the protection is already being funded by all classes.

Recommendations from the Tax Policy Working Group

Mr. Foss advised that a meeting of the Tax Policy Working Group (TPWG), consisting of the Treasurers of all local municipalities within the County of Renfrew, was convened on Monday March 29, 2010 to discuss the 2010 Tax Policy Impact Study. This same presentation will be made to County Council on Wednesday, March 31, 2010. The following recommendations were received, based on the majority of opinion, from the Tax Policy Working Group:

Ratios – The Tax Policy Working Group (TPWG) is recommending that we maintain the 2010 starting ratios. Although there was discussion related to a movement to the Provincial threshold ratio for industrial, it was also recognized that because of the levy restriction, this ratio is reducing each year regardless. Since tax rate increases will be applied to the non-restricted classes in a greater proportion than to restricted classes, thus bringing the class rates for the restricted and non-restricted classes closer together, it effectively reduces the tax ratio for the restricted class. The impact of moving all the way to the threshold ratio, which would cause all other properties to see an increase in their County tax rates by 0.68%, is considered excessive in a year when there is an expectation of upper and lower tier budgetary increases. The group also noted that the industrial ratios have dropped by 18.46% since 2001 and that the ratio will continue to reduce provided the rules regarding levy restriction are unchanged. Finally, a change to revenue neutral ratios would place an additional burden on business property owners that TPWG felt was a movement in the wrong direction in an already difficult economic climate.

Levy Restriction (2010 Option) – Since this option can be utilized at either the upper or lower tier independently, County staff are recommending that the County elect to increase the industrial and large industrial tax rates by 50% of the residential budgetary increase. Although the impact is estimated to be a \$10,651 shift of the tax burden onto the industrial class, the principle of having the industrial class pay for some of the municipal levy increase is seen as appropriate. This option was also chosen by County Council in 2009.

Capping – TPWG is recommending that we do not change the current foregone revenue approach to fund capping. Even though the capping tools within the Online Property Tax Analysis system were not available prior to the TPWG meeting, TPWG is again recommending we elect the maximum number of capping options available to us that will bring us to full CVA taxation as quickly as possible. This represents the same capping choices we made in 2009.

A change to in-class recovery by the County of Renfrew would represent a significant departure from past practice. In addition, TPWG is concerned about the administrative burden that will be placed on each lower tier office to calculate, notify and explain why taxpayers, who have enjoyed the full effect of decreases in CVA in the past, now have to forego all of their anticipated reduction in order to fund those properties with increases in assessment, perhaps even in another municipality.

Discount Rates, Tax Relief for Low Income Seniors/Disabled – TPWG is not recommending any changes to the commercial and industrial discount rates for vacant land and vacant units, or to the current policy to defer assessment related tax increases for low income and disabled seniors.

Optional Classes – TPWG recommends the continued use of the ‘Large Industrial’ optional class. No changes to existing optional tax classes are being considered for the upcoming tax year.

Tax Relief on Eligible Property Occupied By Eligible Charities – **TPWG is not recommending any change to the current by-law establishing a tax rebate program for eligible charities in the amount of 40% of the taxes payable on eligible commercial or industrial properties.**

Graduated Taxation – TPWG is not recommending that the County of Renfrew consider a system of graduated taxation. Graduated taxation has never enjoyed wide-spread popularity because it fails to address the problem that there is often not a strong correlation between the assessed value of a property and the size (or ability to pay) of the business operating out of it.

Municipal Tax Reduction Program – Since we treat all capping protection as foregone revenue, institution of this program would be a redundant measure as the protection is already being funded by all classes. Therefore, TPWG has not considered this policy tool for 2010.

Deadlines for LTM Tax Rating By-laws - As we are all using OPTA to create a CD to generate all business class property tax bills, the CD will not be available until ALL LTM’s complete their budget processes and adopt a rating by-law. Therefore, as recommended in 2009, all tax rating by-laws should be adopted prior to June 30, 2010 and all tax rates should be entered by each municipality into the OPTA system by that same date. This process would allow the issuance of property tax bills to the business community before the summer vacation period.

Mr. Foss advised the Working Group that the 2010 taxation year is very similar to 2009 and will continue to be the same for the next two years unless the provincial policy changes dramatically.

Mr. Foss advised that members may notice that on your assessments for 2010 there are new Realty Tax Class (RTC) identifiers such as X, Y, Z, J and K. Mr. Foss also overviewed The Good Government Act, 2009 (Bill 212).

Mr. James D. Kutschke questioned Ms. Angela Yolkowskie, Greater Madawaska what the increase in assessment was within Greater Madawaska Township as it had the highest growth rate in 2009, was it commercial or residential? Ms. Yolkowskie advised that it was the Calabogie Motorsports Park.

Discussion was held regarding the revenue neutral option and Mr. Foss advised that all classes get the same share of the tax burden in 2010 as they did in 2009. The Province is again giving municipalities tax ratio flexibility that was provided in previous reassessment years. Using revenue neutral tax ratios would avoid tax shifts between property classes as a result of reassessment. In other words, all classes would pick up the same share of the tax burden as they had during the previous valuation period. The impact of the residential tax increases would be \$298,526 which is only County dollars but this amount should be doubled when the lower-tier tax increase is added in. If a municipality wishes to adopt revenue neutral ratios, they must make application to the Ministry of Finance.

Mr. Kutschke asked the local municipalities if they have issued their 2009 financial statements to Council already or are they awaiting the auditors?

Ms. Connie Graham, McNab/Braeside advised that they are waiting until their audit has been completed before they provide it to Council.

Mr. Kutschke asked the local municipalities if they have created a PSAB compliant financial statement comparison of the surplus to amount levied, or just showing financial statements similar to the way they have always been done?

Ms. Annette Mantifel, Whitewater Region advised that they have created a summary sheet but their audit has not yet been completed and they are awaiting financial statement approval. Their summary sheet provides the difference between what the budget was and the actual. One Councillor who has reviewed it noted that there is a huge difference from last year's statements. Ms. Mantifel advised that Whitewater Region will be providing an Information Session to Council members to assist them in understanding this new process. Ms. Susan Sheridan, Killaloe, Hagarty, Richards advised that an auditor has already attended a meeting to explain the new PSAB requirements.

Ms. Annette Louis, Admaston/Bromley advised that they have created a summary similar to the County of Renfrew.

Mr. Kutschke asked the Working Group if they were aware of the Ontario Regulation 284/09 entitled "Budget Matters – Expenses". This regulation advises that in preparing the budget for a year, a municipality or local board may exclude from the estimated expenses the amortization expense, post-employment benefits expenses and solid waste landfill closure and post-closure expenses. For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes these expenses, prepare a report about the excluded expenses and adopt the report by resolution. If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed above, then the municipality shall, within 60 days after receiving its audited financial statements for 2009, prepare a report about these excluded expenses and adopt the report by resolution. Attached as Appendix I is a copy of Ontario Regulation 284/09.

The Working Group agreed that 2010 will be an interesting year, especially the overviewing the new PSAB Compliant Budget format.

Discussion was held regarding the loss of Ontario Municipal Partnership Fund (OMPF) funding. Mr. Kutschke advised that the County has lost approximately \$700,000, Ms. Graham advised that McNab/Braeside has lost approximately \$145,000 and Ms. Morin, Township of Head, Clara & Maria advised that they have lost approximately \$64,000.

Mr. Foss advised that capping information is not yet available.

Mr. Foss completed his overview and thanked the Working Group members for attending today's meeting and advised that a report will be drafted that will go to the April 22, 2010 Finance & Administration Committee meeting. The County of Renfrew budget has been passed but we are awaiting the education tax rates which we will hopefully have by April.

The meeting adjourned at 2:20 p.m.

ONTARIO REGULATION 284/09

made under the

MUNICIPAL ACT, 2001

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BUDGET MATTERS — EXPENSES

Exclusion

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses.

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012.

Commencement

5. **This Regulation is deemed to have come into force on January 1, 2009.**