

Staff Report

Report To: City Council
Report From: Kate Allan, Director of Corporate Services
Meeting Date: November 7, 2022
Report Code: CR-22-093
Subject: 2022 Revenue at Risk

Recommendations:

THAT in consideration of Staff Report CR-22-093 respecting 2022 Revenue at Risk, City Council receives the report for information purposes.

Highlights:

- An estimate for the tax revenue associated with challenged assessment values is termed "Revenue at Risk"
- As a result of delayed reassessment, the 2022 revenue at risk has not increased significantly since 2021, resulting in an estimated surplus relating to tax write-offs of approximately \$200,000.

Strategic Plan Alignment:

This report supports the delivery of Core Service.

Previous Report/Authority:

none

Background:

Although property tax is theoretically one of the most predictable and stable forms of taxation, municipal financial authorities must account for some portion of the levy as being unreliable or "at risk." The task of budgeting

and accruing for potential tax write-downs relating to outstanding assessment appeals is increasingly complex but also increasingly important.

In Ontario, property assessment is determined by an independent corporation called the Municipal Property Assessment Corporation (MPAC). Assessment Cycles are typically four years; however the Province has delayed our most recent reassessment, and as such, all properties are still assessed at 2016 market values. When a property owner does not agree with the value of their property, they may ultimately file an appeal with the Assessment Review Board. Note that for residential property owners, they must first file a request for reconsideration (RfR) with MPAC.

Each year Grey County engages with Municipal Tax Equity (MTE) Consultants Inc. to prepare an Appeal Risk Analytics (ARA) Report.

In more recent history, the City has experienced significant downward assessment adjustments on Commercial tax classes as a result of declining market values.

Those adjustments are as follows:

2015	\$1,023,737
2016	\$696,511
2017	\$346,109
2018	\$360,727
2019	\$1,279,626
2020	\$1,105,559
2021	\$493,667

The annual budget for tax write offs is \$400,000

Analysis:

As a result of delayed reassessment, the 2022 revenue at risk has not increased significantly since 2021. Since assessment is currently based on 2016 market values, existing property owners that are disputing assessment have already submitted their appeals and the only new appeals are likely to come from new growth developments.

While there are some large commercial properties with outstanding appeals, the City needs only to accrue one year of appealed revenue relating to those properties.

In addition, there is one new appeal associated with an institutional tax class that was new on the roll for 2022.

Total tax write-offs forecasted for year-end 2022 are \$189,000. On a budget of \$400,000, the result is a surplus associated with tax write-offs anticipated for 2022 of approximately \$200,000.

While this is a surplus in 2022, Council may want to reconsider decreasing the budget in future years to reflect the temporary positive variances, as once the new assessment cycle is confirmed and in place, it is anticipated that the number of appeals will increase once again and we will continue to see the impacts of multi-year downward assessment adjustments decisions from the ARB.

Financial Implications:

Staff's recommendation for the budget for tax write-offs in 2023 will be presented as part of budget deliberations in early 2023.

The current year's surplus will be combined with the aggregate operating deficit. This surplus will be recommended to be transferred to the tax stabilization reserve as part of year-end reporting.

The most recent update estimated an annual operating deficit of approximately \$80,000.

Communication Strategy:

A year end financial report will be presented to Corporate Services committee at the end of Q1, 2023

Consultation:

MTE Consultants

Attachments:

None

Recommended by:

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact kallan@owensound.ca