



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: March 12, 2018
Report Number: FAF.18.31
Subject: 2017 Property Tax Update
Prepared by: Kris Couture, Tax Collector

A. Recommendations

THAT Council receive Staff Report FAF.18.31, entitled "2017 Property Tax Update" for information purposes.

B. Overview

This report provides Council with an update on property tax information for 2017.

C. Background

The Town of The Blue Mountains levies and collects property tax for Town purposes, on behalf of the County of Grey and the four local school boards, based on assessment values provided by the Municipal Property Assessment Corporation (MPAC). Each year, there is an interim levy in March, a final levy in August, and supplementary levies in September to December, as required. In addition, Town utility arrears (water and wastewater) are transferred to tax roll accounts after four billing periods (8 months) as well as uncollectable department fees and charges that, by legislation, may be added to the tax roll.

The Town remits the County of Grey and the local school boards their portion of the property tax levied, regardless of whether the Town receives payment from the taxpayer. To encourage prompt payment and to offset cash advances from the Town of The Blue Mountains to the County of Grey and local school boards, the Town charges a late payment fee of 1.25% per month, the maximum allowable under the Municipal Act, on tax accounts not paid by the due date and that are in arrears.

To calculate the property tax receivables financial indicator, the amount of property tax outstanding at year end is taken as a percentage of the year's general tax levy, including the county and school boards. Property tax receivable is an indicator of a municipality's financial health. A municipality can increase its cash flow by reducing the amount of property tax outstanding.

Property tax receivable is reported annually to the Province through the Financial Information Return (FIR). Based on the Province’s standards, outstanding tax between 10 - 15% of the annual tax levy is seen as a moderate risk indicator of financial health. Below 10% is seen as a low risk indicator. As of December 31, 2017, the Town tax receivables indicator was 6.5%, down from 9.1% at the end of 2016. Since 2013, consistent collection efforts have reduced the over 3 years’ arrears from \$680,046 to \$51,982. Provincial Bill 68 which passed May 30, 2017 has changed the Municipal Act to enable Tax Registration after 2 years in arrears of tax. A planned review of the Town’s Tax Billing and Collection Policy in 2019 will include this change.

D. Analysis

Assessment Base Management

2017 was the first year of the current 4-year assessment cycle. The increase in properties’ assessment values from January 1, 2012 to January 1, 2016 is phased in over 4 years: 2017 to 2020. Any assessment value decreases were reflected on the roll in 2017.

To ensure the integrity of the Town’s assessment base for taxation, the Municipal Property Assessment Corporation (MPAC) maintains the property assessment roll and the Town provides building permit and development information. Staff will continue to work closely with MPAC to maintain a complete, predictable, and stable assessment roll.

Supplementary Property Tax

For 2017, supplementary assessment for Town purpose taxation raised \$285,125. Assessment Change Event reductions (Assessment Review Board decisions, Request for Reconsideration approvals, Tax Incentive Adjustments, Vacancy Rebates and Section 357 application adjustments) resulted in tax reductions of \$48,804. The net supplementary taxation was therefore \$236,321.78.

Historical Property Tax Receivable

The table below provides property tax receivable from 2013-2017. 2017 arrears include utility arrears, uncollectable department fees receivable, and tax registration fees in the amount of \$84,506.05.

	2013	2014	2015	2016	2017
Current	\$2,364,437	\$2,361,989	\$1,978,424	\$2,014,855	\$1,601,374
Year 1	\$1,461,734	\$1,302,705	\$902,761	\$945,477	\$677,061
Year 2	\$903,648	\$931,672	\$388,836	\$286,128	\$136,636
Year 3+	\$680,046	\$783,882	\$194,098	\$154,220	\$51,982
Total	\$5,409,865	\$5,380,247	\$3,464,119	\$3,400,680	\$2,467,054
Levied	\$33,433,818	\$35,242,238	\$36,035,957	\$37,299,739	\$37,910,398
% Levied	16.2%	15.6%	9.6%	9.1%	6.5%

Penalty/Interest on Tax Arrears

In 2017, the revenue from tax penalty/interest was \$413,535, down from the 2016 figure of \$489,571 because of continued tax collection efforts.

Collection Activities

The Tax Billing and Collecting Policy provides the framework for the administration of the Town's property tax receivables, including the processes to be followed when those accounts fall into arrears.

By year's end 2017, full payment of the Cancellation Price was received for the last two remaining 2016 Tax Registrations.

All four of the Tax Registrations initiated in 2017 were cancelled as the property owners paid the outstanding tax amounts.

In June of 2017, demand letters were sent to property owners liable for Tax Registration in 2017. Follow-up letters were sent in November. Virtually all taxpayers have paid the oldest arrears and made suitable arrangements for continued payment. Consequently, thus far in 2018, no Tax Registrations have commenced.

Demand letters for property owners liable for Tax Registration in 2018 will be sent in June of this year with a follow-up letter in November.

E. The Blue Mountains' Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

Collection of tax arrears improves the Town's cash flow position. Decreased tax receivable proportionately decreases the penalty/interest revenue.

H. In consultation with

Ruth Prince, Director of Finance and IT Services
Municipal Property Assessment Corporation
Municipal and Stakeholder Relations Staff

I. Attached

None.

Respectfully Submitted,

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