TO: Chair and Members
Audit and Administration Committee

WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: March 24, 2010

SUBJECT/REPORT NO:
County of Perth - Residential Farmland Property Tax Resolution (FCS10020) (City Wide) (Outstanding Business List Item K)

SUBMITTED BY:
Antonio D. Tollis
Corporate Services Department

PREPARED BY:
Larry Friday, ext. 2425

SIGNATURE:

RECOMMENDATION:

(a) That the County of Perth’s resolution attached as Appendix “A” to report FCS10020 respecting Residential Farmland Property Tax Concerns, be endorsed; and

(b) That Item “K” is removed from the Audit and Administration Committee outstanding business list.

EXECUTIVE SUMMARY

City Council at its’ meeting of November 11, 2009, considered the attached resolution (Appendix A to report FCS10020), from the Corporation of the County of Perth. This resolution was referred to the General Manager, Finance & Corporate Services, for a report back to the Audit and Administration Committee.
For the reasons outline in this report Staff are recommending that the resolutions on the attached Appendix A be endorsed by Council and that the outstanding Item be removed from the outstanding list.

Alternatives for Consideration – See Page X or Not Applicable

### FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

<table>
<thead>
<tr>
<th>Category</th>
<th>Implication</th>
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<tbody>
<tr>
<td>Financial</td>
<td>None</td>
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<tr>
<td>Staffing</td>
<td>None</td>
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<td>Legal</td>
<td>None</td>
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### HISTORICAL BACKGROUND (Chronology of events)

City Council at its’ meeting of November 11, 2009, considered the attached resolution (Appendix A to report FCS10020), from the Corporation of the County of Perth. This resolution was referred to the General Manager, Finance & Corporate Services, for a report back to the Audit and Administration Committee.

The County of Perth’s resolution identified three issues focusing on Farm properties being taxed at the 2009 residential tax rate. This led to the Municipal Property Assessment Corporation (MPAC) issuing Post Roll Amended Notices (PRANS) to change the tax class from Residential, back to the Farm Class, which is anywhere from 20 to 25% of the Residential tax rate. As this was completed after the budget process, this led to write-offs of tax revenue.

The County of Perth’s second issue related to MPAC making arrangements to have new construction values assessed and on the tax rolls to assist in mitigating losses due to the write-offs required on the Farm properties.

Lastly, due to the Farm tax classification problems in the County of Perth, there was a potential that their Ontario Municipal Partnership Funds (OMPF), may have been less than what they were entitled to. Their budget was overstated by having these properties taxed at a higher level than they should have been which then potentially would lead to them receiving less of a Provincial equalization grant.
POLICY IMPLICATIONS

None

RELEVANT CONSULTATION

Municipal Property Assessment Corporation

ANALYSIS / RATIONALE FOR RECOMMENDATION

In determining whether the same predicament existed in Hamilton, staff consulted with the local MPAC office. Historically, any properties being farmed are identified and listed by MPAC. MPAC provides that list to properties to the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) annually (in March) to confirm if the properties are still being farmed. OMAFRA then mails out applications to those properties to verify they are still being farmed and meet the requirements for farm status. These applications are due back by the end of July. OMAFRA then verifies back to MPAC the properties who have returned the applications and that still qualify for the Farm tax classification. In November, MPAC then finalizes all changes to the assessment roll and delivers the roll in early December to municipalities. If verification has not been received and forwarded to MPAC, the property reverts back to a Residential classification. Municipalities then use the returned roll in which to set their budget and tax policies.

As the process involves two agencies, along with the taxpayers, there is always the potential for applications to be misplaced or returned late. In prior years, there have been similar situations with properties reverting back to Residential class from Farm class due a delay in paperwork. Any applications received after the roll cut-off will be adjusted by MPAC from the PRAN process. These PRANS are then processed by Taxation staff once the budget has been established and tax bills issued, which leads to write-off of taxes for those properties. An analysis of Farm properties in Hamilton changed in 2009 shows 79 properties for a total tax class assessment change of $15,224,756, leading to a municipal write-off of approximately $170,000. This is not out of the ordinary, as to the annual process, and is budgeted for as part of our tax remissions and write-offs.

Perth County’s second issue is with MPAC providing timely updates to the assessment rolls for all building activity. City staff and the local MPAC office have, over the last few years, worked together to ensure that our building activity information is provided, in a timely manner, from the Building Department to MPAC. Our building permit activity is
now provided in electronic format to both MPAC and tax staff. Taxation staff is actively monitoring these lists, concentrating on commercial and industrial developments, to ensure they are added to the roll, on a timely basis for billing purposes. Taxation and MPAC staff meets, on a weekly basis, covering a range of issues and are satisfied that our process with MPAC is working effectively.

The last issue on Perth County’s resolution dealt with the potential impact on their OMPF grant calculation from the Province. The OMPF grant is calculated based on total assessment values for the municipality. As the values of the properties in Hamilton did not change (only the tax class changed), there would be no negative impact on our OMPF grant. For municipalities that have limited property assessments, due to a significant amount of farmland and or managed forest properties, the Province provides a further equalization grant. This does not apply for Hamilton, but it, more than likely, would for the County of Perth.

**ALTERNATIVES FOR CONSIDERATION:**
(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None

**CORPORATE STRATEGIC PLAN**  (Linkage to Desired End Results)


**Financial Sustainability**

• Effective and Sustainable Growth Management

**APPENDICES / SCHEDULES**

Appendix A - Corporation of the County of Perth Resolution.
Resolution of Perth County Council regarding Residential–Farmland Property Tax Concerns

Recommendation: R2009-496(Amended)
Moved by Councillor Hollinger
Seconded by Councillor McKay

WHEREAS the 2009 Provincial assessment data included incorrect values in the Residential class that should have been included in the Farmland class; and

WHEREAS such incorrect values will be adjusted by MPAC for the affected taxpayers by the Post Roll Amended Notices, but for which such adjustments may create a budget shortfall for municipalities by having to write-off the differences; and

WHEREAS outstanding building permits not processed in a timely manner affect municipalities’ revenue and could offset such write-offs; and

WHEREAS incorrect values in the RT and FT class have an impact on the OMPF calculations for both 2009 and 2010;

NOW THEREFORE BE IT RESOLVED THAT MPAC be requested to provide additional, proactive reporting to municipalities to disclose such pending assessment changes in the future; and

THAT MPAC be requested to process the outstanding building permits to ensure that no Assessment revenue is lost, and that new permits be processed in a timely manner; and

THAT the Ministry of Finance be requested to reconcile the 2009 OMPF, and to adjust the 2010 OMPF calculations to their proper values; and

THAT a copy of this resolution be forwarded to the Hon. John Wilkinson, MPP, Eastern Wardens Caucus, the Western Warden Caucus, the Association of Municipalities of Ontario (AMO) for circulation, the Ontario Federation of Agriculture (OFA), the Christian Farmers Federation of Ontario (CFFO), and the National Farmers Union of Ontario (NFU) for support.

Carried

The Council of the County of Perth requests support for the above motion. Contact is:
Renato Pullia, Director of Corporate Services/Treasurer
519-271-0531 ex 210 FAX 519-271-6265 rpullia@perthcounty.ca

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