SUBJECT: Local MPAC Costs (FCS09103) (City Wide) (Item I of Audit and Administration Committee Outstanding Business List)

RECOMMENDATION:

a) That report FCS09103 “Local MPAC Costs” be received for information;

b) That the City of Hamilton endorse the City of Ottawa’s resolution (Appendix “A” to report FCS09103) with respect to provincial funding of Municipal Property Assessment Corporation (MPAC) costs in relation to education taxes;

c) That a copy of report FCS09103 be forwarded to the Province, in addition to a formal request by the City of Hamilton Council that Hamilton’s local MPAC costs be shared by the City of Hamilton and the Province in the same proportion that the City of Hamilton and the Province (school boards) share in the revenue from property taxes; and

d) That Item I “Local MPAC Costs” be removed from the Audit and Administration Committee Outstanding Business List.

Roberto Rossini
General Manager, Finance & Corporate Services
Corporate Services Department

EXECUTIVE SUMMARY:

The City of Hamilton’s share of the Municipal Property Assessment Corporation (MPAC) costs is provincially legislated. As such, the City has no control with respect to the amount billed by MPAC. The City of Hamilton’s 2009 cost share was $5.6 million.
Council has requested that “staff provide information and recommendations respecting local MPAC costs and how they can be contained”. In response to this request, staff have provided a summary of how MPAC is funded and an option to contain or lower Hamilton’s share of these costs. The recommended revision to the cost sharing arrangement is consistent with the City of Ottawa’s Council resolution (March, 2008) which states, “that the City of Ottawa request that the Province of Ontario pay a proportional share of MPAC costs related to education property taxes” (Appendix “A” to report FCS09103).

Currently, MPAC determines its funding requirement net of own source revenues and allocates these costs directly to all municipalities. The Province is not assigned a share of these costs, even though the assessment information is used in determining the education taxes on behalf of the Province. In 2007 and 2008, however, the Province was billed for MPAC costs incurred for the Provincial Land Tax reform project and for the implementation of the four-year phase-in assessment cycle. This would not be an ongoing source of revenue for MPAC.

If the Province was required to pick up a share of Hamilton's local MPAC costs in the same proportion as it shares in the total property taxes collected, this would result in a reduction of $1.2 million in Hamilton’s share of these costs (based on 2009 figures).

This recommended revision to the cost sharing agreement would require legislative change, as the funding formula is dictated under Section 12 of the Municipal Property Assessment Corporation Act, 1997.

**BACKGROUND:**

The Municipal Property Assessment Corporation (MPAC) provides municipalities with the assessment information needed for taxation purposes. In return for this service, all municipalities must share in MPAC’s total net cost (provincially legislated).

MPAC apportions its cost to municipalities based on a formula legislated under the Municipal Property Assessment Corporation Act, 1997. The formula is described in MPAC’s annual funding requirement letter to municipalities as follows: “reflects the proportionate relationship of an individual municipality’s assessed values and total property count to the totals for all municipalities in Ontario. These two indicators are averaged to reflect a 50 per cent weighting for total assessed value and a 50 per cent weighting for total number of properties.”

Attached is the 2009 supporting documentation provided by MPAC utilizing this legislated formula (Appendix “B” of report FCS09103). As per Appendix “B” of report FCS09103, for 2009, the City of Hamilton comprises 3.1% of the total provincial assessment and 3.5% of the total number of properties in the Province. The sum of these two amounts (3.1%+3.5%) equates to 6.6%. Based on the legislated formula, this amount is then divided by two (for an average), resulting in the City of Hamilton being allocated 3.3% (6.6%/2) of the 2009 total MPAC cost of $171 million.
As shown in the following Table, the City of Hamilton’s share of the total MPAC net cost has remained at approximately 3.3% since 2004:

<table>
<thead>
<tr>
<th>Year</th>
<th>Hamilton's Allocation</th>
<th>Total MPAC Cost</th>
<th>Hamilton's % share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$4,759,445</td>
<td>$141,800,000</td>
<td>3.36%</td>
</tr>
<tr>
<td>2005</td>
<td>$4,870,337</td>
<td>$146,054,000</td>
<td>3.33%</td>
</tr>
<tr>
<td>2006</td>
<td>$5,020,133</td>
<td>$150,435,620</td>
<td>3.34%</td>
</tr>
<tr>
<td>2007</td>
<td>$5,263,337</td>
<td>$158,483,926</td>
<td>3.32%</td>
</tr>
<tr>
<td>2008</td>
<td>$5,444,295</td>
<td>$164,664,799</td>
<td>3.31%</td>
</tr>
<tr>
<td>2009</td>
<td>$5,640,461</td>
<td>$170,757,396</td>
<td>3.30%</td>
</tr>
</tbody>
</table>

Note: Total MPAC Cost = Funding requirement net of own source revenues (= total municipal contribution)

Small deviations in Hamilton’s percentage share occurs as a result of either Hamilton’s assessment or number of properties increasing or decreasing in proportion to the total assessment or number of properties in the Province.

The annual increase in Hamilton’s contribution to MPAC is more significantly driven by MPAC’s annual budget. In addition to inflationary pressures, the planned movement to annual reassessments (altered by the Province in 2007) and the implementation of the Ontario Ombudsman’s recommendations are the main cost drivers in MPAC’s annual budgetary increases. MPAC’s annual budget is approved by their Board of Directors.

ANALYSIS/RATIONALE:

The assessment information provided by MPAC is used for determining and ultimately collecting taxes for both municipal and education purposes. Municipal enumerations are also conducted by MPAC, used for both municipal and school board elections. Currently only municipalities pay for MPAC net costs. This funding arrangement does not recognize that the Province, not just municipalities, receives a benefit from these services provided by MPAC. As shown in the following Table, if the Province were required to share in Hamilton’s local MPAC costs in the same proportion as the Province shares in the revenue from property taxes, the City of Hamilton’s allocation would be reduced from $5.6 million to $4.4 million, representing a $1.2 million reduction.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Taxes</th>
<th>Municipal</th>
<th>Education</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$827,030,147</td>
<td>$649,061,131</td>
<td>$177,969,016</td>
<td></td>
</tr>
</tbody>
</table>

2009 City of Hamilton's MPAC allocation $5,640,461 100%

Revised MPAC allocation:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Hamilton</td>
<td>$4,426,687 78%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Province</td>
<td>$1,213,774 22%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$5,640,461</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 2009 Municipal and Education taxes as per City of Hamilton By-law 09-082 “A By-law to Set and Levy the Rates of Taxation for the Year 2009”
ALTERNATIVES FOR CONSIDERATION:

Other potential alternatives to contain local MPAC costs include:

- Request more municipal control of MPAC costs, since it is largely funded by municipalities. MPAC’s 15-member Board of Directors is comprised of 8 municipal representatives, 5 taxpayer representatives and 2 provincial representatives. The Minister of Finance appoints all members of the Board. One alternative is to request greater municipal representation. This would require legislative change, as the composition of the Board of Directors is dictated under Section 3(2) of the Municipal Property Assessment Corporation Act, 1997.

- Revised cost sharing formula. Changes to the funding formula could be considered (i.e. the current formula weights both assessment and property count equally). Hamilton would benefit if it was strictly based on assessment, or more weight was put on assessment than on property count. Other variables could be considered in the formula. Changes to the funding formula is permitted under Section 12(3) of the Municipal Property Assessment Corporation Act, 1997 (“Different Method of Calculating the Amount”), however it requires approval by at least 2/3 of the Board of Directors as well as from the Minister of Finance.

Although these alternatives could have some benefit, the recommended option of allocating cost to the Province would be the most advantageous.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

If Hamilton’s local MPAC costs were shared with the Province in the same proportion that the City of Hamilton and the Province (school boards) share in the revenue from property taxes, Hamilton’s annual MPAC costs would be reduced by approximately $1.2 million (based on 2009 figures).

POLICIES AFFECTING PROPOSAL:

N/A.

RELEVANT CONSULTATION:

Consulted with City of Ottawa staff with respect to their Council resolution (Appendix “A” to report FCS09103).
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. □ Yes  ☑ No

Environmental Well-Being is enhanced. □ Yes  ☑ No

Economic Well-Being is enhanced.  ☑ Yes  □ No

Does the option you are recommending create value across all three bottom lines?  □ Yes  ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? □ Yes  ☑ No
The Council of the City of Ottawa, at its meeting of 26 and 27 March 2008, adopted the following resolution:

WHEREAS the work of the Municipal Property Assessment Corporation provides services to both municipal governments and the provincial government for the purpose of collecting property taxes; and

WHEREAS Ontario municipalities pay for MPAC services and costs and the Province does not;

THEREFORE BE IT RESOLVED that the City of Ottawa request that the Province of Ontario pay a proportional share of MPAC costs related to education property taxes; and

BE IT FURTHER RESOLVED that the City of Ottawa communicate this request to MPAC Board of Directors, LUMCO, MARCO and AMO’s Regional and Single Tier Caucus to solicit the support for this request.

BE IT FURTHER RESOLVED that the City of Ottawa communicate this request to the Association of Municipalities of Ontario for distribution to their membership.

City of Ottawa
110 Laurier Avenue
Ottawa, ON
K1P 1J1

Attention: Dawn Whelan, Council Coordinator
Telephone: 580-2424, Ext. 21837
Facsimile: 580-9609
E-mail: dawn.whelan@ottawa.ca

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SUPPORTING INFORMATION FOR THE CALCULATION OF 2009 PROPERTY ASSESSMENT SERVICES AND SUPPORT COSTS

Municipality: HAMILTON CITY

Cost-Recovery Formula: 

\[
\frac{(A+B)}{2} \times C
\]

Total 2009 MPAC Cost: 

\( C \) \$170,757,396.32

<table>
<thead>
<tr>
<th>Total Assessment</th>
<th>Total Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>HAMILTON CITY</td>
<td>164,821</td>
</tr>
<tr>
<td>Province</td>
<td>4,684,251</td>
</tr>
</tbody>
</table>

% Of Total: 

\( A \) 0.030877829455 \( B \) 0.035186201593

Calculations:

\[\begin{align*}
(A+B) & \quad 0.066064031049 \\
(A+B)/2 & \quad 0.033032015524 \\
(A+B) \times C/2 & \quad 5,640,460.97
\end{align*}\]

Annual Total: $5,640,460.97
Quarterly Payment: $1,410,115.24

\( A \) is the proportion that the total assessment on all property in the municipality bears to the total assessment of all property in Ontario;

\( B \) is the proportion that the total number of properties set out in assessment rolls returned in the municipality bears to the total number of properties set out in all assessment rolls returned to all municipalities in Ontario plus the total number of properties in the provincial land tax register or the provincial land tax roll;

\( C \) is the amount that the Corporation considers necessary to pay for its operations during a taxation year.