

To:	Warden Hicks and Members of Grey County Council
Committee Date:	March 24, 2022
Subject / Report No:	CAOR-CC-03-22
Title:	Consideration of Redirection of Supplemental Assessment
Prepared by:	Kim Wingrove and Mary Lou Spicer
Reviewed by:	
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Council as presented per Resolution CC32-22 March 24, 2022

Recommendation

1. That Report CAOR-CC-03 22 Consideration of Redirection of Supplemental Assessment be received for information.

Executive Summary

Supplemental assessment is one aspect of the reconciliation of the total value of a municipality's assessment roll. Other aspects that affect a municipality's net revenue include omitted assessment and write offs. Treating supplemental assessment as "found money" and considering it in isolation would be making decisions without a complete understanding of the complete financial situation. Council is asked to consider three issues related to the implications of redirecting supplemental assessment:

1. Redirecting supplemental assessment in excess of budget to member municipalities, would require the county to modify its existing tax and reserve policies. Significant time and external expertise was put into developing these and the same effort would be required to undertake the changes necessary to support redirecting supplemental assessment while avoiding unintended long term consequences to the County's financial position.
2. Under the proposal to redirect supplemental assessment, those municipalities whose supplemental assessment are less than budget would create a budget shortfall and result in a tax increase in future years. Currently, the county directs supplemental assessment to the One Time Funding Reserve to assist in smoothing the impact of funding losses or new revenue requirements.
3. Making this decision now, after the 2022 budget has been approved will impact our year-end financial position.

Grey County is working collaboratively with member municipalities on a project to improve the accuracy and completeness of the assessment roll, for the benefit of all.

Background and Discussion

On March 10, 2022 Council supported a notice of motion that would direct the County to return to any member municipality the County’s portion of supplemental assessment revenue that is in excess of the amount they had budgeted for the purpose of funding their Community Improvement Plan. Discussion after the vote supported staff bringing forward this report to further examine the implications of enacting such a policy.

The Assessment Roll

MPAC is responsible for assessing and classifying each property in a municipality by looking at direct comparisons of sales values (residential, farms), the kind of income a property could generate (commercial, industrial) or the cost to replace its structures or the value of the land (aggregates, grain elevators, warehouses). The list of all the properties in the County and their assessed value is returned to the County as the assessment roll. When the County passes its budget annually, its levy requirements are apportioned to each property tax class via a tax ratio. The value of each property multiplied by the ratio raises the required levy amount. Due to COVID-19, the reassessment cycle has been paused and valuation is based upon 2016 CVA with the next reassessment cycle scheduled for 2024.

Changes to the Assessment Roll

Throughout the year there are changes to individual properties, supplemental assessment is only one portion of this. MPAC is continually making updates to the roll to reflect changes as they are aware of them. Requests for reconsideration can sometimes take many years to resolve and may involve substantial sums.

Supplemental Assessment	New homes, additions or renovations to existing homes or a sale of property can increase the assessed value of a property. Increases also happen when a property changes tax class (residential to commercial), loses a tax exemption (from church to residential) or loses an exemption (for farm or managed forest). These valuation changes increase the County’s total assessment base. Depending on the value of the change MPAC may issue a Property Assessment Change Notice and the property would receive a supplementary tax bill in year.
RFRs	Resolutions to Requests for Reconsideration might decrease the assessed value of a property and the County’s overall assessment value. There may be a requirement for the municipality to refund taxes paid. RFRs may also lead to increase to the value of a property.
Omitted Assessment	Land that should have been assessed for the current year or any part of the previous two years. Some property valuation changes are

	not recognized immediately (vacant land to another use, farm exemptions carrying over when the property is sold)
Write Offs	Demolitions or fires where there were taxes paid for a part of year that should be returned due to the loss of the structure and corresponding decrease in property value

Municipalities can review the assessment roll and the changes that are occurring on MPAC’s site throughout the year. The final value of the assessment roll is normally delivered to the County in December and reflects the status of properties, as MPAC knows them including “supps, omits and write offs” for the tax year.

Evaluating only the supplemental assessment fails to account for the assessment reductions that also happen and provides an incomplete picture of the true amount of assessed value of properties within Grey County. Forecasting supplemental assessment is not an exact science and in order to implement a change such as suggested, specific policies would be required to guide the calculation.

Assessment Growth and County Spending

The pause in reassessment and the use of 2016 destination values has no implications for how growth is measured, the manner in which it impacts our tax base, or the amount of growth that we will see. Growth refers to new revenue from new taxpayers, or taxpayers that have improved or changed their properties. The growth for 2021 of \$1,184,400 comes directly from the returned roll provided by MPAC. This growth also sets the starting point for 2022.

When developing the 2022 budget, staff took into consideration the following factors:

- the 2021 growth number from the MPAC returned roll
- estimated supplemental assessment based on the Preliminary New Assessment Forecast Report available from MPAC and compared with the average of the five previous years
- estimated the assessment at risk from significant appeals.

The following chart shows that after considering these factors, net revenue of \$1,580,700 after write offs was included in the 2022 budget.

2022 Budgeted Tax Revenue	
Category	Amount
New Assessment Growth	\$1,184,400
Supplementary Taxes	\$1,053,300

Payments in Lieu of Taxes	\$ 10,400
Subtotal – Revenue	\$2,248,100
Less: Write Offs	(\$ 667,400)
Net Budgeted Revenue	\$1,580,700

When the net revenue at year-end exceeds the budgeted amount, funds are transferred to the corporate stabilization reserve (One-Time Funding Reserve). Funds also come into the reserve from other sources such as year-end surplus and these funds are then used for a variety of initiatives including the following:

- to assist with budgetary pressures in other County operations
- to fund projects that exceed budget or are unbudgeted undertakings in a current budget year
- to fund initiatives in a future budget year such as the \$610,500 contribution made in 2021 to a County affordable housing reserve or the 2022 contributions of \$1,000,000 provided to Georgian College to support the implementation of a four-year BScN program and \$200,000 to assist with completing 35.5 km of trail grading and stone dusting in the County Rail Trail network
- for other Corporate purposes as identified by Council

A survey of County treasurers indicated that most budget for supps and write off based on comparing with the previous 5 years’ actuals with any surplus used to apply to in- year deficits or transferred into a stabilization reserve. Correspondingly, member municipality treasurers that responded indicated that surplus funds from supps and write offs typically go to reserves, typically tax stabilization and/or capital. In Table 1. below, supplemental revenue exceeds budget by \$40,000; based on the current reserve policy, a surplus of \$40,000 would be transferred to the One Time Funding Reserve.

Table 1: Example of Current Treatment of Supplemental Assessment

Current Practice	Budget	Actual	Surplus/(Deficit)
Municipality A	\$ 70,000	\$90,000	\$20,000
Municipality B	\$ 70,000	\$50,000	(\$20,000)
Municipality C	\$ 40,000	\$80,000	\$40,000
Total Supplemental Revenue	\$180,000	\$220,000	\$40,000

Using the same budget and actuals in the example below in Table 2, the notice of motion would require the County to return \$20,000 to Municipality A and \$40,000 to Municipality C. Municipality B with \$20,000 less in supplemental revenue than budgeted would result in a budget deficit of \$20,000 that would require funding by a transfer from reserve.

Table 2: Example of Proposed Treatment of Supplemental Assessment

Proposed Practice	Budget	Actual	Surplus/(Deficit)
Municipality A	\$ 70,000	\$90,000	\$20,000
Municipality B	\$ 70,000	\$50,000	(\$20,000)
Municipality C	\$ 40,000	\$80,000	\$40,000
Total Supplemental Revenue	\$180,000	\$220,000	\$40,000
Cheque to Municipality A			(\$20,000)
Cheque to Municipality C			(\$40,000)
Net Supplemental Budget Deficit			(\$20,000)

Collaborative Efforts with Member Municipalities

After consultation with member municipalities, the County retained Municipal Tax Equity Consultants Inc. (MTE) to conduct an assessment roll audit for all member municipalities with the exception of the City of Owen Sound as they had procured their own audit. The goal of the audit is to improve the quality, accuracy and completeness of the assessment roll by identifying potential errors and/or omissions on the roll in order to support the effective pursuit of increased tax revenue.

Each municipality received their audit reports in February 2022; in a group call with MTE a high level overview of the reports was discussed as well as next steps that include MTE sending each municipality a spreadsheet of recommended properties to be forwarded to MPAC for review. Once municipalities confirm the properties on this list, MTE will work with MPAC and then report back this fall on both the assessment and revenue outcomes. This work supports the member municipalities as there is minimal work required on their part and it is in the best interest County wide to ensure the roll is as accurate and complete as possible. The project cost for this work was \$14,500 excluding HST.

In a recent Grey and Bruce Counties call with MPAC, attendees were advised that MPAC is launching a new process to measure permit accuracy titled "Permit Pulse". MPAC will provide a municipality's building department with a document displaying counts for permits issued, with information by month issued, month of occupancy and month of final date from 2017-2022. Building departments can then compare against their permitting system, identify any discrepancies and work with MPAC to reconcile information. MPAC advised that this process will be completed on a regular basis (annually or bi-annually) to ensure all permit information is received and up to date.

MTE advised during the call with member municipalities that they also can provide a service whereby they utilize analytics to generate a report to advise of areas requiring attention.

If Council is interested in further information from MTE and/or MPAC, staff will arrange a presentation to Committee of the Whole.

Legal and Legislated Requirements

Under the Municipal Act (2001), S. 289 (1) For each year, an upper-tier municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality, including,

- a) amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;
- b) amounts required to be raised for sinking funds or retirement funds;
- c) amounts in respect of debenture debt of lower-tier municipalities for the payment of which the upper-tier municipality is liable; and
- d) amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards.

Financial and Resource Implications

Redirecting supplemental assessment without considering the total financial impact to the County and member municipalities will have long term, negative impacts for both the County and member municipalities. Should Council wish to pursue this change, a project to change the County's tax and reserve policies will need to be completed and will require external consulting resources which have not been budgeted in 2022. If the redirection was to be undertaken for 2022, this would have a budget impact to the County as the budget has already been passed.

Relevant Consultation

Internal -Sue Murray, Manager of Accounting and Budgets

External MTE Tax Consultants

Appendices and Attachments - none