

Summary

Attached is a presentation made by MPAC at a Municipal Finance Officers' Association meeting in January which details the functions conducted by MPAC.

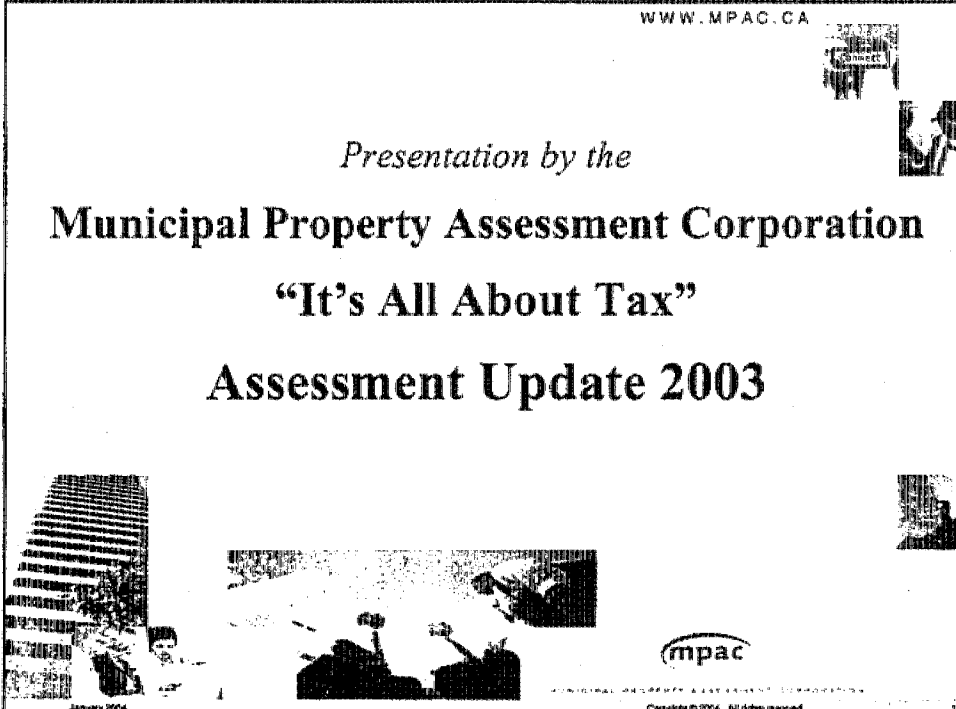
A letter from MFOA to Bob Richards (CAO of MPAC) outlining concerns relating to service delivery issues is attached.

Also attached is a resolution from the City of Sarnia requesting the Minister of Finance to review MPAC's role and to attempt to improve its quality control.

In summary, the issue of property assessment is important to municipalities and most municipalities are taking a more active role in ensuring the accuracy of assessments.

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Presentation by the
Municipal Property Assessment Corporation
"It's All About Tax"
Assessment Update 2003



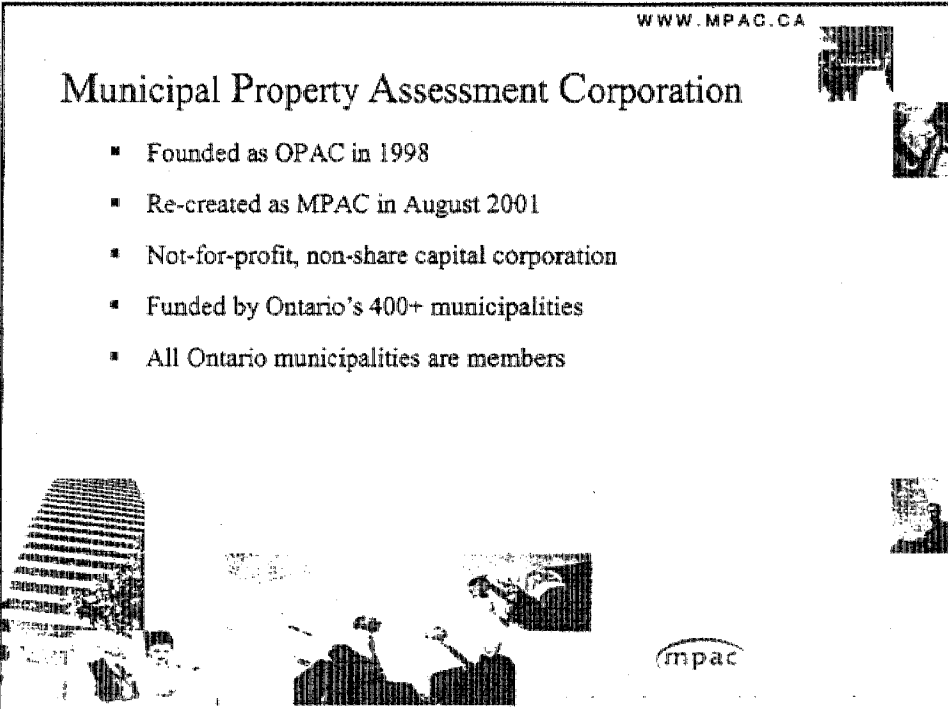
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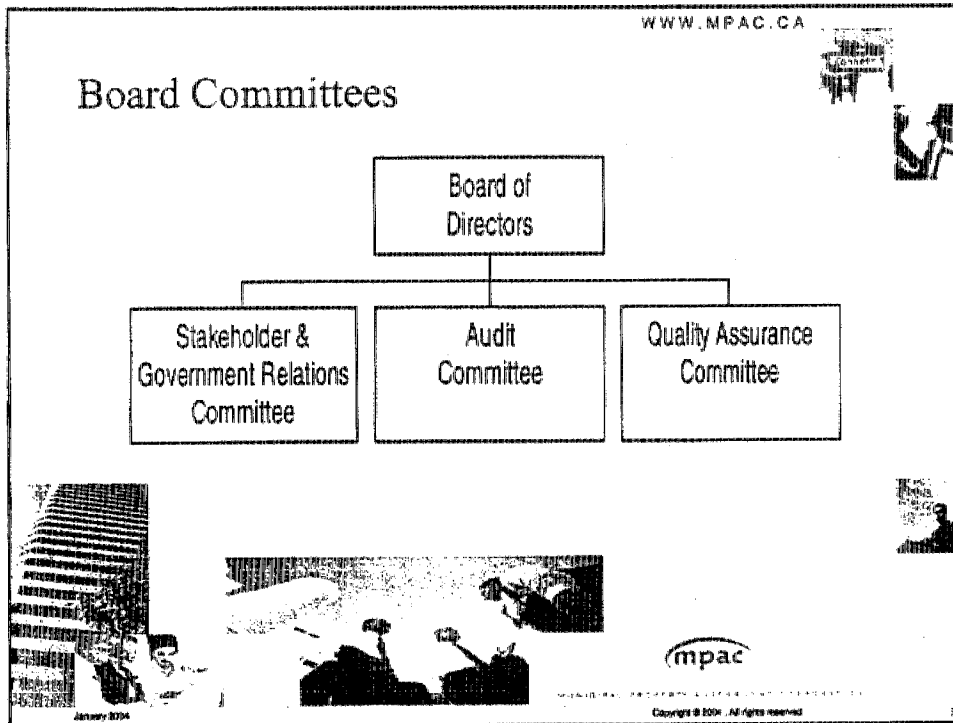
Municipal Property Assessment Corporation

- Founded as OPAC in 1998
- Re-created as MPAC in August 2001
- Not-for-profit, non-share capital corporation
- Funded by Ontario's 400+ municipalities
- All Ontario municipalities are members

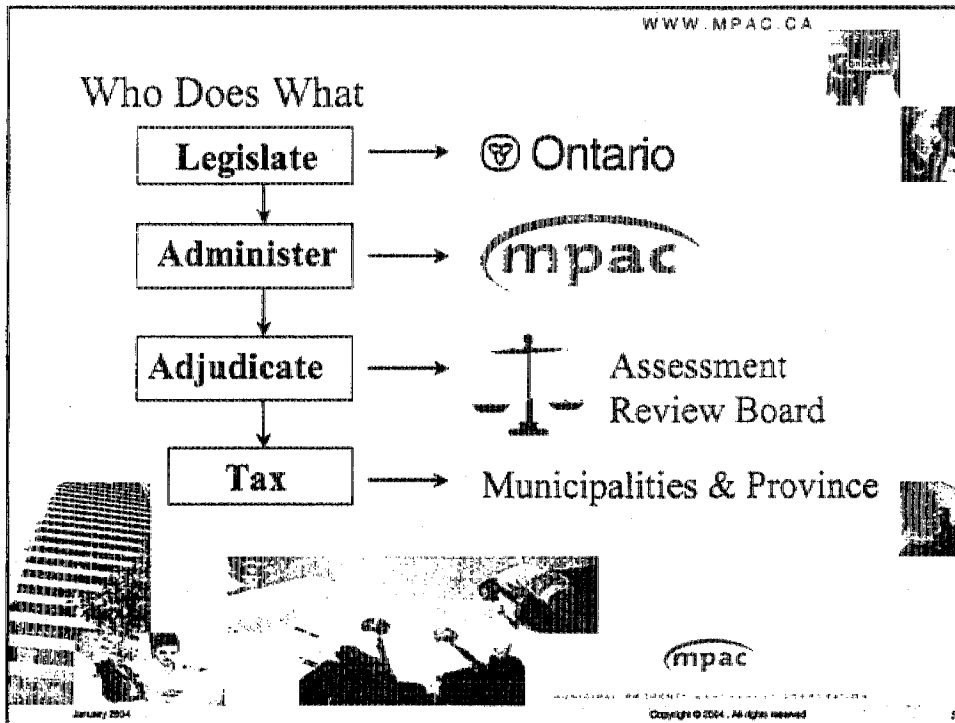


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- WWW.MPAC.CA
- ### What **mpac** Does
- perform annual assessments
 - perform triennial enumeration
 - collect information for:
 - school support choices
 - French language education rights
 - voter identification
 - municipal & school board planning purposes
 - jury duty lists
 - population reports
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Facts and Figures

- Over 4.3 Million properties
- total assessed value over \$1.15 Trillion
- basis for over \$15 Billion in municipal and provincial education revenue


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Facts and Figures

- database contains over 2.4 Billion elements
- 1,500 employees in 37 MPAC offices
- \$156 Million budget



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Facts and Figures

- roll quality exceeds all accepted assessment standards as set by the International Association of Assessing Officers
- MPAC cost per property of less than \$34 is lower than comparable assessment authorities



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2001 Base Assessment Update Excellent Quality

Roll quality exceeds all accepted assessment standards


Property Type	Median Assessment-to-Sale Ratio			Coefficient of Dispersion (%)			Price Related Differential		
	IAAO Standard	MPAC Res KPI	2001 Results	IAAO Standard	MPAC Res KPI	2001 Results	IAAO Standard	MPAC Res KPI	2001 Results
Residential / Farm	.90-1.10	.98-1.02	0.99	<15.0	<8.0	7.18	.98-1.03	.98-1.02	1.01
Multi-Residential	.90-1.10	--	0.98	<20.0	--	9.35	.98-1.03	--	1.01
Commercial / Industrial	.90-1.10	--	0.97	<20.0	--	16.23	.98-1.03	--	1.03


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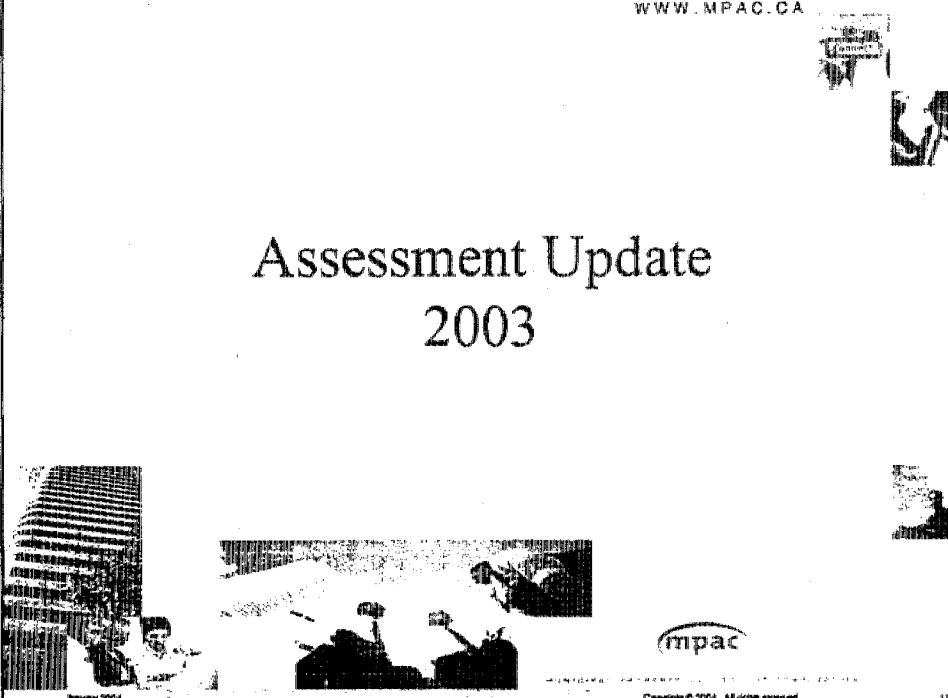
Important Dates

Assessment Notices mailed	November 3 to December 1, 2003
Assessment Roll return	December 16, 2003
Requests for Reconsideration	Available throughout 2004
Appeal Deadline	March 31, 2004 assessed values for 2004 taxation
Vacancy Rebate Applications	March 1, 2004 deadline for 2003 vacant commercial, industrial units


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Assessment Update 2003



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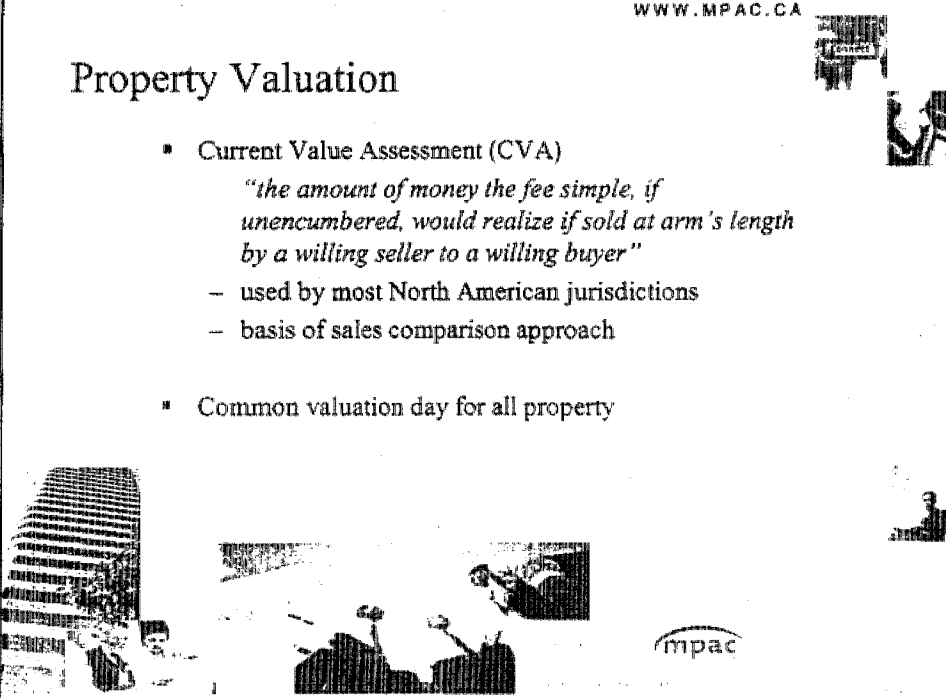
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Property Valuation

- Current Value Assessment (CVA)
 - "the amount of money the fee simple, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer"*
 - used by most North American jurisdictions
 - basis of sales comparison approach
- Common valuation day for all property



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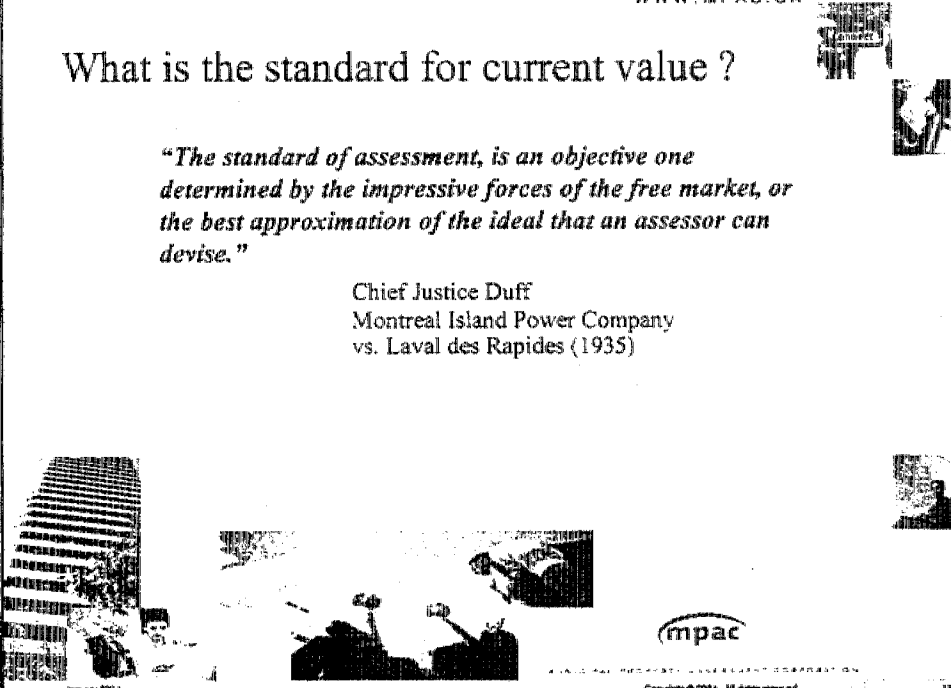
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What is the standard for current value ?

"The standard of assessment, is an objective one determined by the impressive forces of the free market, or the best approximation of the ideal that an assessor can devise."

Chief Justice Duff
Montreal Island Power Company
vs. Laval des Rapides (1935)



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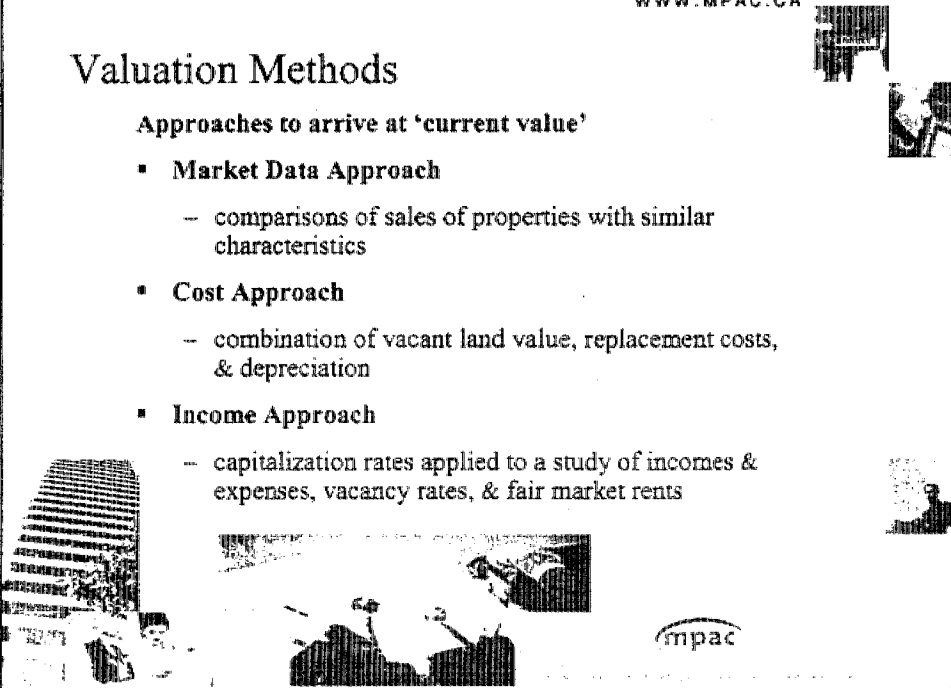
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Valuation Methods

Approaches to arrive at 'current value'

- **Market Data Approach**
 - comparisons of sales of properties with similar characteristics
- **Cost Approach**
 - combination of vacant land value, replacement costs, & depreciation
- **Income Approach**
 - capitalization rates applied to a study of incomes & expenses, vacancy rates, & fair market rents



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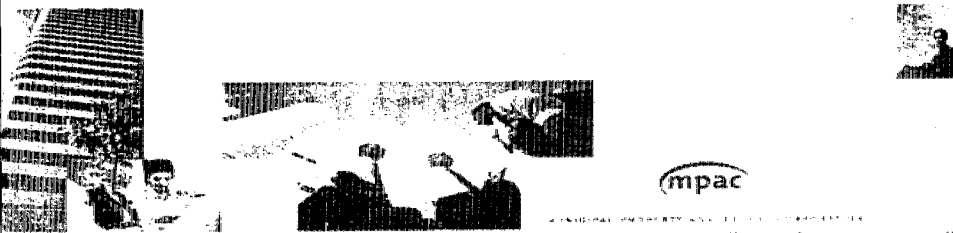
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Overview: Sales Comparison Approach

- Best approach for residential properties
- Values determined by sold properties
- Multiple Regression Analysis (MRA)



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Overview: Cost Approach

The 'Bricks & Mortar' approach

- Principle of Substitution
- Direct Costs
- Indirect Costs
- Reflects reasonable profit margins
- Represents typical costs for local market in base year



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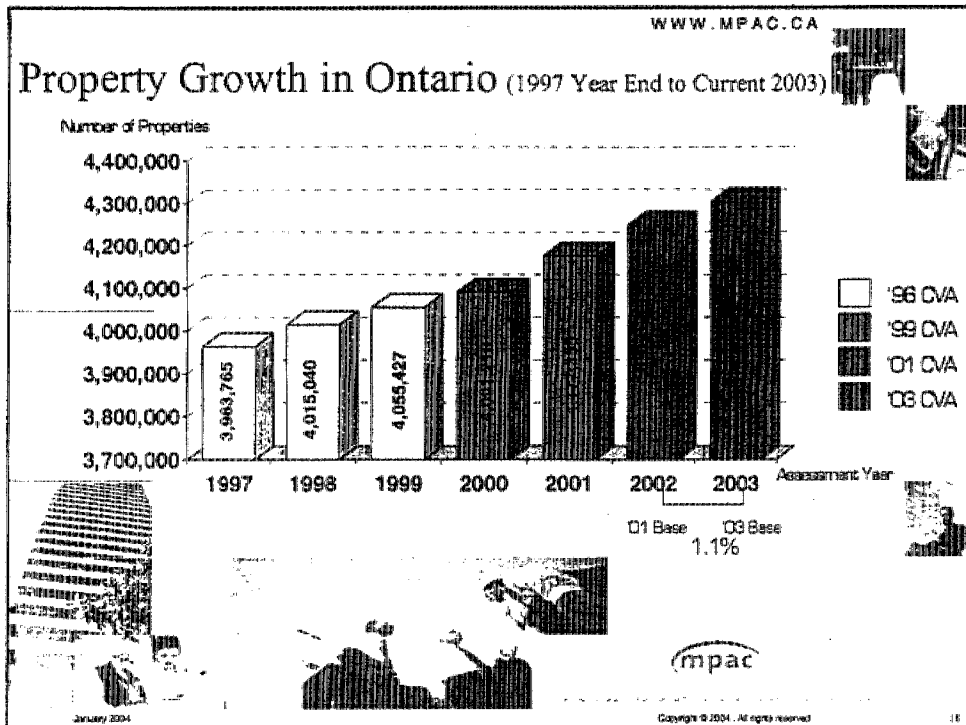
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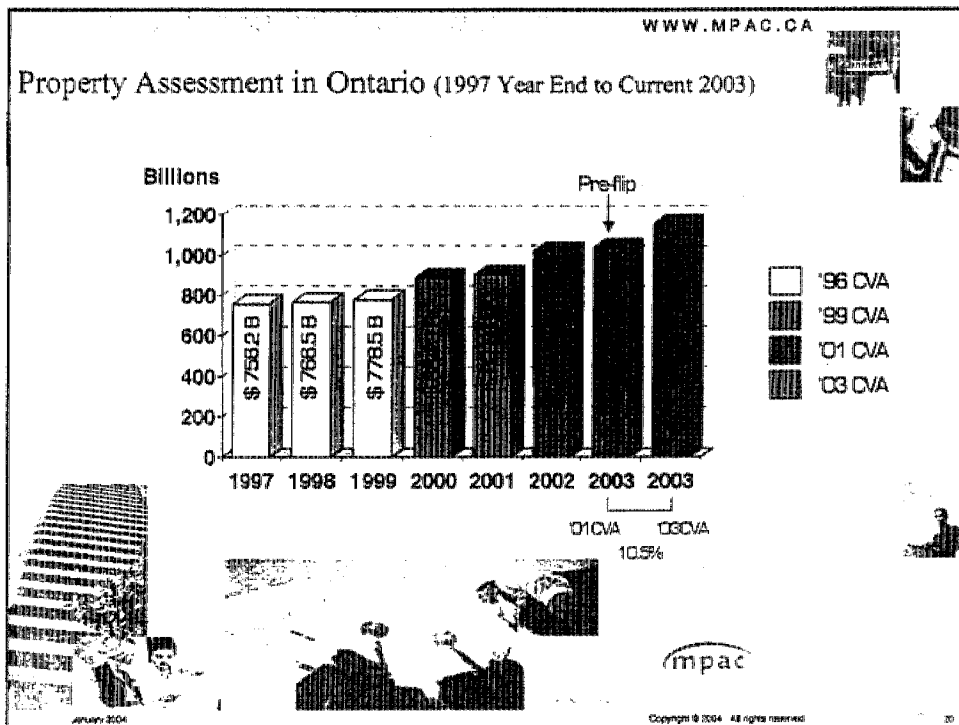
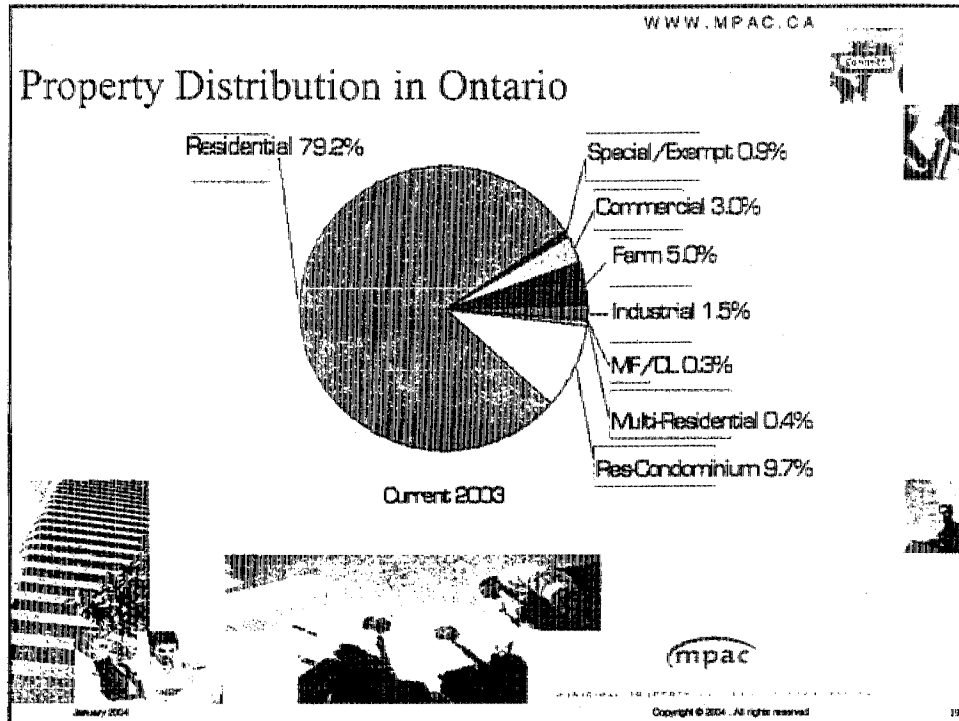
Overview: Income Approach

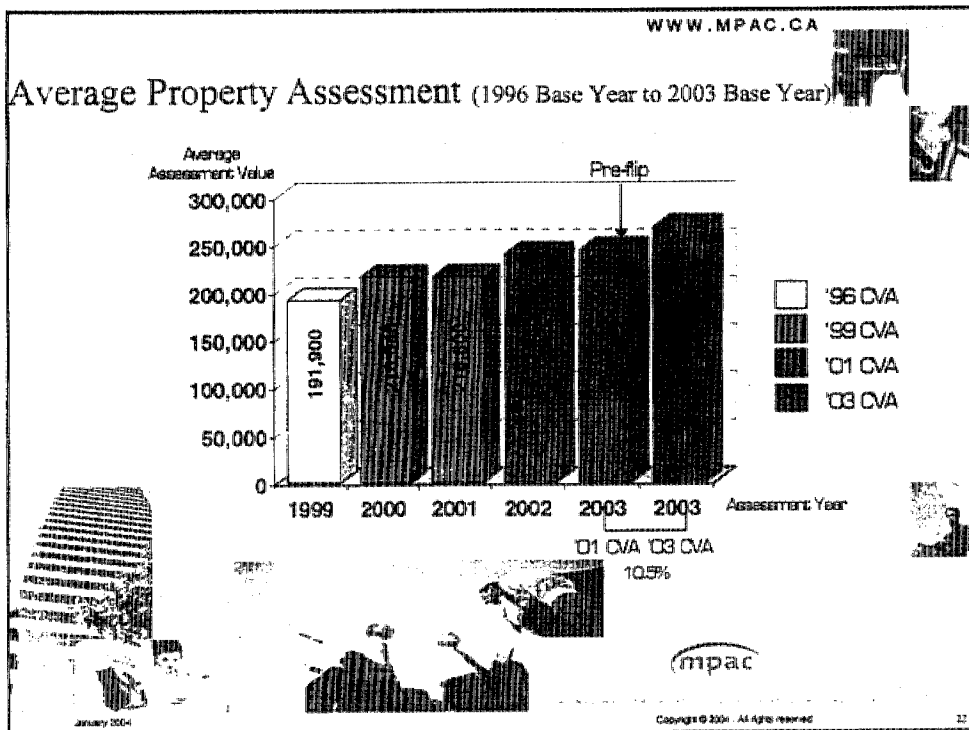
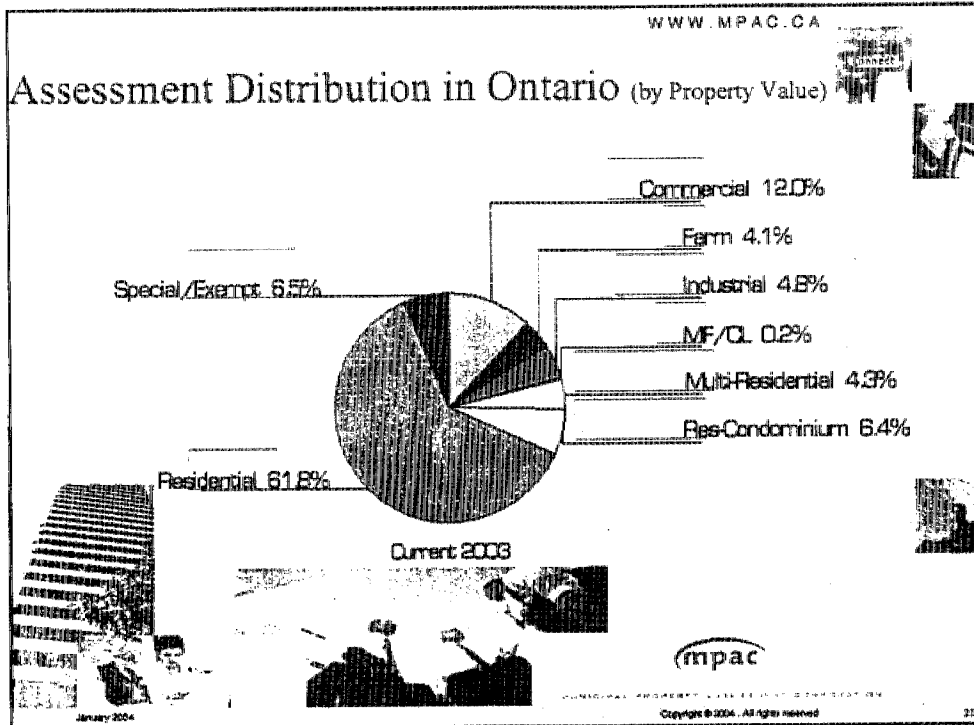
The 'Investor's' Approach

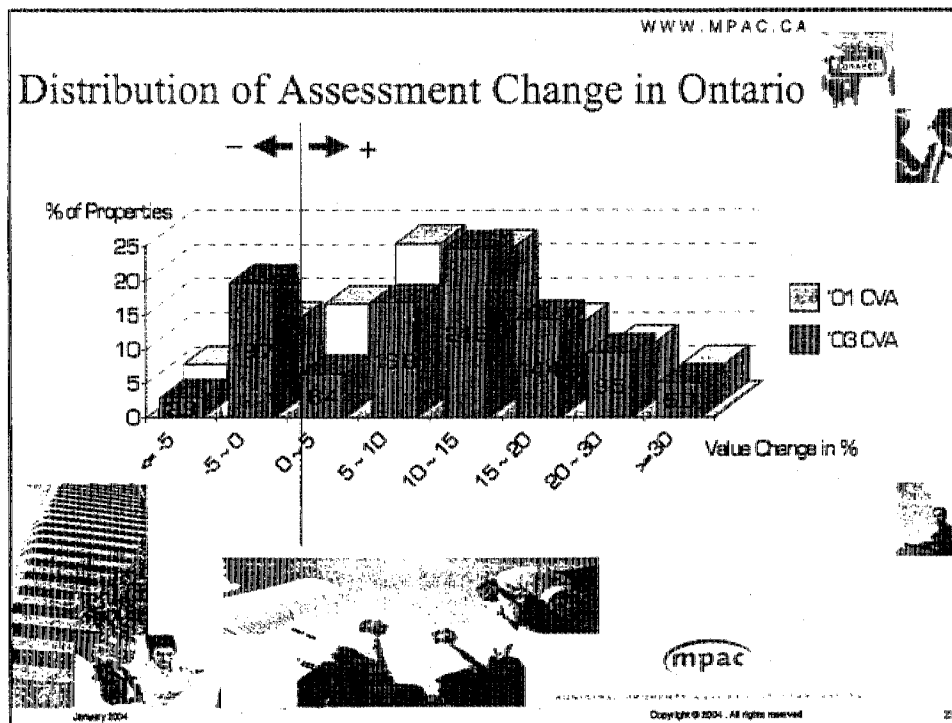
- What investors should pay in exchange for expected return
- Principle of Anticipation
 - Potential buyers purchase property in anticipation of future income stream
- Principle of Substitution
 - Investors willing to substitute other types of investments, depending on return

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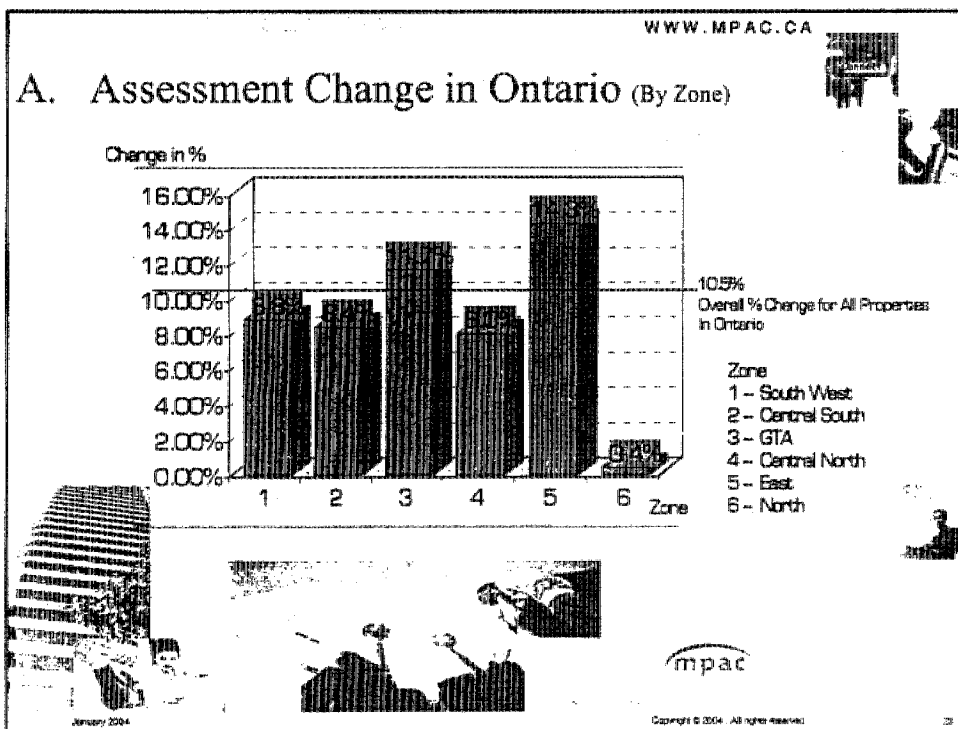
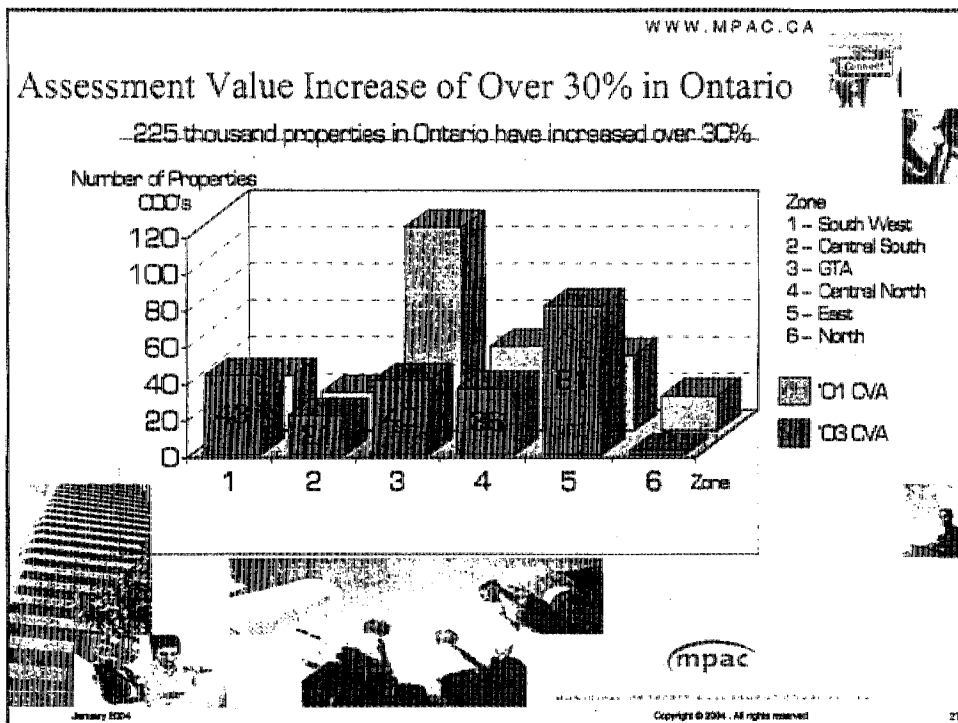


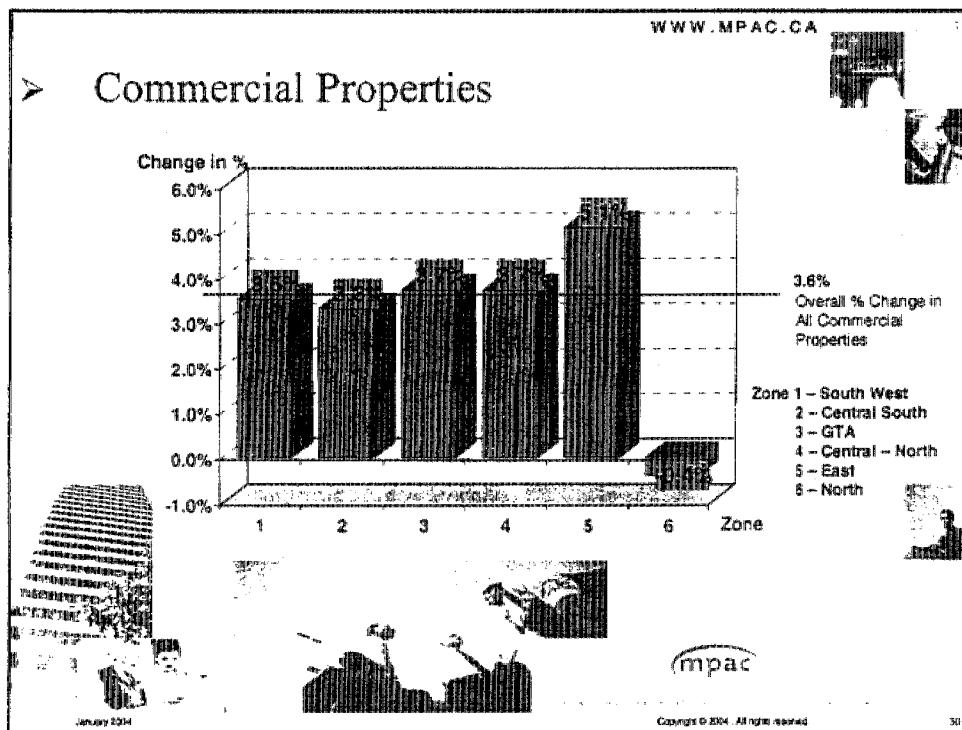
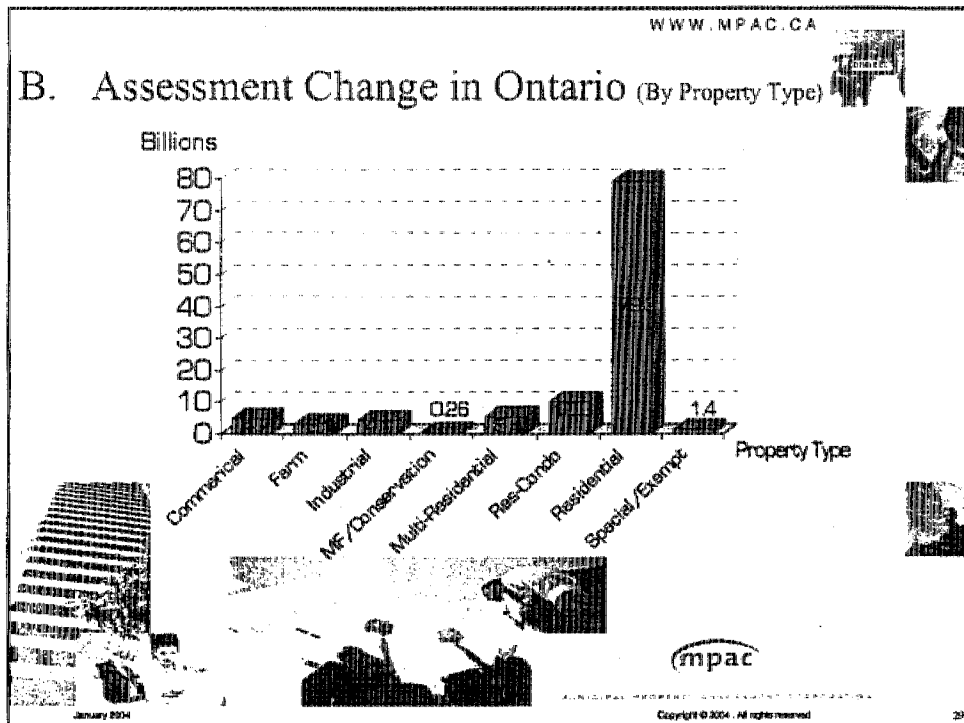


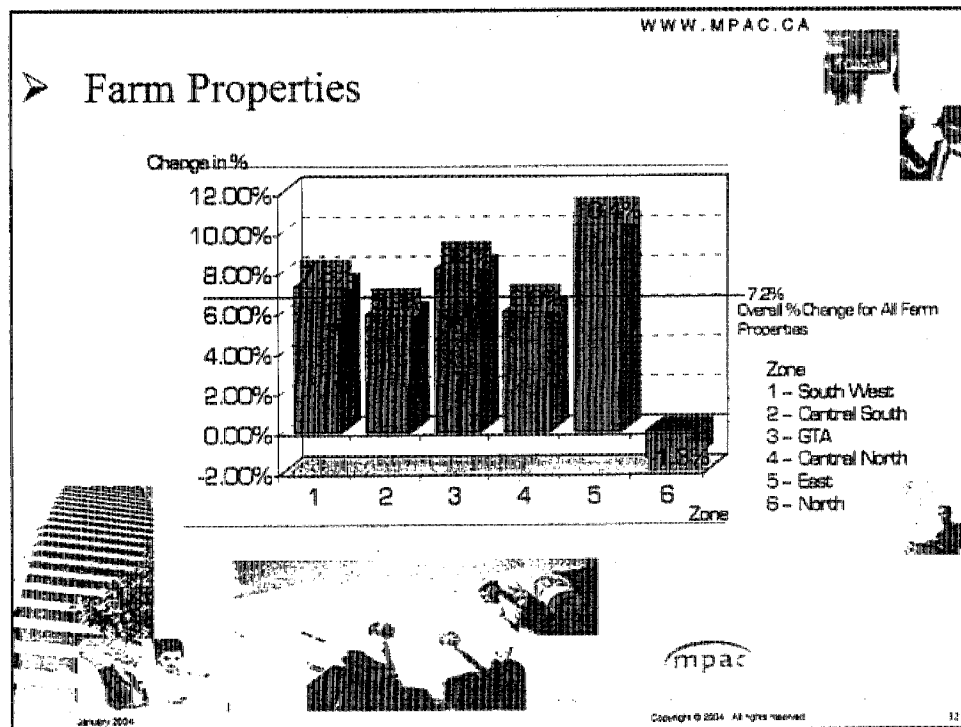
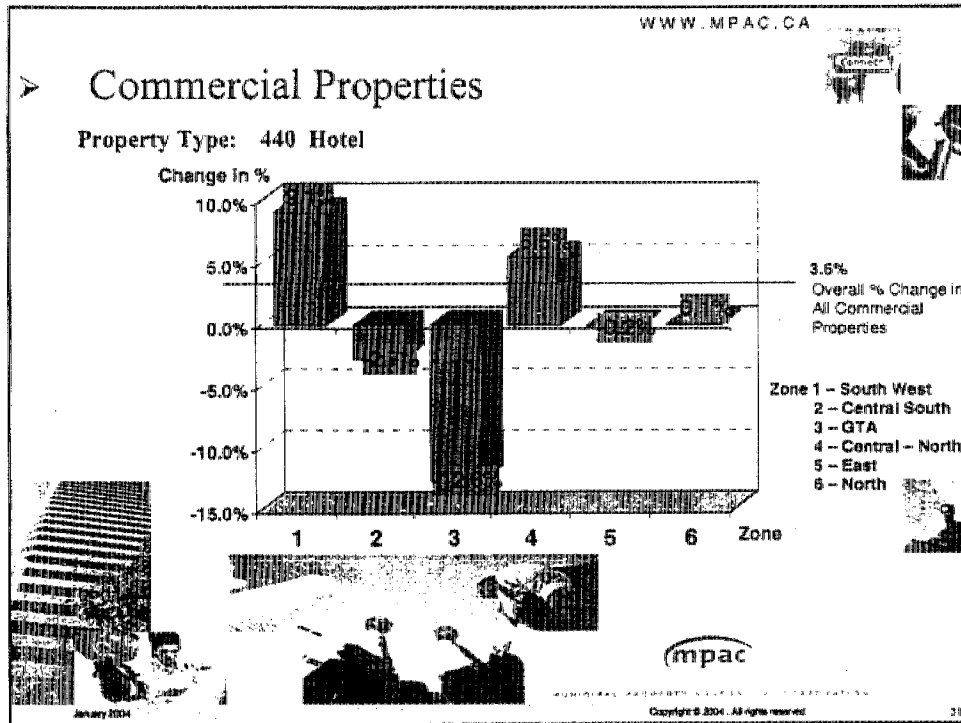


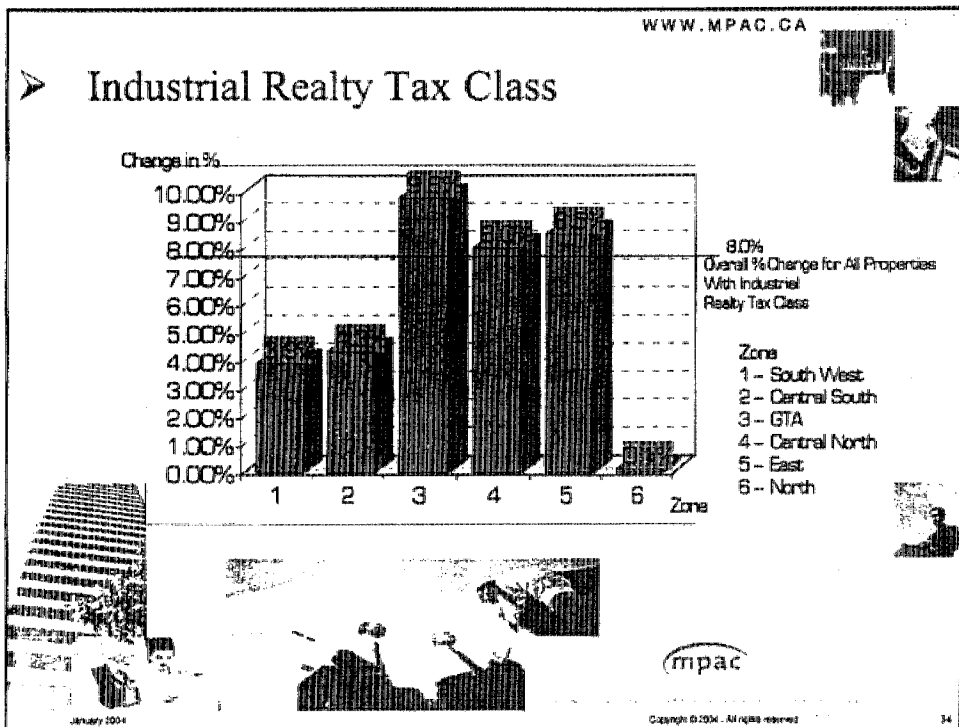
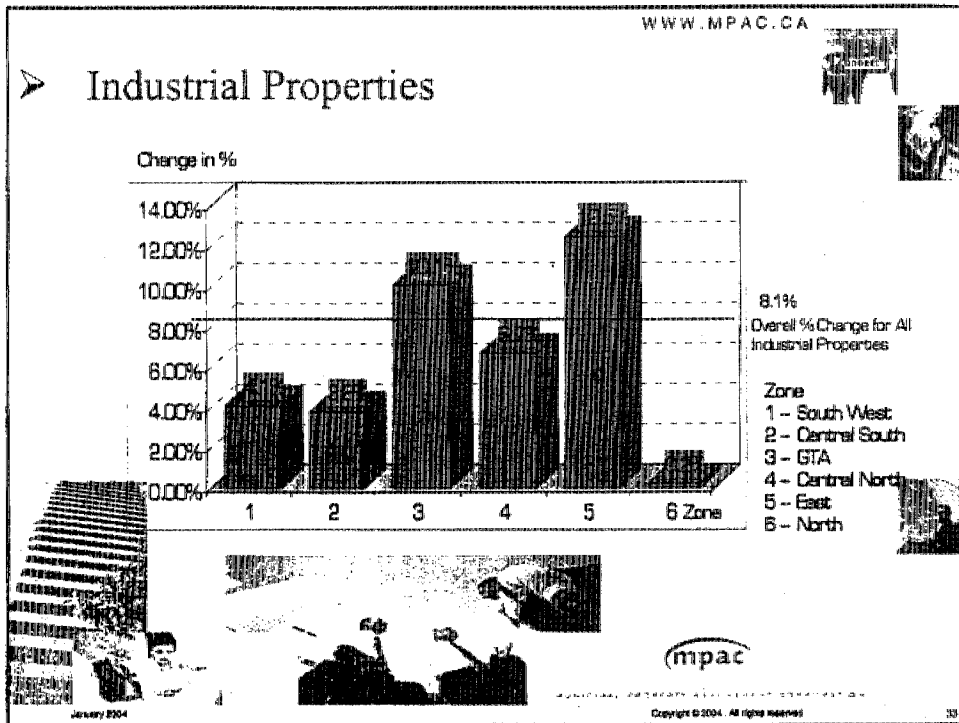


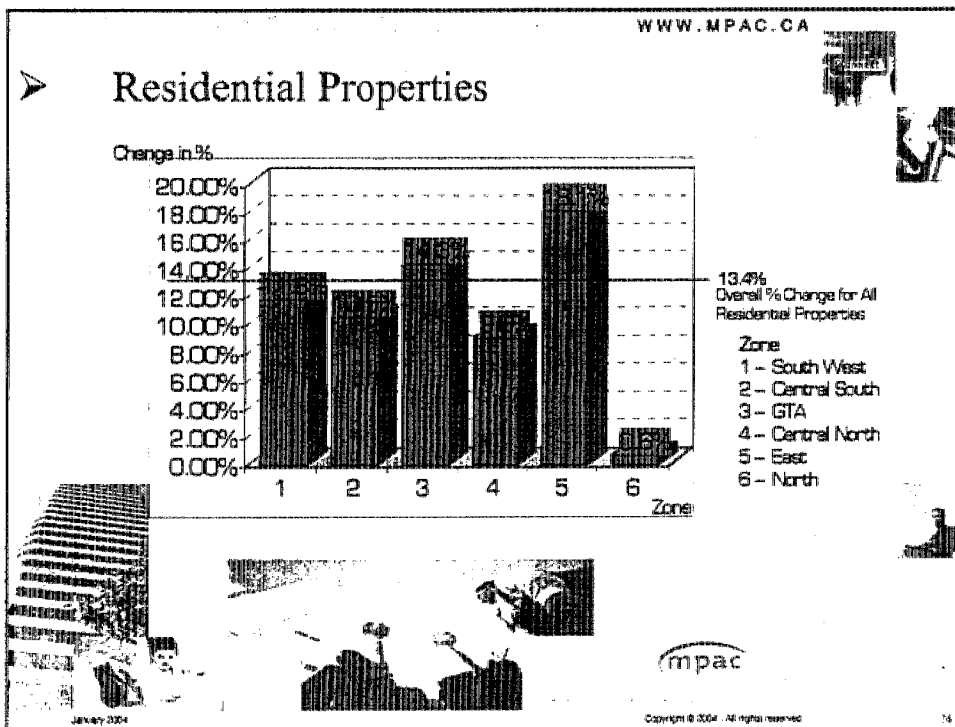
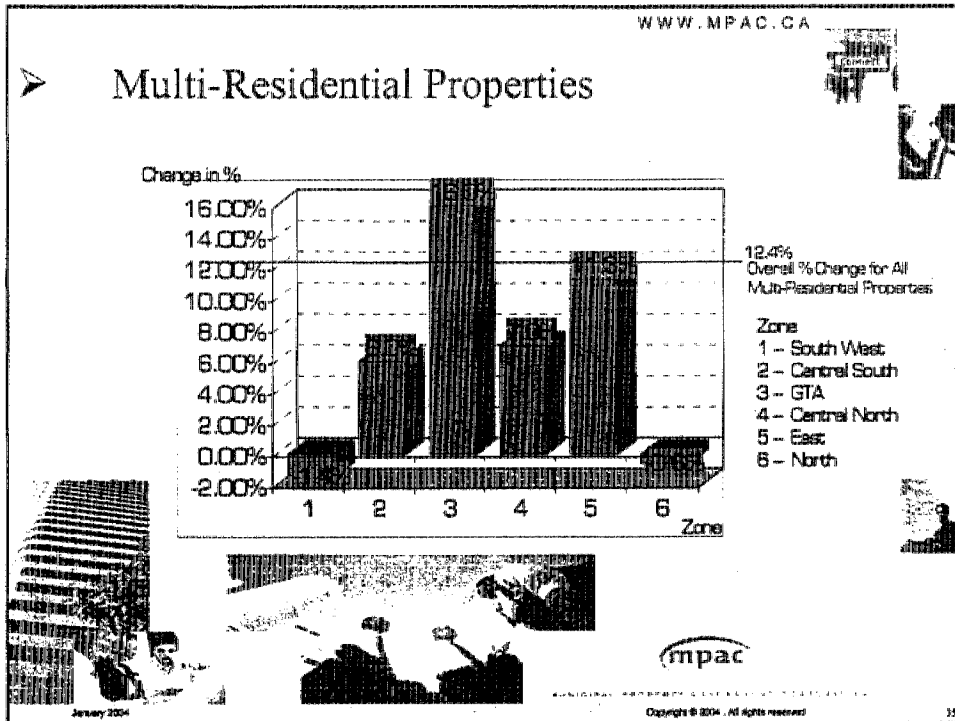
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- ### Assessment Change in Ontario (2001 CVA v. 2003 CVA)
- A. By Zone
 - B. By Major Property Type
 - Commercial Properties
 - Farm Properties
 - Industrial Properties
 - Multi-Residential
 - Residential Properties
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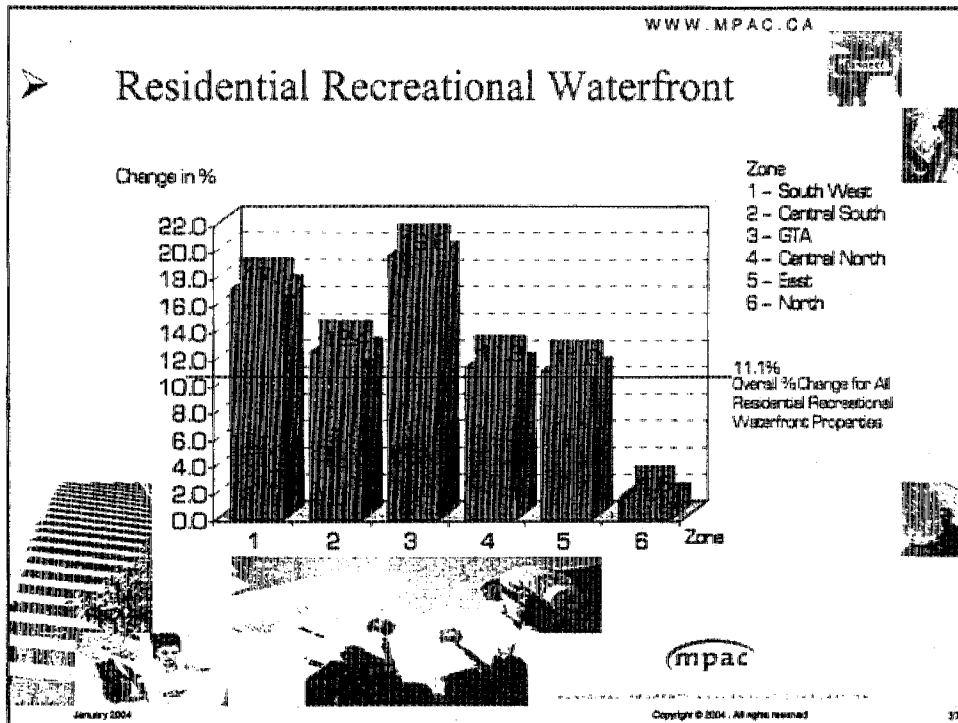












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Customer Relationship Management

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Customer Relations

- Government & Business Relations
- Municipal Relations
- Customer Service
- Key Account Representatives
- Customer Contact Centre



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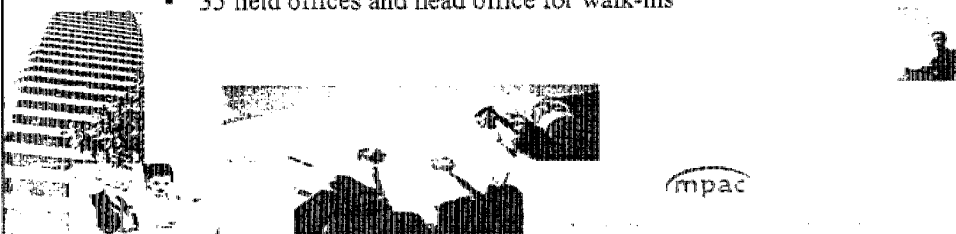
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Enhanced Taxpayer Access

- Assessment Notice simplified
- Assessment insert expanded and simplified
- 1-866-296-MPAC extended hours
- www.mpac.ca in place
 - Questions and answers
 - Downloadable forms
 - Links to ARB and Province
 - Free access to comparable properties
- 35 field offices and head office for walk-ins



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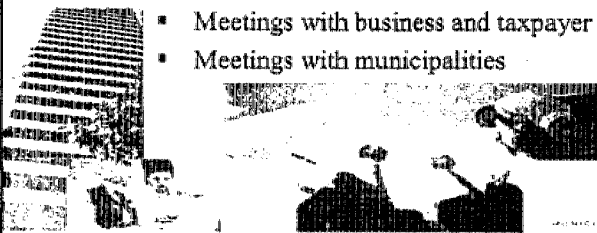
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
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Enhanced Communications

- Information kits to M.P.P. Queen's Park & constituency offices
 - A sample Property Assessment Notice
 - Information Insert mailed with the Notice
 - MPAC fact sheets
 - Assessment poster
 - Assessment brochure
 - Information article
 - Designated contact information for M.P.P. concerns
- Constituency office follow-up
- Meetings with business and taxpayer associations
- Meetings with municipalities



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
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Enhanced Communications

- Information kits to media
 - A sample Property Assessment Notice
 - Information Insert mailed with the Notice
 - MPAC fact sheets
 - Assessment brochure
 - Information article
 - Local media spokespeople contact information



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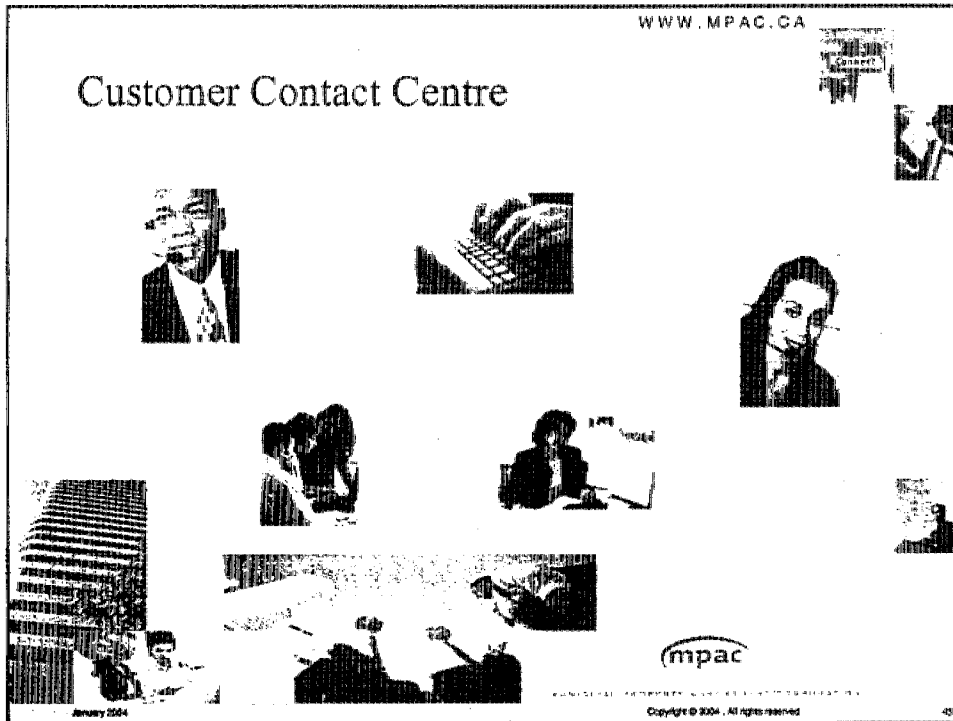


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Customer Contact Centre



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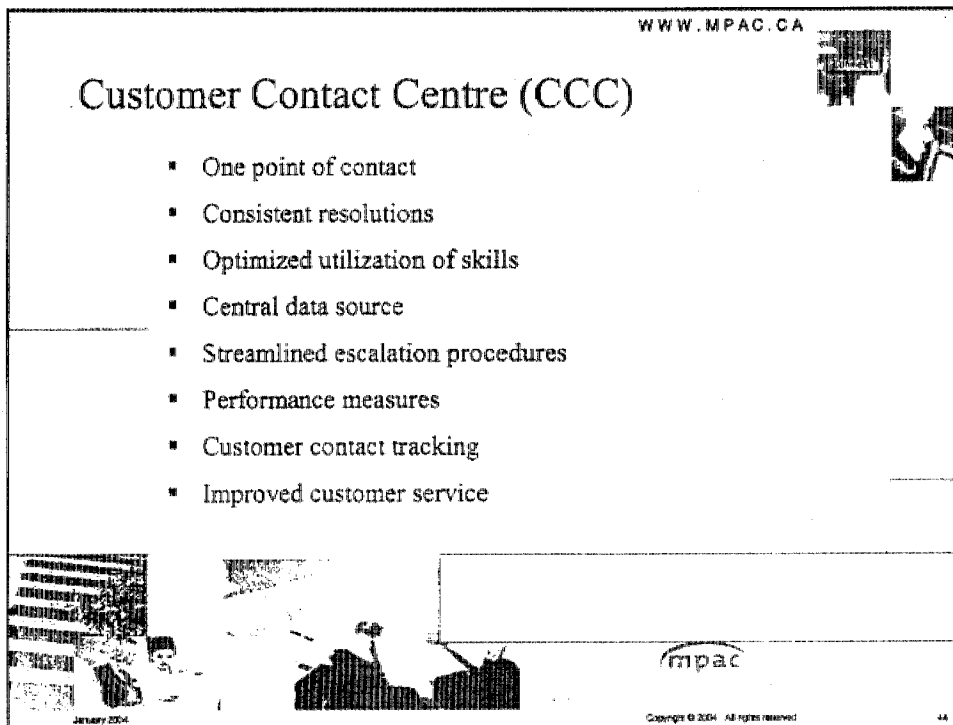
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Customer Contact Centre (CCC)

- One point of contact
- Consistent resolutions
- Optimized utilization of skills
- Central data source
- Streamlined escalation procedures
- Performance measures
- Customer contact tracking
- Improved customer service



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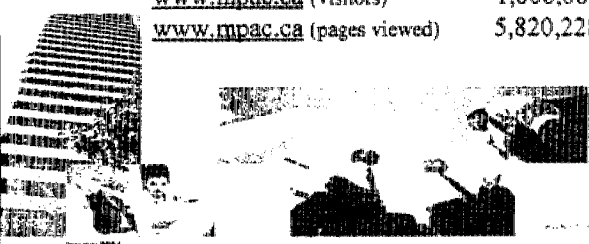
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
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Taxpayer Access

<p>Contact Centre</p> <ul style="list-style-type: none"> ▶ telephone ▶ e-mail/fax <p>Field Offices</p> <ul style="list-style-type: none"> ▶ telephone ▶ e-mail ▶ visitors ▶ mail 	<p>2002</p> <p>199,962</p> <p>38,022</p> <p>549,589</p> <p>6,531</p> <p>24,996</p> <p>23,315</p> <p>1,006,069</p> <p>5,820,228</p>	<p>2003</p> <p>430,900</p> <p>92,563</p> <p><i>* 2003 being calculated</i></p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>1,056,334</p> <p>9,193,842</p>
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www.mpac.ca (visitors) 1,006,069 1,056,334
www.mpac.ca (pages viewed) 5,820,228 9,193,842

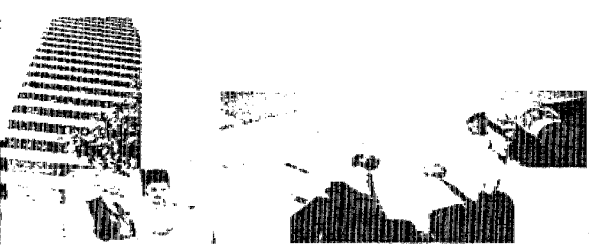




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CCC Enhancements

- Additional staff for peak period
- Improved capacity to handle calls
- Automated responses
- On Demand service – fax
- Extended hours

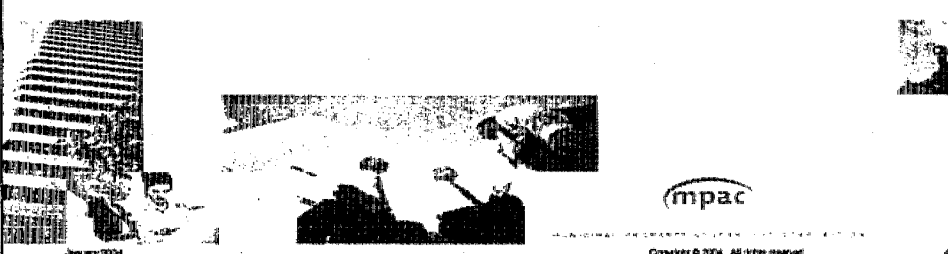



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CCC Results - 2003 Assessment Update

- Enquiries Received - 262,114
- Enquiries Handled - 212,476
- Average Speed Answer (ASA) - 5:32 min
- E-mails & Fax - 7.6 days
- Enquiries Forwarded to Field Offices < 10%



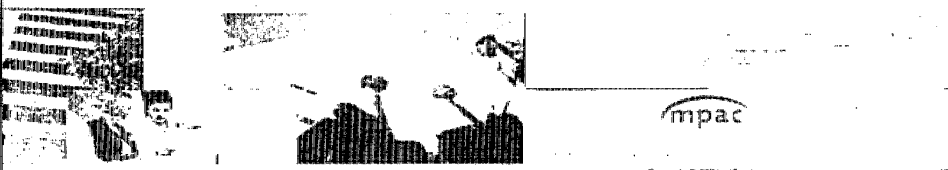
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Request for Reconsideration (RfR)

- Free, informal review by MPAC available throughout the tax year
- Acknowledgment letter sent in response to each request
- New brochure included with each acknowledgement and available at field offices, municipalities and www.mpac.ca
- Simplified application form allowing additional space for owner's concerns



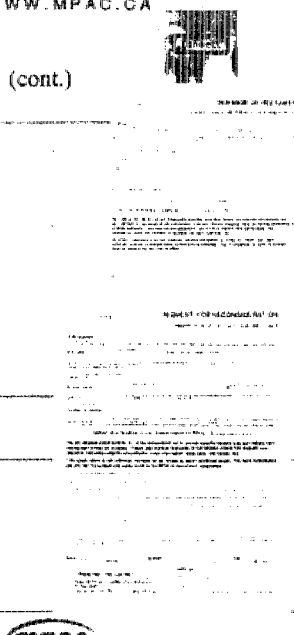


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Request for Reconsideration (RfR) (cont.)

- Improved online form - key directly into form, print and mail
- Improved tracking and follow-up for quicker review and response
- Continually working to improve the information provided to property owner on completion of review

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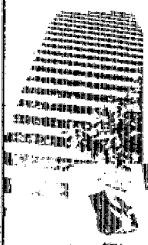

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Key Performance Indicator Request for Reconsideration (RfRs)

"Less than 3.25% of all properties will have Reconsideration Requests."

	2002		2003 - Dec. 31	
RfR	40,992	1%	112,407	2.65%

2002 was a non-reassessment year

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Key Performance Indicator Appeals

"The reduction of current value assessment in 2003 by the ARB will be less than 10% of the total assessment under appeal and less than 1% of the total assessment on the most recent roll."

	2002		2003 – Dec. 31	
Appeal Loss % of Value Under Appeal	\$4.3B	3.5%	\$3.56B	3.78%
Appeal Loss % of Most Recent Roll		0.48%		0.35%

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Guide to Property Assessment in Ontario

- General information about Ontario's property assessment and taxation system
- Provides a basic understanding of property assessment and its relationship to taxation
- Focuses on residential and farm
- Contains information on commercial, industrial and special purpose properties
- Available online at www.mpac.ca

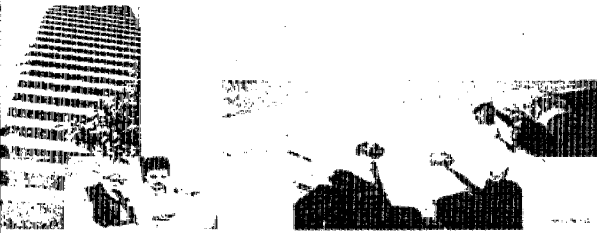
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Market Change Profile (MCP)

- Data file identifies assessment base year value changes versus growth
- User friendly, accessible online through Municipal Connect™
- Full customer support available through Municipal Relations Representatives
- Allows comparison with other municipalities
- Notice Based and Roll Based deliveries



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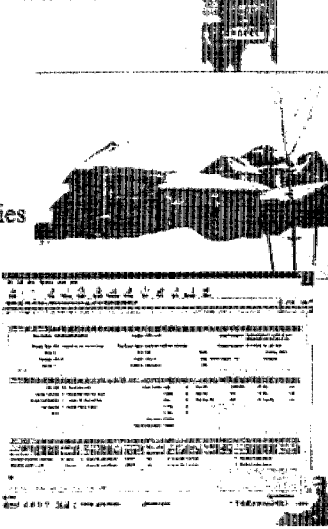

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Municipal Connect™

- Internet based, flexible search options, Roll details, structure images
- Municipality/MPAC data exchange capabilities
- Create direct access to MPAC database
- Integrate information
- Province-wide implementation



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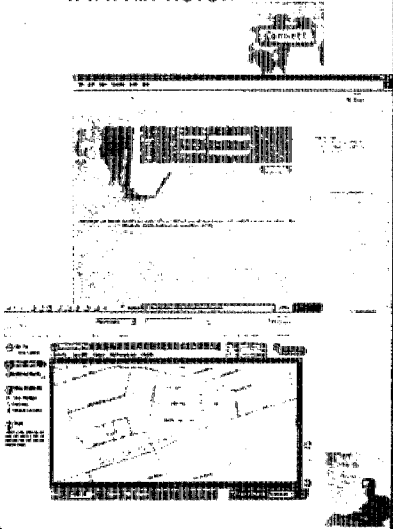
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Municipal Connect™ (cont.)

- Web-enabled reports
 - elector counts
 - new roll numbers
 - assessment analysis
 - control totals
 - municipal sales listings
 - Ontario Population Report
 - supplementary / omitted values.



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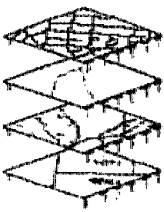
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Ontario Parcel (OP)

- Province, MPAC, Teranet
 - build/maintain integrated, seamless & standardized digital province-wide parcel mapping database
 - includes assessment, crown & ownership views
 - to be licensed to municipalities at no cost
 - support municipal business activities & reduce costs
 - land development, planning, taxation, public works etc.



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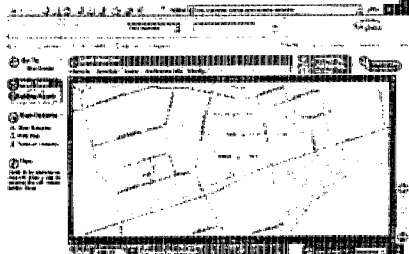
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Ontario Parcel (OP)

- OP / GIS
 - province-wide electronic data mapping for improved analysis, valuation and municipal planning




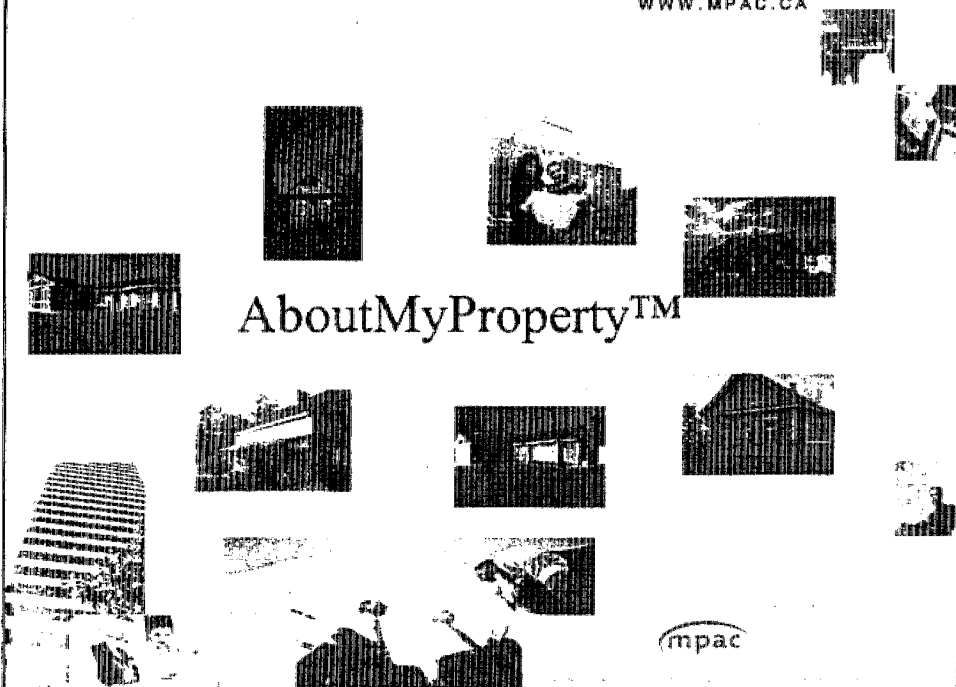
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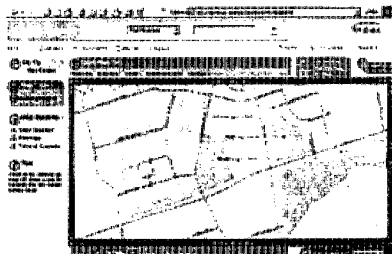
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Ontario Parcel (OP)

- OP / GIS
 - province-wide electronic data mapping for improved analysis, valuation and municipal planning


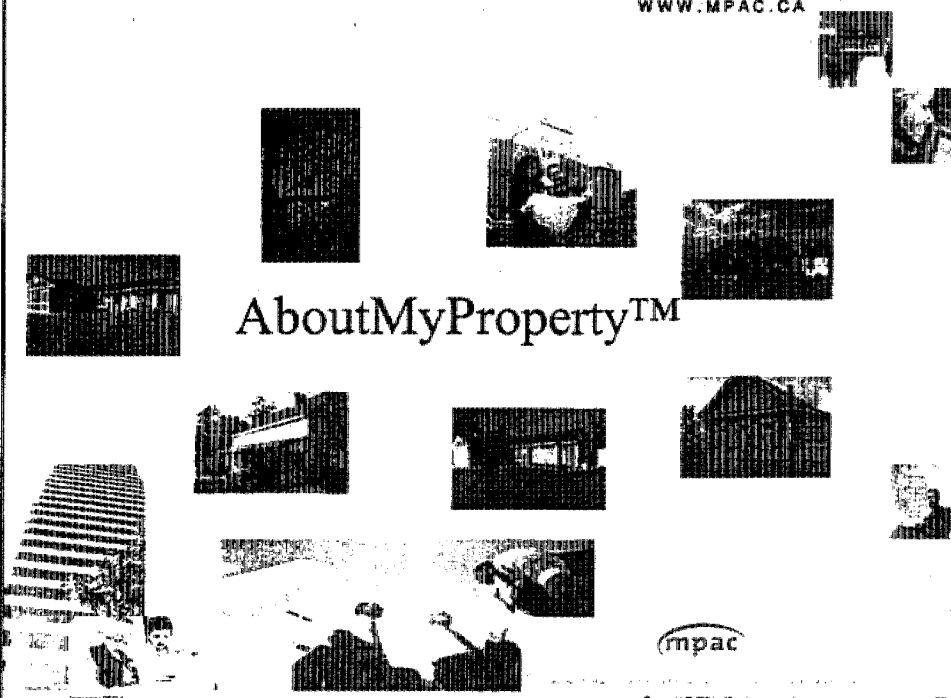


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AboutMyProperty™

- Online access to assessment data for the home owner
- Provides the home owner with access to free reports
- Large Property Owner functionality – grant owners of large property portfolios access to multiple look ups
- Access to purchase data through common e-commerce portal



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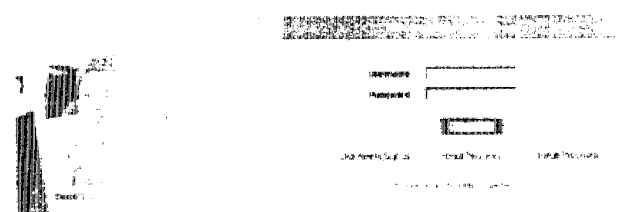
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AboutMyProperty™

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LOCAL







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Enumeration








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Enumeration 2003

Population of Electoral Groups	Feb. 15
Wards & Polls Descriptions	Apr. 9
Municipal Enumeration Form due	June 1
Preliminary List of Electors/Voter Notification File	July 31
Ontario Population Report	July 31
Supplementary PLE/VNF 	Sept. 19, Oct. 10
Municipal Election	Nov. 10
Voter list Revisions	Dec. 12



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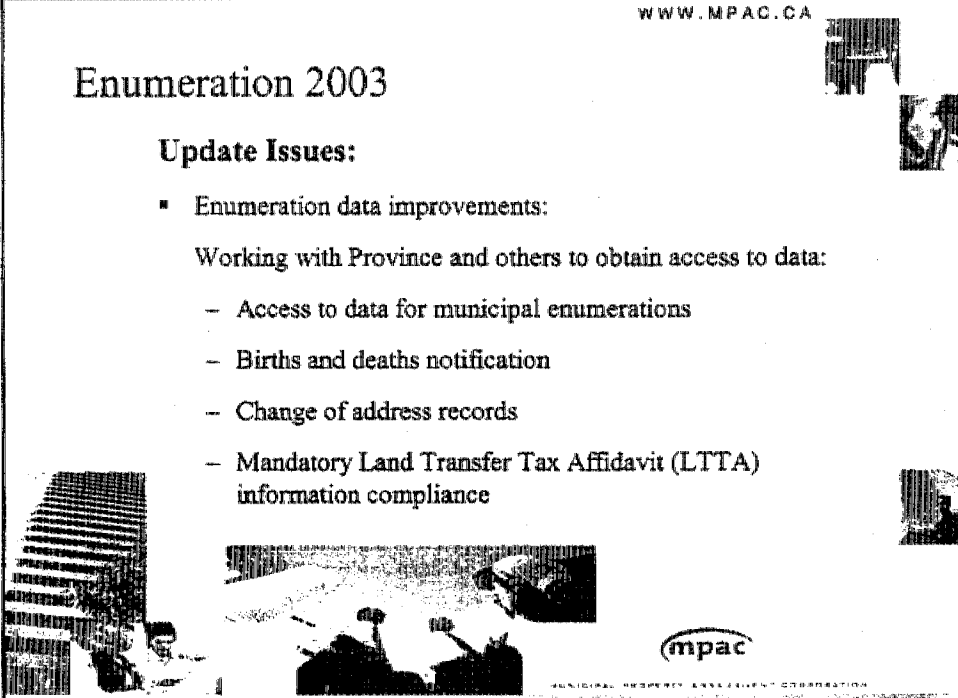
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Enumeration 2003

Update Issues:

- Enumeration data improvements:
Working with Province and others to obtain access to data:
 - Access to data for municipal enumerations
 - Births and deaths notification
 - Change of address records
 - Mandatory Land Transfer Tax Affidavit (LTTA) information compliance



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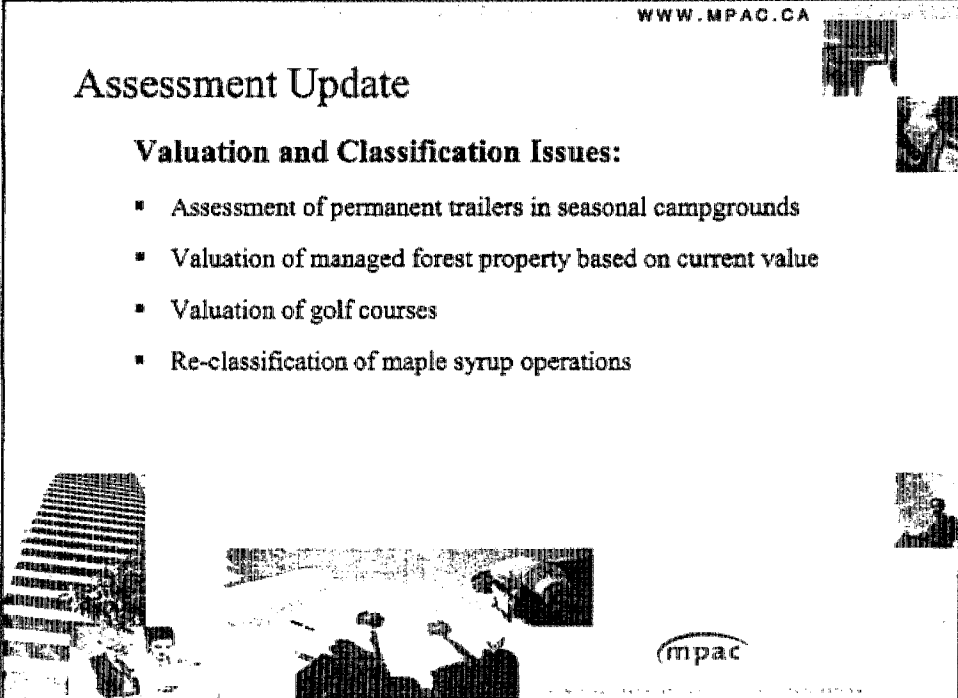
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Assessment Update

Valuation and Classification Issues:

- Assessment of permanent trailers in seasonal campgrounds
- Valuation of managed forest property based on current value
- Valuation of golf courses
- Re-classification of maple syrup operations



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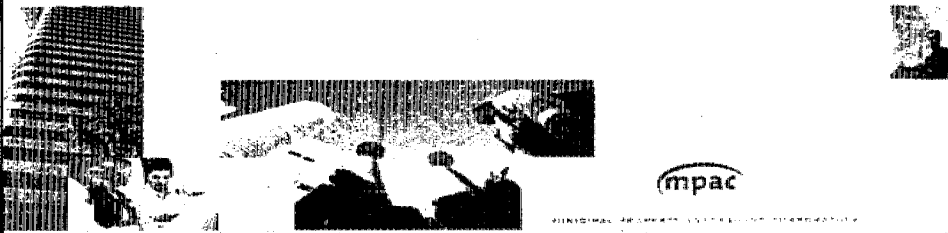
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Assessment Update

Valuation and Classification Issues (cont.):

- Increasing farm land values
- "Value added" on farm properties
- Volatile market areas:
 - Ottawa
 - Waterfront



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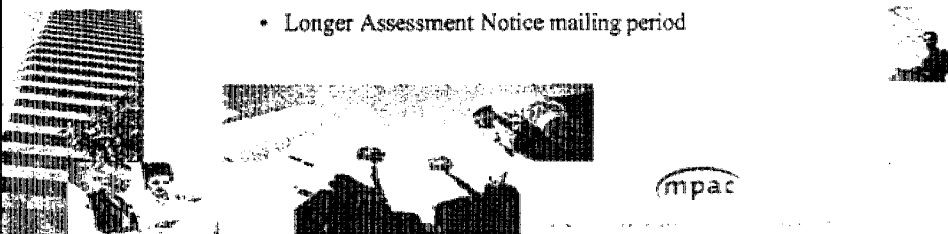
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Assessment Process

Operational Issues:

- Assessment Cycle improvements:
 - Three year averaging
 - Consider options for alternative cycle
 - Build additional time into cycle for:
 - Value production
 - Finetuning
 - Municipal/Provincial analysis
 - Longer Assessment Notice mailing period



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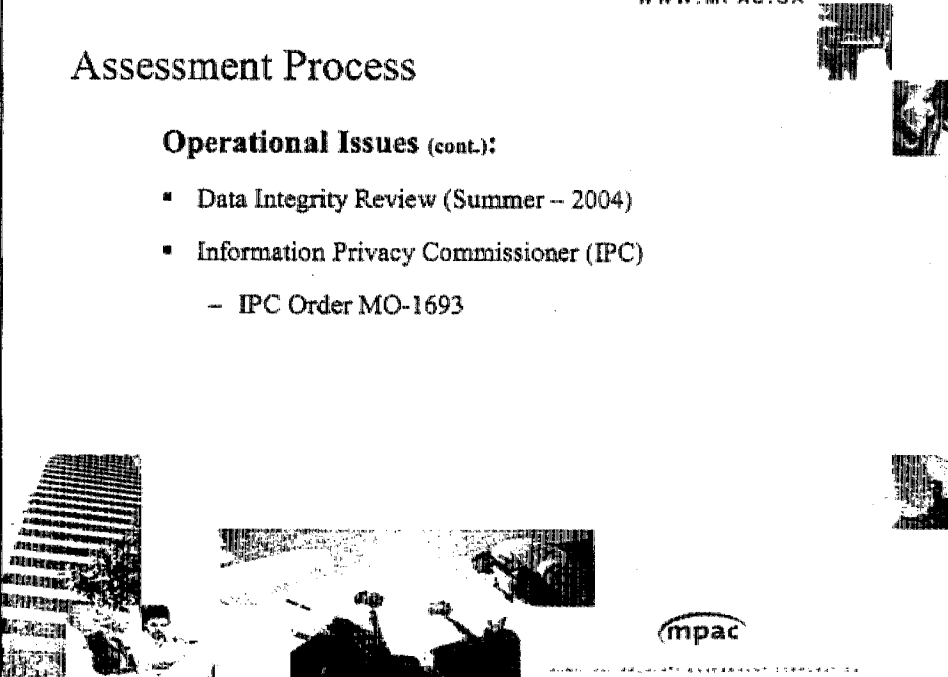
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Assessment Process

Operational Issues (cont.):

- Data Integrity Review (Summer -- 2004)
- Information Privacy Commissioner (IPC)
 - IPC Order MO-1693



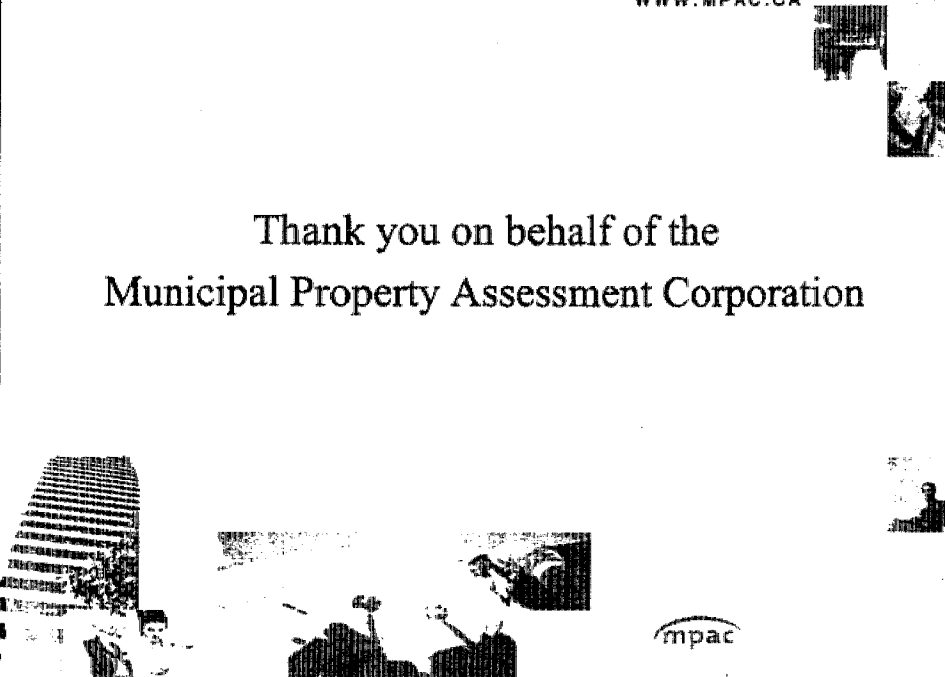
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Thank you on behalf of the Municipal Property Assessment Corporation



January 2004

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March 10, 2003

Mr. Robert A. Richards
President and Chief Administrative Officer
Municipal Property Assessment Corporation
1305 Pickering Parkway
Pickering, ON
L1V 3P2

Dear Mr. Richards:

The Municipal Finance Officers' Association of Ontario (MFOA) wishes to take this opportunity to provide you with some member perspectives with respect to the services provided by the Municipal Property Assessment Corporation (MPAC), and to make some recommendations with respect to a number of concerns that have been identified by our members.

Who we are

The MFOA is a professional association concerned with both the interests of municipal finance officers in Ontario, and the financial interests of the municipalities that employ them. Our membership includes chief financial officers, treasurers and their designates from over 300 Ontario municipalities, through a membership of over 800 individual finance professionals. As such, we have a keen interest in the efficient operation of the provincial property assessment and taxation system.

Why we are writing at this time

With over \$15 billion raised annually on real property across Ontario municipalities for both municipal and provincial education purposes—and over half of all municipal revenue in the province derived from the property tax—the importance of accurate assessment information being delivered to our members on a timely and predictable basis cannot be overemphasized. Indeed, with the introduction of capping for business properties, phase-in schemes for residential properties, alternative taxation tools and a myriad of other reforms that have made the calculation and administration of today's taxation system massively more complex, the need for timely and accurate assessment information has grown exponentially.

Against this background, MFOA has become increasingly concerned by the frequency and consistency of member complaints regarding the timeliness, completeness and accuracy of assessment information provided by MPAC. To gain some insights into these concerns, we canvassed a number of our members late last year to obtain a clearer picture of the key problem areas (these are enumerated below). Then, to obtain as broad

and representative perspective as possible, we undertook a survey in January 2003 in which we asked the MFOA membership to rate MPAC's performance in the 2002 reassessment, and to compare that performance with that of previous reassessments (a copy of the survey, as well as the results, is attached to this letter).

But before highlighting specific areas of concern, MFOA would like to emphasize a few key points:

- On balance, we are supportive of the concept of assessment services being provided by a single entity serving all of Ontario. Such a structure ensures needed consistency in service levels and assessment approaches across the province. Consistent with this perspective, a slim majority of survey respondents to MFOA's survey support the continuation of the current ban on 'opting-out' of MPAC.
- On balance, we support the structuring of MPAC as an autonomous corporate entity that is independent from the province. We believe that a stand-alone corporation has greater potential to deliver services efficiently—and is better positioned to make objective decisions about assessment policy—than an authority that is more closely tied to the provincial government.
- We respect MPAC's technical expertise and its right to make internal management, staffing and contracting-out decisions that it is clearly best situated and best qualified to make.

Finally, MFOA recognizes that MPAC is in a transition phase during which some service disruption is perhaps inevitable—which is to say that we believe that MPAC has the *potential* capacity to deliver what its municipal clients need, if the following problem areas can be promptly addressed:

Service Delivery Issues

Assessment roll

MFOA's January 2003 survey indicates that while members were generally satisfied with the timing of the delivery of the 2002 assessment roll, on the fundamental question of quality, members ranked MPAC's performance only fair to average, and considered its 2002 performance to have been worse than in the past.

In this regard there would appear to be a fundamental 'disconnect' between what our members are experiencing, and MPAC's self-appraisal of its own performance against International Association of Assessing Officers (IAAO) standards, as highlighted in MPAC annual reports.

Market Change Profile

The rollout of comparative data last year with respect to the new reassessment led to many member complaints. Despite a September MPAC communiqué indicating that a “Preliminary Property-by-Property Data Report” would be released in early October—followed by the first release of the Market Change Profile (MCP) file in November, reflecting 2001 current value assessment notices—our understanding is that in some instances only the latter was actually disseminated to municipalities. Moreover, in at least one instance we are aware of, the file was delivered to a respondent municipality and retracted by MPAC shortly thereafter.

The timeliness issue was further compounded by a non-disclosure agreement, effectively prohibiting municipal staff from discussing property class trends with councils or tax payers until after the mailing of assessment notices. Yet in some parts of the province MPAC information was obtained by the media and published in local newspapers as assessment notices were going out, causing great consternation among staff in municipalities who had to answer to council members who had first learned of the assessment changes in the local media.

Furthermore, MFOA’s member survey indicated widespread dissatisfaction with both the timeliness and quality of the MCP file.

Supplemental Assessments

During 2002, many of our members encountered supplementary assessment entry examples where new property owners have actually occupied their premises as far back as 2000. Supplementary billings for more than two years of taxation on these assessments are then delivered through municipalities to these property owners, payable in a time frame of just a few months. Such is the extent of the problem with supplemental assessments that some municipalities estimate that actual assessment growth in their communities may be double what the MCP indicated.

Municipal cash flows are adversely affected by these delayed supplementary assessments—impacts which have greatly intensified in the current era of provincial downloading, escalating municipal responsibilities and associated costs. Moreover, these delays have forced municipal staff and elected officials to deal with the ire and frustration of affected property owners.

MFOA’s member survey confirmed widespread member concerns with respect to the timeliness of the delivery of supplemental roll values.

Application of property severances and valuation apportionment

Another problem that has been encountered by our members relates to frequent delays in the application of property severances and the valuation apportionment of those assessments on the assessment roll by MPAC. This in turn causes a delay in the

appropriate allocation of the tax liability associated with the newly severed property parcels.

Our members have also encountered an increase in the number of errors in the calculation of the severed assessments. Differences in the classes of the severed properties, as well as examples where the values of existing buildings were erroneously associated with the wrong severed block, have created apportioned assessment value errors. This in turn causes erroneous taxation liabilities to be calculated and presented to the severed property owners. Identifying and correcting these errors, after the fact, are costly and adversely affect the municipality's credibility with taxpayers.

MFOA's member survey again confirmed widespread concerns, with MPAC's performance in this area rated as poor to fair.

Other concerns

MFOA's January 2003 survey also sought to identify other, more 'qualitative' areas of concern for our members. The results indicate that members perceive a general decline in accessibility to and responsiveness of MPAC staff to its municipal clientele; a decline in overall knowledge and issue awareness among MPAC staff; and a decline in MPAC's overall accountability to, and willingness to communicate with, its municipal stakeholders (for example, recent changes to class definitions and assessment methodologies—and the associated impacts—do not appear to have been clearly communicated to affected municipalities). As a result, survey respondents feel that overall service levels are declining and no longer commensurate with their cost to municipal taxpayers.

Recommendations

In this letter we have identified key member concerns with respect to MPAC service delivery. MFOA recommends as follows to begin the process of rectifying them:

- MPAC urgently needs to undertake a critical assessment of its quality assurance function aimed at implementing appropriate measures to ensure the timeliness, completeness and accuracy of the assessment roll provided to municipalities, and improving its capacity to respond to the needs of both its municipal and taxpayer clients.
- Top priority must be given to making improvements to the delivery of supplementary/omitted assessments.
- MPAC should consider approaches to communicating annual reassessment impacts to stakeholders on a regular annual basis, possibly via public stakeholder forums that would be attended by senior MPAC officials (rather than just local MPAC office officials), and held in several locations around the province. These

should be held in advance of, or at least concurrently with, any communication with the media.

- The role of the Ministry of Finance/MPAC-Joint Committee should be strengthened, as envisaged in the recommendations of the November 2002 *Property Assessment and Classification Review* report prepared by Marcel Beaubien. That report recommends that there be a more “open exchange of information between MPAC and the public,” and that the Joint Committee be “an ongoing venue in which stakeholder groups can bring forward assessment and property tax issues that are causing concern within their particular sectors” and propose solutions to them.
- We further believe that the Joint Committee should be mandated to order and oversee the comprehensive modeling by MPAC of any and all future changes in the classification of property types and assessment techniques—and to disclose the results of those modeling exercises, and the rationale for those changes, to affected parties for comment at least one year before they are implemented. The modeling could be completed independently and should include not only assessment impacts, but also taxation impacts.

Please note that MFOA will be making the same recommendations pertaining to the role of the Joint Committee to the Minister of Finance, via separate correspondence.

Conclusion

MPAC today delivers a product that has become increasingly complicated, extremely time-sensitive and contentious for all concerned. While we acknowledge that MPAC has made progress in a few areas (the introduction of Municipal Connect, for example) we fear that failure to address and rectify the problems identified in this letter—particularly if accompanied by any increase in the cost of assessment services—will have long-lasting adverse consequences for both the relationship between MPAC and the municipal sector, and the operation of the property assessment and taxation system in Ontario.

MFOA is most interested in promoting the successful delivery of assessment services to both municipalities and property taxpayers. To that end we would be pleased to meet with you to discuss these issues in greater detail in an attempt to find the most effective means of improving the delivery of assessment and municipal taxation across the province.

Respectfully submitted,

Janice Baker
Chair

John Bech-Hansen
Executive Director

CITY OF SARNIA
City Clerk's Department
Telephone: (519) 332-0330
Fax: (519) 332-3995
E-mail: clerks@city.sarnia.on.ca



P.O. Box 3018
Sarnia, ON
N7T 7N2

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JAN 13 2004

CLERKS - DEPT.

January 8, 2004

ALL MUNICIPALITIES IN ONTARIO:

Re: Resolution on Municipal Property Assessment Corporation (MPAC)

Sarnia City Council at its meeting held December 15th, 2003, considered the attached communication from Mayor Mike Bradley on the above matter. The following resolution was adopted:

THAT Sarnia City Council request the Minister of Finance to undertake a review of MPAC's role and responsibility with a view, in particular, to improve the quality of assessment service delivered and to improve customer service, and that Caroline Di Cocco, the City's MPP, be provided with a copy of this correspondence with a request for her support, and

THAT this resolution be sent to the Association of Municipalities of Ontario, MPAC, the Institute of Municipal Assessors and all Ontario municipalities for endorsement and support.

We would appreciate your favourable consideration of Council's resolution.

Yours truly,

Brian W. Knott
City Solicitor/Clerk

/jk

c.c. A. Tuplin