

TAX POLICY DECISIONS FOR 2004

PRESENTATION TO FINANCE COMMITTEE CITY OF GREATER SUDBURY

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THIS EVENING'S PRESENTATION WILL COVER FIVE TOPICS

- **Effects of 2004 Reassessment**
- **Tax Ratio Options & Impacts**
- **Tax Capping & Clawback Requirements**
- **Ongoing Tax Policies**
- **Recommendations**

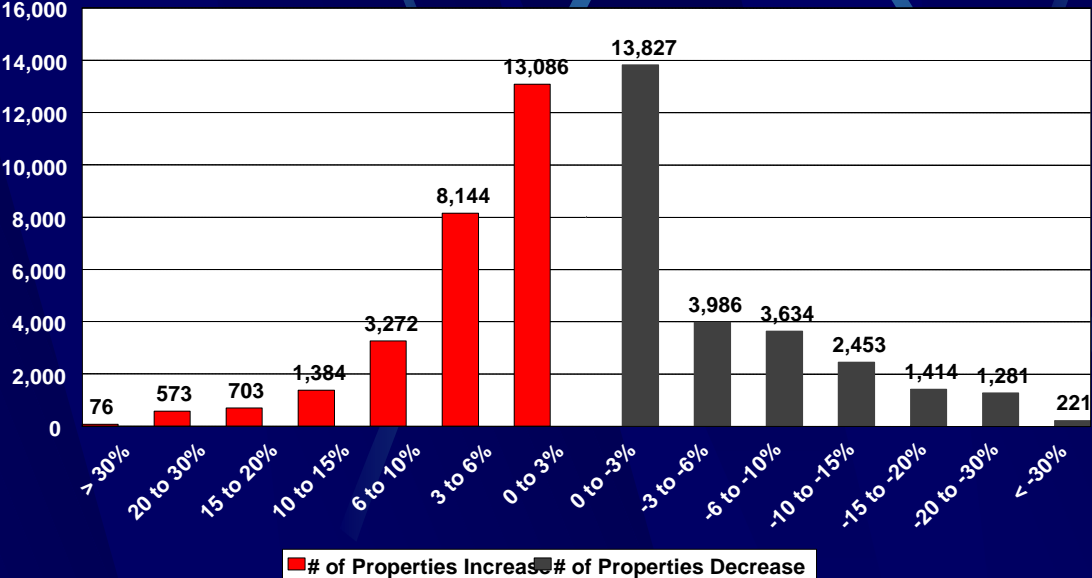
2004 REASSESSMENT IMPACTS

2004 REASSESSMENT COULD CAUSE SOME TAX SHIFTS

- **Total CVA Rose from \$7.148 Billion to \$7.375 Billion -- \$3.2%**
- **Different Impacts for Different Classes**
 - **Residential 3.6%**
 - **Multi-Residential (2.5)%**
 - **Commercial 4.7%**
 - **Industrial (1.9)%**
 - **Large Industrial 4.1%**
 - **Pipelines (3.4)%**

RESIDENTIAL CHANGES ARE EVENLY BALANCED

CITY OF GREATER SUDBURY
2004 Frequency Distribution Report



MUNICIPAL TAX IMPACT BEFORE 2004 LEVY ADJUSTMENT

• Residential Class	\$275,000	0.3%
• Multi-Residential	(\$498,000)	(4.8)%
• Commercial	\$146,000	0.6%
• Industrial	(\$40,000)	(0.8)%
• Large Industrial	\$162,000	2.7%
• Pipelines	(\$ 42,000)	(6.0)%

EDUCATION TAXES FOR RESIDENTIAL CLASSES ARE DOWN FOR 2004

- **Rates are Calculated at Provincial Level**
- **Steep Rise in House Prices in GTA Has Shifted Burden**
- **2004 Residential Education Taxes are \$1.8 Million Lower in 2004**
 - **Residential Class** - **\$1,636,000 (9.0%)**
 - **Multi-Residential** - **\$ 161,000 (13.6%)**

TAX RATIO ISSUES

TWO TAX RATIO ISSUES REQUIRE A DECISION

- **Request for Revenue Neutral Transition Ratios**
- **Reduction of Industrial Ratio to the Provincial Average**

CITY CAN REQUEST NEW TRANSITION RATIOS

- **Province Has Changed Ratio Rules for 2004**
- **Minister Will Set New Ratios Based on 'Revenue Neutral' Position vs. 2003**
 - **Effectively Reverses Tax Impact of 2004 Reassessment**
- **Without New Ratios Residential Class Would Experience \$275,000 Municipal Tax Increase Plus 2004 Levy Change**

COMPARATIVE RATIOS

	2004 Starting Tax Ratio	2004 Revenue Neutral Tax Ratios
Multi-residential	1.9570	2.0591
Commercial	1.6614	1.6574
Industrial	2.6339	2.6510
Pipelines	1.2853	1.3721
Farmlands	0.2500	0.2500

RATIO IMPACT ON MUNICIPAL TAX SHARES

	2003 Year-End	2004 Reassessment	Rev. Neutral
Residential	79.9	80.2	79.9
Multi-Residential	10.5	10.0	10.5
Commercial	25.6	25.7	25.6
Industrial	4.5	4.4	4.5
Large Industrial	8.0	8.2	8.0
Pipeline	0.7	0.7	0.7
Farm/Managed Forest	0.1	0.1	0.1
TOTAL (\$ Millions)	129.3	129.3	129.3

- **Based on 2003 Year End Levy Including Growth**

REVENUE NEUTRAL INDUSTRIAL RATIO CAUSES PROBLEM FOR LEVY INCREASE

- **Revenue Neutral Industrial Ratio is Above
'Provincial Average Ratio'
2.651 vs. 2.630**
- **With Above Ratio Only 50% of 2004 Levy Increase
Share is Permitted for Industrial Class**
- **Balance of Levy Increase Shifts to Other Classes**

REDUCED INDUSTRIAL RATIO IMPROVES RESULTS

2004 Municipal Levy	\$ Millions		
	Rev. Neutral Ratios	Revised Industrial Ratio	Change
Residential	86.5	86.0	(0.5)
Multi-Residential	11.3	11.2	(0.1)
Commercial	27.7	27.5	(0.2)
Industrial	4.5	4.8	0.3
Large Industrial	8.2	8.7	0.5
Pipe Line	0.8	0.8	0.0
Farm/Managed Forest	0.1	0.1	0.0
TOTAL	139.1	139.1	0.0

2004 CAPPING & CLAWBACK REQUIREMENTS

TAX CAPPING IS AN ONGOING REQUIREMENT

- **Applies to Multi-Residential, Commercial and Industrial Classes**
- **Caps 2004 Tax Increase at 5% of 2003 Base Taxes Plus 2004 Levy Change**
- **City Has Policy of Funding Tax Caps by Holding Back Decreases**

2004 CAPPING REQUIREMENTS VARY WIDELY BY CLASS

- **Multi-Residential** \$ 26,557
- **Commercial** \$2,596,140
- **Industrial** \$ 720,608

Based on Revenue Neutral & Lowered Industrial Ratios

*** Based on Preliminary Assessments**

PERCENTAGE CLAWBACK OF DECREASES ALSO VARIES WIDELY

- **Multi-Residential** 9.4373%
- **Commercial** 69.3220%
- **Industrial** 83.9056%

* Based on Preliminary Assessments

OTHER ISSUES

- **Other Existing Policies Do Not Require Amendment**
 - **Optional Class (Large Industrial)**
 - **New Multiple Residential Class**
 - **Discount for Vacant/Excess Land**
 - **Rebate & Tax Deferral Policies**
- **Phase-In Program Not Needed Given Annual Reassessment & Past Practice**

TAXES ON AN AVERAGE VALUE HOUSE

	Career/Urban (Sudbury)	Composite/Commuter (Valley East)	Volunteer/Commuter (NC, RB, Wa OF, Ca)	Volunteer (Unorg.)
2003 (\$100,000)	\$1,870	\$1,774	\$1,721	\$1,677
2004 (\$103,000)	\$1,952	\$1,883	\$1,807	\$1,752
Change				
Amount	\$82	\$109	\$86	\$75
Percentage	4.38%	6.16%	4.99%	4.49%

THREE RECOMMENDATIONS

- **Request Minister of Finance To Set Revenue Neutral Transition Ratios**
- **Adopt Industrial Class Ratio of 2.6300 in Keeping With Provincial Average**
- **Fund Tax Cap Requirement on a Class Based Revenue Neutral Basis**