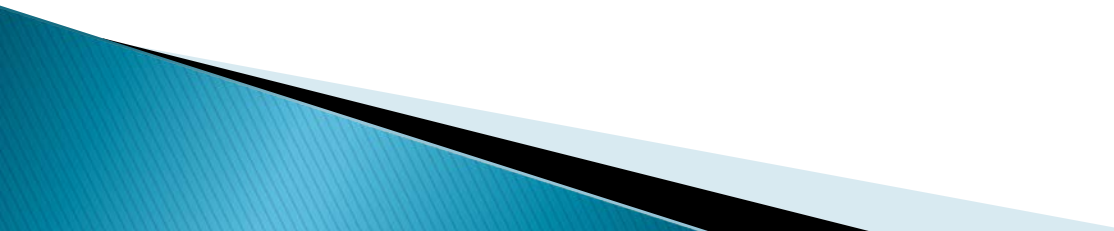# CITY OF SAULT STE MARIE

TAX POLICY STAKEHOLDER MEETING
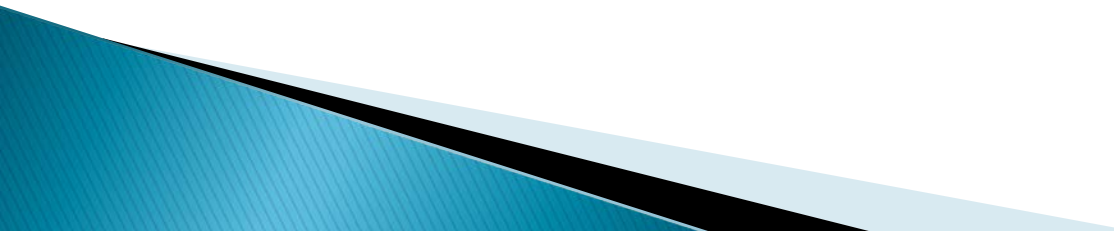## JUNE 23, 2016

AGENDA

- Introduction
- How Municipal Property Taxes Are Calculated
- Tax Ratios
- Assessment Basics – MPAC
- Comparative Analysis – BMA Management Consulting Inc.
- Summary
- Questions & Answers
- Comment/Input

Introduction

- Council request for a long term tax policy
  - Enhance City's competiveness in long term
  - Fairness to all tax classes
- What are stakeholder concerns?
- How do we get to a more competitive position without sacrificing one tax class over another?

How Tax Rate Is Calculated

Step 1:

Taxable Assessment ✖ Tax Ratios = Weighted Assessment

Step 2:

Levy Requirement ÷ Weighted Assessment = Residential Tax Rate

Assessment Distribution

- Residential — 79.6%
- Multi-Residential — 4.5%
- Commercial-Occupied — 10.0%
- Industrial-Occupied — 0.6%
- Large Industrial-Occupied — 1.7%
- Other — 3.6%
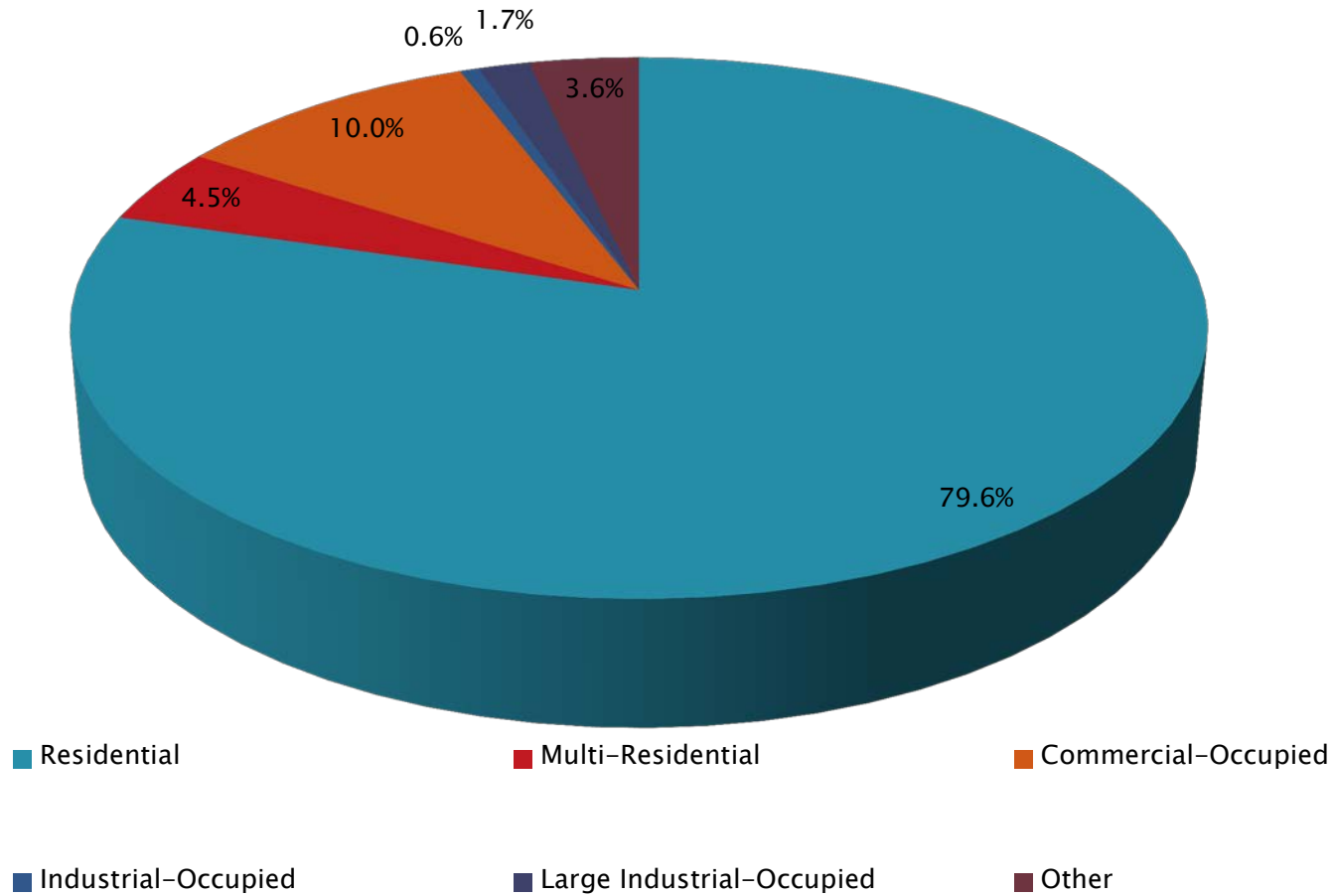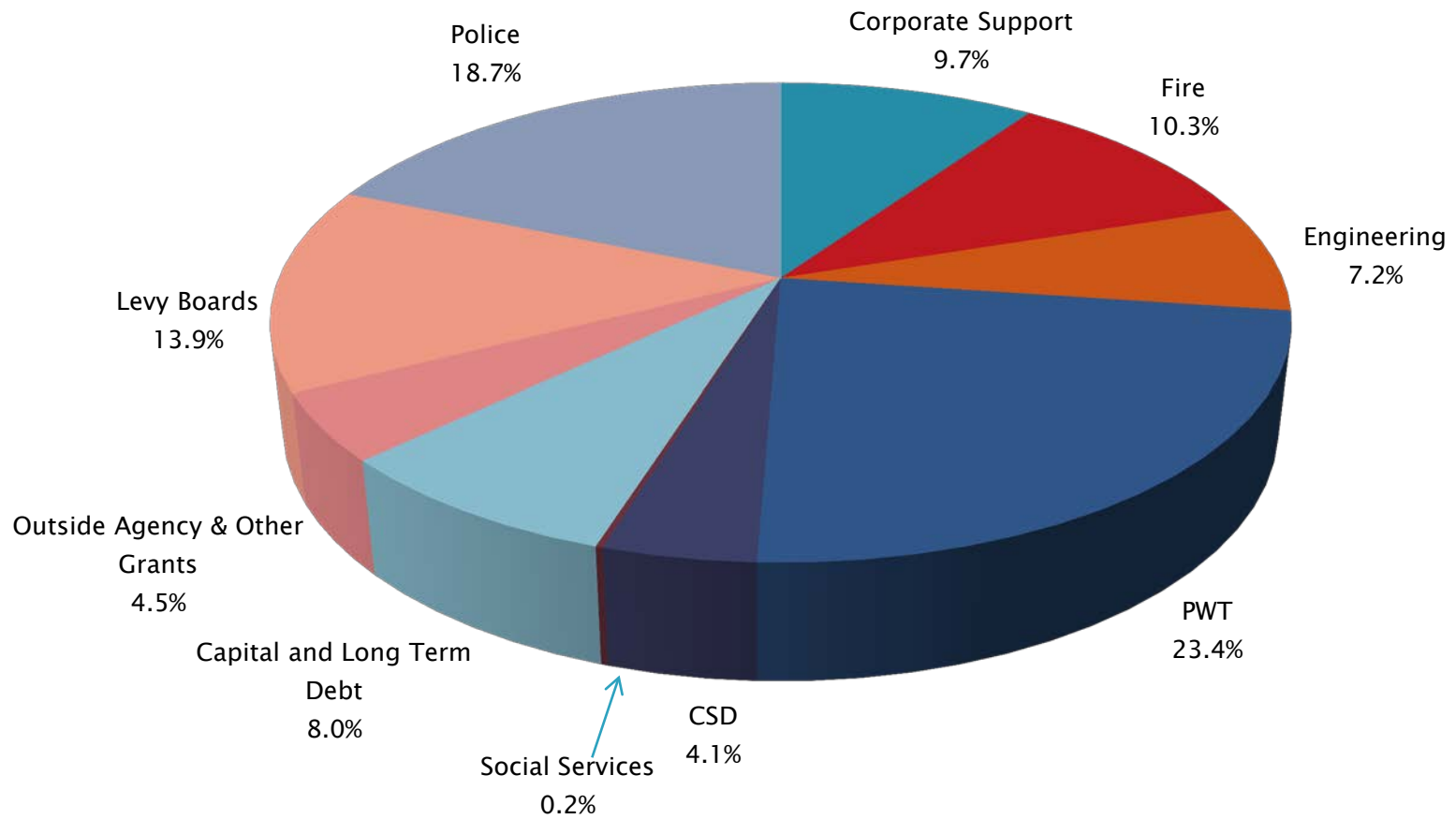
Tax Rates

‣ Tax rates alone can be misleading

Residential
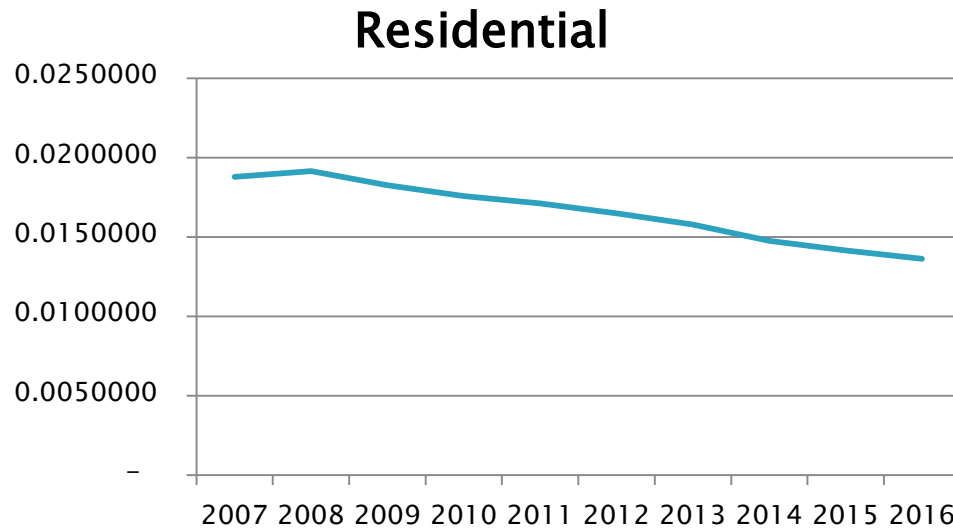
Tax Rates

- Competiveness is not just related to property taxes
  - Some argue that business location decisions are most influenced by factors such as a city's economic conditions, transportation networks, and presence of a skilled workforce
  - Others suggest tax incentives outweigh the costs as they attract businesses that generate more in local revenues than they consume in services. Signal city is pro-business

    - Is Toronto Fiscally Healthy? A Check-up on the City's Finances Enid Slack and Andre Cote No. 7/2014

Municipal Levy

Pie chart: Municipal Levy

- Corporate Support 9.7%
- Fire 10.3%
- Engineering 7.2%
- PWT 23.4%
- CSD 4.1%
- Social Services 0.2%
- Capital and Long Term Debt 8.0%
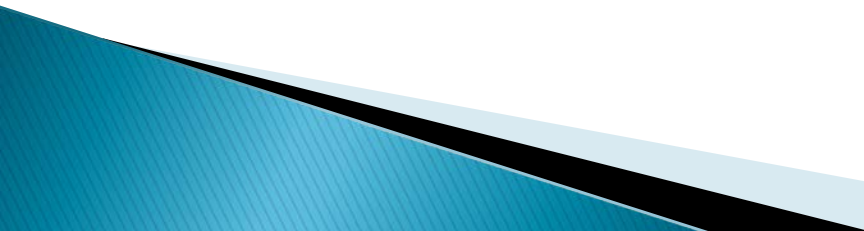- Outside Agency & Other Grants 4.5%
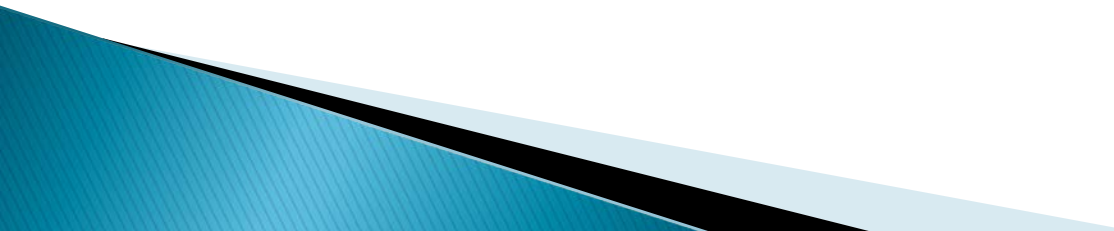- Levy Boards 13.9%
- Police 18.7%

TAX RATIOS

What is a Tax Ratio ?

- A tax ratio governs the relationship between the rates of taxation for each class verses the rate of tax for the residential property class

- Example: if the commercial tax rate is 4% and the residential rate is 1%, the ratio for commercial properties is (4/1) = 4

- Residential class has a tax ratio of 1

- Tax ratios have been around since 1998 and are used to weight assessment in other classes to the residential class. This weighting is used to balance the tax burden between property classes

Reassessment Impacts on Tax Ratios

- Whenever reassessment is undertaken assessment related tax shifts are inevitable
- Tax impacts result when the tax burden is redistributed owing to differences in rates of market value appreciation and/or depreciation, which vary by individual property, class and municipality across the Province
- In 2009 municipalities were able to adopt class-neutral tax ratios to mitigate interclass tax shifts resulting from a reassessment
- The City of Sault Ste Marie has been using Revenue Neutral Tax Ratios since 2009

The Impact of Using Revenue Neutral Tax Ratios

- Revenue neutral tax ratios maintains the property tax impact on each property class and primarily prevents shifting the tax burden from the commercial and industrial property classes to the residential class
- Since 2009 the City has faced a levy increase restriction on both the commercial and industrial classes
- Staff recognizes that continuing to adopt revenue neutral tax ratios on an annual basis will become unsustainable

Expanded Classes

- City Council Resolution of July 13,1998 approving optional tax classes in the Shopping Centre, Office Building, Parking Lots/Commercial Vacant Land & Large Industrial class
- Shopping Centre – 2016 Tax Ratio 2.339947
- Office Building – 2016 Tax Ratio 3.2194020
- Parking Lot/ Commercial Vacant Land– 2016 Tax Ratio 1.6296630
- Large Industrial–2016 Tax Ratio 5.510932

The Impact of Restating Tax Ratios

		MULTI- RESIDENTIAL	COMMERCIAL	INDUSTRIAL	OTHER	AVG. RESIDENTIAL PROPERTY
THE CORPORATION OF THE CITY OF SAULT STE MARIE						
TAX RATIO COMPARISON						
BASED ON 2016 TAX LEVY OF 104,374,376						
TAX RATIO SCENARIO'S	RESIDENTIAL					
2016 Approved Revenue Neutral Tax Ratios	2.64%	4.51%	2.07%	0.31%	3.68%	1.90%
Scenario 1 – Collapse Office/ Shopping Centre Class	3.08%	4.75%	0.67%	0.64%	4.63%	2.13%
Scenario 2 – Reduce Broad Class Ratios by 1%	3.62%	5.17%	0.26%	–3.06%	5.09%	2.76%
Scenario 3 – Collapse Large Industrial Class	6.05%	7.77%	5.56%	–33.34%	7.62%	5.07%
Scenario 4 – No Expanded Classes	6.52%	8.25%	4.04%	–33.04%	8.10%	5.54%
Scenario 5 – Move to Provincial Threshold Ratios – Commercial 1.98 & Industrial 2.63	9.82%	11.57%	–3.48%	–40.24%	10.76%	9.28%

ASSESSMENT BASICS

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Summary

- How can non-residential ratios be decreased?
  - Shift more burden on residential class
    - Size of increase in short term is politically unfavourable
  - New assessment growth in non-residential classes
    - Large industrial assessment has decreased 24% since 2007, which shifts tax burden to other classes
    - Total assessment growth in 2015 0.90%, average since 2007 0.97%
  - Significant decreases in municipal levy
    - 50% of the budget is for salaries and wages, the majority of which are contractual
    - 27% of the budget is for legislated levies and outside agencies
    - Approximately 30% of total budget is for Police and Fire Services
    - Already amongst lowest on per capita basis
    - Staff continuously look for efficiencies and improvements

Summary

▸ How much influence do we have on the City's economy?

◦ Policy decisions, infrastructure investment, and budgeting all have an important impact on the economic prospects of a city

◦ Economic conditions are the product of longer-term factors, such as education levels of residents, the industry mix, geographic location and links to international trade networks

◦ Heavily influenced by global or national market cycles

◦ Is Toronto Fiscally Healthy? A Check-up on the City's Finances Enid Slack and Andre Cote No. 7/2014

Summary

- Long term tax policy is important
  - Enhances the City's competitiveness
  - Provides fairness between tax classes
  - Use of revenue neutral ratios to reduce shifts from non-residential classes is not sustainable
- Ongoing review by staff for efficiencies
- Continue to measure the City with others
  - Careful selection of comparators and analysis of findings

QUESTIONS / INPUT