

TO: Mayor Jeffs & Members of Council

FROM: A. Cross, Manager of Corporate Services/Treasurer

DATE OF MEETING: July 24, 2018

SUBJECT: Region of Niagara Tax Rate Breakdown

RECOMMENDATION(S):

THAT this report be received for information;

EXECUTIVE SUMMARY:

At the July 3, 2018 regular meeting of Council, staff was directed to bring a report back to Council outlining how the Regional Municipality of Niagara’s (the “Region”) tax levy is used.

BACKGROUND:

Municipal governments provide a wide range of services to their residents including road construction and maintenance, waste collection, public recreation, parks, snow removal, street lighting, planning, and fire and police services. While municipal governments have several revenue sources available; including grants, user fees, licenses and permit fees, fines and penalties, to fund these services, property taxation is the most important and largest source of revenue for municipalities.

What is property tax?

Property tax is a levy based on the assessed value of property. The municipal tax rate combined with the assessed value of the property determines the amount of property tax payable each year. The amount of money that is to be raised through property taxes is set by the Township’s Council each year as part of the annual budget process. Very simply, the amount to be raised from property tax can be expressed as follows:

$$\begin{array}{c}
 \boxed{\text{Total Amount of Money Required to Provide Services and Operate the Municipality}} \\
 \text{minus} \\
 \boxed{\text{Non-tax Revenue Sources (i.e. grants, user fees, permits, etc.)}} \\
 \text{equals} \\
 \boxed{\text{The Amount to be Raised from Property Taxes.}}
 \end{array}$$

How are property taxes calculated?

The tax rate is the percentage of assessed value at which each property is taxed in a municipality. The revenue requirement is divided by the assessment base, which is the total value of all assessed properties in the municipality.

The tax rate is then applied to each individual property assessment and the result is the amount of taxes to be paid by each assessed property.

The formula is as follows:

$$\boxed{\text{Property Assessment}} \times \boxed{\text{Tax Rate}} = \boxed{\text{Taxes Payable}}$$

Current Value Assessment (CVA)

Current value assessment is the value assigned to a property for taxation purposes. Every property in the province of Ontario is assigned a value using a common valuation date. The Municipal Property Assessment Corporation (MPAC) which derives its authority from provincial legislation is responsible for determining property valuation.

Property owners often assume that if the value of their property doubles, then their property taxes will double as well. This is not the case. What matters is not whether your property value rises or falls, but how property values change throughout the Township as a whole. If your property doubles in value, but every other property value in the Township also doubles, then your property taxes will stay exactly the same. It is only when your property value increases at a greater rate than the average that your property taxes go up. Correspondingly, if your property goes up in value, but goes up by less than the average, your property taxes will actually go down.

Tax rate

The tax rate in the Township of Wainfleet consists of three components. There is the Township of Wainfleet's portion as a lower-tier municipality, a Regional Municipality of Niagara portion as an upper tier municipality, and an education portion. Each of these portions is related to the budgetary needs of the respective level of government.

The tax rate is expressed as a percentage of a property's assessed value. A tax rate is set for each class of property.

The Township establishes a budget to provide the municipal services and infrastructure for which it is responsible. It calculates a municipal tax rate that will meet the funding requirements identified in the Township's budget. Property taxes provide the Township with the funds it needs to deliver the many day-to-day services and programs that its residents need including:

- Road construction and maintenance
- Snow removal
- Parks and recreation facilities
- Fire protection
- Library services

Education tax rates are set by the Province of Ontario. Provincial legislation specifies that the funds for schools are to be collected by municipalities. The Province (public) and separate school boards requisition revenue they require from the Township, and the total levy is distributed among taxpayers through their property tax bills. The costs of education are deemed to be the responsibility of all of society. Your education, for example, if received in Canada, was largely paid for by the previous generation of taxpayers.

Regional Budget Highlights

On December 7, 2017, Regional Council approved its 2018 budget of \$1.1 billion.

The operating budget provides funding for the Region's programs and services and pays for investments.

Some of the 2018 budget investments include:

- An increase in front-line police officers
- An additional 24-hour ambulance, to provide quality and timely paramedic service that is experiencing annual increases in emergency call volume
- Additional funding to support Niagara Specialized Transit, a service that provides transportation options for some the most vulnerable residents in our community
- Funding to continue with the consolidation of public transit across the Region
- Funding to combat the emerald ash borer issue on property owned by Niagara Region
- Initial budget allocation in support of the 2021 Canada Summer Games

Regional Council also approved the 2018 capital budget of \$187 million to support the following significant projects:

- \$15 million towards needed upgrades at the Port Dalhousie Wastewater Treatment Plant
- \$9.5 million for general road resurfacing and repair
- \$3 million for new busses to support enhancements to Niagara's inter-municipal transit service
- \$9.5 million to support affordable housing through Niagara Regional Housing

Analysis:

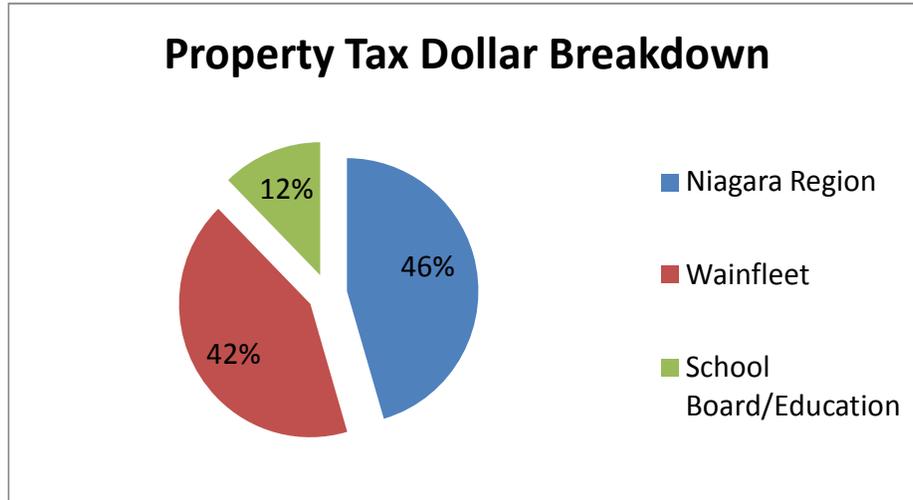
The Region has a property tax calculator on their website. This calculator provides the estimated amount of property tax a property owner will pay and the distribution of Regional tax component.

The tax calculator can be found using the following link:

<https://www.niagararegion.ca/government/budget-taxes/prop-tax-calculator.aspx>

The following information has been prepared using a residential property assessed at a value of \$258,360. For 2018, \$258,360 is the average residential property assessment value in the Niagara Region.

Property Tax Breakdown		
For a \$258,360 residential property in Wainfleet:		
	\$	%
Niagara Region	\$1,617	45.5%
Wainfleet	\$1,501	42.2%
School Board/Education	\$439	12.3%
Total	\$3,557	100.0%



What does this mean for the taxpayer?

For every \$1 dollar of property tax collected in Wainfleet, \$0.46 goes to the Region, \$0.42 goes to the Township and \$0.12 goes to the local school boards.

What are the property taxes used for?

Continuing with the example above, the following two tables provide a breakdown of how Township’s portion (\$1,501) and the Region’s portion (\$1,617) of the property taxes are used.

How is the Township's portion used?		
Roads	\$542.18	36.13%
Infrastructure renewal	\$244.24	16.28%
Fire	\$211.00	14.06%
Administration	\$160.58	10.70%
Library	\$121.99	8.13%
Building Mtce	\$87.23	5.81%
Recreation	\$57.33	3.82%
Planning	\$52.65	3.51%
Protection Services	\$40.45	2.70%
Council	\$34.75	2.32%
Cemetery	\$23.98	1.60%
Drainage	\$20.14	1.34%
Grants	\$16.39	1.09%
Election	\$4.92	0.33%
General Revenue	-\$117.24	-7.81%
Total	\$1,500.59	100.00%

The Township's tax revenue goes into a general revenue fund, which is used to pay for all the operating expenses of the Township that are not covered by provincial grants, user fees or other revenue sources. Many of the services, such as road and park maintenance, fire protection, and streetlights are provided on the basis of Township-wide or provincial

standards, and all residents in every area of the Township enjoy the benefits derived from these services.

How is the Region portion used?		
<i>Boards & Agencies</i>		
Police	\$652.36	40.33%
Housing	\$143.78	8.89%
Conservation Authority	\$29.50	1.82%
Court Services	-\$2.30	-0.14%
<i>Regional Departments</i>		
Roads	\$255.17	15.78%
Community Services	\$185.56	11.47%
Public Health	\$168.68	10.43%
Waste Management	\$152.29	9.42%
Administration and Government	\$73.88	4.57%
Planning and Development	\$23.94	1.48%
Revenue	-\$65.47	-4.05%
<i>Total</i>	\$1,617.39	100%

For the Region, activities are budgeted annually for each program based on the estimated operating costs. The operating budget includes annual expenditures for personnel costs, administrative expenses, materials, supplies and utilities, purchased services, Social Assistance and Housing Provider, financial expenditures, minor capital equipment and renovations, debt charges, reserve transfers, subsidy revenue for Ontario and Canada grants and program fees and service charges.

The Region budgets by program, which reflects expenditures and revenues based on program delivery and responsibility.

Detailed information on the Region's 2018 budget can be found using the following link.
<https://www.niagararegion.ca/government/budget/default.aspx>

Why do I pay taxes for services I don't use?

All property owners within the service area share the cost of the service through property taxes. If the service is available, you are required to support the service. Section 307 (1) of the Municipal Act, 2001 states that "All taxes shall, unless expressly provided otherwise, be levied upon the whole of the assessment for real property or other assessments made under the Assessment Act according to the amounts assessed and not upon one or more kinds of property or assessment or in different proportions." This is a way for everyone to share the cost of delivering essential public programs, facilities and services. Even if someone chooses not to use a particular service, it is important that everyone contributes to these valuable community assets.

For example, businesses don't have children but a portion of their property taxes are used to cover the cost of education which is an important part of the future of the community.

FINANCIAL CONSIDERATIONS:

None.

OTHERS CONSULTED:

SLT

ATTACHMENTS:

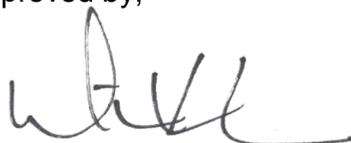
None.

Respectfully submitted by,



Adam Cross,
Manager of Corporate Services/Treasurer

Approved by,



William J. Kolasa,
Chief Administrative Officer/ Clerk