



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: February 27, 2019
Report Number: FAF.19.024
Subject: 2018 Tax Update Report
Prepared by: Kris Couture, Tax Collector

A. Recommendations

THAT Council receive Staff Report FAF.19.024 entitled “2018 Tax Update Report” for information purposes.

B. Overview

This report provides Council with an update on property tax information for 2018.

C. Background

The Town of The Blue Mountains levies and collects property tax for Town purposes, on behalf of the County of Grey and the four local school boards, based on assessment values provided by the Municipal Property Assessment Corporation (MPAC). Each year, there is an interim levy in March, an annual levy in August, and supplementary levies in September to December, as required. In addition, Town utility arrears (water and wastewater) are transferred to tax roll accounts after four billing periods (8 months) as well as uncollectable department fees and charges that, by legislation, may be added to the tax roll.

The Town remits the County of Grey and the local school boards their portion of the property tax levied, regardless of whether the Town receives payment from the taxpayer. To encourage prompt payment and to offset cash advances from the Town of The Blue Mountains to the County of Grey and local school boards, the Town charges a late payment fee of 1.25% per month, the maximum allowable under the Municipal Act, on tax accounts not paid by the due date and that are in arrears.

To calculate the property tax receivables financial indicator, the amount of property tax outstanding at year end is taken as a percentage of the year’s general tax levy, including the county and school boards. Property tax receivable is an indicator of a municipality’s financial health. A municipality can increase its cash flow by reducing the amount of property tax outstanding.

Property tax receivable is reported annually to the Province through the Financial Information Return (FIR). Based on the Province’s standards, outstanding tax between 10 - 15% of the annual tax levy is seen as a moderate risk indicator of financial health. Below 10% is seen as a low risk indicator. As of December 31, 2018, the Town tax receivables indicator was 5.98%, down from 6.51% at the end of 2017. Since 2014, consistent collection efforts have reduced the over 3 years’ arrears from \$783,882 to \$54,468. Provincial Bill 68 which passed May 30, 2017 has changed the Municipal Act to enable Tax Registration after 2 years in arrears of tax. This change is included in the updated Town Tax Billing and Collection Policy for 2019.

D. Analysis

Assessment Base Management

2018 was the second year of the current 4-year assessment cycle. The increase in properties’ assessment values from January 1, 2012 to January 1, 2016 is phased in over 4 years: 2017 to 2020. Any assessment value decreases were reflected on the roll in 2017.

To ensure the integrity of the Town’s assessment base for taxation, the Municipal Property Assessment Corporation (MPAC) maintains the property assessment roll and the Town provides building permit and development information. Staff will continue to work closely with MPAC to maintain a complete, predictable, and stable assessment roll.

Supplementary Property Tax

For 2018, supplementary assessment for Town purpose taxation raised \$292,217. Assessment Change Event reductions (Assessment Review Board decisions, Request for Reconsideration approvals, Tax Incentive Adjustments, Vacancy Rebates and Section 357 application adjustments) resulted in tax reductions of \$62,661. The net supplementary taxation was therefore \$229,556.

Historical Property Tax Receivable

The table below provides property tax receivable from 2014-2018. 2018 arrears include \$119,245 transferred to the tax roll for utility arrears and uncollectable department fees receivable.

	2014	2015	2016	2017	2018
Current	\$ 2,361,989	\$ 1,978,424	\$ 2,014,855	\$ 1,601,374	\$ 1,427,925
Year 1	\$ 1,302,705	\$ 902,761	\$ 945,477	\$ 677,061	\$ 631,275
Year 2	\$ 931,672	\$ 388,836	\$ 286,128	\$ 136,636	\$ 194,297
Year 3+	\$ 783,882	\$ 194,098	\$ 154,220	\$ 51,982	\$ 54,468
Total	\$ 5,380,247	\$ 3,464,119	\$ 3,400,680	\$ 2,467,054	\$ 2,307,965
Levied	\$ 35,242,238	\$ 36,035,957	\$ 37,299,739	\$ 37,910,398	\$ 38,601,063
% Levied	15.60%	9.61%	9.12%	6.51%	5.98%

Penalty/Interest on Tax Arrears

In 2018, the revenue from tax penalty/interest was \$362,542, down from the 2017 figure of \$413,535 because of continued tax collection efforts.

Collection Activities

The Tax Billing and Collecting Policy provides the framework for the administration of the Town's property tax receivables, including the processes to be followed when those accounts fall into arrears.

In 2018, no Tax Registration proceedings commenced.

In June of 2018, demand letters were sent to property owners liable for Tax Registration in 2019. Follow-up letters were sent in November.

Most taxpayers with 3 years of tax arrears have made acceptable arrangements to pay the 2016, 2017 and 2018 tax arrears by December 31, 2019. For the remaining 6, collection efforts will continue with the possibility of Tax Registration in March 2019.

Demand letters for property owners liable for Tax Registration in 2020 will be sent in June of this year with a follow-up letter in November.

E. The Blue Mountains Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None

G. Financial Impact

Collection of tax arrears improves the Town's cash flow position. Decreased tax receivable proportionately decreases the penalty/interest revenue.

H. In consultation with

Ruth Prince, Director of Finance & IT Services / Treasurer

I. Public Engagement

The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Kris Couture at tax@thebluemountains.ca.

J. Attached

None.

Respectfully Submitted,

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Tax Collector

Ruth Prince
Director of Finance and IT Services

For more information, please contact:

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