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SERVICES PROVIDED BY THE MUNICIPAL PROPERTY ASSESSMENT CORPORATION ("MPAC")

The Finance and Administration Committee recommends the following:

1. **The presentation by Carl Isenburg, Vice-President, Customer Relations, Municipal Property Assessment Corporation, and the overheads used (on file with the Office of the Regional Clerk) be received,**

2. **The adoption of the recommendations contained in the following report, March 11, 2004, from the Commissioner of Finance with the following additional recommendations:**

5. **That the Region work with MPAC to improve the Assessment Notice that MPAC sends out in order to assist taxpayers with how assessment works and how their assessment will affect their taxes.**

6. **The Region and area municipalities work with MPAC on a pilot project to accelerate the timing for assessment changes through co-operative effort and exchange of information.**

7. **This report be forwarded to the area municipalities, local MPP's, MPAC, and to the Minister and Deputy Minister of Finance.**

1. RECOMMENDATIONS

It is recommended that:

1. The Province be requested to strengthen the mandate of the Ministry of Finance/MPAC – Joint Committee to identify and address MPAC service issues on a timely basis, as well as expand its membership to include municipal and municipal association representatives.

2. The Province, in consultation with municipalities and MPAC, be requested to revise the formula used to determine MPAC's funding contribution from individual upper and single tier municipalities in order to make the charges more accurately reflect the cost of providing local services.

3. MPAC be requested to reallocate local staffing resources in order to better service York Region assessment growth requirements.

4. That the "opting-out" provision of the Municipal Property Assessment Corporation Act be reinstated in order that, subject to appropriate standards being recognized, municipalities may seek alternative service delivery for the assessment function.

2. PURPOSE

The purpose of this report is to provide information on the cost and services provided by the Municipal Property Assessment Corporation.

3. BACKGROUND

On February 19, 2004, Council received a resolution from the City of Sarnia with respect to MPAC service and other property assessment issues. The resolution included a report from the Mayor of Sarnia that highlighted a number of practice and service issues related to MPAC, such as: "faulty assessments based on computer models"; "long waits through the call centre"; and "poor service". Another correspondence from the Mayor of Sarnia also referred to fairness issues related to current value assessment which is the subject of a separate report to Council.

In response to the resolution, Council requested that staff report on the cost and services provided by MPAC.

MPAC provides a variety of services to municipalities which include:

- Maintaining a province-wide property assessment system;
- Updating the triennial enumeration for voters' lists; and
- Preparing a population report for each municipality that is used for jury duty and school support.

Prior to 1998, the services performed by MPAC were provided by the Province without cost to municipalities through the Ministry of Finance and their local regional assessment office. On December 31, 1998, the Province turned over their responsibility for these services to the Ontario Property Assessment Corporation ("OPAC"), a not for profit corporation funded by upper tier and single tier municipalities. In 2001, the Province renamed OPAC to the Municipal Property Assessment Corporation.

MPAC is an autonomous corporate entity. All municipalities must use MPAC to deliver their assessment services. The ability for municipalities to "opt-out" and use alternative service providers was removed by the Province in 2001.

MPAC's main responsibility is to prepare an annual Assessment Roll of every property located within the municipality, together with the value of each property based on current value assessment. It classifies each property, or portions of each property as belonging to one of several property classes (e.g. residential/farm, commercial, industrial, etc). MPAC also determines whether the property is taxable or tax exempt and to where the educational support portion of the tax is directed. MPAC is responsible for producing the Omitted Property Assessment Notices to record properties that were missed on the previous roll and the Supplementary Property Assessment Notices for new properties and properties to which assessment changes have occurred. It also adjusts the value assigned to a property as a result of a "reconsideration" or an Assessment Review Board decision requested by the property owner.

In the year of a reassessment, MPAC is also expected to provide both the old and new assessment values for properties in order that a municipality can distinguish between the impact of reassessment and growth.

Since property assessment forms the basis for calculating the regional, local municipal and educational property tax revenue, it is very important that the information provided by MPAC is both accurate and timely.

3.1 York Region Service Concerns

The Region, like other municipalities in Ontario, has experienced a variety of service issues with MPAC over the past several years. Many of these issues span multiple years and have been the subject of numerous communications and meetings with both MPAC and the Ministry of Finance. The following are some of the issues:

a) The Region has experienced significant delays in receiving assessment data for some new properties and changes to existing properties, in some cases up to a year or more. While MPAC's benchmark is to make assessment data available to municipalities within six months of a change in a property value, the high growth rate in York has made this target difficult for them to achieve. This affects the accurate and timely calculation of revenues that will be available to the Region to fund expanded services required by new residents and/or businesses;

b) The assessment information that MPAC provides is not always complete and in some cases subject to late revision. Some examples of this are:
   - In a year of reassessment, old and new assessment data for properties is often incomplete making it difficult for municipalities to distinguish between growth and reassessment;
   - Bill 140 comparables for new commercial, industrial and multi residential construction are not received on a timely basis;
   - Placeholders values of $3 are used when actual assessment data is not available; and
   - Magnitude testing to determine obvious assessment errors was not being performed until after the roll had been returned.

   These "quality control" issues affect tax policy analysis (eg. proposed tax ratios), property tax capping and clawback calculations for protected property classes, assessment "growth" and the calculation of the tax rates. Staff have had to invest a considerable amount of time questioning MPAC and revising assessment data in order to have accurate information upon which to base its calculations;

c) MPAC has not always communicated major changes in assessment policy prior to property owners expressing their concerns to Council or municipal staff (eg. golf courses, water front lots, car dealers and trailer parks); and

d) While the Region pays for MPAC services, it cannot access certain assessment information without the consent of local municipalities. This is not consistent with the Region's responsibility for tax policy decisions.
e) The Region's Planning Department relies on the OASYS data from MPAC; the future of OASYS is uncertain and in spite of the fee paid by the Region to MPAC, OASYS is an extra charge.

3.2 MFOA Survey of Other Municipalities

In January 2003, the Municipal Finance Officers Association ("MFOA") surveyed over 300 Ontario municipalities specifically about MPAC's performance during the 2002 reassessment. The findings were sent to both the President of MPAC and the Minister of Finance (March 10, 2003). The recommendations arising from the MFOA survey include the following:

- The Provincial Government should ensure that MPAC undertakes a quality assurance review with respect to the Assessment Roll;
- The Provincial Government should reconsider the pending requirement to move to a three-year rolling average assessment by 2006 in order to reduce the expected increases in workload that would be required by MPAC;
- The Provincial government contribute to the cost of MPAC in proportion to the share of property tax revenues raised for education purposes;
- Strengthen the Ministry of Finance/MPAC-Joint Committee (as envisioned by Marcel Beaubien);
- MPAC to communicate annual reassessment impacts to stakeholders;
- MPAC to communicate its views on key assessment policies to its stakeholders;
- MPAC to model future changes in the classification of properties and in assessment techniques and to communicate the results of this modeling to illustrate the taxation and assessment impacts.

4. ANALYSIS AND OPTIONS

4.1 Service Delivery Issues

Most of the service issues experienced at the Region of York and other municipalities have already been well documented through the work of the municipal associations. The MFOA and the Association of Municipal Tax Collectors of Ontario ("AMTCO") are particularly active in creating discussion around MPAC issues and tax legislation. However, despite the representations made by these organizations and others, progress on resolving these issues has been slow in coming.

The high rate of growth that has occurred in the Region of York over the last several years has magnified many of the service issues that are being experienced in other municipalities. As discussed earlier, staff have voiced their concerns to both local and senior MPAC officials, particularly regarding data delays, communication issues and local MPAC staffing resources not keeping pace with York's growth.

The Region and its area municipalities continue to take a proactive approach to resolve technical and service issues including the recent formation of a liaison committee with local MPAC staff. This committee will meet on a regular basis starting in March 2004.

Many of MPAC service issues appear to be systemic and may require the intervention of the Province in order to be resolved on a long-term basis.

The Province has already established the Ministry of Finance/MPAC – Joint Committee comprised of senior staff from both the Ministry and MPAC with a mandate to deal with operational, policy and legislative issues. Staff support the MFOA's recommendation that the mandate for this committee be strengthened to better cope with broader MPAC service issues arising from external stakeholders. Further, staff recommend that the representation on this committee be expanded to include municipalities and municipal associations such as AMO, MFOA and AMTCO.

4.2 Legislative Changes Needed

Some of the largest obstacles facing MPAC arise from the current legislative environment in which it must operate. For example, the timing of reassessment, the need to provide six comparable properties when assessing new construction, and the need to go to three year rolling assessments were policy decisions that were entrenched in legislation by the Province. However, the administrative cost and effort to implement them rests with MPAC and municipalities. To meet these legislated objectives will require MPAC to invest more dollars in people and infrastructure that could have been directed to solving service issues. Some recommendations regarding this matter that have been put forward by municipal associations include:

- The MFOA and others suggest that the Province review the legislated requirement and move to the three year rolling average property assessment by 2006. MPAC has suggested that they do not have information systems to run such a program and that the cost to update them would be extremely costly. Therefore, before implementing an assessment averaging regime, a rigorous cost benefit analysis should be completed, particularly in light of the current requirement to cap commercial, industrial and multi-residential tax increases at 5%.
- AMTCO is suggesting to move the date of reassessment from June 30th of each year to a date earlier in the year to allow for a longer period before the November delivery of the Assessment Roll for MPAC to reconcile the reassessment changes. This should allow for a more accurate and complete Roll.

As above, it is recommended that these issues be referred to a strengthened Ministry of Finance/MPAC - Joint Committee.

4.2.1 MPAC Funding Requirements

In 2004, it is estimated that MPAC will collect approximately $142 million in revenue from Ontario municipalities. The charge to an upper tier or single tier municipality is based on a formula prescribed by the Assessment Act:

$$\frac{\dfrac{\text{Municipal Assessment}}{\text{Provincial Assessment}} + \dfrac{\text{No. of Municipal Properties}}{\text{Total Provincial Properties}}}{2} \times \text{Total MPAC Requirement}$$

The following table shows the trend in both total municipal funding of MPAC and the amount paid by the Region of York.

Table 1
Municipal Funding of MPAC

	2004 Requirements ($millions)	% Change	2003 Requirements ($millions)	% Change	2002 Requirements ($millions)	% Change	2001 Requirements ($millions)
Total Municipal Funding	**141.8***	**5.9**	**133.9***	**3.0**	**130.0**	**0**	**130.0**
York Region's Share	**11.1**	**9.8**	**10.1**	**5.0**	**9.6**	**3.2**	**9.3**

*estimated figures

While Table 1 shows that MPAC's total 2004 municipal revenues will only increase by 5.9% over 2003, the $11.1 million fee paid by the Region in 2004 represents an increase of 9.8%. The difference is due to the prescribed contribution formula which assigns the same weighting to assessment values as it does to the number or properties that are being assessed. The methodology used by the formula tends to penalize the larger urban areas, located mainly in southern Ontario, that have higher property values. A formula based only on the number of properties would save the Region of York approximately $2.2 million per year.

There is a heavy weighting given to assessed values when allocating MPAC's revenue requirements. While assessed value may provide a proxy for the size of building on the property when it is first put on the Roll, MPAC conducts subsequent property valuations through a computerized assessment method for which the assessed value is not a primary cost driver in providing the service. Furthermore, the large municipalities that are penalized by the formula may have a more compact urban form that would make it less labour intensive and provide more comparables to assess values.

Finally, the amount charged to an upper tier or single tier municipality is not currently tied to the level of service being offered by MPAC (ie. no pay for say).

It is therefore recommended that the current fee allocation formula be modified to reduce or eliminate the bias imposed by property assessment values.

4.2.2 "Opting Out" of MPAC

Following the submission of the first report by Marcel Beaubien to the Province in 2001 (*Final Report-Review of the Property Assessment Process*, April 2001), the Municipal Property Assessment Corporation Act was enacted; in order to ensure that assessment practices were consistent throughout the province, a provision of the Act removed the option for municipalities to opt-out of MPAC. Implicit in this restriction is the expectation that MPAC will provide a quality of service that meets the needs of its clients at a fair price for the service rendered within a reasonable period of time from its inception.

Based on the issues outline within this report, it is recommended that the "opting-out" provision be reinstated in order that, subject to appropriate standards being recognized, municipalities may seek alternative service delivery for the assessment function.

5. FINANCIAL IMPLICATIONS

The Region will pay approximately $11.1 million for MPAC services in 2004. Service issues with processing supplementary and omitted assessments have delayed assessment "growth" dollars that could otherwise be used to deliver the services needed by those new residents and businesses. Also, noted above, a change in MPAC's funding formula to use only the number of properties in a municipality could save the Region over $2 million per year.

6. LOCAL MUNICIPAL IMPACT

Local municipalities share many of the same service issues as the Region.

7. CONCLUSION

This report recommends that the Province intervene with respect to systemic MPAC service issues and the current MPAC funding formula. Furthermore, it recommends that MPAC reallocate staffing resources to better service the Region's growth requirements.

The Senior Management Group has reviewed this report.