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FUNDING OF 2004 PROPERTY TAX CAPPING REQUIREMENTS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 5, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. This report be received for information.

2. The Regional Solicitor be authorized to prepare the necessary by-law to give effect to the clawback rates identified in Table 1 of this report.

2. PURPOSE

The purpose of this report is to inform Council of the "clawback" percentages calculated for each of the business classes for the 2004 taxation year. The report also quantifies the impact of the "bankering" role to the area municipalities including the impact of the funding shortfall in the Multi-Residential class after the application of the clawback percentages.

3. BACKGROUND

Bill 140 required that Council establish a permanent program to limit any annual tax increases resulting from reassessment to no more than 5% for the Commercial, Industrial and Multi-Residential classes, excluding farmland awaiting development, for the 2001 taxation year and beyond. Bill 140 does not prevent the Region or its local municipalities from levying municipal budgetary increases over and above the 5% cap limit.

For the 2002 and future taxation years, Regional Council has adopted a policy by which the funding of the tax cap will be achieved by withholding of an equivalent amount of available tax decreases within each of the protected classes. As a result, the Region must determine the "clawback" rate needed for each protected class prior to the issuance of final property tax bills by the local municipalities.

In June 2004, Council authorized the Regional Treasurer, after consultation with local municipalities, to determine the region-wide percentage of tax decreases to be withheld from properties for the 2004 taxation year in each of the protected classes to fund the cap based on the assessment data provided by the Online Property Tax Analysis (OPTA). In the event that there were insufficient tax decreases to cover the cost of the 5% cap, the Regional Treasurer was authorized to fund the Region's share of the resulting shortfall from the Tax Write-off Reserve Fund.

Finally, Bill 140 requires that the Region perform a "bankering" role for the local municipalities to ensure that they would neither benefit nor lose as a result of the capping and "clawback" procedure.

4. ANALYSIS AND OPTIONS

The calculation of the 'clawback" percentages, applicable to 2004 for each of the three protected classes are based on assessment data provided by OPTA. In consultation with local treasurers, OPTA was requested to limit data entry to those updates received prior to June 1, 2004 and freeze further adjustments to this data as at August 5, 2004. Table 1 shows the final "clawback" percentages and funding requirements for 2004.

Table 1
Clawback Percentages and Funding Amounts for 2004

Property Class	Clawback	Funding Requirement for Cap	Available Decreases	(Shortfall)
	%	$	$	$
Multi-Residential	100.0000	671,594	187,902	(483,692)
Commercial	84.0267	24,180,741	28,777,449	N/A
Industrial	81.5553	6,629,066	8,128,308	N/A

Source: OPTA August 5, 2004

As shown in Table 1 the clawback rates are: Commercial 84.0267%; Industrial 81.5553% and the Multi-Residential 100.0000%. Even with 100% decreases withheld from the Multi-Residential property owners there is a shortfall of approximately $483,692 of the amount needed to cover the cost of the legislated cap. When a capping shortfall exists, the Region and its local municipalities are required to fund the capping shortfall in the same ratio as they receive taxation revenue from that property class including the education portion which cannot be cost shared with the Province.

5. FINANCIAL IMPLICATIONS

The regional share of the shortfall for the Multi-Residential class is $302,476. In June, Council approved the funding of this shortfall from the Tax Write-off Reserve Fund. There is no net financial impact to the Region to act as banker for the inter-municipal surpluses and shortfalls from the setting of the clawback rates.

6. LOCAL MUNICIPAL IMPACT

The Region's role as banker for the implementation of Bill 140 capping provisions ensures that the local municipalities do not experience any shortfalls or surpluses with respect to issuing the 2004 tax bills for Commercial, Industrial and Multi-Residential properties. Table 2 shows the payments to/(from) local municipalities as a result of "bankering".

Along with the Region the local municipalities are also required to fund the shortfall in the multi-Residential class in the same ratio that they receive taxation revenue from this class. Table 2 also identifies the local municipal and regional apportionment for the funding of the shortfall in the Multi-Residential class.

Table 2
Local Municipal "Bankering" and Shortfall Amounts for 2003

Municipality	Bankering To/(From) the Region	Allocation of Multi-Residential Shortfall	Net Amount To/(From) the Region
	$	$	$
Aurora	768,239	16,206	784,445
East Gwillimbury	132,821	2,183	135,004
Georgina	495,951	16,811	512,762
King	168,632	1,391	170,023
Markham	(801,204)	42,975	(758,229)
Newmarket	(659,637)	35,813	(623,824)
Richmond Hill	1,922,770	53,089	1,975,859
Vaughan	(2,345,963)	5,651	(2,340,312)
Whitchurch-Stouffville	(165,301)	7,097	(158,204)
Region of York	0	302,476	302,476
Total	**(483,692)**	**483,692**	**0**

Source: OPTA August 5, 2004

7. CONCLUSION

This report provides information to Council regarding the "clawback' percentages related to the funding of the capping provisions of Bill 140, the funding requirements of any resulting shortfalls and the impacts of the "bankering" role with respect to the transfer of funds between the Region of York's local municipalities for the 2004 taxation year.

The Senior Management Group has reviewed this report.