

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON NOVEMBER 4, 2014</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>PRE-AUTHORIZED TAX PAYMENT PLAN BY-LAW AND COLLECTION OF PROPERTY TAXES BY-LAW</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to property taxation for 2015:

1. A by-law to amend By-law A-5505-497, "A by-law to authorize the implementation of a pre-authorized payment plan" so that the calculation of pre-authorized payments is based on the previous year's taxes increased by the average increase in total property tax rates in the residential class in the previous year (Appendix "A") **BE INTRODUCED** at the Council meeting on November 11, 2014;
2. A by-law to amend By-law A-8, "A by-law to provide for the collection of property taxes" so that the calculation of the interim tax levy will be set at a percentage of 40% of the previous year's taxes and then increased by the average increase in total municipal property tax rates in the residential class in the previous year (Appendix "B") **BE INTRODUCED** at the Council meeting on November 11, 2014.

<b>BACKGROUND</b>
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Section 317 of the *Municipal Act, 2001* permits a municipality to levy taxes prior to the completion of its annual budget and the determination of education tax rates by the Province. Sections 342 and 307 of the Act provide additional flexibility with respect to due dates and payment arrangements. In accordance with section 317, the amount that can be levied on each property prior to the adoption of the budget is limited to fifty percent of the total property taxes applicable to the property in the previous year. Interim tax levies provide the municipality with funds to operate and make remittances to school boards prior to the finalization of municipal and education tax rates for the year. Interim tax levies do not affect the determination of total final taxes for the year as any taxes not billed at interim time are included on the final tax bill.

Beginning in 2011, the City adopted the policy of adjusting the interim billing tax rate each year by the approximate amount of the average tax increase in the residential property class in the previous year. This annual adjustment permits the City to bill five installments each year and ensures that the amounts of each installment are approximately equal. Each installment is roughly 20% of the total taxes for the year ( $5 \times 20\% = 100\%$ ). Two installments are billed as an interim levy in January each year (40%) and three installments are billed in May as the final tax installments for the year (60%). In 2014, the average increase in total municipal property tax rates for the residential property class was 2.7%. Using this basis of calculation, the interim tax rate for 2015 would be 41.08% ( $40\% \times 1.027$ ) of the 2014 rate.

It is therefore recommended that an interim levy of 41.08% of the previous year's taxes be set for the 2015 interim billing in the Property Tax Collection By-law, and that the pre-authorized payments for 2015 be based on the previous year's taxes increased by 2.7% representing the average tax increase that occurred in the residential class in 2014. The proposed by-law amendments would have results consistent with past practice and would ensure that the City has sufficient funds to carry on operations and make remittances to local school boards. The proposed by-law amendments should also divide the annual tax billing into five approximately equal installments for the convenience of the individual property owners.

<b>SUMMARY</b>
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It is recommended that the Pre-Authorized Payment By-law be amended so that payments for 2015 are based on the taxes of the previous year increased by the average increase in total residential municipal property tax rates in the previous year (i.e. 2.7%). It is also recommended that the Property Tax Collection By-law be amended to set interim tax payments for 2015 on the same basis. This would result in an interim levy of 41.08% of previous year's taxes in 2015.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>JIM LOGAN DIVISION MANAGER, TAXATION &amp; REVENUE</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>