

CITY OF HAMILTON

8.1

CORPORATE SERVICES
Budgets and Finance

Report to: Chair and Members Corporate Administration Committee	Submitted by: Joseph L. Rinaldo, General Manager
Date: April 28, 2006	Prepared by: Tom Hewitson x 4159 Maria Di Santo x 6247

SUBJECT: 2005 Transition Ratios (FCS06052) (City Wide)**RECOMMENDATION:**

- a) That the following 2005 transition ratios for the purpose of mitigating reassessment tax shifts be applied and that the corresponding Council resolution be forwarded to the Ministry of Finance:

Residential	1.0000
Multi-Residential	2.7469
Commercial (residual)	2.1174
Parking Lot & Vacant Land	2.1174
Industrial (residual)	3.5242
Large Industrial	4.1325
Pipeline	1.7367
Farm	0.2220
Managed Forest	0.2500

- b) That Council formally request the Province to set the City of Hamilton transition ratios as calculated by the Provincial Transition Ratio Worksheet 1 (refer to the attached Appendix "A" to report FCS06052); and
- c) That the City Treasurer execute the Provincial Transition Ratio Worksheet 1 (refer to the attached Appendix "A" to report FCS06052).



Joseph L. Rinaldo, General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

Similar to the 2004 reassessment, municipalities are, once again, given the authority to adjust the 2005 tax ratios in an effort to offset property class tax shifts due to the 2006 reassessment. These adjusted ratios are known as “transition ratios”. As part of the 2006 budget process, Council approved the use of this tax policy in report FCS06038 – “2006 Tax Policy Options”. This report is provided to satisfy provincial legislative requirements.

The revenue-neutral transition ratios are determined using the attached Worksheet 1 (Appendix “A” to FCS06052) as prescribed by the Province. These transition ratios simply offset reassessment tax shifts and do not alter the final 2006 tax ratios and tax rates as approved by Council on April 26, 2006, (FCS06038 – “2006 Tax Policy Options” as amended).

BACKGROUND:

In 2004, the City of Hamilton elected to offset the property class tax shifts, due to the 2004 reassessment, by establishing 2003 revenue-neutral transition ratios (FCS04071 – “2004 Tax Policies and Ratios”). Since this resulted in increasing the ratios for the Multi-Residential, Commercial and Industrial property classes, a formal request was forwarded to the Province. Municipalities have the same authority for the 2006 reassessment.

2006 Reassessment Property Tax Shifts

As a result of 2006 reassessment, tax shifts occurred between properties classes as detailed in Report FCS06017 – “2006 Reassessment Impacts”. Current values increased at a faster rate in the Residential property class (15.4%) than the Commercial and Industrial property classes (8.0% and 5.6% respectively). This resulted in tax burdens being shifted from the Commercial/Industrial property classes to the Residential property class. As previously reported to Council, not establishing revenue-neutral transition ratios would result in a tax shift of about 1.9% from the Commercial/Industrial property classes to the Residential property class. The transition ratios, as recommended in this report, increases the 2005 tax ratios in order to offset this tax shift.

The following Table illustrates the required increase to the ratios (2005 transition ratios), as well as, the 2006 final tax ratios as approved by Council:

	2005 Approved Tax Ratios	2005 Transition Ratios	2006 Approved Tax Ratios	Provincial Thresholds
Residential	1.0000	1.0000	1.0000	
Multi-Residential	2.7400	2.7469	2.7400	2.7400
Commercial	1.9800	2.1174	2.1016	1.9800
Industrial - Residual	3.2226	3.5242	3.4979	2.6300
Industrial - Large	3.7789	4.1325	4.1017	2.6300
Pipeline	1.5154	1.7367	1.7367	
Farm	0.2220	0.2220	0.2174	
Managed Forest	0.2500	0.2500	0.2500	

As shown above, in order to mitigate the 2006 reassessment property tax shifts, the 2005 transition ratios are higher than the 2005 approved tax ratios. However, due to the levy restriction and tax policy decisions, the final 2006 approved tax ratios (which are used to establish the 2006 municipal tax rates) are the same or lower than these transition ratios.

ANALYSIS/RATIONALE:

The relevant analysis was provided during the 2006 budget process. This report is required to seek formal approval of the transition ratios in accordance with Provincial legislation.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

There are no staffing implications. The financial implications are summarized in other sections of this report.

POLICIES AFFECTING PROPOSAL:

This report deals with establishing revenue-neutral transition ratios in an effort to offset the tax shifts between property classes as a result of the 2006 reassessment. These transition ratios do not change the final 2006 tax ratios or tax rates, as approved by Council on April 26, 2006.

RELEVANT CONSULTATION:

Staff consulted with the Ministry of Finance in arriving at transition ratios which adhere to Provincial legislation/regulations.

CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.

Community Well-Being is enhanced. **Yes** **No**

Environmental Well-Being is enhanced. **Yes** **No**

Economic Well-Being is enhanced. **Yes** **No**

Does the option you are recommending create value across all three bottom lines?
 Yes **No**

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
 Yes **No**

TRANSITION RATIOS FOR 2006: City of Hamilton

Worksheet 1: TRANSITION RATIOS - REVENUE-NEUTRAL BY CLASS

Property Class	2005 70.00% 65.00%	2006 70.00% 65.00%	(1)	(2)	(2a)	(3)	(4)	(5)	(6)	(6a)	(7)	(8)	(9)	(10)
	Matched Year-End 2005 CVA	2006 CVA	2006 CVA Returned Roll (Optional Classes)	2005 General Tax Rates	Annualized Year-End Taxes	Revenue Neutral 2006 Tax Rates	Revenue Neutral Transition Ratios	2006 Starting Tax Rates	Weighted 2006 CVA (Revenue Neutral Ratios)	Verification Rates	Revenues	Revenues Differences		
Commercial - Residential	3,470,475,973	3,741,031,374	3,741,031,374	1.094665%	282,696,533	0.949407%	1.000000	1.000000	30,829,352,639	0.949407%	292,696,130	-403		
Commercial - Residential Total	53,521,115	57,251,190	57,251,190	2.167638%	76,046,471	2.010246%	2.117369	1.960000	8,006,000,524	2.010246%	76,009,555	-36,916		
Parking	3,523,997,088	3,796,282,564	3,796,282,564	2.999937%	51,947,250	2.607970%	2.746946	2.740000	5,471,545,181	2.607970%	51,947,250	0		
Parking Total	70,806,644	78,692,045	78,692,045	0.000000%	0	0.949407%	1.000000	1.000000	0	0.949407%	0	0		
Commercial - Total	95,900,744	105,341,490	105,341,490	2.167638%	2,080,707	2.010246%	2.117369	1.960000	2,290,719,021	2.010246%	2,117,623	36,916		
Commercial - Total	3,619,977,832	3,903,624,054	3,903,624,054	2.167638%	78,127,178	2.167638%	2.117369	1.960000	8,229,047,367	2.167638%	78,127,178	0		
Industrial - Residential	334,826,265	354,389,109	354,389,109	3.528335%	12,142,097	3.345859%	3.524155	3.222613	1,283,649,581	3.345859%	12,187,063	44,966		
Industrial - Residential Total	4,426,841	4,771,581	4,771,581	4.137424%	21,793,220	3.923448%	4.132523	3.778926	2,290,719,021	3.923448%	21,746,254	-44,966		
Large Industrial	349,141,406	369,549,290	369,549,290	1.659172%	3,198,585	1.648798%	1.736660	1.515409	336,903,342	1.648798%	3,198,585	0		
Large Industrial Total	524,987,249	552,364,604	552,364,604	0.243061%	1,190,587	0.210768%	0.222000	0.222000	126,655,995	0.210768%	1,202,481	11,694		
Large Industrial - Total	2,687,285	3,000,416	3,000,416	0.273717%	31,545	0.237352%	0.250000	0.250000	2,112,194	0.237352%	20,053	-11,491		
Industrial - Total	527,874,534	555,365,020	555,365,020	4.137424%	21,793,220	3.923448%	4.132523	3.778926	2,290,719,021	3.923448%	21,746,254	-44,966		
Industrial - Total	876,815,940	924,914,310	924,914,310	3.866736%	33,935,317	3.891282	3.891282	3.558327	3,574,368,602	3.891282	33,935,317	0		
Pipeline	192,782,000	193,995,000	193,995,000	1.659172%	3,198,585	1.648798%	1.736660	1.515409	336,903,342	1.648798%	3,198,585	0		
Farm	489,831,439	570,822,496	570,822,496	0.243061%	1,190,587	0.210768%	0.222000	0.222000	126,655,995	0.210768%	1,202,481	11,694		
Managed Forest	1,524,532	8,448,775	8,448,775	0.273717%	31,545	0.237352%	0.250000	0.250000	2,112,194	0.237352%	20,053	-11,491		
Total	33,656,051,050	38,422,722,366	38,422,722,366		461,126,995				48,569,985,319		461,126,995	0		

Vacancy Adjustment:
Enter the commercial and industrial vacancy adjustment factors adopted by the municipality in the upper-left box.

Contents of Columns:
(1) 2005 matched year-end assessment (taxable properties with RTOs of T, U, X, P, Q, R, H, J, K, and M and PL properties with RTOs of F, G, V, W, Y, and Z.)
(2) 2006 current value assessment from roll as returned or adjusted (taxable properties with RTOs of T, U, X, P, Q, R, H, J, K, and M and PL properties with RTOs of F, G, V, W, Y, and Z.)
(3) Complete 2006 current value assessment from roll as returned or adjusted (taxable properties with RTOs of T, U, X, P, Q, R, H, J, K, and M and PL properties with RTOs of F, G, V, W, Y, and Z.)
(4) 2005 annualized year-end taxes obtained by applying tax rates in column (3) to vacancy-adjusted 2005 CVA in column 1.
(5) Calculated 2006 revenue neutral tax rates by class.
(6) Calculated revenue transition ratios for 2006 by class.
(7) 2006 CVA from column (2) weighted by the revenue neutral transition ratios calculated in column (6).
(8) Revenue neutral tax ratios based on annualized 2005 taxes in column (4) and revenue neutral transition ratio 2006 CVA in column (7).
(9) Taxes raised by applying the tax rates calculated in column (8) to 2006 CVA in column (2).
(10) Difference between revenues raised under the revenue neutral rates in column (9) and the annualized 2005 tax revenues in column (4).

Clerk/Treasurer's Signature: _____
Municipality: _____
Date: _____