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DATE: January 13, 2010

REPORT TITLE: **DELEGATION OF TAX RATIO SETTING AUTHORITY**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

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### RECOMMENDATION

**That the delegation of the tax ratio setting authority to the lower-tier municipalities for both lower-tier and upper-tier purposes for 2010, as authorized under s.310 of the *Municipal Act, 2001*, be approved;**

**And further, that the necessary by-law be presented to Regional Council for enactment;**

**And further, that the Minister of Municipal Affairs and Housing be requested to make a general regulation designating the Region of Peel for this purpose for 2010.**

### REPORT HIGHLIGHTS

- Delegation provides the councils of the lower-tier municipalities with the authority to establish tax ratios for both area municipal and Regional purposes – as has been the Region of Peel's practice for the years 1998 through 2009.
- Delegation must be unanimous among all three lower-tier municipalities to be enacted, along with approval from the Minister of Municipal Affairs and Housing.
- The *Good Government Act, 2009* (Bill 212) introduced an amendment to the tax ratio delegation process allowing an upper-tier municipality to continue the delegation of tax ratio setting (subject to satisfaction of all the prescribed requirements) without the need for passing of an annual Minister's designating regulation; instead a general Minister's regulation must be requested for 2010.
- Apportionment of waste management costs to be changed for 2010 and subsequent years as recommended by the Regional and Lower-tier municipal Treasurers based on a consensus position.
- A Regional by-law must be enacted, and each lower-tier municipality must pass a resolution consenting to the by-law by February 28, 2010 and a general regulation designating the Region for the purpose of the enactment of a delegating by-law must be made by the Minister before April 1, 2010.

January 13, 2010

## DELEGATION OF TAX RATIO SETTING AUTHORITY

### DISCUSSION

#### 1. Background

##### a) Tax Ratio Setting

The *Municipal Act, 2001* (hereafter referred as the "Act") sets out authority for tax ratio setting to the upper-tier municipality. Section 310 of the *Act* permits the upper-tier municipality to delegate the tax ratio setting authority to its lower-tier municipalities.

The Region of Peel has delegated its authority to establish tax ratios to its lower-tier municipalities for the 1998 to 2009 fiscal years. Delegation allows the lower-tier municipalities flexibility in determining their own tax ratios. The Joint Regional and Area Municipal Tax Policy Team recommends delegation for the 2010 fiscal year.

Tax ratios reflect how a property class tax rate compares to the residential tax rate. The different relative tax burdens among property classes are based on the tax ratios set by municipalities. Changing the tax ratios will result in a shift of the tax burden among different property classes. Tax ratios can be used to prevent large shifts of the tax burden caused by relative changes in assessment among property classes as well as to lower the tax rates on a particular class or classes.

##### b) Apportionment of Regional Levy

As required by the *Act*, the proposed delegation by-law contains a plan to apportion the Region of Peel 2010 property tax levy among Mississauga, Brampton and Caledon. The proposed 2010 apportionment plan incorporates the proposed change for waste management costs as based on consensus among the Regional and Area Municipal Treasurers. This new method will apportion the waste management costs to the lower-tier municipalities on the basis of the relative share of household counts according to the assessment roll data provided by the Municipal Property Assessment Corporation (MPAC), which all lower-tier municipalities receive thereby ensuring greater transparency. The new apportionment method will be consistent with the new waste collection contract signed with the Regional waste collection provider.

Additionally, the adjustment to update the prior year's budget tonnages estimate to actual tonnages collected in each lower-tier municipality will not be made in 2010 as well as future years. This adjustment for the prior year waste tonnages often resulted in significant impacts to the current year's upper-tier portion of the tax rate at the lower-tier municipalities, resulting in inconsistencies with the approved budget impact. This new method will streamline administration, reduce tax rate volatility and will continue to reflect changes in the waste program since its assumption by the Region of Peel in the mid 1990's.

January 13, 2010

**DELEGATION OF TAX RATIO SETTING AUTHORITY**

The Regional Levy apportionment plan is based on the following three components:

- Waste management costs are apportioned based on relative lower-tier municipal household counts according to the roll data provided by MPAC.
- Peel Regional Police costs are apportioned between Mississauga and Brampton based on weighted current value assessment. Caledon fully assumes the costs of the Ontario Provincial Police.
- Remaining Regional services are apportioned among the lower-tier municipalities according to relative shares of weighted current value assessment.

The *Act* sets out a February 28, 2010 deadline for enactment of a by-law by Regional Council and resolutions consenting to the by-law by the lower-tier municipalities. Lower-tier municipal treasurers will be bringing forward related reports to their respective councils later in February. The delegation by-law, and the necessary lower-tier municipal resolutions confirming delegation will then be submitted to the Minister of Municipal Affairs and Housing.

The *Good Government Act, 2009* (Bill 212) introduced an amendment to the tax ratio delegation process permitting the municipality to continue the delegation of tax ratios (subject to satisfaction of all the prescribed requirements) without the need for passing of an annual Minister's designating regulation. Instead the Minister is required to make a general designating regulation prior to the legislative deadline of April 1, 2010.

**CONCLUSION**

Delegation of the upper-tier tax ratio setting authority contains a plan to apportion the Region of Peel 2010 property tax levy among Mississauga, Brampton and Caledon and provides the lower-tier municipalities with the flexibility to set tax ratios that meet local needs.



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**Approved for Submission:**

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D. Szwarc, Chief Administrative Officer

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