Provincial Elections 2007
Mississauga Matters

Issue: Airport Payments in Lieu of Taxes

The City of Mississauga believes that the GTAA should pay a Payment in Lieu of Taxes (PILT) that is based upon the assessed value of the property, consistent with how other properties are taxed, and not a PILT which is based on a per passenger rate. Adopting these changes would ensure that the GTAA is treated fairly relative to other City taxpayers and that the GTAA contributes its fair share toward the City's budget requirements.

Background:

- Property taxation in Ontario is based on Current Value Assessment (CVA). Federal and provincial properties are exempt from property taxation and generally pay a Payment in Lieu of Taxes (PILT) which approximates the taxes that would be paid if the property was not exempt.
- Since the airport is a federal property, it is exempt from property taxes, and the Greater Toronto Airports Authority (GTAA) is considered to be a tenant of this federal property. Tenants on federal property are assessed generally as owners, and pay taxes, not PILTs.
- The payment in lieu of taxes paid by the GTAA is based upon an arbitrary method established by the Minister of Finance and bears no relationship to the value of the property. The PILT should be based upon the assessed value of the property and should be consistent with how other similar properties are taxed.
- The GTAA pays a PILT which is based on a per passenger rate. Increases in passenger count are capped at 5% of the previous year, and the per passenger rate has not changed since the legislation was enacted in 2001.
- However, while the City has increased its tax rate by 21% on an assessment adjusted basis during this time, the GTAA has been able to avoid paying its fair share.
- In 2007, the GTAA will receive a significant benefit from capping of approximately $2.5 million. This loss of revenue for the City must be passed on to all City tax payers, not just those in the same property class.
- The PILT for the GTAA should be based upon the assessed value of the property, which would be consistent with how other properties are taxed.

For the complete Corporate Report ("Current Value Assessment, Airport Payment in Lieu of Taxes and Tax Increment Financing", April 17, 2007), visit http://www.mississauga.ca/portal/cityhall/mississaugamatters

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Provincial Elections 2007 Mississauga Matters

Issue: Current Value Assessment

The City of Mississauga believes that Current Value Assessment (CVA) should remain as the basis upon which property taxes are calculated. CVA is easy to understand and verify. The 2007 Provincial budget maintained CVA and provided for a four-year phase-in of assessment increases for reassessments for residential properties.

Background:

- The Province of Ontario introduced current value assessment (CVA) in 1998. The Province stressed the need to value properties fairly in relation to one another and to calculate property tax on that basis.
- Prior to that time, valuation dates ranged from the 1940's to the 1990's, at the discretion of the municipality. It was difficult for taxpayers to verify their assessment value since it was not expressed in current dollars, and there was no ongoing program to keep assessments current.
- Inequities crept into the system where similar properties had vastly different assessments and therefore paid different amounts of property tax. Properties were reassessed in 2001, 2003, 2004 and 2006. Opposition to CVA grew during this period because of the volatility of CVA in a rising market.
- The new property tax system was distorted again when the Province legislated capping for commercial, industrial and multi-residential properties for 1998 taxation after the final tax bills were issued. Reassessment tax increases were capped at 10, 15 and 20% of 1997 taxes for 1998, 1999 and 2000 respectively. In 2001, and for subsequent years, the cap was changed to 5% of the previous year's taxation. In 2005, the Province allowed municipalities to adopt higher capping levels.
- In addition, the Province legislated a special system for commercial, industrial and multi-residential properties, where their levels could be compared to other properties and reduced if it could be shown that similar properties paid lower taxes. Like the previous system, these changes again created a scenario where similar properties could pay vastly different amounts of property tax. In 2005, the Province allowed municipalities at their discretion to phase this out over a four-year period.
- In 2006, the Province reviewed the assessment system due to the rising number of complaints and the report of the Ontario Ombudsman. Subsequently, they deferred reassessments until 2009, based on 2008 property levels.
- In the 2007 budget, the Province enacted a four-year reassessment cycle commencing with the 2009 taxation year. Reassessment increases for residential properties are phased in over a four-year period, while decreases are immediate.

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- This change will reduce assessment volatility and will ensure that assessment is updated on a regular basis. While there will be some dissimilarity in taxes paid by similar properties, every fourth year, all properties will be fully valued at CVA, based on a valuation date four years earlier.

For the complete Corporate Report ("Current Value Assessment, Airport Payment in Lieu of Taxes and Tax Increment Financing", April 17, 2007), visit http://www.mississauga.ca/portal/cityhall/mississaugamatters

Provincial Elections 2007
Mississauga Matters

Issue: Investments in Transportation

The City of Mississauga has the third largest municipal transit system in Ontario, after Toronto and Ottawa. In March 2007, Mississauga Transit introduced its "Ridership Growth Strategy" which seeks to increase transit use over 5 years by adding an additional 8 million annual riders (25% increase). Meeting ridership demand in Canada's sixth largest City demands constant upgrading and replacing existing equipment and systems as well as expanding plans to accommodate increasing numbers of new riders.

Background:

- A fall 2006 survey[1] of local Mississauga residents identified transportation (both gridlock and better access to public transit) as the single most important issue facing the City of Mississauga. Resident concern for transit was almost three times greater than any other identified issue. Fifty-four percent of residents said they would like to see increased spending on public transportation, even if it resulted in a tax increase.
- Up until 1997, the Province of Ontario provided grant funding for transit services, roads, bridges and other critical infrastructure. Between 1990 and 1997, Mississauga received $245 million in transportation funding. From 1998 to 2005, provincial funding dwindled to $26 million, forcing the City of Mississauga to turn to its local property tax base to carry the costs.
- In 1997, changes to the *Development Charges Act, 1997* added a 10% discounting of "soft services", which includes transit. Municipalities were forced to provide the equivalent value of property tax dollars to cover growth-related costs. However, the Toronto-York subway extension was exempted as a "soft service", therefore removing the 10% discount which would be absorbed by Toronto-York taxpayers. The province should have extended this amendment to include all transit systems within the province, rather than just the Toronto-York subway extension. (Major transit investments in Mississauga, Brampton, Ottawa and Waterloo Region could also have been included.)
- In October 2004, a program was approved to provide municipalities with a portion of gas tax revenue for five years to assist in transit infrastructure funding. This program was phased-in and now provides 2 cents per litre of funding, which equates to approximately $15.3 million annually for Mississauga.
- In 2006, Mississauga received $65 million from the province for the City's BRT program and a study of Higher Order Transit on Hurontario Street.

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[1] Fall 2006, Environics Research Group

- Gas tax funds are committed to flow to municipalities to 2010. The City must use these funds to invest in service level enhancements and to supplement the additional operating costs that result from adding new fleets and facilities. Gas tax funds need to continue beyond 2010 to sustain the additional operating and capital costs which will result due to transit growth.
- There will need to be significant investment in Higher Order Transit including bus rapid transit corridors and LRT in Mississauga. This will require significant additional funding which cannot be sustained from Mississauga's municipal tax base.
- Higher order transit is impossible to fund from the property tax base. Municipal shares of both operating and capital transit subsidies are derived primarily from property taxes. At 3.7% of GDP, Ontario is more reliant on the property tax as a source of government revenue than any other jurisdiction in the Organization for Economic Co-operation & Development (OECD).
- As of 2007, Mississauga is currently budgeting approximately $23.3 million of property taxes each year for the next 10 years to deal with rehabilitation of our roads. Bridge and structure rehabilitation funding is significantly less, with yearly budgets ranging from $0.411 million to $10.7 million in 2008 for three major bridge rehabilitations. It is estimated that Mississauga will need to double its current capital spending levels in order to maintain its road networks.
- It is abundantly clear that Mississauga tax payers cannot afford the tax increases necessary to complete the rehabilitation of our road networks. Only through co-operation with the province and other orders of government will we be able to maintain our road network with the fiscal tools we currently have available to us.

For the complete Corporate Report ("Investment in Transit and Transportation Systems, March 25, 2007), visit http://www.mississauga.ca/portal/cityhall/mississaugamatters

Provincial Elections 2007
Mississauga Matters

Issue: Underfunding of Municipal Services

The City of Mississauga wants the Province of Ontario to remedy the provincial-municipal funding imbalance (1) by removing the costs of health and social services from the municipal tax base over a three-year period (2) by ending the Province's reliance on the municipal property taxes base to fund provincial programs and services and (3) by eliminating the GTA Pooling Program over 3 years.

Background:

- The Province of Ontario has an over dependency on using property taxes as a source of government revenue. At 3.7%, Ontario is more reliant on the property tax as a source of government revenue than any other jurisdiction in the Organization for Economic Cooperation and Development (OECD) world[1].
- A "fiscal imbalance" is said to exist when there is a large gap between the service needs of a community and the municipality's ability to pay for these services.
- In 2005, the Association of Ontario Municipalities (AMO) estimated the municipal fiscal imbalance to be at least $3.9 billion. These extra costs were largely due to municipalities carrying the extra burden of paying for health and social services, including the costs of social assistance, social housing and public health.
- While the City of Mississauga is one of Canada's best run municipalities and is debt-free, the City has a growing infrastructure deficit. This deficit is caused by federal downloading to the province, and the provinces inevitable downloading to municipalities.
- In Ontario, municipalities have also been saddled with shouldering the costs of funding education, health and social services from the property tax base. Municipal expenditures for housing, health and social services have increased from 11.2% to 16.4% of municipal expenditures in 1988. More importantly, housing, health and social services account for almost 29% of municipal taxes in Peel. These costs are expected to increase substantially over the coming years.
- Federal and provincial sources of revenue have continued to rise as a result of growth in the economy and in personal income (i.e., an individual's ability to pay). For municipalities, the main source of their revenue continues to come from property tax revenues. User fees are the only other main source of revenue that municipalities have to cover the costs of providing services.
- Municipalities experienced a higher growth rate in annual municipal expenses than annual property tax assessment growth.
- Ontario municipalities must spend about $617 per capita on housing, health and social services while municipalities in the rest of Canada only have to spend about $41 per capita.

.../2

[1] OECD Revenue Statistics, 1965-2004, Statistics Canada, Financial Management System, 2003.

- With 34,000 new residents each year, Peel is experiencing one of the highest rates of population growth in Canada. It will grow by almost 63% by 2031 to 1.69 million.[2]
- In the Region of Peel, 44 cents of every property tax dollar is spent on human services.[3]
- In 2006, Mississauga residents were responsible for funding 64% of the Region of Peel's tax levy, which translated into $190 million dollars of the costs of health and social services – an enormous burden for Mississauga residents to carry on their tax bill.
- The property tax is not a sound method for distributing income, as it is based on current value assessment of a resident's home, and is not based on an individual's ability to pay.
- The *Municipal Act, 2001* dictates that local municipalities must have a balanced budget.
- Municipalities are required to balance their budgets, provide services that resident's demand, while striking a balance between raising property taxes and levying user fees.
- GTA Pooling, whereby the City of Toronto and the GTA regional municipalities share the cost of social services and housing has been anything but revenue neutral, although this was the original intent of the Local Services Realignment initiative in 1998.
- The Province of Ontario must end its reliance on municipalities for funding their provincial programs, which is mainly done through the property tax system.
- The Province must also commit to end GTA Pooling and upload the costs of social services and affordable housing, which should be provincial responsibilities.

For the complete Corporate Report ("Fiscal Imbalance: Underfunding of Municipal Services, April 30, 2007), visit http://www.mississauga.ca/portal/cityhall/mississaugamatters

[2] "A Fair Deal for Municipalities – the Peel Experience", The Region of Peel, September 5, 2007, page 5.
[3] Ibid.

Provincial Elections 2007
Mississauga Matters

Fact Sheet

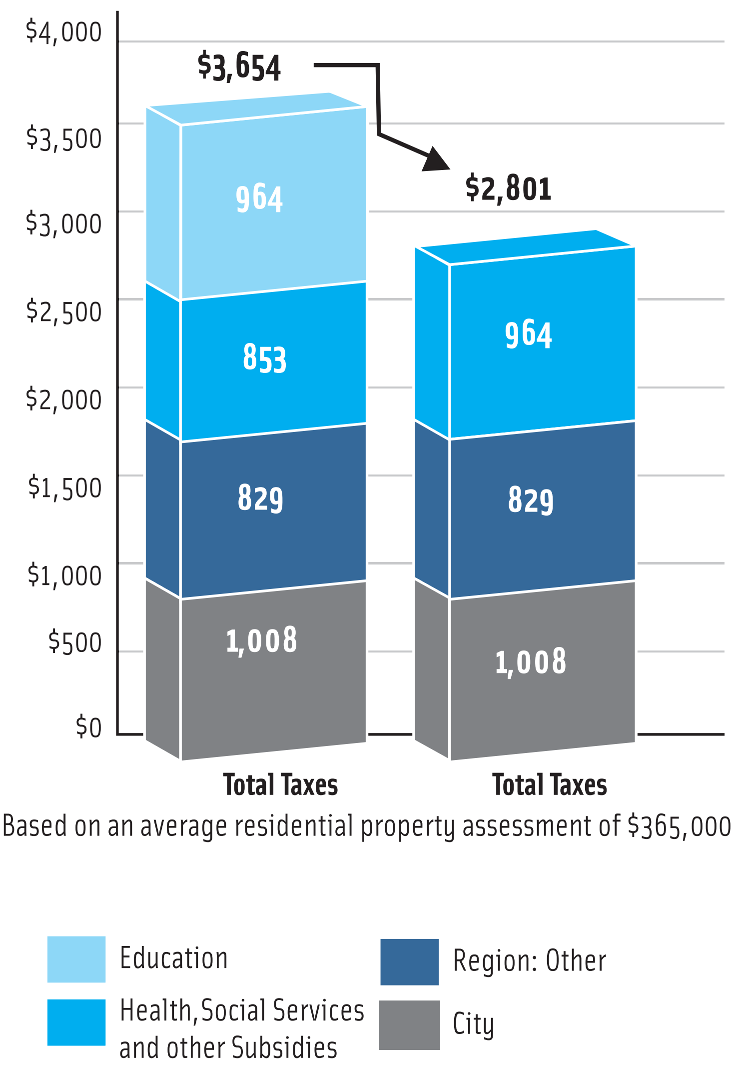
Provincial Downloading and Support to Other Cities

23 per cent of your property taxes go to subsidize provincial programs through the Regional tax levy. The following is a summary of these costs and their impact on the average Mississauga tax bill.

Mississauga taxpayers transfer a combined **$214 million** to the Province and Toronto for health and social service programs and other inter-regional subsidies. Total savings of **$853** per residential taxpayer or **23 per cent** would go a long way towards ensuring service standards are maintained and repairs and upgrades are made to infrastructure.

The 2007 Provincial Budget was the first step towards uploading the costs back to the Province. The budget recommended that Social Pooling Costs (also referred to as the Toronto Tax) be reduced to zero over the next seven years. Currently, Mississauga taxpayers pay $37 million. The City of Mississauga also pays $24 million through the Region of Peel, to subsidize Caledon and Brampton. These funds could be invested in roads and bridges, community centres, libraries and transit improvements.

2007 Residential Tax in Mississauga
Without Health & Social Services Costs
and Subsidies to Brampton and Caledon



* Based on an average residential property assessment of $365,000

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Provincial Elections 2007
Mississauga Matters

Province of Ontario	City of Mississauga
GROWTH	**GROWTH**
Ontario Places to Grow Act will mean an additional 2 million people in the Greater Golden Horseshoe.	Mississauga has grown by approximately 480,000 citizens in the last 33 years and under *Places to Grow Act* will see added growth.
TRANSIT	**TRANSIT**
Canadian Urban Transit Association (CUTA) estimates that the new investments required just to stay afloat are almost as large as the entire sum currently invested in all transit capital projects.	Transportation (both traffic gridlock and the need for better transit) is the number one issue amongst Mississauga residents (2006 Environics survey).
FUNDING	**FUNDING**
The Association of Ontario Municipalities currently estimates the fiscal imbalance to be at least $3 billion. Municipal property taxpayers in Ontario continue to shoulder the heavy burden of paying for health and social services.	In 2007, Mississauga residents were responsible for funding 63% of the Region of Peel tax levy, which translates into $190 million for the costs of health and social services. In addition, the City of Mississauga continues to pay a disproportionate share of the Region of Peel's taxes, over-contributing by $24 million annually.
CURRENT VALUE ASSESSMENT	**CURRENT VALUE ASSESSMENT**
In 2006, the Province deferred reassessment until 2008 for 2009 taxation to allow MPAC time to implement the recommendations of the Provincial Ombudsman. In 2007, the Province announced that reassessment would begin again in 2008 with updates every four (4) years. Further reassessment increases for residential properties would be phased in over each four year period, while decreases would be immediate.	Mississauga Council has endorsed current value assessment (CVA) since it was legislated in 1998. CVA is the basis upon which property taxes are calculated. Fairness and equity in taxation has always been of concern to Council. We do not support suggestions for an assessment system that would limit assessment increases until a property is sold. This is unfair as it would result in some people being taxed at CVA and others at less than CVA. A four year reassessment cycle with the phasing in of reassessment increases and decreases would address tax volatility and predictability concerns cited by the public while ensuring tax fairness and equity.
STRONG CITIES	**STRONG CITIES**
Ontario's municipalities are the foundation of our local, provincial and national economies. Yet, growing responsibilities and shrinking resources are stifling our communities, large and small. Provincial investments in local communities have been made, and are appreciated, but a great deal more needs to be done if Ontario communities are to be liveable, sustainable, and competitive in the national and global marketplace. (excerpt from AMO Submission to the Standing Committee on Finance and Economic Affairs January 2007)	As the third largest city in Ontario and the sixth largest in Canada, Mississauga seeks the status and ability to make its own decisions like other cities in Ontario, including cities like London, Kingston, Windsor and Barrie, cities that are less than half our size.

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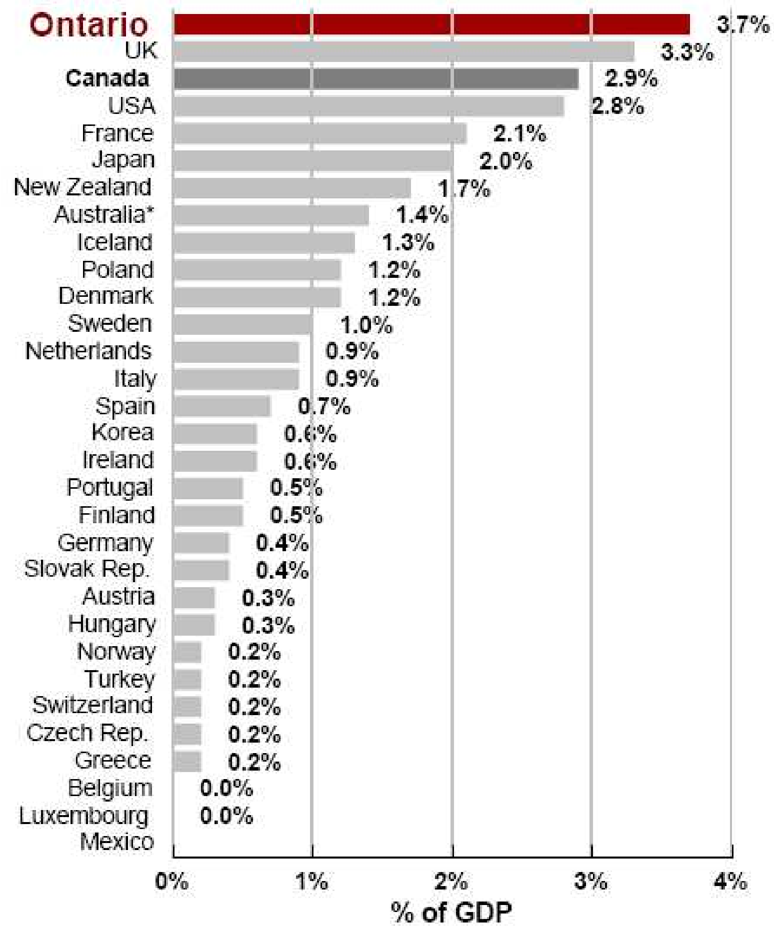
Problem One

Ontario's Over Dependency on Property Taxes as a Source of Government Revenue

Property Taxes as a Share of GDP - 2004

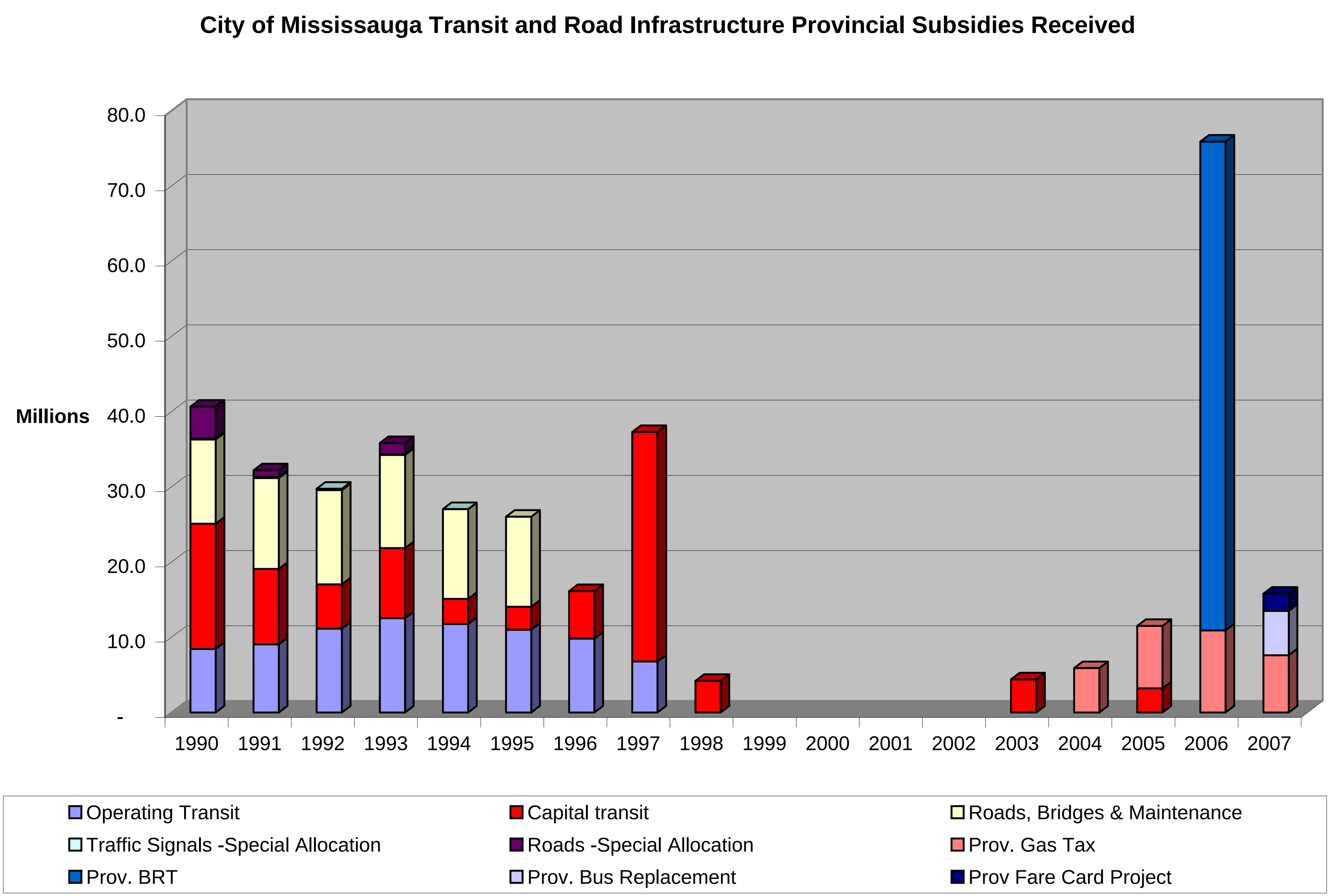


* 2003

Sources: OECD *Revenue Statistics 1965-2004*, Statistics Canada *Financial Management System*

Ontario is more reliant on property tax as a source of government revenue that any other jurisdiction in the OECD world.

CFIB CANADIAN FEDERATION OF INDEPENDENT BUSINES


City of Mississauga Transit and Road Infrastructure Provincial Subsidies Received
Millions
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Operating Transit
Capital transit
Roads, Bridges & Maintenance
Traffic Signals -Special Allocation
Roads -Special Allocation
Prov. Gas Tax
Prov. BRT
Prov. Bus Replacement
Prov Fare Card Project

A Fair Deal for Municipalities

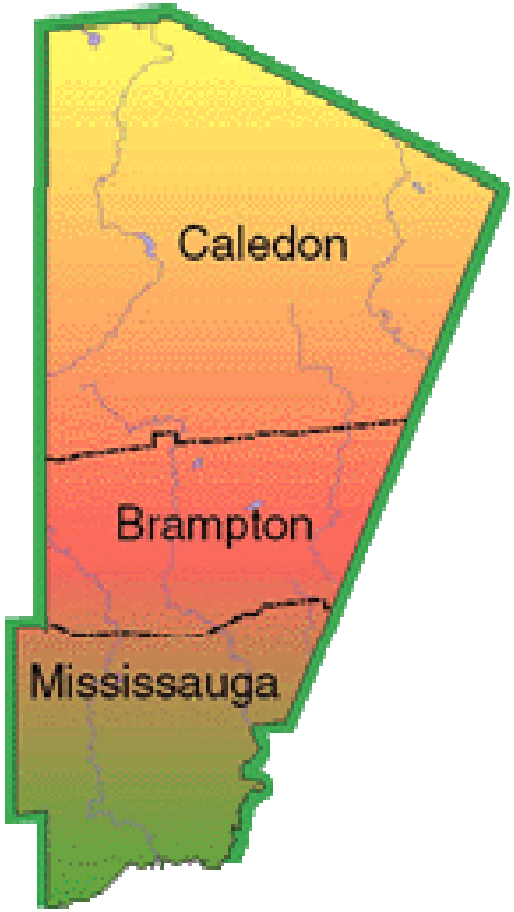
The Peel Experience

September 5, 2007

Region of Peel
Working for you

Peel Profile

- 1.2 million residents or roughly 9.5% of Ontario's population
- Contains large urban centres of Mississauga and Brampton, as well as rural areas and the Town of Caledon
- Culturally diverse, high growth centre with more than 70% of its annual population growth from immigration
- Nine of 107 provincial ridings



Region of Peel
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Ontario Under-Funds Human Services

- Ontario spends less per person on human services than all other provinces
- Ontario is the only province where municipalities must fund a portion of social services
- If the Province were to increase its spending on human services to offset higher municipal spending or $250 per capita, Ontario will still be spending much lower ($7,000 per capita) than the ROC total average of $8,140
- The recent Provincial commitment to upload ODSP costs reduces the $250 per capita difference to $196 per capita when fully implemented

Provincial Spending (2005-06)

$ Per Capita	Ontario	Quebec	Alberta	B.C.	ROC*
Health	2,507	2,479	2,762	2,677	2,600
Social Services	1,122	1,559	1,183	1,095	1,287
Education	1,289	1,677	1,968	1,455	1,659
Housing	39	48	53	36	50
Human Services Subtotal	4,957	5,763	5,966	5,363	5,596
All Expenditures	6,749	8,782	7,812	7,182	8,140

ROC* is all provinces minus Ontario
Source: Kitchen, Harry. *Comparative Review of Municipal and Education Financing Systems*, 2007:6

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Human Services touch everyone

Human Services are provincially mandated.
Municipalities must fund and deliver them.

Human Services

Child Care

- 22,000 licensed spaces and subsidy for only 4,000 spaces
- 11 regionally operated child care centres with 800 spaces
- Shortfall in provincial funding of $2.9 million

Social Housing and Homelessness

- 13,823 social housing units accommodating over 35,000 persons
- Peel Living is the largest landlord in Peel, with 70 building locations and 7,100 units
- Combined 10 year capital maintenance & repair costs total $447.6 million
- $9.7 million in homeless funding in 2007 up from $1.1 million in 2000
- 94,000 nights of shelter to the homeless provided each year

Health Services

- 5 residential LTC facilities, adult day programs, Meals on Wheels & respite care
- Public Health
- Ambulance/Paramedics, including $37 million over 10 years in capital costs
- $9.2 million shortfall overall

Social Services

- Ontario Works caseload of 9,300 families (1994 = 25,000 families)
- Shortfall of $12.4 million in funding for Ontario Works
- *Ontario Disability Support Program (ODSP) caseload of 10,600 families

** ODSP is not municipally delivered*

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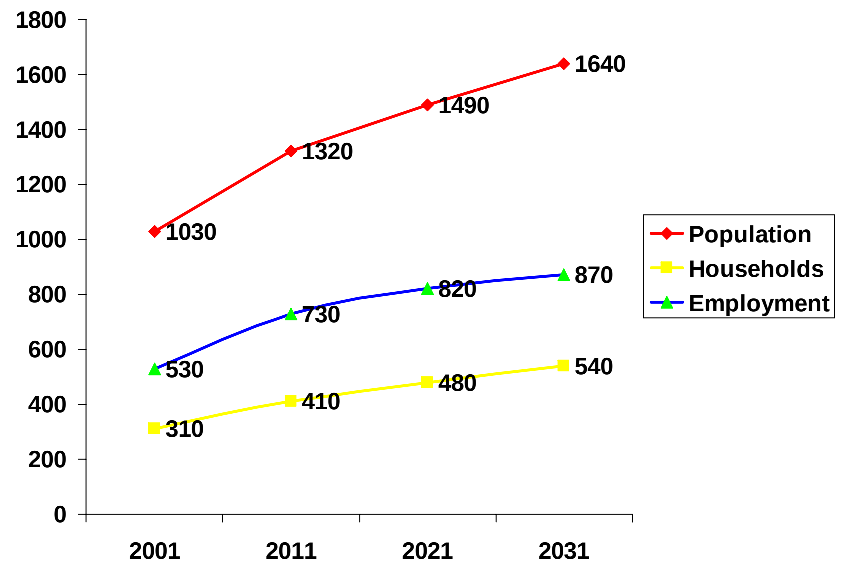
Our Growth Challenge

- With **34,000 new residents each year**,* Peel is experiencing one of the highest population rates of growth in the country—it will grow by almost 63% by 2031 to 1.69 million
- Peel cannot afford to finance growing human services demands from property taxes alone; we already spend 44 cents of every property tax dollar on human services
- Peel is asking the provincial government to accelerate the elimination of GTA pooling from seven years to four to align with the four-year phase out of Ontario Disability Support Program (ODSP) municipal funding responsibility
- ODSP costs for Peel are approximately $34.5 million, increasing by $5.5 million from 2006-2007

*Statistics Canada, 2006 Census

Distribution of Population, Households and Employment 2001-2031 (000s)



Hemson Consulting Ltd., “The Growth Forecast for the Greater Golden Horseshoe” January 2005

The Perfect Storm

Provincial downloading transferred funding responsibility to municipalities**	**+**	**Provincial funding has not kept pace with service needs in high-growth areas like Peel**	**=**	**$3.1 billion shortfall*** **Highest property taxes in Canada**

Property taxes are an unfair and inadequate source to fund human services.

These taxes are regressive – those who earn the least, pay a higher share of their income towards property taxes.

*Kitchen, Harry. *Comparative Review of Municipal and Education Financing Systems*, 2007:6

**Downloaded partial funding

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Inadequate funding affects our most vulnerable

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Affects on Children

- Ontario invests $376 less per child in child care in Peel than is the case in the rest of the province
- 150 children with disabilities are waiting for child care
- 200 families are waiting for support through Peel's *Healthy Babies Healthy Children* program
- Only 47% of schools are screened in the children's dental program; of the children screened 79% are high risk

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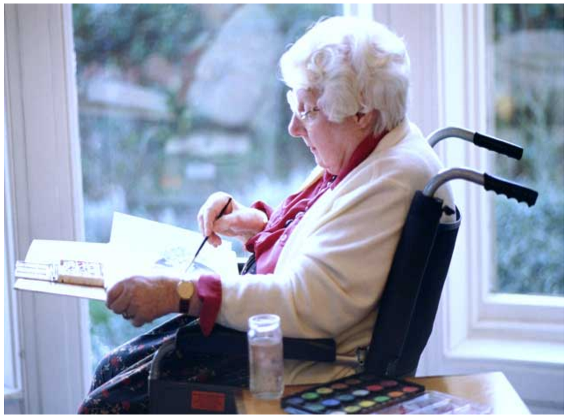
Affects on Seniors



- Average wait time for subsidized seniors housing is 4.5 years
- Peel Region has received less than half of the promised ($6,000) increase in per bed funding for long-term care
- Peel received only a per diem increase of $7.91 a day – a shortfall of $8.53 per day
- Property taxes generally consume a larger share of the earnings of low-income families – hurting those on fixed incomes

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Affects on Low-Income Families

- Peel has only 37.6 social housing units per 1,000 households (compared to urban centres median of 48.9)
- Waiting list of 12,400 families for social housing; only 7% of the waiting list is placed annually
- Average wait time (non-senior) is up to 21 years
- Fewer services means more people stay on social assistance longer

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Affects on Newcomers

- Newcomers represent 43% of population (2001 Census)
- 93 ethnic groups and more than 60 languages
- More than 70% of the 34,000 annual newcomers to Peel are new immigrants
- On average each newcomer who settles in Ontario is supported by $1,136 in federal assimilation service funding; less than half this average ($487) flows to Peel agencies
- 24% of Peel social assistance clients are newcomers

*Citizenship and Immigration Canada, 2005/06

Region of Peel
Working for you

Unsustainable Municipal Tax Load

- Property tax is designed to focus on hard services such as garbage collection, recreation and parks, police, fire, and infrastructure
- With human services funding comprising 44 cents out of each regional property tax dollar, it is difficult to address the real needs and expansion of municipal services
- Therefore human services funding through the property tax is compromising the ability for the Region to provide municipal services

Ontario municipalities spend $474 more in property taxes per household for human services than the rest of Canada

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What can be done about it?

- The cost of human services, represents income redistribution and would be more appropriately funded from income taxes which are based on ability to pay, not property taxes. The body of research on this has been clear.
- Fairness to Ontarians will be achieved by using existing income taxes to fund human services, as is done elsewhere in Canada. The shift from property taxes to provincial funding would return fairness, improve cities quality of life and competitiveness.
- The recent provincial announcement to upload the municipal funding share of ODSP is welcomed as a first step in shifting human services costs away from the property tax base. Reform can't be limited to only this measure. More is needed.

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Change is needed now

For Peel to meet current human services needs and accommodate forecasted growth, we need:

1. The Province to commit to reducing the phase-out of GTA Pooling to four years, instead of seven, to align with the phase-out of municipal funding obligations for the Ontario Disability Support Program (ODSP).

2. A more realistic and equitable funding formula for human services that reflects high population growth forecasted for Peel. A managed shift of human service funding from property to income taxes to provide relief for low income residents.

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Change is needed for the long-term

- We need a joint planning process between municipalities and the Province to implement the shift of human service funding from the property tax, to income tax, within a fixed time frame.

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