

Tiny Township Budgets, Assessments and Taxes

Introduction

The accompanying files, in PDF format, provide information on Tiny Township budgets, property assessments, and taxes. All the information in these files is taken from public sources. More information can be found at <http://www.tiny.ca/residents/FINANCIALINFORMATION/index.htm>. Although we have made every effort to ensure accuracy, errors and omissions may have crept in. Anyone who finds such errors is invited to contact us so that they may be quickly corrected.

These files are provided as a service to those who are interested in obtaining a better understanding of the trends and decisions that underlie property tax rates in Tiny. No opinion is expressed or implied about the appropriateness of these trends and decisions.

We wish especially to thank the Township's Treasurer, Douglas Taylor, and his predecessor John Theriault, for their assistance in making this report possible. Although the data is public, a number of questions arose in putting the report together, and both of them have been patient and helpful in clarifying these points. Neither bears any responsibility for any errors that may remain in this report.

I A brief description of the files

An overview is provided for the first time this year, labeled as such. It's based on information contained in the spreadsheets that follow.

The first spreadsheet-based file, labeled "BUD," brings together the "Short Budgets" of the Township for 1999 to 2010. The Township's accounts are on a calendar year basis. These Budgets have been published for many years using a common format. Each year, the Township's Short Budget summarizes the Operating Budget and the Capital Budget, department by department.

In the annual budget process, it is not the practice in Tiny to plan for a deficit or surplus: the annual tax levy is set at a level that will exactly fund the budgeted requirement, once the Township Council has approved it. However, this doesn't mean that the tax levy is equal to the intended spending by the Township during the year.

For a start, the budget may assume that one or more reserves or Reserve Funds, established for particular purposes, will be drawn down or augmented during the year. Secondly, the Township can almost always anticipate receiving grants from the federal or provincial government or payments from the county, all of which reduce the required municipal tax levy. Donations from various groups or individuals may also be

anticipated. Charges levied on property developers are usually a significant source of funds. Interest earned on Reserve Fund balances is also available. Finally, surpluses from previous years can be drawn upon as well.

A budget is just a plan. Actual revenues and expenditures during the year may differ significantly from the budgeted figures. Also, the yield from the tax levy itself will generally differ slightly from the budgeted amount, either because supplementary assessments during the year provide additional taxes (e.g. from newly-developed properties) or because the Township decides to write off uncollectible amounts.

The next three files, labeled “ASS1,” “ASS2,” and “ASS3,” contain information on the levels and growth rates of the assessed value of the various classes of properties in Tiny, and the taxes levied on them, from 1999 to 2010. Since 1998, taxes have been levied in proportion to assessed market value to fund the Township, the County of Simcoe, and education services. (Garbage collection and water system charges are levied on a different basis.)

All planned transactions affecting the Township’s general funds are published annually, after Council approval, in a document referred to as the Long Budget. This provides an item-by-item record of the Township's Operating and Capital Budgets for the current year, together with comparative data for the previous year, both budget and actual. In this database, the file labeled “DETAIL” summarizes the budgeted amounts from 2006 to 2010, compared with the amounts actually spent from 2006 to 2009. While less detailed than the Long Budgets, it provides much more information than the Short Budgets, including allocations to and from the reserves and Reserve Funds. Finally, DETAIL provides two condensed Source and Applications of Funds statements, one for the general fund (excluding the Water department), and one for the water department. Water services are separated out because they are not funded by the municipal tax levy, but by charges on properties that have access to municipal water systems.

The next file, labeled "RES," provides a record of all the Township's reserves and Reserve Funds since the end of 1999, summarizing annual changes and year-end balances.

“Reserve Funds,” as distinct from ‘reserves,’ are segregated from the Township’s general fund, and have their own bank accounts. Transfers between them and the Township’s general fund are shown in the Long Budgets (and in the DETAIL file) but other transactions affecting them, such as interest earned, and development charges received, are not. The Reserve Funds are audited annually as part of the Township’s general audit, and the Treasurer prepares a report on their year-end values each year, indicating the chief withdrawals and additions planned for the year ahead. Reserve Funds can change for a number of reasons in addition to a transfer to or from the general fund. The Development Charges Reserve Fund is a repository for payments made by property developers under the Development Charges Act. The Parkland Trust Reserve Fund receives moneys from developers in lieu of land for park purposes, as set out in the Planning Act. And all the Reserve Funds earn interest on their bank balances.

“Reserves,” on the other hand, are actually just part of the general Township fund. They represent an effort to smooth out the tax levy between one year and another. For instance, a more-or-less-equal amount of money is raised every year to pay for election expenses, even though elections are only held every fourth year. In non-election years, this money is placed in the Election reserve, and in election years it is drawn down. All such transfers between the reserves and the rest of the general fund are itemized in the Long Budgets and summarized in the DETAIL file.

II A discussion of the DETAIL file:

The Operating Budget:

Previous year surplus or deficit: Although the Township doesn't budget for a surplus or deficit, revenues and expenditures will typically exceed or fall short of expectations as the year progresses. This can be addressed by adding to or drawing down reserve funds, but from time to time an operating surplus or deficit can arise, which adds to or subtracts from the general fund. Typically a surplus is used up in the following year.

Municipal taxation (051): This section summarizes various sources and uses of funds that do not neatly fall into a departmental category. The two lines shown in boldface sum up the non-boldfaced items just below them. For ten years, ending in 2002, Midland paid compensation to Tiny for the transfer of most of Tiny's commercial strip that took place in 1992. "Tiny's share of PILs" represents payments made in lieu of taxes (P.I.L.s) by public sector entities in respect of properties owned in Tiny. "Taxes from supplementary assessment less write-offs" is an estimate of the additional taxes that may be received during the year from revised (supplementary) assessments, minus taxes that may be written off due to a reduced assessment, fire, demolition, etc. The Township does not make a practice of estimating sales of land in the budget, on the ground that the proceeds from sales are volatile and essentially unpredictable. However in some years, when sales are imminent or in progress during the preparation of the budget, such estimates find their way into the document. "Transfers to reserves" in this section typically reflect an allocation of a previous year surplus or the proceeds of budgeted land sales.

Mayor and Council (111): A policy has been established of increasing Council salaries at the same rate as employee salaries.

Administration (121 and 122): The federal and Ontario governments rebate any GST paid by municipalities.

CAP: The Community Access Program (CAP) is a Government of Canada initiative that aims to provide Canadians with affordable public access to the Internet and the skills they need to use it effectively. The local office is at the Lafontaine fire hall. See <http://cap.ic.gc.ca>. Although the funding comes primarily from a federal grant, the

Township administers the funds. A CAP reserve is used to ensure that mismatches between grants and expenditures in any given year do not affect the tax levy.

Elections (124): In non-election years the Township sets aside a certain amount in an Election reserve, drawing it down in election years, with the aim of smoothing out the annual tax levy over the three-year cycle. In 1997 and 2000 the Township used telephone voting; in 2003 the election was by mail-in ballot, which turned out to be considerably less expensive and was repeated in 2006 (and 2010).

Policing (201): The Township receives police services from the Ontario Provincial Police (OPP). In recent years the budget allocation for this item, based on figures submitted by the OPP, has always turned out to overestimate the actual cost, leading to a refund. 'Provincial Offences Act revenues' are received by the 16 municipalities in Since County, Barrie and Orillia from the fines and penalties imposed for traffic and other offences by the Provincial Courts in Barrie and Orillia.

Fire Department (211): Fire permit fees and cost recoveries account for the major portion of revenues.

Building Department (241): Fees from building permits, plumbing permits and various required inspections account for significant revenues. In mid-2005 a change in regulations required the Township to set this department up as a separate "profit centre," funding its expenses from building and other permits and fees received. To obviate the necessity of constantly adjusting permit and fee rates to reflect changing departmental costs, the Township established a new Building Reserve Fund at that time, to act as a buffer.

By-Law Enforcement (242): Fines from parking infractions are used to maintain and enhance township beaches. Surpluses are placed in a Beach Enhancement reserve against future maintenance or upgrades.

Public Works Administration (311): Prior to 2001, Administration was not separated out from Roads in the budget.

Roads (312): The Long Budget document provides detail on road construction and maintenance expenditures on a project by project basis. Only a summary is shown here.

Huronia Airport (391): The Huronia Airport is located east of County Road 6 in Con. 8 of Tiny. The Township shares the cost of the airport with Penetanguishene and Midland, 22% for Tiny, 28% for Penetanguishene and 50% for Midland.

Water (431): Tiny, which owns and operates eighteen separate water systems, more than any other municipality in Ontario, was especially hard hit by the dramatic and onerous post-Walkerton tightening of provincial water testing standards and system management requirements. The costs of these systems are, however, all passed on to

those who use the systems or who have access to them; the general municipal tax levy is not affected. (The annual charges for water are detailed at the bottom of the ASS1 file).

Waste Management (443): The Township levies a Garbage Collection Fee in conjunction with its tax bill and passes the bulk of the funds so collected to the County, which actually operates the garbage collection, transfer station and recycling station services. Since this is now a service that is delivered by the County, the cost of these services was transferred to the County's budget in 2004. Some residual expenditures remain the responsibility of the Township (e.g. certain legal fees), and these have typically been financed from the Waste Disposal Reserve.

Severn Sound Environmental Association (456): During the 1990s, the province created and managed a number of Great Lakes Remedial Action Plans, of which one covered Severn Sound and its watershed. After the Severn Sound Plan achieved its objectives in 2002, the S.S.E.A., of which Tiny, other area municipalities, and the federal and provincial governments are members, was created to carry on the monitoring and community liaison involved in maintaining water quality. It also provides consulting services related to water quality. See www.severnsound.ca. Tiny Township's share of basic costs is dealt with here.

Parks Maintenance (721): "Parkland Trust receipts" represent funds contributed by developers, calculated at 5% of the value of the subject properties being developed.

Arenas (751): Costs here represent grants to Penetang Arena and Elmvale-Flos Arena (facilities used by residents of Tiny Township) to cover a share of their expenditures.

Libraries (781): A grant is received annually from the province; payments are made by Tiny as its share of the costs of libraries in Midland, Penetang and Springwater (based on the number of families using them).

Salaries and Benefits: S+B from all departments (except water, which is not funded from the municipal tax levy) are totaled here for inspection.

The Capital Budget:

Administration (931): The Parcel Mapping project is an attempt by the Township to create a highly accurate map of the area.

Studies and Consulting (933): The item "Studies" refers primarily to Prof. David Lambden's research into the extent of Township-owned shoreline property.

Emergency Planning (934): JEPP is a provincial grant program that helps municipalities to finance emergency planning. "EOC" stands for the Emergency Operation Centre, which is activated when a municipal emergency is declared.

Fire Department (935): “Reconstruction of fire stations” refers to monies spent to construct new stations at Lafontaine and Wyevale.

Water (974): During the period under review, the province mandated very substantial upgrades of municipal water systems in response to the tragedy at Walkerton in 2001. Apart from the portion funded by federal and provincial grants, Tiny’s part of the burden falls on those who are connected, or potentially could be connected, to one of its eighteen systems; it is not funded by the general municipal taxpayer. Operating charges are paid by those who are actually connected, and capital charges are paid both by those who are, and by those who live close enough to be, connected.

Municipal Tax Levy: The tax levy is calculated to cover the township’s budgeted operating and capital requirements net of grants, donations, transfers from reserves and reserve funds and other sources of funds.

Transfers from and to reserves and Reserve Funds: This section summarizes the relevant line item entries. For a description of the individual reserves and Reserve Funds see section IV below.

Sources and Uses of Funds statements: These show, for instance, how much of the Township’s funding comes from the municipal tax levy, how much from grants, and how much from other sources. Two sources and uses statements have been prepared, one for the services funded from the municipal tax levy, and another for water services. (The water and waste management charges, which are collected by the Township at the same time as the three tax levies, are detailed on the ASS1 file.)

III: A discussion of the Assessment files

In 1998, a new basis for property assessment was adopted by the province. Prior to that time, properties were assessed primarily when significant changes in use were made, and the valuation was based on property values in a base year that differed from one municipality to another. The new system of market value assessment, in contrast, is intended to be uniform in application across the entire province. For taxation years 1998 to 2000, assessments were based on estimated values as of June 30, 1996; for 2001 and 2002, they were based on estimated values as of June 30, 1999; 2003 was based on June 30, 2001; for 2004 and 2005 they were based on June 30, 2003; for 2006 through 2008, they were based on valuations as of January 1, 2005. For 2009, 2010 and 2011, property taxes will be based on valuations in 2008. A provincial agency, the Municipal Property Assessment Corporation (MPAC) (<http://www.mpac.on.ca>) is responsible for updating assessments; appeals are referred to an independent tribunal, the Assessment Review Board. The assessments are reported to each jurisdiction annually to serve as the basis for its tax levies. For further information on how assessments are made and how appeals can be filed, see the Guide on the MPAC website.

In the old system, prior to 1998, properties were classified either as "Farm and Residential" or "Business and Commercial" for purposes of the township and county tax

levies. For the education tax levy, properties were additionally characterized either as public school or separate school supporters.

From 1998 onward a more complex classification of properties was initiated, allowing different tax rates to be applied, for all three levies, to seven major (and a further six optional) property classes. (Between 1998 and 2000 the tax rate applied to industrial properties in Tiny depended not only on whether they were occupied or vacant, but also on whether they were "high", "medium" or "low" valued. From 2001 onward, that distinction was abandoned.)

The file sets out the assessed values of each class of property, and the tax rates applied to each class to fund the township, county and education levies, from 1998 to 2010. It also shows the annual growth rates of the three tax levies and, for comparison, the growth rates from year to year in the Township's total taxable assessment. In addition, from 1998, it shows the "tax ratios," which express the tax rates on each property class as a proportion of the tax rate on the residential class. For example, since 2004 the municipal and county tax ratio for pipelines was set at 1.2966, meaning that these properties paid 1.2966 times as much tax per dollar of assessment as residential properties did. Farmland and managed forests, on the other hand, pay only a quarter of the residential rate per dollar of assessment.

Prior to 1998, the education levy was calculated at a different rate on Public School supporters than on Separate School supporters. Since 1998, school support has not been used as a basis for taxation: all the properties in a given class pay the same rate, whatever their declared school support may be. The education tax rate is set by the province. The proceeds of these levies are combined with provincial funding and distributed to school boards up to a level determined by a provincial funding formula.

Readers should note that in 1997 and 1998, the province made sweeping changes in the allocation of responsibilities among itself, counties, municipalities and school boards. One result was a marked reduction in the education tax levy, but sharp increases in the county and municipal tax levies, starting in 1998.

Properties owned by the federal and provincial governments are not subject to municipal taxation, but the governments instead make payments to municipalities in lieu of taxes, or "PILs."

The next two files, ASS2 and ASS3, provide further analysis of the data in ASS1. ASS2 shows the percentage of the total assessed property value that is accounted for by each property class. ASS3 shows the percentage of taxes accounted for by each property class for each of the three tax levies.

IV A discussion of the Reserves file:

“Reserves,” as opposed to “Reserve Funds,” are simply notional allocations within the Township's general fund. A budgeted increase in a reserve typically represents a

decision by Council to set the relevant part of the tax levy higher than the associated expenditure item for the current year, whereas a budgeted withdrawal from a reserve would represent a decision by Council to apply funds already held by the Township to an expenditure instead of sourcing them from the current tax levy. Most withdrawals and additions to the reserves are therefore recognized as line items in the Long Budget. These transactions are identified as such in the DETAIL spreadsheet, and summarized in the RES spreadsheet as “line items.”

The Working Fund reserve was set up some years ago. From time to time the Township's accounts receivable run higher than its accounts payable, which could leave it with a negative cash balance requiring a bank loan. To obviate this possibility, the Township has created this reserve, in effect adding enough to its cash balance to ensure that its position does not go negative. The Township last changed the size of the reserve in 1999.

The Waste Disposal reserve is a surplus account for the garbage charge. Every year the Township sets a specific garbage charge and raises a certain amount of money with it. Sometimes the expenditures set against this total charge are either higher or lower than the revenue. Shortfalls are taken out of the reserve, surpluses are deposited in it. Eventually, when the County includes these services in its own tax levy, the reserve will no longer be necessary, and Council will have to decide what to do with the balance remaining.

The Tiny Trails reserve was created to set aside funds in order to finance projects or help with maintaining the Tiny Trails. Since its creation, government grants have also been deposited in the reserve until they can be used to upgrade the trails.

The WSIB (Workman’s Safety and Insurance Board) reserve: since 2002, the Township has self-insured against injury and accident claims by employees instead of using the insurance provided by the WSIB. It has followed the practice of charging the equivalent of WSIB premiums (as an item in "salaries and benefits") and placing the excess of premiums over claims each year in this reserve. So far the reserve has not been drawn upon. The reserve would only be used if a claim arose that would be higher than the budgeted WSIB expenditure for the year.

The History Book reserve: this was established to finance the expenditures of the Historical and Heritage Committee. Whenever the Committee collects revenues, they are deposited in this reserve. The Committee has a very small budget and has not drawn on the general tax levy for many years.

The Election reserve: in order to smooth the impact of elections on the tax levy, funds are allocated to this reserve in non-election years and drawn down from it in election years.

The Capital Expenditure reserve is used for a multitude of purposes. In 2001 Council passed a resolution that the proceeds of all land sales, except parkland, should be placed

in this reserve. (By law, parkland sales proceeds are placed in the Parkland Trust reserve fund.)

The Community Access Program (CAP) reserve: CAP grants and donations in excess of expenditure are transferred to this reserve, and withdrawals are made in years when grants and donations fall short of expenditure.

The Water reserve: this is no longer active. But see the discussion of the Water Reserve Fund below.

The Beach Enhancement reserve: When Council introduced parking permits and increased the parking fines, they decided that the proceeds would be used to enhance the beaches. In 2002 and 2003, more was collected than was spent, so the difference was placed in this reserve for future use. Beach-related expenditures have increased (more students for beach maintenance, more by-law officers, etc.) so that the Township has not budgeted for an addition to the reserve since 2003.

The Computer Upgrade reserve: The Township budgeted for a computer upgrade in 2003 that was not carried out, but there is an expectation that it may take place in the future. Therefore, this reserve was created, and the amount of budgeted funds that was not spent on this project was deposited in it for future use.

The Parkland reserve: A 'Parkland Reserve' was created to finance a portion of the Tiny Trails Bridges Project. It was intended to be a one-time use reserve. The spending did take place in 2006 and the reserve is no longer in use.

The Reserve Funds: As distinct from the reserves, these have been established as separate funds with their own bank accounts and are not part of the general fund. Monies transferred to or from the Reserve Funds are shown as line items in the long budget when they are used to fund budgeted expenditures, or when the tax levy has raised more money than necessary to fund a particular expenditure in a given year. But the Reserve Funds can also rise or fall for other reasons – e.g., when interest is credited to them, or, in the case of the Development Charges Reserve Fund, when such charges are deposited directly into it (as required by the province). Such entries do not show up in the Township's general fund, or as line items in the Long Budget, but the Reserve Funds are audited by the Township's auditors, and the Treasurer reports on year-end Reserve Fund balances, and planned additions and withdrawals, at the end of the Long Budget document each year.

The Development Charges Reserve Fund: the money that Tiny collects in development charges every year does not show up in the regular budget; it goes directly into the Development Charges Reserve Fund. In recent years this has been used as an occasional source of funds for various departments.

The Equipment Replacement Reserve Fund was established in 2000 to fund equipment purchases, but the Township has not yet had the financial resources to build up the reserve to the desired level.

The Parkland Trust Reserve Fund: proceeds from sales of parkland and developers' park contributions are placed in this reserve. They are used to fund only park-related projects.

The Water Reserve Fund: Until 2005, the Township maintained a Water reserve (see above). The problem with this reserve was that the money was part of the Township's general fund and the interest generated on the balance was kept by the general fund: in effect, all ratepayers benefited, despite the fact that only water users were financing it. The Water Reserve fund, on the other hand, has its own bank account and is audited separately. Appropriately, its interest revenue benefits water users only.

The Building Reserve Fund: Under new provincial regulations, effective July 1, 2005, the Building 'Division' was established and must be funded from its own revenues. This Fund was established to mitigate volatility from year to year in building permit fees that would otherwise be required as a result of variations in permit activity levels.