



FINANCE AND ADMINISTRATION COMMITTEE AGENDA

Finance and Administration Committee Meeting
Tuesday, November 21, 2017
Tom Davies Square

COUNCILLOR MIKE JAKUBO, CHAIR

Deb McIntosh, Vice-Chair

4:00 p.m. FINANCE AND ADMINISTRATION COMMITTEE MEETING
COUNCIL CHAMBER

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DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

OUTSIDE BOARD PRESENTATIONS

1. Nickel District Conservation Authority (NDCA) Board - 2018 Budget
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- Carl Jorgensen, General Manager/Secretary-Treasurer, NDCA

(The Nickel District Conservation Authority (NDCA) Board will provide a presentation regarding their 2018 Budget.)

2. Greater Sudbury Police Service Board - 2018 Budget
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- Paul Pedersen, Chief of Police, Greater Sudbury Police
- Michael Vagnini, Chair, Board of Directors, Greater Sudbury Police Service

(The Greater Sudbury Police Service Board will provide a presentation regarding their 2018 budget.)

3. Sudbury and District Board of Health - 2018 Budget
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- Dr. Penny Sutcliffe, Medical Officer of Health/Chief Executive Officer, Sudbury and District Board of Health

(The Sudbury and District Board of Health will provide a presentation regarding their 2018 budget.)

CONSENT AGENDA

(For the purpose of convenience and for expediting meetings, matters of business of repetitive or routine nature are included in the Consent Agenda, and all such matters of business contained in the Consent Agenda are voted on collectively.

A particular matter of business may be singled out from the Consent Agenda for debate or for a separate vote upon the request of any Councillor. In the case of a separate vote, the excluded matter of business is severed from the Consent Agenda, and only the remaining matters of business contained in the Consent Agenda are voted on collectively.

Each and every matter of business contained in the Consent Agenda is recorded separately in the minutes of the meeting.)

CORRESPONDENCE FOR INFORMATION ONLY

- C-1. Report dated November 1, 2017 from the General Manager of Corporate Services regarding Fixed Water Service Charges on Vacant Lots.
(FOR INFORMATION ONLY)

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(This report provides the Finance and Administration Committee with background on the plan to charge a fixed water service charge on vacant lots, as approved during the 2016 Budget deliberations.)

REGULAR AGENDA

MANAGERS' REPORTS

- R-1. Report dated November 8, 2017 from the General Manager of Corporate Services regarding Commercial and Industrial Property Tax Subclasses and the Commercial/Industrial Vacancy Rebate Program.

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(RESOLUTION PREPARED)

(This report provides the Finance and Administration Committee with information on the proposed elimination of commercial/industrial tax subclasses as well as the commercial/industrial vacancy rebate program.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD AND ANNOUNCEMENTS

NOTICES OF MOTION

ADJOURNMENT

For Information Only

Fixed Water Service Charges on Vacant Lots

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Nov 21, 2017

Report Date Wednesday, Nov 01,
2017

Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides an update on the billing of fixed water service charges on private vacant lots.

Financial Implications

There are no financial implications.

Signed By

Report Prepared By

Dion Dumontelle
Co-ordinator of Finance, Water
Wastewater
Digitally Signed Nov 1, 17

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Nov 1, 17

Financial Implications

Jim Lister
Manager of Financial Planning and
Budgeting
Digitally Signed Nov 1, 17

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Nov 6, 17

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Nov 8, 17

BACKGROUND

During the 2016 budget deliberations Council approved eliminating the fixed charge exception for private serviced vacant lots and uninhabitable buildings. Staff made the recommendation on the basis that, where a service connection is available, the lot owner should share in the costs of maintaining the infrastructure. This report will provide information as to the status of the implementation.

Prior to 2002, vacant properties were charged a fixed water service charge. At that time there were 370 vacant lots with water and wastewater connections and an additional 65 vacant lots with access to a water connection only. In 2002, Staff surveyed 9 similar sized municipalities in Ontario and none of them levied any water or wastewater charges on serviced vacant land. Council, at that time, approved the exemption from these charges as water/wastewater charges should commence when water is connected at the lot line.

The revenue foregone due to the change in policy at that time was estimated at \$110,750 annually. The latest inventory of vacant lots shows that there are approximately 687 private vacant lots that are serviced by water and wastewater and 133 that are serviced by water only. The potential fixed revenue is estimated at \$353,000 using 2017 residential rates. The fixed charge will be established at the lowest rate in effect as per the rate by-law, which is the rate charged to 5/8" service. Regardless of the number of services attached to the vacant lot, the customer will only be charged for a maximum of one service per lot.

In 2017, staff surveyed MBNCan municipalities and out of 7 respondents, no municipality charges fixed charges on vacant lots that have no structures, which puts the City of Greater Sudbury in the minority of fees administration in this area.

A communication letter has been prepared to be sent to ratepayers affected by this charge. If a customer disputes City records and believes that the lot is not serviced, they may request proof that it is. That may require excavation and if the lot is serviced, the cost of the excavation will be passed onto the customer. If it is determined that the lot is not serviced, the fixed service charges will be refunded and the cost of the excavation will be borne by the City of Greater Sudbury.

Due to delays in determining the inventory and ownership of the properties, the fixed charges have not been implemented in 2016 and 2017. The charges will commence in January of 2018. At this time, the revenue has not been budgeted but staff will include it in the 2019 budget once a firm estimate of the revenue is determined through the billing process.

Request for Decision

Commercial and Industrial Property Tax Subclasses and the Commercial/Industrial Vacancy Rebate Program

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Nov 21, 2017

Report Date Wednesday, Nov 08,
2017

Type: Managers' Reports

Resolution

THAT the City of Greater Sudbury approves property tax policy changes with reference to the commercial and industrial subclasses and vacant unit rebates, as outlined in the report entitled "Commercial and Industrial Property Tax Subclasses and the Commercial and Industrial Vacancy Rebate Program" from the General Manager of Corporate Services, presented at the Finance and Administration Committee meeting on November 21, 2017;

AND THAT the City of Greater Sudbury request the Minister of Finance to file a regulation for the City of Greater Sudbury to have the commercial and industrial subclasses discounts eliminated and to phase out the commercial and industrial vacancy rebate program over the next three years.

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report deals with the proposed elimination of commercial/industrial tax subclasses as well as the commercial/industrial vacancy rebate program.

Financial Implications

If approved, the elimination of the commercial/industrial subclasses will result in additional municipal property tax room of approximately \$1.5 million or a 0.6% increase of the weighted tax assessment base.

Signed By

Report Prepared By

Tony Derro
Manager of Taxation
Digitally Signed Nov 8, 17

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Nov 8, 17

Financial Implications

Jim Lister
Manager of Financial Planning and
Budgeting
Digitally Signed Nov 8, 17

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Nov 8, 17

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Nov 8, 17

Further, the elimination of the commercial/industrial vacancy rebate will result in an annual saving of approximately \$600,000 in expenditures. If the phase out is approved, the impact on the 2018 budget would be a reduction in expenditures of approximately \$200,000.

Background

The purpose of this report is to recommend a policy change removing the rebate of property tax for vacant commercial and industrial properties as well as the elimination of discount rates for the commercial and industrial subclasses. New provincial legislation provides municipal discretion in maintaining, amending or eliminating discount rates for commercial/industrial subclasses and vacant unit rebates. City Council was apprised of these options on May 30, 2017 during the presentation on 2017 property tax policy.

The rationale for the Province's legislative change reflects its desire to provide municipalities with greater control over property taxation matters.

For the vacancy rebate program, quite often there is a double benefit received by the property owner as vacant units receive a lower assessment than occupied units and they also receive the vacancy rebate. Currently the vacancy rebate is 30% for commercial property and 35% for industrial properties.

The principle of discounted subclasses originated with the elimination of the business occupancy tax in 1998 that was part of the Province's assessment/taxation reforms. As was the case with the vacancy rebate, long term vacant units, excess land and vacant land properties receive a lower Current Value Assessment applied by MPAC and would also receive a discounted rate.

The vacancy rebate and the discounted subclasses are viewed as extending a benefit to commercial and industrial properties not available to residential property owners.

The Province has indicated that municipal changes to commercial/industrial reduction and vacancy programs will follow a set protocol:

1. Municipalities are expected to engage the business community in a public consultation process in order to inform business stakeholders of the optional changes as well as to receive feedback on the programs.
2. Municipalities that opt to initiate changes must pass a council resolution and inform the Minister of Finance of the requested changes.

If approved, the Ministry of Finance will file a regulation to that effect.

Analysis

Commercial/Industrial Subclasses

Section 7 of the Assessment Act describes the various tax classes for the purpose of property taxation. Commercial and industrial tax classes have subclasses noted as vacant units / excess land and vacant land. These subclasses acknowledge unused or vacant property and are discounted for the purpose of municipal property taxation. For 2017, the commercial and industrial subclasses discounted rates accounted for \$3.0 million in municipal tax revenue. If the discounted subclasses were eliminated and

taxed at the full rate, the municipal revenue would have been \$4.5 million, a difference of \$1.5 million.

Vacant Unit Rebates

Section 364 of the Municipal Act provides for tax rebates for commercial and industrial properties when such properties are vacant due to a loss in tenancy. The principle behind this rebate is to acknowledge the reduction in tax revenue generated by the former business occupancy tax mentioned earlier.

The City of Greater Sudbury receives approximately 200 applications for property tax relief on an annual basis and involves liaison with the Municipal Property Assessment Corporation, internal administration and often site visits by Finance staff. Elimination of the vacant unit rebate program would result in an annual saving of approximately \$600,000 in expenditures.

Public Consultation

Through September and October staff held four meetings with various stakeholders including representatives of the Business Improvement Areas, property management personnel and real estate professionals regarding the optional changes to commercial/industrial subclasses and vacant unit rebates as required by legislation.

The purpose of these meetings was to describe the potential for a change in tax policy and discuss the implications. Verbal and written comments that evolved from the public consultations are summarized below. It is important to note that while the stakeholder comments are presented here, this should not be viewed as a statement of support/agreement by staff:

- Community malls are facing financial challenges province wide.
- Property owners need a rebate to offset building costs such as utilities associated with their property.
- The commercial/industrial vacancy rebate program should be phased out versus immediate elimination.
- The vacancy rebate program's elimination should begin in the industrial tax class.
- Additional revenues generated by the program's elimination should be funneled back into the local business community.
- Property owners taking advantage of the rebate program should be penalized versus those actively trying to maintain full occupancy.
- Elimination of the program may improve some areas and alleviate "dead zones".
- Elimination of the rebate program may encourage property owners to be more aggressive in a leasing strategy.
- Some property owners have incentives to remain successful in keeping buildings occupied.

- Commercial/industrial rebates represent a revenue loss to Business Improvement Area.
- Elimination of the subclasses may stagnate development and hurt the ability to invest in such properties.

Other Municipalities

A survey of peer municipalities, Ontario Regional & Single Tier Treasurers Group, indicates that a number of municipalities are either eliminating the program by 2018 or phasing the program out shortly after. A number of common themes are evident from our analysis.

- Vacant properties have a negative impact on surrounding properties
- The existing program represents a substantial tax revenue loss to the municipality
- The current program provides a disincentive to develop vacant property
- Vacancy is already factored into a lower current value assessment

Conclusions

Based on comments received from stakeholders and municipal peers, staff conclude:

- Most commercial property owners or their agents are not in favour of the elimination of the vacancy rebate program but if changes are made to the program, a gradual phase out would be preferred.
- Property owners or their agents were opposed to the elimination of the commercial / industrial subclasses to a lesser extent.
- Commercial/industrial vacancies are already reflected in current value assessments, thereby providing a further discount on property taxes.
- Vacant properties have a negative impact on neighbourhoods as mentioned by a developer during the September 25, 2017 Planning Committee Meeting.
- Discounts may result in a disincentive to develop vacant property as mentioned by a representative of a major mall.
- Lost property tax revenue must be made up by other properties in all tax classes.
- Site visits to large industrial properties require logistical arrangements, security clearance and often involve remote areas.
- Commercial/industrial vacancy rebates represent a revenue loss for the Business Improvement Area associations.
- The vacancy rebate program involves interaction between property owners, the Municipal Property Assessment Corporation and municipal staff and the process is administratively burdensome.
- The elimination of rebate programs may encourage more participation in the incentives offered in municipal Community Improvement Programs.

Recommendation

For 2017, the commercial/industrial reduction program remains in place, however, Finance staff recommend the following program changes.

Commercial/Industrial Subclasses

For 2018 and future years Finance staff recommends that the commercial and industrial subclasses be eliminated and such properties to be taxed at the full tax rates as established during annual tax policy deliberations and pursuant to area rating.

Vacant Unit Rebates

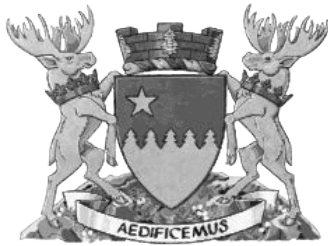
Finance staff recommends that the existing commercial and industrial vacant unit tax rebate program be phased out over time as per the chart below. As well, staff recommends the immediate removal from eligibility those buildings with restricted public access and not available for lease.

	2018 Rebate (%)	2019 Rebate (%)	2020 Rebate (%)
Commercial	20%	10%	0%
Industrial	23%	12%	0%
Large Industrial	0%	0%	0%

This phase out strategy mirrors that of a majority of our peer municipalities and represents a compromise after reviewing the comments from the business community.

Conclusion

Should City Council accept the recommendation of Finance staff, implementation will commence with the submission of a Council resolution to the Minister of Finance along with a notification of the requested changes. Once the Minister files the regulation, the City can proceed with billing the commercial and industrial subclasses at the full tax rates. As well, the City can proceed with the phase out of the commercial and industrial vacancy rebates.



City of Greater Sudbury Charter

WHEREAS Municipalities are governed by the Ontario Municipal Act, 2001;

AND WHEREAS the City of Greater Sudbury has established Vision, Mission and Values that give direction to staff and City Councillors;

AND WHEREAS City Council and its associated boards are guided by a Code of Ethics, as outlined in Appendix B of the City of Greater Sudbury's Procedure Bylaw, most recently updated in 2011;

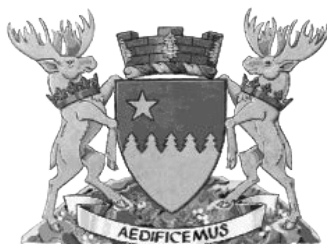
AND WHEREAS the City of Greater Sudbury official motto is "Come, Let Us Build Together," and was chosen to celebrate our city's diversity and inspire collective effort and inclusion;

THEREFORE BE IT RESOLVED THAT Council for the City of Greater Sudbury approves, adopts and signs the following City of Greater Sudbury Charter to complement these guiding principles:

As Members of Council, we hereby acknowledge the privilege to be elected to the City of Greater Sudbury Council for the 2014-2018 term of office. During this time, we pledge to always represent the citizens and to work together always in the interest of the City of Greater Sudbury.

Accordingly, we commit to:

- Perform our roles, as defined in the Ontario Municipal Act (2001), the City's bylaws and City policies;
- Act with transparency, openness, accountability and dedication to our citizens, consistent with the City's Vision, Mission and Values and the City official motto;
- Follow the Code of Ethical Conduct for Members of Council, and all City policies that apply to Members of Council;
- Act today in the interest of tomorrow, by being responsible stewards of the City, including its finances, assets, services, public places, and the natural environment;
- Manage the resources in our trust efficiently, prudently, responsibly and to the best of our ability;
- Build a climate of trust, openness and transparency that sets a standard for all the City's goals and objectives;
- Always act with respect for all Council and for all persons who come before us;
- Ensure citizen engagement is encouraged and promoted;
- Advocate for economic development, encouraging innovation, productivity and job creation;
- Inspire cultural growth by promoting sports, film, the arts, music, theatre and architectural excellence;
- Respect our historical and natural heritage by protecting and preserving important buildings, landmarks, landscapes, lakes and water bodies;
- Promote unity through diversity as a characteristic of Greater Sudbury citizenship;
- Become civic and regional leaders by encouraging the sharing of ideas, knowledge and experience;
- Work towards achieving the best possible quality of life and standard of living for all Greater Sudbury residents;



Charte de la Ville du Grand Sudbury

ATTENDU QUE les municipalités sont régies par la Loi de 2001 sur les municipalités (Ontario);

ATTENDU QUE la Ville du Grand Sudbury a élaboré une vision, une mission et des valeurs qui guident le personnel et les conseillers municipaux;

ATTENDU QUE le Conseil municipal et ses conseils sont guidés par un code d'éthique, comme l'indique l'annexe B du Règlement de procédure de la Ville du Grand Sudbury dont la dernière version date de 2011;

ATTENDU QUE la devise officielle de la Ville du Grand Sudbury, « Ensemble, bâtissons notre avenir », a été choisie afin de célébrer la diversité de notre municipalité ainsi que d'inspirer un effort collectif et l'inclusion;

QU'IL SOIT RÉSOLU QUE le Conseil de la Ville du Grand Sudbury approuve et adopte la charte suivante de la Ville du Grand Sudbury, qui sert de complément à ces principes directeurs, et qu'il y appose sa signature:

À titre de membres du Conseil, nous reconnaissons par la présente le privilège d'être élus au Conseil du Grand Sudbury pour le mandat de 2014-2018. Durant cette période, nous promettons de toujours représenter les citoyens et de travailler ensemble, sans cesse dans l'intérêt de la Ville du Grand Sudbury.

Par conséquent, nous nous engageons à :

- assumer nos rôles tels qu'ils sont définis dans la Loi de 2001 sur les municipalités, les règlements et les politiques de la Ville;
- faire preuve de transparence, d'ouverture, de responsabilité et de dévouement envers les citoyens, conformément à la vision, à la mission et aux valeurs ainsi qu'à la devise officielle de la municipalité;
- suivre le Code d'éthique des membres du Conseil et toutes les politiques de la municipalité qui s'appliquent à eux;
- agir aujourd'hui pour demain en étant des intendants responsables de la municipalité, y compris de ses finances, biens, services, endroits publics et du milieu naturel;
- gérer les ressources qui nous sont confiées de façon efficiente, prudente, responsable et de notre mieux;
- créer un climat de confiance, d'ouverture et de transparence qui établit une norme pour tous les objectifs de la municipalité;
- agir sans cesse en respectant tous les membres du Conseil et les gens se présentant devant eux;
- veiller à ce qu'on encourage et favorise l'engagement des citoyens;
- plaider pour le développement économique, à encourager l'innovation, la productivité et la création d'emplois;
- être une source d'inspiration pour la croissance culturelle en faisant la promotion de l'excellence dans les domaines du sport, du cinéma, des arts, de la musique, du théâtre et de l'architecture;
- respecter notre patrimoine historique et naturel en protégeant et en préservant les édifices, les lieux d'intérêt, les paysages, les lacs et les plans d'eau d'importance;
- favoriser l'unité par la diversité en tant que caractéristique de la citoyenneté au Grand Sudbury;
- devenir des chefs de file municipaux et régionaux en favorisant les échanges d'idées, de connaissances et concernant l'expérience;
- viser l'atteinte de la meilleure qualité et du meilleur niveau de vie possible pour tous les résidents du Grand Sudbury.