



MANAGEMENT REPORT

Date: March 24, 2025
To: Mayor and Members of Council
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: COU25-022
Attachments: 1. Draft By-law Tax Rates and Ratios for 2025
2. Tax Rate Calculation 2025
3. MTE Tax Policy Study

Title: 2025 Tax Rates and Tax Policy Matters

Objective: To provide Council with further analysis regarding the 2025 tax rates as initially provided during budget and to include background information on the City's tax policies and discretionary tax policy options.

Background: As Council is aware, the revenues for the City are comprised of user fees, service charges, provincial and federal grants, contributions from other municipalities, licenses, permits, rents, fines and penalties, investment income and sometimes donations or asset sales (land and used equipment). The residual revenues required to provide services are derived from the tax levy.

Through the 2025 budget process, Council was provided with information on the anticipated increase on an average property owner's tax rate to provide context for the proposed budget impacts to ratepayers.

There continues to be confusion between the 'tax levy increase' – the increase in total dollars required to be raised from taxation, and the 'tax rate increase' which is the impact to residents. As the figure used (a 5.46% blended increase to the tax rate) was for illustration and used a residential property example, it did not cover how the calculation works for all property classes and did not include any discussion around effects that changes in tax policy could have of shifts between the property types.

Typically, this report would include some background information on ratios, growth and shifts, however, the Tax Policy Study prepared by Municipal Tax Equity (MTE) Consultants Inc. contains this information and more, so is attached for your review.

The different relative tax burdens among properties are based on the **tax ratios** set by municipalities. Any changes in the tax ratios would result in a shift of the tax burden between property types.

Analysis: The most recent 2024 BMA Management Consulting Inc. (BMA) Study shows a wide range of tax ratios between the 54 ratio setting municipalities that participate in their study. Stratford’s ratios fall in the middle of the provincial averages.

	Multi-residential	Commercial	Industrial
Stratford	2.0000	1.9759	2.540330
Average	1.6207	1.5478	2.0442
Minimum	1.0000	1.0820	1.1000
Maximum	2.0658	2.4990	4.2438
Range of Fairness	1.00 - 1.10	0.60 - 1.10	0.60 - 1.10
Threshold	2.0000	1.9800	2.6300

In 2024, the province announced a New Multi-Residential (Municipal Reduction) Subclass. As it has been several years since the City of Stratford performed a fulsome tax policy review, staff engaged MTE Municipal Tax Equity (MTE) Consultants Inc. to review what this could look like for the City of Stratford, and any implications to tax ratios and rates on other property types. Their presentation and any decisions because of it could impact the recommendations contained within this report.

Tax Burdens and Tax Rates 2025

Attached to this report is the detailed calculation reflecting total initial current value assessment for each tax class and the current ratios for each property type. The product of these two columns equates to the weighted Current Value Assessment (CVA). To arrive at the 2025 levy (budget) attributed to each class, the opening CVA is multiplied by the rate for each class, and then the budget is proportionally assigned to each class.

The final total tax rate as noted in the table attached is 0.01553956, the same as was reported during the budget process. These complex allocations are not typically part of the initial budget process, but have been possible, and reasonably estimated due to the reassessment being delayed.

So, for a house valued at \$350,000 that means total taxes in 2025 of \$5,974.35, or \$497.86 more than 2024 (5.46% higher than 2024 inclusive of education taxes). Once the tax rates are implemented, the impact to property owners occurs in the final billing process so this increase is spread over the final two quarterly instalments, or if on a monthly payment plan, over the last six months of the year.

Another useful piece of information on this table is the comparison of the 2025 residential tax rate to the 'revenue neutral' residential tax rate. The revenue neutral tax rate is the rate required to raise last year's revenue, including any in-year growth, from the current year's assessment roll. Under the current pause in reassessment, and if no changes are made to tax policy (ratios, etc.) this year's revenue neutral tax rates are equal to 2024 actual rates.

So, the key implications of this are:

- 1) If taxation dollars from growth in assessment were sufficient to offset any budgetary requirements, there would not be a tax rate increase required, as growth would offset the increases.
- 2) If taxation dollars from growth in assessment were greater than any budgetary requirements, the tax rates would decrease.

In 2024 the City experienced \$1,059,017 increase in tax dollars from assessment growth, so simply stated, tax rates would remain at zero increase IF the budgetary increase were limited to this amount. Alternatively stated, additional revenue derived from growth during 2024 that was provided by those who added or improved property, will offset this year's budgetary impact to be carried by the base as a whole.

This is just to illustrate that increases to assessment values do not necessarily result in increases to the residential tax rates and that it is a complex calculation. When the provincial reassessment does occur, shifts between the classes may result in changes for property owners, irrespective of increases to budget requirements.

Further updates regarding the provincial reassessment and impacts to Stratford property owners' assessment values will be provided as they become available.

Options to Consider

- 1) Approve the tax rates as they were calculated, with the ratios remaining unchanged
- 2) Consider a potential reduction to the multi-residential ratio, currently set at 2.00 by 10% as identified in the attached Property Tax and Tax Policy Study and presented by MTE, which would result in a small shift to the other property classifications, and increase the proposed tax rate increase on the residential properties from 5.46% to 6.12%
- 3) Consider implementing the optional multi-residential sub-class reduction
- 4) A combination of 2) and 3)

Financial Implications:

Financial impact to current and future year operating budgets:

There are no financial implications to the City because of this report.

Alignment with Strategic Priorities:

Not applicable: This report does not align with one of the Strategic Priorities as this report is a follow-up from the budget report to set property tax rates based on the approved budget.

Alignment with One Planet Principles:

Not applicable: This report is not related to the One Planet principles as it is a financial report provided for information.

Staff Recommendation: THAT the report titled, "2025 Tax Rates and Tax Policy Matters" (COU25-022), be received for information;

THAT Council provide direction on whether any changes to tax policies are to be considered at this time;

AND THAT a by-law to set tax ratios, tax rates and tax reductions for prescribed subclasses for the year 2025 and govern and regulate the finances of The Corporation of the City of Stratford be adopted.

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