



## REPORT TO THE MAYOR AND COUNCIL

### **Introduction:**

The purpose of this report is to provide an overview of the KDSB's Net Local Levy apportionment formula to the District of Kenora Municipalities and Territories without Municipal Organization (TWOMO). At the December 19, 2024, Board of Directors meeting, the Board passed a resolution which intends to amend the KDSB apportionment formula between the District Municipalities and the TWOMO territories by setting a minimum apportionment percentage/threshold to the TWOMO share. The amendment of the apportionment formula will allow the KDSB to proactively manage and stabilize the current and future net local levy.

While each District Social Services Administration Board has the authority to amend their local levy apportionment models, any such amendments do require a double majority vote.

The purpose of this report is to seek the support of Mayor and Council to amend the apportionment formula as outline in this report and attached resolution.

### **Background:**

When the KDSB was first created as part of Ontario's Local Services Realignment initiative in 1998/99, the municipalities, TWOMO and Board at the time adopted an apportionment formula which allocated the net local levy based on the unweighted assessments by municipality and TWOMO territory as determined by the Municipal Property Assessment Corporation (MPAC).

The KDSB Board implemented the use of the unweighted assessment method as a means to recognize that municipalities in the Kenora District are hub communities for services and programs delivered by other levels of government which in turn results in a significant amount of property assessments to be classified as exempt. Under the current method, all exempt assessments are excluded from the apportionment calculation. The method was also chosen to prevent unexpected shocks and impacts to the apportionments based on taxation ratios changes within each municipality for commercial and industrial property classes. The use of the unweighted assessment method was considered the most equitable and simplest apportionment model to use.

Legislatively, the way costs are apportioned by District Social Services Administration Board ("District Services Board") is provided for in the Ontario Regulation 278/98 (the "Regulation"), and more particularly, sections 6 and 7 of that Regulation.

The legislature has conferred a wide discretion on a District Services Board to determine how it will apportion costs, provided such discretion is exercised in accordance with the procedure set out in section 6 of the Regulation.

To change the formula and establish an alternative apportionment formula the procedural requirements set out in section 6 of the Regulation must be followed, including the double majority vote requirements provided for in subsection 6(5).

A double majority means that **a majority of the municipalities and members representing territory without municipal organization consent to that apportionment** (ss. 6(5)(a)), and the **municipalities and members who have consented represent a majority of the electors in the boards district** (ss. 6(5)(b)).

The following elaborates on the process to establish an alternative apportionment formula that is set out in section 6 of the Regulation, and in particular subsections 6(5) to 6(9), further below.

**Step 1** (ss. 6(5)(a)): a majority of the municipalities and members representing the territory without municipal organization consent to that apportionment.

The members of the Kenora District Social Services Board (“KDSB”), as well as the areas they represent and the manner of their apportionment, are set out in Schedule 2.1 of the Regulation; and each of the 13 members is entitled to one vote under clause 5(a) noted above [ss.6(6)].

**Step 2** (ss. 6(5)(b)): the municipalities and members who have consented, must represent a majority of the electors in the board’s district.

For the purposes of clause (5)(b), if two or more members of the board represent an area set out in the schedule for the board that is comprised of territory without municipal organization, a member who represents the area shall be deemed to represent the total number of electors in the area divided by the total number of board members who represent the area [ss.6(7)].

Additionally, a resolution of the municipal council is required for a municipality to consent under subsection (5) and a signed consent of a member representing territory without municipal organization is required for the member to consent under subsection (5) [ss.6(8)].

#### ***Assessment Changes within the District of Kenora:***

Over the past decade or so, the apportionment between the nine (9) municipalities and the Unincorporated (TWOMO) has remained relatively unchanged - the variance being within a percentage point.

However, during this time, there have been more substantial shifts within the municipal apportionment in large part due to changes seen within major industries such forestry, mining and resource development.

The disappearance of sawmills in smaller communities, and the reassessments of pulp and paper mills and mining corporations have shifted the apportionment percentage higher for some municipalities while others have observed a reduction.

The table provides a high-level overview of the Unweighted Assessment Changes between 2014 and 2024:

**Historical Levy % Share**

MUNICIPALITY	2024	2023	2022	2021	2014
Dryden	8.45%	8.48%	8.47%	8.43%	9.63%
Ear Falls	0.88%	0.88%	0.89%	0.89%	0.92%
Ignace	1.01%	1.02%	1.02%	1.03%	1.07%
Kenora	23.95%	24.00%	23.91%	23.71%	22.15%
Machin	2.07%	2.07%	2.08%	2.08%	2.14%
Pickle Lake	0.38%	0.39%	0.39%	0.38%	0.37%
Red Lake	6.47%	6.51%	6.53%	6.49%	6.42%
Sioux Lookout	6.71%	6.70%	6.68%	6.55%	6.69%
Sioux Narrows Nestor Falls	4.94%	4.93%	4.89%	4.86%	5.38%
<b>Total Municipal Levy %</b>	<b>54.86%</b>	<b>54.98%</b>	<b>54.86%</b>	<b>54.42%</b>	<b>54.77%</b>
<b>Unincorporated</b>	<b>45.14%</b>	<b>45.02%</b>	<b>45.14%</b>	<b>45.58%</b>	<b>45.23%</b>
<b>Totals</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

On aggregate, the overall assessment between TWOMO and the Municipal sector has remained relatively steady. Even since the MPAC assessment freeze came into effect during the Global COVID pandemic, the apportionment changes between the two is sitting at 1.63% change.

On the surface, there would appear to be little concern as a 1% to 2% change between TWOMO and Municipalities is relatively small. However, it becomes an issue because of how the Ministry of Health calculates the Paramedic Services grant for the KDSB using TWOMO apportionment. The method creates a multiplier effect.

For example, if the Municipal apportionment goes from 55% to 56% and TWOMO from 45% to 44%, the 1% change creates a 2.92% import for the Municipal share. With the TWOMO apportionment decreasing by another 0.12% shift from TWOMO to the Municipal apportionment for 2025, the shift since the assessment freeze will be approximately 1.75%. The impact to the Municipal levy will have grown to 5.11%. More specifically, the community of Kenora is most impacted by the steady shift.

Once the MPAC assessment freeze is lifted, the KDSB Board believes that the Kenora District will see a year or two of substantial disruptions to the KDSB apportionment levy as assessments within the Municipalities will increase more than those in the TWOMO territories. As such, the Board directed administration to investigate the issue and recommend safeguards to be put in place which will ensure a stable local levy protected from shocks that may be caused by the unfreezing of assessments by MPAC.

With the MPAC's assessment freeze lifting, the anticipated changes are in the range of 1%-3%, which in turn will have an estimated municipal levy impact of 2.92% - 8.76% without any change to the KDSB budget or service levels.

**Comments:**

The Net Local Cost is allocated based on the Unweighted Property Assessment data received from the Municipal Property Assessment Corporation (MPAC). It is the responsibility of MPAC to accurately assess and classify all properties in Ontario. MPAC then provides summary information on all areas located within the Kenora District. The KDSB utilizes this data to calculate Net Local Cost allocations.

The 2025 assessments continue to be based on 2016 data. MPAC continues to adjust assessments based on data that is not readily available in the TWOMO areas.

- Change to property ownership, legal description, or school support.
- Change to the property’s value resulting from a Request for Reconsideration, or an Assessment Review Board decision.
- Property value increase/decrease reflecting a change to the property; for example, a new structure, addition, or removal of an old structure. (information obtained through building permit applications)
- Change in the classification or tax liability of the property.

The chart below provides a comparison of Current and Prior Year unweighted assessments based on 2025 MPAC data:

	<b>2024</b>	<b>2025</b>		
	<b><u>Unweighted Assessment</u></b>	<b><u>Unweighted Assessment</u></b>	<b>Change in Unweighted Assessment</b>	<b>% Change Unweighted Assessment</b>
60-26 Dryden	693,299,314	699,855,363	6,556,049	0.95%
60-42 Ear Falls	72,387,800	74,052,900	1,665,100	2.30%
60-01 Ignace	83,008,600	83,126,400	117,800	0.14%
60-16 Kenora	1,965,546,309	1,981,387,409	15,841,100	0.81%
60-21 Machin	169,910,200	170,402,200	492,000	0.29%
60-49 Pickle Lake	31,544,100	32,324,300	780,200	2.47%
60-41 Red Lake	531,279,000	533,220,200	1,941,200	0.37%
60-34 Sioux Lookout	550,636,991	556,153,191	5,516,200	1.00%
60-08 Sioux Narrows - Nestor Falls	405,085,100	407,521,300	2,436,200	0.60%
<b>Total Unincorporated</b>	<b>3,705,547,551</b>	<b>3,718,397,651</b>	<b>12,850,100</b>	<b>0.35%</b>
	<b>8,208,244,965</b>	<b>8,256,440,914</b>	<b>48,195,949</b>	<b>0.59%</b>

As has been experienced since the MPAC Assessment freeze came into effect, we continue to see the unincorporated assessment portion decline. In 2025, the portion for TWOMO will reduce again by 0.12%.

The net local share proration for 2025 is calculated as follows:

	<u>Unweighted Assessment</u>	<u>2025 Local Share</u>	<u>2024 Local Share</u>	<u>Increase (Decrease)</u>
60-26 Dryden	699,855,363	8.48%	8.45%	0.03%
60-42 Ear Falls	74,052,900	0.90%	0.88%	0.02%
60-01 Ignace	83,126,400	1.01%	1.01%	0.00%
60-16 Kenora	1,981,387,409	24.00%	23.95%	0.05%
60-21 Machin	170,402,200	2.06%	2.07%	-0.01%
60-49 Pickle Lake	32,324,300	0.39%	0.38%	0.01%
60-41 Red Lake	533,220,200	6.46%	6.47%	-0.01%
60-34 Sioux Lookout	556,153,191	6.74%	6.71%	0.03%
60-08 Sioux Narrows - Nestor Falls	407,521,300	4.94%	4.94%	0.00%
<b>Total Unincorporated</b>	<b>3,718,397,651</b>	<b>45.02%</b>	<b>45.14%</b>	<b>-0.12%</b>
	<b>8,256,440,914</b>	<b>100.00%</b>	<b>100.00%</b>	

### FINANCIAL IMPACTS:

The 2025 Draft KDSB Operating Budget calls for a 5.50% Net Local Levy increase. Much of the increase is driven by pressures faced in the EMS Paramedic Services and costs of maintaining the existing community housing stock.

If the apportionment between TWOMO and the municipalities remains, the net local levy for the municipalities will be 7.85%. The following tables provide a summary, the levy per Municipality and Unincorporated Area based on the 2025 assessment data is detailed below:

	2025 Levy	2024 Levy	\$ Increase / (Decrease)	% Increase/ (Decrease)
Dryden	\$1,476,239	\$1,366,960	109,279	7.99%
Ear Falls	\$156,372	\$142,601	13,771	9.66%
Ignace	\$175,520	\$163,359	12,161	7.44%
Kenora	\$4,178,892	\$3,874,462	304,430	7.86%
Machin	\$358,805	\$334,765	24,040	7.18%
Pickle Lake	\$67,931	\$61,765	6,166	9.98%
Red Lake	\$1,124,734	\$1,046,989	77,745	7.43%
Sioux Lookout	\$1,173,518	\$1,085,525	87,993	8.11%
Sioux Narrows Nestor Falls	\$860,307	\$799,027	61,280	7.67%
<b>SUBTOTAL</b>	<b>\$9,572,318</b>	<b>\$8,875,453</b>	<b>696,865</b>	<b>7.85%</b>
Unincorporated	\$11,525,596	\$11,122,245	403,351	3.63%
<b>TOTAL LOCAL SHARE</b>	<b>\$21,097,914</b>	<b>\$19,997,698</b>	<b>1,100,216</b>	<b>5.50%</b>

Since the Global COVID-19 pandemic, the province has frozen the MPAC assessments upon which municipalities and the Ministry of Finance levy property owners on. The assessment freeze does not include section 357 changes, rebate applications, and supplemental assessment within the municipal assessment rolls. The result has amplified the KDSB levy apportionment from TWOMO to the municipal sector.

The 2025 Draft Budget represents the total investment required to support our region’s individuals, families, and communities in a fiscally responsible and safe manner.

<b>Expenditure by Function</b>	<b>2025 Budget</b>	<b>2024 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
Wages/benefits	48,742,528	45,299,095	3,443,433	7.60%
Interest on long term debt	747,267	747,267	-	0.00%
Materials/supplies	10,577,051	9,565,890	1,011,161	10.57%
Contracted services	3,329,973	3,104,961	225,012	7.25%
Rent/financial expenses	1,721,484	1,666,266	55,218	3.31%
External transfers	43,041,801	21,687,359	21,354,442	98.46%
Capital	6,406,853	6,958,031	( 551,178 )	-7.92%
<b>Total Operating Expenditure</b>	<b>114,566,957</b>	<b>89,028,869</b>	<b>25,538,088</b>	<b>28.69%</b>
Contributions to reserves	794,354	1,577,390	( 783,036 )	-49.64%
Principal on long term debt	1,389,983	1,501,413	( 111,430 )	-7.42%
<b>Total cash requirements</b>	<b>116,751,294</b>	<b>92,107,672</b>	<b>24,643,622</b>	<b>26.76%</b>
Provincial revenue	74,934,308	55,140,913	19,793,395	35.90%
Other partnerships	1,553,526	566,727	986,799	174.12%
Client contributions	14,863,771	10,629,339	4,234,432	39.84%
Interest earned	519,835	196,095	323,740	165.09%
Other revenues	1,624,213	3,171,839	( 1,547,626 )	-48.79%
Contributions from reserves	2,157,727	2,405,061	( 247,334 )	-10.28%
<b>Total other revenues</b>	<b>95,653,380</b>	<b>72,109,974</b>	<b>23,543,406</b>	<b>32.65%</b>
<b>NET LOCAL COST</b>	<b>21,097,914</b>	<b>19,997,698</b>	<b>1,100,216</b>	<b>5.50%</b>

Freezing the TWOMO levy at 46.15% will have the following:

	<b>2025 Distribution</b>	<b>2025 Levy</b>	<b>2024 Levy</b>	<b>\$ Increase / (Decrease)</b>	<b>% Increase/ (Decrease)</b>
Dryden	8.30%	\$1,409,656	\$1,366,960	42,696	3.12%
Ear Falls	0.88%	\$149,010	\$142,601	6,409	4.49%
Ignace	0.99%	\$167,296	\$163,359	3,937	2.41%
Kenora	23.51%	\$3,991,286	\$3,874,462	116,824	3.02%
Machin	2.02%	\$342,815	\$334,765	8,050	2.40%
Pickle Lake	0.38%	\$64,907	\$61,765	3,142	5.09%
Red Lake	6.33%	\$1,074,154	\$1,046,989	27,165	2.59%
Sioux Lookout	6.60%	\$1,120,778	\$1,085,525	35,253	3.25%
Sioux Narrows Nestor Falls	4.84%	\$821,844	\$799,027	22,817	2.86%
<b>SUBTOTAL</b>		<b>\$9,141,746</b>	<b>\$8,875,453</b>	<b>266,293</b>	<b>3.00%</b>
Unincorporated	46.15%	\$11,956,168	\$11,122,245	833,923	7.50%
<b>TOTAL LOCAL SHARE</b>		<b>\$21,097,914</b>	<b>\$19,997,698</b>	<b>1,100,216</b>	<b>5.50%</b>

The 46.15% is KDSB’s estimation of what the apportionment for TWOMO should be. Setting the 46.15% as the minimum for TWOMO, will set the municipal net local levy at approximately 3% or \$266,293 for 2025.

Of note, the KDSB is projecting that its increase in municipal property taxes for 2025 will exceed the 3% increase in net local levy to the municipalities.

It is also important to note that the changing the apportionment formula and setting the TWOMO net local levy at 46.15% will have no adverse impacts on residents living in the unincorporated territories.

**Conclusion:**

The gradual reduction of the TWOMO % of the apportionment is also the result of assessments in the TWOMO territories not being reassessed on the same scale as within municipal boundaries.

KDSB took a small sample of properties in the TWOMO territories and found that their redevelopments and improvements had not been captured in a reassessment dating back years. While the KDSB acknowledges that it is not an expert in property assessment, its findings are an indicator that there is a potential apportionment shock coming; and an acknowledgement of the challenges that the regions' vast geography and the lingering impacts of the global pandemic are having on equitable property assessments.

The Board of Directors has passed a resolution setting the TWOMO levy a minimum of 46.15% of the total Net Local Levy apportionment for 2025 and beyond. Setting the TWOMO levy at 46.15% is well within the realm of reasonableness and will provide a safety net for the KDSB and municipalities once the assessment freeze is lifted from any short-term assessment shocks.

**Recommendation(s):**

**WHEREAS** the Kenora District Services Board provides supports and services to seniors, single non-elderly and families across the District of Kenora both within and outside of municipal boundaries; and

**WHEREAS** the Kenora District Services Board used the unweighted property assessments as determined by the Municipal Property Assessment Corporation (MPAC) to determine the Net Local Levy for the District of Kenora municipalities and territories without municipal organizations; and

**WHEREAS** the Kenora District Services Board, Municipalities and Territories without Municipal Organization wish to ensure the sustainability and stability of the District Services Board's Net Local Levy; and

**THEREFORE, be it resolved** that the Kenora District Services Board continue to use the unweighted property assessment methodology for the Net Local Levy calculations as has been done since the creation of the District Services Board; and further

THAT the Kenora District Services Board set the Territories without Municipal Organization (TWOMO) at a minimum of 46.15% of the Total Net Local Levy moving forward.



December 30, 2024

\_\_\_\_\_  
Chief Executive Officer

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Date