

Port Hope Completes Urban-Rural Tax Allocation Review and Introduces Innovative AI-Powered Educational Tool for Residents

For Immediate Release

Friday, July 11, 2025 – Port Hope, ON

The Municipality of Port Hope is providing an update on the completed Urban-Rural Tax Allocation Review, a detailed study undertaken to examine the historical and current distribution of property taxes across the Municipality's Urban and Rural Wards since amalgamation of Hope Township and the Town of Port Hope in 2001.

The review was initiated by Resolution 46-2025, passed by Council in response to concerns raised by a group of residents, identified as the Rural Focus Group, at the March 18 Council meeting. The Resolution directed staff to engage a third-party consultant to conduct an independent and transparent review of historical tax allocation and municipal spending.

Third-Party Review by Municipal Tax Equity Consultants

To conduct the review, the Municipality retained Municipal Tax Equity (MTE) Consultants, a firm with expertise in Ontario municipal taxation and finance. The review was led by Peter Frise, MTE's Vice President of Policy and Consulting Services, who brings more than 25 years of experience in municipal tax policy, including past work as a Senior Economist with the Ontario Ministry of Finance.

The resulting report was presented to Council at the June 17, 2025 meeting and offers a comprehensive analysis of Port Hope's property tax framework, legislative compliance, and long-term financial impacts of taxation strategies.

Key Findings

The report confirms that the Municipality has evolved from an ad hoc taxation model immediately after amalgamation to a levy structure comprised of general and special service levies that is now aligned with provincial requirements under the Municipal Act. The system in place today was described in the report as "structurally coherent, legally compliant, and intuitively fair."

Evolution of Tax Policy (2000–Present)

The report divides the Municipality's approach into five policy eras:

1. Amalgamation and Initial Transition (2000–2002): Following amalgamation, the Municipality maintained the pre-existing balance between the former Town and

Township. However, it missed an opportunity to establish a formal Urban Service Area that would have provided authority to maintain this type of tax structure, resulting in an informal and ad hoc tax structure.

2. **Managed Share Targets (2003–2011):** By-laws introduced during this time sought to maintain historical balance, formalizing the shift of a portion of the tax burden from the rural to the urban area, but continued to not follow the required legislative structure.
3. **Unresolved Policy Review (2012–2013):** A transitional phase where a correction to the tax policy was explored, led by a working group.
4. **Policy Transition and Redirection (2014–2017):** In 2014, an improved new tax policy framework was introduced, including a 10-year phase in period. During 2016 and 2017, a working group developed recommendations that led to a more defined and legislatively sound model to be implemented in 2018.
5. **General + Special Levy System (2018–Present):** A compliant dual-levy model was adopted, distinguishing between general services (uniformly funded) and special services (allocated to specific wards). Urban-specific services (e.g., transit, urban policing) and rural-specific services (e.g., OPP policing) are now appropriately and separately funded. The conclusion of the 10-year phase in period in 2023 marked the last step towards achieving compliance with Provincial property tax legislation starting in 2024.

Quantified Impact

The review estimates that nearly \$40 million in additional taxes were collected from the Urban area over the past 25 years compared to what would have been levied under a uniform system. This has had a direct impact to taxpayers in each area. In 2001, for example, a \$125,000 Rural property paid \$525 (52%) less than under a uniform model, while an Urban property paid \$217 (21.5%) more. These differences have narrowed over time but remain present as of 2025.

Principles for Future Consideration

The report provides key guidance for future policy or budget reviews, cautioning against framing tax discussions solely by geography. Recommendations include:

- **Staying within the legislative framework:** Ontario's Municipal Act governs what municipalities can and cannot do regarding taxation.
- **Recognizing the redistributive nature of property tax:** Most municipal services benefit the entire community and are not divisible by ward or neighbourhood.

- Avoiding overly simplistic geographic comparisons: Reviews must consider the function and reach of services, not just where they are delivered.

The report also notes that framing costs and benefits as “our” vs “theirs” within one municipality offers little value and poses long-term risk, particularly for the smaller rural area as significant costs would be paid by the smaller group of taxpayers.

The consultant’s report recognizes that the Municipality of Port Hope has undertaken exhaustive, informed, and public-facing efforts to arrive at its current taxation structure. It concludes that this is a result of deliberate decisions to:

- Respect and reflect the Municipality’s distinct urban and rural service realities.
- Align municipal practice with the requirements and spirit of the Municipal Act.
- Establish a rational and equitable method of tax levy allocation that can be defended both legally and publicly.

The report also recommends applying the Low-Level Radioactive Waste (LLRW) funds directly within the budget process rather than as part of the final tax rate calculation.

Additional Taxation Questions, Staff Response and Council Resolution

At the April 15, 2025 Council meeting, the Rural Focus Group submitted a series of detailed questions regarding historic taxation, which were answered in full by staff, shared with Council, and posted publicly to ensure transparency and consistent communication with residents.

Following the final presentation in June, Council passed a motion to receive the report for information, direct staff to prepare an administrative update to the Common and Special Services Tax Allocation By-law (e.g. remove the now completed 10-year phasing section), and concluded that no further action is required under Resolution 46-2025.

Access to the Report and Launch of Innovative AI-Powered Educational Tool

The full Municipal Property Tax Policy Report and the responses to the additional taxation questions are available on our website.

Additionally, the Municipality has posted the findings of the report in a conversational format to provide listeners an alternative opportunity to engage with and explore this comprehensive topic. The digital conversation was generated using a no-cost AI tool, which presents the consultant’s findings in a simplified, accessible, audio format. The content is based only on the consultant’s official report and enhanced with AI to help explain it in clearer, everyday language. No additional sources were used to create the conversation. This marks the Municipality’s first use of an AI-generated digital audio conversation as a public information tool. If it proves effective in helping residents better understand complex municipal matters, the Municipality will consider using this approach more regularly in future communications.



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Both the report and the digital conversation are available on our website at porthope.ca/tax.

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