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Budget Committee Meeting – October 28, 2025

Subject: Subsidy for Property Taxes on Water and Wastewater Facilities
Report Number: CS-25-035
Division: Corporate Services
Department: Finance
Ward: All Wards
Purpose: For Decision

Recommendation(s):

That CS-25-035 Subsidy for Property Taxes on Water and Wastewater Facilities be received as information; and

Further that Council endorses the subsidy for property taxes on Water and Wastewater facilities (all properties) beginning in 2026.

Executive Summary:

This report presents a recommendation to provide a levy subsidy which would effectively exempt municipally owned water and wastewater properties from property taxation through an adjustment to Norfolk County's budgeting practices. Currently water and wastewater properties are taxed in the same manner as all other properties in Norfolk County, and the associated costs are recovered entirely through rates from users of the systems. By removing the requirement to pay property taxes, the County would improve affordability for ratepayers, ensuring they are only funding the costs of utility operations.

The total budget for property taxes on water and wastewater properties for the 2025 taxation year is \$610,200. Removing this cost from the Rate Operating Budget would reduce water and wastewater bills by approximately 1.7% for the average residential household in Norfolk County.

The proposed adjustment supports the County's commitment to long-term financial sustainability by providing financial relief to ratepayers. Staff recommend that Council endorse this change for implementation for the 2026 Budget.

Discussion:

Municipal water and wastewater systems play a critical role in protecting public health and safety. These essential services are regulated through stringent provincial

standards and are delivered on a cost recovery basis. This means that all related expenses, including operational, capital, maintenance, and administrative costs, are directly recovered through user rates. As a result, any decrease in expenses leads to lower required charges for ratepayers.

Under the Municipal Act and the Assessment Act, municipally owned properties are generally exempt from property taxation, when owned and operated by the municipality. However, this is not the case for water and wastewater properties, they are taxed the same as any other property in the County.

To improve affordability for ratepayers, staff have begun working through potential options/strategies for Council consideration. Norfolk County can adjust its budgeting practices to remove the impact of property taxes on water and wastewater budgets. This approach would be similar to how the County manages subsidies for certain housing units owned by the Haldimand Norfolk Housing Corporation. The County would include the taxation for the properties in the rate budget with an offsetting transfer from the tax levy budget, effectively exempting the properties from taxes.

Providing this subsidy would result in direct financial benefits to ratepayers, however it would come at a slight cost to those that are not users of the systems. Removing this expense would lower the overall net rate requirement, providing future relief to users to be materialized through the upcoming rate study. This change would also align service charges more closely with the true cost of delivering water and wastewater services, improving transparency and public understanding of utility rate structures.

The total impact of the property tax charges on the Rate Operating Budget for 2025 is \$610,200. If the County were to proceed with this subsidy, the associated cost would instead be absorbed within the levy operating budget, effectively shifting some burden from ratepayers to the broader tax base. This would however better reflect the beneficiaries of levy-related services, as the operations of water and wastewater systems are largely a service being provided on their own. The financial implications of this shift are outlined in Tables 1 through 3 below.

Table 1: Impact on Taxpayers by Tax Class

Tax Class ^{1.}	2025 Taxes	Potential Change	
Residential	\$3,840	\$15	0.40%
Commercial	\$4,576	\$15	0.32%
Industrial	\$7,812	\$25	0.32%
Farmland	\$1,821	\$7	0.39%

1. Based on average Current Value Assessment (CVA) for Residential (\$244,000), Commercial (\$139,300), Industrial (\$237,800), and Farmland (\$499,000) properties.

Table 2: Impact on Ratepayers by User Type

User Type ^{1.}	2025 W/WW Costs	Potential Change	
Residential	\$1,769	(\$31)	(1.7%)
Commercial	\$4,304	(\$105)	(2.4%)
Industrial	\$80,487	(\$2,888)	(3.6%)

1. Residential (144m³ of annual consumption and 15mm meter), Commercial (490m³ of annual consumption and 25mm meter), and Industrial (13,500m³ of annual consumption and 50mm meter) consumption and meter sizing reflect estimates used through the Rate Budget Process. Actual impacts of each user type differ based on individual consumption requirements.

Table 3: Total Municipal Burden Shift

User Type	Total 2025 Burden	Potential Change	
Residential (Tax and Ratepayer)	\$5,609	(\$16)	(0.29%)
Residential (Non-Ratepayer)	\$3,840	\$15	0.39%
Commercial (Tax and Ratepayer)	\$8,880	(\$90)	(1.01%)
Industrial (Tax and Ratepayer)	\$88,299	(\$2,863)	(3.24%)
Farmland (Non-Ratepayer)	\$1,821	\$7	0.38%

1. Utilizes the same assumptions as Tables 1 and 2.

Ultimately, this subsidy reflects an opportunity to consider water and wastewater properties as internal infrastructure assets rather than taxable entities. The County retains full flexibility to revisit the decision in future years.

Financial Services Comments:

The Approved 2025 Rate Budget includes a Net Rate Requirement of \$32,792,600 which reflects the amount of revenue anticipated to be generated from water and wastewater rates. The removal of the requirement to pay property taxes on water and wastewater properties would result in a decrease of 1.8% to the Net Rate Requirement and would be factored into the upcoming Rate Study for the calculation of water and wastewater rate requirements moving forward.

As the 2026 Rate Budget is also being presented at this meeting, if approved for 2026 the savings from this subsidy will be put directly into the water and wastewater reserves for 2026. The change would be included in the upcoming Rate Study, where this impact, and the impacts of all other changes will be assessed.

The Approved 2025 Levy Operating Budget includes a Net Levy Requirement of \$136,416,200 which reflects the amount of revenue anticipated to be generated from property taxes. The transfer of funds to the rate budget to pay property taxes on the water and wastewater properties would result in an increase of 0.44% to the Net Levy Requirement and would be considered a Council-Approved Initiative (CAI) for the 2026 Levy Budget.

Interdepartmental Implications:

N/A

Consultation(s):

N/A

Strategic Plan Linkage:

This report aligns with the 2022-2026 Council Strategic Priority Sustaining Norfolk - Creating a sustainable community and a positive legacy.

Explanation: Pursuing the proposed property tax subsidy will result in lower costs for water and wastewater users in Norfolk County.

Conclusion:

In conclusion, exempting municipally owned water and wastewater properties from property taxation presents a practical and fiscally responsible opportunity to enhance affordability for utility users. Utility rates would more accurately reflect the actual cost of service delivery, while maintaining flexibility in future financial planning.

Attachment(s):

N/A

Approval:

Approved By:

Al Meneses, Chief Administrative Office

Reviewed By:

Amy Fanning, CPA, Treasurer/Director, Finance
Rob Fleming, Tax Collector/Manager, Revenue

Prepared By:

Amy Vesprini, Supervisor, Financial Planning and Reporting