MUNICIPAL PROPERTY ASSESSMENT CORPORATION

ANNUAL REPORT 2002

MISSION VISION VALUES

Our Mission
To deliver timely, cost-effective, objective and accurate property valuations and related information to property owners, municipalities and the Province of Ontario.

Our Vision
To be the global leader in property assessment, infused with a spirit of innovation and entrepreneurship.

Our Values
As an organization and as individuals:

We keep our promises.
Our customers can rely on us to deliver timely, accurate information and sound advice. We deliver on our commitments.

We are professional.
Everyone at MPAC is responsible for providing excellent customer service. We conduct ourselves and our business with empathy, integrity and uncompromising honesty. We communicate clearly.

We are responsive and resourceful.
We commit our time and talents to creating innovative solutions that meet or exceed our customers' needs. We respond quickly to change. We use the right technologies to reduce cost and improve services.

We lead.
We will remain the best in our field by finding and developing new opportunities for ourselves and our customers, and by embracing change enthusiastically. We compete fairly with other businesses. Nobody will do it better.

We make MPAC a great place to work.
We thrive on hard work and encourage a healthy perspective and balanced approach toward our personal and professional lives. We demand integrity from ourselves and each other. We support employee involvement in their community. We have fun. We recognize accomplishment. We learn from our successes and our mistakes. We are proud of what we do.

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

March 28, 2003

The Honourable Janet Ecker
Minister of Finance
7 Queen's Park Crescent
7th Floor, Frost Building South
Toronto ON M7A 1Y7

Dear Minister:

On behalf of the Board of Directors, it is my pleasure to submit to you, in accordance with the *Municipal Property Assessment Corporation Act, 1997*, the 2002 Annual Report and Financial Statements for the Municipal Property Assessment Corporation.

The Act requires a statement concerning the Corporation's compliance with the policies, procedures and standards established by the Minister under section 10. For the year 2002, compliance requirements were met.

Yours truly,

Peter Hume
Chairman

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CORPORATE PROFILE

On December 31, 1998, the Government of Ontario transferred responsibility for property assessment from the Ministry of Finance to the Ontario Property Assessment Corporation, an independent body established by the *Ontario Property Assessment Corporation Act, 1997*. Amendments to the Act in 2001 changed the composition of the Board of Directors and renamed the organization the Municipal Property Assessment Corporation (MPAC).

Every municipality in Ontario is a member of MPAC, a non-share capital, not-for-profit corporation whose main responsibility is to provide its customers - property owners, tenants, municipalities, and government and business stakeholders - with consistent and accurate property assessments. MPAC is accountable to the public through a fifteen member Board of Directors. Eight members of the Board are municipal representatives; five members represent property taxpayers; and two members represent provincial interests. All members of the Board are appointed by the Minister of Finance.

MPAC administers a uniform, province-wide property assessment system based on current value assessment in accordance with the provisions of the *Assessment Act*. It provides municipalities with a range of services, including the preparation of annual assessment rolls used by municipalities to calculate property taxes. Triennial municipal enumerations are also conducted by MPAC in order to prepare a Preliminary List of Electors for each municipality and school board during an election year. Today, MPAC is responsible for the assessment of over 4.2 million properties in the province.

MPAC has a province-wide presence, with most staff located in 36 field offices across the province. MPAC's head office is in Pickering, Ontario.

FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION

	DECEMBER 31 2002	DECEMBER 31 2001
ASSETS		
Current		
Cash and Investments	$ 52,977,682	$ 73,380,108
Accounts Receivable	941,353	1,319,253
Prepaid Expenses	1,512,424	1,261,619
Capital Assets	19,466,109	12,875,549
TOTAL ASSETS	$ 74,897,568	$ 88,836,529
TOTAL LIABILITIES	$ 25,153,752	$ 22,063,541
FUND BALANCES		
Restricted Fund		
Invested in Capital Assets	17,518,740	12,875,549
Operating Fund		
Reserve for Appeals	14,923,676	22,135,371
Reserve for Enumeration	2,500,000	5,000,000
Reserve for Restructuring and Technology	2,140,000	14,550,500
Reserve for Retirement and Termination Benefits	9,661,400	9,211,568
Reserve for Working Funds	3,000,000	3,000,000
TOTAL FUND BALANCES	49,743,816	66,772,988
TOTAL LIABILITIES AND FUND BALANCES	$ 74,897,568	$ 88,836,529

STATEMENT OF OPERATIONS

REVENUE		
Municipal Assessment Services	$ 130,000,000	$ 130,000,000
Interest	1,381,662	2,829,263
Other	3,757,824	4,622,617
TOTAL REVENUE	135,139,486	137,451,880
TOTAL EXPENSES	146,304,822	141,095,803
DEFICIENCY OF REVENUE OVER EXPENSES	$ (11,165,336)	$ (3,643,923)

CHAIRMAN'S AND PRESIDENT'S MESSAGE

YEAR IN REVIEW

from left to right:

Peter Hume
Chairman, MPAC Board of Directors

Robert A. Richards
President and Chief Administrative Officer

MPAC is committed to being the global leader in property assessment. As we look back on the year's accomplishments, it is with the knowledge that great strides have been made towards our goal.

First and foremost we would like to thank MPAC staff. The past several years have been ones of tremendous change – new expectations, new technology and new business processes. MPAC employees have risen to the challenge. It is because of them that we are confident we will continue to establish new benchmarks for customer service excellence, as well as for the accuracy and timeliness of our values.

MPAC's third province-wide assessment was completed in 2002, marking the beginning of annual property assessments in Ontario. Once again, our performance exceeded industry recognized international standards while improving upon the quality of the previous two updates. MPAC also added more than $16 billion of in-year assessment to municipal assessment rolls — the second highest increase in the province's history.

In 2002, MPAC officially established a full-service, in-house Customer Contact Centre, to provide a single point of access to assessment information. MPAC's highly trained customer service associates responded to nearly 200,000 enquiries from property owners across Ontario. The small percentage of enquiries that needed detailed follow-up or local expertise were forwarded to valuation specialists in MPAC's field offices.

Adjacent to the Customer Contact Centre is the corporation's Central Processing Facility. Established in 2002, this operation efficiently processed more than 1.8 million data collection documents received by MPAC.

We will continue to establish new benchmarks for customer service excellence, as well as for the accuracy and timeliness of our values.

Once again,
our performance exceeded industry recognized
international standards.

Other service delivery initiatives introduced in 2002 were:

- Access to Municipal Connect™ was expanded to over 400 municipalities. First introduced in 2000, this Internet-based solution provides municipalities with real-time access to assessment information. In the future, it will enable municipalities to submit data directly to MPAC's database.
- A tripartite agreement was reached among MPAC, Elections Canada and Elections Ontario to share elector information in Ontario.
- The Ontario Parcel was created. Over the next three years, MPAC, the Ontario Government and Teranet Enterprises will work together to build a standardized, digital parcel mapping database for the province – a move that will cut costs and improve business efficiency.
- A new Vacancy Verification Service was introduced to provide municipalities with a cost effective solution for verifying information they receive from property owners.

MPAC's Board of Directors continues to bring forward initiatives to ensure the highest standards of accountability, quality assessment products and exceptional customer service. This year the Board oversaw the redevelopment of our Mission, Vision and Values to reflect a renewed commitment to innovation and leadership and, above all, an overriding dedication to customer service. In addition to providing strategic direction to the Corporation, the Board enhanced its governance role through three newly created Committees.

- The Audit Committee reviews all financial statements and policies, meets with MPAC's external auditors and reviews internal audits.
- The Quality Assurance Committee provides strategic guidance to the Board on quality issues.
- The Stakeholders and Government Relations Committee recommends legislative items to the Board that can improve customer service and the efficiency of MPAC operations.

In 2002, we introduced Customer Service Standards to provide guidelines for employees' interaction with internal and external customers. A Customer Service Pledge was developed, highlighting our commitment to delivering exceptional customer service. And, all staff participated in Customer Service training to reinforce our promise to serve you, our customers, in a courteous, timely, consistent and caring manner.

MPAC also successfully introduced eProducts, an online e-commerce site that enables customers to purchase assessment, site, structural and sales data on all types of properties across Ontario. In January 2003, we launched AboutMyProperty. This new, self-service site will enable property owners to conveniently review property valuation information, including assessment roll values of comparable properties.

As we enter a new year, we look forward to introducing new products and services, exceeding customer expectations, and launching technological innovations that will make us truly the global leader in property assessment.

MPAC is committed to being
the global leader
in property assessment.

2002 PERFORMANCE REPORTS

ASSESSMENT UPDATE CYCLE

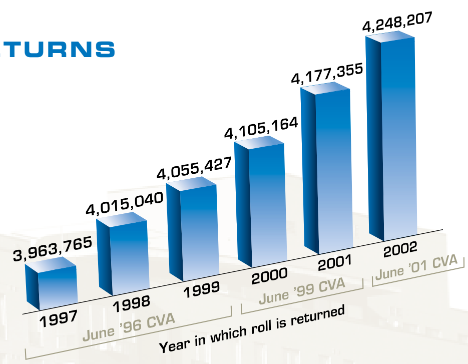
During 2002, all properties in Ontario were updated to June 30, 2001 current values. These values were reported on the assessment rolls delivered to municipalities in December of 2002, and will be used to calculate 2003 property taxes.

The next province-wide assessment will occur in 2003 when assessments will be updated from June 30, 2001 values to June 30, 2003 values. As shown in the adjacent chart, these values will then be used to calculate 2004 property taxes.

VALUATION DATE	TAXATION YEAR(S)
June 30, 1996	1998, 1999, 2000
June 30, 1999	2001, 2002
June 30, 2001	2003
June 30, 2003	2004

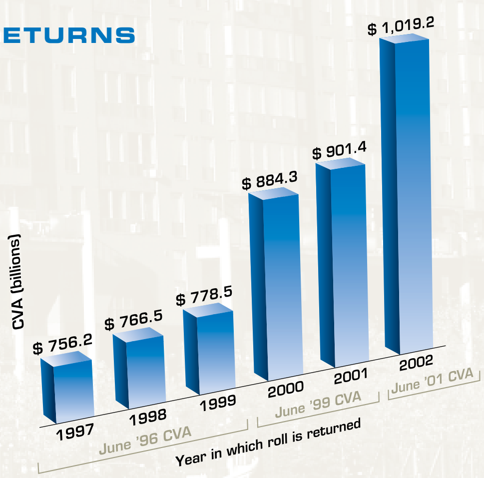
PROPERTY COUNT AT ASSESSMENT ROLL RETURNS

The total number of properties contained in the 2002 assessment roll returns to all municipalities was 4,248,207 - an increase of 70,852 over the 2001 assessment roll returns. Roll returns in a given year are used to calculate property taxes in the following year.



PROPERTY VALUES AT ASSESSMENT ROLL RETURNS

The total assessed value of all properties in Ontario for the 2002 assessment roll returns increased by $117.8 billion from $901.4 billion to $1,019.2 billion, primarily as a result of the change in the valuation date, from June 30, 1999 to June 30, 2001.

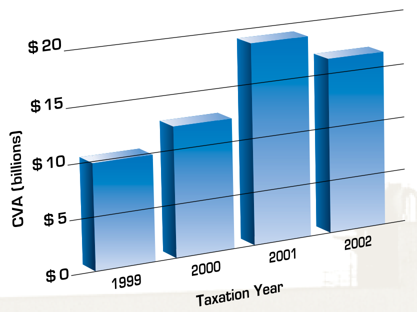


The assessed values and property counts are distributed as follows:

Property Type	Current Value Assessments of Properties at Roll Return						2002 Property Counts
	1997 ($)	1998 ($)	1999 ($)	2000 ($)	2001 ($)	2002 ($)	
Residential	486,489,587,026	494,545,144,641	503,912,443,637	569,083,879,689	584,971,501,835	668,552,659,913	3,710,922
Multi-Residential	34,179,523,606	33,925,697,581	33,643,921,120	41,336,267,405	39,098,455,876	43,759,155,665	15,864
Commercial	87,052,711,124	88,678,254,048	90,658,033,012	110,913,442,403	112,352,593,326	126,662,642,718	128,384
Industrial	36,188,886,227	36,712,483,677	37,506,864,192	40,792,625,097	41,590,202,428	49,734,635,695	63,001
Farm	30,608,477,436	30,790,810,102	30,901,422,171	37,943,553,532	38,102,630,135	44,012,671,320	214,170
Managed Forest/ Conservation	1,425,886,876	1,114,250,519	1,179,760,567	1,298,080,287	1,351,141,408	1,604,873,521	12,543
Special/Exempt	80,280,043,231	80,732,203,527	80,700,870,926	82,926,206,821	83,901,164,699	84,857,139,400	103,323
Total	756,225,115,526	766,498,844,095	778,503,315,625	884,294,055,234	901,367,689,707	1,019,183,778,232	4,248,207

SUPPLEMENTARY & OMITTED ASSESSMENTS

During 2002, MPAC responded to increases in the number of properties and new construction by adding more than $16 billion of in-year assessment, the second highest increase in the province's history.



REQUESTS FOR RECONSIDERATION AND APPEALS

Requests for Reconsideration and Appeals are important indicators of the public's acceptance of their property assessments.

Throughout the year, any person may request that MPAC review his or her assessment, including the property classification, through a process called Request for Reconsideration. If MPAC and the property owner agree on a change to the assessment, it is made.

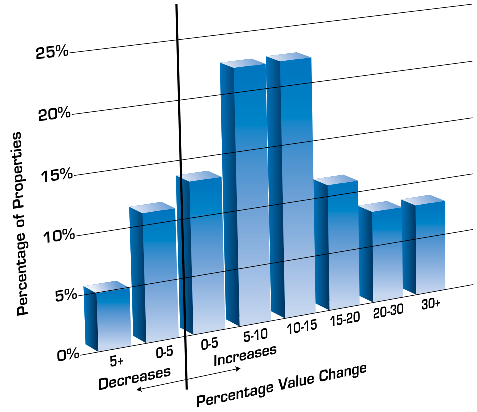
If agreement cannot be reached, the individual can submit an appeal to the Assessment Review Board, an independent tribunal administered by the Ministry of the Attorney General. The appeal deadline for the 2002 taxation year was April 2, 2002.

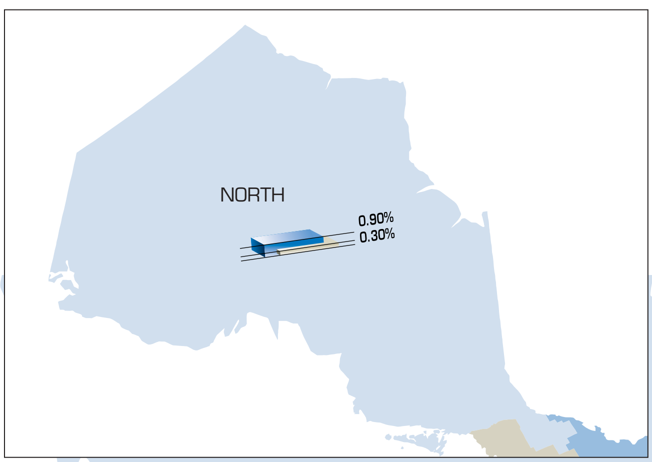
Property Valuation Date	June 30, 1996						June 30, 1999			
Taxation Year	1998		1999		2000		2001		2002	
	Properties	Assessment Reduction	Properties	Assessment Reduction	Properties	Assessment Reduction	Properties	Assessment Reduction	Properties	Assessment Reduction
Requests for Reconsideration	134,257	$ 2.50 B	41,400	$ 1.13 B	29,063	$ 0.55 B	130,560	$ 3.20 B	40,992	$ 1.02 B
Appeals	175,000	$ 3.60 B	13,089	$ 0.22 B	10,000	$ 0.13 B	65,242	$ 0.83 B	46,886	$ 4.30 B
Total	309,257	$ 6.10 B	54,489	$ 1.35 B	39,063	$ 0.68 B	195,802	$ 4.03 B	87,878	$ 5.32 B
Percentage of all properties	7.80%		1.36%		0.96%		4.77%		2.10%	
Percentage of total assessment		0.81%		0.18%		0.09%		0.46%		0.59%

ASSESSMENT UPDATE RESULTS

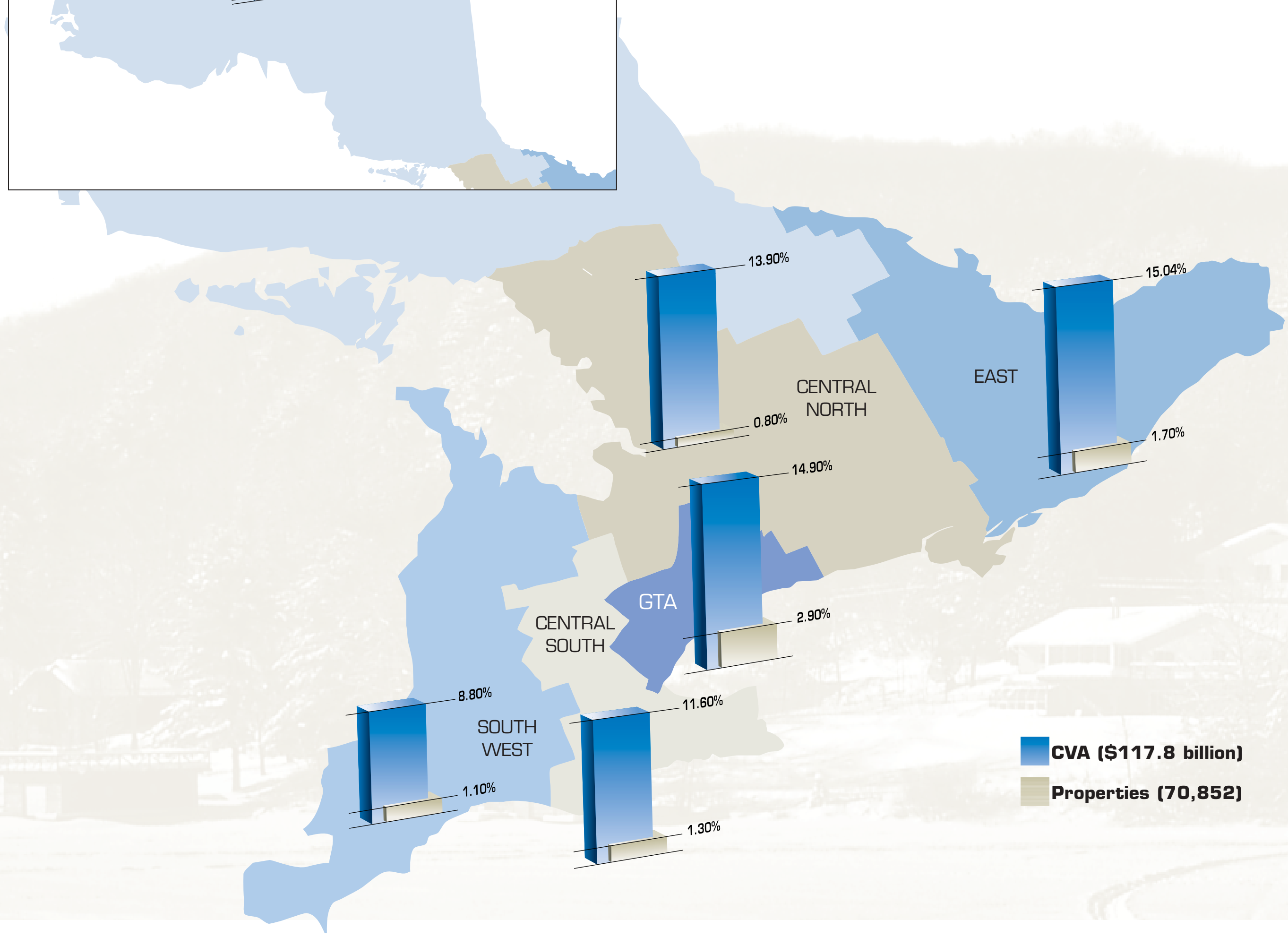
Value Change Distribution

Between the two valuation dates of June 30, 1999 and June 30, 2001, more than 84% of the properties in Ontario experienced an increase in value, with 49% increasing 10% or more.



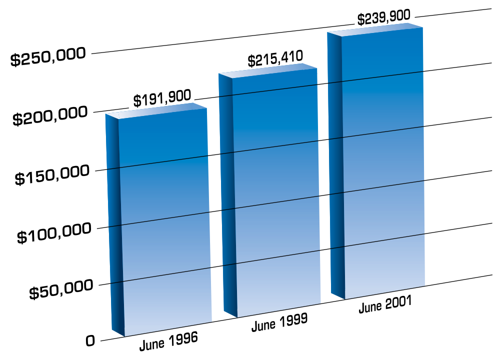


The adjacent map shows the percentage change in property counts and values throughout the province, between the 2001 and 2002 roll returns.



Average Property Value

The average property value increased from $191,900 to $215,410, between June 30, 1996 and June 30, 1999, and from $215,410 to $239,900, between June 30, 1999 and June 30, 2001.



QUALITY OF THE ASSESSMENT UPDATE

To determine the quality of an assessment update, the relationship between the assessed value and the actual sale value of a property which sold in the base year is calculated. This is the Assessment-to-Sale Ratio or ASR. The closer the ratio is to 1.00, the more accurate the assessment.

The median of a group of numbers is the middle number after they have been sorted from lowest to highest. When the ASRs for numerous properties are examined, their median can be determined for each property type.

An assessment quality review includes an analysis of how tightly the ASRs are clustered about their median. The more uniform the assessments, the lower their Coefficient of Dispersion or COD. As market activity decreases, or as the complexity of properties increases, the COD will usually increase.

Finally, any bias towards low or high value properties is determined by calculating the Price Related Differential or PRD. The closer the PRD is to 1.00, the less bias exists in the assessments. When samples are small, or the weighted mean is heavily influenced by several extreme sale prices, the PRD may not be a reliable measure.

The success of the most recent assessment update (June 30, 2001 base for the 2003 taxation year) is measured by comparing these calculations with standards prepared by the International Association of Assessing Officers (IAAO), and by comparing with the previous province-wide assessment updates in Ontario.

Provincial Comparative Chart

Property Type	Median Assessment-to-Sale Ratio				Coefficient of Dispersion (%)				Price Related Differential			
	IAAO Standard	2001 Results	1999 Results	1996 Results	IAAO Standard	2001 Results	1999 Results	1996 Results	IAAO Standard	2001 Results	1999 Results	1996 Results
Residential/Farm	.90-1.10	0.99	1.00	0.99	<15.0	7.18	7.81	8.69	.98-1.03	1.01	1.01	1.01
Multi-Residential	.90-1.10	0.98	0.97	0.99	<20.0	9.35	10.51	12.11	.98-1.03	1.01	1.01	1.00
Commercial/Industrial	.90-1.10	0.97	0.98	0.98	<20.0	16.23	15.98	14.19	.98-1.03	1.03	1.02	1.02

Ontario's third province-wide assessment update of property values clearly exceeded international standards of accuracy. In addition, this update achieved uniformity improvements of 8% in the residential/farm category and 11% in multi-residential properties over the previous update. These categories represent 93% of Ontario's 4.25 million properties.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

from left to right:

Howard Greig
Mayor, Township of Chatsworth
and Councillor, County of Grey (MR)

Neil Rodgers
President, Urban Development Institute
Ontario (TR)

Lucille Bish
Director, Community Services
Region of Waterloo (MR)

Jim Andrew
Vice-President, Information Technology
MPAC (EM)

Shane Tyson
Director, Legislation & Policy Services
MPAC (EM)

from left to right:

Robert A. Richards
President and Chief Administrative Officer
MPAC (EM)

Case Ootes
Deputy Mayor, City of Toronto
Councillor, Toronto-Danforth (MR)

Judith Andrew
Vice-President, Ontario
Canadian Federation of Independent Business (TR)

Ernie Hardeman
Vice-Chairman, MPAC Board of Directors
M.P.P., Oxford
Parliamentary Assistant to the
Minister of Community, Family and Children's
Services (PR)

Mike Velshi
Vice-President, Business Development
MPAC (EM)

PR – Provincial Representative
MR – Municipal Representative
TR – Taxpayer Representative
EM – Executive Management

from left to right:

Mike Petryna
Deputy Mayor and Councillor
City of Greater Sudbury (MR)

Larry Hummel
Vice-President, Property Values
MPAC (EM)

Lucy Foster
Director, Executive Office
MPAC (EM)

Ian Howcroft
Vice-President, Ontario Division
Canadian Manufacturers and Exporters (TR)

Terry Mundell
President & CEO, Ontario Restaurant Hotel and Motel Association (TR)

from left to right:

Dick Vreugdenhil
Director, Finance and Administration
MPAC (EM)

Roger Anderson
Chair, Regional Municipality of Durham (MR)

Eric Preston
Vice-President, Corporate and Human Resources
MPAC (EM)

Peter Hume
Chairman, MPAC Board of Directors
Councillor, City of Ottawa (MR)

Vince Brescia
President & CEO, Fair Rental Policy Organization of Ontario (TR)

from left to right:

Peter Clendinneng
President
Gorley-Weis Consulting Services (PR)

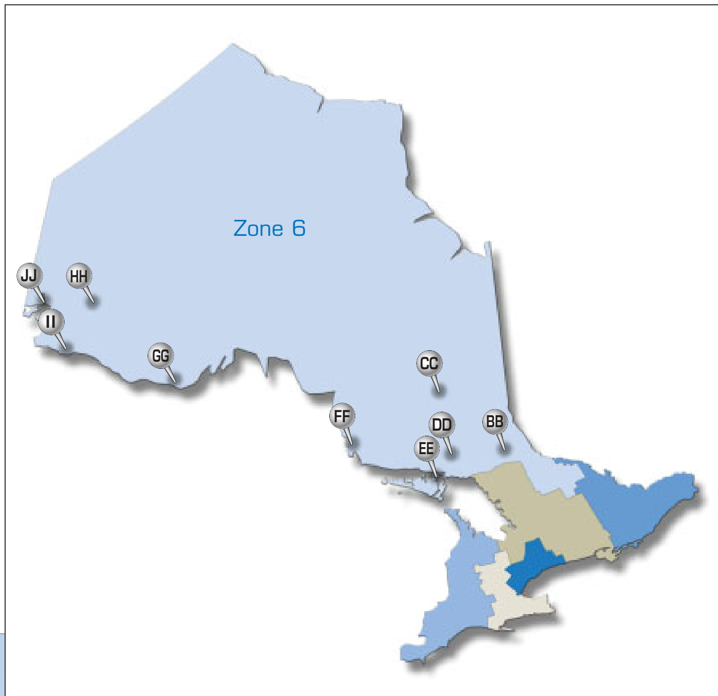
Brian MacRae
Former City Manager, City of Thunder Bay (MR)

Bonnie Gibson
Manager, Assessment Review
City of Mississauga (MR)

Carl Isenburg
Vice-President, Customer Relations
MPAC (EM)

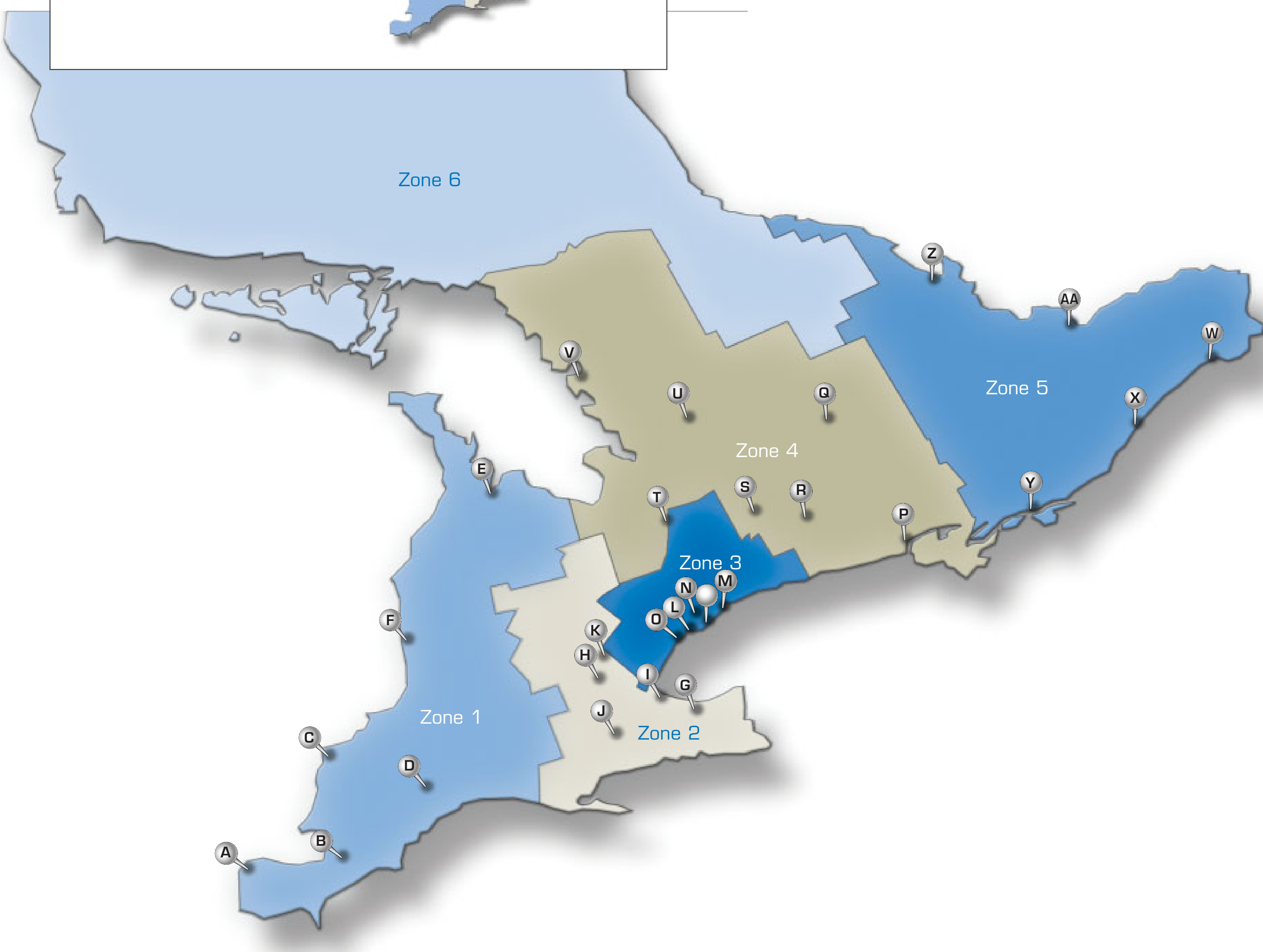
Gord Thow
Director, Quality Services
Quality Service Commissioner
MPAC (EM)

CUSTOMER RELATIONS ACCOUNT ZONES



LEGEND

- Head Office
- Account Zone 1
- Account Zone 2
- Account Zone 3
- Account Zone 4
- Account Zone 5
- Account Zone 6



Zone 1 South West

MPAC Offices:
A Windsor
B Chatham
C Sarnia
D London
E Owen Sound
F Goderich

Zone 2 Central South

MPAC Offices:
G St. Catharines
H Cambridge
I Hamilton
J Brantford
K Guelph

Zone 3 GTA

MPAC Offices:
L Toronto
M Oshawa
N Aurora
O Mississauga

Zone 4 Central North

MPAC Offices:
P Trenton
Q Bancroft
R Peterborough
S Lindsay
T Barrie
U Bracebridge
V Parry Sound

Zone 5 East

MPAC Offices:
W Cornwall
X Brockville
Y Kingston
Z Pembroke
AA Ottawa

Zone 6 North

MPAC Offices:
BB North Bay
CC Timmins
DD Sudbury
EE Little Current
FF Sault Ste. Marie
GG Thunder Bay
HH Dryden
II Fort Frances
JJ Kenora

WHERE CAN I GET MORE INFORMATION?

For further information about the operations of the Municipal Property Assessment Corporation, visit our web site at www.mpac.ca

or contact us at:

President's Office 905.837.6153
Corporate and Human Resources 905.837.6165
Finance and Administration 905.837.6174
Legislation and Policy Services 905.837.6176
Quality Services 905.837.6186
Customer Relations 905.837.6193
Property Values 905.837.6212
Information Technology 905.837.6242
Business Development 905.837.6242
Communications 905.837.6945

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