



Municipality of Port Hope

56 Queen Street
Port Hope, ON
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- CAO
- Dir of CS
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- Dir of FIN
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- Dir of PD
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REPORT TO: General Government and Finance

FROM: Linda Thompson, Mayor

SUBJECT: A Fair and Equitable Approach to Area Rating

DATE: April 10, 2014

RECOMMENDATION:

WHEREAS Council identified in April 2012 the need to review options for a revised approach to Area Rating to achieve fair and equitable distribution of the Municipal tax levy, and implemented a Base Plus Ward Specific approach for the 2012 and 2013 tax years;

AND WHEREAS Area Rating is revenue neutral overall with the same total tax levy assessed regardless of the apportionment;

AND WHEREAS the Municipality is in a solid financial position as reflected in the Strategic Financial Plan, annual independent financial audits, and annual financial information reports provided to the province; and continues to operate well within prescribed Ministry of Municipal Affairs and Housing debt limits and conducted a comprehensive Service Delivery Review in 2012;

AND WHEREAS Council has reviewed the detailed work of the Area Rating Citizens Working Group, listened to community input and feedback, and consulted with amalgamated urban-rural communities (e.g. City of Kawartha Lakes, City of Hamilton, Quinte West and Belleville), received details from the Focus Group, Surveys and facilitated sessions to develop a fair and equitable approach to Municipal taxation;

AND WHEREAS Council has approved the Corporate Strategic Plan – Our Future: Our Priorities dated as amended February 2014 identifying the Municipal operating principle of being Fiscally Responsible in a sustainable manner including Goal 8.1: Fair and Equitable Taxation Apportionment to Review and implement a new fair and equitable taxation apportionment for the Municipality inclusive of a consultative public process and potentially effective for 2014;

AND WHEREAS Councils past and present including the transition board have adopted Area Rating principals that include;

- "The Municipality operates as one with a single budget and accounting system, and is continually working towards improvements to services and their delivery as single services.

AND WHEREAS Weighted Assessment is the standard for cost allocation, with the 2014 allocation being 73.09% to Ward 1 and 26.91% to Ward 2

AND WHEREAS Council's direction and intention to date has been a 5 year phase in with an additional 5 year phase in for a total of 10 years

AND WHEREAS the rural areas tax rate is impacted at a higher percent given the overall lower value of assessment and properties in comparison to the urban area.

NOW THEREFORE BE IT RESOLVED that Council approve a by-law at the Council meeting of April 22, 2014 to implement a Complete Common plus Special Services Area Rating process as follows;

- Special Services allocated by Ward for Sidewalks, Streetlights, Christmas Tree and Yard waste, Transit, Policing, PSB, Community Policing and parking; and further
- to be phased in over 10 years without the use of reserves, as per the attached; and further
- that Staff develop a policy and guidelines for annual review of the Area Rating By-law as part of the budget process; and further
- that a comprehensive review of the Area Rating By-law and all Municipal services be undertaken every 5 years

BACKGROUND:

Council has identified the need to review options for a fair and equitable revised approach to Area Rating for the long term and has implemented a Base Plus Ward Specific approach since 2012.

Municipal services can be summarized as goods, services, or initiatives that the community may or may not use as individuals but needs as a collective to ensure a certain quality of life. The review of the Municipal taxation model is being conducted to potentially revise how the costs of those goods, services, and initiatives are allocated among all Port Hope tax payers.

It is important to note that Area Rating does not generate additional taxes for the Municipality as a whole. Area Rating is revenue neutral overall with the same total tax levy assessed regardless of the apportionment.

The Municipality undergoes a financial audit each year and annual financial information reports are provided to the province in accordance with legislation. As reflected in the Strategic Financial Plan conducted by BMA Consultants Inc. and adopted by Council in February 2013, the Municipality continues to operate well within the prescribed Ministry of Municipal Affairs and Housing debt limits and is in a solid financial position. The investment of the LLRW hosting fee funds is managed by CIBC, audited annually and the report is published each year (quarterly on CIBC investments funds).

The Municipality continually looks to maximize efficiencies having adopted a number of the opportunities identified in the Service Delivery Review conducted in 2012;

To assist Council in its review of Municipal taxation, a Citizen's Area Rating Working Group was appointed and met 22 times between June 2012 and July 2013 to conduct a thorough review and consultation.

The Working Group agreed that the most fair and equitable method of Municipal taxation would be a Common Plus Special Services approach that applies a common tax rate for Municipal services common to all properties and a separate tax rate for Municipal services specific only to one area or group of taxpayers. For example, Ward 2 would no longer contribute taxes towards parking, transit, and sidewalks, bulky waste pickup, and streetlights.

Though the Working Group was not able to reach consensus on potential options for recommendation to Council, the extensive work completed by the group included a detailed review of all Municipal departments, interest usage and reserves, along with research of comparator municipalities.

A focus group was then appointed by Council in November 2013 and met 5 times and in January 2014 a two-stage Community Consultation process commenced including surveys and 4 facilitated public meetings.

Substantial community consultation has been undertaken throughout the process to ensure transparency and Council has listened to and carefully considered the comments, suggestions and alternatives put forward by our residents, Committees of Council and business owners. We have continued to investigate potential options for a fair and equitable taxation approach through consultation with amalgamated urban-rural communities (e.g. City of Hamilton, Quinte West and Belleville) and in depth discussion with staff from the City of Kawartha Lakes and the City of Hamilton who have considerable experience in taxation approaches for urban/rural communities. The information gathered from the meeting with Hamilton staff in particular was very useful in developing the recommendations outlined in this report.

Designation of Special Services

The proposed approach would allow for costs for Municipal services common to all taxpayers to be allocated to all taxpayers and costs for Special Services allocated to each Ward as follows (see Attachment 1 – Summary of Service Areas and Attachment 3 – Detailed Tax Allocation by Service Area/Ward):

Ward 1 - transit, streetlights, sidewalks, Christmas tree pickup and bulky waste pickup, parking, Port Hope Police Services and a portion of the Police Services Board,

Ward 2 – OPP policing and a portion of the Police Services Board, streetlights,

This approach would result in a levy apportionment in the first year of 84.58% for Ward 1 and 15.42% for Ward 2 in the first year (see Attachment 3 – Detailed Tax Allocation by Service Area and Ward). The full move to Special Services with a 10 year phase allows for a smoother transition given the variance in Assessment between the Wards.

Impact on Ward 2 Tax

The Working Group identified that implementation of a Common Plus Special Services approach would require an increase in the Ward 2 tax levy allocation from the amalgamation rate of 15% to 27% (using weighted assessment).

Once fully implemented (2023), would allocate 22.5% of the total Municipal tax levy to Ward 2 or \$223.71 per \$100,000 weighted assessment. Looking at the total tax bill, inclusive of County and Education portions, the result is a 20.0% increase.

With a ten year phase-in approach (see Attachment 2 – 10 Year Phase-in Overview) this would result in an increase for 2014 to the Municipal portion of Ward 2 property tax of 3.48% = \$15.32 per \$100,000 of weighted assessment, or 1% on the total tax bill, inclusive of County and Education portions. This includes the 2.1% budget increase approved by Council for 2014.

Impact on Ward 1 Tax

The Common Plus Special Services approach would decrease the Ward 1 tax levy allocation from the amalgamation rate of 85% to 73% (using weighted assessment).

Once fully implemented (2023), would allocate 77.53% of the total Municipal tax levy to Ward 1 or a reduction of \$61.75 per \$100,000 weighted assessment. Looking at the total tax bill, inclusive of County and Education portions, the result is a -3.9% decrease.

With a ten year phase-in approach (see Attachment 2 – 10 Year Phase-in Overview) this would result in an increase for 2014 to the Municipal portion of Ward 1 property tax of 1.65% = \$14.98 per \$100,000 of weighted assessment, or 1% on the total tax bill, inclusive of County and Education portions. This includes the 2.1% budget increase approved by Council for 2014.

LLRW Interest

While earlier options included a proposed change to the usage of LLRW interest, in accordance with the Strategic Financial Plan adopted by Council in February 2013, Council has supported making no changes to the Reserve policy associated with the LLRW interest (Resolution 193/2004).

Since the Legal Agreement was signed in 2001, subsequent Councils have continued to support the investment policy of maintaining the principal balance.

Annual By-law Review

Area Rating may evolve as services change and the community must clearly understand any change that is significant and definable would be part of an annual review. This approach includes the development of a policy and guidelines for the annual review of the Area Rating By-law through the budget process.

It is recommended that a comprehensive review of all services be undertaken in 5 years.

Note

Please note attachments do not include the use of LLRW funds in 2013 used after the allocation of budget as these funds were allocated to affect the tax rate. The 2013 tax rate information does include these funds as per the 2013 rating bylaw.

CONCLUSION:

This Option is a fair and equitable approach to Municipal taxation which allows for the allocation of common Municipal services to all taxpayers while allocating the costs for Special Services only to those areas or groups of tax payers that receive a different level of service.

By phasing in the approach without the use of LLRW interest, the Municipality is able to work toward compliance with the Municipal Act while maintaining the goals of the Strategic Financial Plan adopted in February 2013.

This approach is consistent with the Corporate Strategic Plan adopted by Council in the area of Fiscal Responsibility and Sustainability and achieves Councils Goal 8.1 to achieve Fair and Equitable Taxation Apportionment for the Municipality inclusive of a consultative public process.

Respectfully submitted.

Original Signed by:

Linda Thompson,
Mayor

Attachment 1
Municipality of Port Hope
Area Rating Summary
Summary of Service Areas - Common and Special Service

Common/Special Services	Operating	Capitol	Common	2014 Budget		Total
				W1	W2	
Administration	\$ (1,355,108)		\$ (1,355,108)			\$ (1,355,108)
Council	\$ 224,400		\$ 224,400			\$ 224,400
Corp. Services / HR /CAO	\$ 1,460,355	\$ 71,000	\$ 1,531,355			\$ 1,531,355
Finance	\$ 797,270		\$ 797,270			\$ 797,270
Fire and Emergency	\$ 1,354,038	\$ 22,000	\$ 1,376,038			\$ 1,376,038
Library	\$ 637,600	\$ 79,000	\$ 716,600			\$ 716,600
Econ. Dev. And Tourism	\$ 575,240		\$ 575,240			\$ 575,240
Planning and Development	\$ 273,600		\$ 273,600			\$ 273,600
Works and Engineering/Roads	\$ 2,988,018	\$ 601,000	\$ 3,589,018			\$ 3,589,018
GRCA	\$ 155,100	\$ 98,000	\$ 253,100			\$ 253,100
Parks	\$ 486,697	\$ 20,000	\$ 506,697			\$ 506,697
Parks Recreation and Culture	\$ 383,715	\$ 36,000	\$ 419,715			\$ 419,715
Jack Burger Sports Complex	\$ 529,212	\$ 11,000	\$ 540,212			\$ 540,212
Recreational Programing	\$ 181,450		\$ 181,450			\$ 181,450
Town Park Rec Centre	\$ 187,620	\$ 21,000	\$ 208,620			\$ 208,620
Ruth Clarke Activity Centre	\$ 54,660		\$ 54,660			\$ 54,660
Marina	\$ 47,017	\$ -	\$ 47,017			\$ 47,017
Canton	\$ 32,100		\$ 32,100			\$ 32,100
Sidewalks	\$ 31,326	\$ 30,000		\$ 61,326		\$ 61,326
Streetlights	\$ 190,992			\$ 182,392	\$ 8,600	\$ 190,992
Christmas Tree/Yard waste	\$ 35,492			\$ 35,492		\$ 35,492
Transit	\$ 308,900			\$ 308,900		\$ 308,900
Policing	\$ 4,817,952			\$ 4,047,501	\$ 770,451	\$ 4,817,952
PSB	\$ 72,505			\$ 60,911	\$ 11,594	\$ 72,505
Community Policing	\$ -					\$ -
			\$ 9,971,984	\$ 4,696,522	\$ 790,645	\$ 15,459,151

Actual 2013 Common plus Special Service Per Council

	W1	W2	Total
% to Allocate Common	82.5%	17.5%	100.0%
Common Allocated Based Upon Council	\$ 8,029,478	\$ 1,703,223	\$ 9,732,700
Ward Specific	\$ 4,281,900	\$ 621,800	\$ 4,903,700
2013 Total Levy By Ward	\$ 12,311,378	\$ 2,325,023	\$ 14,636,400
	84.11%	15.89%	

2014 budget using updated Common Plus Special Services

Allocated per weighted Assessment	100.0%	73.09%	26.91%
2014 Total Levy By Ward	\$ 7,288,470	\$ 2,683,514	\$ 9,971,984
Special Services	\$ 4,696,522	\$ 790,645	\$ 5,487,167
Total Levy By Ward	\$ 11,984,992	\$ 3,474,159	\$ 15,459,151
	77.53%	22.47%	

Proposed Phasing	\$ (326,386)	\$ 1,149,137	\$ 822,751
10 years	-\$ 109,000.00	\$ 1,090,000	-\$ 1,090,000
		\$ 981,000	-\$ 981,000
		\$ 872,000	-\$ 872,000
		\$ 763,000	-\$ 763,000
		\$ 654,000	-\$ 654,000
			2014
			2015
			2016
			2017
			2018

Note

Please note attachments do not include the use of LLRW funds in 2013 used after the allocation of budget as these funds were allocated to affect the tax rate. The 2013 tax rate information does include these funds as per the 2013 rating bylaw

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DETAILED TAX ALLOCATION BY SERVICE AREA AND WARD

YEAR ONE - 2014		11,984,992		15,459,151		15,459,151		11,984,992	
WARD 1 TOTAL		Assessment	Common rate	Spec. Ser. W1 rate	Phasing rate	TOTAL RATE	Ward 1 Phasing Levy	% of ward levy	% of total levy
residential (RT)	1,009,588,330	0.005131	0.003306	0.000767	0.009204	\$9,292,037	71.1%	60.11%	71.1%
multi-res (MT)	46,762,660	0.011369	0.007326	0.001700	0.020396	\$953,752	7.3%	6.17%	7.3%
farmlands (FT)	1,784,633	0.001283	0.000826	0.000192	0.002301	\$4,106	0.0%	0.03%	0.0%
commercial	9,874,795	0.007774	0.005009	0.001163	0.013946	\$137,710	1.1%	0.89%	1.1%
new com construction	113,527,465	0.007774	0.005009	0.001163	0.013946	\$1,583,206	12.1%	10.24%	12.1%
industrial (IT)	38,518,922	0.013493	0.008695	0.002018	0.024206	\$932,388	7.1%	6.03%	7.1%
pipeline (PT)	2,958,500	0.006147	0.003961	0.000919	0.011027	\$32,624	0.2%	0.21%	0.2%
managed forests (TT)	43,750	0.001283	0.000826	0.000192	0.002301	\$101	0.0%	0.00%	0.0%
shopping centre	4,653,945	0.007774	0.005009	0.001163	0.013946	\$64,902	0.5%	0.42%	0.5%
	1,227,713,000					\$13,000,825			
commercial/vacant unit	5,693,618	0.005442	0.003506	0.000814	0.009762	\$55,581	0.4%	0.36%	0.4%
commercial vacant land	0	0.005442	0.003506	0.000814	0.009762	\$0	0.0%	0.00%	0.0%
industrial vacant land	1,181,270	0.008771	0.005652	0.001312	0.015734	\$18,586	0.1%	0.12%	0.1%
	6,874,888					74,167			
Total Returned Assess.	1,234,587,888					84.58%	\$13,074,992	100.0%	84.58%
WARD 2 TOTAL		Assessment	Common rate	Spec. Ser W2 rate	Phasing rate	TOTAL RATE	Phasing Levy	% of ward levy	% of total levy
residential (RT)	430,275,629	0.005131	0.001512	-0.002084	0.004558	\$1,961,280	82.3%	12.69%	82.3%
multi-res (MT)	0	0.011369	0.003350	-0.004618	0.010101	\$0	0.0%	0.00%	0.0%
farmlands (FT)	112,293,077	0.001283	0.000378	-0.000521	0.001140	\$127,963	5.4%	0.83%	5.4%
new com construction	0	0.007774	0.002290	-0.003158	0.006907	\$0	0.0%	0.00%	0.0%
Commercial	17,749,534	0.007774	0.002290	-0.003158	0.006907	\$122,589	5.1%	0.79%	5.1%
industrial (IT)	3,542,894	0.013493	0.003976	-0.005481	0.011988	\$42,472	1.8%	0.27%	1.8%
pipeline (PT)	14,162,703	0.006147	0.001811	-0.002497	0.005461	\$77,345	3.2%	0.50%	3.2%
managed forests (TT)	6,547,522	0.001283	0.000378	-0.000521	0.001140	\$7,461	0.3%	0.05%	0.3%
shopping centre	0	0.007774	0.002290	-0.003158	0.006907	\$0	0.0%	0.00%	0.0%
	584,571,359					\$2,339,111			
commercial/vacant unit	5,589,417	0.005442	0.001603	-0.002210	0.004835	\$27,023	1.1%	0.17%	1.1%
commercial vacant land	0	0.005442	0.001603	-0.002210	0.004835	\$0	0.0%	0.00%	0.0%
industrial vacant land	2,313,322	0.008771	0.002584	-0.003562	0.007792	\$18,026	0.8%	0.12%	0.8%
	7,902,739					45,049			
Total Returned Assess.	592,474,098					15.42%	\$2,384,159	100.0%	22.47%
TOTAL ASSESSMENT	1,827,061,986								
FULLY IMPLEMENTED		TOTAL RATE	Ward 1 levy	% of ward levy	% of total levy	TOTAL RATE	Ward 1 levy	% of ward levy	% of total levy
		\$ 0.008437	\$ 8,517,404	71.1%	55.1%	\$ 0.008437	\$ 8,517,404	71.1%	55.1%
		\$ 0.018695	\$ 874,242	7.3%	5.7%	\$ 0.018695	\$ 874,242	7.3%	5.7%
		\$ 0.002109	\$ 3,764	0.0%	0.0%	\$ 0.002109	\$ 3,764	0.0%	0.0%
		\$ 0.012783	\$ 126,230	1.1%	0.8%	\$ 0.012783	\$ 126,230	1.1%	0.8%
		\$ 0.012783	\$ 1,451,222	12.1%	9.4%	\$ 0.012783	\$ 1,451,222	12.1%	9.4%
		\$ 0.022188	\$ 854,659	7.1%	5.5%	\$ 0.022188	\$ 854,659	7.1%	5.5%
		\$ 0.010108	\$ 29,904	0.2%	0.2%	\$ 0.010108	\$ 29,904	0.2%	0.2%
		\$ 0.002109	\$ 92	0.0%	0.0%	\$ 0.002109	\$ 92	0.0%	0.0%
		\$ 0.012783	\$ 59,491	0.5%	0.4%	\$ 0.012783	\$ 59,491	0.5%	0.4%
		\$ 11,917,008				\$ 11,917,008			
		\$ 0.008948	\$ 50,947	0.4%	0.3%	\$ 0.008948	\$ 50,947	0.4%	0.3%
		\$ 0.008948	\$ -	0.0%	0.0%	\$ 0.008948	\$ -	0.0%	0.0%
		\$ 0.014422	\$ 17,037	0.1%	0.1%	\$ 0.014422	\$ 17,037	0.1%	0.1%
		\$ 67,984				\$ 67,984			
Total Returned Assess.	11,984,992					100.0%	\$ 11,984,992	100.0%	77.53%
FULLY IMPLEMENTED		TOTAL RATE	Ward 1 levy	% of ward levy	% of total levy	TOTAL RATE	Ward 1 levy	% of ward levy	% of total levy
		\$ 0.006642	\$ 2,857,947	82.3%	18.5%	\$ 0.006642	\$ 2,857,947	82.3%	18.5%
		\$ 0.014719	\$ -	0.0%	0.0%	\$ 0.014719	\$ -	0.0%	0.0%
		\$ 0.001661	\$ 186,466	5.4%	1.2%	\$ 0.001661	\$ 186,466	5.4%	1.2%
		\$ 0.010064	\$ -	0.0%	0.0%	\$ 0.010064	\$ -	0.0%	0.0%
		\$ 0.010064	\$ 178,634	5.1%	1.2%	\$ 0.010064	\$ 178,634	5.1%	1.2%
		\$ 0.017469	\$ 61,890	1.8%	0.4%	\$ 0.017469	\$ 61,890	1.8%	0.4%
		\$ 0.007958	\$ 112,706	3.2%	0.7%	\$ 0.007958	\$ 112,706	3.2%	0.7%
		\$ 0.001661	\$ 10,872	0.3%	0.1%	\$ 0.001661	\$ 10,872	0.3%	0.1%
		\$ 0.010064	\$ -	0.0%	0.0%	\$ 0.010064	\$ -	0.0%	0.0%
		\$ 3,408,515				\$ 3,408,515			
		\$ 0.007045	\$ 39,377	1.1%	0.3%	\$ 0.007045	\$ 39,377	1.1%	0.3%
		\$ 0.007045	\$ -	0.0%	0.0%	\$ 0.007045	\$ -	0.0%	0.0%
		\$ 0.011355	\$ 26,267	0.8%	0.2%	\$ 0.011355	\$ 26,267	0.8%	0.2%
		\$ 65,644				\$ 65,644			
Total Returned Assess.	3,474,159					100.0%	\$ 3,474,159	100.0%	22.47%
TOTAL ASSESSMENT	\$15,459,151								