



Municipality of Port Hope

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REPORT TO: Committee of the Whole
FROM: David Baxter, Director of Finance
SUBJECT: Area Rating - Community Consultation Update
DATE: November 26, 2013

RECOMMENDATION:

That the Committee recommend to Council that a focus group be created to review the three (3) options in the 'Option Comparison Table' of the Director of Finance's Area Rating Report dated Nov 26, 2013; and further, that the focus group be comprised of one representative for each option proposed (being 1 representative from the Area Rating Working Group Ward 2 members, Mayor Linda Thompson, and the Director of Finance); and further, to include 1 representative from the Area Rating Working Group Ward 1 members, to develop an area rating recommendation including implementation;

And further, that the focus group provide a status report to the December 10, 2013 Committee of the Whole meeting and any recommendation be included in a report from the Director of Finance at the January 7, 2014 Committee of the Whole meeting;

And further, that there be an additional public consultation period ending no later than February 28, 2014 including 2 public open houses and opportunity for public comment throughout.

BACKGROUND:

The Area Rating taxation formula put in place at amalgamation:

- Is not compliant with the Ontario Municipal Act legislation
- Was approved by the new Council at amalgamation and was to be reviewed within 5 years

- Since its implementation in 2001, it has not reflected that all residents of the Municipality have access to and should share the costs of Municipal facilities and services and has not properly allocated the costs of Municipal services and facilities (e.g. library, sports complex, recreation centre) to all taxpayers across the Municipality.
- Does not reflect significant budget impacts resulting from new legislation, increasing costs, and reduction of provincial funding (eg. loss of the Community Reinvestment Fund grant and the substantial year over year reductions in the Ontario Municipal Partnership Fund).
- Does not allow flexibility for changes to services, costs and legislation over time.

Considering the known concerns listed above, Council identified that an adjustment to the methodology was potentially required and the Area Rating Policy was to be reviewed to implement an allocation method for the long term that is fair, equitable, compliant, transparent and easy to understand. Any approach should also be easy to implement.

Any change to the tax allocation model has no impact on the actual levy, only how the levy is apportioned to properties for taxation purposes. Therefore Area Rating does not generate additional taxes for the Municipality as a whole, it is revenue neutral. Also, only the Municipal portion of the property tax bill would change. The County and Education portions would not change (in both Wards this accounts for \$680 per \$100,000 residential property value in 2013, or weighted assessment for all other property classes).

The review of Area Rating began in April 2012 and comprehensive community consultation has been ongoing since that time. Information has been circulated through several media releases, direct mailings to all Port Hope taxpayers, information posted on the Municipal website and at all Municipal facilities, and reports to Budget Committee and Committee of the Whole through the public agenda process. Public input has been encouraged throughout the review process and a Citizens Area Rating Working Group, comprised of citizens and Council representatives of both Wards, conducted an in-depth review over 22 meetings. On October 8, 2013 the Budget Committee received a report (APPENDIX F) and presentation recommending several options for implementation of a Common Plus Special Services approach. That information was made available for public review and comment including alternatives and an Open House was held on October 21 providing further opportunity for public.

The community consultation period arising from the October 8 2013 Budget Committee meeting commenced on October 11, 2013, continued for 5 weeks, included a well-attended public Open House, multiple media releases as well as several public reference documents and concluded on November 15, 2013. During this time there were over 200 comments (APPENDIX E) received,

including an option commonly referred to as ‘Option 7’, which can be generally summarized as:

- Supportive of the Municipal report recommendation - 3 comments
- Not supportive of the Municipal report recommendation - 147 comments
- Supportive of ‘Option 7’ proposal - 82 comments
- Also, 2 additional options and 1 additional report were submitted.

The comments identified that there are some common misconceptions regarding how the Municipal portion of the property tax bill is comprised. The following table provides context and clarification to many of the comments received:

Service	Charged to Ward 2 Taxpayers? (as part of total Municipal levy)		Details
	Amalgamation Approach	Common Plus Special Services Approach	
Water	No	No	<ul style="list-style-type: none"> • Paid 100% by user fees
Sewer	No	No	<ul style="list-style-type: none"> • Paid 100% by user fees
Serviced Fire Hydrants	No	No	<ul style="list-style-type: none"> • Paid 100% by user fees or installed by developer in new developments
Port Hope Police Services	Yes	No	<ul style="list-style-type: none"> • Policing is considered a Special Service and would be charged separately to each Ward (PHPS in Ward 1, OPP in Ward 2) under the Common Plus Special Services approach
Transit	Yes	No	<ul style="list-style-type: none"> • Transit would be considered a ‘Special Service’ and charged , through property taxes to Ward 1 only • No difference in user fee (pay per use) structure for Ward 1 compared to Ward 2 ratepayers
Garbage collection	Included in County portion of property tax		<ul style="list-style-type: none"> • Ward 1 and Ward 2 pay the same County tax rate, as do all County Property owners
EMS (ambulance)	Included in County portion of property tax		<ul style="list-style-type: none"> • Ward 1 and Ward 2 pay the same County tax rate, as do all County Property owners

In addition, the following table identifies what the dollar impact of the Common Plus Special Services approach is based on the 2013 Budget. This identifies the common component that all property tax payers would pay as well as what each Ward would pay separately for (all values expressed per \$100,000 residential property value, or weighted assessment for all other property classes):

Current Proposal		Per \$100,000 Weighted Assessment		
Area Rating Summary		Common	W1	W2
Main Budget Centres	Sub Budget			
Non-Departmental		(70)	-	-
Council		12	-	-
Corp. Services / HR/CAO		73	-	-
Finance		36	-	-
Fire and Emergency		71	-	-
Parks and Rec		99	-	-
Econ. Dev. And Tourism		30	-	-
Police	PHPS / OPP	-	292	147
	Police Service Board	-	4	2
Works	Eng	46	-	-
	Transit	-	29	-
	Roads	108	-	-
	Sidewalks	-	2	-
	Streetlights	-	14	1
	Christmas Tree	-	0	-
	Bulk Waste	-	4	-
Planning and Dev.	Planning/Develop	18	-	-
	Parking	-	(7)	-
Library		34	-	-
Capital (Ward 1 specific is sidewalks)		41	3	-
		497	342	150

To determine the total amount for either Ward, you would take the common total and add the Ward specific total. Ward 1 totals \$861 and Ward 2 totals \$669 (expressed per \$100,000 residential property value, or weighted assessment for all other property classes).

The table also assists in providing context to the actual property tax impact of some of the contended special service components and notes that in the original Municipality of Port Hope proposal, the two factors with the majority of the area specific value are Police and Transit which the comments were in general agreement with.

Among the comments there were many references to Hamilton Township, being a rural only neighboring lower-tier level of government within Northumberland County (and therefore same services such as ambulance etc). Looking at the financial aspects of the comparison, the Township uses a single rate and the municipal portion of the property tax is \$100 higher per \$100,000 residential property value, or weighted assessment for all other property classes based on 2013 values. Therefore given a property value of \$250,000 a Hamilton Township residential property would pay \$250 more than a Ward 2

Municipality of Port Hope residential property currently with the same current value assessment.

In addition, the October 8th report to Council noted that “*Council may want to consider consolidating the two \$10 million funds into one community fund for the benefit of the Municipality as a whole at Council’s discretion*”. Although there was no formal recommendation to do so, the comments received noted that there is not currently a community desire for this action based on the respondents to the Area Rating community consultation and hence staff suggest that the current practice be maintained.

The original option brought forward for public consultation represented the general consensus aspects of the Working Group and a compliant representation on issues where no agreement was reached.

In addition, the Working Group members from Ward 2 held a public meeting to review an option that was referred to as ‘Option 7’ on October 28, 2013 (APPENDIX A). This was a working document that was further revised and a second version was submitted (APPENDIX B) on October 28, 2013.

An additional proposed option was submitted by Mayor Linda Thompson for consideration (APPENDIX C).

To differentiate between the fundamental aspects, the options have been developed into a comparison chart. In order to do the comparison consistently since each option broke some aspects into smaller components, the greatest level of detail among all the options was established as a common comparator. For example, if option ‘A’ identified all Policing as common and option ‘B’ distinguished between the Police Service and the Police Service Board, then both options would be compared based on both components separately and option ‘A’ is represented as advocating both components as common services.

In addition, based on the comments received many people identify with ‘Option 7’ as presented on October 28th. Through further development, that working proposal was updated and the revised version dated November 15th was received. Both representations have been shown in the Option Comparison Table.

<u>Option Comparison Table</u>		If Considered Special Service, Charged to:			
Main Budget Centres	Sub Components	Original Option	Option 7 Oct 28	Option 7 Nov 15	Mayor's Option
Non-Departmental				?	
Council					
Corp. Services / HR /CAO					
Finance					
Fire and Emergency					
Parks and Rec	Admin		W1	W1	
	Facilities		W1	W1	Both
	Parks		Both	Both	
	Marina		W1	W1	W1
Economic Development and Tourism	All other		Both	Both	
	Business Park		W1	W1	
Police	PHPS	W1	W1	W1	W1
	OPP	W2	W2	W2	W2
	Police Service Board	Both	W1	Both	Both
Works and Engineering	All other			Both	
	Transit	W1	W1	W1	W1
	Roads			Both	
	Sidewalks	W1	W1	W1	W1
	Streetlights	Both	W1	Both	Both
	Traffic Lights		W1	Both	
	Christmas Tree	W1	W1	W1	W1
	Bulk Waste	W1	W1	W1	W1
Planning and Dev.	All other				
	Parking	W1	W1	W1	
Library					
Capital (from levy) - as pertains to related service above		Both	Both	Both	Both
PIL (payments in lieu of property tax payments)		NA	Both	NA	NA

Legend: **W1, W2 or Both** indicates agreement to Special Services Treatment and identifies what area would pay*
 ? indicates not sure, not sufficient information, or to be discussed
 (blank) indicates the services is not considered a special service, and therefore is a common service
 NA indicates that Payments In Lieu (PIL) are not eligible for special service per Municipal Act sect 322 (8)
 (Green) indicates all 4 options indicated same, (Yellow) indicates 3 of 4 indicated same way

* Note: that agreement on Special Service determination does not necessarily mean the method of cost allocation is also agreed, but establishes commonality in principal (eg. 'both' agreement could still result in 2 different allocation methods)

The comparison chart identifies that although there are differences, there are many areas where there is general agreement. Further, many of those areas in agreement are the larger dollar impact aspects.

In addition, all four options recognize and use weighted assessment as the means to allocate costs over common or specific areas. Further, although not based on percentages, the end result of the three options is only a range of 78/22 – 83 /17 split between Ward 1 and Ward 2 respectively. This identifies

much improvement over the 85/15 – 74/26 range identified with actual supporting calculations in the April 2013 report for the final 2013 Budget Levy determination meeting.

Given the progress made to date, staff believes that with a reasonable amount of additional time and collaboration, further progress could be made toward a common recommendation.

Many comments, as well as those submitted by Councilor Greg Burns (APPENDIX D), requested more time to allow for additional investigation into approaches used by other Ontario municipalities and allow for additional community consultation. Staff concurs with the recommendation to take appropriate time to come to a common recommendation. However, it must be done within an appropriate timeline to meet the deadline to set the 2014 tax rates.

Understanding that each option noted in this report was based on research into other communities, and that there are resources available such as the Ministry of Municipal Affairs and Housing, and other comparator Municipalities such as City of Hamilton and City of Kawartha Lakes that have extended their assistance there is a considerable amount of information currently available.

If a recommendation could be agreed to, or at least further improve on aspects of a preferred approach noting there are already many commonalities, there is still substantial time for community consultation at the beginning of the new year. This could allow for the approach to be presented to the public in a large setting, on more than one occasion, and groups to review while allowing for feedback to Council.

In order for this to be accomplished, staff recommend that a small focus group be created with a representative from each option proposed being:

- 1 representative from the Area Rating Working Group Ward 2 members
- Mayor Linda Thompson
- The Director of Finance
- 1 representative from the Area Rating Working Group Ward 1 members (to ensure Ward 1 has a representative present)

to develop a fair, equitable and compliant area rating recommendation including implementation and provide an interim report to the December 10, 2013 Committee of the Whole meeting and a recommendation for inclusion in a report to the January 7, 2014 Committee of the Whole meeting from the Director of Finance.

A smaller focus group still allows for each representative to consult and work with other resources externally, and where there are multiple people involved in the above recommendation, the group would decide who their representative

was. The focus group would allow the opportunity for a small group to determine a recommended resolution in a shorter period of time and still ensure that the entire community is represented and every property owner will still be able to express their comments to Council. A further public consultation process and period could then be undertaken.

CONCLUSION:

This recommendation attempts to address many of the comments received from the public and Council, as well as to continue the work done by those who have established options for the community and still enables the Municipality to achieve a fair, equitable and compliant area rating tax levy allocation method for 2014.

Original Signed by:

David Baxter
Director of Finance