



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 28, 2019
SUBJECT/REPORT NO:	Tax Levy Impacts of Changing Area Rating Transit (FCS19010) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Brian McMullen Acting General Manager, Finance and Corporate Services Corporate Service Department
SIGNATURE:	

COUNCIL DIRECTION

At the January 25, 2019 General Issues Committee (GIC), staff was asked to report on the transit area rating during the 2019 Budget process. This Report contains information regarding the current methodology and the impacts of changing Transit area rating to the following two scenarios:

1. Move the Transit Operating Budget to the General Levy
2. Change the existing methodology of allocating Transit Operating Budget to an Urban / Rural model with the same tax rate city-wide

Council has directed staff to present similar analysis in previous years. This analysis is based on the 2018 Approved Budget, including conventional transit and TransCab and assumes no changes in the current level of service.

INFORMATION

The current Transit Service area rating formula has been in place since 2001. At that time, Council redefined the urban transit boundaries in recognition that properties, primarily in the rural areas of the City that do not receive Transit Service, should not pay for Transit. This Transit Service Area was developed using the urban boundary with some exceptions – excludes urban areas that do not receive transit, includes rural areas which receive transit.

The total levy for Transit area rating excludes the budgets for DARTS Contract and Taxi Scrip and includes the Capital Financing portion allocated to Transit. For 2018, the levy for Transit area rating was \$50.6 M.

**SUBJECT: Tax Levy Impacts of Changing Area Rating Transit (FCS19010)
(City Wide) – Page 2 of 4**

To account for the difference in service levels in the former area municipalities, the allocation of the levy is wholly determined by transit service mileage within the service area. This allocation is calculated by dividing the transit net levy by the mileage in the given service area. Therefore, the tax rate is the same for each property in each of the former municipalities. All properties in the same tax class in the former City of Hamilton have the same tax rate. Similarly, all properties in the same tax class in the former City of Stoney Creek have the same tax rate, as do all properties within Ancaster, Dundas, Flamborough and Glanbrook. Properties outside of the Transit Service Area (Rural) are not levied for the service.

Move Transit Budget to the General Levy

Under this scenario, there would be only one property tax rate regardless of the level of service received in any particular area of the City, including rural areas. Table 1 shows the tax impact by Ward using ward boundaries approved by the OMB in December 2017.

**Table 1
TRANSIT IN GENERAL LEVY
Average Residential Tax Impacts by Ward**

	2018 Average Residential Assessment	URBAN		RURAL	
		Average Tax Impact (%)	Average Tax Impact (\$)	Average Tax Impact (%)	Average Tax Impact (\$)
Ward 1	\$ 357,200	-2.7%	\$ (122)	N/A	N/A
Ward 2	\$ 241,700	-2.7%	\$ (83)	N/A	N/A
Ward 3	\$ 191,400	-2.7%	\$ (65)	N/A	N/A
Ward 4	\$ 205,400	-2.7%	\$ (70)	N/A	N/A
Ward 5 - HM	\$ 270,500	-2.7%	\$ (93)	N/A	N/A
Ward 5 - SC	\$ 318,400	2.9%	\$ 107	N/A	N/A
Ward 5	\$ 279,900	-1.5%	\$ (53)	N/A	N/A
Ward 6	\$ 298,000	-2.7%	\$ (102)	N/A	N/A
Ward 7	\$ 299,800	-2.7%	\$ (103)	N/A	N/A
Ward 8	\$ 323,900	-2.7%	\$ (111)	N/A	N/A
Ward 9 - HM	\$ 509,100	-2.7%	\$ (174)	N/A	N/A
Ward 9 - SC	\$ 361,200	2.9%	\$ 122	5.8%	\$ 220
Ward 9 - GL	\$ 380,400	1.8%	\$ 78	5.8%	\$ 232
Ward 9	\$ 366,500	2.5%	\$ 109	5.8%	\$ 223
Ward 10 - HM	\$ 606,600	-2.7%	\$ (208)	N/A	N/A
Ward 10 - SC	\$ 370,300	2.9%	\$ 125	N/A	N/A
Ward 10	\$ 370,900	2.9%	\$ 123	N/A	N/A
Ward 11	\$ 363,100	1.8%	\$ 75	5.8%	\$ 221
Ward 12 - AN	\$ 489,800	2.8%	\$ 163	5.8%	\$ 298
Ward 12 - FL	\$ 400,400	N/A	N/A	5.8%	\$ 244
Ward 12	\$ 482,000	2.8%	\$ 160	5.8%	\$ 294
Ward 13 - DN	\$ 418,300	3.0%	\$ 147	5.7%	\$ 255
Ward 13 - FL	\$ 470,600	N/A	N/A	5.8%	\$ 287
Ward 13	\$ 434,000	3.0%	\$ 152	5.8%	\$ 264
Ward 14 - HM	\$ 349,200	-2.7%	\$ (119)	N/A	N/A
Ward 14 - AN	\$ 615,900	2.8%	\$ 205	N/A	N/A
Ward 14 - GL	\$ 397,500	1.8%	\$ 82	N/A	N/A
Ward 14	\$ 361,200	-2.3%	\$ (105)	N/A	N/A
Ward 15	\$ 466,900	2.6%	\$ 142	5.8%	\$ 285

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Tax Levy Impacts of Changing Area Rating Transit (FCS19010)
(City Wide) – Page 3 of 4**

These impacts are exclusive of any reassessment, budget, tax policy and education impacts that may be approved during the 2019 budget process.

As shown in Table 1, the wards or portion of wards that have properties within the former Hamilton would see a significant decrease since the transit levy would be distributed across the entire city. Tax reductions in the former Hamilton would be approximately -2.7% which range from \$65 to \$122 depending on assessment. While tax increases in the rest of the urban areas of the City would be as high as 3.0% or \$152. Wards that have properties in more than one former municipality would have some properties experiencing a tax relief while others would see a tax increase.

One significant change in moving to this model is that the rural areas of the City, which are currently exempt of the transit levy, would be charged the same rate as the urban areas. The tax impact in rural areas would increase by 5.8% which range from \$220 to \$298.

Urban / Rural Transit Budget Allocation Model

The Urban / Rural model assumes that the urban areas of the City would be levied equally for Transit Service and use the same tax rate regardless of the level of service with rural areas continuing to be exempt. Table 2 shows the tax impact by ward under this option using ward boundaries approved by the OMB in December 2017.

**Table 2
TRANSIT IN URBAN AREAS ONLY
Average Residential Tax Impact by Ward**

	2018 Average Residential Assessment	Average Tax Impact (%)	Average Tax Impact (\$)
Ward 1	\$ 357,200	-2.2%	\$ (97)
Ward 2	\$ 241,700	-2.2%	\$ (66)
Ward 3	\$ 191,400	-2.2%	\$ (52)
Ward 4	\$ 205,400	-2.2%	\$ (56)
Ward 5 - HM	\$ 270,500	-2.2%	\$ (73)
Ward 5 - SC	\$ 318,400	3.5%	\$ 130
Ward 5	\$ 279,900	-1.0%	\$ (33)
Ward 6	\$ 298,000	-2.2%	\$ (81)
Ward 7	\$ 299,800	-2.2%	\$ (81)
Ward 8	\$ 323,900	-2.2%	\$ (88)
Ward 9 - HM	\$ 509,100	-2.2%	\$ (138)
Ward 9 - SC	\$ 361,200	3.5%	\$ 147
Ward 9 - GL	\$ 380,400	2.4%	\$ 105
Ward 9	\$ 366,500	3.2%	\$ 135
Ward 10 - HM	\$ 606,600	-2.2%	\$ (165)
Ward 10 - SC	\$ 370,300	3.5%	\$ 151
Ward 10	\$ 370,900	3.5%	\$ 150
Ward 11	\$ 363,100	2.4%	\$ 101
Ward 12 - AN	\$ 489,800	3.5%	\$ 197
Ward 12 - FL	\$ 400,400	N/A	N/A
Ward 12	\$ 482,000	3.5%	\$ 194
Ward 13 - DN	\$ 418,300	3.6%	\$ 176
Ward 13 - FL	\$ 470,600	N/A	N/A
Ward 13	\$ 434,000	3.6%	\$ 183
Ward 14 - HM	\$ 349,200	-2.2%	\$ (95)
Ward 14 - AN	\$ 615,900	3.5%	\$ 248
Ward 14 - GL	\$ 397,500	2.4%	\$ 110
Ward 14	\$ 361,200	-1.7%	\$ (79)
Ward 15	\$ 466,900	3.2%	\$ 175

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Tax Levy Impacts of Changing Area Rating Transit (FCS19010)
(City Wide) – Page 4 of 4**

Under this option, the tax impacts are similar to the ones presented in the previous option. However, since the assessment base to distribute the levy excludes the rural areas, the tax reductions are smaller while the tax increases are higher.

The decrease in taxes for properties within the boundaries of the former Hamilton would be approximately -2.2% which range from \$33 to \$97 based on average assessment. The savings experienced by the properties in these wards would be passed onto the rest of the urban properties with tax increases as high as 3.6% and range from \$110 to \$248.

As in the impacts shown under the previous option, these results are exclusive of any reassessment, budget, tax policy and education impacts that may be approved during the 2019 budget process.

Both of the options presented in Report FCS19010 could be phased-out over a period of time in order to lessen the burden of the resulting tax impacts across a number of years.

APPENDICES AND SCHEDULES ATTACHED

N/A

GR/dt

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.