

Pilon, Janet

Subject: 2021 Tax Policy - Fire Area Rated Tax Changes - Written Submission for Council Agenda

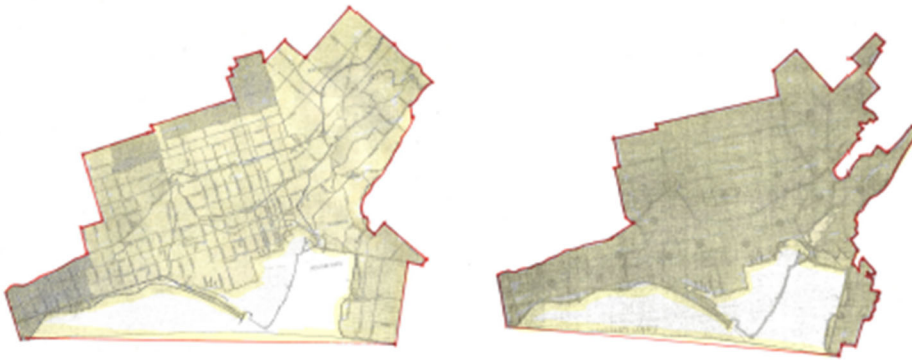
From: Viv Saunders

Sent: May 19, 2021 5:57 PM

To: clerk@hamilton.ca; DL - Council Only <dlcouncilonly@hamilton.ca>

Subject: Re: 2021 Tax Policy - Fire Area Rated Tax Changes - Written Submission for Council Agenda

Andrea, Please add this email and attachment to the next Council Meeting Agenda. Thank you. Viv



Dear Honourable Mayor & Councillors,

During the May 12th Council Meeting, Chief Cunliffe confirmed the urban *rateable* Fire service delivery area (above left).

Clearly, the boundaries of the urban *rated* Fire taxation area, is not the same (above right).

Failing to acknowledge & address this 20 year inequitable tax treatment on a go-forward basis is bad enough.

But if you approve the map on the right, via the 2021 Tax by-law on May 28th, you will be doing so knowing that for this year you are effectively also approving using the Tax Stabilization reserves to provide a grossly enhanced tax relief to a vast amount of properties located within areas receiving urban *rateable* fire service delivery.

The approximate extent of the impact is depicted on the attached.

Respectfully,

Viv Saunders

On Mon, May 10, 2021 at 9:02 AM Viv Saunders wrote:

Dear Honourable Mayor & Councillors,

Even with the changes to bring the balance of Ward 10 and parts of Ward 11 into the urban fire tax policy, **it appears to me that Council will still be leaving approximately 50% of the composite response service area as receiving 'urban' services but paying 'rural' fire rates.**

It's difficult to know where to even begin on this issue. The history of Hamilton's fire rates is complex, resulting in much confusion about why the current practices are as they are. Thus I hope this email helps to

provide context and that every member of Council will carefully consider the past, the present and the future when evaluating your decision to approve (or not approve) the 2021 Tax Policy on Wednesday.

Historical:

Previous to 2011, the City had 6 different fire tax rates to align to six former area municipalities. In 2011, Council approved one urban fire rate for areas predominantly serviced by Career fire fighters, and a second (~50% lower) rural fire rate for areas predominantly serviced by Volunteer fire fighters. (which was phased-in over 5 years)

Should Council decide to proceed with a fire tax shift (decrease the urban fire rates by .5%; or by what should be likely higher (double) as outlined below in another section), in my respectful submission this adjustment should also reduce the Special Infrastructure Levy in the old ward 1-8 boundaries. The temporary Special Infrastructure Levy, phased in, was and is presently \$13.4M per year. Over 50% of that amount was derived because of the urban/rural Fire Tax Policy approved in 2011. Specifically, included in the \$13.4M per year, was a tax shift of \$7.6M due to fire services.

What also occurs historically is an annual year-end adjustment. There is an adjustment to the rural fire levies to account for Career response to the Volunteer areas. Fire Services tracks career responses into the **rural response areas**. (please note the significance of this as outlined in another section). The next year's rural levy is therefore increased to adjust for career responses from the previous year. I believe this is an immediate adjustment and not averaged out over 5 years but I do not know that for sure. I do not know what the amount of this adjustment has been recently. Back in 2016, 4% of the career responses were to the rural response areas so 4% of the career costs were added to the rural levy. In that year, the adjustment was \$2.4M (which represented 35% of the \$6.8M rural fire levy)

It might also interest you to know that rural fire levies have historically increased at a faster pace than urban fire levies. Total Fire Levies have increased 2.06% (compound annual rate) since 2015. Urban has increased 2.01% and Rural has increased 2.6%. These % increases though shouldn't have too much weight placed on them for reasons outlined below in regards to perceived differences between HPS urban/rural response areas & the city's urban/rural taxation boundaries.

Some of you might also recall a delegation that was made back in early 2016 when Anna Roberts, wife of Hamilton firefighter, brought to the General Issues Committee's attention the inequities that were noticed 5 years ago in regards to the City's Fire Boundaries not having kept pace with growth & delivery of service. Council at that time decided Council should look at the boundaries once per term. At the time, it was thought to have been a "HFS" issue but I see now this was not the case. HFS have had clear & reasonable urban/rural (and suburban composite) response areas; as evidenced in the attached Appendix from their 2019 10 year Service Plan. What doesn't align is the Fire urban/rural Tax policy. In hindsight, it appears that it might not have aligned at implementation in 2011. If true, this error in taxation would have *significantly* impacted the temporary Special Infrastructure Levies & 4 year phase in calculations back 10 years ago.

Present Day:

The Tax Policy that is before you does not address the thousands of properties (billions of assessment values) in Wards 15, 13, 12, and 9 (plus maybe 11) that are presently, and have historically, been receiving composite Fire Services and should be levied urban Fire rates as per our Tax Policy

As best as I could, I've compared the 2 different maps & boxed in the green areas on the attached document to illustrate the areas that according to HFS presentation to Council in June 2019 have been receiving the urban (composite) level of service; however according to the city's Fire Tax Policy are levied rural fire rates (boundary map also attached).

What is before Council presently, is an amendment to change the boundaries for half of Ward 10 and a part of Ward 11; but why just those 2 areas?

Why will Fruitland-Winona residents pay 50% more for an area with 2 volunteer stations; yet other properties who are receiving urban level of service from the Waterdown, Ancaster & Upper Stoney Creek composite stations pay 50% less? ... areas HFS appears to believe are actually paying urban & not rural rates.

Why aren't the 'urban' properties city-wide realizing the full benefit of what should be a much larger tax shift versus the piecemeal shift that doesn't address 100% of the whole composite response areas in the 2021 Tax Policy?

Which brings me back to my previous comment in regards to the adjustments that are done at year-end. Besides those properties (boxed in on the attached) not paying for the level of fire service they have been receiving, what also is likely a secondary issue is responses to those areas are not being picked up as 'career to rural' thereby resulting in an even further disproportionate urban/rural levy rate..... over the last 10 years?!

Clearly, what is before Council in this Tax Policy is grossly unfair.

(Other) / Future Considerations:

I've also taken the liberty to copy Chief Cunliffe for 2 reasons.

Firstly, Chief Cunliffe can confirm exactly when those green boxed in areas with ? on the attached started receiving composite service & should have been levied urban fire rates. If prior to 2011, or during the subsequent phase-in period, the Special Infrastructure levies over the last 10 years are now questionable.

Secondly, I don't know how the pandemic has affected the 10 year Service Plan & the financial impacts outlined back in 2019 but in reviewing the plan recently, it is obvious the changes will or have positively impacted response times, brings rope rescue units closer to the needed locations, trains/hire more volunteers & career firefighters, improves stations and builds new ones. These are all very positive changes throughout the city which perhaps warrant a reconsideration by Council on whether or not to continue with an Area Rating system for Fire services. In all honesty, it's quite possible that if the properties in Wards 9, 12, 13, and 15 are 'fixed' now, (due to the gross error in taxation) and Ward 11 Binbrook next year (due to change in service), the impact of 1 rate to rural residents will be far less than what is before you presently.

To recap some of the improvements which have the greatest impact on the operating costs:

In 2020:

- Hired 4 FTE Safety/Accountability Officers - 1 per platoon
- Hired 10 FTEs in Waterdown and Upper Stoney Creek composite stations
- Begin the process of building a second station in Waterdown (new Career Fire Station, in a rural fire boundary taxed area, & transition existing composite station to a Volunteer stn)

In 2021: (in order to begin transitioning to composite delivery models)

- Hiring 5 FTE for Stn 16 Winona*
- Hiring 5 FTEs for Stn 18 in Binbrook*

From 2021 to 2027: (in order to increase the PTEs from 25 to 40 in 8 volunteer stations)

- Hire an additional 90 volunteers*

** unknown whether the costs of hiring/ training are borne by 100% by urban, by rural, or 'averaged out' over 5 years*

In Summary, I fully appreciate the difficult decisions that are before the Council. What is fair and equitable isn't an easy decision due to the many inherent factors in our Tax policies, Service Delivery Levels and because both of those haven't aligned as we were growing over the last 20 years. Such as, fire capital costs are borne equally amongst all property holders via the General Levy; response times vary greatly (but are likely going down) due to the vastness of land mass in Hamilton; we appear to already stabilize increases for

rural properties via a 5 year average cost used for levies; and we have a mix of 'true' agricultural lands plus mega mansions on lands zoned agricultural in our true rural areas serviced by volunteers, which likely reduces costs overall.

In other words, both urban and rural property owners/renters have been the recipients of cost savings/benefits. We can hypothesize about which are receiving a greater benefit, but based on some numbers we've all seen & lack of diligence in governing Area Rating for fire services, it's past time to consider abolishing the urban/rural Fire Area Rating Policy. It doesn't take a mathematician to guesstimate what the impact will be to rural properties on removing many more billions of assessment value to address the composite response areas previously overlooked (under taxed) in Wards 9, 11?, 12, 13 and 15.

In light of all these details outlined in this submission, I respectfully request that Council take a step back and:

- (a) deny/withdraw the Motion #6.5 - use of Tax Stabilization reserves,
- (b) deny the Area Rating tax changes for Fire proposed in the 2021 Tax Policy, and
- (c) deny the Special Infrastructure Levies proposed in the 2021 Tax Policy.

Sincerely,

Viv Saunders, CLU, CFP, CH.F.C.

P.S. (Requires verification from Staff) Although I don't believe our Tax Policies should be set by what occurred last year, in that the pandemic resulted in 47% less calls, it might also interest Council to know that last year was an anomaly in that rural costs it appears, significantly decreased and were ~\$2M lower than the previous year 2019. A significant savings overall for Fire delivery services which speaks to the effectiveness of volunteer responders. Due to the 5 year averaging, rural levies are not the immediate in year 'benefactors' of this cost savings. Just like, rural has not been levied the full increases when previous year costs are higher.

A \$2M reduction in rural costs of delivery services has a split allocation for Tax purposes. For this 2021 tax policy, rural levies are \$600,000 lower. The benefactors, so to speak, of the balance of 2020 savings (\$1.4M) is the urban tax base as reflected in those 2021 urban fire levies.

I'm mentioning this because even though it is purely coincidental, \$1.4M is the same amount of funds the Motion proposes to draw from the Tax Stabilization Reserve. Hence, the Motion itself is indirectly a one-off Tax Policy change to the 5 year averaging built into the Fire Tax Policy or in layman's terms, a way around our Council approved Area Rating policy.

Attachments - areas Taxation Errors

FIRE SERVICE DELIVERY VERSUS TAXATION - THE 20 YEAR IMBALANCE CONTINUES

THE CITY'S RESERVES TAKE A \$1.4 MILLION HIT TO HELP THOSE THAT ARE ALREADY GENEROUSLY HELPED. COUNCILLOR LLOYD FERGUSON PUT FORWARD A TAX STABILIZATION MOTION TO USE \$1.4 MILLION OF THE CITY'S RESERVES TO REDUCE THE 2021 PLANNED TAX INCREASE TO THOSE WHO ARE ALREADY RECEIVING A 50% REDUCTION IN FIRE TAX LEVIES, ALL DUE TO A CLERICAL ERROR.

