



INFORMATION REPORT

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| TO: | Mayor and Members General Issues Committee |
| COMMITTEE DATE: | September 22, 2021 |
| SUBJECT/REPORT NO: | Review of Area Rating Methodologies (FCS21078) (City Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Gloria Rojas (905) 546-2424 Ext. 6247 |
| SUBMITTED BY: | Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department |
| SIGNATURE: | |

COUNCIL DIRECTION

N/A

INFORMATION

The purpose of Report FCS21078 is to inform Council of the review that staff will undertake of the methodology applied to certain area rated levies.

Area rating is a municipal property taxation policy tool intended to account for either significant differences in service levels or differences in the cost of providing services across different parts of the City (*Municipal Act, 2001, Section 326*).

The result of area rating is that tax rates for certain services vary depending on where the property is located and the level of service offered by the City. All areas within the City have area rated services. Depending on the levels of service, the tax rate varies.

City of Hamilton residents in all communities pay the same rate for general City services, such as police, public health, roads, waste management, libraries, parks and City administration.

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.

In 2011, the City implemented an urban and rural area rating model that aligns to the transit service area. Properties within the transit service area are considered urban, while properties outside the transit service area are considered rural for area rated services, except fire. The fire service has a different boundary based on the fire service delivery and is still area rated based on an urban / rural model.

The following services are area rated:

- Transit: urban and rural using Transit service delivery borders
- Recreation: urban and rural using Transit service delivery borders
- Sidewalks: urban and rural using Transit service delivery borders
- Streetlighting: urban and rural using Transit service delivery borders
- Fire: urban and rural using Fire service delivery borders
- Sidewalk snow removal: to former Town of Ancaster properties only
- Parkland purchases: to former municipality in which land is located
- Special Capital Infrastructure Levy: to former City of Hamilton properties only

The current area rating model has been in effect since it was approved in 2011. Hamilton's population increased by 17,000 from 2011 to 2016 and the Provincial growth forecast includes 236,000 new residents (for a total population of 820,000 people) and 122,000 new jobs (for a total employment of 360,000 jobs) in Hamilton by the year 2051. In order to ensure that the area rating methodology aligns with the projected growth and related service delivery strategies and to respond to specific Council direction (sidewalk snow removal), staff will conduct a review in anticipation of the approval of the 2022 budget of the following area rated services:

- Fire
- Sidewalk snow removal
- Parkland purchases
- Recreation

Report FCS21078 also includes an update on Transit Area Rating. Reviews of the balance of the area rated services (Sidewalks, Streetlighting, Special Capital Infrastructure Levy) will be included in future work plans.

Fire

In June of 2019, Council approved "Hamilton Fire Department Service Delivery Plan (2019 - 2028)" which identified specific areas in the City where growth has significantly changed the risk profiles and created the need to move to a different fire service delivery model (i.e. from Volunteer response to Composite (both volunteer and full time) response). As a result, in 2021 approximately 5,800 properties with an assessment of approximately \$3.5 B (of which approximately 5,000 properties and \$2.4 B in assessment are in the Residential property class) were reclassified. This meant that

under the current established area rating methodology for Fire, the affected properties were changed from “Rural (volunteer) Fire” to “Urban (full time) Fire” for the purposes of the property tax calculation.

Based on this change, the properties remaining in the “Rural (volunteer) Fire” classification were now responsible for sharing the operational costs related to the volunteer firefighting operations. Since the number of properties sharing the operational costs decreased, these properties also realized a property tax increase as a result of applying the established / current area rating methodology for Fire.

Through the 2021 budget process, there were concerns raised that there has not been a fair treatment amongst the properties that receive both volunteer and composite fire service.

To this end, Finance staff will undertake a review, in consultation with the Fire Department to:

- ensure alignment between the service delivery and how properties are taxed for the service;
- provide options for alternative area rating methodologies.

Sidewalk Snow Removal

During the 2021 budget process, Council approved an enhancement to the winter sidewalk snow removal service to add an estimated 783 km of sidewalk along transit routes starting in 2022 in Sidewalk Snow Removal Report PW19022(b). Currently, sidewalk snow removal is area-rated to the former Town of Ancaster only.

Finance staff will analyze the tax impacts of the increased service if added to the general levy or if taxed based on an urban / rural model. Preliminary analysis and options will be included in a report from the Public Works department to be presented to Council in November 2021.

Parkland Purchases and Recreation

One of the principles of area rating is that the level of service is different in some geographic areas of the City. The City of Hamilton continually expands the park and recreation system to meet future population growth.

Staff will review the pros and cons of continuing to area rate Parkland Purchases and Recreation services and report back to Council with an analysis which will include the tax impact should Parkland Purchases and the Recreation services be moved to the general levy.

Transit

On March 27, 2019, Council established the Transit Area Rating Review Sub-committee with the purpose of evaluating and recommending alternatives to the existing area rating methodology for transit, on time for the 2020 budget process. However, announcements related to the Light Rail Transit (LRT) and the outstanding completion of the Memorandum of Understanding, require further changes to the work previously prepared which is delaying the process in completing a network for proposal to Council. The Sub-committee has not met since February 2020.

Information regarding Transit Area Rating and the Sub-committee can be found in the following reports:

- Tax Levy Impacts of Changing Area Rating Transit (Report FCS19010)
- Transit Area Rating Review Sub-committee Terms of Reference (Report FCS19058)
- Transit Area Rating Methodology Review (Report FCS19094)

Timing

Preliminary findings of the area rating review, proposed changes and options will be presented in January 2022. Final recommendations will be presented by mid-February / early March 2022 in order to be included in the total tax impact to be approved by Council.

APPENDICES AND SCHEDULES ATTACHED

N/A

GR/dt