



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	March 3, 2022
SUBJECT/REPORT NO:	Area Rating Review (FCS21078(b)) (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:	

RECOMMENDATION(S)

- (a) That the area rating of Sidewalk Snow Removal be eliminated in the 2023 tax year;
- (b) That the area rating of Sidewalks and Streetlighting be eliminated in a four-year phase-out period starting in the 2022 tax year;
- (c) That the area rating of Recreation be eliminated in a four-year phase-out period starting in the 2022 tax year;
- (d) That the area rating of Parkland Purchases be eliminated once the existing internal debt has been paid off;
- (e) That staff be directed to report back with analysis, as well as, a public consultation plan on the impacts of adjusting the area rating of the Fire Service from the existing urban / rural model to one that aligns with the three levels of service (full time / volunteer / composite) for possible implementation in the 2023 tax year;
- (f) That a transfer from the Tax Stabilization Reserve in the amount of \$1,400,000 be applied to reduce the rural fire levy in 2022.

EXECUTIVE SUMMARY

Area rating is a municipal property taxation policy tool permitted by the Provincial government intended to account for either significant differences in service levels or differences in the cost of providing services across different parts of the City.

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

In 2011, the City implemented an area rating methodology largely based on an urban and rural model that aligns to the transit service in which properties within the transit service area are considered urban, while properties outside the transit service area are considered rural. Transit, Recreation, Streetlights and Sidewalks and Fire are area rated based on urban / rural boundaries while Sidewalk Snow Clearing, Parkland Purchases and Special Infrastructure Levy continue to be area rated based on former municipalities' boundaries.

Report FCS21078(b) presents recommendations on the phased elimination of Sidewalk Snow Removal, Sidewalks and Streetlighting, Recreation and Parkland Purchases as area rated services on the basis that these services do not meet the legislative criteria of having different service levels across the City. Report FCS21078(b) also recommends an adjustment to the area rating of Fire services to better align with how fire services are delivered across the City.

Changes to area rating are revenue neutral. However, there will be a re-distribution of taxes based on the changes. Details of the tax shifts by ward resulting from each of the recommended changes are included in the "Analysis and Rationale" section.

For Sidewalk Snow Removal, which is currently area rated to Ancaster only, staff is recommending that this service be eliminated from area rating beginning in 2023 in alignment with the implementation plan for Sidewalk Snow removal services. The average tax impact would be a decrease of 0.1% or \$8 for the urban properties in Ancaster and an increase of 0% or \$1 for the rest of the properties in the City.

Staff is also recommending the elimination of Sidewalks and Streetlighting from area rating using a four-year phase-out period starting in 2022. The average annual tax impact of this change will be a decrease of 0% or \$1 in the urban areas of the City and an increase of approximately 0.1% or \$4 to \$6 in the rural areas.

Similarly, staff is recommending that Recreation be eliminated from area rating, using a four-year phase-out period starting in 2022. The average tax impact of this change will be a decrease of 0% or \$1 in the urban areas of the City and an increase of approximately 0.2% or \$10 to \$13 in the rural areas of the City.

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For Parkland Purchases, staff is recommending that the existing area rated Parkland Purchases levy be grandfathered and continue to be area rated, but new purchases would not be area rated. This option does not have an immediate tax impact.

For Fire Services, staff is recommending a review, as well as, public consultation of the methodology used for the area rating of this service to better align with the three response types – full time, composite and volunteer – for possible implementation in the 2023 tax year.

If all the recommendations are approved, the average tax impact for 2022 would be a decrease of 0% or \$2 in the urban areas of the City and an increase of approximately 0.4% or \$14 to \$19 in the rural areas of the City.

Alternatives for Consideration – See Page 17

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Changes to area rating are revenue neutral. However, there will be a re-distribution of taxes based on the changes. The Analysis and Rationale section of Report FCS21078(b) includes the shift in taxes resulting from the recommended changes in area rating.

Staffing: N/A

Legal: Area rating is a municipal property taxation policy approved by Section 326 of the *Municipal Act, 2001* and ratified by an annual by-law.

HISTORICAL BACKGROUND

Prior to amalgamation, the former Region of Hamilton-Wentworth area rated Transit, Waste Management, Libraries and Storm Sewers. Services such as Fire, Parks, Recreation and Garbage Collection were provided exclusively at the local area municipal level and, therefore, not part of the Regional government.

With the Province's decision to amalgamate all of the municipalities within the former Region of Hamilton-Wentworth came much discussion with respect to area rating. Special Advisor David O'Brien's report to the Minister of Municipal Affairs and Housing (Local Government Reform for Hamilton-Wentworth, November 1999) stated:

“Area rating of certain specific municipal services is a mechanism which allows a municipality to provide varying levels of service to different areas and recover the costs of such services in a fair and equitable manner. In a restructured municipality, areas not receiving services (public transit), or areas not receiving similar service levels (fire services) should not be required to pay the same property tax as those benefiting from such services or higher service levels. It is important however to

recognize that such services as culture and recreation (including libraries) are generally equally available to all residents of a municipality and as such may not be good candidates for area rating. Accordingly, the cost of such services should be shared equally by the general taxpayer”.

Accordingly, Mr. O’Brien’s recommendation on area rating stated:

“That the new City of Hamilton area rate transit and fire to reflect the service or level of service received and that services such as culture and recreation, including libraries, which are generally available to all residents of the municipality, not be area rated.”

When the City amalgamated in 2001, City Council approved the area rating of the following services: Transit, Fire, Culture and Recreation, Storm Sewers, Senior’s Tax Credit, Slot Revenues and Financial Adjustments (Report FCS01015D “Final 2001 CVA Reassessment, Amalgamation and Phase-in Tax Impacts”) indicating that:

“...as service levels, service delivery, costs and user fees are equalized, area rating of certain programs may not be appropriate in the long run. As a result, area rating may be viewed / used simply as an interim measure to help moderate the movement towards amalgamation.”

In November of 2009, staff presented Report FCS09087 “Area Rating Options”. Report FCS09087 recommended an urban / rural model of area rating to align with the way municipal services are being provided. Council subsequently approved the establishment of a Citizens’ Forum to review the staff report and make recommendations on area rating. After extensive review and consultation with the community, the Citizens’ Forum presented their recommendations to the General Issues Committee on February 28, 2011 (Report CM11004, Citizens’ Forum Report on Area Rating). For the most part, the Citizens’ Forum agreed with staff’s recommended urban / rural model of area rating, with the exception of Ancaster Sidewalk Snow Removal, Fire Services and the length of a phase-in plan.

In 2011, the City implemented a new area rating methodology largely based on an urban and rural model that aligns to the transit service area and recognizes that area rating, based on former municipal boundaries, does not necessarily acknowledge how services are delivered or the cost to deliver these services. Under this model, properties within the transit service area are considered urban, while properties outside the transit service area are considered rural (Reports FCS09087 “Area Rating Options” and FCS09087(a) “Area Rating Options – Update”).

The following services are currently area rated based on the urban / rural model:

- Transit
- Recreation

- Streetlights / Sidewalks
- Fire (the boundaries of this service are different to the boundaries that align to the transit service)

The following services are area rated based on the former municipality boundaries:

- Sidewalk Snow Removal (Ancaster properties only)
- Parkland Purchases
- Special Infrastructure Levy (Former Hamilton properties only)

Table 1 identifies the services area rated since 2001.

Table 1

Year	Services Area Rated in the City of Hamilton
2001	Transit, Fire, Culture and Recreation, Storm Sewers, Senior's Tax Credit, Slot Revenues and Financial Adjustments
2002	Removal of Senior's Tax Credit (established a new City-wide program)
2004	Removal of Financial Adjustments
2006	Removal of Storm Sewers (transferred to the rate budget - included in water / sewer rates)
2008	Removal of Slot Revenues Addition of Sidewalk Snow Removal (Ward 12 only) Addition of Loan Repayment for Parkland Purchases (added to Culture and Recreation area rated levy)
2011	Transit, Recreation, Sidewalks and Streetlighting, Parkland Purchases, Infrastructure Levy; Sidewalk Snow Removal, Fire.

As of 2021, the City of Hamilton has as many area rating services as it had in 2001 and is the only municipality in Ontario that has eight area rated services.

In 2021, through Report FCS21078 and in 2022, through Report FCS21078(a), staff informed Council of a proposed revision of the area rating methodologies for Recreation, Sidewalks and Streetlighting, Parkland Purchases, Fire and Sidewalk Snow Removal and the potential tax impacts.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Provincial legislation allows the area rating of an identifiable “special service”. A “special service” is defined in the *Municipal Act* (Section 326 (2)) as:

“a service or activity of a municipality or a local board of the municipality that is,

- (a) not being provided or undertaken generally throughout the municipality, or
- (b) being provided or undertaken at different levels or in a different manner in different parts of the municipality.”

As per Ontario Regulation 585/06, the only services that cannot be identified as a “special service” are health programs and services.

Area rating is intended to account for either significant differentials in service levels or costs of providing services between different parts of the City. The cost of an area rated service could include: all operating costs, capital financing charges, if applicable, all related user fees / revenues and appropriate charges for indirect program costs (i.e. administration / overhead). Generally, in the absence of area rating, similarly assessed properties would pay the same level of property taxes city-wide. Conversely, in the presence of area rating, similarly assessed properties pay different levels of property taxes depending on the level of services provided in their specific area.

Report FCS09087, “Area Rating Options”, identified four general principles to area rating:

1. Revenue Neutral: Assumes the same tax levy regardless of the area rating option. Area rating does not generate additional taxes for the City as a whole.
2. Service Delivery Drives Taxes: How a service is delivered can impact how it is appropriately taxed, not vice-versa.
3. It is not pay-for-use: Every property owner will utilize City services differently. Some services are never utilized but support a greater common good. Not all properties within each boundary will have exactly the same access or utilization to the service.
4. Area rating is an evolutionary process as growth may lead to changes in rural / urban boundaries over time.

It should be noted that area rating is an annual decision through the tax policy reports and implemented through the annual tax levy by-law.

RELEVANT CONSULTATION

Staff have consulted with City departments whose services are currently area rated: Healthy and Safety Communities (Recreation and Fire), Public Works (Sidewalk Snow Removal, Sidewalks, Streetlighting, Parkland Purchases) and Planning and Economic Development (Parkland Purchases).

Municipal Scan

A scan was conducted of single-tier and two-tier municipalities in Ontario with respect to services that they area rate. Appendix “A” to Report FCS21078(b) lists the area rated services levied by each municipality.

Overall, of the 13 municipalities in the survey that have area rated services, transit, fire and waste collection are the most common area rated levies. There is no municipality or region with more than three area rated levies. In contrast, the City of Hamilton has eight area rated levies.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

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 services align with the projected growth and related service delivery strategies and to respond to specific Council direction (sidewalk snow removal), staff initiated the review of the methodology used to area rate Recreation, Sidewalks and Streetlighting, Parkland Purchases and Sidewalk Snow Removal.

After careful analysis and consideration, staff is recommending that these services be eliminated from area rating as they do not meet the legislative criteria of having different service levels across the City. Staff also conducted a review of the Fire area rating in consultation with the Fire Department staff and are recommending further review and public consultation regarding possible changes in methodology to align with how fire services are delivered.

Changes to area rating are revenue neutral. However, there will be a re-distribution of taxes based on the changes. Detailed tax shifts by ward for each of the recommended changes are included below. The following analysis is based on 2021 data excluding growth, tax policies, budget and education impacts.

Sidewalk Snow Removal

Snow removal is a legislated service as per Ontario Regulation 239/02, Minimum Maintenance Standards for Municipal Highways, under the *Municipal Act, 2001*. The City currently provides partial snow clearing for sidewalks. The 2021 budgeted cost of this service is included in the general levy for approximately \$2.1 M. Ancaster property owners pay an additional levy area rated to urban properties, since all the sidewalks in the former municipality are cleared (\$156,000 in 2021).

In April of 2021, Council approved an enhancement to the level of service for winter sidewalk snow clearing as follows:

Sidewalk Snow Clearing Update (Report PW19022(c)) (City Wide) (Item 8.1)

“That the level of service for winter sidewalk snow removal be enhanced as defined as Scenario 2A – Priority 1 and 2A Roadways – Maintaining sidewalks in the existing level of service plus the addition of an estimated 783 km of sidewalk along transit routes, at an estimated cost of \$4.44 million.... “

The recommendation was later updated in November of 2021 (Report PW19022(d)) in which the new level of service adds 469 kms of sidewalk with a budget of \$936 K in 2022 and additional \$1.4 M in 2023. The enhanced level of service is an extension of the existing service currently included in the general levy and was developed under an Equity, Diversity and Inclusion framework, not based on location.

Under the new level of service (Report PW19022(d)), Ancaster now has 9% of the total number of kilometers cleared compared to 20% under the previous level of service. In contrast, the former City of Hamilton has 66% compared to 46% under the previous level of service. As a result, it can be concluded that under the new level of service, Ancaster does not have a differential service from the rest of the City.

Sidewalk Snow Removal has other associated costs such as slip and fall claims. Over the last 10 years (2010 to 2019) Risk Management Services has averaged 45 sidewalk slip and fall claims per year. The average yearly total claims expense over the same period for sidewalk slip and fall claims (settlements, investigation, legal) is \$616,000. These costs are also included in the general levy and do not qualify as a differential service. It would not be appropriate to area rate one part of the service but not area rate its associated costs.

Based on the previous analysis, there does not appear to be a strong rationale for the Sidewalk Snow Removal program to be area rated and, therefore, staff is recommending that the area rating of Sidewalk Snow Removal be eliminated starting in 2023, in recognition that the differential service has already been provided for the majority of the 2021-2022 winter season. Based on the 2021 levy (\$156,000), the average tax impact of including all sidewalk snow removal costs in the general tax levy would be a decrease of 0.1% or \$8 for the urban properties in Ancaster and an increase

of 0% or \$1 for the rest of the properties in the City. Table 2 shows the estimated tax impacts by ward in the urban and rural areas of the City that would begin in 2023.

**Table 2
SIDEWALK SNOW REMOVAL
TAX IMPACT BY WARD (GENERAL LEVY)**

	URBAN		RURAL	
	Tax Impact (%)	Tax Impact (\$)	Tax Impact (%)	Tax Impact (\$)
Ward 1	0.0%	\$ 1	N/A	N/A
Ward 2	0.0%	\$ 0	N/A	N/A
Ward 3	0.0%	\$ 0	N/A	N/A
Ward 4	0.0%	\$ 0	N/A	N/A
Ward 5	0.0%	\$ 1	N/A	N/A
Ward 6	0.0%	\$ 1	N/A	N/A
Ward 7	0.0%	\$ 1	N/A	N/A
Ward 8	0.0%	\$ 1	N/A	N/A
Ward 9	0.0%	\$ 1	0.0%	\$ 1
Ward 10	0.0%	\$ 1	N/A	N/A
Ward 11	0.0%	\$ 1	0.0%	\$ 1
Ward 12	-0.1%	\$ (8)	0.0%	\$ 1
Ward 13	0.0%	\$ 1	0.0%	\$ 1
Ward 14	0.0%	\$ 0	N/A	N/A
Ward 15	0.0%	\$ 1	0.0%	\$ 1

Sidewalks and Streetlighting

Sidewalks and Streetlights are area rated based on the urban / rural methodology that follows the transit boundary. Prior to 2011, Sidewalks and Streetlighting were not area rated but were included in the new methodology on the basis that rural areas have minimal sidewalks and streetlighting and that a number of municipalities area rated these services at the time.

While sidewalks are predominately in the urban area, there are pockets within the urban area which do not have sidewalks and still have to pay for the service which may be seen as an inequity in how the service is taxed. In addition, the distribution of sidewalks in the urban and rural areas, measured in kilometres, is taken from the Pavement Management System which may not align with the transit boundary used to identify the urban and rural areas for area rating purposes. The 2021 operating budget for sidewalks is \$3.1 M.

Sidewalks is not a service that is widely area rated by municipalities in Ontario and several municipalities that used to area rate streetlighting such as Niagara Falls, Niagara-on-the-Lake, Barrie and Milton now include this service in the general levy.

The City of Hamilton operates about 45,000 streetlights with a 2021 operating budget of \$4.9 M. Most lights are standard cobra-heads that use High Pressure Sodium or HPS. These are being replaced by LED lights as they are more energy efficient and require less maintenance. The City has a proactive replacement program for streetlights scheduled around the maximum usable service life of a streetlight lamp which helps minimize maintenance costs and light outages. This service is provided to the urban and rural areas under the same standard.

As the City grows, the number of sidewalks and streetlights in the rural areas and its share of the cost is also increasing as these services are driven by considerations such as population size and density. Since 2011, the proportion of rural sidewalks has increased by 60% (versus a reduction of 1% in the urban areas) and the proportion of costs allocated to the rural areas has increased by 126% (versus 41% in urban areas). Similarly, the proportion of streetlights has increased by 12% in the rural areas (versus a decrease of 1% in the urban areas) and the proportion of costs allocated to the rural areas has increased by 10% (versus a decrease of 2.3% in the urban areas).

Staff is recommending the elimination of Sidewalks and Streetlighting from area rating using a four-year phase-out period starting in 2022. The average annual tax impact of this change will be a decrease of 0% or \$1 in the urban areas of the City and an increase of approximately 0.1% or \$4 to \$6 in the rural areas of the City as shown in Table 3.

**Table 3
SIDEWALK AND STREETLIGHTING
TAX IMPACT BY WARD (YEAR 1 OF 4-YEAR PHASE-IN)**

	URBAN		RURAL	
	Tax Impact (%)	Tax Impact (\$)	Tax Impact (%)	Tax Impact (\$)
Ward 1	0.0%	\$ (1)	N/A	N/A
Ward 2	0.0%	\$ (0)	N/A	N/A
Ward 3	0.0%	\$ (0)	N/A	N/A
Ward 4	0.0%	\$ (0)	N/A	N/A
Ward 5	0.0%	\$ (0)	N/A	N/A
Ward 6	0.0%	\$ (0)	N/A	N/A
Ward 7	0.0%	\$ (0)	N/A	N/A
Ward 8	0.0%	\$ (0)	N/A	N/A
Ward 9	0.0%	\$ (1)	0.1%	\$ 4
Ward 10	0.0%	\$ (1)	N/A	N/A
Ward 11	0.0%	\$ (1)	0.1%	\$ 4
Ward 12	0.0%	\$ (1)	0.1%	\$ 6
Ward 13	0.0%	\$ (1)	0.1%	\$ 5
Ward 14	0.0%	\$ (1)	N/A	N/A
Ward 15	0.0%	\$ (1)	0.1%	\$ 6

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Recreation

Currently, Recreation services, with a 2021 operating budget of \$37 M, are area rated using the urban / rural model based on whether a facility is located within the urban or rural boundary.

However, Recreation facilities and programs are available to all City of Hamilton residents regardless of where in the municipality they reside and they are available even to non-residents. User fees for Recreation services have been harmonized throughout the City and the catchment area for these facilities and programs extends beyond their location. For example, 80% of the registered program participants in the Ancaster Rotary Centre come to this facility from an 8 km radius as seen in the Figure 1 map (2018 Environics Analytics using registered program data). Similar data is available for 32 recreation facilities in which it is shown that registered users regularly travel up to 13 km to a recreation facility.

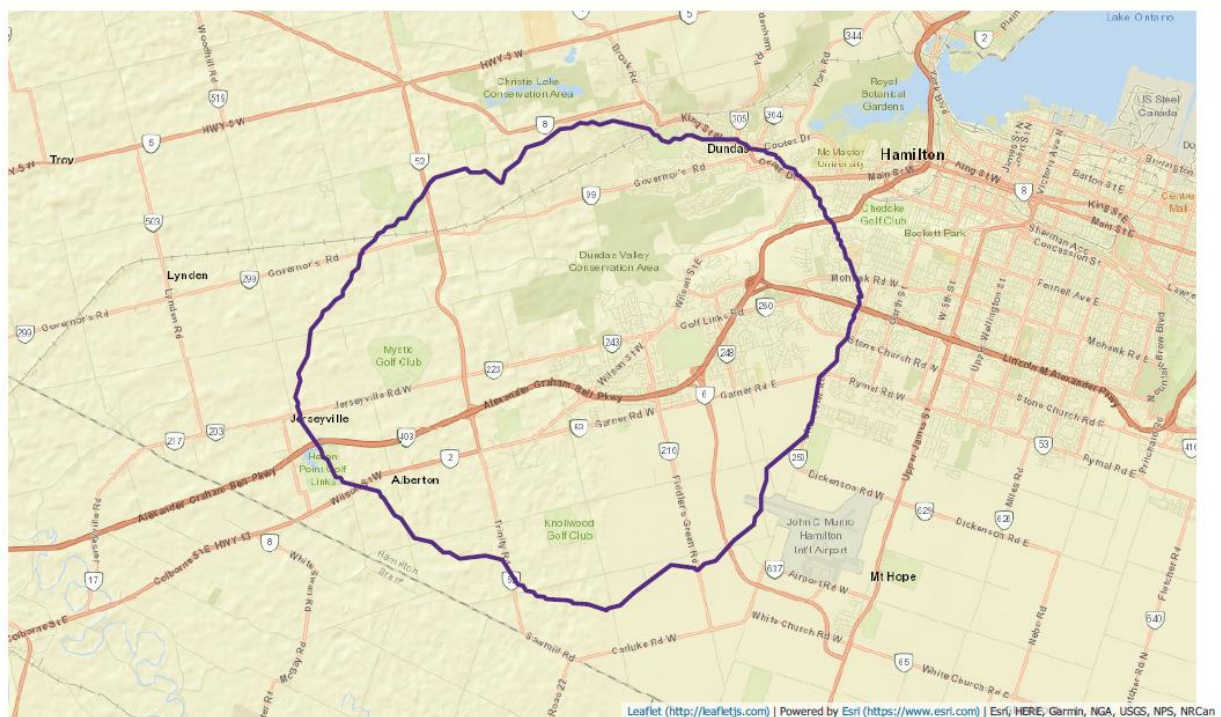
**Figure 1
Ancaster Rotary Centre – Trade Area Map**

Demographics | Trade Area Map



Trade Area: Ancaster Rotary Centre 80% - 8 km Drive Distance

Population: 75,338 | Households: 27,656



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The 10-year capital forecast identifies the following planned new facilities, some of which will be located in rural areas of the City:

- Winona Recreation Centre
- Waterdown Recreation Centre
- Binbrook Recreation Centre
- Elfrida Recreation Centre
- Saltfleet Recreation Complex
- Mount Hope Recreation Facility

Report CM08022, “Area Rating Policy Update” and Report FCS09087, “Area Rating Options”, have stated that Recreation does not meet the legislative criteria to qualify as an area rated service. In addition, none of the municipalities included in the municipal scan area rates Recreation services.

Staff continues to support the previous conclusion that Recreation services do not meet the criteria as an area rated service and is recommending that this service be eliminated from area rating using a four-year phase-out period starting in 2022. The average tax impact of this change will be a decrease of 0% or \$1 in the urban areas of the City and an increase of approximately 0.2% or \$10 to \$13 in the rural areas of the City as shown in Table 4.

**Table 4
RECREATION
TAX IMPACT BY WARD (YEAR 1 OF 4-YEAR PHASE-IN)**

	URBAN		RURAL	
	Tax Impact (%)	Tax Impact (\$)	Tax Impact (%)	Tax Impact (\$)
Ward 1	0.0%	\$ (1)	N/A	N/A
Ward 2	0.0%	\$ (1)	N/A	N/A
Ward 3	0.0%	\$ (1)	N/A	N/A
Ward 4	0.0%	\$ (1)	N/A	N/A
Ward 5	0.0%	\$ (1)	N/A	N/A
Ward 6	0.0%	\$ (1)	N/A	N/A
Ward 7	0.0%	\$ (1)	N/A	N/A
Ward 8	0.0%	\$ (1)	N/A	N/A
Ward 9	0.0%	\$ (1)	0.2%	\$ 10
Ward 10	0.0%	\$ (1)	N/A	N/A
Ward 11	0.0%	\$ (1)	0.2%	\$ 10
Ward 12	0.0%	\$ (2)	0.2%	\$ 13
Ward 13	0.0%	\$ (1)	0.2%	\$ 12
Ward 14	0.0%	\$ (1)	N/A	N/A
Ward 15	0.0%	\$ (1)	0.2%	\$ 13

Parkland Purchases

Parkland Purchases are area rated by the former municipality and as of 2021, only the former municipalities of Hamilton, Dundas and Ancaster have area rated levies for Parkland Purchases.

The City has over 3,480 acres of municipally-owned parkland at 394 locations and 50 shared School Board parks. Hamilton's parks include a wide array of features and amenities including outdoor sport fields, tennis courts, skateboard parks, playgrounds, spray pads, picnic areas, etc. These facilities are located all across the City and are accessible for all residents regardless of where their property is located.

Currently, Parkland Purchases are driven by the 2013 Parkland Acquisition Strategy and are financed mostly through the Parkland Dedication Funds (i.e. cash-in-lieu) according to Sections 42, 51.1 and 53 of the *Planning Act, 1990*, or by the Parkland Purchase Reserve. Parkland Purchases in excess of the legislated standards are funded by area rated levies. Staff is currently working on a Parkland Acquisition Strategy.

However, as identified in the 2013 Parkland Acquisition Strategy, by 2031, all the areas of the City, except Flamborough, will have park deficiencies. The City does not have a consistent or dedicated fund to completely address this shortfall. The Parkland Dedication funds (i.e. cash-in-lieu) and the Parkland Dedication Reserve will not be able to keep pace with these demands and, therefore, funding from other sources will need to be identified to address the parkland deficiency.

A recommendation to eliminate Parkland Purchases from being area rated was presented to Council in 2009 (Report FCS09087 "Area Rating Options") and none of the municipalities included in the municipal scan area rates parkland purchases.

In consideration of the funding challenges, the fact that new acquisitions will occur across the City and that Parkland Purchases are not a differential service, staff is recommending that the existing area rated Parkland Purchases levy be grandfathered and continue to be area rated, but new purchases would not be area rated. This option does not have an immediate tax impact.

Total Tax Impact of Changes to Area Rating

Table 5 shows the average residential tax impacts of all the recommended changes in area rating for 2022. The changes in Sidewalk Snow Removal will take place in 2023 and the changes in Parkland Purchases will have an impact on the year that each loan is repaid. As previously mentioned, these results are based on 2021 data excluding growth, tax policies, budget and education impacts.

Overall, residential urban properties will have a minimal decrease of approximately 0% or \$2 while the rural properties will have an average increase of 0.4% or \$14 to \$19.

**Table 5
TAX IMPACT OF AREA RATING CHANGES**

	URBAN		RURAL	
	Tax Impact (%)	Tax Impact (\$)	Tax Impact (%)	Tax Impact (\$)
Ward 1	0.0%	\$ (2)	N/A	N/A
Ward 2	0.0%	\$ (1)	N/A	N/A
Ward 3	0.0%	\$ (1)	N/A	N/A
Ward 4	0.0%	\$ (1)	N/A	N/A
Ward 5	0.0%	\$ (1)	N/A	N/A
Ward 6	0.0%	\$ (1)	N/A	N/A
Ward 7	0.0%	\$ (1)	N/A	N/A
Ward 8	0.0%	\$ (2)	N/A	N/A
Ward 9	0.0%	\$ (2)	0.4%	\$ 14
Ward 10	0.0%	\$ (2)	N/A	N/A
Ward 11	0.0%	\$ (2)	0.4%	\$ 14
Ward 12	0.0%	\$ (2)	0.4%	\$ 19
Ward 13	0.0%	\$ (2)	0.4%	\$ 17
Ward 14	0.0%	\$ (2)	N/A	N/A
Ward 15	0.0%	\$ (2)	0.4%	\$ 19

Fire

The Fire Service is delivered using three different levels of service: full time, volunteer and composite with a 2021 operating budget of \$92.8 M. However, it is currently being taxed using an urban / rural model in which areas serviced by full time stations are considered urban and areas serviced by volunteer stations are considered rural. Areas predominantly serviced by a composite station are considered urban for fire if they are urban in the City’s official plan and rural for fire if they are rural in the City’s official plan.

This area rating methodology does not align with the level of service delivered, especially in the areas receiving composite service and, therefore, staff is recommending that a review be undertaken to better align the level of service with a corresponding tax rate. This could result in three different tax rates for fire, based on the level of service received and would be implemented for the 2023 tax year. Staff would also prepare a public consultation plan that includes informing the residents of the taxation of the different levels of service provided by the Fire Department across the City.

Residents within the City of Hamilton who receive a composite fire service response from the Fire Department are being serviced by both full-time and volunteer firefighters. The number of full-time and volunteer resources being dispatched to an incident in a

composite response area will vary based on the response type. The composite response type is a blend of both full-time and volunteer resources and different from a full-time response, where all resources being dispatched are full-time firefighters, or a volunteer response, where the majority (if not all) of the resources are volunteer firefighters dependant on response type, time of day / day of the week.

Under the current model, there are 160,508 residential properties in the urban area and 17,417 residential in the rural area. If the area rating methodology was adjusted to reflect the three levels of service, preliminary analysis estimates 122,877 residential properties in the full-time service area (previously urban), 15,881 in the volunteer service area (previously rural) and 39,167 in the composite service area.

In order to property align the response by each level of service with the corresponding tax rate, the costs would also be redistributed. Preliminary analysis indicates that the properties that would remain full time / urban would have a tax increase estimated at 1.8%. Properties that would remain volunteer / rural and those moving to the composite rate would have a tax reduction of between 2.7% to 4.2%.

Changes to the level of service from volunteer to composite service in four areas of the City resulted in around 5,800 properties to be reclassified from “Rural Fire” to “Urban Fire” which resulted in a 2021 tax impact to the rural properties of approximately 2.6% which was phased-in over a two-year period. The estimated tax impacts indicated above are exclusive of the additional impact from the phase-in period approved in 2021. Inclusive of the phase-in, the tax impact for properties that remain rural would be a reduction of approximately 1.1%.

For 2022, and in consideration of the possible upcoming changes, staff is also recommending that the last year of the phase-in period will be postponed until 2023 by extending the transfer of \$1.4 M from the Tax Stabilization Reserve to the rural fire levy.

Other Area Rated Services

In addition to the previously mentioned services, the City also area rates Transit and Special Infrastructure Levy. At this time, staff is not submitting any recommendation in regard to these two services.

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), the outstanding completion of the Memorandum of Understanding and the challenges resulting from the COVID-19 pandemic, required further changes to the work previously prepared which is delaying the process of completing a network for proposal to Council. Transit will

continue to work on a new model for the network throughout 2022 and expect to have a recommendation report for Council's consideration in spring 2023. 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)

At this time, staff is not submitting any recommendations for changes on how Transit is area rated as Transit continues to work on the proposed network.

Special Infrastructure Levy

The Special Infrastructure Levy was approved by Council in 2011 in which the tax shifts resulting from the new area rating methodology are reinvested into the former City of Hamilton to address its infrastructure deficit.

In consideration that this service falls under the definition of special service, staff is not recommending any changes to the area rating of this service.

ALTERNATIVES FOR CONSIDERATION

Table 6 highlights the tax impacts of some of the area rating alternatives identified for each service. Council also has the option to delay the implementation to a future tax year or maintain the status quo.

**Table 6
ALTERNATIVES FOR CONSIDERATION**

AREA RATING SERVICE	GENERAL LEVY	6-YEAR PHASE-OUT
Sidewalk Snow Removal	N/A	N/A
Sidewalks and Streetlighting	Urban: 0% / -\$1 to -\$3 Rural: 0.4% / \$18 to \$24	Urban: 0% / \$0 Rural: 0.1% / \$3 - \$4
Recreation	Urban: -0.1% / -\$3 to -\$6 Rural: 1.0% / \$48 to \$53	Urban: 0% / -\$1 Rural: 0.2% / \$7 - \$9
Parkland Purchases	Hamilton: -0.1% / -\$3 Ancaster Urban: -0.3% / -\$16 Dundas Urban: 0.1% / \$4 Rest of City: 0.2% / \$9 to \$12	Hamilton: -0.1% / -\$1 Ancaster Urban: 0% / -\$3 Dundas Urban: 0% / \$1 Rest of City: 0% / \$2

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS21078(b) – Area Rating - Municipal Scan