

## **Input to 2025 Budget (and beyond) and Property Taxes (Revised Dec 1/24)**

### **Introduction**

I write to you as a long time Hamilton resident, born and bred in Hamilton, a senior, and a retired citizen having worked in transportation planning & economics for 7 years (federal government), having operated a small business in Hamilton for 5 years, and then having spent over 25 years in the field of education as a teacher and school principal.

Once again, I am writing to advocate for fiscal prudence, living within our means, greater scrutiny of taxpayer spending, and foremost, the long term lowering of average property taxes/ municipal fees to at least the provincial median.

I believe that the city can deliver the essential services most people need and want within existing and even modestly lower tax levels. Respectfully, if the mindset is to put ratepayers first, to limit future tax increases to the lesser of inflation or real income growth, to acknowledge that your constituents pay among the highest taxes in the province and country & need a break - then the work can be done to adjust our overall tax levels downward over time to the provincial median – and at more affordable levels. You owe it to the majority of Hamiltonians. Affordability and cost of living is the quintessential issue for most families, and property taxes in Hamilton are a major driver of inflation and higher cost of living. This spend and tax cycle is unsustainable and cannot continue.

### **Recommendations Regarding Property Tax Directions:**

- Freeze or lower property taxes in year one, and begin signaling future tax increases to all departments at the lesser of either forecast inflation or forecast growth in average household income (after taxes). Directing departments on what spending levels they have to work with is what the federal and provincial levels of government do --- what many businesses do --- and somehow, people adjust and manage to deliver the essentials.
- From experience, I have worked in both the federal government and education sectors where we had to work with frozen budgets, some budget cuts, and no salary increases for consecutive years. We managed to continue to provide excellent service and even do better. Municipal governments, on the other hand, constantly dig into ratepayer's pockets rather than learn how to manage operations within a strict budget.
- In order to provide relief to ratepayers, many of whom are struggling with rising costs, and in order to show good faith in the area of fiscal responsibility, the city should lower average property taxes to at least the provincial median over a 4 to 7 year period.
- Restrict future tax increases to the lesser of forecast inflation or real growth in average household income. All of the above can be done simultaneously. This last recommendation would be a worse case scenario as Hamiltonians seriously need a downward re-set of property taxes.

## Rationale/ Background:

- As reported in The Spectator in July 9, 2024, a **2023 Municipal Audit conducted by BMA Management Consultants** comparing 130 municipalities in Ontario found that Hamilton has among the highest tax burdens in the region
- When combining property taxes and municipal water rates, the audit reported that **Hamilton has the second highest rates in Ontario** relative to average household income (only Oshawa is higher). (Source: TheSpec, July 9 2024)
- According to a recent annual survey by *Zoocasa (a major national real estate firm)* surveying 25 cities across Canada, **Hamilton has the 6<sup>th</sup> highest property taxes in the country**, higher than 19 other cities.
- In 2023, for a property assessed at \$500 000, a ratepayer in the City of Burlington pays **\$2500.00 LESS** in property taxes **annually** than residents in the City of Hamilton. The same discrepancy exists with most of our neighbouring cities in Halton, Mississauga & Toronto. (Source: Zoocasa Survey)
- In the past 2 years, Hamilton has had among the highest property tax increases of the cities surveyed, an average of 7.3% per annum (Source: Zoocasa) compared to the national median of 4.9%.
- Cities that **LOWERED** taxes during this 2 year period - Montreal, Calgary, Halifax, Regina and Saint John.
- Hamilton tax hikes over the past 2 years have been nearly DOUBLE the rate of inflation & real growth in average household income which was approximately 7% (Stats Canada). For 2024, the projected inflation rate was 3% (it now stands at approximately 2% annualized), but property tax increases were approved at a 5.8% average (and that was done by dipping into city reserves!). In our neighbourhood, many households have seen tax hikes in the 7% to 8 % range!
- This is so unfair as there is a disconnect and virtually no correlation between the assessed values, true market value, and more importantly, income levels in these households. As you must be aware, retired folks are living on a lot less income than they earned while employed. Council should protect citizens vulnerable to such a money grab. And yet, there is virtually no concern for this growing and important constituency who have worked hard, made sacrifices and have paid their dues over the past 30 to 40 years, plus!
- On a personal note, my after tax pension income over the past two years increased by approximately \$300. My property tax bill over this time increased by approximately \$1000 ! Yes, you read that correctly. This is completely unacceptable.

- As you must know, property taxes are regressive in nature, hurting retired folks, people on fixed incomes, seniors and families who purchased homes years ago, seeing property values increase higher than relative incomes & most importantly, NOT reflecting ability to pay.
- Property taxes in general fail the test of fairness in our city. They are predicated on the assumption that the bigger and /or more valuable the house, the richer the owner, and therefore more of the tax burden should be borne. But ability to pay is more closely correlated to income not wealth. And wealth often has nothing to do with income. A pensioner living in the same house for decades may have relative wealth on paper, but very little in the way of disposable income. Who on council is voicing the concerns of this large and growing constituency?
- Further, the supposed value of one's home bears little relationship to the value of services consumed. We know that there are large discrepancies in property taxes between some Mountain wards like Ward 8 and other areas of the city where similar homes at similar market values pay widely different & often lower amounts. Again – not fair.
- These points are intended to bring awareness and perspective to the plight of beleaguered taxpayers who are losing ground, facing greater financial challenges and experiencing a lower standard of living all due to property tax increases well above acceptable levels. The silent majority must be heard and respected.

### **Suggestions on How to Accomplish Property Tax Reductions:**

Therefore, I respectfully submit the following suggestions to provide a semblance of fiscal discipline and help the vast majority of your constituents – I repeat, the majority --- the ones who should be at the forefront of your decision making, rather than the well organized squeaky wheel and special interests who represent a tiny fraction of the populace (I 've heard the expression “tyranny of the minority” and, regrettably, it appears to apply in Hamilton).

-a 4 to 7 year plan should be devised to adjust property taxes in Hamilton downward to at least the provincial average (in 2023, out of 32 municipalities surveyed by Zoocasa, Hamilton ranked 22 highest out of 32 cities surveyed for property taxes – 32 being the most expensive city, 16 the median, and most of Halton , Peel, Toronto at the lower end) – and this is of course property taxes alone, not accounting for the additional burden of municipal water fees.

- future tax increases should be lower than the lesser of the forecast rate of inflation and/or real growth in average household incomes

-the impact on ratepayers and tax levels must always be at the forefront of budget / spending deliberations --- if we can't afford it --- pause until we can

- a Property Tax Reduction Committee should be invoked to investigate ways and means of reducing property taxes
- in this respect, Council and all department heads actively look for areas in the budget to trim, pause, or eliminate each year.

- As is the practice in senior levels of government and business, Council should provide direction to city departments with a multi year spending forecast : Given that the property taxes are among the highest in the country and province, I would suggest Council direct departments to prepare budgets at a modest level below 0 %, at 0 % , and, as a worse case scenario, at a level under forecast inflation/average household income growth.

- the current practice of having departments submit their budgets with no guidelines or direction and having no regard to current tax levels, ability to pay nor the best interests of ratepayers is bizarre and fiscally irresponsible in my opinion. (I call it like I see it).

- an impartial Municipal Auditor General/Budget Control Office be created in the City (to be paid by money in the current budget & through savings found by such office) with the goal of optimizing value for money, conducting program evaluation & audits, lowering property tax levels over time to at least the provincial median & protecting taxpayers from future tax increases that exceed the lesser of forecast inflation or forecast growth in average household after tax income. ***This office would be the primary advocate for ratepayers with the goal of lowering property taxes, & have authority over the budget process.***

This would be money well worth investing – a municipal auditor general office that reports to the mayor and council --- whose objective would be to find efficiencies, evaluate all programs/initiatives with a cost/benefit lens, and advocating for ratepayers. It's long overdue.

- implement a hiring freeze and a comprehensive review of all positions – reduce staff through attrition where feasible; only absolute essential positions should be staffed with internal preferences given

- no new spending initiatives after a budget is passed – any new spending must be offset from another area in the budget , therefore, the person proposing new spending must also offer a tangible commensurate saving (not wishful thinking of possible savings)

- although a factor, the tired argument of attributing tax increases to provincial downloading loses credibility when you return to the fact that Hamilton taxpayers pay far more than comparable cities who also face similar circumstances & when little effort is done to curb spending and drive efficiencies.

In this respect, rather than attribute a certain percent of a future tax increase to provincial downloading, the city, in the face of its citizens facing a huge tax burden, should be communicating possible service cuts attributable to provincial downloading. I think some of you may be surprised how many spending areas can be reduced, cut or paused without the majority of the population noticing any changes to their lives. Think about this for a few minutes --- and now, think some more because it is very doable.

- adjust all services relative to demand cycles (across times of year, day, week) ---for library, recreation centers, transit and ensure user fees provide adequate levels of cost recovery – establish reasonable performance metrics comparable to cities with lower tax levels, i.e. seek to lower subsidies over time.

-Hamilton Police Services, who I have great respect for, accounts for a disproportionate part of the overall budget – and I know it's not politically popular – but somehow, this spending center should be scaled back modestly over time --- fiscal prudence and excellence in management can achieve this and deliver the necessary levels of service in essential areas. If one never tries, one will never know. You owe it to taxpayers.

- Aggressively lobby senior levels of government for leading the charge and fully funding areas that are deemed broader societal issues. Hold them accountable to the public in areas where they are making a contribution and where they are falling short. Municipalities are not equipped, designed nor resourced to handle broader socio-economic issues. Beware of the financial slippery slope and bottomless pit for ratepayers that will only worsen over time and never resolve the fundamental underlying problems. Trying to solve historical societal issues on the backs of municipal ratepayers is ill advised and a fool's errand. National government support, direction and funding through the broader income tax system is what generally works in countries (many in Europe for example) that have made in-roads here.

### **Conclusion:**

In closing, I respectfully submit that most Hamilton ratepayers pay excessive property taxes and municipal fees relative to most cities in Ontario and Canada, and especially relative to average household incomes. Growth in disposable income is not enabling most families to keep pace with such municipal taxes/fees. Living in Hamilton is becoming less and less viable for many.

Virtually nothing has been done to control spending, pause non essential spending nor give taxpayers priority. When little is done to direct greater efficiencies, to conduct rigorous audits on behalf of taxpayers, to cut back or pause discretionary spending, to actually have a plan to reduce taxes over time to at least the provincial median - when so much money is spent in areas that benefit the few – when pausing expenditures in these areas would not affect essential services the vast majority want and need, when some departments receive budget approvals carte blanche- no vetting at all - it is unacceptable to raise taxes.

Respectfully submitted,

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