

Municipality of Chatham-Kent

Finance, Budget and Information Technology & Transformation

Financial Services

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: September 24, 2020

Subject: Tax Rate Modernization – Area Charges

Recommendations

It is recommended that:

1. The following actions to support a streamlined and transparent approach for property tax calculations be approved:
 - a. Elimination of area rating for police services, resulting in the inclusion within the base levy.
 - b. Elimination of area rating for street lights, resulting in the inclusion within the base levy.
 - c. Elimination of area rating for horticulture, resulting in the inclusion within the base levy.

Background

On May 27, 2019 Council approved a recommendation to allocate \$100,000 of the Provincial Efficiency Grant towards the Tax System Modernization project. The purpose of the Tax System Modernization project is to implement a new tax system and consolidate the existing 3000 municipal tax rates, creating efficiencies in the administration of property taxes.

[The 2021 Budget Opportunities for 0% Report](#) was received by Council on August 10, 2020. Council approved further analysis of proposed items related to service delivery to efficiently provide quality core services to Chatham-Kent residents and achieve a 2021 Budget target of 0%. The report recommended that detailed reports be brought back to Council for final approval prior to the 2021 Budget deliberations.

The Municipality of Chatham-Kent currently maintains 3000 tax rates each year including 14 different area charges. The excessive number of tax rates are a carryover of rates from pre-amalgamation. During the transitional time of amalgamation, the preference was to keep information consistent as much as possible for property owners. The annual calculation of the municipal tax rates is cumbersome and complicated.

Area charges add complexity to the understanding of property taxes as it is not a well understood concept by property owners. This outcome does not align with the Municipality's vision of transparency.

Comments

Area Rating

Area rating is intended to account for either significant differences in service levels or costs of providing services to various areas of the Municipality. Generally, in the absence of area rating, similarly assessed properties would pay the same level of property taxes Municipality wide. Conversely, with area rating, similarly assessed properties pay different levels of property taxes depending on the level of service provided in their specific area.

The underlying principles that need to be considered in the review and reduction of our area charges are:

1. Overall revenue neutral – assumes total tax revenue generated will remain unchanged for the Municipality. Area rating shifts the tax burden between property owners.
2. Service Delivery Drives Taxes – how a service is delivered can impact how it is appropriately taxed, or not taxed. None of the recommended changes will have an impact on service levels.

It is accepted that no tax system can be made to create a perfect one to one relationship between services used and a homeowner's taxes, nor is that a realistic goal because taxes are the means by which society funds services that have a wide public benefit.

Tax Rate Modernization

In preparation for the implementation of a new property tax system, staff have initiated a review of the current tax rate model to promote a process that supports the council mandate of openness and transparency. The goal for the consolidation portion of the project is to reduce the number of area rated charges to more accurately reflect the level of service provided to the property owners of the Municipality of Chatham-Kent.

Tax rates are comprised of the base levy, education support, and area rated services. Annually, these rates are recalculated to adjust for changes in the budget. This process is complicated and inefficient. Reducing the number of area rated services and deviating from the pre-amalgamation approach to taxation provides the framework for better decision making in the future, and drastically increases transparency through a simplified taxation methodology.

The recommendations set forth in this report do not affect the amount of taxes generated. All proposed changes maintain a revenue neutral position.

Policing Services

The Municipality of Chatham-Kent is an amalgamation of small communities that once governed themselves and provided their own policing services or contracted to the Ontario Provincial Police (OPP). As a result of amalgamation, government services (including policing), were centralized resulting in the establishment of the Chatham-Kent Police Service (CKPS).

The CKPS is organized into three districts.

1. Northern District – North of the Thames River
2. Southern District – South of the Thames River
3. Central District – Chatham Proper & Immediate rural areas

Each district is further divided into what is referred to as zones or beats; 4 zones located in each of the North and the South districts and 6 zones located in the central district.

As per the collective agreement, each shift will consist of a minimum of 14 Constables, except Thursday, Friday, and Saturday where the minimum is 15. Each zone is required to maintain at least minimal coverage at all times.

Service Levels

Service calls are treated in a similar manner regardless of where the call is being dispatched. The following table outlines the percentage of calls handled and the average response time for priority zero calls.

District	Percentage of Calls	Response Time (minutes)
Central	65%	2.67
North	20%	6
South	15%	6

The volume of calls and the response time differs between rural and urban areas largely because of geographic density and distance of travel.

Impact of Recommendation

In consultation with seven single tier municipalities of similar size and demographics, it was determined that policing services were included in the base levy for six out of the seven municipalities.

Municipality/County	Policing Area Rated
Brantford	No
City of Greater Sudbury	No
Hamilton	No
County of Prince Edward	No
Haldimand County	No
Norfolk County	No
City of Kawartha Lakes	Yes

The City of Kawartha Lakes didn't have policing included in the base levy but they differed from Chatham-Kent slightly in the sense they were serviced by both municipal and provincial police.

The elimination of area rating for policing services would equalize the burden across all rate payers. The reality is that rural ratepayers have been highly subsidized by urban ratepayers

since amalgamation based on no valid reasoning. Prior to Provincial Local Service Realignment in 1998, the OPP was subsidized by the Province and rural areas of Chatham-Kent never paid for full police costs. Since the establishment of CKPS, police respond to where they are called, and investigate where crimes are committed, not by where the property is located, and should be included in base taxes for everyone. The impact per \$100,000 of assessment is shown in the table below.

	Rural	Urban
Proposed Method	\$ 298.81	\$ 298.81
Current Method	\$ 196.15	\$ 374.65
Difference	\$ 102.66	-\$ 75.84

Street Lighting

Currently street lighting is area rated to areas directly benefiting from this service (presence of streetlights in community), however there is an indirect benefit to all property owners within the Municipality. For example, while travelling through the Municipality, utilizing recreational amenities, or visiting, each resident will benefit from this service. As is the case with all services provided by the Municipality, not all residents utilize the resources to the same extent. As a comparative, the service fees for local arenas are distributed evenly across all regions of the Municipality and each resident does not utilize the service to the same degree.

In a comparative municipality (The City of Kawartha Lakes) they opted to eliminate street lights as an area charge in March of 2020.

Impact of Recommendation

The elimination of area rating for street lights would equalize the burden across rural and urban rate payers. The impact per \$100,000 of assessment is shown in the table below.

	Direct	Indirect
Proposed Method	\$ 8.63	\$ 8.63
Current Method	\$ 14.84	\$ -
Difference	-\$ 6.21	\$ 8.63

Horticulture

Horticultural beautification initiatives big and small are serviced across the municipality by a combination of volunteer groups and municipal personnel. This includes hanging baskets, annual planters, and various shrubbery.

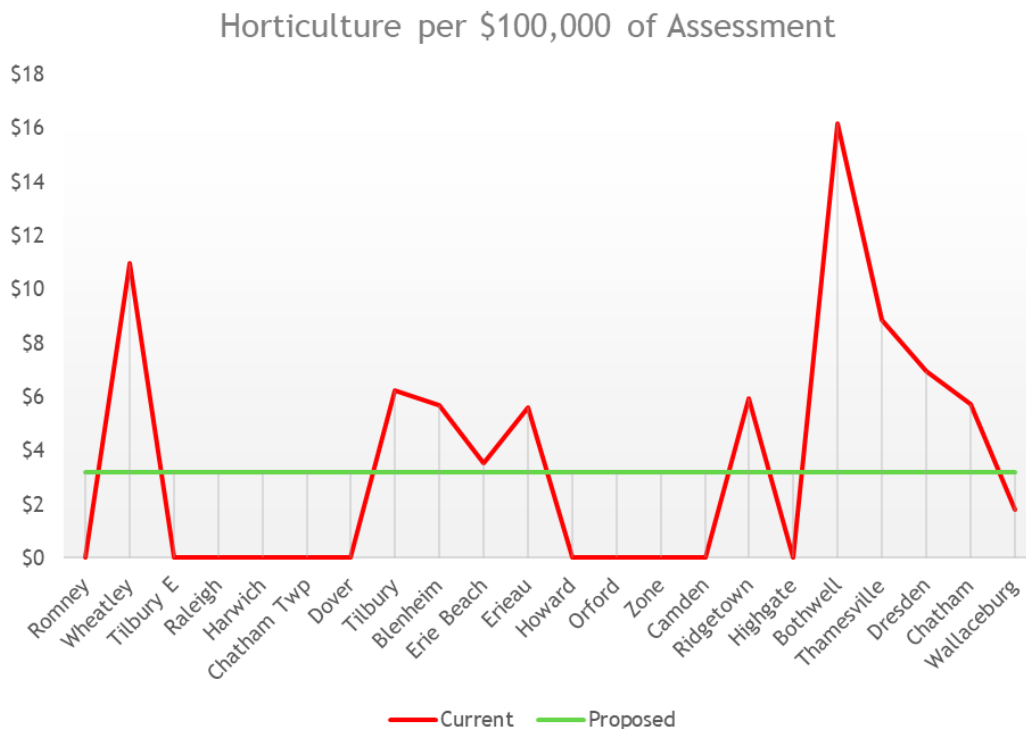
Similar to street lights we currently area rate this burden only to the property owners that are directly benefiting from this service. This occurs today because of the difference in service levels that existed prior to amalgamation.

In 2019, the budget allocation varied substantially from one community to the next, and has been this way since amalgamation.

Impact of Recommendation

It is recommended that Horticulture no longer be area rated, similar to recreation and programs. All property owners pay equally for parks and recreation facilities through the base levy regardless of the number of parks or facilities located in the community.

Eliminating the area charge for Horticulture would equalize the burden for all property owners having them contribute \$2.87 per \$100,000 of assessment. It should be noted that this recommendation does not eliminate the area rating for the additional Horticulture charge that is collected for the Chatham and Blenheim BIA and the Thamesville and Dresden Horticultural Societies.



Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

Consultation

The Director, Budget & Performance Services and the Chief of Police were consulted on the content of this report.

Financial Implications

There are no financial implications resulting from the recommendation.

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Attachments: None