

For Information Only

Area Rating of Fire and Transit Services

Presented To: Finance and
Administration
Committee

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Resolution

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Executive Summary

This report will provide information regarding the history of area rating for the City of Greater Sudbury and the property tax impact.

Background

During the 2016 budget deliberations, the Finance and Administration Committee requested a presentation for information on the area rating of services in the City of Greater Sudbury.

History of Area Rating

With the Provincial announcement of the four municipal amalgamations throughout the Province, the City of Greater Sudbury Act 1999 was enacted.

Section 15 of the Act set out rules for:

1. Special services of "old" municipalities
2. Assets and liabilities of "old" municipalities
3. Five specific services (Water, Sewage, Street Lighting, Fire, Transportation)

Prior to the amalgamation, a transition board was established to ensure a smooth transition from the two tier municipal system (regional and lower tier municipalities) to one city. This board set up task forces to review all aspects of municipal service delivery and their recommendations were reviewed by steering committees with the ultimate decisions being made by the members of the transition board.

The decision by the transition board was to only area rate Fire and Transportation Services to recognize the differing service levels.

The recommendation was adopted by the first Council of the City of Greater Sudbury.

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Fire Protection and Prevention

The analysis of Fire Services revealed that the service levels were considerably different throughout the seven former area municipalities and the unorganized areas that were being annexed to the City. The service could not be harmonized throughout the City without significantly increasing the City's budget. It was also determined that a career service level was not required throughout the entire City as the former area municipalities considered their volunteer services as providing adequate service levels. The area rating of this service was adopted to recognize these different service levels while maintaining the same relative tax position.

The three service level areas followed former municipal boundaries. They are as follows:

1. Career - Former City of Sudbury which is predominately serviced by full time fire fighters.
2. Composite - Former City of Valley East which is serviced by a mix of full time fire fighters and volunteers.
3. Volunteer - All other areas of the City including the unorganized area which is serviced by volunteer fire fighters only.

There are two components utilized in the calculation of the area specific rate:

1. Base Costs - Includes the cost of administration, facilities and apparatus, public education and prevention.
2. Direct Suppression Costs - Salary and benefit costs specific to each service area (Career, Composite and Volunteer).

The base costs for fire services are allocated to each service area based on their weighted assessment compared to the total City weighted assessment. This amount coupled with the direct suppression costs associated with each area are divided by the weighted assessment for their area to determine the area rated tax rate for fire services.

The following illustration reflects the calculation of fire rates for 2015:

	Career (\$ millions)	Composite (\$ millions)	Volunteer (\$ millions)
Allocation of Base Costs	5.02	.98	2.37
Direct Suppression Costs	<u>12.89</u>	<u>1.53</u>	<u>1.23</u>
Total Costs	17.91	2.51	3.60
Weighted Assessment	11,971	2,340	5,645
Residential Fire Area Rate	.1496%	.1071%	.0636%

After these rates are calculated, they are applied to the Current Value Assessment of the property to generate the taxes related to fire services.

Service Level Changes - Potential Area Rating Changes

Over the past 15 years there have been changes made in the way the service is being delivered to meet key objectives. Currently the closest or fastest and most appropriate resources are dispatched. Some examples of this are that the New Sudbury Station responds to Garson and the Minnow Lake Station responds to Coniston. Both areas that are in receipt of this service are receiving the career service level while paying taxes at the volunteer level. In order to rectify this issue, changes to boundaries are required

as old municipal boundaries are no longer valid.

Public Transportation

The second service that is area rated is public transit and transportation for the disabled. The service levels prior to amalgamation were considerably different throughout the seven former area municipalities, with no service to the formerly unorganized areas. To harmonize the service to one level would require significant budget increases. However, harmonizing service levels outside the core city could be accommodated.

As a result, two distinct service levels were developed for area rating and they are as follows:

Commuter - Former area municipalities except the former City of Sudbury, which provided service along main arteries with fewer daily trips.

Urban - Former City of Sudbury, which provided more frequent service along both main arteries and some residential streets.

There is no area rate for the former unorganized areas as there is no transit service provided in these areas.

The transportation area rate is based on a combination of transit costs and transportation for the disabled costs. The transit cost for each area is allocated based on the number of service hours provided in each area. At inception, the transit cost split was 82%/18% between the urban and commuter areas. Over the past few years, additional service hours have been allocated to the commuter area, resulting in a revised calculation of 80%/20%. The transportation costs for the disabled are allocated based on the historical actual cost in each service area. The transit costs coupled with the transportation for the disabled costs for each area divided by the weighted assessment for that area generates the transit area rate.

The following illustration reflects the calculation of rates for 2015:

	Urban (\$ millions)	Commuter (\$ millions)
Transit Cost	7.79	1.95
Transportation Disabled Cost	<u>1.85</u>	<u>1.10</u>
Total	9.64	3.05
Weighted Assessment	11,971	7,830
Residential Area Tax Rate	.0805%	.0389%

Once these rates are calculated they are then applied to the Current Value Assessment of the property to generate the taxes related to transportation services.

Affects of Area Rating for 2015 Taxation

Taxation for properties in the City of Greater Sudbury use three tax rates to determine the total taxation for a property. The only exception would be the annexed areas of the City, which receive no transit service, therefore, would only apply the general tax rate and the fire area tax rate to the Current Value Assessment to determine the total taxation of the property. The chart below reflects the tax impact by area.

	Career/Urban Composite/Commuter Volunteer/Commuter Volunteer			
General Taxation	\$2,130	\$2,130	\$2,130	\$2,130
Fire Services Taxation	\$327	\$234	\$139	\$139
Transportation Services Taxation	\$176	\$85	\$85	\$0
Total Taxation	\$2,633	\$2,449	\$2,354	\$2,269

The chart above reflects the 2015 municipal taxation for a home assessed at \$230,000 (2015 phased in assessment of \$218,550).

Summary

The area rating system currently utilized for taxation purposes came into existence with the amalgamation of the new City of Greater Sudbury. Council may request that staff review the current system and recommend potential changes.