



INFORMATION SESSION

Presented by

The Municipality of Killarney

August 24th, 2016 – Ward 2 - Public Input Meeting

August 25th, 2016 – Ward 1 - Public Input Meeting

THE RESOLUTION

Resolution No. 16-197 below was passed at the May 18th, 2016 Regular Council Meeting:

MOVED BY: PIERRE PAQUETTE

SECONDED BY: NANCY WIRTZ

BE IT RESOLVED THAT the Council direct staff to investigate the cost of having a study which will look into the feasibility of the implementation of an area rating system for the Municipality of Killarney.

FURTHER THAT two Public Information nights be setup, one in Ward 1 and one in Ward 2, and MPAC representatives be present to address questions.

CARRIED

SPECIAL SERVICES – AREA RATING

- **What is special services/area rating?**
 - Most often it is referred to as “area rating”. The Municipal Act which governs Ontario municipalities states under Section 326 that a municipality may adopt a special services by-law for a service or activity that is not being provided or undertaken generally throughout a municipality. Attached for your information is a copy of Section 326 extracted from the Municipal Act.

SPECIAL SERVICES – AREA RATING continued

- Examples of various items which are area rated in some Municipalities:

Northeastern Manitoulin and the Islands (Little Current):

- Roads
- Fire Protection
- Sidewalks
- Recycling & Garbage Pick-Up
- Marina Expenses
- Crossing Guards

The City of Greater Sudbury:

- Fire Services
- Transit

The Township of North Huron (Wingham):

- Policing
- Street Lighting
- Long Term Debt

SPECIAL SERVICES – AREA RATING continued

BACKGROUND

- Amalgamation took effect on January 1, 1999 (*whereby the Township of Rutherford & George Island annexed 14 unorganized townships*);
- Then on January 1, 2001 a number of islands were annexed from the Town of Northeastern Manitoulin and the Islands (*this was part of their amalgamation order*). These acquired islands formed part of Ward 1;
- The new Municipality of Killarney is vast, over 157,800 hectares, touching on three districts, Manitoulin, Sudbury and Parry Sound – it is an enormous area to service;
- Various ratepayers in the outlying areas have indicated that their taxes are too high, further that the present taxation system is unfair as some ratepayers are paying for services they cannot or do not utilize. Some examples of items that could possibly be area rated: Fire Department Expenses, Street Lighting Expenses, Community Centre Complex Expenses, Curbside Garbage Collection Expenses, Policing Expenses, Sidewalk Expenses and Airport Expenses.

SPECIAL SERVICES – AREA RATING continued

BACKGROUND continued

- Services that cannot be identified as a special service: Health programs and services under Part II of the Health Protection and Promotion Act (Municipal Act, 2001 Ontario Regulation 585/06);
- An Area Rating report was prepared by staff in July 2012 which showed that village ratepayers do receive some municipal services that are not available or utilized by ratepayers outside the village;
 - On August 8th, 2012, Resolution 12-183 was brought forward: BE IT RESOLVED THAT the Council for the Municipality of Killarney proceed to implement some form of Area Rating as per Section 326 of the Municipal Act, 2001 or a user fee/surcharge to rationalize service costs across the Municipality. This resolution was defeated.
- The Municipality has implemented user fees for various memberships, passes, rentals, etc. ensuring that users pay;

SPECIAL SERVICES – AREA RATING continued

BACKGROUND continued

- MPAC takes various components of a property into consideration to arrive at the valuation/assessment of a property. Adjustments are applied to a number of property variables including no access and no hydro, and this will be explained a bit later in the presentation by MPAC;
- Taxes are not a fee for service, property taxes are based on the assessed value of your property and not on the value of the municipal services a property owner may or may not use. There is no legislated relationship between services provided and property value. However, some municipal services for example, water/sewer service, road maintenance, etc. may have a direct impact on the assessed value of a property;
- 28 municipalities were polled, asking if they area rated, the results were:
 - 22 had not implemented any form of area rating,
 - 6 did area rate some services.

SPECIAL SERVICES – AREA RATING continued

- If it is determined by Council to proceed to implement a special services by-law (area rate) there may be various tax rates for different areas of our Municipality. Further, depending on the items that could be area rated in conjunction with sharing the revenues generated in the village, the Ward 2 as well as Ward 1 tax rate could also increase. It is a complex matter that requires extensive and careful consideration.

THE PROCESS

- Following the passage of Resolution No. 16-197, the Deputy Clerk commenced working on information to be presented at the public meetings.
- The Clerk contacted:
 - Township of the Archipelago
 - Area rated since amalgamation - “in-house”.
 - Ontario Municipal Board order dated March 27th, 1980 - two areas (North and South)
 - Northeastern Manitoulin & the Islands (NEMI) - “in-house”.
 - The “area rating” was a negotiated process at amalgamation as the Island Ratepayers were against the amalgamation so this was considered a fair solution to appease the ratepayers;
 - NEMI is the only municipality on Manitoulin Island that has more than one tax rate.
 - Latchford
 - A Review was done 5 years ago and had nothing to do with special services/area rating – it was a third party internal administration review
 - Latchford does not area rate

THE PROCESS - continued

- Council has not directed staff to prepare the request for proposal for a third party area rating/special service report
- Although, Staff approached a firm for an approximate estimate to conduct such a study
- Fee would not exceed \$ 20,000 (excluding HST)
- Review of various emails from ratepayers
- Spoke with our MMAH Representative – Bryan Searle – regarding issues
- Reviewed information from Port Hope
- MPAC was requested to attend the public meetings to provide information and answer questions
- MMAH Representative – Bryan Searle was asked to facilitate the meetings but advised that MMAH does not offer this service any longer
- Further investigation by staff may be required following the public meetings as it relates to investigating the feasibility of the implementation of an area rating system for the Municipality of Killarney

GENERAL INFORMATION

- Section 326 of the Municipal Act speaks to a special services by-law which a municipality may adopt for a service or activity not being provided or undertaken generally throughout the municipality or is being provided or undertaken at different levels or in a different manner in parts of the municipality.
- Expenses in both Ward 1 and Ward 2 is in excess of what is generated from taxation – the charts will show that these shortfalls are funded by the Payment-in-Lieu's (PIL) received from the Parklands and Railway. It is the revenues received from basically the parklands that allows the municipality to keep the tax rate down. (Will be explained later in the presentation)

Introduction

- The purpose of this part of the presentation is to provide the Municipality's financial information.
- Please refrain from asking questions until the end of the presentation.

GLOSSARY – ACRONYMS USED DURING THE PRESENTATION

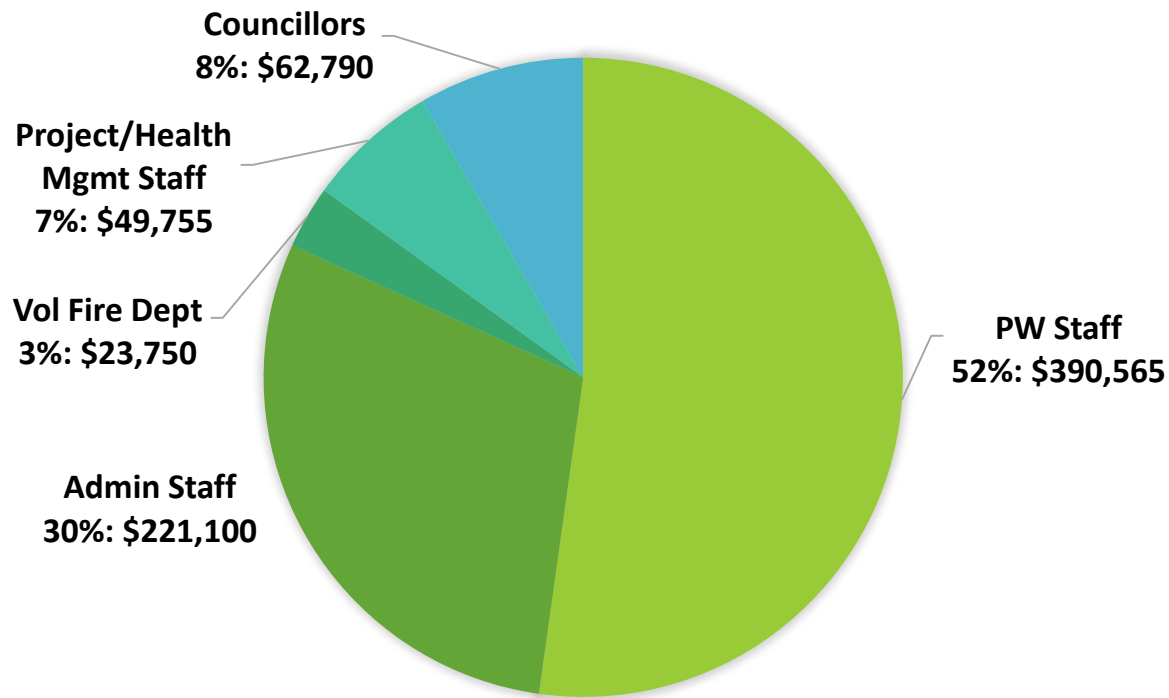
- MPAC: Municipal Property Assessment Corporation
- CBO: Chief Building Official
- SDHU: Sudbury District Health Unit
- SEPB: Sudbury East Planning Board
- DSSAB: District Social Services Administration Board
- OMPF: Ontario Municipal Partnership Fund
- OPTA: Online Property Tax Analysis
- MMAH: Ministry of Municipal Affairs and Housing
- PIL: Payment-in-Lieu of taxes

Presentation Outline

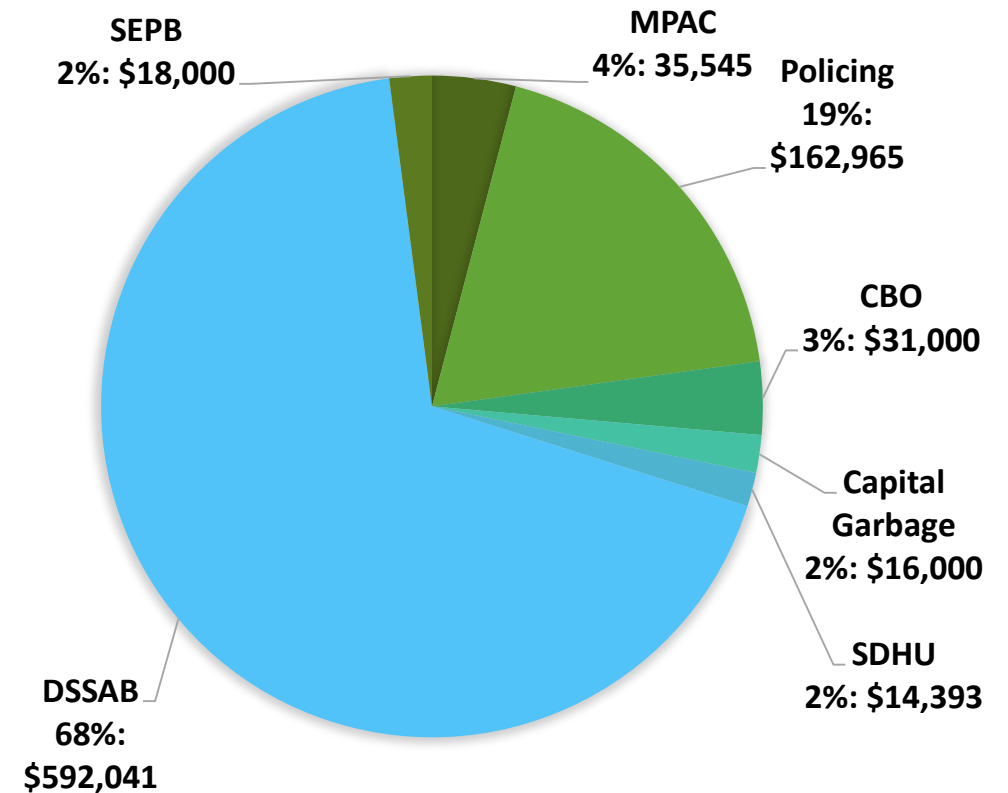
- Part 1: 2016 Budget Allocation – Education Excluded
- Part 2: Residential Tax Rate and Education Rate Comparison
- Part 3: 2016 Residential Tax Rate and Education Rate Comparison in the Sudbury Area
- Part 4: Municipal Tax Breakdown – Ward 1, Ward 2, Provincial Parks and Railway
- Part 5: 2016 Budget Expenses with Fixed Costs (40.811%) Removed
- Part 6: Tax Balance as per 2016 budget
- Part 7: Taxation, User Fees, Rents and Miscellaneous Revenues

Part 1: 2016 Budget Allocation – Education Excluded

Wages/Honorarium: \$747,960 (35%)



Mandated Fixed Expenses: \$ 869,944 (41%)



- MPAC: Municipal Property Assessment Corporation
- SDHU: Sudbury and District Health Unit
- DSSAB: District Social Services Administration Board
- CBO: Chief Building Official
- SEPB: Sudbury East Planning Board
- PW: Public Works

Chart# 1A

KEY NOTES

- POLICING 7.6% of the budget allocation: Beginning 2015, our OPP cost is increasing by \$40,000 per year for 5 years - **\$40,000 PER YEAR REPRESENTS A 2% INCREASE IN OUR TAX RATE**
- **The Mandated Costs for DSSAB and Policing amounts to 87% of the total fixed expenses.**
- The Fixed Costs (41%) and the Staff Wages and Council Honorarium (35%) totals 76% of the revenues generated by taxes only, which leaves **24% for the operating costs of the Municipality.**

Part 2: Residential Tax Rate and Education Rate Comparison

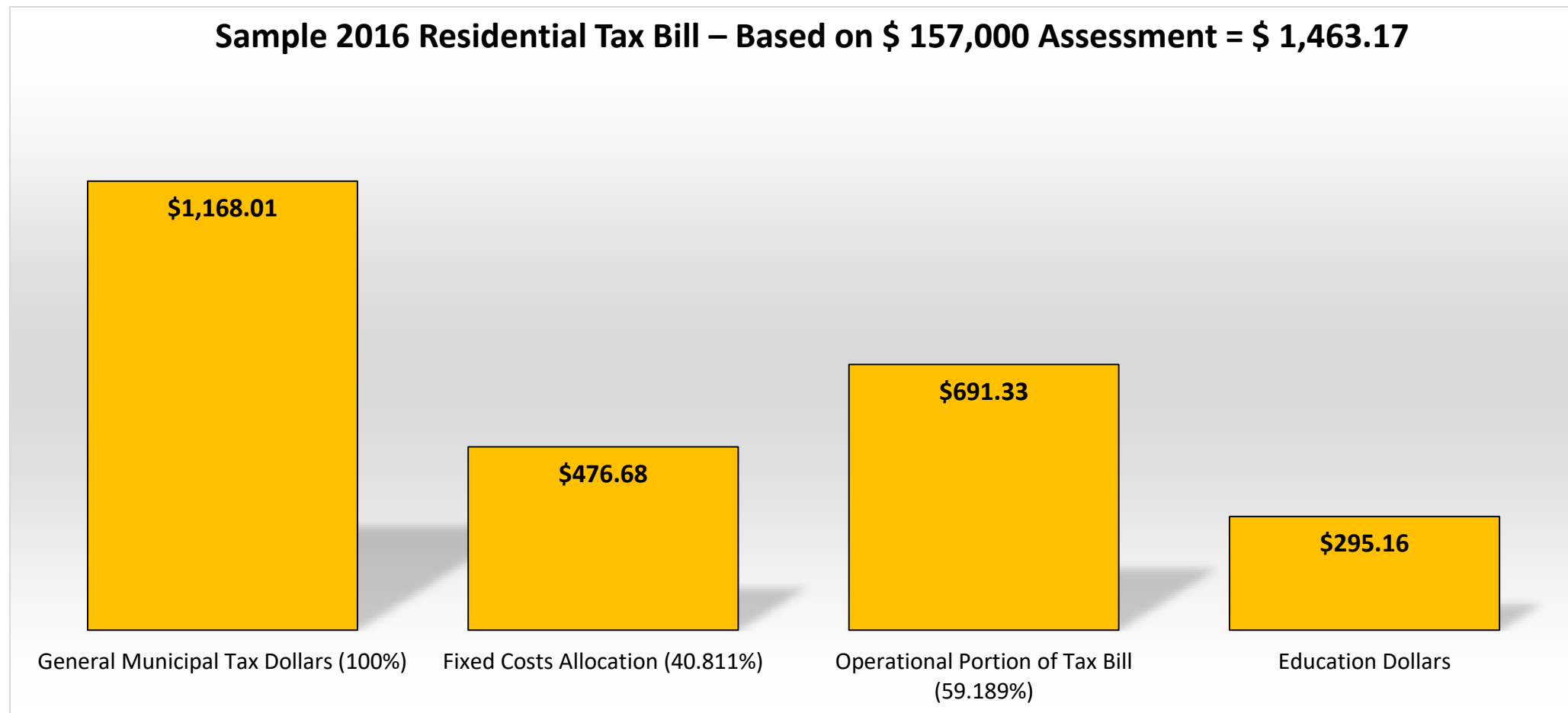
TAX BILL BREAKDOWN:

Based on \$157,000 (median as per OPTA is specific to Killarney) of assessment for Residential Class:

\$ 1,463.17 Total Tax Bill
(\$ 295.16) Education
(\$ 476.68) Fixed Costs
\$ 691.33

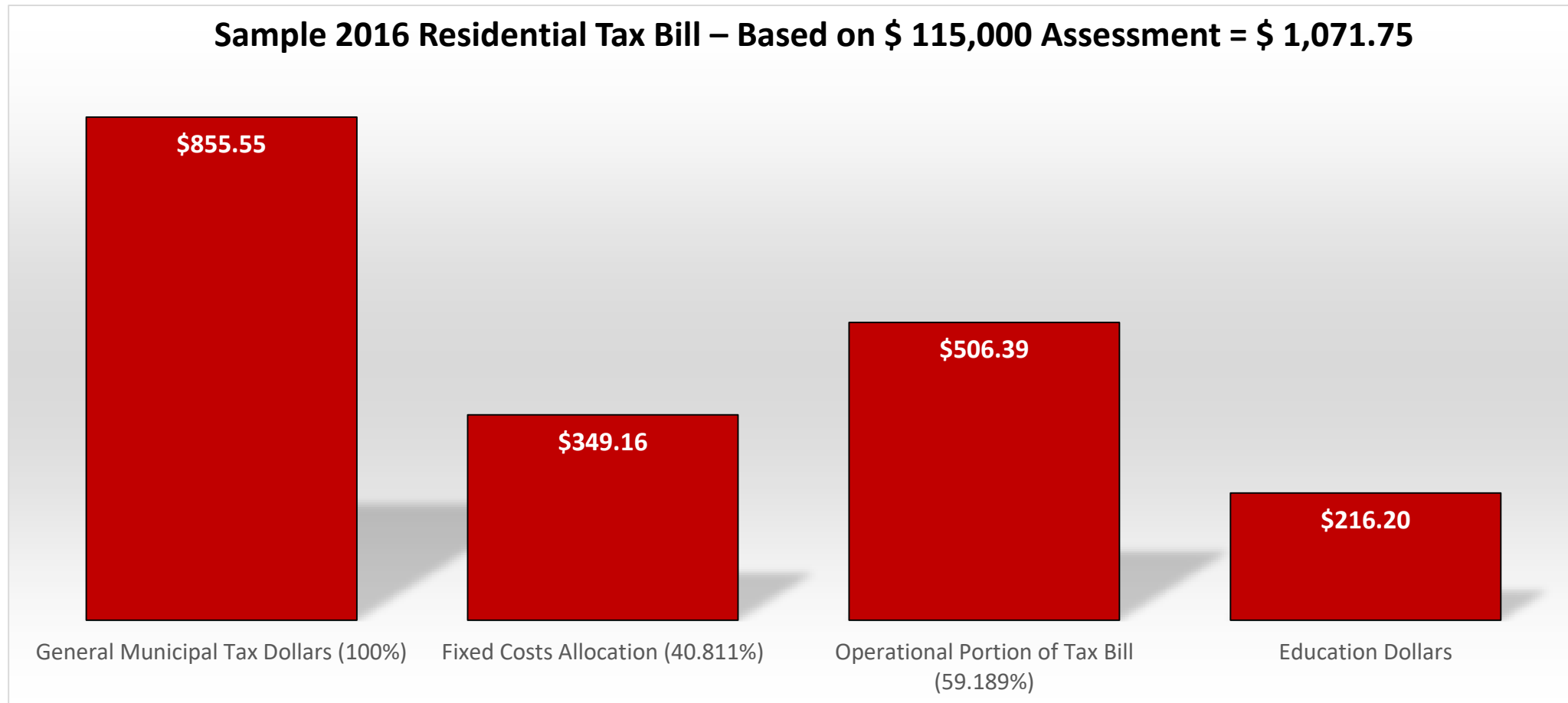
Therefore, all that is left for the operational expenses from this tax bill is \$ 691.33. Equivalent to 47.25% of the total tax bill!

Part 2: Residential Tax Rate and Education Rate Comparison

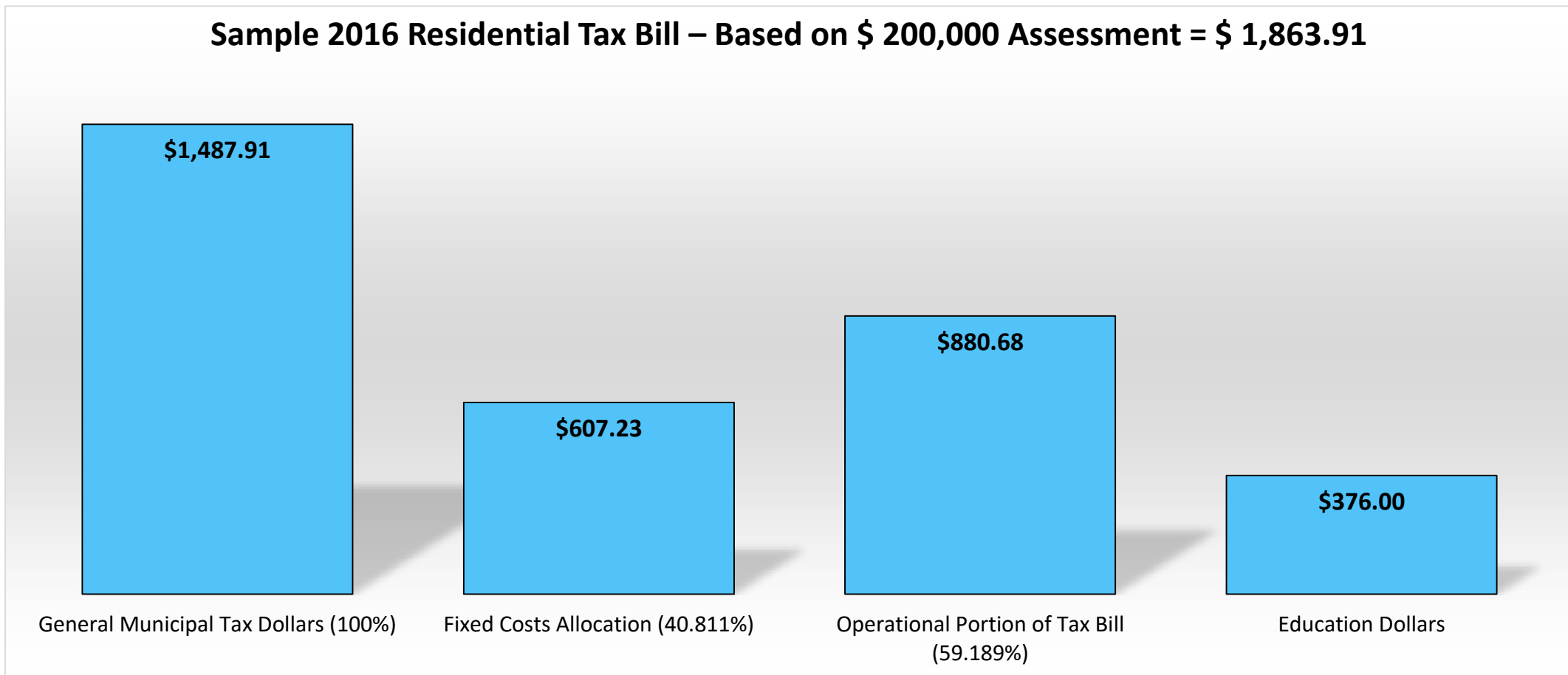


Chart# 2

Part 2: Residential Tax Rate and Education Rate Comparison



Part 2: Residential Tax Rate and Education Rate Comparison



KEY NOTES

A Tax Bill OF \$ 1,463.17 is distributed as follows (including Education):

20.17% to education boards as directed by ratepayer's school support

32.58% to fixed costs, includes education portion

47.25% to 2016 operational expenses, includes education portion

The same Tax Bill without education on the amount of \$ 1,168.01 is distributed as follows:

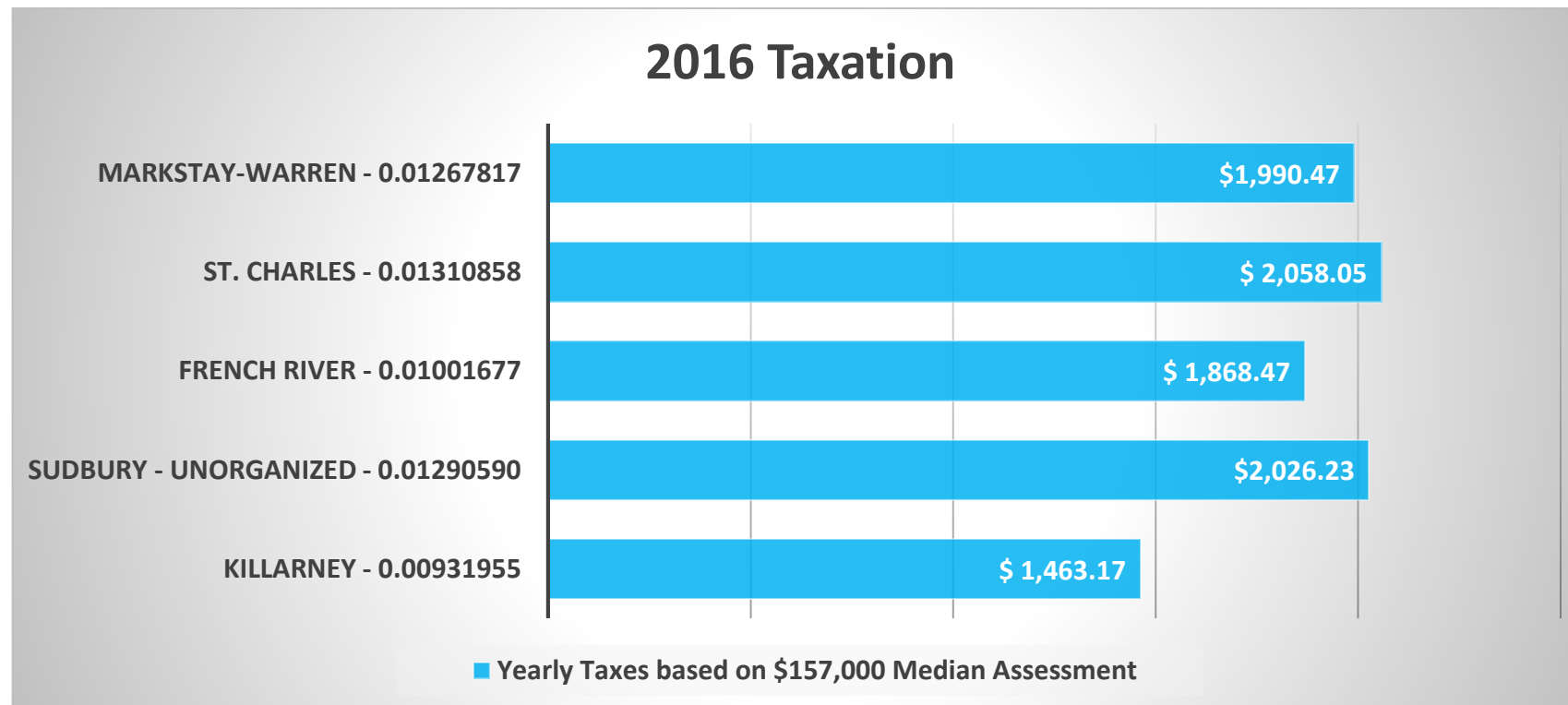
40.811% to fixed costs

59.189% to 2016 municipal operation expenses

Municipal Portion Cost per Month contributing to the Operation of the Municipality:

- On a **\$ 115,000** of assessment, a ratepayer contributes
\$ 42.20 per month or \$ 506.39 per year
- On a **\$ 157,000** of assessment, a ratepayer contributes
\$ 57.61 per month or \$ 691.33 per year
- On a **\$ 200,000** of assessment, a ratepayer contributes
\$ 73.39 per month or \$ 880.68 per year

Part 3: 2016 Residential Tax Rate and Education Rate Comparisons in the Sudbury Area



KEY NOTES

2016 Taxation per \$157,000 of Median Assessment:

Markstay-Warren	\$ 1,990.47
St. Charles	\$ 2,058.05
French River	\$ 1,868.47
Sudbury Unorganized	\$ 2,026.23
Killarney	\$ 1,463.17

Comparisons of tax rates to Killarney's rates:

Markstay-Warren's taxes are 36.04% or \$527.30 higher

St. Charles' taxes are 40.66 % or \$594.88 higher

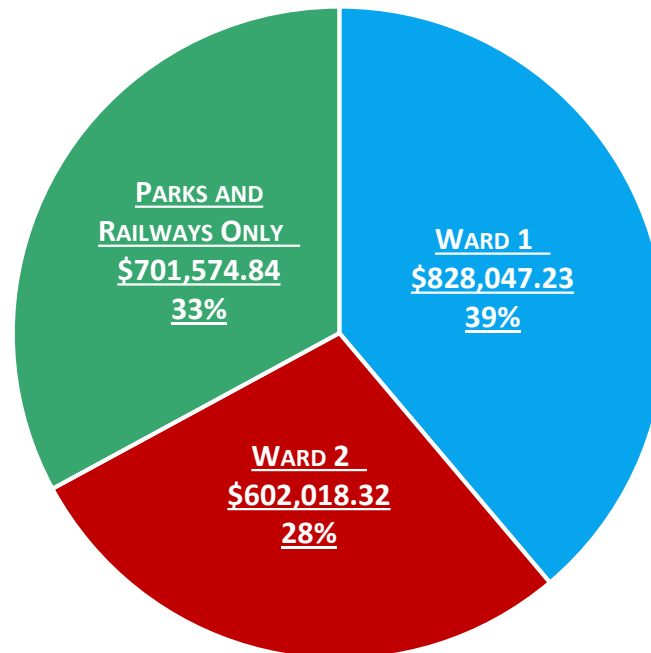
French River's taxes are 27.70 % or \$405.30 higher

Sudbury – Unorganized's taxes are 38.48% or \$563.06 higher

The main reason for Killarney's lower tax rate is due to the provincial parks and railway, being one third of our tax revenues (\$701,574.84) in 2016.

Part 4: Municipal Tax Breakdown – Ward 1, Ward 2, Provincial Parks and Railway

2016 Municipal Tax Revenue - Separating
Provincial Parks - No Education



KEY NOTES

Provincial parks are **not included** in the distribution of the expenses and tax generated revenues. Therefore, the percentage allocation to the wards are as follows;

Ward 1: 57.90%

(Total of Revenues Ward 1 - \$ 828,047.23 / Total of Taxation Revenues for Ward 1 and 2 - \$ 1,430,065.55)

Ward 2: 42.10%

(Total of Revenues Ward 2 - \$ 602,018.32 / Total of Taxation Revenues for Ward 1 and 2 - \$ 1,430,065.55)

The next portion of the presentation provides the costing and revenues for Ward 1 and Ward 2 without the provincial parks and railways to show the effect that the parks and railway have on the municipality.

Please see attached 2016 Assessment Values chart.

Ward 1 Tax Revenues:	\$ 828,047.23
Ward 2 Tax Revenues:	\$ <u>602,018.32</u>
TOTAL TAX REVENUES	\$ 1,430,065.55

Part 5: 2016 Budget Expenses with Fixed Costs (40.811%) Removed

Ward 1

Tax Revenues	\$ 828,047.23
Fixed Costs	<u>(\$ 337,934.36)</u>
Balance of Revenues	\$ 490,112.87
Revenues (Grants, Rents, Misc Revenues)	\$ 1,093,521.08
Expenses – Operational	<u>(\$ 1,920,993.68)</u>
Shortfall	(\$ 337,359.73)

Ward 2

Tax Revenues	\$ 602,018.32
Fixed Costs	<u>(\$ 245,689.70)</u>
Balance of Revenues	\$ 356,328.62
Revenues (Grants, Rents, Misc Revenues)	\$ 309,514.92
Expenses - Operational	<u>(\$ 743,737.32)</u>
Shortfall	(\$ 77,893.78)

Provincial Parks and Railway

Revenues (Municipal Tax Dollars)	\$ 701,574.84
Expenses (Fixed costs)	<u>(\$ 286,321.33)</u>
Net Revenues	\$ 415,253.51

Total:

Shortfall Ward 1:	(\$ 337,359.73)
Shortfall Ward 2:	<u>(\$ 77,893.78)</u>
Total Shortfall	(\$ 415,255.13)
Revenues Parks and Railway:	\$ 415,253.51
Less Shortfall (above)	(\$415,255.13)
Difference	(\$ 1.62)

KEY NOTES

- The Provincial Parks and Railways contribute to the required taxation revenues to offset the shortfall in both wards.
- If not for the Parks and Railways, our taxation revenues would be required to increase by approximately 32.91%.
- Our OMPF grant has been decreasing by approximately \$40,000 per year which represents a 2% increase in our tax rate. Further, there have been yearly increases of approximately 2% to policing cost. These two items alone represent an additional 4% increase to the Municipality.

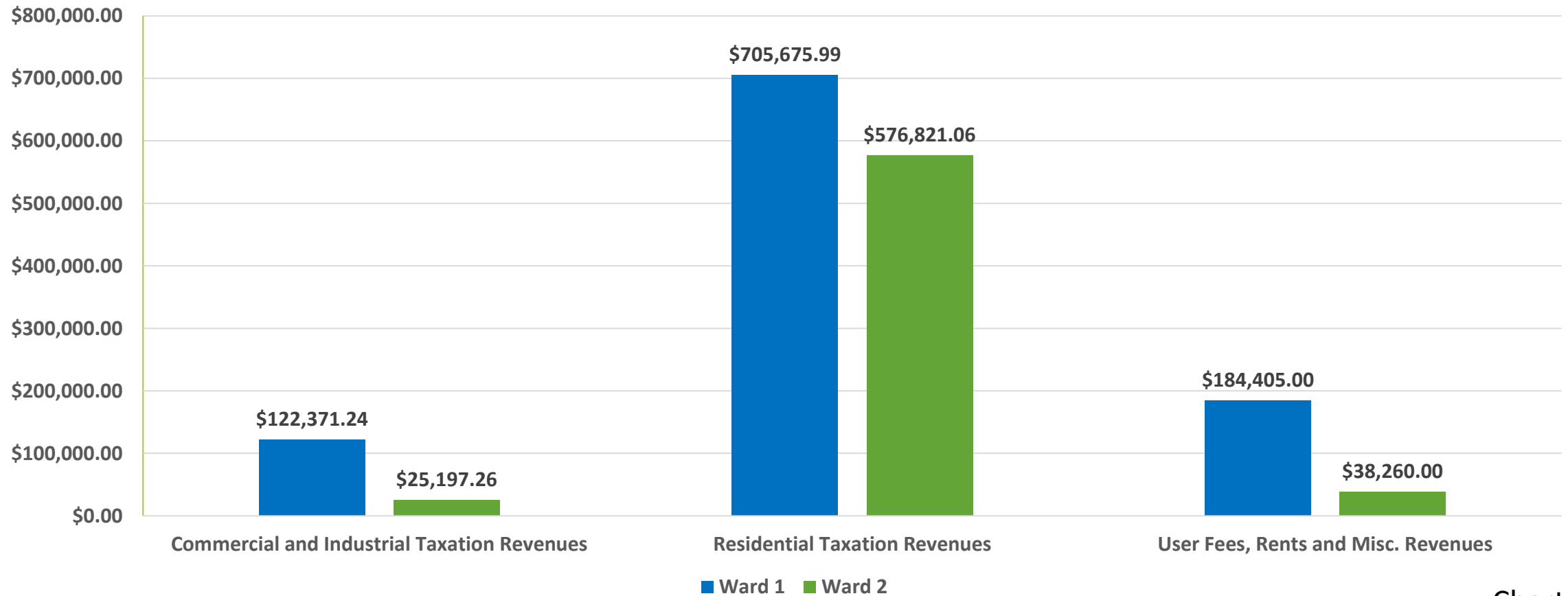
Part 6: Tax Balance as per 2016 budget

- Total of 2016 Budget balances to the 2016 Approved budget
 - Allocated Expenses, including Fixed and Operational costs: ***\$ 4,037,000**
 - Total 2016 Budget (Chart# 9): **\$ 4,037,001**
 - DIFFERENCE OF \$1.00 DUE TO ROUNDING

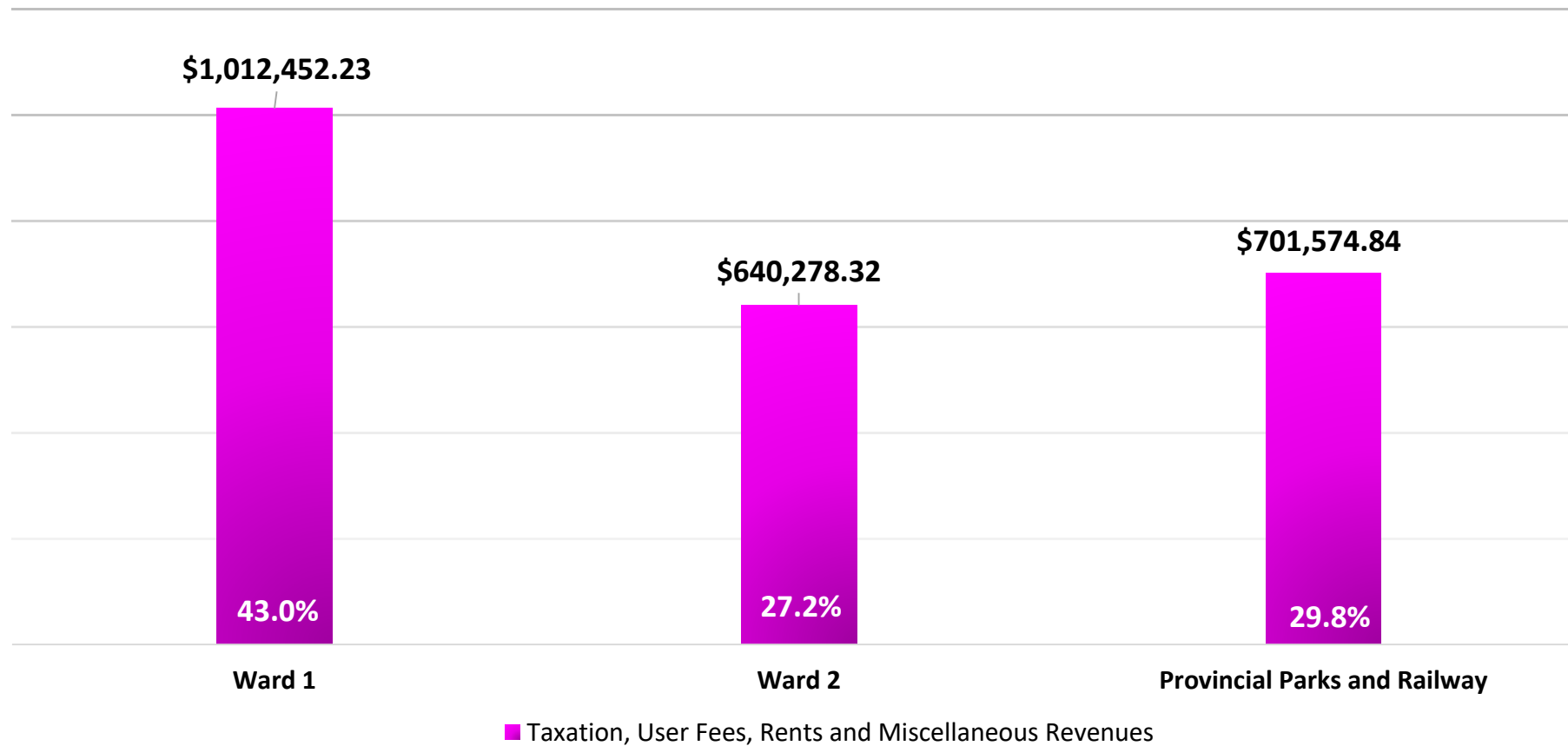
*** The 2016 Budget Balance includes \$ 502,325 for water and sewer fees which are collected from users only**

- Tax Revenues balances to the 2016 By-law# 2016-19 adopting 2016 tax rates
 - Total Municipal Tax Revenues, including both Wards, Provincial Parks and Railways: **\$ 2,131,640.39**
 - Total General Municipal, included in By-Law minus the Education tax portion: **\$ 2,131,640.32**
 - DIFFERENCE OF \$ 0.07 DUE TO ROUNDING

Part 7: Taxation, User Fees, Rents and Miscellaneous Revenues (Less Grant Revenues)



2016 Taxation, User Fees, Rents and Miscellaneous Revenues



KEY NOTES

User Fees, Rents and Miscellaneous Revenues Generated per Ward:

Ward 1: \$ 184,405

Ward 2: \$ 38,260

TOTAL: \$ 222,665

The above revenues are currently shared by all ratepayers.

CONCLUSION

- Council will consider all the information gathered at the two public meetings and has established a public comment period during which time comments will be accepted from the public on the issue of special services (area rating).
- Many of our ratepayers are unaware of this proposed process and to be fair to all, the comment period will follow these public sessions. **The comment period will begin September 1st and conclude on September 30th, 2016.**
- We need to hear from our ratepayers... **Please send in your comments – YOUR OPINION MATTERS.**
 - **By Fax/Mail/Email to the Attention of the Clerk, Candy Beauvais:**
 - Fax: 705-287-2660
 - Mail: 32 Commissioner Street, Killarney ON P0M 2A0
 - Email: cbeauvais@municipalityofkillarney.ca
- Council will then consider all the relevant materials and determine if they will proceed with the implementation of a special services rate for the Municipality of Killarney.