

**TOWN OF GRIMSBY SEWER LEVY REVIEW
PRELIMINARY DISCUSSION
FRAMING ISSUES AND OPTIONS**



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INTRODUCTION AND PURPOSE – SEWER LEVY REVIEW

- The Town has enlisted the assistance of MTE to review the manner in which the Town currently funds wastewater costs and to support staff and decision makers in considering whether an alternative approach might be desired at this juncture
- A high-level preliminary review of the Special Local Sewer Levy, or Special Area Rate (SAR) that the Town has traditionally relied upon was published in June of 2021
- We are currently in the planning/research stage of a more comprehensive report that we anticipate will be available in early to mid-fall
- The first report only looked at existing practices, the pending study will consider potential avenues for reform and change



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SEWER LEVY REVIEW – SCOPE AND FOCUS

- The scope and focus of this immediate exercise, and MTE's mandate in general is quite narrow
- We are only looking at how required revenues are raised, and ultimately shared amongst users and taxpayers in general
- This exercise will not consider, and will have no direct impact or implications for discussions or decisions regarding:
 - The annual or ongoing costs of providing water or wastewater services;
 - The total amount to be raised in any given year; or
 - Any subjective opinion regarding value, efficiency or service delivery



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SEWER LEVY REVIEW: CORE PURPOSE AND OBJECTIVE

- The core purpose and objective of this review is to consider whether the Sewer Area Rate continues to meet the Town's current goals, preferences and objectives
 - While it is necessary to look at its current form and function, the objective is to provide a basis for considering what would be the best approach for the future rather than consider what has been done in the past
- This in mind, the discussion themes we want to support with our review and analysis are:
 - Does the Town's Sewer SAR match current objectives and preferences?
 - How does it fit with prevailing practices across Niagara and the Province?
 - Are there improvements that could be made?
 - What impacts might be expected under various reform scenarios?



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TODAY'S GOALS

The purpose of today's presentation and discussion is three-fold:

- 1) Provide Staff and decision makers with a general overview and understanding of core municipal revenue options;
- 2) Examine the Town's current Sewer SAR in greater detail, including a look at some potential risks and weaknesses that we have identified; and
- 3) Solicit some preliminary thoughts and preferences so that we can better focus and target our analysis



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TODAY'S AGENDA

In order to meet our stated goals, we will work through the following agenda

- Review and Discussion of the Town's Sewer SAR;
- A comparative look at how other municipalities fund sewer costs;
- Overview of municipal revenue options: Property Tax, Fees and Charges
- A high-level look at the spectrum of potential reform options and what each might achieve/involve; and
- An open forum discussion regarding which avenues of enquiry would be of greatest interest/value



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CONSIDERING GRIMSBY'S SEWER AREA RATE



BACKGROUND OF CURRENT LEVY MODEL

- The Town's Special Sewer Area Rate (Sewer SAR) funds the majority of its wastewater (sewer) general operating and capital budget requirements each year;
- Properties that attract this rate, and share in these costs are those that are actually connected to the Town's wastewater system
 - We will reference this as a Connection Based SAR
- Since 1998, the proportion of properties in the SAR has increased dramatically, from hundreds in 2000, to almost 10,000 now.
- For 2021, the Sewer SAR has been levied against approximately 88% of the Town's assessment base with an initial levy target set at \$6,239,750

All other factors and considerations aside, the simple fact that this levy has been in place for so long, and has changed so dramatically over time suggests some level of review is warranted



GENERAL DISTRIBUTIVE FUNCTION

- Although SARs are applied to a geographic subset of a municipality where property owners benefit from a differential of service, they still embody the form and nature of a tax
- As a tax, there is a redistributive function where each individual liability is calculated in regard to each property's value rather than how much or how little one uses a service
- Considering these points, the Town's current Sewer SAR essentially:
 - Concentrates wastewater costs on the properties connected to the system, but
 - Distributes those costs among the connected properties on the basis of property value rather than the degree to which the properties utilize the system

Whether one sees this as desirable is really a subjective question. Does the Status Quo work, or is there an interest in moving towards tying individual charges more closely to use?



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COMPLIANCE AND FUNCTIONAL CONSIDERATIONS

- The Town has traditionally imposed the Sewer SAR on a limited number of properties that are exempt from taxation
 - The overwhelming majority of these exempt properties are elementary and secondary schools
 - This poses a number of compliance and reporting issues and places the associated revenue at risk
- The roll range, or listing of properties against which a SAR is to be levied is to be set once annually
 - There is some indication that the Town adds properties to the SAR listing *inReal Time* as connections are made throughout the year
 - Administration of the levy in this manner is not contemplated and such a practice is more in line with the administration of a fee or charge

Based on our review to-date, we suggest that these functional issues should be addressed even if keeping the overall approach constant is preferred



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COMPARATIVE MUNICIPAL PRACTICE

- The Town is the only municipality in Niagara Region to use a tax levy to recover wastewater costs
- All other local municipalities where wastewater services are available rely on fees to recovery these costs from users
- Province-wide only a handful of municipalities report using a Special Sewer Levy for wastewater (sanitary sewers) or storm water systems
 - Only three, including Grimsby, reported relying solely on a levy with no user fees in 2019
- *The fact that Grimsby is unique in its approach has no direct or explicit meaning in terms of whether the Town's approach is appropriate, valid or effective in meeting local objectives*
- *It can be helpful, however, to be aware of prevailing practices and how the local approach fits*



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REGION-WIDE WASTEWATER REVENUE PRACTICES

Local Municipality	Fee Based Revenue		Sewer Tax Levy	Total
	Wastewater Fees	Stormwater Fees		
Grimsby	\$0	\$0	\$5,874,127	\$5,874,127
Fort Erie	\$10,530,006	\$94,411	\$0	\$10,624,417
Lincoln	\$1,040,582	\$0	\$0	\$1,040,582
Niagara Falls	22,355,130	\$0	\$0	22,355,130
N.O.T.L.	\$4,879,402	\$10,000	\$0	\$4,889,402
Pelham	\$1,889,539	\$0	\$0	\$1,889,539
Port Colborne	\$4,981,948	\$731,678	\$0	\$5,713,626
St. Catharines	\$27,607,813	\$43,291	\$0	\$27,651,104
Thorold	\$4,692,360	\$0	\$0	\$4,692,360
Welland	\$15,303,559	\$10,814	\$0	\$15,314,373
West Lincoln	\$1,874,616	\$0	\$0	\$1,874,616
Total	\$95,154,955	\$890,194	\$5,874,127	\$101,919,276

- This table summarizes the wastewater related revenue reported by area municipalities as part of the annual Financial Information Return (FIR)
- The reporting years are 2018 Niagara Falls, 2019 for all others
- Wainfleet does not have any municipal water infrastructure



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PROVINCE-WIDE REPORTED WASTEWATER REVENUE SOURCES

Municipal Type	Total Reporting (2019 FIR)	Fee Based Revenue			Special Sewer Levy		
		Waste Water	Storm Water	Either / Both	Tax Only	Tax + Fees	Either
Single Tiers	100	94	20	99	1	2	3
Lower-Tiers	168	155	28	162	2	3	5
Upper-Tiers	8	8	1	8	0	1	1
	276	257	49	269	3	6	9

- The overwhelming majority of municipalities reporting wastewater and/or stormwater related revenue reported it under Fees and Charges for 2019
- Only a handful reported using a special sewer levy and 2/3 of those also relied on fee based revenue



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MUNICIPALITIES REPORTING SEWER LEVY REVENUE (2019)

Municipality	Tier	Wastewater Fees		Sewer Tax Levy	
Grimsby	Lower	\$0	0.00%	\$5,874,127	100.00%
South Stormont	Lower	\$2,377,502	85.20%	\$413,055	14.80%
Tillsonburg	Lower	\$0	0.00%	\$444,812	100.00%
South Huron	Lower	\$1,824,066	82.17%	\$395,723	17.83%
Huron East	Lower	\$1,177,243	95.56%	\$54,750	4.44%
Muskoka	Upper	\$7,621,229	46.84%	\$8,648,788	53.16%
Kapuskasing	Single	\$1,452,670	56.39%	\$1,123,248	43.61%
Thunder Bay	Single	\$23,699,967	90.89%	\$2,375,478	9.11%
Nipigon	Single	\$0	0.00%	\$317,999	100.00%

- Very few municipalities levy a sewer tax and even fewer rely on one exclusively
- Tillsonburg, which used this levy to recover the County's requisition has discontinued this levy and moved to a fee



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MUNICIPAL REVENUE OPTIONS



MUNICIPAL OWN-SOURCE REVENUE OPTIONS

- Municipalities have a fairly limited range of Own-Source Revenue Options (that is excluding transfers, grants, etc.)
- Loosely grouped, these options may be summarized as follows:
 - **Property Tax (General and Special Levies);**
 - **Fees and Charges;**
 - Development Charges;
 - Licensing Fees;
 - Fines and Penalties (Local and Provincial Offenses);
 - Transient Accommodation Tax; and
 - Vacant Home Tax.
- For the purposes of this discussion, we are only focused on the property tax and direct fees/charges



REVENUE OPTIONS – PROPERTY TAX

- The property tax is provided to municipalities as their principal funding mechanism for several very specific reasons
- The attributes of this tax fit and compliment the nature, function, needs and challenges of local government extremely well
- The property tax is levied against real property as assessed, valued and classified by the assessment authority (MPAC)
 - Must be calculated using tax rates against assessed value, with all tax rates set in proportion to established tax ratios
- Municipalities must impose a **General Levy** against all property, and
- May choose to impose **Special Area Levies** as long as they fall within certain conditions and limitations



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REVENUE OPTIONS – GENERAL PROPERTY TAX LEVY

- A municipality's General Property Tax Levy applies to all properties within its jurisdiction;
- The amount that is raised is determined by need, or requirement as documented in the annual budget;
 - Put simply, a municipality's general levy is the amount of revenue it needs to raise for the year minus the revenue it expects to receive (or draw) from all other sources (grants, transfers, fees, reserves, etc.)
- Resulting revenue can be used to fund the cost of any service or expense that the municipality is required or permitted to provide, incur or plan for
- By its very nature as general tax, a municipality's general levy has a redistributive effect
 - It is calculated and levied without reference to services or benefits received by, or available to, individual properties or taxpayers; and
 - It funds services, programs and costs that are provided and drawn upon without reference to the recipient's contribution



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REVENUE OPTIONS – SPECIAL PROPERTY TAX LEVIES

- Special Property Tax Levies may be used to raise amounts with the force of taxation from a sub-set of a municipality's assessment base
- Special Levies may only be used under prescribed circumstances:
 - May only be used to fund a special service or benefit, or enhanced level of service provided to a limited geographic portion of the municipality;
 - All properties within the special area must be subject to the levy;
 - The amount to be raised cannot exceed the cost of providing the special or enhanced service or benefit to the area
- A Special Levy may be somewhat less redistributive than the Municipality's general levy in that it only applies to an area where a specific service or unique benefit is being provided
 - That said, Special Levies are imposed based on each property's value, not the degree to which a property owner benefits from or takes advantage of a special service



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REVENUE OPTIONS – FEES AND CHARGES

- Municipalities have broad authority to impose fees and charges as a means of funding or offsetting the direct costs related to:
 - Services, activities and/or goods provided by or on behalf of the municipality;
 - Expenses it incurs for services provided by another municipality or local board;
 - The use of municipal property; and
 - Capital costs related to services or activities that a person will benefit from
- The Act prohibits imposing fees that:
 - Are based solely on a person's presence or residency in the municipality
 - Based on or calculated against income
 - For products, services or the use of property unless it is provided by or on behalf of the municipality
 - The generation, harvesting, processing, etc. of natural resources



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REVENUE OPTIONS – FEES AND CHARGES

- The following characteristics are the main points that distinguish a fee from a tax:
 - Fees are generally **imposed** based on one's actual use of, or benefit from a service or thing rather than on the basis that a service or thing is being provided
 - Fees tend to be **set or calculated** based on the service, thing or product being conveyed whereas taxes are calculated in reference to a variable (income, property value, purchase price) that has no direct bearing on any specific service or thing the tax is paying for
- Because of this, fees and charges are less redistributive than taxes in that each user's contribution is based on whether they are drawing on the service and/or to what extent
 - For example, if we fund waste collection by way of a tax, a family in a \$1 million home will contribute twice what a family in a \$500,000 home will pay
 - If a flat fee were imposed, both families would pay the same amount
 - If they were charged by volume or weight, they would each pay based on their own personal service consumption level

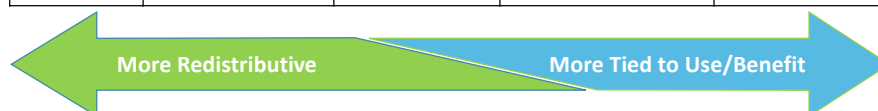


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REVENUE OPTION OVERVIEW

Revenue Option	General Levy	Special Levy	Flat Fee	Metered Fee
Local Example	General Local Property Tax	Town Sewer	Dog Tags	Variable Rate Water fees
Basis of Individual Liability	Value of real property located in municipality	Value of real property connected to wastewater system	Fixed fee for pet license regardless of the size / type of dog	User cost based on actual metered consumption



- When we consider a commodity such as water, preference in regard to funding may be more subjective
- For other costs such as social services, poverty relief efforts, etc... we must rely on the redistributive function of taxation



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FRAMING THE DISCUSSION & CONSIDERING OPTIONS



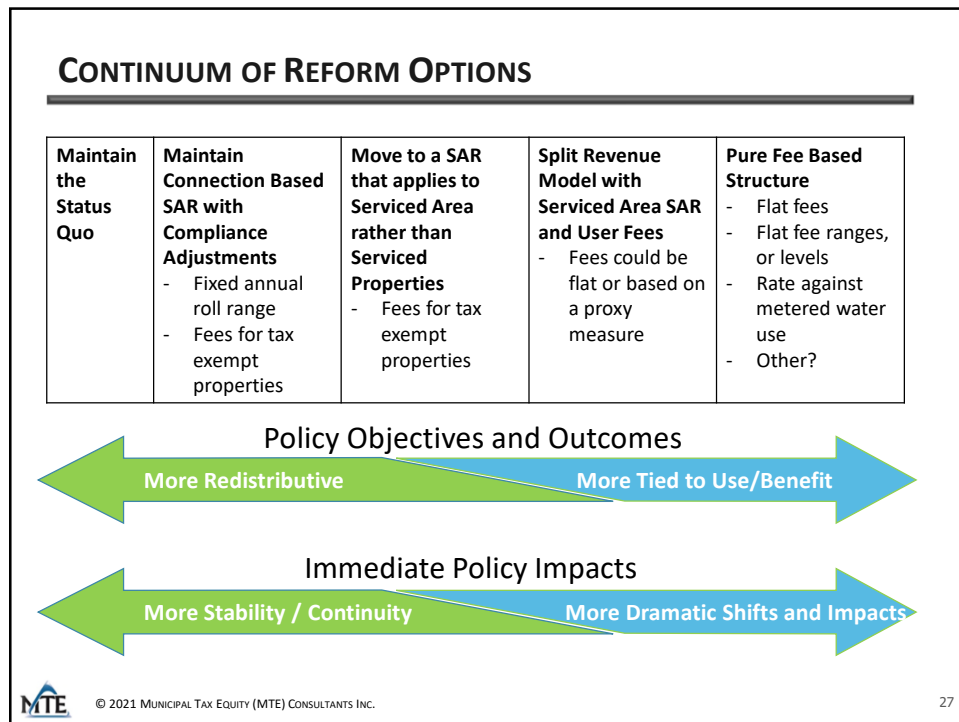
CONNECTING OPTIONS & OBJECTIVES & OUTCOMES

We use this Matrix often to highlight the importance of making critical connections when crafting public policy

- It is useful when considering choices when options are being selected from a rigid slate of Menu Options such choosing pre-defined optional property classes;
- We suggest it is invaluable when creating policy within less defined parameters
 - A. The **Policy Objectives**, goals or challenges to be overcome;
 - B. The **Policy Choices** or options being considered;
 - C. The **Policy Impacts** that will or may materialize immediately; and
 - D. The **Policy Outcomes** that might be expected as a result of policy implementation.
- Making the connection between the B and C may be fairly straight forward;
- Considering whether or not we can expect A to be satisfied by D is a much different exercise; and
- Even when we strike on a perfect match among A, B and D, the immediate impacts (C) limit going there
-In most cases it is about finding the right balance



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MAINTAIN THE STATUS QUO

Policy Objectives Best Served

- Maintaining consistent and familiar approach
- Minimizing any revenue shifts among ratepayer/users

Policy Option

- Carry On!

Policy Impacts

- None

Policy Outcomes that may be Expected

- No material change
- Burden is shared among connected users based on property values
- Financial / Credibility risk in regard to
 - Amounts currently being levied as a tax against tax exempt properties
 - Amounts applied to new properties and new connections mid-year, or retroactively when new properties are picked up on the assessment roll

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CONNECTION BASED SAR WITH COMPLIANCE ADJUSTMENTS

Policy Objectives Best Served

- Consistency and Minimizing any Revenue Shifts among Ratepayer/Users
- Increase compliance and reduced risk

Policy Option

- If the Town is generally satisfied with the form and function of the current Sewer SAR, this option would retain that with a couple of small adjustments to increase compliance and reduce risk
 1. Treat charges for exempt properties as fees rather than a levy
 - The amounts raised from this group of properties could remain relatively stable, it would simply be the revenue tool that would change
 2. Adhere to a fixed roll range/property listing established annually
 - This would mean that properties with mid-year connections that were not captured by the original listing would not begin contributing to the Sewer Levy until the following year



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CONNECTION BASED SAR WITH COMPLIANCE ADJUSTMENTS

Policy Impacts

- There may be some revenue shifts among the group of exempt properties currently contributing
- Small shifts off of those properties are also possible but it should be possible to manage them
- By adhering to a fixed roll listing, rather than adding rolls in real-time when new connections were made, partial year charges will cease
- All growth will be realized at year-end and this is not expected to have a material impact on overall wastewater funding

Policy Outcomes that may be Expected

- No significant change in terms of how the burden is distributed, or the overall funding capacity
- Increased compliance
- Additional revenue related to most new connections and new buildings (growth) will not be captured until the year following their connection year



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SERVICED AREA SAR VS. CONNECTION BASED SAR

Policy Objectives Best Served

- This would be consistent with the logic that properties located in serviced areas benefit generally from municipal infrastructure
 - Rather than having to rely on private infrastructure (wells and septic), enjoy an inherent benefit regardless of whether they are actually connected
- This would be more redistributive and less tied to actual draw on capacity
- Minimize administrative complexity, maximize benefits from growth

Policy Option

- Under this model the SAR would be defined by geographic area rather than by individual roll numbers, or tightly grouped roll number pockets
- Essentially, the SAR would apply to all properties where sewers are available, including vacant lots, farmland, etc. Properties in un-serviced zones would be excluded



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SERVICED AREA SAR VS. CONNECTION BASED SAR

Policy Impacts

- This would increase the pool of captured properties, thereby reducing the burden on those currently contributing to the levy

Serviced Area Properties	Count	Current		Alternate Model		Difference	
		Sewer Levy	Total Tax	Sewer Levy	Total Tax	\$	% of Total Tax
Existing SAR	10,021	\$6,146,900	\$5,923,000	-\$223,900	-\$223,900	\$6,146,900	-0.38%
Newly Captured	532	\$0	\$224,000	\$224,000	\$224,000	\$0	10.18%
Total	10,553	\$6,146,900	\$6,147,000	\$100	\$100	\$6,146,900	0.00%

- This approach would also be effective in capturing new properties and new builds in real-time
 - A vacant lot would contribute a fraction of what would be levied against a similar property with no building and therefore no connection
 - The new building would be subject to a supplementary or omitted assessment effective at occupancy



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SERVICED AREA SAR VS. CONNECTION BASED SAR

Policy Outcomes that may be Expected

- The burden would be distributed across a broader base and carried by those whose properties do, will or may benefit from the sewer system
- There would be no change in the manner of distributing the burden, each person's share would still be based on the value of their property, not their actual draw on the system

Additional Comments for Consideration

- Whether one feels that a property which is not connected to the sewer actually benefits from it or not is a subjective matter
 - One could argue that properties in serviced zones have greater potential, would be less expensive to press into service, and have more available land because they don't need to account for private wells or septic
 - Or, the benefit could be considered more general in nature in that an effective sewer system protects the health and livability of the community in general and even private assets such as wells, farmland, etc.
 - The other view would be that this is a utility and you either draw on the service or you don't



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HYBRID: SERVICED AREA SAR + USER FEES

Policy Objectives Best Served

- This would be consistent with the logic that properties located in serviced areas benefit generally from municipal infrastructure (capital)
- BUT, that those actually connected should be paying a larger share because they are drawing on the system capacity and operating resources

Policy Option

- Under this model the SAR is defined by geographic area as with the previous option
- The amount recovered via the SAR levy would be reduced and the remainder raised by direct user fees, most likely as part of the existing water billing process
 - The issue of whether flat fees, a sliding scale or a proxy for use (water use) were to be used would need to be considered carefully
 - It would also be necessary to determine what the overall Revenue vs. Fee Split would be



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HYBRID: SERVICED AREA SAR + USER FEES

Policy Impacts

- The pool of captured properties would increase but the impact on the those added in would be lessened by the user fees paid by connected properties

Serviced Area Properties	Count	Current Sewer Levy	Alternate Model			Difference	
			Sewer Levy	User Fee	Total	\$	% of Total Orig. Tax
Existing SAR	10,021	\$6,146,860	\$2,961,400	\$3,076,400	\$6,037,800	-\$109,100	-0.18%
Newly Captured	532	\$0	\$112,000	\$0	\$112,000	\$112,000	5.09%
Total	10,553	\$6,146,860	\$3,073,400	\$3,076,400	\$6,149,800	\$2,900	0.00%

- This illustrative model is based on the following parameters:
 - A 50/50 split between the amount to be raised by tax and the amount to be raised by fees
 - A flat fee of \$307 per connected user



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HYBRID: SERVICED AREA SAR + USER FEES

Policy Impacts (continued)

- What is critical to consider is that when we add in the fees, we introduce a completely new manner of distributing the burden among existing users
- These users currently share in the total levy based on the proportional value of their property
 - Each users share of the tax portion will remain relatively constant on a % basis,
 - They will all pay the same fee, which means that the distribution of the second \$3 million will be uniform or flat

Property Values (CVA)	#	Current Sewer Levy		Model Levy		Flat Fee (\$307)		Difference		
		\$	Share	\$	Share	\$	Share	Total	Average Property	%
< 250,000	901	\$237,500	4%	\$114,600	4%	\$276,600	9%	\$153,700	\$170.59	64.72%
250 – 500 K	7,146	\$3,426,300	56%	\$1,652,400	56%	\$2,193,800	71%	\$419,900	\$58.76	12.26%
500 – 750 K	1,617	\$1,228,700	20%	\$592,600	20%	\$496,400	16%	-\$139,700	-\$86.39	-11.37%
750 – 1 Mil	170	\$209,100	3%	\$100,900	3%	\$52,200	2%	-\$56,100	-\$330.00	-26.83%
1 – 2 Million	127	\$306,400	5%	\$147,800	5%	\$39,000	1%	-\$119,700	-\$942.52	-39.07%
> 2 Million	60	\$739,000	12%	\$353,200	12%	\$18,400	1%	-\$367,300	-\$6,121.67	-49.70%



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HYBRID: SERVICED AREA SAR + USER FEES

Policy Outcomes that may be Expected

- This model incorporates a fundamental change to the way a significant portion of the burden is shared in that all connected users would contribute the same amount with no consideration for the size, value or classification of their property
 - Because of this, we move away from a redistributive function where shares are based on property value, to a more direct fee for service model
- Because the model shown here uses a flat fee, what each user pays on the fee side still has no reference to the actual demand they put on the system
 - It is essentially a Yes/No proposition
 - If metered water use or an alternate proxy for system draw were used, the inter-property shifts might be softened, however, thorough analysis would need to be undertaken



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FULL FEE-BASED MODEL

Policy Objectives Best Served

- A full fee-based revenue model would mean that those actually using the sewers would pay
 - This is the case now, however, under the tax model they are sharing in the cost based on property value
 - A full fee-based model distribute the burden based on the actual service being provided rather than an unrelated variable

Policy Option

- The municipality would have to choose whether each user would contribute the same amount or if the costs will be distributed based on degree of use
 - With a flat fee, everyone connected would pay the same
 - Metered or proxy metered charges would mean each user would pay based on the system capacity they are using
 - A mix of flat and metered would see a portion of each bill based on the connection, and the rest tuned to use (this is how water is currently billed)



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FULL FEE-BASED MODEL

Policy Impacts

- The pool of captured properties would remain the same but there would be shifts among users because they would be paying based on their sewer connection or use, rather than their property's value
 - This illustrative model is based on a flat fee of \$622 per connected user

Property Values (CVA)	#	Current Sewer Levy		Flat Fee (\$622)		Difference		
		\$	Share	\$	Share	Total	Average Property	
< 250,000	901	\$237,500	4%	\$560,400	9%	\$322,900	\$362	139%
250 – 500 K	7,147	\$3,426,800	55%	\$4,445,400	71%	\$1,018,600	\$142	30%
500 – 750 K	1,617	\$1,228,700	20%	\$1,005,800	16%	-\$222,900	-\$138	-18%
750 – 1 Mil	170	\$209,100	3%	\$105,700	2%	-\$103,400	-\$608	-49%
1 - 2 Million	128	\$308,600	5%	\$79,600	1%	-\$229,000	-\$1,788	-74%
> 2 Million	69	\$829,000	13%	\$42,900	1%	-\$786,100	-\$11,388	-95%

- We must expect the burden to shift from high value to lower value properties
 - Currently a residential property with a CVA of 482,000 pays approximately \$622 in annual sewer levy taxes and will see little change
 - Residential properties valued less will see an increase, those valued higher will decrease
 - This “balance” CVA is equal to a residential property of approximately 980,000 in today's market



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FULL FEE-BASED MODEL

Policy Impacts (continued)

- This table is based on the same data and modelling outcomes, but it is organized by property type
- Categories are based on property characteristics, not classification, however, those will align in many circumstances
 - As such, we can consider how properties in classes with higher tax ratios will created more dramatic shifts

Property Type	#	Current Sewer Levy		Flat Fee (\$622)		Difference		
		\$	Share	\$	Share	Total	Average Property	
Vacant Land	54	\$35,100	0.6%	\$33,600	0.5%	-\$1,500	-\$28	-4%
Farm	15	\$9,000	0.1%	\$9,300	0.1%	\$300	\$22	4%
Residential	9,685	\$5,129,800	82.2%	\$6,024,100	96.5%	\$894,300	\$92	17%
Commercial	200	\$550,700	8.8%	\$124,400	2.0%	-\$426,300	-\$2,128	-77%
Industrial	52	\$362,200	5.8%	\$32,300	0.5%	-\$329,900	-\$6,348	-91%
Institutional	15	\$124,600	2.0%	\$9,300	0.1%	-\$115,300	-\$7,688	-93%
Special/Exempt	9	\$23,200	0.4%	\$5,600	0.1%	-\$17,600	-\$1,958	-76%
Government	2	\$5,100	0.1%	\$1,200	0.0%	-\$3,900	-\$1,928	-76%



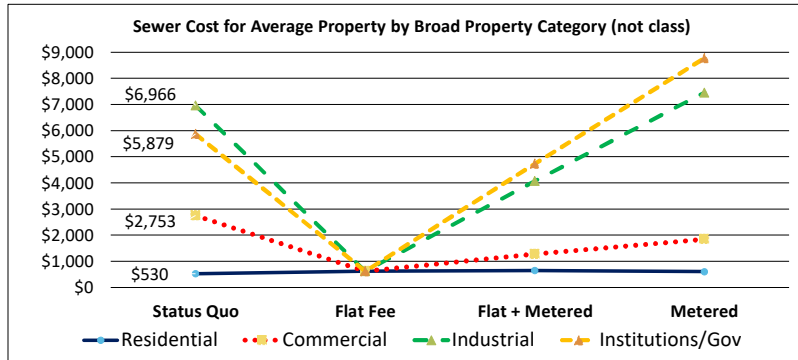
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Quantitative models are intended for illustrative purpose only and are subject to verification. Calculations are rounded to \$100.

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FULL FEE-BASED MODEL

- Results might be muted somewhat if variable, or a flat + variable fees is used
- This graph plots the average cost for different property categories under the status quo model and
 - Flat Fee of \$622
 - 50% of Revenue Raised by Flat Fee of \$350 and Remainder Billed based on Water use
 - Each property's charge based on Metered Water Consumption



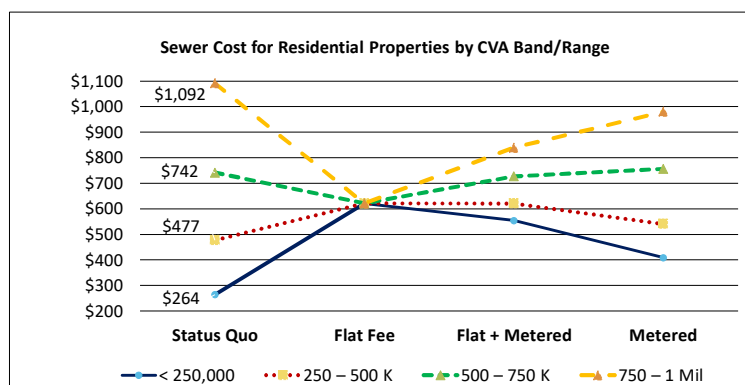
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Quantitative models are intended for illustrative purposes only

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FULL FEE-BASED MODEL

- We can see that using a metered fee results in less disruption when we stratify the current users by CVA Value Ranges



- The other observation we can make here is that, generally speaking, taxing against property value is more likely to result in a bill scaled to actual use than a flat fee would



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Quantitative models are intended for illustrative purposes only

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FULL FEE-BASED MODEL

Policy Outcomes that may be Expected

- Each user's burden would be based solely on their use of the sewer system
- Under a flat-fee model everyone connected would pay an equal share
 - This takes us away from distribution of the burden based on real estate value where high value properties contribute more
 - Flat-Fees would result in lower capacity users subsidizing higher capacity uses
 - Very reliable because it is easy to set rates and know that the amount needed will be raised
- If fees were based on metered water use, then each user's share of the burden would be more closely tuned to sewer input
 - This would be the closest we could get to each user paying for the precise portion of the overall service costs that they are actually using
 - Somewhat less reliable or predictable than flat-fees because actual revenue will vary based on actual use



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FULL FEE-BASED MODELS

Additional Comments Regarding Introduction of Fees

- If any change is made to incorporate a fee (Flat, Flat + Metered, Flat Fee + Tax, etc.) it will be necessary to:
 - Make decisions about how the fees will be billed (on water bills, separate, etc.);
 - Establish administrative practice and account specific calculation protocols;
 - Launch and effective information campaign to ensure taxpayers and users are fully informed about the changes being made and how they can determine the impact on their own specific costs



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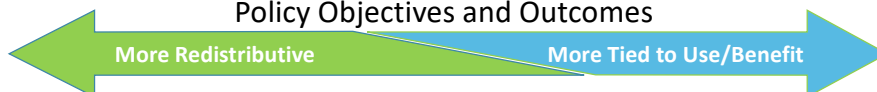
NARROWING OPTIONS AND FOCUS OF ENQUIRY



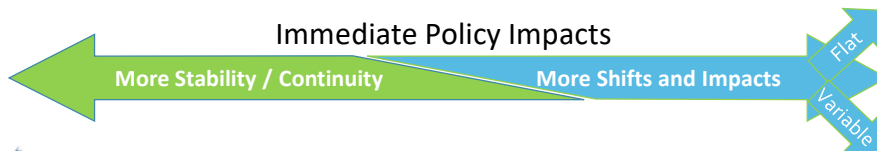
CONTINUUM OF REFORM OPTIONS

Maintain the Status Quo	Maintain Connection Based SAR with Compliance Adjustments <ul style="list-style-type: none"> - Fixed annual roll range - Fees for tax exempt properties 	Move to a SAR that applies to Serviced Area rather than Serviced Properties <ul style="list-style-type: none"> - Fees for tax exempt properties 	Split Revenue Model with Serviced Area SAR and User Fees <ul style="list-style-type: none"> - Fees could be flat or based on a proxy measure 	Pure Fee Based Structure <ul style="list-style-type: none"> - Flat fees - Flat fee ranges, or levels - Rate against metered water use - Other?
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Policy Objectives and Outcomes



Immediate Policy Impacts



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NARROWING DOWN INTERESTS AND OBJECTIVES

Question / Theme / Consideration	Low End of Spectrum	1 2 3 4 5 6 7 8 9 10	High End of Spectrum
General Nature of Wastewater Service	A general benefit to the community		Strictly a private benefit to users
Equity in Fees	Equal = Equitable		Must be based on actual consumption
Appetite for Impacts	Priority must be to minimize or avoid any shifts in burden		Irrelevant – Desired approach is the priority regardless of how disruptive
Administrative simplicity, efficiency and compliance	Irrelevant		Critical

- Council's position on these variables will help narrow down what might be the best fit and what direction the pending inquiry and report should take
- Staff will follow-up with an email seeking input



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NEXT STEPS

Today

- Address any outstanding questions
- Time for discussion and sharing of views/thoughts

Tomorrow

- An Email will be circulated by staff asking for your responses/positions in regard to the questions on the previous slide
 - Responses requested by September 7th

Coming Weeks

- Staff and MTE will consider and consolidate responses and feedback and focus in on options to be investigated in more detail for comprehensive report
- Comprehensive consultant's report and accompanying Staff report with recommendations will be provided to Council late September/early October.



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QUESTIONS / COMMENTS

Thank You,

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Notes:

About Municipal Tax Equity Consultants and MTE Paralegal Professional Corporation

Municipal Tax Equity Consultants (MTE) Inc. is an Ontario incorporated company established in 1990 that provides municipalities with key services in the areas of property assessment, taxation, municipal finance and administration. Our affiliate corporation, MTE Paralegal Professional Corporation was established in 2008 and is a certified Professional Corporation under the Law Society of Upper Canada.

MTE's service portfolio is broad ranging, however, all of our services and our corporate approach to working with the municipal community focus heavily on providing municipal staff and decision makers with the knowledge, tools and resources necessary for the development and maintenance of appropriate, compliant and successful tax, assessment and financial policies and practices.

Municipal Tax Equity Consultants and MTE Paralegal Professional Corporation are recognized throughout the Province as trusted sources of expertise, and have long been considered as being on the leading edge of the property assessment and taxation industry in Ontario. The depth and breadth of our expertise and experience, coupled with a long demonstrated ability to maintain unparalleled standards of practice, has allowed us to forge a unique position across the broader spectrum of municipal finance, administration, strategic policy development and research.

The municipalities that rely on MTE's experts range from small rural and Northern single-tiers to large urban cities and key Counties and Regions across Ontario. By applying the organization's unique blend of experience and expertise, we work with our client communities to help ensure they achieve maximum revenue yields from existing revenue sources, realize optimal benefits from emerging opportunities, and are able to develop and operate within tax policy frameworks at the most optimal level.

MTE's core municipal client base is concentrated within Ontario, and includes approximately one third of the Province's municipal governments. MTE is also regularly engaged by broader public sector entities such as professional associations, Provincial Governments and industry working groups that draw on our unique blend of expertise and experience to meet the requirements of various specialized projects. Such projects include, but are not limited to: development and delivery of education and training material, specialized industry writing, customized software development and policy development support.

To best serve our clients, both corporations employ a service model that is based on an exclusive commitment to the municipal community; neither engages private sector clients whose interests may diverge from that of a municipality.

To find out more about MTE, please visit our website at www.mte.ca.

