



## Council Report

---

**Report Number:** CORP2024-019  
**Meeting Date:** July 23, 2024  
**Title:** Special Rate Area (SRA) Update  
**Author and Title:** Sara Flaherty, Supervisor, Revenue and Taxation

---

### Recommendation(s):

**That** Report CORP2024-019, **Special Rate Area (SRA) Update**, be received, and;

**That** Street Lights, Parks and Fire be moved from the Special Rate Area Tax Levy to the General Rate Tax Levy, and

**That** the Special Rate Area Reserves be transferred to the General Tax Stabilization Reserve for the following and closed:

Lindsay Parks Special Rate Area Reserve of \$254,889.74

Fire Special Rate Area A Reserve of \$1,543.89

Fire Special Rate Area C Reserve of \$22,192.71

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

## **Background:**

At the Special Council Meeting of December 3, 2019, Council adopted the following resolution:

### **CR2019-698**

**That** Staff conduct a review of the area rated tax levies and report back to Council in Q1 of 2020 with recommendations for enhancement and/or consolidation.

At the Regular Council Meeting of March 10, 2020, Council adopted the following resolution:

### **CW2020-065**

**That** street lights be moved from the Special Rate Area Tax Levy to the General Rate Tax Levy; and

**That** the Special Rate Area Tax Levy for street lights be phased into the General Rate Tax Levy over the next four year assessment period.

This report addresses Council's direction by providing an overview of all the current SRA tax levies and providing estimated tax impacts of their elimination to each jurisdiction.

## **Rationale:**

The basic approach to the review of SRA reflects the following two underlying principles:

1. Overall Revenue Neutral position – assumes the total taxes generated will remain the same regardless of the SRA option. Area rating does not generate additional taxes for the City as a whole.
2. Service Delivery Drives Taxes – how a service is delivered can impact how it is appropriately taxed, not vice-versa. None of the area rating options presented require change in service delivery.

Area rating is used to mitigate differences in:

- services provided and service levels;
- cost to deliver the service; and
- user fees for the same service.

Area rating is intended to account for either significant differentials in service levels or costs of providing services between different parts of the City. The cost of an area rated service could include: all operating costs, capital financing charges if applicable, all related user fees/revenues and appropriate charges for indirect program costs (i.e. administration/overhead). Generally, in the absence of area rating, similarly assessed properties would pay the same level of property taxes city-wide. Conversely, in the presence of area rating, similarly assessed properties pay different levels of property taxes depending on the level of services provided in their specific area.

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 how society funds services that have a wide public benefit.

Kawartha Lakes, as a restructured municipality, has two sources of legislation for area rating – the *Municipal Act* and the *City of Kawartha Lakes Act, 2000*.

Provincial legislation allows the area rating of an identifiable "special service". A "special service" is defined in the *Municipal Act* (Section 326) as:

*"a service or activity of a municipality or a local board of the municipality that is,*

*(a) not being provided or undertaken generally throughout the municipality, or*  
*(b) being provided or undertaken at different levels or in a different manner in*  
*different parts of the municipality."*

Previously, the Province dictated which services could be identified as a "special service." This list of eligible special services was revoked with the introduction of Ontario Regulation 585/06 which now states the services that cannot be identified as a "special service". To date, the only service identified in this regulation is health programs and services. All other services, if they meet the definition of a special service, can now be area rated.

### **History of Special Rate Areas in Kawartha Lakes**

In 2001, Kawartha Lakes was created by the amalgamation of the former Townships in the County of Victoria (Bexley, Carden, Dalton, Eldon, Emily, Fenelon, Laxton-Digby-Longford, Manvers, Mariposa, Ops, Somerville and Verulam) and Incorporated communities (Lindsay, Bobcaygeon, Fenelon Falls, Omemee, Sturgeon Point and Woodville) which sparked a more wide-spread use of SRA's.

In the last 10 years, annual analysis of the SRA's has resulted in the elimination of some such previously levied such as sidewalks, hospital levy, waste management, infrastructure renewal, pits and quarries, etc.

In early 2020, the Ministry of Municipal Affairs and Housing (MMAH), advised Kawartha Lakes that they are undertaking an examination of the *City of Kawartha Lakes Act, 2000*, with the intention to repeal the area rating provisions. While the outcome of their review is still pending, this added further validity to the internal review of the SRA's.

Any changes/elimination of the SRA's resulting from recommendations of this report will be implemented through the 2025 tax levy by-law generally passed in April or May of the fiscal tax year.

For the 2024 tax year, as per By-Law 2024-099 By-law to Establish 2024 Tax Rates in the City of Kawartha Lakes, there were five (5) broad SRA's as follows:

1. Streetlights
2. Parks
3. Fire
4. Police
5. Transit

It is important to note that while special area rates attempt to adjust taxes to account for differences in service levels and/or costs, it is not based on a user pay principle. Every property owner utilizes City services differently. Some services may never be utilized, however, support a greater common good.

Also, inherent in the levying of these SRA's, is the fact that it continues to be an ever-changing process for the City and, unless area rating is eliminated, will continue as such. As an example, as growth occurs in the City, it may require additional services (i.e. Transit, Fire, etc.) leading to changes in SRA boundaries.

SRA's 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 City's vision of transparency, further, it can be administratively tasking, creating cost inefficiencies, for both levying of the SRA tax levies and/or any associated adjustments.

It is the staff recommendation that to continue the SRA tax levies based on pre-amalgamation boundaries (as is currently done), may not be the best model to reflect how services are actually delivered or the cost to deliver these services as there are shared costs included in the general rate.

## Alignment to Strategic Priorities:

Elimination of some/all SRA's aligns with the 2024-2027 Strategic Plan priority of Good Government, it aligns with the goal of providing accountable government and responsible management of resources through streamlining the tax rate by-law process.

Elimination of some and/or all SRA's will financially impact rural areas who have historically not been subject to certain SRA's however the Growth Plan and Municipal Housing Pledge will provide some relief to these areas.

The Growth Plan forecasts significant growth in populations, employment, and households; increased households in an increased assessment base which lowers the tax burden to ratepayers.

By 2031, the City of Kawartha Lakes is targeted to expand by 6,500 homes per the Municipal Housing Pledge, it is expected that majority of these homes will be in the Lindsay area.

With an expected increased assessment base and intensified urbanization within the Lindsay area, it is expected to mitigate increases in rural tax burdens into the future.

## Financial/Operation Impacts:

The baseline impact, to a rural property, of eliminating streetlight, parks, and fire SRA's utilizing the 2024 taxation year as a base would be an increase of approximately \$60. This is based on a rural residential property, assessed at \$300,000. Taxpayers in Lindsay would experience a minor decrease in tax burden from the elimination of SRA's.

Below are examples of a current tax bill and three different scenarios of eliminating SRA's (using 2024 approved tax rates). The total tax bill is based on an assessment of \$300,000 for a residential property located in Lindsay versus a property in Emily (a rural area):

Scenario	Tax Bill per Jurisdiction	
	Lindsay	Emily
Current	\$4,321	\$3,307
Streetlights & Parks added to General Levy	\$4,261	\$3,327
Streetlights, Parks & Fire added to General Levy	\$4,135	\$3,375

Once 2025 growth assumptions are considered the impact to rural areas upon the elimination of SRA's would be subsidized due to majority of the growth and increased

density coming from Lindsay. The continuation of growth in the coming years most significantly in the Lindsay urban area, will aid in benefitting the rural areas simply due to the economies of scale with the larger population (when comparing with baseline service levels).

Parks is a notable example of how it is difficult to determine who uses what services. Properties located in Lindsay are the only area that have the Parks SRA applied to their assessment. However, it is likely that individuals in rural jurisdictions come into Lindsay to utilize these parks.

The Lindsay Parks Levy is based on Lindsay park expenditures of \$1.6M. Wilson Estate funding of only \$90,000 reduces these expenditures prior to the area levy being calculated. In comparison the majority of the capital projects that encompass parkland development and park related capital in Lindsay are funded by Wilson Estate funding and these funds are not included in the calculation of the operating only Lindsay Parks area rate tax levy. In 2023 \$777,500 of Wilson Estate money was used to fund 2023 capital projects. Two major capital projects were funded through Wilson Estate; Riveria Park Trail Shoreline improvements and South East Lindsay Park Nayoro-Riverview connection. The fact that only a small portion of Wilson Estate funding is operating and the capital funding is significant, but not area rated, further promotes elimination of the parks SRA.

Eliminating SRA's for Fire Area A and C will have no affect on current service levels. The services provided by full-time firefighters (FTF) versus volunteer firefighters (VFF) are not markedly different to warrant a special area rate. Both FTF and VFF receive the same training and are certified to the same standard. Further, the same equipment and bunker gear are provided, hence, there is no disparity between Fire Area A and C. Lastly, one other cost element for consideration is that there is a higher turnover with VFF complement, as in a typical year there is a recruitment effort of at least 20-25 new VFF. Overall, eliminating area rating for the two areas will result in a system where costs are shared more broadly across the municipality and equitably among residents. The elimination of SRA's for Fire Service also creates opportunity for a reduction of administrative staff time allowing for redistribution to value-added tasks.

Most importantly, the elimination of the SRA's benefits the taxpayer as it simplifies the tax bill, presenting the information in a transparent and easily understood manner.

SRA's do not result in more revenue to the City. It is simply a method of allocating the cost of specific services to the taxpayer. A change to the method of application of the SRA simply redistributes who is paying for the service. There are financial implications

with any individual or all SRA's being eliminated. Should Council choose to harmonize any of these services, the fiscal impact would depend on the desired level of harmonization.

In all area rate categories, any surplus in the individual area is transferred to a specific area rate reserve to be used to offset deficits in future years. If there is no reserve to cover the deficit it is raised as an additional area rate tax levy in the future. Balances in the area rate reserves at June 30, 2024 are included in the table below. Any area rates that are to be eliminated will have the balance in their specific area rate reserve transferred to the General Tax Rate Stabilization Reserve (1.32285). The only reserves remaining will be for Transit, Kawartha Lakes Police Service and Ontario Provincial Police.

Area Rate Reserve	Balance June 30, 2024 – Before Report	Move to General Tax Stabilization Reserve	Balance, June 30, 2024 – After Report
Fire Area A	1,543.89	(1543.89)	-
Fire Area C	22,192.71	(22,192.71)	-
Lindsay Parks	254,889.74	(254,889.74)	-
Street lighting	-	-	-
Transit	8,418.58	-	8,418.58
KLPS	22,096.17	-	22,096.17
OPP	400,191.73	-	400,191.73
<b>Total Reserves</b>	<b>709,332.82</b>	<b>(278,626.34)</b>	<b>430,706.48</b>

## Consultations:

Manager, Revenue and Taxation

Treasurer

Manager of Corporate Assets

Director Community Services

Fire Services

**Department Head email: [sbeukeboom@kawarthalakes.ca](mailto:sbeukeboom@kawarthalakes.ca)**

**Department Head: Sara Beukeboom**

## Appendix:

This table highlights the special rate areas each jurisdiction within the City of Kawartha Lakes has applied to their tax bill.

Jurisdiction	Special Rate Areas						
	Proposed to General				Proposed to Remain		
	Streetlights	Parks	Fire Area A Full-Time (FTF)	Fire Area C Volunteer (VFF)	Transit	Police – Lindsay/Ops	Police - OPP
Emily				X			X
Omeme	X			X			X
Ops			X			X	
Manvers			X				X
Lindsay	X	X	X		X	X	
Verulam				X			X
Bobcaygeon	X			X			X
Carden				X			X
Dalton				X			X
Mariposa				X			X
Woodville	X			X			X
Eldon				X			X
Fenelon Twp			X				X
Sturgeon Point	X			X			X
Fenelon Falls	X			X			X
Somerville				X			X
Bexley				X			X
Laxton, Digby & Longford				X			X