

Provision of Municipal Services: Inequity Among Bluewater Wards

Presentation to Bluewater Council

by the

Bluewater Shoreline Residents' Association

November 16, 2009

Sources of Financial Data

- Municipality of Bluewater financial reports
- Bluewater assessment rolls
- Municipal Property Assessment Corporation

Purposes of BSRA Submission

- A. To document the **continuing shift of the property tax burden** from the four inland wards to the Hay West and Stanley West residential taxpayers.

Supporting Data:

Attachment 1 – “*Bluewater Tax Changes: 2003 to 2009*”

- B. To identify how the phase-in of the 2008 increases in Current Value Assessment will **further shift the tax burden to the shoreline wards** in each of the next four years.

Supporting Data:

Attachment 2 – “*Changes in Bluewater Current Value Assessment: 2008–12*”

- C. To illustrate the **dramatic known increases in lakefront property taxes by 2012**, in comparison to the four inland wards.

Supporting Data:

Attachment 3 – “*Representative Lakefront Subdivision:*

- A. *Increases in Current Value Assessment*
- B. *Projected Property Taxes*”

- D. To identify areas of municipal expenditures on **direct services** where the **shoreline wards receive a disproportionately small share**, in comparison to the inland wards.

Supporting Data:

- Administrative budget reports to Bluewater Council (Spring, 2009)
- Attachment 4 “*Comparative Number of Residential Properties*”

- E. To make recommendations on **ways Council can reduce the existing disparity** between the municipal expenditures on direct services to the shoreline wards and the taxes collected from Hay West and Stanley West residents.

A. Shift of the Property Tax Burden Over the Past Decade

A.1 By Tax Class

Attachment 1 documents the shift. The **residential** taxpayer now shoulders 85.4 % of the tax burden, an increase since 2003 of 44.0%, or \$1,139,957. By contrast, the total increase in farmland taxes during this period is only 2.7%, or \$9,055, and 2009 shows a decline from 2008. All other tax classes combined contribute only 6.9% of the total tax burden.

A.2 By Ward

The shift of the total tax burden from the four inland wards to wards with lakefront property has been significant, primarily the result of the provincial system of current value assessment.

Attachment 1 documents that of the total *residential* tax, shoreline residents now contribute 48.4 % vs. only 29.4 % for the four inland wards combined. Since 2004, the *residential* taxes from the two shoreline wards of Hay West and Stanley West have increased by 24.0 %, whereas the combined residential taxes for the four inland wards have increased by only 9.8 %. Tax revenues from *all tax classes* increased by 23.2 % in the two shoreline wards, vs. only 6.2% for the four inland wards.

It should be emphasized that **Hay West and Stanley West shoreline residents now contribute 42 cents of every dollar spent by Bluewater for any purpose**. Shoreline residents represent the major Bluewater contributor toward the cost of all County and school board operations.

B. Further Shift of the Tax Burden – 2009-2012

As a result of an increase in total assessment, the combined 2009 tax rate was reduced.

The effect of this on individual taxpayers has been that:

- Properties whose assessment rose by a percentage greater than the reduction in tax rate see increased taxes in 2009. Thus, the taxes on virtually all lakefront properties rose in 2009.
- By contrast, properties with assessment that increased by a percentage less than the reduction in tax rate, remained constant, or was reduced, actually **pay less tax in 2009** than in 2008. Thus, the taxes on most farmlands and a significant portion of the residential properties in the four inland wards will be lower than in 2008.

As unfair as **the inequity** is at present, it **will get worse in each of the next four years**, based on the known phase-in of the 2008 current value assessment. Attachment 2 documents that from 2008 to 2012 the combined assessment of properties in **Hay West and Stanley West** will increase by a total of **25.2 %**, vs. only **7.6 %** for the four **inland wards**.

This will obviously further shift the tax burden to the shoreline wards from the balance of the Municipality, exacerbating the inequity even more in each of the next four years.

C. Effect on the Typical Lakefront Resident

The data for the 10-residence development shown in Attachment 3 show assessment and tax increases typical of that experienced by some 50+ subdivisions in Bluewater's linear shoreline community.

This subdivision consists of 75-foot wide lots with a mix of construction typical of most shoreline communities:

- The two properties noted as the sole permanent residences of its owners are new within the last decade. They are modest in size (1-floor – the larger being 1,580 sq. ft., partially-finished basement, no garage).
- The owners of the two cottages with the lowest assessments have described them as “tear-downs”.
- The other six cottages represent a variety of design features and construction quality which, although not unattractive, were originally intended for seasonal use.

As such, most would not be comparable to permanent residences in the four inland wards.

The assessment increases and projected taxes shown are typical of what most lakefront property owners can anticipate over the next four years. Note in Part A of Attachment 3 that their average 2008 **assessment of \$477,800** represents an **increase of \$98,300, or 25.9 %**. The assessment of very few residences in the inland wards would approach this level – most would be only a fraction of this amount. Although this subdivision is an attractive shoreline community, its **only uniqueness** is that **all the properties front on Lake Huron**.

If the overall 2009 tax rate remains the same over the next three years, the resulting taxes on each property for 2010, 2011, and 2012 are shown in Part B.

- For one of the properties, its taxes will have risen from \$2,953 in 2000 – the year prior to amalgamation – to \$8,040 in 2012, solely because of the shifting tax burden resulting from current value assessment.
- The **average tax** in this subdivision will rise from \$5,224 in 2009 to \$6,177 in 2012. This represents **18.25%, or \$953, in additional taxes** over those paid in 2009.

D. Disparity in Provision of Direct Services

The most obvious disparity relates to the issue of the cost of road maintenance. Attachment 4 documents the concentration of highly-taxed shoreline residences. The majority of the 1,358 shoreline residences are accessed by roads neither assumed nor maintained by the Municipality. Some of the circumstances giving rise to this situation date back to the early part of the last century. They are not the fault of the current owners. These residents are appreciative that **some** of their road maintenance costs may now be reimbursed through the Road Grant program. However, most of these subdivision associations must levy additional fees on their members to cover both the required liability insurance premiums and necessary road maintenance expenditures that exceed the per kilometer reimbursement cap. Thus, the most highly-taxed group of residents – they pay 41.6% of all Bluewater costs – are also required to pay additional monies to meet the costs of maintaining the roads accessing their residences.

By contrast, all the residence-access roads in the other five wards are assumed and maintained by the Municipality – these residents do not have to pay money additional to their taxes to maintain roads accessing their residences. The streets in the Wards of Bayfield, Hensall, and Zurich are paved. In Hay East and Stanley East, most north-south roads where the majority of residences are located are also paved; the balance receive, at no additional cost, regular grading, graveling, dust control, and in most cases snow clearing – whether or not anyone lives on the road. It is worth noting that taxes from shoreline residents in the former Townships of Hay and Stanley contributed a significant part of the local share of the cost of building these roads in the first place, subsequently reconstructing them to provincial standards, or paving them as a result of decisions of the former Township Councils.

The budget of the Roads Department is approximately \$2 million. Shoreline residents contribute 41.6% of that amount, or approximately \$832,000. The total spent within Hay West and Stanley West on road grants and maintaining or paving those roads assumed by the Municipality is only a small portion of that amount. Shoreline residents are no longer prepared to accept subsidizing the road maintenance for the other five wards when they are required to expend financial resources in addition to their taxes to maintain access to their residences.

E. Ways Bluewater Council Can Reduce the Existing Disparity

Shoreline residents are justifiably proud of the various ways they have contributed over the past decade to the overall quality of our Municipality. As evidenced by the attendance of BSRA representatives at almost every meeting of Council, shoreline residents are interested in the full range of municipal issues, not just those directly affecting them. We have recognized the need for quality services, programs and facilities if we are to have a quality municipality – for example, we did not join the highly vocal opposition to the Zurich arena project. We do not object to paying our fair share of the cost for these, although we strongly object to continuing to pay the disproportionate share of all Bluewater, County and education expenditures as a result of current value assessment.

BSRA has publicly commented that our Municipality consists of three primary interest groups – agriculture, urban settlement areas, and the shoreline community – noting that if Bluewater is to become a true “community” with which all its residents can proudly identify, the interests of all three groups must be considered and the **legitimate concerns of any area cannot be ignored**. Shoreline residents are the only group of Bluewater electors that have consistently expressed a desire to work **within the amalgamated structure** to make Bluewater a community of which we can all be proud. This approach to problem-solving began during the pre-amalgamation work of the Transition Board and has continued up to the present. By contrast, voices in certain wards at one time called for “*de-amalgamation*”. However, continuing to work within the present amalgamated structure in future may be dependent upon the degree to which Bluewater Council addresses the legitimate concerns of shoreline residents.

Over the past 9 years, BSRA has publicly identified the inequity that exists with respect to the property taxes collected and the direct services provided to each of the seven wards. This submission has demonstrated four specific concerns related to this inequity: the property tax burden has continued to shift from the inland wards to the Hay West and Stanley West residential taxpayers; the 2008 Current Value Assessment will further shift the tax burden to the shoreline wards in each of the next four years; there will be dramatic increases in lakefront property taxes by 2012 in comparison to the inland wards; notwithstanding the introduction of the Road Grant program, shoreline wards receive a disproportionately small share of municipal expenditures on direct services, in comparison to the other five wards. Data provided in this submission documents that the imbalances have widened, not narrowed, over the past decade, and they will widen further over the next four years.

Shoreline residents recognize that Bluewater has limited control over the effect of current value assessment on how much tax it collects, and from which residents. However, it is clearly within the power of our elected Council to **determine** how, and **where**, those **tax dollars are spent**. It is the responsibility of Council to ensure it expends our taxes on an equitable basis across the Municipality.

It is essential that Bluewater Council take all available steps to:

- Help residents budget to meet their tax obligations;
- Lessen the negative impact of the provincial system of current value assessment with respect to equity of taxes levied; and
- Ensure that the cost of direct services provided individual wards more closely reflects the relative tax revenue generated from that ward.

If Council cannot reduce the taxes collected on our lakefront properties, then a greater portion of this tax revenue must be spent in the two wards providing 41.6% of all Bluewater tax revenue.

Accordingly, BSRA, on behalf of the shoreline residents of Hay West and Stanley West, requests Bluewater Council to **adopt the following measures:**

- **Implement**, commencing with the 2010 tax year, the option of **a 10-instalment tax payment plan.**
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- Within the existing budget of the Roads Department, allocate sufficient funds to:
- (A) Effect the following changes in the **Road Grant reimbursement program** to ensure that Bluewater residents are not required to pay funds additional to their property taxes to operate a program for maintaining roads accessing their residences:
- **Remove the per kilometer reimbursement cap.**
 - **Include general liability insurance premiums as an expense eligible for reimbursement.**
- (B) **Develop a schedule to pave those roads west of Highway 21 currently assumed by the Municipality.**
- (C) **Assume and maintain at Municipal expense those residence-access roads within the Wards of Hay West and Stanley West that are designated on subdivision plans as:**
- ***“Fee Not Dedicated”*, provided the subdivision association wishes the Municipality to assume the road;**
- OR
- ***“Dedicated”*** (i.e., not privately-owned, but currently unassumed).
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- Adopt a Municipal Budget Policy that would **limit the annual tax increase on any residential property to a maximum of 5 per cent over the previous year’s taxes**, regardless of the effect that increases in current value assessment would otherwise have.
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Respectfully submitted by:

Bluewater Shoreline Residents’ Association
Jan Purvis, President

Attachment 1

Bluewater Tax Changes – 2003 to 2009

	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Increase</u>	<u>%</u>
<u>By Tax Class</u>	<u>2003</u>		<u>2009</u>			
Residential	2,588,758	80.8	3,728,715	85.4	1,139,957	44.0
Farmlands	329,843	10.3	338,898	7.8	9,055	2.7
All other classes	284,722	8.9	299,927	6.9	15,205	5.3
Total	<u>3,203,323</u>	<u>100.0</u>	<u>4,367,540</u>	<u>100.0</u>	<u>1,164,217</u>	<u>36.3</u>
<u>By Ward</u>	<u>2004</u>		<u>2009</u>			
A. <u>RESIDENTIAL taxes ONLY</u>						
<u>Wards with Lakefront:</u>						
Hay West	850,887		1,068,887		218,000	
Stanley West	593,118		721,664		128,546	
	1,444,005	46.5	1,790,551	48.4	346,546	24.0
Bayfield	671,568	21.6	825,876	22.3	154,308	23.0
<i>Sub-total</i>	<u>2,115,573</u>	<u>68.1</u>	<u>2,616,427</u>	<u>70.7</u>	<u>500,854</u>	<u>23.7</u>
<u>Inland Wards:</u>						
Hay East	318,267	10.3	374,985	10.1	56,718	17.8
Stanley East	332,498	10.7	353,943	9.6	21,445	6.4
Hensall	182,014	5.9	183,555	5.0	1,541	0.8
Zurich	155,794	5.0	172,922	4.7	17,128	11.0
<i>Sub-total</i>	<u>988,572</u>	<u>31.9</u>	<u>1,085,405</u>	<u>29.4</u>	<u>96,832</u>	<u>9.8</u>
Total	<u>3,104,145</u>	<u>100.0</u>	<u>3,701,832</u>	<u>100.0</u>	<u>597,686</u>	<u>19.3</u>
B. <u>All tax classes</u>						
<u>Wards with Lakefront:</u>						
Hay West	865,150.00		1,080,906		215,756	
Stanley West	608,681.00		735,482		126,801	
	1,473,831.00	39.2	1,816,388	41.6	342,557	23.2
Bayfield	734,923.00	19.5	898,268	20.6	163,345	22.2
<i>Sub-total</i>	<u>2,208,754.00</u>	<u>58.7</u>	<u>2,714,656</u>	<u>62.2</u>	<u>505,902</u>	<u>22.9</u>
<u>Inland Wards:</u>						
Hay East	561,397.00	14.9	604,732	13.9	43,335	7.7
Stanley East	509,439.00	13.5	528,739	12.1	19,300	3.8
Hensall	305,505.00	8.1	321,335	7.4	15,830	5.2
Zurich	179,966.00	4.8	198,078	4.5	18,112	10.1
<i>Sub-total</i>	<u>1,556,307.00</u>	<u>41.3</u>	<u>1,652,884</u>	<u>37.9</u>	<u>96,577</u>	<u>6.2</u>
Total	<u>3,765,061.00</u>	<u>100.0</u>	<u>4,367,540</u>	<u>100.0</u>	<u>602,479</u>	<u>16.0</u>

Attachment 2

Changes in Bluewater Current Value Assessment (UNWEIGHTED) 2008 – 2012

Data Source: Treasurer's Report to Bluewater Council, August 20, 2009

<u>Ward</u>	<u>2008 (p)</u>	<u>2009 (ph09)</u>	<u>2010 (ph10)</u>	<u>2011 (ph11)</u>	<u>2012 (f)</u>	<u>Increase 2008 to 2012</u>
<i>Wards with lakefront</i>						
Hay West	243,963,800	258,607,553	273,952,038	289,296,517	304,641,000	
Stanley West	<u>172,632,000</u>	<u>182,993,606</u>	<u>194,307,139</u>	<u>205,620,669</u>	<u>216,934,200</u>	
	416,595,800	441,601,159	468,259,177	494,917,186	521,575,200	25.2 %
Bayfield	<u>201,939,600</u>	<u>216,147,585</u>	<u>231,143,758</u>	<u>246,139,935</u>	<u>261,136,100</u>	29.3 %
Sub-total	<u>(455,206,424)</u>	<u>(415,993,080)</u>	<u>(374,338,889)</u>	<u>(332,684,703)</u>	<u>(291,030,524)</u>	26.5 %
<i>Inland Wards</i>						
Hay East	278,014,100	276,881,114	281,034,552	285,187,976	289,341,400	
Stanley East	237,718,000	239,452,058	244,226,905	249,001,758	253,776,600	
Hensall	75,978,100	77,880,012	81,087,149	84,294,274	87,501,400	
Zurich	<u>48,152,700</u>	<u>50,174,330</u>	<u>52,784,558</u>	<u>55,394,781</u>	<u>58,005,000</u>	
Sub-total	<u>(433,878,924)</u>	<u>(429,352,310)</u>	<u>(414,608,660)</u>	<u>(399,863,035)</u>	<u>(385,117,424)</u>	7.6 %
TOTAL	1,258,398,300	1,302,136,258	1,358,536,099	1,414,935,910	1,471,335,700	16.9 %
Increase over previous year	–	3.5 %	4.3 %	4.2 %	4.0 %	

Attachment 3

Representative Lakefront Subdivisionentative Lakefront

A. Increases in Current Value Assessment

<u>Owner</u>	<u>Assessment</u>		<u>Increase</u>		<u>2009</u>
	<u>2008</u>	<u>2005</u>	<u>3-year</u>	<u>%</u>	<u>Phase-in %</u>
1 *	622,000	522,000	100,000	19.16	4.79
2 *	588,000	476,000	112,000	23.54	5.88
3	529,000	440,000	89,000	20.23	5.06
4	489,000	397,000	92,000	23.17	5.79
5	470,000	377,000	93,000	24.67	6.17
6	426,000	324,000	102,000	32.30	8.07
7	423,000	331,000	92,000	27.79	6.95
8	420,000	324,000	96,000	29.63	7.41
9 **	406,000	306,000	100,000	32.68	8.17
10 **	405,000	298,000	107,000	35.91	8.98
Total	<u>4,778,000</u>	<u>3,795,000</u>	<u>983,000</u>		
Average	477,800	379,500	98,300	25.90	6.48
Median	448,000	350,500	98,000	26.23	6.56

B. Projected Property Taxes

(*Phased-in 2008 Current Value Assessment X 2009 Tax Rate of 1.292717 %*)

<u>Owner</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Increase</u>
1 *	7,071.16	7,394.34	7,717.52	8,040.70	969.54
2 *	6,515.29	6,877.25	7,239.22	7,601.18	1,085.89
3	5,975.58	6,263.21	6,550.84	6,838.47	862.89
4	5,429.41	5,726.74	6,024.06	6,321.39	891.98
5	5,174.10	5,474.66	5,775.21	6,075.77	901.67
6	4,518.05	4,847.69	5,177.33	5,506.97	988.92
7	4,576.22	4,873.54	5,170.87	5,468.19	891.97
8	4,498.66	4,808.91	5,119.16	5,429.41	930.75
9 **	4,278.89	4,602.07	4,925.25	5,248.43	969.54
10 **	4,198.10	4,543.90	4,889.70	5,235.50	1,037.40
Total	<u>52,235.46</u>	<u>55,412.31</u>	<u>58,589.16</u>	<u>61,766.01</u>	<u>9,530.55</u>
AVERAGE	5,223.55	5,541.23	5,858.92	6,176.60	953.06
		Increase			18.25 %

Notes: * Sole
 ** Cottages described by owners

Attachment 4

Comparative Number of Residential Properties

The table outlined below compares the number of residences within the shoreline subdivisions of the Wards of Stanley West and Hay West with the number of residences accessed by municipally-maintained roads in an area of roughly comparable size immediately east of Highway 21 in the Wards of Stanley East and Hay East. The total length of roads within the comparable areas is approximately equal.

Residences accessed from County or Provincial roads are excluded from the totals.

Within **Stanley East**, the area of comparable size and road length is bounded on the east by the Bronson Line and includes the following municipally-maintained roads:

North-South: Bronson Line (**paved** south of Crystal Springs Road)
East-West: Crystal Springs Road (**paved**); Blue Bluff Road; Pavillion Road; Centennial Road; Staffa Road; Kippen Road (north side)

Within **Hay East**, the area of comparable size and road length is bounded on the east by the Bronson Line from Blake to County Road 84, and Blackbush Line between County Roads 84 and 83, and includes the following municipally-maintained roads:

North-South: Bronson Line, north of County Road 84 (**paved**);
Blackbush Line (**paved** south of County Road 84); Shipka Line.
East-West: Kippen Road (south side); Danceland Road; Sararas Road; Hendrick/Pepper Roads; Shadeview/MacDonald Roads, Turnbull's Road.

Number of Residences Within the Defined Areas

<u>Ward</u>	<u>West</u>	<u>East</u>
Stanley	568	55
Hay	790	78
TOTAL	1,358	133

Observations:

- Within the Wards of **Stanley East** and **Hay East**:
 - all roads are assumed and maintained by the Municipality.
 - no residents are required to expend personal funds beyond their municipal taxes to maintain the roads accessing their residences.
 - virtually all of the residences are situated on north-south roads.
 - almost all north-south roads are paved.
 - within a particular concession block, some east-west roads have no residences; most have only 1 or 2 residences.
 - irrespective of the relative lack of residences, all east-west roads receive regular summer maintenance (grading, dust control, and bi-annual gravel application), and most receive winter maintenance (snow removal).
- Within the Wards of **Stanley West** and **Hay West**:
 - the majority of roads accessing residences are neither assumed or maintained by the Municipality.
 - the majority of shoreline residents, through their local subdivision association, are required to provide additional funds beyond the municipal road grant to pay the cost of maintaining the roads accessing their residences.