

Leave area rating alone: CFF

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Flamborough residents are used to big numbers at tax time. But if Hamilton city council decides later this month to take away the more than \$3 million in slots revenue that has helped mitigate Flamborough's tax burden since amalgamation, the numbers will be closing in on double digits. And, they stand to top double digits, should council decide to end area rating after considering a staff review of the issue in June.

The prospect of skyrocketing municipal taxes has upset both of Flamborough's representatives on city council, Margaret McCarthy and Robert Pasuta. It has also raised red flags for those who support de-amalgamation from Hamilton, including Committee to Free Flamborough (CFF) president Roman Sarachman and member Stan Haworth. Members of the local business community are also paying close attention to Flamborough's taxation woes which Arend Kersten, the executive director of the Flamborough Chamber of Commerce (FCC), has researched and discussed with city officials.

With Hamilton's 2008 budget set to be approved later this month, Flamborough residents are facing the largest average increase at 5.5 per cent, but if the Flamboro Slots revenue is taken out of the mix, homeowners could be facing a 10 per cent tax hit this year. Council will determine what to do with slots revenue during its committee of the whole meeting on April 21. The final budget report will go to city council for approval on April 23.

In the past, slots revenue, amounting to about \$4 million annually, was used primarily to retire the Borer's Creek debt, but some was also put aside to relieve Flamborough's tax burden. Last year with the debt having been paid off, councillors agreed that just over \$3 million could be used to ease Flamborough's taxes, but \$500,000 was directed to Ancaster to reduce taxes and \$268,000 was placed in the general levy. This year, some urban councillors want to change past practice and phase out the slots revenue allocation over five years, depositing all of it in the general levy. If the five-year option is chosen over maintaining the status quo, the impact on Flamborough's property taxes will equate to an additional one per cent tax hike for each of the next five years.

Sarachman said the threat to Flamborough's slots money and area rating means that local taxpayers "will have to swallow big, big numbers (tax hikes)" in the years ahead. He predicts that this year's average hike, factoring in additional costs for transit and fire service, will be 7.8 per cent. In 2009, it will be eight per cent and in 2010, seven per cent, he said. From 2011 to 2014, he expects tax increases will average about seven per cent each year.

"This is a 50.8 per cent increase in the next seven years, not to forget the 68 per cent tax increase that Flamborough has seen in the last eight years. After eight years of amalgamation, there's still no dent with the money coming in," he complained.

In a presentation to council in January, Haworth noted that Hamilton has gotten so large with amalgamation that it is now top-heavy with bureaucracy. The biggest portion of the city's budget, an 83 per cent slice, goes to employee-rated expenses.

'Out of control'

"That alone accounts for a huge increase in the budget every year. It's such a large community, it's out of control," he warned, suggesting that unless some significant government reform takes place, Flamborough taxpayers can expect tax hikes "a good deal higher than cost-of-living increases over the next 10 to 15 to 20 years."

Haworth reminded councillors that the former Town of Flamborough negotiated with the province that the municipal share of slot proceeds would be directed to the Flamborough area.

"Accordingly and having regard to the heavy economic demands amalgamation forced on Flamborough, we feel any revenue from the slots is rightfully our entitlement," he told council.

Kersten also predicts a gloomy tax picture for Flamborough in the years ahead, particularly if area rating is abandoned. Under area rating, property owners in Flamborough are given a tax break because of reduced or non-existent services in such areas as fire protection, public transit and recreation. Last October, Joe Rinaldo, Hamilton's general manager of finance, advised the FCC about the impact of eliminating area rating. Without it, there would be an across-the-board tax increase in Flamborough of between 11.2 per cent (assuming no increase in service levels) and 14.2 per cent (with fully harmonized service levels including public transit and fire protection). That doesn't include the annual increases that normally occur in the municipal budget each year.

Haworth noted that while Flamborough would face a significant tax hike without area rating, the City of Hamilton only stands to gain a 1.4 per cent decrease in taxes. He questioned whether the elimination of area rating would be worth the backlash it would cause in suburban municipalities.

'Hit the wall'

"We've really hit the wall on tax hikes," Kersten said last week. With the potential loss of the slots revenues and area rating, "for many people, particularly seniors, it (home ownership) is going to become unaffordable."

The FCC is monitoring the area rating issue and hopes city council will allow for public consultation when the staff report is presented in June.

In the meantime, it has consulted with members of the Ancaster chapter of the Hamilton Chamber of Commerce on the subject and has been asked by the Hamilton business group to send a representative to its government affairs committee, which is also reviewing the issue with a view to presenting its findings to city council before a decision is made.

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