

Request for Decision



To: Committee of the Whole
From: **Chief Financial Officer**
Date: April 9, 2018
Subject: 2018 Tax Rates Bylaw No. 2046
Recommendation: THAT the Committee of the Whole selects an option for the 2018 property tax rates and instructs staff to include that option in 2018 Tax Rates Bylaw No. 2046, and FURTHER to present 2018 Tax Rates Bylaw No. 2046 for first three readings at the April 23, 2018 Regular Meeting of Council

Background

Section 197 of the Community Charter requires the City to adopt an annual property value tax bylaw to establish the tax rates for the collection of municipal revenue as provided in the financial plan, as well as the amounts to be collected on behalf of other local governments or public bodies.

The City has not yet received the 2018 requisition for the Regional District and Hospital, but expects to do so prior to the date of first three readings for this proposed bylaw.

The City has established policies regarding property taxation in its annual financial plan and asset management policy which, in general terms, state:

- that tax shifts and redistributions between the classes will only be undertaken after considerable review and phased in gradually over time.
- tax rates should be kept as competitive as possible to ensure continued investment in the community
- in setting tax rates, Council will take into consideration the tax rates and conversion ratios of other municipalities and the tax share borne by and conversion ratios for each property class.

The amount of 2018 property tax revenue included in proposed Financial Plan Bylaw 2045 is \$3,804,524.

There are a multitude of possible combinations of tax rates which would serve to collect the required amount of revenue. In determining tax rate options, staff follows the afore-mentioned policies while also taking the following factors into consideration:

Class 2 (Utilities) is capped by legislation at the greater of \$40 per \$1000 of assessed value and 2.5 times the class 6 rate - thus at \$40.

Class 4 (Major Industry) has assessed values calculated on a depreciable cost base rather than market value. The 2018 assessed value for this class has increased only 0.71% as compared to the other classes, which have increased from 3.87% to 8.07%.

Three options which are consistent with the City's policy statements for distributing property taxes, are presented here, as follows:

Option 1 - The conversion ratios (multiples) for all classes are the same as for 2017. Under this option, class 2 (utilities) has a tax rate below the \$40.00 allowed cap, while the class 1 (residential) rate would be \$4.9249 per \$1000 of assessed value.

Option 2 – The tax rate for class 4 (major industry) is adjusted to collect the same amount of tax revenue as in 2017, while the rate for class 2 (utilities) is increased to the \$40.00 cap, and the conversion ratios for the remaining classes are the same as in 2017. The residential rate under this option is \$4.8974.

Option 3 – The tax rate for class 2 (utilities) is increased to the \$40.00 cap, while the conversion ratios (multiples) for the remaining classes are the same as for 2017. This option results in tax rates and a distribution very similar to Option 1.

The amount of municipal taxes collected for the average house value of \$234,000 under the above three options would be \$1,152.43, \$1,145.99 and \$1,152.01 respectively.

The above options and associated tax rate calculations are based on the Revised Assessment Roll, whereas residential tax rates used for the recent five year plan presentations were based on the Completed Roll. The difference between the two rolls reflects a reduction of approximately \$1.76 million in residential and \$0.29 million in business class property values.

A schedule of assessed values and tax rates for the three options are included here, along with a table of tax rates for the preceding five years, and tables of 2016/2017 tax rates for other municipalities.

The draft tax rates bylaw is also attached here. The tax rate data in the bylaw schedule "A" will be completed once an option has been chosen and the Regional District and Hospital requisitions are available.

Benefits or Impacts

General

Adoption of an annual property tax rates bylaw before May 15 is a requirement of the Community Charter. The Five Year Financial Plan determines the amount of revenue to be raised by property value taxes and used in the calculation of tax rates.

Strategic Impact



Fiscal Responsibility

The Tax Rates Bylaw has been developed by taking into consideration the taxation policy statements included in the annual financial plan and Asset Management Financial Policy 808.

Property taxation is one of the main sources of revenue for the City. The amount of revenue proposed to be collected through property taxation for 2018 is \$3,804,524.

Policy/Legislation

Section 197 of the Community Charter
Five Year Financial Plan Bylaw 2018-2022, No. 2045
Asset Management Policy Financial Policy 808

Attachments

Draft 2018 Tax Rates Bylaw No. 2046
Appendix A - Options for Municipal Tax Rates
Appendix B - Table of historical tax rates and multiples
Appendix C - Tables of comparative tax rates for other municipalities

Recommendation

THAT the Committee of the Whole selects an option for the 2018 property tax rates and instructs staff to include that option in 2018 Tax Rates Bylaw No. 2046, and FURTHER to present 2018 Tax Rates Bylaw No. 2046 for first three readings at the April 23, 2018 Regular Meeting of Council

Options

1. RESOLVED THAT Committee of the Whole accepts the recommendation.
2. RESOLVED THAT Committee of the Whole does not accept the recommendation.
3. RESOLVED THAT Committee of the Whole refers the matter back to staff for further information.