



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: 2019 Tax Rates Report

File No.: 1970-02
Date: April 15, 2019

PURPOSE:

The purpose of this report is for Council to establish the 2019 tax rates.

POLICY ANALYSIS:

Section 197 of the *Community Charter* requires the City to set tax rates by Bylaw in order to raise sufficient property value taxes as provided for in its financial plan.

EXECUTIVE SUMMARY:

Each year, BC Assessment (BCAA) provides updated assessment information for the City. It notes the total number of properties for each tax class and the cumulative assessment value for each respective tax class. This informs staff of the growth in properties and the change in assessment for each tax class.

Over the past year, 144 new residential properties were added to the Residential tax class. The combination of new properties and higher values for residential properties resulted in the Residential tax class growing by 17.95%. The Commercial sector also experienced an increase with 24 new properties added to the roll, and a 7.66% increase to the Commercial tax class. This assessment growth and the request for additional property tax revenues factor into the determination of tax rates for the property tax classes.

For 2019 Staff suggests the Residential Tax Class rate should be revised from 3.4289 (2018 rate) to 3.0332 and the Commercial multiplier changed from 3.03986 (2018 multiplier) to 3.35. Using these revised values maintains the ratio of the tax burden between the tax classes to a similar percentage as last year. Should Council choose to modify the commercial multiplier, any change will shift the tax burden in favour of one tax class versus the other tax class.

CAO RECOMMENDATIONS:

That based on the April 15, 2019 Staff Report "2019 Tax Rates", Council approve a Residential Tax Class rate of 3.0332 and a Commercial tax rate multiplier of 3.35 in order to generate property tax revenues to cover the budgeted expenditures identified in the 2019 – 2023 Consolidated Financial Plan.

Respectfully submitted,



David Allen, BES, CLGEM, SCLGM
 Chief Administrative Officer

BACKGROUND:

Consideration and approval of a Five-Year Financial Plan is an annual requirement under Section 165 of the *Community Charter*. Council has been given, in separate reports, the Solid Waste, Water, Sewer and General Fund budgets.

Following the approval of the Consolidated Financial Plan, Council is instructed under Section 197 of the *Community Charter* to set by bylaw, tax rates and the commercial multiplier in order to raise property tax revenues to meet the budgetary requests of the organization and other Taxing Authorities.

The following 2018 comparison of property tax and utility costs from neighbouring municipalities on Vancouver Island has been compiled using BC Government statistics for Local Governments in the province. It shows how an “average” residential property in Courtenay compares to other municipalities in relation to property taxes levied, dollars collected for other taxing authorities, utility user fees and parcel taxes.

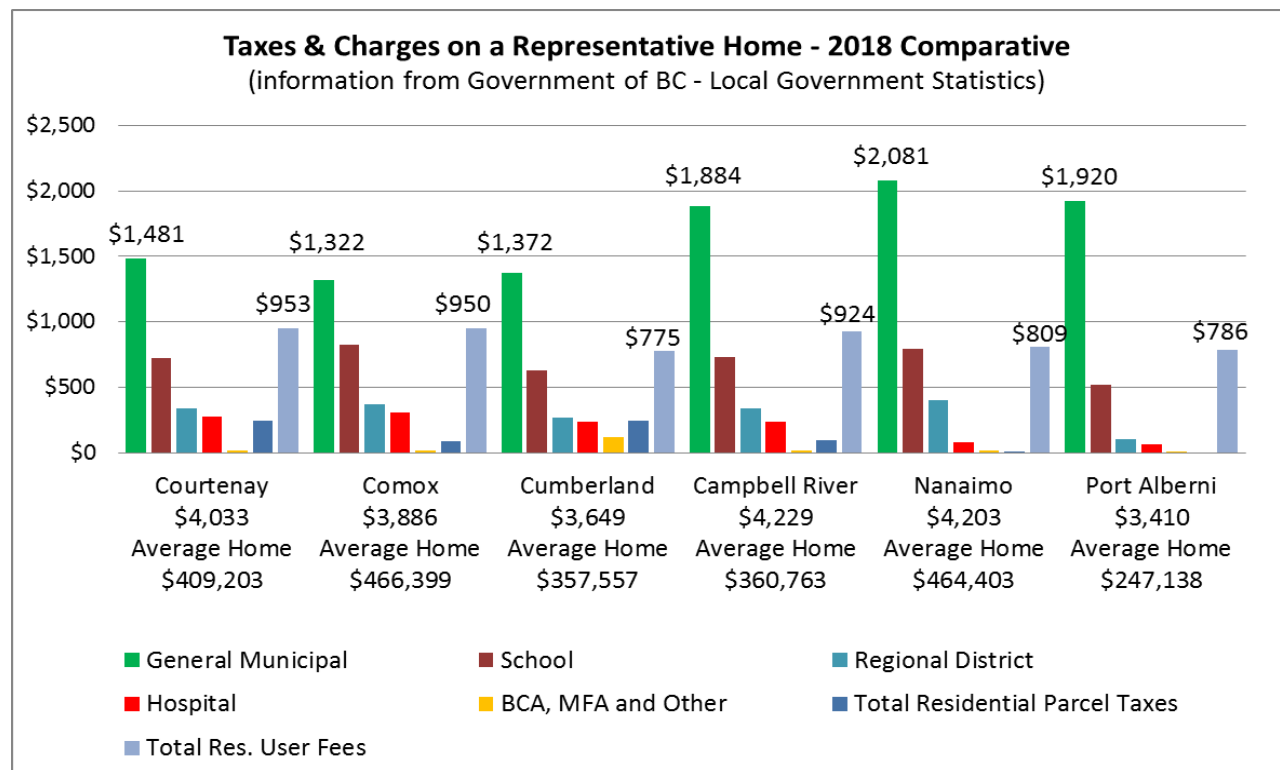


Table #1:

		Average Assessment Change																
		2018	2019	%	2018 Multiplier													
Class 1 - Residential																		
		\$ 373,988	\$ 435,616	16.48%														
Municipal General Tax \$ Increase					\$ 120.53	\$ 83.77	\$ 74.84	\$ 67.48	\$ 60.24	\$ 60.24	\$ 45.96	\$ 38.92	\$ 31.97					
% change in tax levy over 2018					9.40%	6.53%	5.84%	5.26%	4.70%	4.70%	3.58%	3.03%	2.49%					
Class 6 - Commercial																		
		\$ 779,382	\$ 819,332	5.13%	Multiplier of 2.80	Multiplier of 3.03986	Multiplier of 3.10	Multiplier of 3.15	Multiplier of 3.20	Multiplier of 3.20	Multiplier of 3.30	Multiplier of 3.35	Multiplier of 3.40					
Municipal General Tax \$ Increase					\$ (735.41)	\$ (312.80)	\$ (210.38)	\$ (126.15)	\$ (42.83)	\$ (42.83)	\$ 121.04	\$ 201.52	\$ 281.54					
% change in tax levy over 2018					-9.05%	-3.85%	-2.59%	-1.55%	-0.53%	-0.53%	1.49%	2.48%	3.47%					

What this means to the Average Taxpayer

Based on the City’s suggested property tax rate increase, existing commercial rate multiplier and tax rate structure, the following impacts have been calculated:

Residential Class

The property tax increase for an average Class 1 residential property, valued at \$435,616, is estimated at 3.03% or **\$38.92** for the municipal portion of the tax notice. (See Attachment #1)

When the water, sewer, and solid waste user fees are applied to this property, the impact of City rates, fees and property tax increases is **\$88.79**

Increases for tax collections for other authorities are projected to be about \$71 for 2019. These rates are outside the control of City Council.

Commercial Class

The property tax increase for an average commercial property, valued at \$819,332 is estimated at 2.48% or \$201.52 (See Attachment # 2).

It should be noted that Commercial Class 6 encompasses a wide range of businesses, with a wide range of assessment valuations.

FINANCIAL IMPLICATIONS:

Council’s decision with respect to the commercial multiplier is the key factor when determining the distribution of the property tax levy between property classes. If Council chooses to adjust the commercial tax rate multiplier lower than 3.35, it results in a higher percentage increase to residential property owners. For example, if the multiplier is reduced to the same value as it was in 2018 (3.03986), the impact of the 2.75% tax increase is an \$83.77 tax increase or 6.53% tax increase for the average Class 1 Residential property versus a 3.85% tax reduction or \$312.80 credit for an average Class 6 Commercial Property as illustrated in Table 1.

Table 2 provides a historical view of the commercial multiplier and tax load burden between the tax classes since 2016.

Table # 2:

Class	Descrip	2016		2017		2018		2019	
		@2.80 % Tax Share	chng	@2.7195 % Tax Share	chng	@3.03986 % Tax Share	chng	@3.35 % Tax Share	chng
1	Residential	61.80	1.20	63.65	1.85	64.05	0.40	63.92	(0.13)
2	Utility	0.27	0.00	0.24	(0.03)	0.23	(0.01)	0.24	0.01
4	Major Industry	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00
5	Light Industry	0.38	0.02	0.38	0.00	0.34	(0.04)	0.34	0.00
6	Business	37.44	(1.21)	35.62	(1.82)	35.29	(0.33)	35.42	0.13
8	Rec/Non-Profit	0.08	0.00	0.08	0.00	0.07	(0.01)	0.06	(0.01)
9	Farm	0.03	0.00	0.03	0.00	0.02	(0.01)	0.02	0.00

Table 3 provides a comparison of the business class 6 municipal tax rate and multiplier for neighbouring municipalities on Vancouver Island and BC for 2018. This information has been compiled using the BC Government statistics for Local Governments in the province.

Table #3:

Municipalities	July 1, 2018 BC STATS Population Estimates (Dec. 2018 Release)	Municipal Purposes Tax Rates (Includes Library)	Tax Class Multiples	% Total Taxes	% Total Assess
Penticton	34,935	6.5324	1.66	21	14
West Kelowna	33,590	7.5091	2.33	11	5
Qualicum Beach	8,812	7.6109	2.42	10	4
Kelowna	127,330	7.7152	2.38	27	14
Squamish	19,852	8.6784	2.73	23	11
Cumberland	3,699	9.3441	2.44	18	9
Parksville	13,001	9.9603	2.61	24	11
Duncan	5,040	10.2355	2.52	42	23
Courtenay	26,185	11.0051	3.04	35	15
Comox	14,425	11.6501	4.11	17	5
Saanich	115,864	12.5655	4.26	23	7
Campbell River	33,698	12.9184	2.47	21	10
Nanaimo	94,743	12.9391	2.89	29	13
Port Alberni	15,788	14.6073	1.88	17	13

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council approval of the commercial tax rate multiple to be used in setting the 2019 property tax rates, the property tax rates bylaw will be drafted and returned to Council for consideration following adoption of the 2019-2023 Financial Plan. Both the financial plan and the tax rates bylaws must be adopted no later than May 15th, 2019.

ASSET MANAGEMENT IMPLICATIONS:

N/A

STRATEGIC PRIORITIES REFERENCE:

We focus on organizational and governance excellence

- Communicate appropriately with our community in all decisions we make
- Responsibly provide services at levels which the people we serve are willing to pay

- **AREA OF CONTROL:** The policy, works and programming matters that fall within Council's jurisdictional authority to act
- ▲ **AREA OF INFLUENCE:** Matters that fall within shared or agreed jurisdiction between Council and another government or party
- **AREA OF CONCERN:** Matters of interest that are outside Council's jurisdictional authority to act

OFFICIAL COMMUNITY PLAN REFERENCE:

N/A

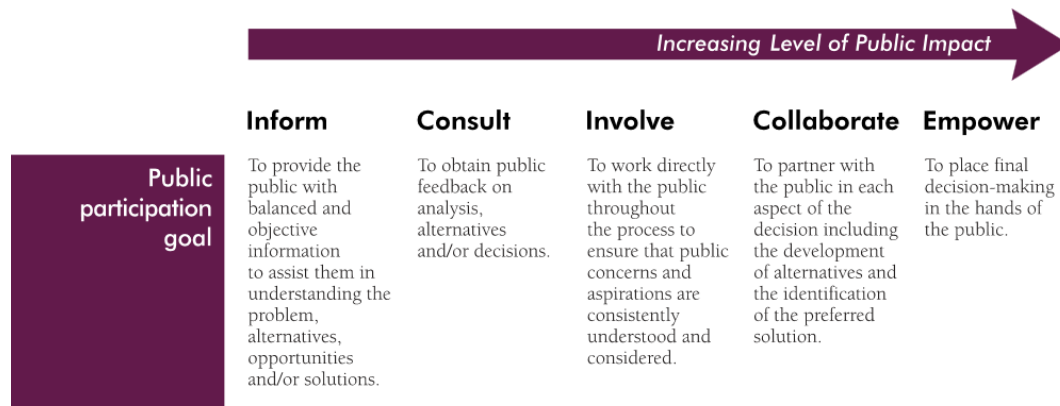
REGIONAL GROWTH STRATEGY REFERENCE:

N/A

CITIZEN/PUBLIC ENGAGEMENT:

Staff would **inform** the public based on the IAP2 Spectrum of Public Participation:

http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf



OPTIONS:

- OPTION 1: That for 2019 Council approve a Residential Tax Class rate of 3.0332 and a Commercial tax rate multiplier of 3.35 in order to generate property tax revenues of \$23.945M as identified in the 2019 – 2023 Consolidated Financial Plan. RECOMMENDED
- OPTION 2: That for 2019 Council approve an increase to the Commercial tax rate multiplier by .11 and increase the multiplier to 3.15 for setting 2019 property tax rates.
- OPTION 3: That for 2019 Council approve a reduction to the Commercial tax rate multiplier by .24 and reduce the multiplier to 2.80 for setting the 2019 property tax rates.
- OPTION 4: That the 2018 Commercial tax rate multiplier of 3.03986 be used for setting the 2019 property tax rates.
- OPTION 5: That for 2019 the Commercial tax rate multiplier be set to an amount determined by Council.

Prepared by:



Jennifer Nelson, CPA, CGA
Director of Financial Services

Attachments:

- #1. Comparison of Property Taxes and Utilities on an Average Residential Property
- #2. Comparison of Property Taxes and Utilities on an Average Commercial Property



City of Courtenay

Comparison of Property Taxes and Utilities on an Average Residential Property

As at April 15, 2019 - Assume 3% increase to School, Hospital, MFA

	2019	2018	Difference	% Change
Average Residential Property per BCAA Revised Roll information -March 19-19	435,616	374,000	61,616	16.47%
Property Taxes Calculation				
General Municipal Taxes				
General Municipal & Debt Levy	\$ 1,321.31	1,282.39	38.92	3.03%
Frontage Taxes				
Water Frontage (avg 21.83 metres)	\$ 127.49	\$ 127.49	-	
Sewer Frontage (avg 21.83 meters)	\$ 223.54	\$ 223.54	-	
Subtotal Courtenay Municipal Taxes	1,672.34	\$1,633.42	38.92	2.38%
Tax Collections for Other Authorities				
School	\$681.11	\$661.27	19.84	3.00%
Library	\$74.49	\$71.59	2.90	4.06%
Regional District	\$350.54	\$311.33	39.21	12.59%
Regional Hospital District	\$256.93	\$249.44	7.48	3.00%
BC Assessment Authority	\$16.95	\$15.07	1.87	12.43%
Municipal Finance Authority	\$0.08	\$0.07	0.00	3.00%
Subtotal Other Authorities Taxes	\$1,380.09	\$1,308.78	71.31	5.63%
Total Tax Levy	\$ 3,052.43	\$2,942.20	110.22	3.75%
Basic Home Owner Grant	\$ (770)	\$ (770)		
Total Tax Payable net of Basic Grant	\$ 2,282.43	\$2,172.20	110.22	
Utilities - Single Family User				
Water	\$ 497.92	\$467.53	30.39	6.50%
Sewer	\$ 340.38	\$324.17	16.21	5.00%
Solid Waste & Recycling	\$ 164.67	\$161.40	3.27	2.03%
	\$ 1,002.97	\$953.10	49.87	6.61%
Total Taxes & Utilities (net of Basic Grant)	\$ 3,285.40	\$3,125.30	160.09	5.12%

Total City Only Increases

88.79

2.84%



City of Courtenay

Comparison of Property Taxes on an Average Commercial Property

(As at April 15, 2019 - Assume 3% increase to School, Hospital, MFA & Hospital multiplier of 2.45 for CVRD (All outstanding at time of report))

	<u>2018</u>	<u>2018</u>		
Average Assessment Value	819,332	779,400	5.12%	
Commercial Multiplier	3.35	3.03986		
Property Taxes				
General Municipal Taxes				% Change
General Municipal & Debt Levy	\$ 8,325.40	8,123.88	201.52	2.48%
Frontage Taxes				
Water Frontage (avg 21.83M)	127.49	\$ 127.49	-	
Sewer Frontage (avg 21.83M)	223.54	\$ 223.54	-	
Subtotal City Municipal Taxes	8,676.42	8,474.90	201.52	2.38%
Tax Collections for Other Authorities				
School	\$ 3,371.68	3,273.48	98.20	
Library	\$ 469.31	453.50	15.81	
Regional District	\$ 1,946.65	1,790.56	156.09	
Regional Hospital District	\$ 1,311.80	1,273.59	38.21	
BC Assessment Authority	\$ 88.65	96.72	(8.07)	
Municipal Finance Authority	\$ 0.40	0.39	0.01	
Subtotal Other Authorities Taxes	7,188.50	6,888.25	300.25	
Total Tax Levy	15,864.92	15,363.15	501.77	3.27%

