

STAFF REPORT



City of Trail

DATE: May 3, 2018

FILE NUMBER: 1715-02

TO: MAYOR AND COUNCIL

FROM: DAVID PEREHUDOFF, CHIEF ADMINISTRATIVE OFFICER

SUBJECT: **2018 BUDGET AND PROPERTY TAX INFORMATION**

1.0 PURPOSE

- 1.1. The purpose of this report is to provide additional information as it pertains to the 2018 Budget now that all other government tax rates and requisitions have been established and received by the City for inclusion on the property tax notice.
- 1.2. A 2018 Budget and Property Tax Information briefing note is attached and consolidates the overall property tax implications for 2018.
- 1.3. Staff members from the Finance Department who respond to public inquiries are also provided with a copy of the attached summary. They are asked to review the document and to be familiar with its contents when responding to questions that may be asked.
- 1.4. The 2018 increase in taxes this year for some residential homes will be more significant and it is therefore important that members of staff are fully prepared to answer questions from the public.

2.0 RECOMMENDATION

- 2.1. That Council receive the 2018 Budget and Property Tax Information.

3.0 BACKGROUND

- 3.1. Considerable effort goes into the development of the budget each year, which starts with the detailed assembly by staff that is followed by Council's review and approval of the entire City Budget.
- 3.2. After the City's Budget is approved, the incremental effects that the other government property tax levies have on the City and in particular the ratepayer are often not considered given the City has no direct control over these budgets.
- 3.3. The summarized information provides a further consolidation of the City of Trail's levy and tax rates, including now the other governments' rates, which provides additional information with a focus on the budget impacts on the residential ratepayer.

4.0 ANALYSIS

- 4.1. The attached summary builds on other information by presenting a comprehensive impact summary of property taxes and year over year changes on an “average” residential property.
- 4.2. This report is purely informational in nature. Council is not being asked to make any decisions beyond ensuring they are fully aware and understand the implications of the budget given the “real” input is typically received after the tax notices are sent.
 - 4.2.1. Several members of Council have reported they have not received any or many complaints regarding the previous announcement regarding the City’s budget. While this is good news, the general attitude could change once notices are out so it is again important Council understands the various components of the budget and how this impacts the “bottom line” beyond City property taxes.

5.0 OPTIONS

- 5.1. There are no additional options for consideration provided. This is for information only.

6.0 FINANCIAL CONSIDERATIONS

- 6.1. The summarized tax levy indicates a consolidated tax levy of \$22.838 million. When considering all of the taxes and charges that form part of the total, the City of Trail directly controls 64.02% of the total consolidated levy.
 - 6.1.1. It is important to recognize this split. The total increase in tax levy results from increases in the City levy, regional taxes and school taxes. School taxes are up quite significantly when compared on a year over year basis.
- 6.2. Council was provided an individual property by property analysis of property tax impacts when the City budget was being developed. The chart now attached to this report includes the other government tax charges. As the chart indicates, the annual increase on Council’s personal property taxes range from \$144 to \$370.

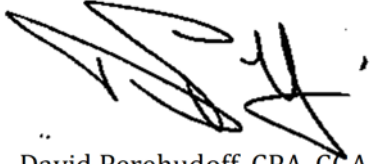
7.0 POLICY AND LEGAL CONSIDERATIONS

- 7.1. The Budget and property tax legislation and the City’s related policies have been considered throughout the preparation of the Budget through to Council’s eventual adoption of the required bylaws.

8.0 OTHER CONSIDERATIONS

8.1. No other issues are advanced for consideration at this time.

RESPECTFULLY SUBMITTED

A handwritten signature in black ink, appearing to read 'David Perehudoff', is written over a faint, illegible stamp or background.

David Perehudoff, CPA, CGA
Chief Administrative Officer

attach.

CITY OF TRAIL
2018 BUDGET AND PROPERTY TAX INFORMATION

Summary

The 2018 Municipal Property Tax Levy increased by 6.27% or \$832,650 over the 2017 municipal levy. The City's total municipal property tax levy in 2018 is \$14,114,850 as compared to \$13,282,200.

The increase in the budget is primarily driven by the opening of the Riverfront Centre and the corresponding increase in costs to operate the facility and service the debt. In total, including operations and debt payments, the Riverfront Centre budget, which increased by \$672,650 over last year, accounted for 81% of the total increase in the tax levy.

Additional reports can be found on the City's website that provide considerable additional detail and explanation regarding the budget and what information was considered during the review process:

<http://www.trail.ca/en/inside-city-hall/reports-and-publications.asp>

Property Tax Apportionment

The City's municipal levy is apportioned to the various rate classes as follows:

Class	2018		2017		Change 2018-2017	
	Total Taxes	% Total	Total Taxes	% Total	Taxes	% Change
CL1 - Residential	3,688,684	26.14%	3,454,650	26.01%	234,034	6.77%
CL2 - Utilities	657,833	4.66%	649,152	4.89%	8,681	1.34%
CL4 - Heavy Industry	8,656,729	61.33%	8,146,059	61.33%	510,670	6.27%
CL5 - Light Industry	7,220	0.05%	6,620	0.05%	600	9.06%
CL6 - Business	1,091,415	7.73%	1,013,578	7.63%	77,837	7.68%
CL7 - Managed Forest	4,500	0.03%	4,130	0.03%	370	8.96%
CL8 - Rec/Non-profit	8,480	0.06%	8,000	0.06%	480	6.00%
TOTAL	14,114,861	100%	13,282,189	100%	832,672	6.27%

The City is fortunate to have a strong major industrial tax base, with Class 4 major industry paying 61.33% of the overall municipal tax levy. Apportionment to Class 6 Business takes into consideration the property tax ratio between Class 1 and 6 and trying to keep it at or around 2 to 1, business rate to residential rate. When the flat tax is considered, the "real" ratio between the two rates classes falls under this target and taxes are seen to be fairly apportioned.

Assessments and Levies

The 2018 property assessments generated by the BC Assessment Authority demonstrated strong growth in the overall assessment base and is consistent with the significant increase in the estimated value of

the average residential property in Trail. Any and all major assessment appeals that were occurring within the City's taxing jurisdiction have now been resolved so there is no immediate concern or risk to the roll going forward.

Class	2017 Assessments	Total Assess Change	2018 Assessments	Change	
				\$	%
CL1 - Residential	609,702,900	47,014,400	656,717,300	47,014,400	7.71%
CL2 - Utilities	16,228,800	217,015	16,445,815	217,015	1.34%
CL4 - Major Industry	178,237,100	27,081,600	205,318,700	27,081,600	15.19%
CL5 - Light Industry	2,378,700	311,000	2,689,700	311,000	13.07%
CL6 - Business	115,674,256	5,010,744	120,685,000	5,010,744	4.33%
CL7 - Managed Forest	474,000	48,000	522,000	48,000	10.13%
CL8 - Rec/Non-profit	1,200,900	42,100	1,243,000	42,100	3.51%
	923,896,656	79,724,859	1,003,621,515	79,724,859	8.63%

Average single family residence:

2018 assessed value 193,543

2017 assessed value 178,309

\$ Change	15,234
% Change	8.54%

Flat Tax

Along with the utilization of a property tax rate, which is applied against the assessed value of the property, the residential property tax levy also includes a flat tax component. This tax was established at \$130 and for over two decades the charge remained unchanged with all additional revenue coming from the assessment based tax. In 2016 Council the rate was increased to \$260 after there were disproportionate shifts within the residential assessment base at a time the City budget was increasing. The increase in the flat rate was implemented to smooth the varied changes in assessments and to more fairly apportion the City tax levied amongst the individual properties within the residential class.

The flat tax provides the opportunity to improve the distribution of the tax levy so each property is paying a "fair share" towards the many services provided by the City, such as: policing, roads, sidewalks, street lighting, parks and recreation, etc. Some would argue the tax is regressive but if the revenue this tax generates had to be recovered strictly from residential taxes it would result in significant increases for property taxes on higher valued homes before any increase in the levy is even considered. It is further noted that the authority created by the legislation to levy the flat tax has long since been

repealed and the City of Trail retains the authority to tax by virtue of grandfather provisions. If Council ever decided to eliminate the tax, it could not be reinstated in the future so it is unlikely that the levy would ever be totally eliminated but the levy could be reviewed in the future.

For further clarity and to summarize, the following additional information as it pertains to the Flat Tax is provided:

1. The Flat Tax forms part of the general property tax levy and is for all services provided through the City's general revenue fund.
2. In 2016, the flat levy was increased from \$130 to \$260.
3. The flat tax levy generates \$873,600 and represents 23.68% of the \$3.689 million residential levy.
4. Property tax levies are linked to the value of property owned. Property taxes, unlike income taxes, are not determined based on the income like a progressive tax system. A uniform mill rate is applied to all assessments in one class and may be viewed as more of a "wealth based" tax. In this system higher valued properties pay more in property taxes with no specific linkage to income streams, liquid based holdings or the services the individual property receives. The City operating using a universal service and funding approach that does not offer the opportunity for customization (i.e. allow the property owner to pick, choose and pay for the services they wish to received).

Regional District

The following summarizes the regional district's 2018 requisition, which increased by 2.95%. The RDKB levy is 21.5% of the total tax levy paid by the average residential taxpayer.

REQUISITION - RDKB:	2018	2017	Change \$	% Change
East End Services (4 services)	2,531,163.95	2,503,952.90	27,211.05	1.09%
Sewer	1,085,434.74	1,012,077.56	73,357.18	7.25%
Other	874,788.60	846,764.50	28,024.10	3.31%
TOTAL - 2018	4,491,387.29	4,362,794.96	128,592.33	2.95%

With respect to the regional levy, the requisition is broken into three component parts as shown above. For the 4 (fire, transit, cemetery, recreation & culture) regional services, the following provides additional information with respect to the overall budget and the amount the City pays.

REQUISITION SUMMARY	City share - 2018	City share - 2017	% Change	2018 - Total	2017 - Total	% CHANGE
Recreation Library and Culture	310,542	303,208	2.42%	715,910	709,003	0.97%
Fire Services	1,514,261	1,424,627	6.29%	3,490,903	3,331,247	4.79%
Cemetery	203,875	201,073	1.39%	470,004	470,176	-0.04%
Transit	502,510	495,359	1.44%	1,158,464	1,158,311	0.01%
Economic Development LCIC	0	79,751	100.00%	0	186,483	-100.00%
TOTAL	2,531,188	2,504,018	1.09%	5,835,281	5,855,220	-0.34%
CITY OF TRAIL - Total				2,531,188	2,504,018	1.09%
% OF TOTAL REQUISITION				43.38%	42.77%	1.43%

As indicated above, the City withdrew from the regional economic development service and this is reflected in the overall reduction in the requisition. The budget reduction of \$79,751 is completely offset by the 6.29% budget increase for fire services. There was initial concern expressed by Council when the decision was made to withdraw from the regional economic development service that the regional district would increase budgets elsewhere as part of absorbing the "tax room" and this in fact is the case. With that said, the increase would presumably be more dramatic on the other communities that remain the regional economic development service as well. Aside from fire, the sewer requisition increased the most significantly. The funding levels and the ongoing increases in some of the regional services is an issue that Council may eventually want to consider and may be best addressed during a future strategic planning session.

2018 Tax Levy

The following summarizes all of the property tax levies, including the City of Trail and the other governments. As indicated below, the City will levy and collect approximately \$22.838 million. Tax notices will be sent to the property owners in the middle of May and must be paid by July 3rd with any current taxes outstanding after this date being subject to a 10% penalty.

Property Tax Levies Totals - By type of levy	2018		2017		Change	
	Levy		Levy		\$	%
City of Trail - General Municipal Taxes	\$ 13,241,300	\$	12,408,600	\$	832,700	6.71%
City of Trail - Flat Tax	873,600		873,600		0	0.00%
Local improvements	2,650		2,650		0	0.00%
Water Parcel	503,000		503,000		0	0.00%
Regional District	4,491,400		4,362,700		128,700	2.95%
Regional Hospital	485,850		461,150		24,700	5.36%
School	3,418,350		3,352,200		66,150	1.97%
School - Rebate	-517,400		-513,350		-4,050	0.79%
M.F.A.	400		350		50	14.29%
BC Assessment Authority	158,600		143,850		14,750	10.25%
Waneta Junction Water Parcel	21,200		21,200		0	0.00%
Fortis - 1% utility tax	86,500		82,400		4,100	4.98%
	\$ 22,765,450	\$	21,698,350	\$	1,067,100	4.92%

Further to the total property tax levies, find attached a summary of comparative "average" overall property tax levies. As shown, a home valued at \$193,543, where the assessment increased by 8.54%, will experience an increase of total property tax levies of \$97 or \$8 per month.

Summary

The City's 2018 Budget was highly impacted by the Riverfront Centre. The centre, which for all intents and purposes, will be used widely by the residents in the region but will provide very little regional revenue in support of the operation. The Warfield funding agreement for Recreation and Library, includes annual revenue of \$37,600. The 2018 Budget includes \$510,200 to fund the library plus another \$200,000 to operate the building. The total net cost to the City as a result of the new building and enhanced services and service levels is now fully phased into the budget and some properties will see more significant year over year increases as a result of these new costs.

Further to the above, it is important to realize that while Council appoints members from the community to the Library Board as well as a Council representative, the Board operates independently from Council. While Council approves the annual requisition and funding levels, the governance, management and operation is the sole responsibility of the Board as described in the *Library Act*. With the dramatic increase in the Library budget, the Board has been asked to provide reporting that will provide Council with a better understanding of service levels and costs that should ideally enhance accountability and make it easier for Council to deal with the library requisition in the future.

The budget not only reflects the costs of providing ongoing municipal services such as road maintenance or street lights, it also reflects the new costs associated with the infrastructure that has been added by the City over the last three years. These costs can include increased operating costs, increased debt

servicing costs and the annual depreciation expense for the new asset. If the City is going to remain sustainable, the property tax levy must include the full cost of service delivery and a reasonable allocation from revenue for asset renewal and replacement. It is felt that the current municipal tax levy fairly represents these costs and therefore levies should remain stable for the near future. 2018 is the last budget year for the current Council who will leave office later this year and the next Council will likely not face the same type or magnitude of budget pressures in the near future and the five year financial plan indicates that tax levies on a year over year basis will now "normalize".

Prepared by:



David Perehudoff, CPA, CGA
Chief Administrative Officer

Date: May 8, 2018

2018 RATE SUMMARY:changes

**CITY OF TRAIL
TAXING COMPARISON - 2018 to 2017**

<u>AVERAGE RESIDENTIAL HOME</u>		
2017	178,323	
2018	193,543	
CHANGE		8.54%

COMPARATIVES

	2018 RATES	\$ TAXES	2017 RATES	\$ TAXES	CHANGE	
					\$	%
<u>MUNICIPAL</u>						
General	4.2866	829.64	4.2388	755.88	73.76	9.76%
Flat	260.00	260.00	260.00	260.00	0.00	0.00%
Parcel	150.00	150.00	150.00	150.00	0.00	0.00%
TOTAL		1,239.64		1,165.88	73.76	6.33%
<u>RDKB</u>						
6 Functions	1.4395	278.61	1.5708	280.11	(1.50)	-0.54%
Sewer	0.6173	119.47	0.6349	113.22	6.25	5.52%
Other	0.4975	96.29	0.5312	94.73	1.56	1.65%
TOTAL RDKB	2.5543	494.37	2.7369	488.06	6.31	1.29%
TOTAL Local Taxes		1,734.01		1,653.94	80.07	4.84%
<u>SCHOOL</u>	2.6035	503.89	2.6223	467.62	36.27	7.76%
<u>OTHER GOVERNMENTS</u>						
BCAA	0.0403	7.80	0.0432	7.70	0.10	1.30%
MFA	0.0002	0.04	0.0002	0.04	0.00	0.00%
HOSPITAL	0.2763	53.48	0.2893	51.59	1.89	3.66%
GROSS TAXES	9.7612	2,299.22	9.9307	2,180.89	118.33	5.43%
<u>HOME OWNER GRANT</u>						
Under 65		770.00		770.00	0.00	0.00%
Over 65		1,045.00		1,045.00	0.00	0.00%
<u>NET TAXES (after deducting HOG)</u>						
Under 65		1,529.22		1,410.89	118.33	8.39%
Over 65		1,254.22		1,135.89	118.33	10.42%

Table shows estimated changes in property tax levies for the residential home in Trail noted above.

CITY OF TRAIL
2018 PROPERTY TAX RATE SUMMARY

Class/ Taxing Authority	1 Residential	2 Utility	4 Major Industry	5 Light Industry	6 Business/ Other	7 Managed Forest	8 Rec/Non- Profit
Municipal							
General	4.0372	37.6711	39.7099	2.5273	8.5185	8.1188	6.4272
Debt	0.2494	2.3289	2.4525	0.1569	0.5250	0.5019	0.3950
TOTAL	4.2866	40.0000	42.1624	2.6842	9.0435	8.6207	6.8222
Regional District	2.5543	8.9402	8.6846	8.6846	6.2581	7.6629	2.5543
Regional Hospital	0.2763	0.9670	0.9394	0.9394	0.6768	0.8288	0.2763
School	2.6035	13.4000	4.2000	4.2000	4.2000	1.9000	2.5000
School - Industrial credit			-2.5200	0.0000			
M.F.A.	0.0002	0.0007	0.0007	0.0007	0.0005	0.0006	0.0002
BC Assessment Authority	0.0403	0.5037	0.5037	0.1241	0.1241	0.2560	0.0403
TOTAL - 2018	9.7612	63.8116	53.9708	16.6330	20.3030	19.2690	12.1933

2017 TOTAL RATE	9.9307	64.4905	58.4114	18.0120	21.2996	19.9753	12.4313
2016 TOTAL RATE	9.8180	64.7280	56.0340	18.6889	21.3456	23.8540	12.4048
2015 TOTAL RATE	10.0536	64.6459	55.5898	18.8437	21.5715	23.3636	12.1896
2014 TOTAL RATE	9.7787	64.4052	53.5839	18.8060	21.1955	23.9051	12.6183
2013 TOTAL RATE	9.7081	65.4243	53.5860	17.6768	21.3232	22.9757	12.5625

OTHER RATES AND CHARGES (residential):

FLAT TAX (per parcel)	260.00	** Increased from \$130 in 2016.
WATER PARCEL	150.00	

USER FEES ANNUAL (residential):

	2018		2017	
	Gross	Discounted *	Gross	Discounted *
Garbage	130.00	121.00	126.00	117.00
Water	376.50	348.50	360.20	333.30
Sewer	261.00	261.00	255.50	236.30
	767.50	730.50	741.70	686.60

* Paid before February 28 in the year levied.

AVERAGE RESIDENTIAL ASSEMENT - 2018	\$193,543
AVERAGE RESIDENTIAL ASSEMENT - 2017	\$178,309

City of Trail Tax Rates Bylaw 2846, 2018

City of Trail
Property Tax Impacts 2018 - Members of Council

City of Trail				City rate		4.2388	4.2866		
Folio	Council	2017	2018	Change		2017	2018	Change	
232	Member	Assess	Assess	\$	%	City Taxes	City Taxes	\$	%
2971.200	Cacchioni	185,400	203,400	18,000	9.71%	\$ 1,195.87	\$ 1,281.89	86	7%
2592.100	Dobie	137,000	152,800	15,800	11.53%	\$ 990.72	\$ 1,064.99	74	7%
3965.000	Gattafoni-Robinson	277,100	292,100	15,000	5.41%	\$ 1,584.57	\$ 1,662.12	78	5%
4020.100	Martin	472,000	495,000	23,000	4.87%	\$ 2,410.71	\$ 2,531.87	121	5%
3851.000	Pasin	306,200	327,200	21,000	6.86%	\$ 1,707.92	\$ 1,812.58	105	6%
2999.000	Santori	323,000	338,000	15,000	4.64%	\$ 1,779.13	\$ 1,858.87	80	4%

Other Taxes				Other Govt Rates		5.6441	5.3633		
Folio	Council	2017	2018	Change		2017	2018	Change	
232	Member	Assess	Assess	\$	%	Other Govt	Other Govt	\$	%
2971.200	Cacchioni	185,400	203,400	18,000	9.71%	\$ 1,046.42	\$ 1,090.90	44	4%
2592.100	Dobie	137,000	152,800	15,800	11.53%	\$ 773.24	\$ 819.51	46	6%
3965.000	Gattafoni-Robinson	277,100	292,100	15,000	5.41%	\$ 1,563.98	\$ 1,566.62	3	0%
4020.100	Martin	472,000	495,000	23,000	4.87%	\$ 2,664.02	\$ 2,654.83	(9)	0%
3851.000	Pasin	306,200	327,200	21,000	6.86%	\$ 1,728.22	\$ 1,754.87	27	2%
2999.000	Santori	323,000	338,000	15,000	4.64%	\$ 1,823.04	\$ 1,812.80	(10)	-1%

CONSOLIDATED - Gross Taxes Before Homeowner Grant

Folio	Council					2017	2018	Change	
232	Member					Total Gross	Total Gross	\$	%
2971.200	Cacchioni					\$ 2,242.29	\$ 2,372.79	130	6%
2592.100	Dobie					\$ 1,763.96	\$ 1,884.50	121	7%
3965.000	Gattafoni-Robinson					\$ 3,148.55	\$ 3,228.74	80	3%
4020.100	Martin					\$ 5,074.73	\$ 5,186.70	112	2%
3851.000	Pasin					\$ 3,436.14	\$ 3,567.45	131	4%
2999.000	Santori					\$ 3,602.18	\$ 3,671.67	69	2%