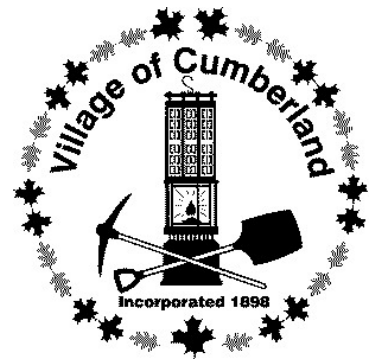


COUNCIL REPORT



REPORT DATE: 3/28/2022
MEETING DATE: 4/11/2022

File No. 1700

TO: Mayor and Councillors
FROM: Michelle Mason, Chief Financial Officer/Deputy CAO
SUBJECT: 2022 Property Tax Rates Bylaw

RECOMMENDATION

- i. THAT Council receive the 2022 Property Tax Rates Bylaw report.

PURPOSE

The purpose of this report is to provide to Council the draft “2022 Property Tax Rates Bylaw No. 1167, 2022” to provide information to Council regarding impacts to the tax payers for the current financial plan. A final tax rate bylaw will come back to Council at the April 25, 2022 meeting for consideration of the first three readings and then for adoption at the May 9, 2022 meeting.

PREVIOUS COUNCIL DIRECTION

| Date | Resolution |
|------------------|---|
| January 10, 2022 | THAT Council adopt 2022 - 2026 Financial Plan Bylaw No. 1152, 2021. |

BACKGROUND

The 2022-2026 Financial Plan bylaw (attached for information) must be adopted prior to adoption of the 2022 Tax Rates bylaw and this requirement has been met. The 2022 year of the approved five-year financial plan requires municipal property tax revenues in the amount of \$3,609,820. Property tax revenues levied in 2021 totaled \$3,425,300 (net of 2021 growth taxes). The budgeted property tax revenues’ impact to existing 2021 ratepayers is a 5.39% increase.

The tax rate bylaw attached to this report establishes tax rates for the Village of Cumberland and for other government agencies for which the Village levies and collects taxes. The tax rates bylaw must be adopted by May 15, 2022.

The variable tax rate system in BC levies property tax to owners based on the value of their properties. The tax rate each year is based on the revenue the Village budgets to collect and the

assessed values of all the properties in the Village at that time. Changes in the total assessed property values in the Village will cause the tax rate to change. The property tax rates in the bylaw are based on assessments from the Revised Roll received in March 2022. The total market value in 2022 assessments for Cumberland increased by approximately 36%. The decreased rates reflect this significant market increase in the various classes. Currently the increased tax revenue is spread equally between all classes. Council has the option at this point, to adjust the distribution of the tax revenue differently between the classes.

| Property Class | 2021 Tax Rates | 2022 Tax Rates | 2022 Tax Ratios (Multiples of Class 1) |
|--------------------------|----------------|----------------|--|
| Class 1 (residential) | 3.0616 | 2.3423 | 1.00 |
| Class 2 (utilities) | 57.0564 | 50.8039 | 21.69 |
| Class 5 (light industry) | 9.8933 | 7.1533 | 3.05 |
| Class 6 (business/other) | 7.9245 | 7.0561 | 3.01 |
| Class 7 (managed forest) | 32.5851 | 34.3514 | 14.67 |
| Class 8 (rec/non-profit) | 2.1308 | 2.3423 | 1.00 |
| Class 9 (farm) | 3.0616 | 2.3423 | 1.00 |

Property taxes generated by growth in 2022 is not in the financial plan and will be included in the first financial plan amendment with a recommended contribution to the Emergency and Public Safety reserve to save towards policing. The taxes from growth in 2022 based on the revised roll totals just under \$44k. Council also has the option to reduce 2022 taxes with the growth taxes instead of contributing them to the reserve. However, staff believe that there is a high likelihood that the Village population will hit 5000 people in the next census and that the police costs will be much higher than it has been estimated in the past due to the new police collective agreement. Currently there has been no information provided regarding whether municipalities under 5000 population will be required to pay additional retroactive taxes for the new collective agreement. Therefore, not contributing growth taxes to the Emergency and Public Safety reserve is increasing the risk that the tax revenues will fall significantly short for rising policing costs.

Based on the revised assessment roll and approved financial plan, property and parcel taxes as well as utility fees are estimated to increase in 2022 for average single-family and residential strata properties as follows:

| | | Total 2022 Charges * Compared to Total 2021 Charges | | |
|----------------|--------------------|---|---------|--------------------|
| Household Type | Average Assessment | 2022 | 2021 | Estimated Increase |
| Single-family | \$708,763 | \$3,903 | \$3,621 | \$282 |
| Strata units | \$498,808 | \$2,758 | \$2,739 | \$19 |

- * Single-family and strata unit total charges have \$770 home owner grants deducted
- * 2022 school tax rates are not available and have been estimated at a five percent increase
- * 2022 police tax rates are not available and been estimated at a 10% increase
- * 2022 final CVRD requisition amount have not been received (the rates may change once received)
- * 2022 final CSRHD requisition amounts have not been received (the rates may change once final received)

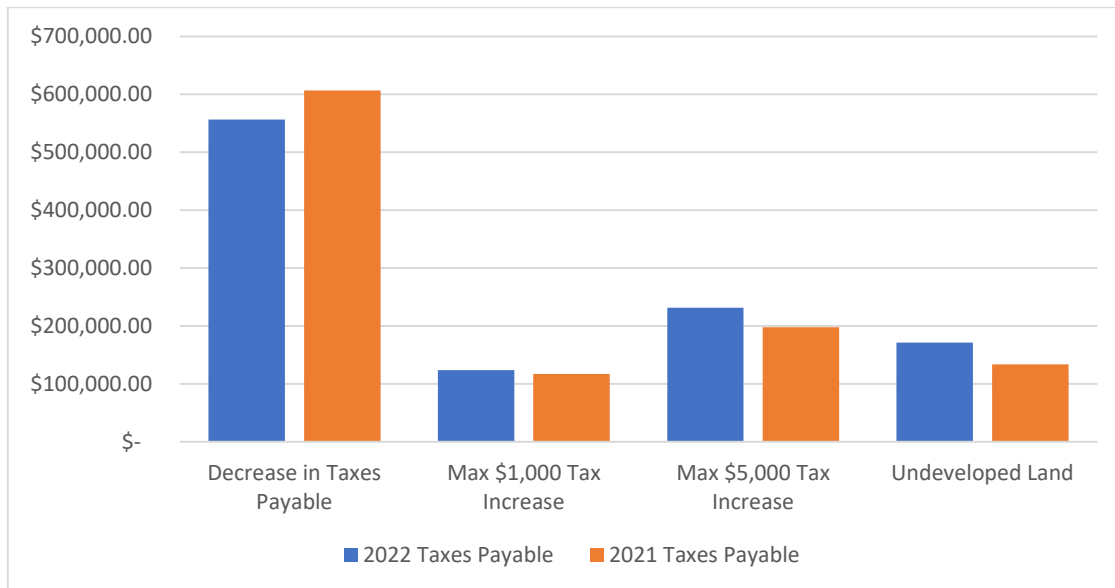
The estimated increase for the single-family residential household above (\$282) is much higher than the increase for the strata units (\$19) due to the rate of increase in the assessment values between single-family and strata units. The average single-family assessment values (39%

increase) have increased at a much higher rate than the average strata units (28% increase) which has caused the single-family households to pay a bigger portion of the tax revenues in 2022 than the strata units within class one. That’s why the single-family tax increase is so much higher than originally expected and the strata units tax increase is significantly lower than originally expected.

The estimated tax increase for Business/Other properties range significantly and therefore using a median assessment or average assessment value to show the increase from 2021 would skew the results and not be valuable to Council. The table below shows different ranges of property tax increases and the number of Business/Other properties that are in each range. The chart below shows total taxes payable in 2022 compared to 2021 for each category of tax increases.

| Business/Other Property Tax Increase/(Decrease) Ranges | Number of Properties |
|---|-------------------------------------|
| (\$15,900) to \$0 (Decrease) | 29 |
| \$0 to \$1,000 (max. \$1k increase) | 22 |
| \$1,000 to \$5,000 (max. \$5k increase) | 17 |
| \$16,000 * | 1 |
| \$21,000 * | 1 |

* Undeveloped land



The Village of Cumberland must establish rates by bylaw for the Vancouver Island Regional Library services (VIRL), the Comox Valley Regional District (CVRD) and Comox Strathcona Regional Hospital District (CSRHD). Tax rates for the VIRL are based on invoiced amounts to the Village by the Library board as per their adopted financial plan. Tax rates for CVRD and CSRHD are based on amounts requisitioned to the Village by the CVRD and CSRHD as per their adopted financial plan. Currently the tax rates for the CVRD are based on the original financial plan dated January 2022 as the Village has not received the final adopted financial plan requisitions for Cumberland to date. In addition, the Village has not received the CSRHD budgeted requisition to date and therefore the tax rates for the CSRHD in the attached bylaw are still estimated. The bylaws are being presented

to Council for initial feedback at this stage for their review and will come back at the April 25, 2022 meeting for consideration of the first three readings then for adoption at the May 9, 2022 meeting.

Staff cautions that property assessments do not change equally across all properties and market pressures and property improvements will result in different assessment changes for different property owners. Property owners have the option to appeal their property assessment values to BC Assessment by January 31st each year. Changes as a result of any appeal are usually included in the revised roll.

Property Tax Deferral

Certain residential property owners may be eligible for property tax deferral. Property tax deferral is an existing low interest loan program that helps qualified B.C. homeowners pay their annual property taxes on their principal residence. Homeowners that are 55 or older, a surviving spouse, a person with disabilities or a family with children may qualify for deferral. In addition to general information about property tax deferral and the required steps, there is information about the two specific programs (attached to this report):

- Regular Property Tax Deferral Program, for those aged 55 or older or in other specified circumstances
- Families with Children Tax Deferral Program, for those financially supporting children.

ALTERNATIVES

1. Council can provide feedback to staff on the current rates being presented.
2. Not proceed with any action at this time.

STRATEGIC OBJECTIVE

- Healthy Community
- Quality Infrastructure Planning and Development
- Comprehensive Community Planning
- Economic Development

FINANCIAL IMPLICATIONS

Financial implications for the attached 2022 tax rate bylaw are mostly outlined above in this report.

The table below outlines the 2021 (2022 not available at this stage) taxes and charges that a representative house paid in communities on Vancouver Island (information taken from the Province of BC website). The last column estimates what the total charges for the other communities would be if they increased by 2% compared with the actual charges for Cumberland (5.39%).

| Municipality | House Assessment | Total Residential Variable Rate Tax (HOG not taken) | Total Residential Parcel Taxes | Total Residential Utility Fees | Total Residential Taxes and Charges | Assume a 2% increase for 2022 |
|----------------|------------------|---|--------------------------------|--------------------------------|-------------------------------------|-------------------------------|
| Cumberland | \$ 510,441 | \$ 3,163 | \$ 350 | \$ 779 | \$ 4,292 | \$ 4,673* |
| Courtenay | \$ 510,671 | \$ 3,020 | \$ 245 | \$ 1,040 | \$ 4,305 | \$ 4,391 |
| Comox | \$ 593,809 | \$ 3,146 | \$ 120 | \$ 1,066 | \$ 4,332 | \$ 4,419 |
| Campbell River | \$ 483,444 | \$ 3,506 | \$ 136 | \$ 1,026 | \$ 4,668 | \$ 4,761 |
| Qualicum Beach | \$ 688,660 | \$ 4,187 | \$ 240 | \$ 421 | \$ 4,848 | \$ 4,945 |
| Parksville | \$ 529,355 | \$ 3,442 | \$ 20 | \$ 745 | \$ 4,207 | \$ 4,291 |
| Lantzville | \$ 754,076 | \$ 3,413 | \$ 20 | \$ 965 | \$ 4,398 | \$ 4,486 |
| Nanaimo | \$ 544,227 | \$ 3,903 | \$ - | \$ 993 | \$ 4,896 | \$ 4,994 |
| Ladysmith | \$ 483,347 | \$ 3,224 | \$ 809 | \$ 1,033 | \$ 5,066 | \$ 5,167 |

* Increase for Cumberland for the 2022 average house assessment above is the actual increase (5.39%) in this report (\$708,763 and total charges without a home owner grant claimed is \$4,673)

OPERATIONAL IMPLICATIONS

The adoption of the property tax rate bylaw is the last step in the financial planning process and must be adopted after the financial plan bylaw has been adopted and prior to May 15th of each year. Tax levies are expected to be mailed after the May long weekend. Home owner grants and tax deferrals are administered by the Province of BC directly. Property owners wanting to use these programs, need to use the provinces website. Links to the applicable website can be found by searching *Property Taxes and Home Owner Grants* on the Village website cumberland.ca.

CLIMATE CHANGE IMPLICATIONS

While the actual financial planning process does not directly relate to any climate change implications, projects in the annual budget to be carried out in 2022, may have climate change implications which will be taken into account by staff.

ATTACHMENTS

1. 2022 Property Tax Rates Bylaw No. 1167, 2022
2. 2022-2026 Financial Plan Bylaw No. 1152, 2021 for information

CONCURRENCE

None

Respectfully submitted,

M. Mason

Michelle Mason
Chief Financial Officer/Deputy CAO

C. Postings

Clayton Postings
Chief Administrative Officer

THE CORPORATION OF THE VILLAGE OF CUMBERLAND

BYLAW NO. 1167

A bylaw to establish property tax rates and impose property value taxes for the year 2022.

The Council of the Corporation of the Village of Cumberland in open meeting assembled enacts as follows:

1. This Bylaw may be cited as “2022 Property Tax Rates Bylaw No. 1167, 2022.”
2. The following rates are imposed and levied for the year 2022:
 - (a) for all lawful and general purposes of the municipality on the taxable assessed value of land and improvements for general purposes, rates are shown in column A of Schedule A to this Bylaw;
 - (b) for the purposes of the Vancouver Island Regional Library on the taxable assessed value of land and improvements for general purposes, rates are shown in column B of Schedule A to this Bylaw;
 - (c) for the purposes of Comox Valley Regional District on the taxable assessed value of land and improvements for general purposes, rates are shown in column C of Schedule A to this Bylaw;
 - (d) for the purposes of Comox Valley Regional District on the taxable assessed value of land and improvements for hospital purposes, rates are shown in column D of Schedule A to this Bylaw; and
 - (e) for the purposes of the Comox-Strathcona Regional Hospital District on the taxable assessed value of land and improvements for hospital purposes, rates are shown in column E of Schedule A to this Bylaw.

| | | |
|--------------------------------|---------------|--------------|
| READ A FIRST TIME THIS | DAY OF | 2022. |
| READ A SECOND TIME THIS | DAY OF | 2022. |
| READ A THIRD TIME THIS | DAY OF | 2022. |
| ADOPTED THIS | DAY OF | 2022. |

Mayor

Corporate Officer

SCHEDULE A
(Dollars of tax per \$1,000 of assessed value)

| Property Class | (column A) | (column B) | (column C) | (column D) | (column E) |
|----------------------|----------------------|--|---|------------|--|
| | Municipal General | VANCOUVER Island Regional Library General | Regional District General Hospital | | Regional Hospital District Hospital |
| 1 Residential | 2.3423 | 0.1545 | 0.2750 | 0.2807 | 0.2907 |
| 2 Utilities | 50.8039 | 3.3511 | 5.9648 | 0.9825 | 1.0175 |
| 3 Supportive Housing | 2.3423 | 0.1545 | 0.2750 | 0.2807 | 0.2907 |
| 4 Major Industry | 7.1533 | 0.4712 | 0.8388 | 0.9544 | 0.9884 |
| 5 Light Industry | 7.1533 | 0.4712 | 0.8388 | 0.9544 | 0.9884 |
| 6 Business and Other | 7.0561 | 0.4650 | 0.8278 | 0.6877 | 0.7122 |
| 7 Managed Forest | 34.3514 | 2.2665 | 4.0343 | 0.8421 | 0.8721 |
| 8 Rec/Non Profit | 2.3423 | 0.1545 | 0.2750 | 0.2807 | 0.2907 |
| 9 Farm | 2.3423 | 0.1545 | 0.2750 | 0.2807 | 0.2907 |

THE CORPORATION OF THE VILLAGE OF CUMBERLAND

BYLAW NO. 1152

A Bylaw to adopt the 2022 – 2026 Financial Plan.

The Council of the Corporation of the Village of Cumberland in open meeting assembled enacts as follows:

1. This Bylaw may be cited as “2022 - 2026 Financial Plan Bylaw No. 1152, 2021”.
2. The financial plan attached as Schedule A to this Bylaw is adopted as the financial plan for the municipality for the period commencing January 1, 2022 and ending December 31, 2026.
3. The objectives and policies attached as Schedule B to this Bylaw outline the proportion of total revenue from different funding sources, the distribution of property taxes among the property classes, and the use of permissive tax exemptions.
4. This Bylaw has full force and effect from January 1, 2022 until amended, repealed or replaced.

| | | | | |
|--------------------------------|------------------------|---------------|-----------------|--------------|
| READ A FIRST TIME THIS | 13TH | DAY OF | DECEMBER | 2021. |
| READ A SECOND TIME THIS | 13TH | DAY OF | DECEMBER | 2021. |
| READ A THIRD TIME THIS | 13TH | DAY OF | DECEMBER | 2021. |
| ADOPTED THIS | 10TH | DAY OF | JANUARY | 2022. |

Mayor

Corporate Officer

Schedule A
2022 – 2026 Financial Plan

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Budget</u> | <u>Budget</u> | <u>Budget</u> | <u>Budget</u> | <u>Budget</u> |
| REVENUES | | | | | |
| Property taxes & payments in lieu | \$ (3,666,370) | \$ (3,906,185) | \$ (4,089,400) | \$ (4,337,965) | \$ (4,571,440) |
| Parcel taxes | (684,860) | (731,250) | (779,230) | (795,640) | (868,680) |
| Sale of services & fees | (2,218,390) | (2,316,570) | (2,410,810) | (2,504,250) | (2,613,290) |
| Sale of services to other government | (487,470) | (491,580) | (262,770) | (268,020) | (273,380) |
| Transfers from other government | (1,367,810) | (1,437,130) | (4,288,150) | (1,027,400) | (1,396,730) |
| Other revenue | (794,190) | (800,200) | (582,120) | (564,060) | (566,010) |
| | <u>(9,219,090)</u> | <u>(9,682,915)</u> | <u>(12,412,480)</u> | <u>(9,497,335)</u> | <u>(10,289,530)</u> |
| EXPENSES | | | | | |
| Other municipal purposes | 6,850,190 | 6,955,760 | 7,016,730 | 7,191,860 | 7,263,760 |
| Debt interest | 203,340 | 164,890 | 255,650 | 278,370 | 302,610 |
| Amortization | 1,469,270 | 1,469,270 | 1,469,270 | 1,469,270 | 1,469,270 |
| | <u>8,522,800</u> | <u>8,589,920</u> | <u>8,741,650</u> | <u>8,939,500</u> | <u>9,035,640</u> |
| NET (REVENUES) EXPENSES | <u>(696,290)</u> | <u>(1,092,995)</u> | <u>(3,670,830)</u> | <u>(557,835)</u> | <u>(1,253,890)</u> |
| ADJUSTMENTS | | | | | |
| Acquisition of capital assets | 853,100 | 1,921,330 | 5,319,510 | 2,403,760 | 3,061,520 |
| Add back amortization | (1,469,270) | (1,469,270) | (1,469,270) | (1,469,270) | (1,469,270) |
| Proceeds from borrowing | (40,000) | (110,000) | (128,000) | (355,350) | (38,000) |
| Principal payments on debt | 718,450 | 719,470 | 836,270 | 745,160 | 765,570 |
| TOTAL ADJUSTMENTS | <u>62,280</u> | <u>1,061,530</u> | <u>4,558,510</u> | <u>1,324,300</u> | <u>2,319,820</u> |
| CHANGE IN CONSOLIDATED FUNDS | <u>(634,010)</u> | <u>(31,465)</u> | <u>887,681</u> | <u>766,465</u> | <u>1,065,930</u> |
| TRANSFER FROM RESERVES | | | | | |
| Reserves | (1,918,830) | (2,362,515) | (2,190,020) | (2,328,805) | (2,786,130) |
| Development Cost charges | (24,750) | (22,200) | (592,320) | (414,720) | (385,120) |
| TRANSFER TO RESERVES | 2,577,590 | 2,416,180 | 1,894,660 | 1,977,060 | 2,105,320 |
| TRANSFER TO / (FROM) RESERVES | <u>634,010</u> | <u>31,465</u> | <u>(887,680)</u> | <u>(766,465)</u> | <u>(1,065,930)</u> |
| TRANSFER TO/(FROM) ACCUMULATED SURPLUS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Schedule B

Policies and Objectives

Pursuant to section 165 (3.1) of the *Community Charter*

Part A: Proportion of Total Revenue Proposed To Come From Each Funding Source

Table 1: The proportion of total revenue proposed to be raised from each funding source in 2022 (based on 2021 Revised Assessment Roll)

| Revenue Source | % Total Revenue | Dollar Value |
|---|-----------------|------------------|
| Property Value Taxes & Payments in Lieu | 39% | 3,666,370 |
| Sale of Services and Fees | 29% | 2,705,860 |
| Government Grants | 15% | 1,367,810 |
| Other Revenue | 9% | 794,190 |
| Parcel Taxes | 7% | 684,860 |
| Proceeds from Borrowing | 1% | 40,000 |
| Total | 100% | 9,259,090 |

1. Property value tax is typically the primary source for operating funds for general municipal purposes. Property taxation is simple to administer, and offers a stable and reliable source of revenue for services that are difficult or undesirable to fund on a user-pay basis.
2. Sale of services and fees form another significant portion of planned revenue. Many municipal services, such as utilities and recreation, lend well to a fee for service basis. Costs can be associated to a level of service provided, particularly where services are optional. In addition, the municipality sells water, fire protection and animal control services to other municipalities.
3. The Village seeks out all grant opportunities that become available. The Comox Valley Regional District as part of a landfill host agreement provides amenity funds to the Village and this funding will continue until 2032. The municipality also receives funds under the Strategic Community Initiative (Small Community grant) which provides a significant source of funds for operations and capital maintenance programs.
4. Other revenue includes sources of funds which do not fit in another category and include donations, developer amenity funds, grants from non-government sources, investment revenue, permits and licensing.
5. Parcel taxes fund the capital costs of providing water, sewer and storm water infrastructure. The intention is to use these taxes toward the replacement of water, sewer and storm water infrastructure as well as reducing the Village's wet weather flows through storm and sewer inflow and infiltration.

6. The municipality finances vehicles and equipment and secures debenture financing for portions of large committed projects not funded by grants or development cost charges. The municipality reviews all other funding options prior to financing recognizing that borrowing constitutes a long-term commitment and because borrowing authority is limited for an organization of this size.

Objective and Policies

Over the next five years, the municipality has the following objectives and policies:

- to actively seek grants for major infrastructure repair and replacement;
- to annually review utility rates to ensure water, sewer and storm water operating and delivery costs are fully funded; and
- to review all other services to determine optimal proportions of cost recovery from fees versus general revenues and taxation.

Part B: Distribution of Property Taxes among Property Classes

Table 2: The distribution of property tax revenue among the property classes (based on 2021 Revised Assessment Roll)

| Property Class | % Total Property Tax | Dollar Value |
|----------------------------|----------------------|------------------|
| 1. Residential | 76% | 2,734,830 |
| 2. Utilities | 2% | 68,581 |
| 3. Supportive Housing | | |
| 4. Major Industry | | |
| 5. Light Industry | 3% | 90,594 |
| 6. Business and Other | 16% | 577,442 |
| 7. Managed forest | 3% | 135,900 |
| 8. Recreation & Non Profit | 0% | 2,468 |
| 9. Farm | 0% | 5 |
| Total | 100% | 3,609,820 |

Tax rates are set in order to maintain tax stability. Annual tax increases are apportioned over the classes to ensure stability.

There are no class 3 or 4 properties located within the Village.

The municipality recognizes the need to attract and retain businesses and industry for economic development and not to rely heavily on any one industry as a tax source. Council believes that the non-residential rates based on these ratios reflect that philosophy.

Part C: The Use of Permissive Tax Exemptions

Council does not generally support exemptions. Taxpayers within the various property classes are treated equitably and policies are established for each class and not for individual property owners. There are two exceptions to this policy.

1. Parcels that qualify for partial statutory exemption, such as the grounds surrounding places of worship, are granted an exemption from taxes. These exemptions represent a very small dollar value which would not recover the associated costs of administering the taxes.
2. Permissive tax exemptions will also be provided for municipal properties occupied by a community group or partner agency where the group or agency has been granted a reduced or zero lease rate but may be subject to property tax under section 229 of the *Community Charter*. This exemption recognizes that municipal buildings are not subject to property taxes when used for municipal purposes; the groups or agencies are deemed by Council to be providing a valuable community benefit or municipal service; that the group or agency may not be granted exclusive use of the building and/or that the space may be reclaimed by the municipality as and when needed.