
Property Tax Restructuring Committee

Public Input Presentation

October 13th, 2009



Property Tax Restructuring Committee Membership

- Mayor Tom Walker, Chair
- Ward Yeager, Vice Chair
- Jim Cosh
- Ian Fraser
- Sean Heard
- Andrew Hutchins
- Robin Kenyon
- Sue Plester
- Roger Stanyer
- Jen Woike

Support Staff:

- Jim Dias, Chief Administrative Officer
 - Mark Frame, Director of Finance
 - Jeannie Beauchamp, Financial Accountant
 - Nancy Bates, Administrative Assistant
 - Chris Hall, Director of Planning
 - Mark O. Ruttan, Director of Administration
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Terms of Reference

- Review the municipality's current financial bylaws, policies and guiding documents.
- Review the municipality's property taxes, user fees and other sources of revenue.
- Identify long-term taxation issues and trends that will impact the municipality's fiscal sustainability.
- Compare the municipality with other similar communities using appropriate indices, benchmarks, performance indicators, taxation levels, and service levels.
- In the event of significant reduction in the payment of major industrial tax, recommend how to adapt to that reduction (prior to presenting these recommendations the Committee will seek public input).
- Provide a 5-year recommendation plan for reapportioning property taxes, including a strategy to reduce reliance on major industry.

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Our Approach

- Familiarize ourselves with the property taxation process.
- Understand the kind of community residents want – i.e. the mix between industrial, commercial, and residential.
 - Review the Official Community Plan
 - Review the Ipsos Ried survey results, January 2008
 - Review Landworks' "Commercial / Industrial Needs" August 2008
- Solicit input from residents:
 - Advertise for comments
 - Include a survey in the tax notices (about a 3% response rate)
 - Public meetings
- Understand the impact of possible changes.
- Examine tax rates in comparable communities.
- Consider the time frame over which any change should occur.
- Review cost recoveries, fees and service levels.
- Look for a strategy to reduce reliance on major industry.
- Consider the taxation issues and trends impacting the Municipality.

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Historical Perspective

Residential taxpayers have been the beneficiary of both good fortune and good management.

➤ Good Fortune

- A major pulp and paper mill was established in Crofton in the 1950's.
- Five years ago they paid 50% of total taxes, 44% in 2008 - a larger percentage from one taxpayer than any other community on Vancouver Island.

➤ Good Management

- Councils and Administration have kept expenditures low over the years.
- On a per capita basis, North Cowichan is the 8th lowest of the 50 municipalities in its peer group for general municipal taxes at \$598 in 2009.

Colwood	\$529
Courtenay	\$681
North Saanich	\$677
Ladysmith	\$697
Qualicum Beach	\$700

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How Property Tax Works

1. B.C. Assessment Authority determines “Assessed Value” (**subject to taxpayer appeal process**)
 2. Municipal Budget – decided by Council
 3. Tax Class Multiplier - the factor increasing the assessed value for taxation (residential is 1, others are a multiple of residential) – decided by Council
- The Committee looked at dollar amount, percent of taxes and tax class multiplier and concluded it should focus on the multiplier.
 - We compared the 2008 multipliers in North Cowichan to the 50 B.C. municipalities with populations of approximately 5,000 to 50,000 (the peer group). For major industry the peer group includes only those with major industry.
 - From our review of plans, surveys and reports we concluded that:
 - The tax rates should be neither an incentive nor a deterrent to the retention or establishment of business.

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Finding the Right Level of Taxation

	North Cowichan 2008 Multiple	Rank in peer group	Average of peer group
Major Industry	26.4	highest	10
Light Industry	8.51	2 nd highest	4.84
Business	4.21	7 th highest	3.4

- To be neutral, we believe the multiplier used in North Cowichan should be the provincial average for the peer group of B.C. municipalities
 - Major Industry – **10** times the residential mill rate
 - Light Industry – **5** times the residential mill rate
 - Business – **3** times the residential mill rate
- The Committee concluded the shift should be phased in over 3 years

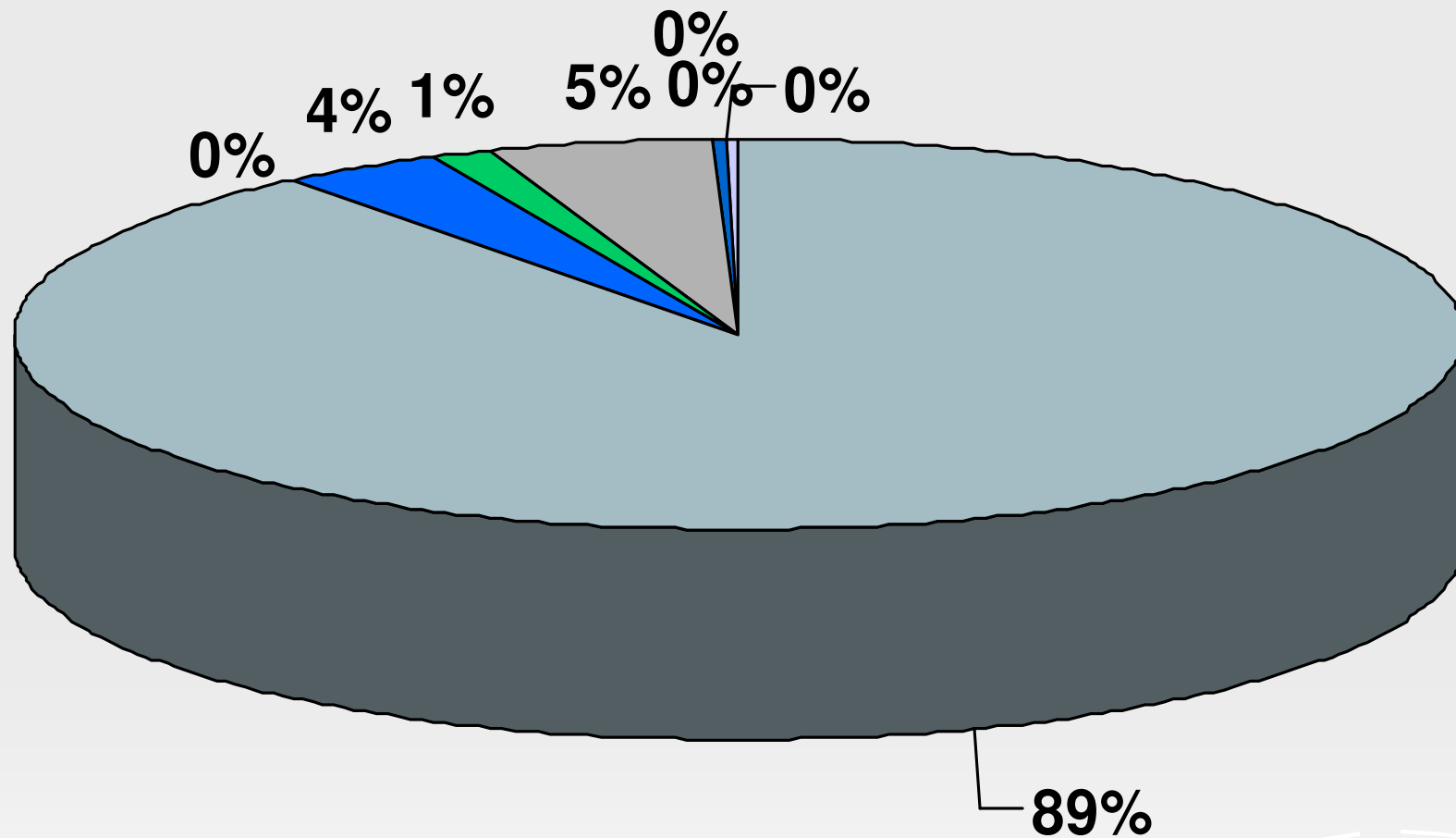
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Tax Reapportionment Recommendation

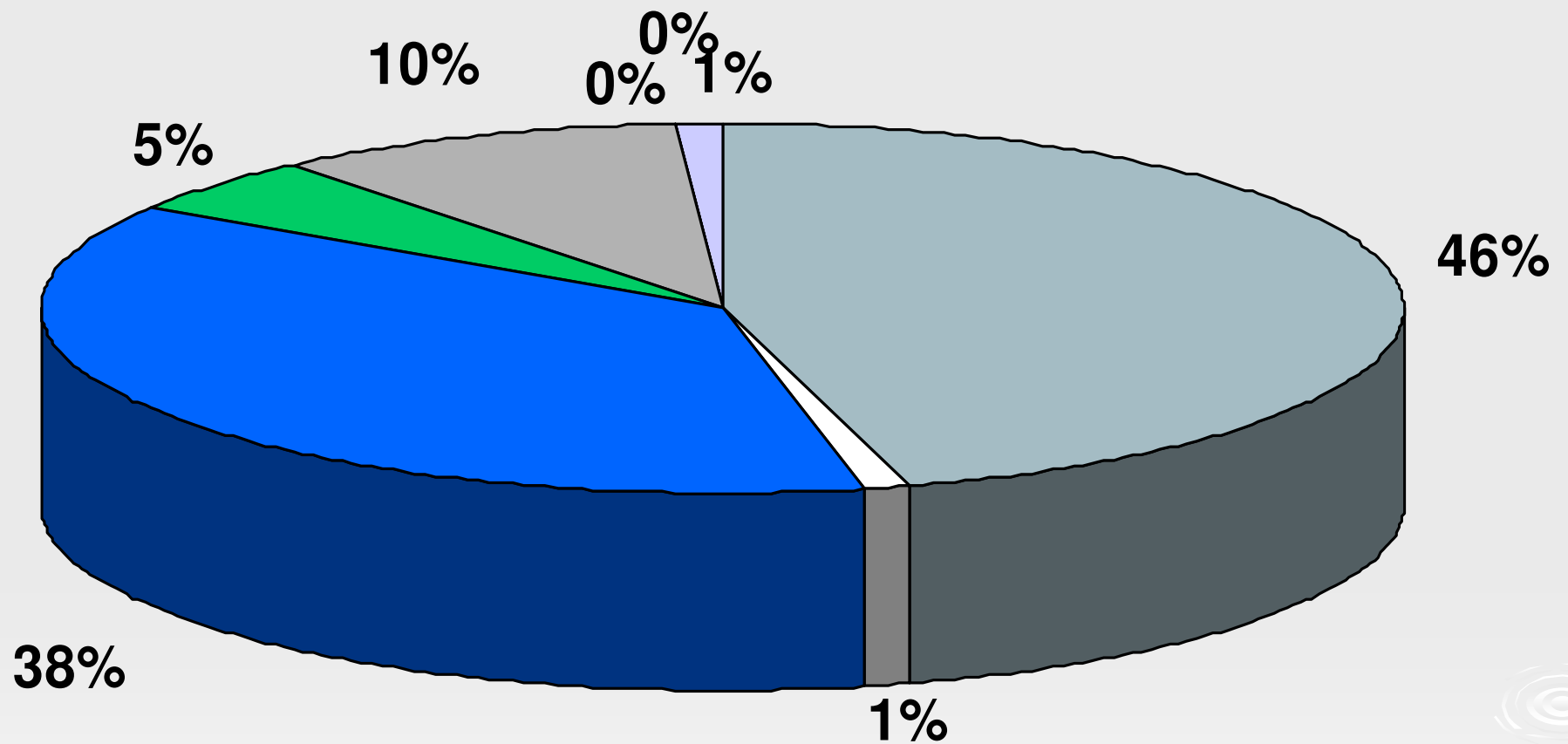
The Committee recommends to reapportion general municipal taxes by class to the average provincial multiple of 50 comparably-sized British Columbia municipalities for major industry, light industry, and business. It is recommended that the shift take place evenly over three years, taking into account the tax shift created as a result of the Cowichan Aquatic Centre being taxed at the provincial multiples.

<u>Property Class</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Residential	505,756	1,124,603	1,124,603	2,754,962
Major Industry	(535,589)	(1,190,939)	(1,190,939)	(2,917,467)
Light Industry	(23,644)	(52,575)	(52,575)	(128,794)
Business	53,477	118,911	118,911	291,299
Increase per Capita	17	39	39	
Increase per Avg House	45	99	99	
Increase per 100k of House	13	30	30	

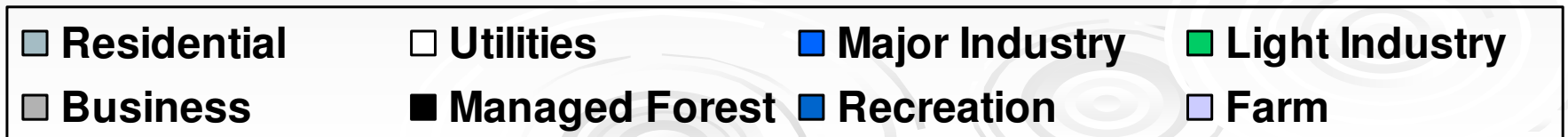
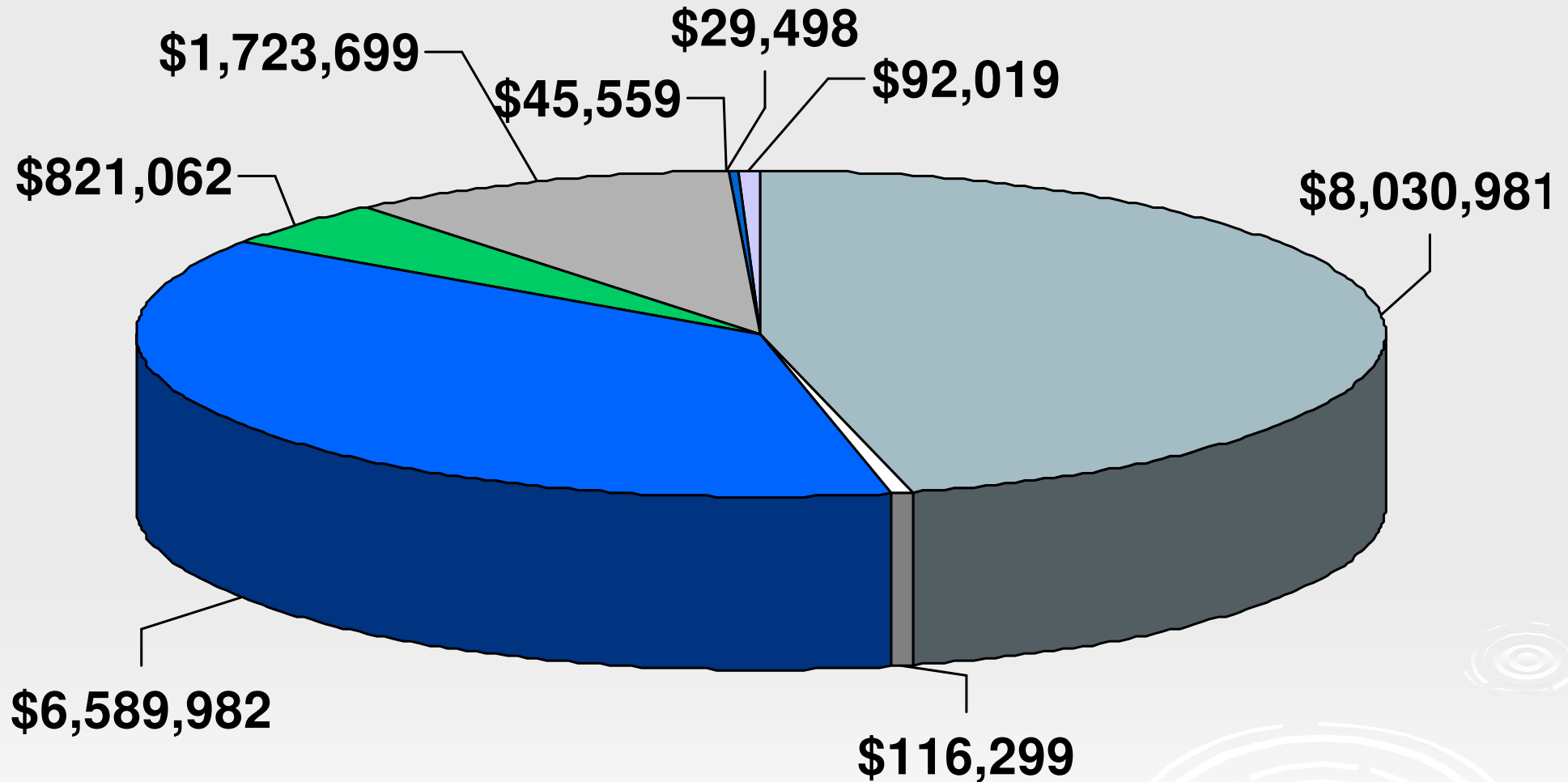
Municipality of North Cowichan 2009 Assessment by Class



Municipality of North Cowichan 2009 Taxes Paid by Class



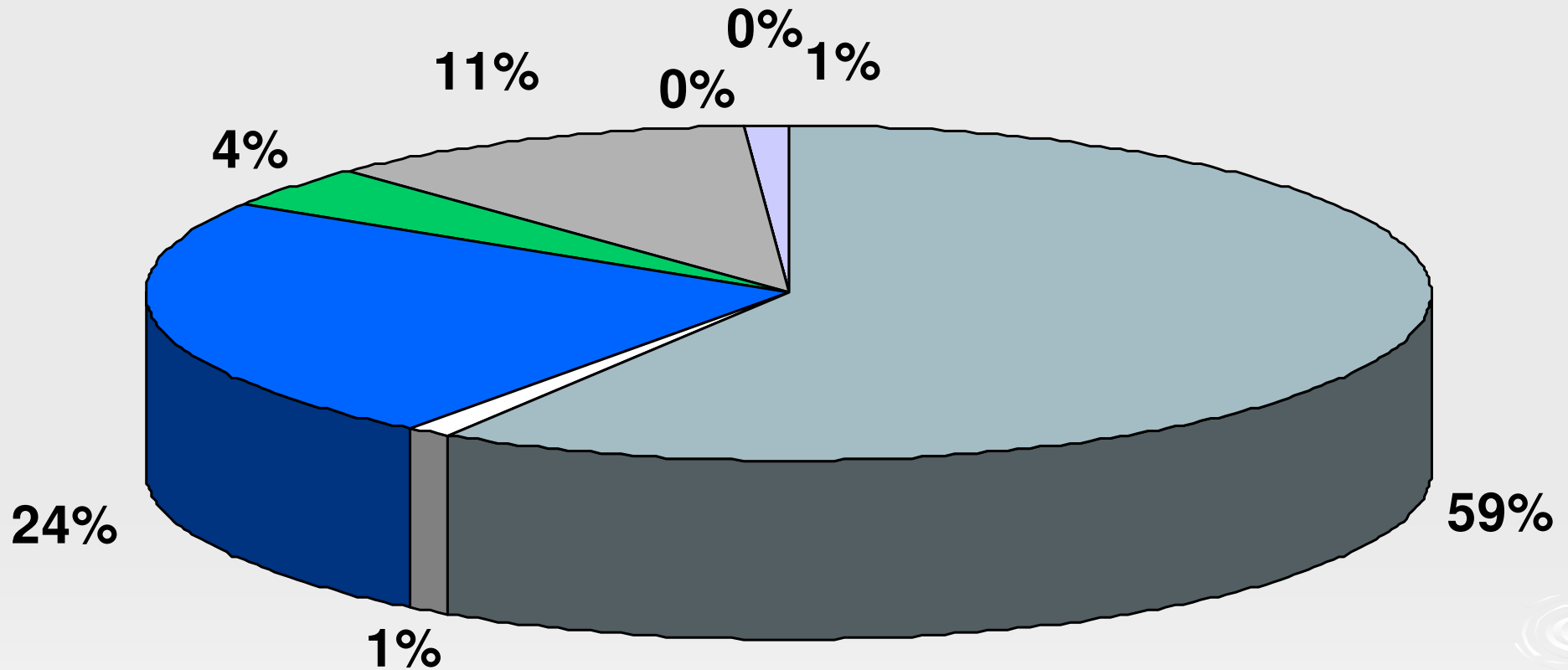
Municipality of North Cowichan 2009 Taxes Paid by Class



Municipality of North Cowichan

2009 Taxes Paid by Class

(After Full Phase-In of Recommendation)

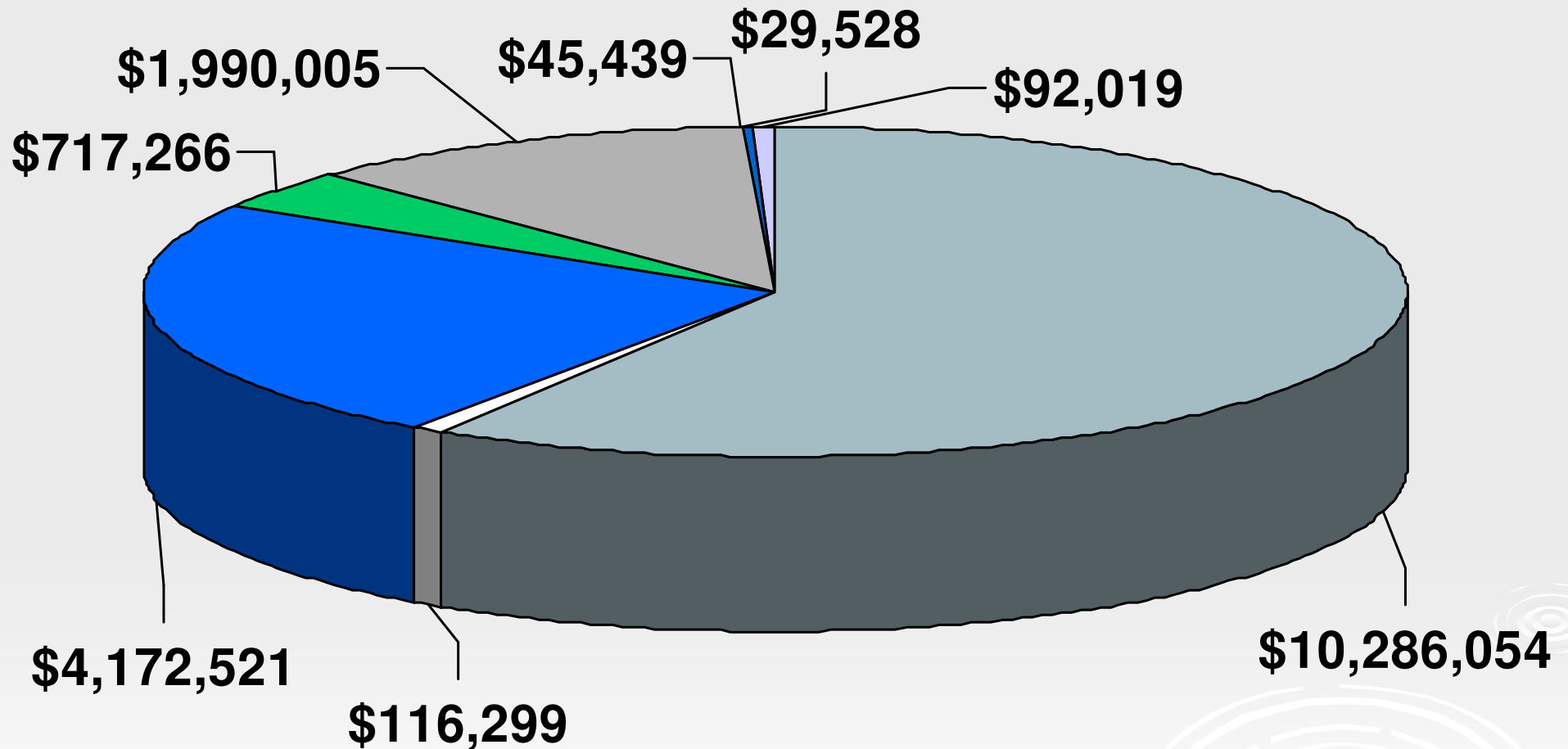


Residential	Utilities	Major Industry	Light Industry
Business	Managed Forest	Recreation	Farm

Municipality of North Cowichan

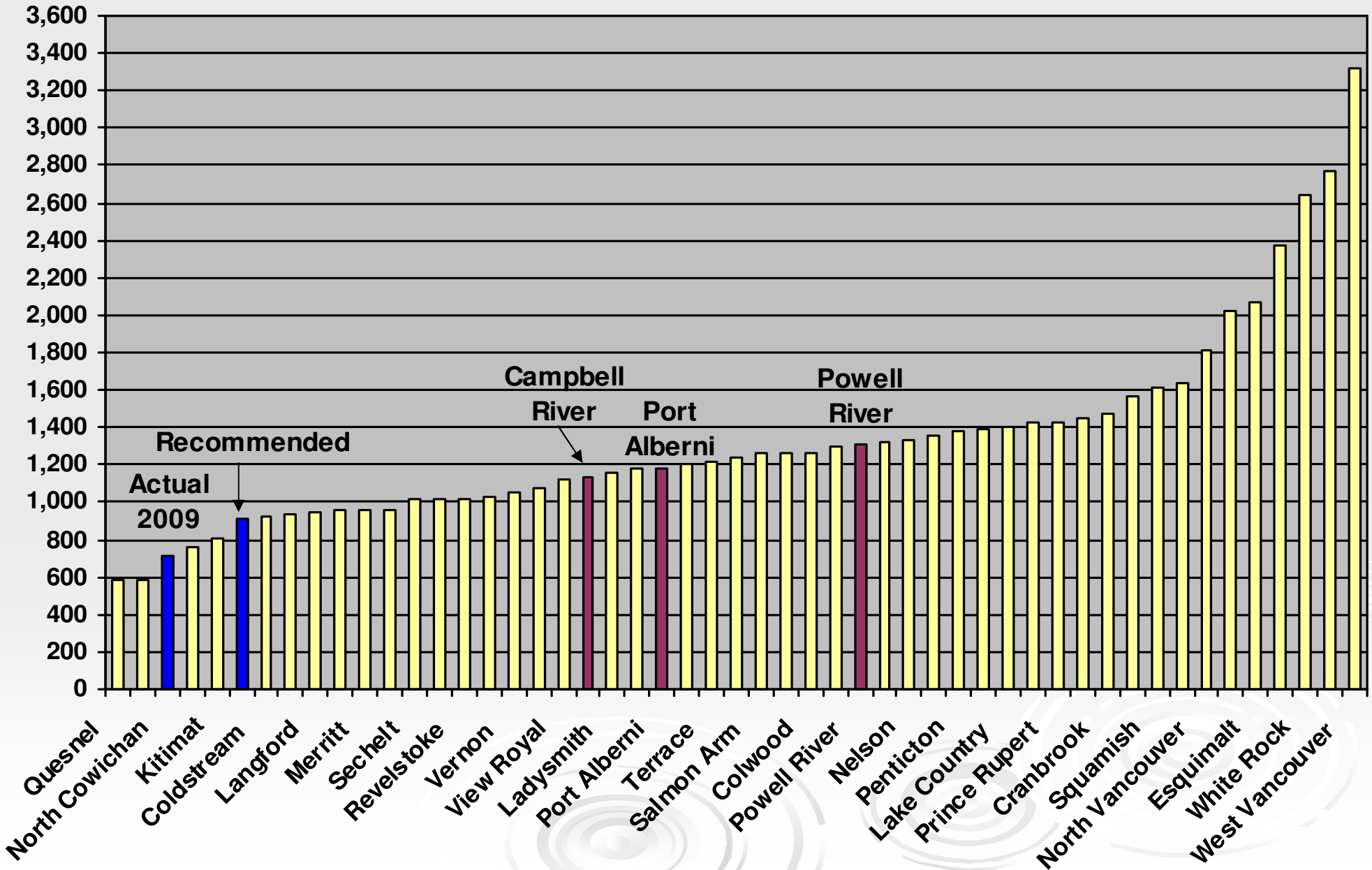
2009 Taxes Paid by Class

(After Full Phase-In of Recommendation)



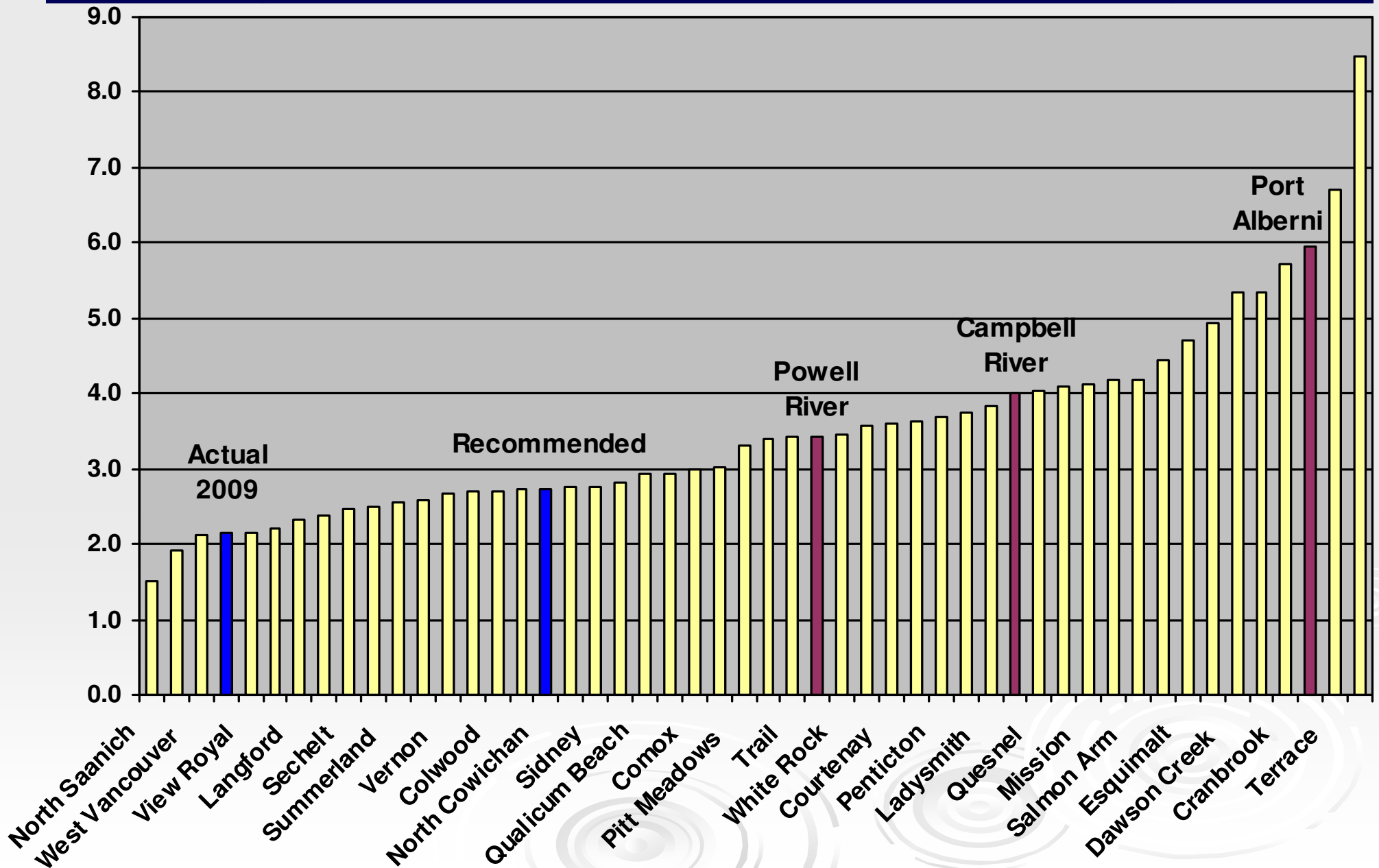
Residential General Municipal Taxes per Average House (2009)

(After Full Phase-In of Recommendation)



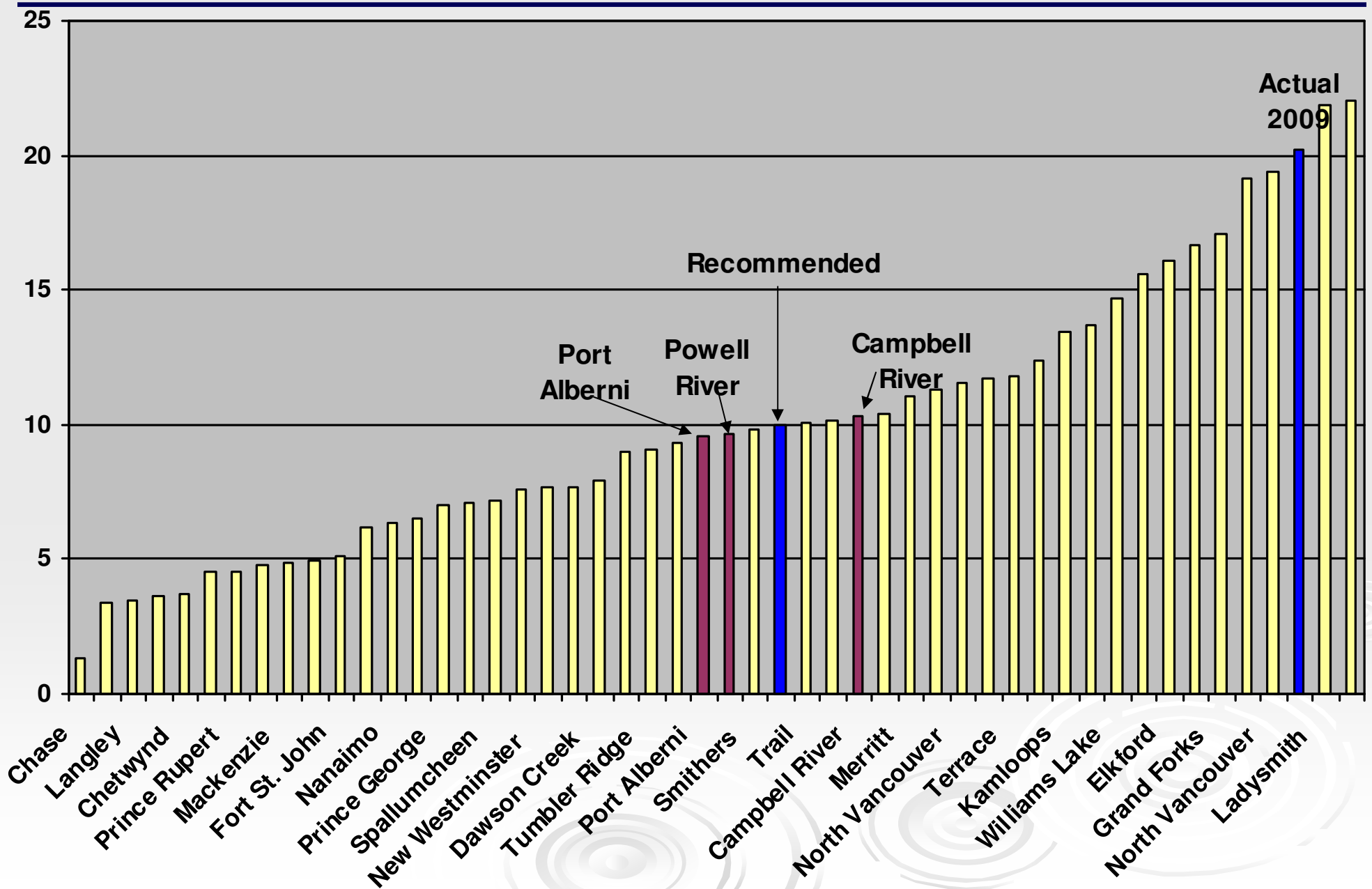
General Municipal Purpose Tax Rates Residential (2009)

(After Full Phase-In of Recommendation)



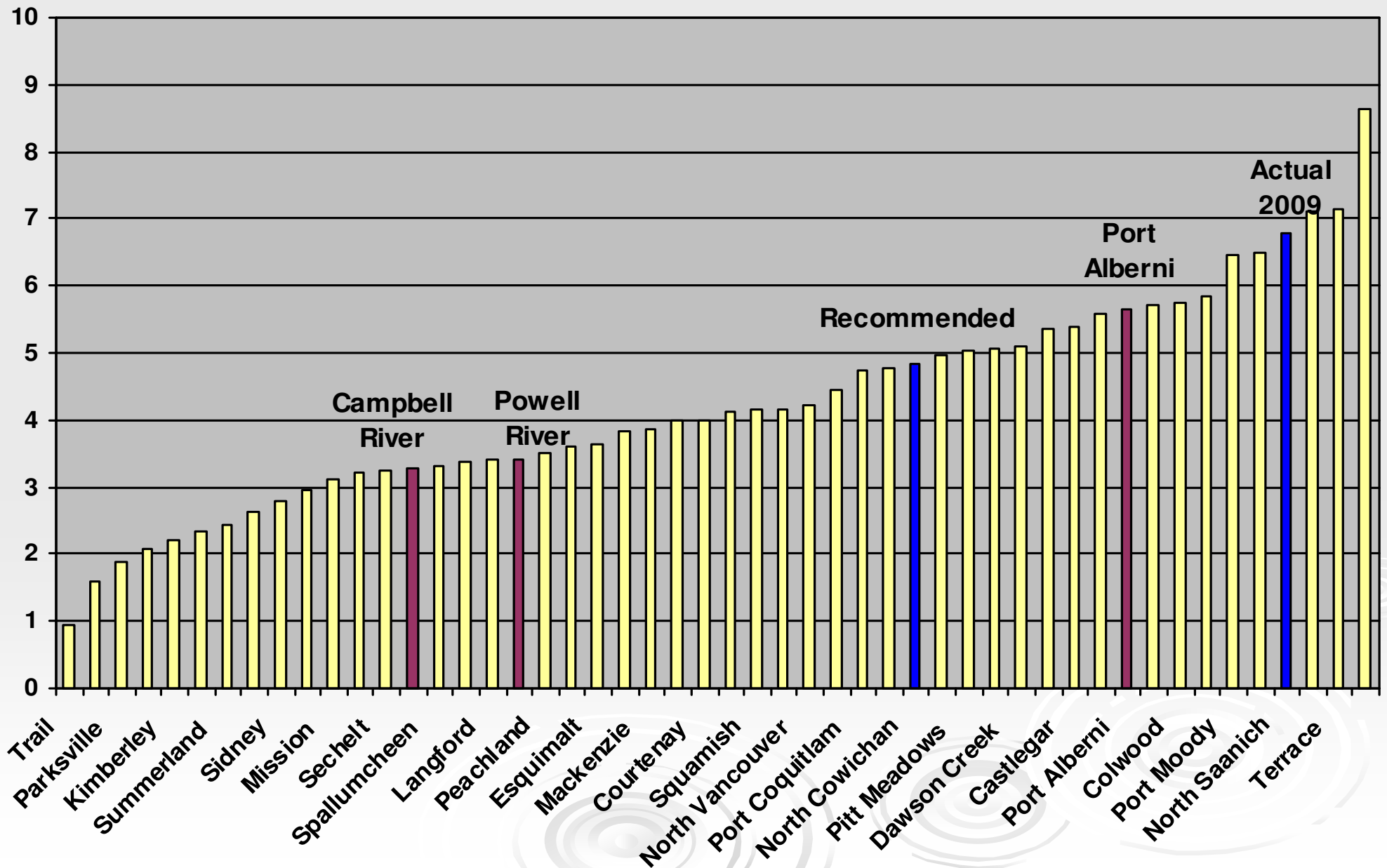
Tax Multiple: Major Industry (2009)

(After Full Phase-In of Recommendation)



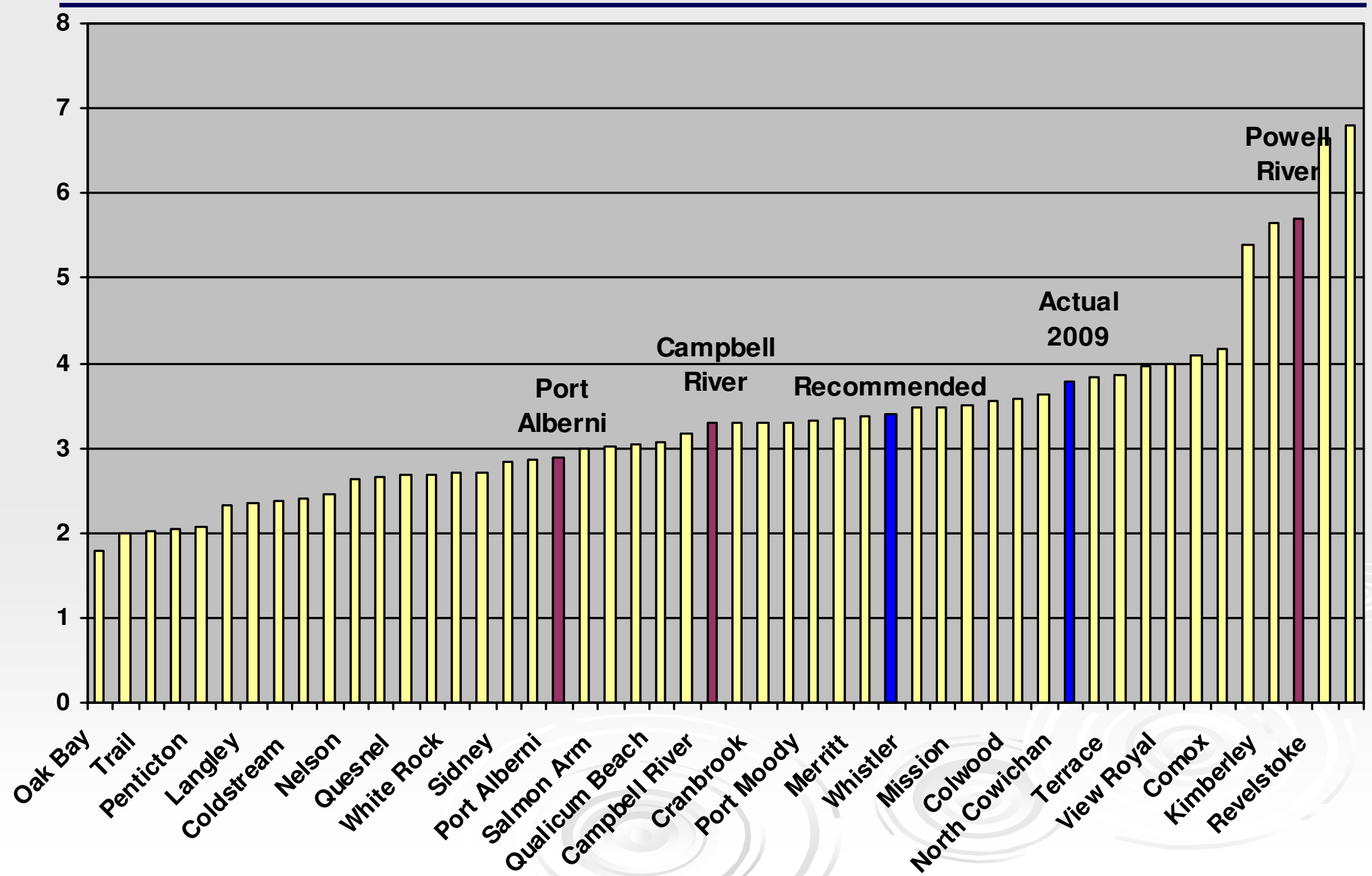
Tax Multiple: Light Industry (2009)

(After Full Phase-In of Recommendation)



Tax Multiple: Business/Other (2009)

(After Full Phase-In of Recommendation)



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What Has Happened Since Our Interim Report

Property Class	2009 Actual		Our Recommendation		
	Multiple	2009 Municipal Taxes	3 Year Target	2009 Municipal Target	2009 Municipal Taxes Target
Residential	1.00	8,030,981	1.00	1.00	8,036,848
Utilities	11.42	116,299	8.91	11.41	116,299
Major Industry	20.23	6,589,982	10.00	20.10	6,554,399
Light Industry	7.10	821,062	4.84	7.10	822,416
Business/Other	3.77	1,723,699	3.40	3.83	1,752,182
Managed Forest	11.51	45,559	8.98	11.50	45,559
Recreation	1.00	29,498	0.78	1.00	29,528
Farm	5.34	92,019	4.17	5.33	92,019
Totals		17,449,102			17,449,251

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Survey of Taxpayers

Some observations on the responses:

- There is no clear direction regarding the level of industrial or residential taxes.
- Respondents are realistic about the need to either reduce services or increase user fees.
- Respondents realize that if major industrial taxes diminish, residential and commercial rates will increase.

Some recurring comments:

- Review staffing at all levels
- Reduce the frequency of garbage collection
- Review opportunities to reduce costs
- Consider amalgamation of local governments
- Review user fees



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Cost Recoveries

Statutory Limitations

- Cost recoveries by definition cannot exceed the costs involved.
- Utility fees are prohibited from being used to reduce general municipal taxation.

The major areas of cost recovery are:

- Garbage fees
- Recreation fees
- Wharfage at municipal docks
- Cemetery fees

We think there are some opportunities to increase recoveries but the total amount involved is not large (less than \$100,000) and may incur other social and community costs to achieve.

Licenses, Permits, and Other Revenues

- These include building department fees, planning fees, dog licenses, etc. We do not see room for large increases.

Our Recommendation

- **Review all cost recoveries and fees to ensure they recover as much costs as practical and are competitive with other jurisdictions.**

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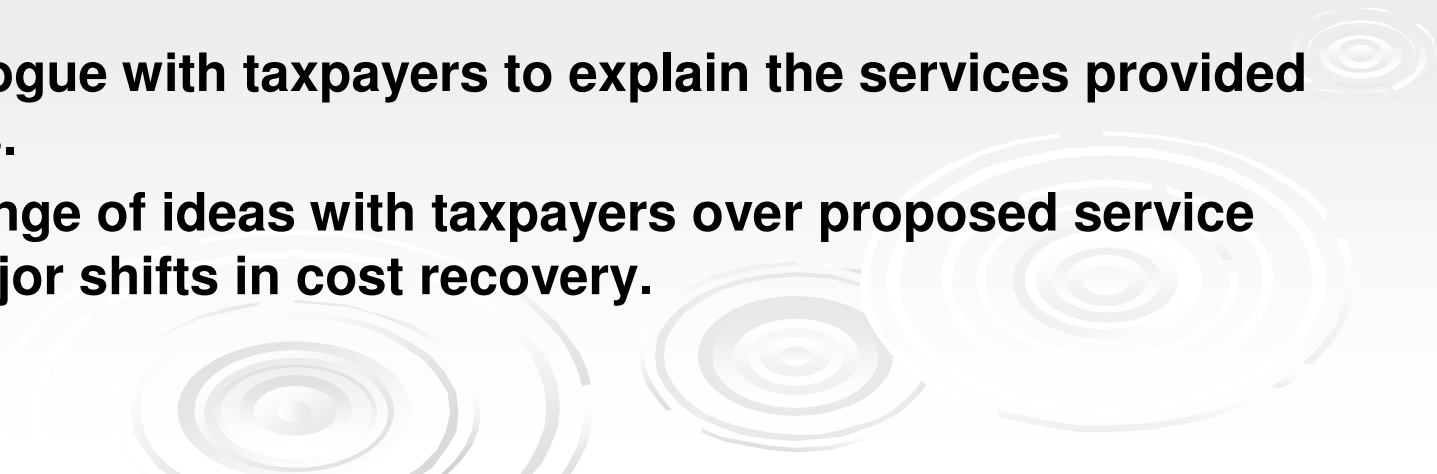
Service Levels

Based on general municipal taxes per capita, which is an indicator of level of expenditure, North Cowichan has low overall costs:

- \$598 per capita – 8th lowest in its peer group (Duncan \$616, Langford \$617, Ladysmith is \$697, Port Alberni \$1,019)

Little has been done to “benchmark” the cost of municipal services in B.C. to identify best practices and opportunities for improvement.

Our Recommendations

- **Support a benchmarking exercise to identify ways of improving efficiency.**
 - **Increase the dialogue with taxpayers to explain the services provided and related costs.**
 - **Ensure an exchange of ideas with taxpayers over proposed service reductions or major shifts in cost recovery.**
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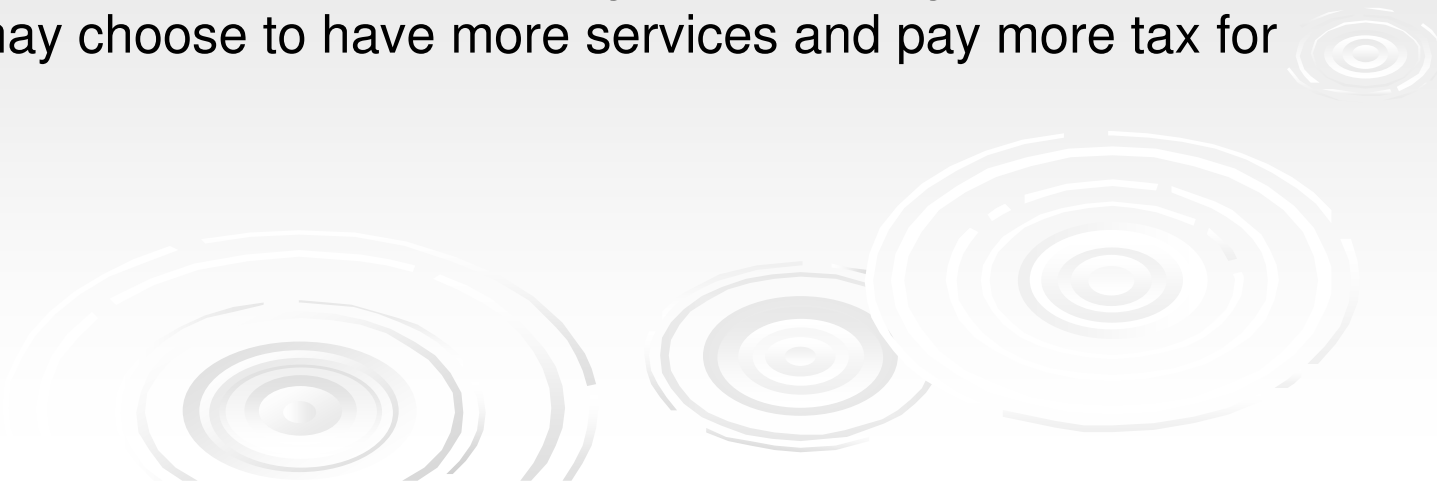
Service Levels

Benchmarking

- Example: Mowing my ½-acre lawn costs \$500 per year while mowing your 2-acre lawn costs \$1,000 per year.
- Cost comparison: You spend twice as much as I do mowing lawns.
- Benchmarking: Your cost per acre is \$500, while mine is \$1,000 – You are twice as efficient as I am.

Dialogue

- The people of White Rock pay about three times as much per average house in property taxes. They are not by definition less intelligent or wasteful – they have probably chosen more services. Through more dialogue, residents of North Cowichan may choose to have more services and pay more tax for them.



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Reducing Reliance on Major Industry

Major Industry is a major contributor to general municipal taxes in North Cowichan

- In 2009 major industry paid \$6.6 million or 37.8% of general municipal taxes.
- At provincial averages major industry would pay \$4.2 million or 24% of general municipal taxes.
- Several North Cowichan major industrial companies are experiencing difficulties.
- No new major industrial projects such as power generation or waste treatment plants are being considered at this time.
- North Cowichan major industry tax rates are relatively high.
- One taxpayer pays the majority of major industry taxes.

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Reducing Reliance on Major Industry

What can be done?

➤ Municipal land sales

- The municipality owns approximately 14,820 acres. Most is categorized as Municipal Forest Reserve but 698 acres are categorized as tax sale lands.
- Land sales are used to finance capital projects, such as the Chemainus wharf, fire training grounds, RCMP renovations, and Crofton Fire Hall renovations.
- Profits from land sales can be used in place of borrowing. Each \$1 million of profit results in a reduction of debt payments by \$84,000 per year. In addition, \$8,000 - \$80,000 can be received in tax revenue depending on the land use.

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Reducing Reliance on Major Industry

What can be done? (Cont.)

➤ Commercial / Industrial / Residential development

- General municipal taxes per acre generated by recent developments:
 - Cowichan Commons (partially completed) - \$8,055
 - Tansor Industrial Park (partially developed) - \$1,767
 - Cowichan Lake Rd. (Residential) - \$3,092
 - Chemainus Industrial Park - \$2,611
 - Trumpeter Point (Residential) - \$3,859
- Class 6 (Commercial) development is appealing:
 - It produces the largest return in terms of general municipal taxes per acre.
 - It brings employment into the community.
 - It reduces road travel (to Nanaimo or Victoria) with the related fuel consumption and accident risk.

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Reducing Reliance on Major Industry

Our Recommendations

- Land Sales
 - Review municipal lands to ensure those with sales potential are identified.
 - Ensure taxpayers understand the full costs and benefits from decisions regarding land sales.
- Encourage commercial development
 - Zone the appropriate areas for development, thereby making them easier to develop.
 - Identify land zoned for commercial and industrial use on the municipal website.
 - Explain the economic and social benefits of commercial development in the Official Community Plan.
 - Impact on the “fabric of the community”
 - ◆ Employment growth
 - ◆ School enrolment
 - Reduce road travel and environmental impact
 - Support local economy
 - Establish development goals and track employment and development against those goals.

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Trends Impacting North Cowichan

Catalyst has advised North Cowichan that they will pay \$1.5 million regardless of the tax bill from the Municipality. They have also asked for a judicial review of their general municipal taxes.

- The 2009 taxes receivable are \$4,427,360 (25% of general municipal taxes)
- Assuming no further shift in tax burden, \$14,610,289 could accumulate before tax sale (84% of total annual general municipal taxes)
- Current general surplus is \$3,142,318 (71% of the receivable)
- Environmental cleanup costs have exceeded the land value at several other pulp mill sites (Prince Albert, Port Alice, Mackenzie)

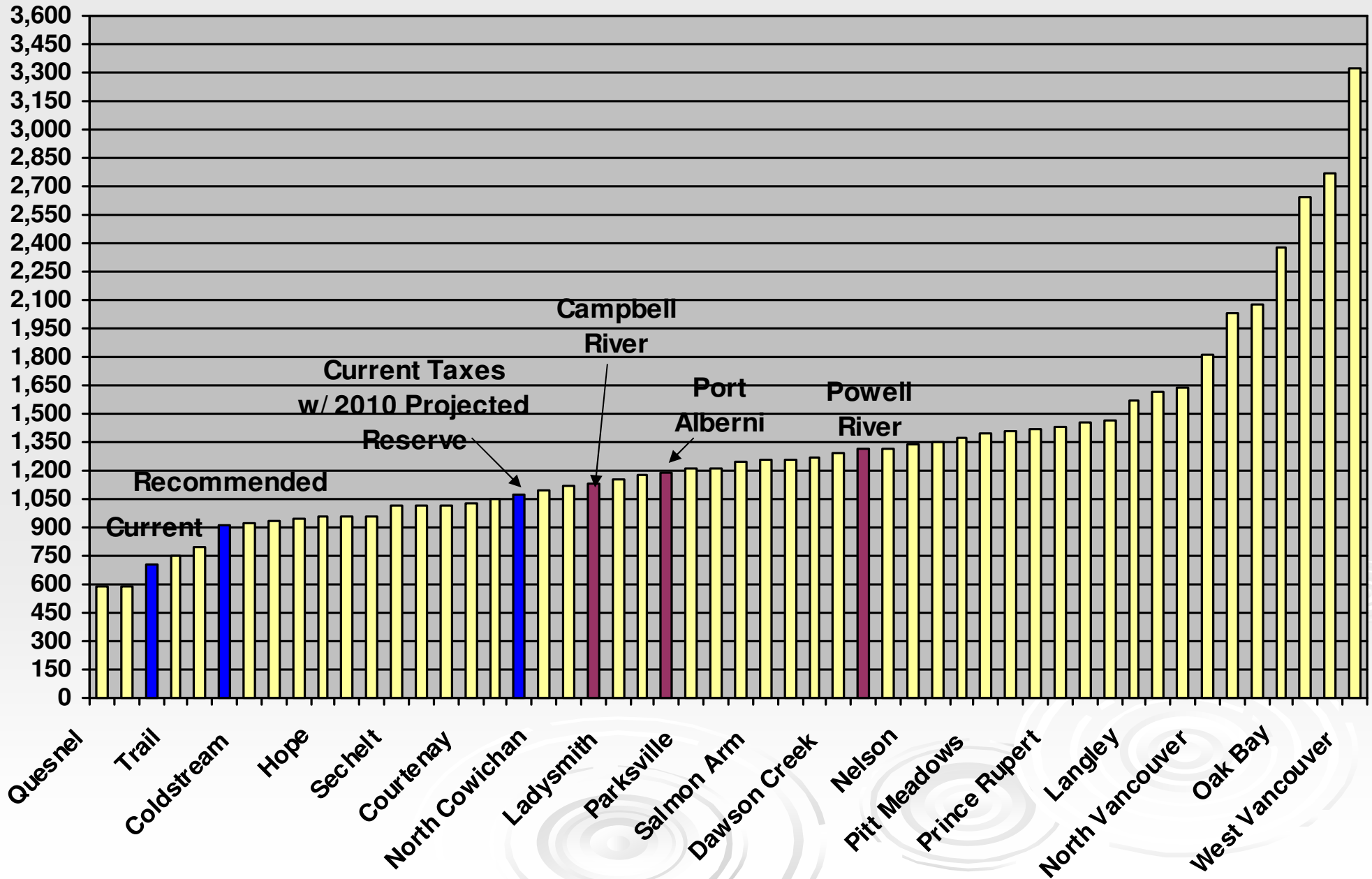
Question:

- **How much should the receivable be allowed to exceed reserves and surplus?**
 - **The Committee feels surpluses are sufficient in 2009. However, the Committee believes that future increases of the receivable not offset by reserves or surplus risks preempting other spending programs for a decade or more.**

Recommendation:

- **We recognize that Council will do all it can to protect the position of the residents (taxpayers and employees), but the future of the municipality should not be impaired by allowing the receivable to further exceed the reserves and surplus. If necessary, taxes should be increased to cover additional receivables.**

General Municipal Taxes per Average House with 2010 Reserve



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Staff Support

- Our Committee comes from all walks of life in the community and none of us had an understanding of the municipal situation or the implications of possible changes in the economy of the area or the financial position of major taxpayers.

- Municipal staff have done a very competent and professional job of informing us. In particular we wish to thank:
 - James Dias, Chief Administrative Officer
 - Mark Frame, Director of Finance
 - Jeannie Beauchamp, Financial Accountant
 - Nancy Bates, Administrative Assistant
 - Chris Hall, Director of Planning
 - Mark O. Ruttan, Director of Administration

We are fortunate to have such competent people working for us.

