

Re: The \$ Burden of Growth Project  
Greater Vancouver Regional District Interim Report  
Impact of 1973 Municipal Taxation

ITEM 16  
MANAGER'S REPORT NO. 29  
COUNCIL MEETING Apr. 21/75

The Municipal Manager asked the Treasurer for his comments on the G.V.R.D. \$ Burden of Growth Report as he did not feel he could support the statements made therein.

Following are comments from the Treasurer on the G.V.R.D.'s Interim Report regarding the impact that future growth patterns will have on Municipal taxation. Copies of the G.V.R.D. report are attached for Council only; we did not receive sufficient copies for distribution to the public and the news media.

It should be emphasized that the Treasurer does not concur with statements in the report concerning the effect of a commercial/industrial tax base on a residential bill. In his opinion, the statements made in this regard are unsupportable and the Municipal Manager concurs.

RECOMMENDATION:

1. THAT a copy of this report be sent to the Greater Vancouver Regional District.

\* \* \* \* \*

TO: MUNICIPAL MANAGER                      DEPARTMENT:                      DATE: 2 April 1975

FROM: MUNICIPAL TREASURER                  DEPARTMENT:                      OUR FILE #G70-1-6

SUBJECT: G.V.R.D. THE \$ BURDEN OF GROWTH PROJECT - INTERIM REPORT                  YOUR FILE #17-18(a)(i)

-75

The \$ Burden of Growth Project was undertaken by the Greater Vancouver Regional District with the general objectives of:

- determining the cost to municipal governments of growth alternatives under the livable region plan;
- examining where the impact of these costs would fall under existing taxation and revenue collection policies;
- providing a basis for the discussion of alternative financing policies.

The report dated 10 December 1974 purports to:

- show the impact of 1973 real property taxation on single family residential taxpayers in the municipalities of the G.V.R.D.;
- comment on the effect of municipal financing policy, the proportion of commercial and industrial assessment, and other factors, on municipal tax levies;
- indicate the level of service provided to the taxpayer in the major municipal functional areas in 1973.

Your Treasurer has examined the many tables contained in the report and has found them to be carefully compiled and that the information contained in them is substantially correct. However, your Treasurer is of the opinion that some of the interpretations of the tables given by the authors with respect to the impact on a homeowner's tax bill of the presence or otherwise of an industrial tax base, are incorrect insofar as they apply to Burnaby.

For example, on page 41, "Conclusions", it is stated:

1. The proportion of industrial and commercial assessments as compared to residential assessments does not appear to have a major impact on the homeowner's tax bill. Any advantages a high industrial ratio might appear to confer are offset, for the most part, by higher costs and the dilution of the provincial per capita grant.

The authors advise that the words "higher costs" are intended to mean higher costs generated by the presence of industrial properties. Where the word "industrial" appears, it is intended to include commercial properties as well.

This appears to be saying that it matters little whether or not a municipality has a high commercial/industrial tax base insofar as the effect on a homeowner's tax bill is concerned. Table 2 of the report shows a residential tax levy of \$274.72 in White Rock where 10.4% of the tax base is composed of commercial/industrial assessments to a high of \$657.82 in West Vancouver with a 7.5%

- 2 -

commercial/industrial tax base. Vancouver with a 34% commercial/industrial tax base shows \$379.61 and Burnaby with 27.9% shows \$454.49.

It is quite true that in municipalities having a high commercial/industrial ratio, the homeowner's advantage from same appears to be offset by higher costs. It is a fact that the taxes paid by the sample homeowner in the various communities are within a narrow range, yet these cannot reflect and do not reflect the levels of service enjoyed by the various communities. Some of the tables show by various measurements the levels of some of the services provided by the various communities. However, they would have been more informative if the gross cost per household of providing these services had been shown. If this had been done, it would be quite obvious that the level of certain services such as parks and recreation could not be sustained by homeowners without the aid of taxes from commercial and industrial establishments. A statement of this nature might show two communities with the same apparent level of services paying quite different sums for them.

In some other services, such as fire protection and police protection, it would be necessary to determine how much the cost of these services could be reduced if there were no commercial/industrial properties to service, before any conclusions could be reached. In other words, the question must be asked, "How much of the tax revenue coming from commerce and industry is used to pay for services to commerce and industry and what amount is left over to lessen the load on a homeowner?"

In this connection, I asked the Fire Chief, "How much could you reduce your annual budget if there were no commercial and industrial properties?" A copy of his reply is attached. His answer was, "By not a penny." This appears to confirm my belief that the statement referred to above, "any advantages a high industrial ratio might appear to confer are offset, for the most part, by higher costs and the dilution of the provincial per capita grant" is conjecture on their part and not significant even though the figures shown in their report might tend to back up the statement. They haven't shown why the costs in such municipalities are up. In Burnaby's case, the size of the fire budget is completely unrelated to the presence or otherwise of commerce and industry.

With respect to costs, municipalities, like individuals, tend to expand their expenditures to fit their incomes. The statement made in paragraph (1) above relative to the dilution of the provincial per capita grant is a curious one. Table 10 of the report deals with this subject and the preamble thereto states, "The average residential homeowner's share of this grant is lower in municipalities with relatively high commercial and industrial assessments." This is perfectly true. The grant is given on a per capita base and the G.V.R.D., according to the report, recommends that the per capita grant be indexed to provincial government income tax revenues and be increased annually relative to population increases. In other words, they support the concept of the per capita grant. However, a grant given in this manner tends to benefit the owner of a high assessment industry more than it does a homeowner. Therefore, the statement made in the report is correct, but what is its significance? Page 41 of the report goes on to say:

2. The level of cost of building and operating schools within the municipalities, together with the Provincial Government's educational grant policy as between different school districts, accounts for some major variations in municipal property taxes. A higher ratio of commercial and industrial assessment in a municipality would obviously reduce the residential taxpayer's share of education costs. However, this advantage is offset to varying degrees by the combined effect of provincial government policies on education grants, homeowner grants, and school tax removal grants. Thus a bias in favour of industrial and commercial development would not appear to be justified on these grounds.

THE CORPORATION OF THE DISTRICT OF BURNABY

INTER-OFFICE COMMUNICATION

TO: Mr. Bart McCafferty

DEPARTMENT: Treasurer

DATE: Jan. 13/75

FROM: Fire Chief

DEPARTMENT:

OUR FILE #

SUBJECT:

YOUR FILE #

In response to your verbal inquiry relative to how much Fire Department costs are attributable to the commercial and industrial complexes in the municipality.

The rating of a city is laid out in the Manual of Municipal Fire Administration, International City Managers Association, Appendix "A".

In this text the apparatus requirements for a city with a population of 140,000 would be:

Pumper Companies:  $3.4 + (0.07 \times 140,000) = 3.4 + 9.8$  or 13.2

Aerial Companies:  $1 + (0.03 \times 140,000) = 1 + 4.2$  or 5.2

There is no difference in equipment requirements because of type of buildings or high value districts and other districts.

The difference between high value districts and other districts in terms of manpower is quite obvious in the chart.

<u>Within High Value Districts</u>	<u>Other Districts</u>
Pumper Companies - 7	- 5
Aerial Companies - 7	- 6

In Burnaby if we considered all districts as high value districts we would require:

13 Pumper Companies @ 7 men per Co. =  $126 \times 4.9$  for a total of 617 personnel

5 Aerial Companies @ 7 men per Co.

If we considered all districts as "other" districts we would require:

13 Pumper Companies @ 5 men per Co.

5 Aerial Companies @ 6 men per Co. =  $95 \times 4.9$  for a total of 465 personnel

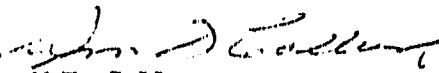
We recognize the fact that these recommendations represent the ultimate in manning, and are not met by any city or municipality to our knowledge.

Obviously at present we are operating at a manning ratio considerably below these recommendations, and with the new aerial being placed in service later this year our compliment will be:

6 Pumper Companies @ 4 men each = 24

3 Aerial Companies @ 3 men each = 12 total compliment: 193 personnel

In view of the foregoing therefor, if Burnaby had no industrial or commercial complexes we would still require the present manning strength.

  
W.F. Collum,  
Chief of Fire Department.

WFC/f

This paragraph needs further explanation to be properly understood. The major variations in municipal property taxes for school purposes are caused by non-shareable program costs and by the ratio of commercial/industrial assessments.

The following will illustrate. It re-apportions Burnaby's school mill rate levy in 1973 in the assumption that Burnaby lost its commercial/industrial assessments.

School taxable assessments 1973

Commercial/industrial *	\$141,098,264	32.38%
Residential	294,630,967	67.62
	<u>\$435,729,231</u>	<u>100.00%</u>

\* excludes Hydro and apartment building assessments

	<u>Levy</u>	<u>On full assessment</u>	<u>Levy</u>	<u>On residential assessment only</u>
Basic	24.70	\$10,762,512	24.70	\$ 7,277,386
Non-shareable	5.35	2,331,151	7.91	2,331,151
Regional College	1.13	566,448	1.23	362,396
Debt & capital	3.20	1,394,338	4.71	1,394,338
	34.38	15,054,449	38.55	11,365,271
Local share of surplus & revenue	.58	252,723	.86	252,773
Net levy	33.80	\$14,801,726	37.69	\$11,112,498

The basic mill rate is established by the Province - to cause roughly a sharing by the government of 50% of all approved school costs. The deletion of commercial/industrial assessments in Burnaby could cause the basic mill rate, Province-wide, to increase fractionally. The dollar value of the basic levy would drop. The Province would find it necessary to contribute to Burnaby \$3,585,126 greater in school grants.

The dollar value of the non-shareable costs would remain the same but a larger mill rate would be necessary.

The loss of the commercial/industrial assessments would cause the Regional District mill rate to increase by 9% but the levy to Burnaby would decrease by 56%.

I have shown the dollar value of the debt and capital figure to remain the same. In this I am in error because as the mill rate for this purpose exceeds three mills the cost sharing between the Province and the school district changes. I have not had time to make a proper calculation.

This shows that insofar as the basic levy is concerned, the homeowner is unaffected by commercial/industrial assessments, but he is affected by them with respect to the other components of the levy, possibly by as much as 3.89 mills, the actual figure depending on the effect of the debt cost sharing formula.

Item 3 of the conclusions reads:

3. Municipal business tax revenue can reduce the tax of the average homeowner and can justify a bias in favour of commercial and industrial development. If per capita grants were substantially increased, or business tax revenues were equalized on a regional basis, this effect would be neutralized.

If municipalities are allowed to charge a higher mill rate on industrial and commercial property, as compared to residential property, it would also justify a bias against the use of land for residential purposes.

The word "effect" underlined above should read "bias" according to word received from the authors. With this change, the statement is substantially correct.

ITEM 16

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Item 4 of the conclusions reads:

4. The degree to which capital expenditures are financed from revenue funds has a significant effect on current property tax levels.

I concur.

Item 5 of the conclusions reads:

5. The Provincial per capita grant should be based on current population estimates and adjusted when new 5 year census population statistics are published.

This would work only if every municipality used a common method of population calculation.

Item 6 of the conclusions reads:

6. A strong correlation exists between the average tax level in the municipality and the income of the average taxpayer.

Table 11 shows the % of income applied to realty taxes varying from 3.5% to 4.3%.

Item 7 of the conclusions reads:

7. Regional district costs should, in effect, continue to be allocated and taxed at a uniform mill rate throughout the region. If this uniformity is not maintained, those municipalities with a higher ratio of commercial and industrial assessments could substantially reduce the impact of regional costs to their residential taxpayers. This is most important in light of the current discussions on different mill rates.

Item 8 of the conclusions reads:

8. Provincial government policies can have a substantial impact on municipal property taxation. This fact places increased stress on the importance of assessing the total effect of proposed new legislation before it is requested or implemented.

I concur.

Earlier in this report I stated, "The \$ Burden of Growth Report would have been more informative if the gross cost per household of providing these services had been shown." Let's develop this point further.

On page 3 I showed clearly that the presence or otherwise of commercial/industrial assessment does affect a homeowner's tax bill. In 1973 the average cost per pupil for education in Burnaby was \$998.64, towards which the school mill rate contributed \$556.23 per capita. In 1973 the average residential property contributed \$255.56 in school taxes. If the owner of this property had no children he would have contributed \$255.56 in taxes and received no direct benefit. If he had one child, his cost would have been \$255.56 against which he would have received \$998.64 in services, of which \$442.41 would have come from the Province and the balance of \$300.67 from the childless taxpayer, commerce and industry. If he had two children, the service he received would have been \$1,997.28 against which the Province would have contributed \$884.82 and the childless taxpayer, commerce and industry, \$856.90 or 2.84 times the contribution necessary for one child. The more children coming from one family the larger the contribution necessary from childless taxpayers, commerce and industry.

The next step in this calculation would be to determine the number of childless taxpayers and the amount they collectively pay in school taxes, although this is hardly necessary for the calculations on page 3 clearly make the point that the presence or otherwise of commercial/industrial assessments makes a difference in the size of a residential tax bill insofar as school taxes are concerned.

- 5B -

The above illustration has a value in that it measures in a meaningful way a service provided by the Municipality.

There are many yardsticks by which service may be measured. One is by population. It is one of the several ways by which parks and recreation services can be measured. A more precise measurement is the actual use of parks facilities. For example, in 1973 your Treasurer played perhaps a dozen games of golf on the Burnaby Mountain golf course and neither he nor any other member of his family had occasion to use any other parks or recreation facility in that year. He contributed \$55.64 in realty taxes towards parks and recreation and, at the same time, paid \$3.50 per game in green fees. In other words, he paid \$8.14 for each game of golf he played in Burnaby in that year.

However, the services are there even though a taxpayer may not make use of them. The gross cost per capita of parks and recreation services in Burnaby in 1973 was \$27.96 against which \$5.87 was received in fees paid by users of facilities and programs, and \$12.88 derived from the Municipalities Aid Grant, business taxes, licence fees and other unconditional revenues, and \$13.10 from realty taxes. The sample home contributed \$33.25.

In other words, if there were four members in this family, \$111.84 in expenditures by the Municipality were made to provide services for them, \$23.48 was paid in user fees, \$33.25 was paid by the taxpayer and \$55.11 was contributed by commerce and industry and, to some extent, other owners of residential property.

As stated, population is not the best yardstick by which service may be measured. For what it may be worth, attached is a table showing Municipal expenditures for the year 1975 inclusive of contributions to capital from revenue and debt repayment but exclusive of expenditures made on capital projects. It shows gross per capita expenditures, net after application of revenues and the breakdown of the general purpose mill rate for the year.

This is a quick look at The \$ Burden of Growth Report. In the opinion of your Treasurer, the comments made in the report on the effect of a commercial/industrial tax base on a residential bill are without support.

No doubt, policies of Council have some bearing on the matter. A municipality in which all services are paid for out of the public purse will have a much different tax picture than one such as Burnaby where the developer of property - residential, commercial or industrial - has been expected to provide basic services such as water, sewer and finished roads, and latterly lighting, underground wiring and contributions towards the acquisition of parks.

  
MUNICIPAL TREASURER

BM:gw  
Attach.

cc: Director of Planning

THE CORPORATION OF THE DISTRICT OF BURNABY  
 Gross and net per capita expenditures for the year 1973  
 Population 121,200 (30 June 1973 est.)

	Total	Gross per capita	Net expend- itures	Net per capita	Mill rate
<u>General government services</u>					
Legislative	87,141	.66	49,272	.38	.056
General administrative	1,851,280	14.11	468,305	3.57	.531
Other general government services	380,732	2.90	216,299	1.65	.245
	2,319,153	17.68	733,876	5.59	.832
<u>Protective services</u>					
Police protection	2,837,378	21.63	1,437,493	10.96	1.631
Law enforcement	255,404	1.95	143,344	1.09	.163
Corrections	56,510	.43	31,780	.24	.035
Fire protection	2,827,386	21.55	1,592,544	12.14	1.807
Emergency measures	181,768	1.39	44,162	.34	.050
Canine control	69,890	.53	8,233	.06	.010
Building	403,392	3.07	97,141	.74	.109
Other	3,275	.02	1,729	.01	.002
	6,635,003	50.57	3,356,426	25.58	3.807
<u>Transportation services</u>					
Common services	469,711	3.58	220,096	1.68	.249
Roads and streets	5,684,982	43.33	3,650,072	27.82	4.140
Street lighting	348,869	2.66	189,219	1.44	.216
Traffic services	215,151	1.64	120,649	.92	.137
	6,718,713	51.21	4,180,036	31.86	4.742
<u>Environmental health services</u>					
Garbage collection & disposal	2,539,218	19.35	1,385,881	10.56	1.572
Garbage & waste collection & disposal	1,085,895	8.28	575,507	4.39	.652
Other environmental health	11,409	.09	6,772	.05	.008
	3,636,522	27.72	1,968,160	15.00	2.232
<u>Public health and welfare services</u>					
Public health	310,560	2.37	137,794	1.05	.156
Medical care	31,977	.24	18,066	.14	.021
Hospital care	75,424	.57	4,273	.03	.005
Social welfare administration	623,385	4.75	184,989	1.41	.209
Social welfare assistance	5,281,840	40.26	586,364	4.47	.665
Social welfare services	534,961	4.08	300,795	2.29	.342
	6,858,147	52.27	1,232,281	9.39	1.398
<u>Environmental development services</u>					
Environmental planning & zoning	372,504	2.84	184,211	1.40	.209
Community development	7,241	.06	3,042	.02	.003
Greater Vancouver Visitors Bureau	20,000	.15			
	399,745	3.05	187,253	1.43	.212
<u>Recreation and cultural services</u>					
<u>Recreation facilities</u>					
Administration and supervision	221,433	1.69	124,057	.95	.140
Grounds maintenance	801,329	6.11	455,104	3.47	.517
Plant maintenance	376,558	2.87	211,946	1.62	.240
Aquatic	377,732	2.88	146,682	1.12	.166
Rink	188,202	1.43	47,459	.36	.055
Golf course	220,893	1.68	(10,459)	(.08)	
Programs	568,923	4.34	280,547	2.14	.319
Concessions	180,161	1.37	7,608	.06	.008
Miscellaneous	573,105	4.37	424,142	3.23	.469
Cultural buildings & facilities	* 1,084,425	8.27	574,769	4.38	.652
Other recreation & cultural services	161,007	1.23	30,868	.24	.035
	4,753,768	36.23	2,292,723	17.48	2.601
Surplus	245,341	1.86	245,341	1.86	.279
	31,566,392	240.60	14,196,096	108.20	16.103

\* Libraries