

ITEM SUPPLEMENTARY	16
MANAGER'S REPORT NO.	30
COUNCIL MEETING	1983 04 25

RE: 1983 ANNUAL OPERATING BUDGET AND VARIABLE TAX RATES  
(ITEMS 3 AND 7, REPORT NO. 25, 1983 APRIL 05)

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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TO: MUNICIPAL MANAGER  
FROM: DIRECTOR FINANCE  
RE: 1983 ANNUAL OPERATING BUDGET AND VARIABLE TAX RATES  
(ITEMS 3 AND 7, REPORT NO. 25, 1983 APRIL 05)

1983 April 22  
File: '83 Budg.

RECOMMENDATIONS

1. THAT for 1983, variable tax rates be determined with each assessment class paying the same proportion of the property tax load as in 1982; and
2. THAT two property tax rating by-laws - one based on existing legislation - and one using variable tax rates, be brought forward for three readings on 1983 May 02.

REPORT

SUMMARY

This report updates information presented to Council on April 5th regarding the 1983 Annual Operating Budget and variable tax rates.

The report recommends a tax draw of \$44,692,970, which is 2.4% higher than last year. In total, the budget complies with the Provincial guidelines of a maximum 5% increase over 1982, provided the cost of the nursing program is exempted by the Inspector of Municipalities. With the exemption, the actual 1983 expenditures budgeted are approximately 4% over 1982.

The report also recommends that for 1983 variable tax rates be determined with each assessment class paying the same proportion of the tax load as in 1982.

Based on the recommended tax draw, and applying variable tax rates, the median single family residence will have a 2.4% tax decrease in 1983. This meets the Municipal Manager's 1983 budget challenge which called for "virtually no increase in the tax levy".

Because of the Provincial election there is uncertainty that the legislation needed to impose variable tax rates will be in place. Therefore it is recommended that two property tax rating by-laws be brought forward, and a determination made after the May 5th election.

1. BACKGROUND

Council on April 5th received and tabled two reports, one concerning the 1983 Annual Operating budget, and another regarding 1983 assessments and variable tax rates. Since that time, the Provincial Government has called an election. Because amending legislation is needed to impose variable tax rates, there is a degree of uncertainty as to the course of action to take. The U.B.C.M. has advised its members to keep their options open and do the preparatory work to develop two sets of possible tax notices. The Minister of Municipal Affairs advises that we proceed on the assumption that full statutory authority for the new variable tax rate system will be provided.

2. PRELIMINARY BUDGET UPDATE

The preliminary 1983 operating budget called for a tax draw of \$43,392,970. Since the preparation of that document the Municipal Manager and the Management Committee have done further budget review and have made the following changes:

Provision for 1982 tax appeals	\$ 400,000
Solid waste - provision for vehicle replacement	75,000
Increased contribution to Capital Works Reserve	425,000
Increased contingency	500,000
Funded a portion of the traffic management program from 1982 capital surplus	(100,000)
Preliminary tax draw	<u>43,392,970</u>
Recommended 1983 tax draw	<u>===== \$44,692,970</u>

A summary of revenue and expenditure making up the recommended tax draw is attached. Details will be contained in the 1983 Annual Operating Budget which will be presented to Council 1983 May 02.

The two largest changes which add \$500,000 to the contingency and \$425,000 to the Capital Works Reserve are considered prudent in light of the very tight budget restrictions which were followed during the preparation of the 1983 budget. Also, two large revenue sources face a fair amount of uncertainty in 1983. These are building inspection fees and investment income. If there is a shortfall in these or any other revenue accounts, then the contingency account will be used.

The recommended tax draw of \$44,692,970 essentially meets the Municipal Manager's 1983 budget challenge statement which called for "virtually no increase in the tax levy". Although the tax draw is \$1,046,853 higher than 1982, this increase is offset by new construction added to the 1983 assessment roll. In actual fact, the median single family residence will have a 2.4% decrease in taxes in 1983. (See Section 4)

The recommended budget complies with the Provincial guidelines of a maximum 5% increase over 1982, provided that the \$1,252,000 preventive nursing program is exempted by the Inspector of Municipalities. With the exemption, the actual 1983 expenditures budgeted are approximately 4% over 1982.

3. VARIABLE TAX RATE UPDATE

The report received by Council on April 5th discussed in detail variable tax rates and how the tax load is borne. The report showed that without the introduction of variable tax rates in 1983, the property tax load (based on 1982 Order-in-Council rates) would shift away from residential and utility assessment classes onto business and industrial assessment classes. Residential would pay about 5.4% less of the total tax load in 1983 than in 1982. Utilities would pay about 16.3% less, while industrial would pay 4.2% more, and business 8.4% more. The median single family residence, instead of having a 2.4% tax decrease in 1983, would have a tax decrease of 7.7%.

The attached graph shows by assessment class, the percentage that each class is to the total of all actual value assessments in Burnaby, e.g. in 1983 residential assessments make up 71.9% of our total actual value assessment roll, and commercial makes up 22% of the roll. The graph also shows by assessment class, the percentage of the total tax load

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that each assessment class pays, e.g. in 1982 residential taxpayers paid 52% of the total property taxes levied, while business and commercial taxpayers paid 34%. The reason that the tax load is not borne in the same ratio as assessment values is because under Option A of the Assessment Act, Order-in-Council percentages (10% residential, 24.5% business, etc.) are applied to actual values to produce taxable values. The application of these percentages shifts the tax load away from the residential class.

Without the introduction of a variable tax rate in 1983, the share of the total tax load paid by residential taxpayers would go down to 49.2% from 52% in 1982, and business and commercial would go up to 36.9% from 34.0% in 1982.

It is recommended that for 1983, variable tax rates be determined with each assessment class paying the same proportion of the property tax load as in 1982.

4. EFFECT ON MEDIAN SINGLE FAMILY RESIDENCE

Based on the recommended tax draw of \$44,692,970, the impact on the median single family residence can be determined.

1982 actual assessed value	\$117,420	(taxable value \$11,742)
1983 actual assessed value	91,500	
Decrease vs. 1982	22.1%	

In 1982 the median property paid \$549.53 in general municipal property taxes (46.8 mills on \$11,742). This does not include school taxes or taxes levied by other rate setting bodies. In 1983, using a variable tax rate as recommended in Section 3, the median home would pay \$536.43, or 2.4% less. Without the introduction of variable tax rates, the median home would pay \$507.45, or 7.7% less.

5. EXISTING UNCERTAINTY

On March 18th the Provincial Government announced its intention to introduce legislation which would put into place variable tax rates for municipal property taxation for 1983. Since that time, a Provincial election has been called, and it now appears that legislative authority for the proposed amendments to the Municipal Act and related statutes cannot be provided before mid-May at the earliest.

The U.B.C.M. has advised its members to keep their options open by carrying out the necessary preparatory work in developing two sets of possible tax notices - one if the variable tax rate legislation is brought in, and the other using the current statutory method of a single mill rate for general municipal purposes. This has been done.

It is recommended that two property tax rating by-laws - one based on existing legislation - and one using variable tax rates, be brought forward for three readings on 1983 May 02.

By giving two by-laws three readings on May 2nd, Council will be in a position to select the appropriate course of action when the intent of the Provincial Government elected on May 5th has been defined.

6. OTHER RATE SETTING BODIES

The property tax bill mailed annually includes the taxes for seven rate setting bodies in addition to the taxes determined by Council. These are:

Date Mill Rate is to be Set	Organization	Taxes		Mill Rates	
		1982 \$	1983 \$	% Change	1982 1983
May 01	School - residential	24,897,893	N/A	-	51.374 N/A
May 01	School - non-residential	32,794,049	N/A	-	55.000 N/A
Apr. 20	G.V.R.D.	839,722	825,008	(1.75)	0.824 0.928
Apr. 20	G.V.R.H.D.	2,226,687	2,745,433	23.30	2.185 \$0.089
Apr. 20	M.F.A.	18,343	17,775	(3.10)	0.018 0.020
Apr. 15	B.C.A.A.	1,221,877	1,243,399	1.76	1.199 1.399
Mar. 31	B.C.T.	944,533	373,286	(60.48)	2.200 0.420

The Minister of Education on April 20th informed the Burnaby School Board that for 1983, the Provincial Government is extending time limits under the Education Interim Finance Act to May 07 for sending of final information to districts, and to May 17 for the Board's adoption of the budget and its tax rate by-law. These are essentially the same dates as last year. Presently, the School Board plans to adopt its budget by-law on May 10th. Any delay beyond that, however, means that the tax bills would not be mailed until the first week of June. This year our tax due date is July 5th. As a result, the taxpayer would only have about one month's notice prior to due date. Our normal objective is to have the tax bills mailed six to seven weeks before due date.

The mill rates for other rate setting bodies are based on assessed values which use the Order-in-Council percentages. This is different than for municipal taxes, where actual values are to be used if variable tax rates are in effect.

The Greater Vancouver Regional Hospital District 23% increase in 1983 comes from increased debt charges to pay for funds borrowed to finance past years, and continuing hospital expansion programs. Debt servicing costs are exempted from the Provincial restraint guidelines.

B.C. Transit shows a significant reduction in the 1983 mill rate. This is because reserves accumulated during 1982 were taken into revenue in 1983.



Howard Karas  
DIRECTOR FINANCE

Attach.

cc: Management Committee

SUMMARY OF REVENUE AND EXPENDITURE

	1981	1982	1983	1983
	<u>Actual</u>	<u>Actual</u>	<u>Provisional</u>	<u>Annual</u>
	\$	\$	\$	\$
<u>Expenditure</u>				
Municipal Council	501,804	527,761	446,780	457,546
Municipal Manager	298,416	229,034	206,593	224,929
Administrative and Community Services	19,775,167	24,290,047	24,871,307	26,445,097
Engineering	26,700,581	29,410,394	28,515,053	28,960,468
Finance	2,947,876	3,825,660	3,748,518	3,895,199
Planning and Building Inspection	2,296,108	2,919,488	2,842,567	3,031,097
Recreation and Cultural Services	13,048,609	16,132,460	16,767,832	17,064,414
Fiscal items - details, page 3	5,984,171	4,214,082	2,608,604	3,879,797
Funds placed in reserve	<u>2,860,105</u>	<u>3,307,326</u>	<u>3,368,000</u>	<u>2,878,200</u>
	74,412,837	84,856,252	83,375,254	86,836,747
	=====	=====	=====	=====
<u>Revenue</u>				
Municipal Council	5,331	19,412	3,400	31,812
Municipal Manager	6,505	9,307	6,850	10,300
Administrative and Community Services	1,515,076	2,110,218	2,218,817	3,498,152
Engineering	11,780,223	13,893,330	13,486,629	13,790,114
Finance	1,855,059	2,331,764	2,365,552	2,340,877
Planning and Building Inspection	1,395,199	1,452,659	1,237,435	1,398,626
Recreation and Cultural Services	1,697,050	2,777,459	3,197,296	3,279,259
Grants and other revenue - details, page 2	18,725,854	15,313,562	14,381,450	14,916,437
Funds placed in reserve	<u>2,860,105</u>	<u>3,307,326</u>	<u>3,368,000</u>	<u>2,878,200</u>
	39,840,402	41,215,037	40,265,429	42,143,777
	=====	=====	=====	=====
Taxes real property - general	29,367,898	38,335,272	37,790,651	39,420,586
- debt	<u>5,204,537</u>	<u>5,305,943</u>	<u>5,319,174</u>	<u>5,272,384</u>
	34,572,435	43,641,215	43,109,825	44,692,970
	74,412,837	84,856,252	83,375,254	86,836,747
	=====	=====	=====	=====

DETAILS OF TAX LEVIES, GRANTS AND OTHER REVENUE

	1981	1982	1983	1983
	<u>Actual</u>	<u>Actual</u>	<u>Provisional</u>	<u>Annual</u>
	\$	\$	\$	\$
Provincial school tax administration fee				
Grants in lieu taxes				82,000
- Federal	120,485	146,006	146,063	146,006
- National Harbours Board	113,503	112,961	123,109	95,449
- Provincial	46,729	61,599	58,117	61,599
- B.C. Hydro	1,224,369	1,341,499	1,352,119	1,855,423
- B.C. Housing Commission	156,409	165,633	195,974	195,974
- Insurance Corporation of B.C.	76,906	94,795	94,871	94,795
- B.C. Buildings Corporation	504,494	645,943	643,984	645,943
- Canada Mortgage & Housing Corporation	5,316	974	974	974
Investment income - general revenue	3,371,767	3,448,082	2,500,000	2,300,000
account only				
Miscellaneous				
- Tax sale revenue	525	7,334	2,500	2,500
- Sundry revenue	89,545	14,580	30,000	15,000
- Discounts and adjustments	4,317	16,648	5,000	5,000
Other tax levies				
- Local improvement frontage tax	998,350	1,147,113	1,113,136	1,113,136
- Commuted local improvement levies	31,989	1,859		
- B.C. Telephone and cablevision	172,924	183,735	202,335	228,484
- Cemetery tax	3,428	3,518	3,518	3,518
Penalties and interest on taxes	733,589	1,188,792	1,150,838	1,274,882
Provincial revenue sharing grants	10,071,209	5,758,912	5,758,912	5,695,754
Surplus from previous year - general	<u>1,000,000</u>	<u>973,579</u>	<u>1,000,000</u>	<u>1,100,000</u>
Total - see page 1	18,725,854	15,313,562	14,381,450	14,916,437

Total - see page 1

DETAILS OF FISCAL ITEMS

<u>Expenditure</u>	<u>1981</u> Actual \$	<u>1982</u> Actual \$	<u>1983</u> Provisional \$	<u>1983</u> Annual \$
Operating contingency				
- unspecified				
- for increased benefits costs	1,061,442(2)	1,184,005(2)	250,000	1,000,000
Capital contingency	200,000	200,000	200,000	200,000
Contribution to capital works reserve	1,500,000	901,937	800,000	1,225,000
Human resources per capita charge (1)	2,037,153	521,132	420,000	300,000
Interest on temporary borrowing	421,947	585,154		
Investment income transferred to general revenue account reserves	290,695	336,334	259,400	167,300
Loan repayments to statutory reserve for capital works, machinery and equipment				
- Deer Lake property acquisition	58,432	58,432	58,432	58,432
- Burnaby Mountain conservation area	85,426	76,976	68,609	60,409
Management information system				
Miscellaneous				
- M.F.A. debt reserve fund - 1% holdback	21,990		13,502	11,800
- M.F.A. debt reserve	82,005	97,826	82,005	97,800
- Handling charges - coupons and borrowing	551	2,951	1,250	2,400
- Other	6,086	3,255		
- Section 476 Municipal Act allowances	220	60	250	300
- Mobile homes tax write-off	764		3,500	4,000
- Local improvement taxes on exempt property	21,896	24,323	30,000	25,000
- Sewer parcel tax on exempt property	47,050	56,375	57,000	62,700
- Water rates on exempt properties	168			
- Retired employees pension increase	3,393	2,112	2,112	2,112
Other governing bodies portion of grant in lieu taxes				
- Residential school portion of federal grant in lieu taxes	124,370	141,287	141,287	141,287
- G.V.R.D. portion of federal grant in lieu taxes	2,043	2,200	2,200	2,200
- G.V.R.H.D. portion of federal grant in lieu taxes	4,953	5,834	5,834	5,834
- G.V.R.D. portion of provincial grant in lieu taxes	10,514	12,184	12,148	12,148
- B.C.A.A. portion of federal grant in lieu taxes	3,073	1,705	1,075	1,075
Previous year assessment appeal adjustment				<u>400,000</u>
Total fiscal items - see page 1	5,984,171	4,214,082	2,608,604	3,879,797
	=====	=====	=====	=====

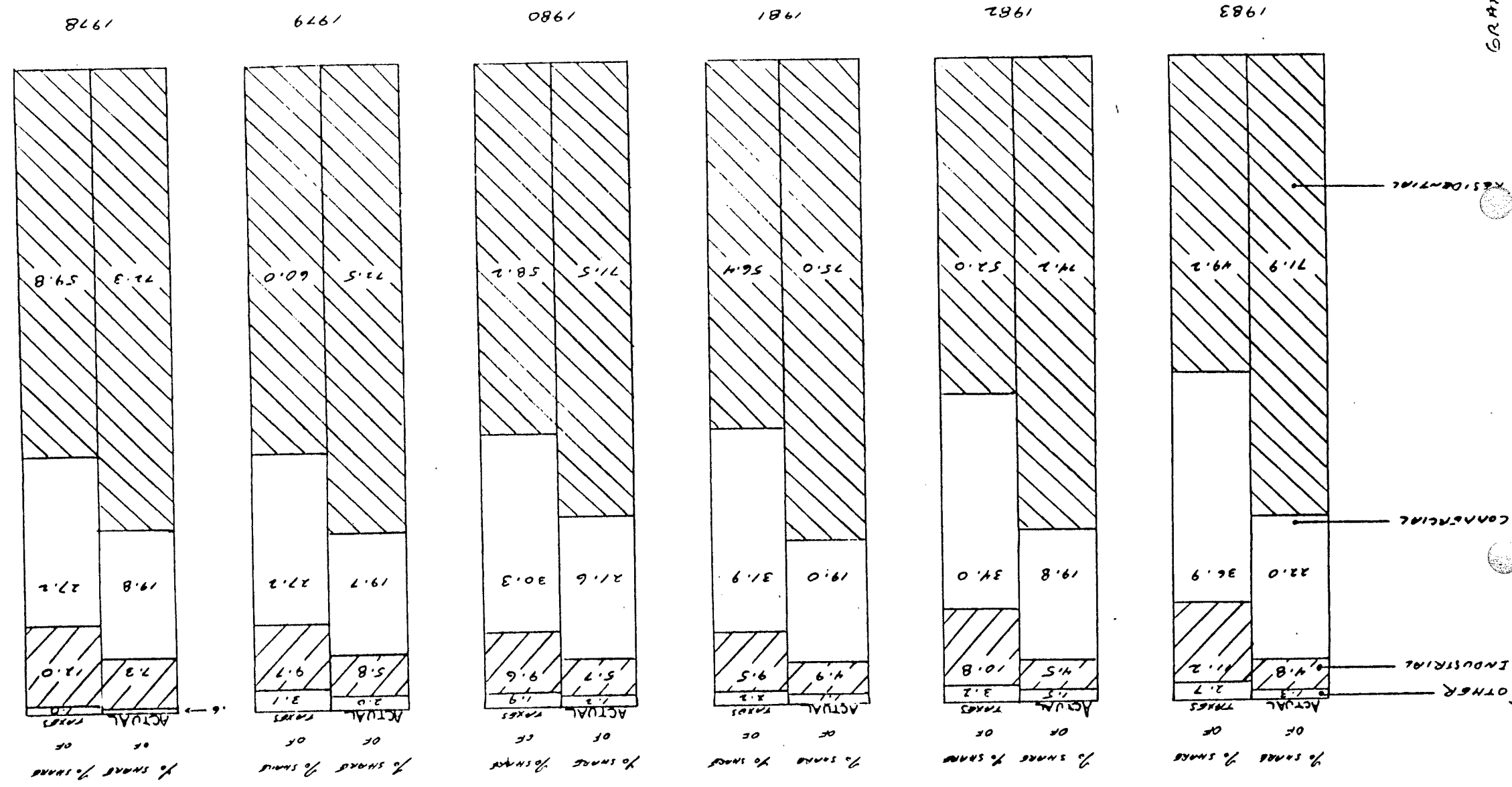
Notes

- (1) Paid 100% by the Province, effective 1982 April 01.
- (2) Resultant surplus balance of all expenditures and revenues.

ITEM SUPPLEMENTARY 16  
 MANAGER'S REPORT NO. 30  
 COUNCIL MEETING 1983 04 25

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COMPARISON OF PERCENTAGE SHARE OF ACTUAL VALUE ASSESSMENTS AND PERCENTAGE SHARE OF TAX LEVY



GRAPH 02