

ITEM 22
MANAGER'S REPORT NO. 55
COUNCIL MEETING 89/09/05

RE: SUBMISSION TO FORUM SEEKING PUBLIC VIEWS
ON PROPERTY TAX REFORM

MUNICIPAL MANAGER'S RECOMMENDATION:

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

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TO: MUNICIPAL MANAGER 1989 August 30
FROM: DIRECTOR FINANCE File: T5-6

SUBJECT: SUBMISSION TO FORUM SEEKING PUBLIC VIEWS
ON PROPERTY TAX REFORM

PURPOSE: To communicate to the Property Tax Forum those issues identified in the Financing Local Government Study of concern to Burnaby.

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RECOMMENDATION

1. THAT a copy of this report be sent to the Property Tax Forum, c/o the Ministry of Finance and Corporate Relations.

INTRODUCTION

REPORT

The Union of B.C. Municipalities (U.B.C.M.), key Provincial Ministries and the B.C. Assessment Authority have been working together since last year on a document called "Financing Local Government". The document identifies and attempts to resolve a number of emerging local government financing problems.

A summary of the recommendations contained in the study is attached.

A series of public forums is being held throughout the Province to encourage opinions and points of view on property tax reform in B.C. and the recommendations contained in the Financing Local Government Study.

It is gratifying to see that the study addresses a number of issues that have in the past been of concern to Council, and that an opportunity is being provided for public input.

This report highlights some of the points which are addressed in the study which have been of concern to Burnaby.

PROVINCIAL CONTRIBUTIONS

. The need for the Province, in conjunction with the U.B.C.M., to design a new formula for Revenue Sharing grants is supported, as is the need for regular review of this formula to ensure that it keeps up with the inflationary and population growth trends of the municipalities. Unconditional grants have declined from 77-80% of the total Revenue Sharing Fund in the early 1980s to a significantly lower 40-50% range in subsequent years. Expressed in terms of municipal tax dollars, in 1981 Revenue Sharing grants amounted to 29% of Burnaby's municipal property taxes and in 1989 the grants will amount to 9.5%. Attached is a copy of a report which provides detailed grant trends.

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Greater Vancouver Regional District (G.V.R.D.) studies show that local taxpayers, who make up 50% of the total B.C. population, received only 33% of the unconditional Provincial grants paid to municipalities in 1986.

. A more equitable method of determining Sewerage Facilities Assistance grants is also supported. Grants tied to an inflationary market value assessment roll have resulted in substantial grant reductions in recent years for Burnaby and other local municipalities.

ASSESSMENTS

. Unlike the joint report recommendation, the retention of the biennial assessment roll is preferred because it adds stability to the tax rate changes. Currently, taxpayers face market valuation fluctuations only every second year and see the true property tax increases (or decreases) set by Council on alternate years. This results in less taxpayer discontent with market fluctuations.

. A guaranteed assessment roll is supported because of the uncertainties that have been experienced in the past from assessment appeals. Since 1985, Burnaby had to provide from \$0.5 million to \$1.0 million every year for potential property tax refunds, should the outstanding tax appeals be successful.

. The need for further discussions by the Province and the U.B.C.M. to overcome the dramatic market value changes in the assessment roll and possible ways of "smoothing" such changes is supported and encouraged. Sub-classifications within the Residential assessment class, e.g. single family dwellings, condominiums, rental property, would be useful to correct wide disparities in property taxes among individual properties within the Residential class.

PROPERTY TAX BURDEN

. The recommendation that the present school funding system be changed to ensure more equity in residential taxation is supported.

G.V.R.D. studies show that G.V.R.D. taxpayers pay a disproportionate share of school costs compared to all Provincial property taxpayers. Burnaby School Board statistics show that the Burnaby homeowner is paying an increased share of school costs that were previously paid out of Provincial revenue.

. Municipalities should have the freedom to design property taxation forms that clearly define accountability. Currently, municipal taxes account for less than half of the combined tax bill.

. The recommendation that the property of all senior governments and their Crown corporations and agencies be taxable in the same way as private sector corporations is supported. Such a change would provide greater equity because senior governments use the services provided by the local government the same as all other taxpayers.

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SUMMARY

The Provincial effort to obtain public input into the process of tax reform is to be commended. Many of the issues being addressed have been a matter of concern for a number of years. Therefore changes which will see greater equity and fairness are welcomed.

It is recommended that a copy of this report be sent to the Property Tax Forum, c/o the Ministry of Finance and Corporate Relations.



Howard Karrao
DIRECTOR FINANCE

cc: Directors
Secretary-Treasurer, School District No. 41
Area Assessor

ITEM 1
MANAGER'S REPORT NO. 30
COUNCIL MEETING 89/04/24

ITEM 22
MANAGER'S REPORT NO. 55
COUNCIL MEETING 89/09/05

RE: PROVINCIAL REVENUE SHARING GRANTS

ACTING MUNICIPAL MANAGER'S RECOMMENDATION:

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

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TO: MUNICIPAL MANAGER 1989 April 19
File: G69-8-5
FROM: DIRECTOR FINANCE Xref: F28

SUBJECT: PROVINCIAL REVENUE SHARING GRANTS
(NOTICE OF MOTION, REVENUE SHARING GRANTS
AND THE EFFECT ON THE MUNICIPALITY OF BURNABY,
REGULAR COUNCIL MEETING 1989 MARCH 28)

PURPOSE: To inform Council of the trends in the Provincial Revenue Sharing Fund, the basic and unconditional grants paid to municipalities, and the grants received by Burnaby in both current and historical (1981) dollars.

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RECOMMENDATION

1. THAT this report be received for information purposes.

REPORT

BACKGROUND

At the regular Council meeting on 1989 March 28, Council adopted the following motion:

"THAT the Finance Department prepare a report similar to that of West Vancouver Council regarding Revenue Sharing Grants, particularly in expressing the grants in 1981 dollars, and the effect on the Municipality of Burnaby."

This report is similar to West Vancouver's and includes three attachments which are discussed herein. Attachment 01 trends the total revenue sharing funds, the total basic plus unconditional grants paid to municipalities, and Burnaby's share of those grants. Attachment 02 trends Burnaby's share of these grants relative to 1981 on both a current dollar and 1981 (deflated) dollar basis. Attachment 03 summarizes all of the Provincial grants (including revenue sharing) received for the past five years.

DISCUSSION

1. Revenue Sharing and Basic Plus Unconditional Trend

Attachment 01 shows the Province's contribution to revenue sharing grants from 1979 through 1989, and the portion allocated for basic plus unconditional grants to municipalities. An explanation of the revenue sharing formula, items assisted and distribution formula is summarized on Attachment 04.

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The portion of basic plus unconditional grants of the total revenue sharing fund declined from the 77%-80% range in 1979-81 to a significantly lower 40%-50% range in 1982 and subsequent years. In 1989, the share of the total revenue sharing fund is estimated at 42%. In the Notice of Motion previously submitted to the Provincial Government, Burnaby Council requested unconditional grants be established at 60% of revenue sharing. This appears to be a reasonable request, in view of the significantly higher portion of grant allocation prior to 1982.

Burnaby's share of the total basic and unconditional grants is declining gradually, from 6.1% in 1980 to 5.2% in 1989, due probably to the change in population, per capita assessment and municipal expenditures relative to other municipalities in the Province.

As a percentage of Burnaby's municipal taxes levied, the basic plus unconditional share declined significantly from a high of 29.1% in 1981 to under 10% in the last two years. This trend indicates that the local taxpayer has been paying progressively higher taxes to fund municipal expenditures previously paid for out of revenue sharing grants.

2. Burnaby Basic Plus Unconditional Grant Trends

Attachment 02 shows that Burnaby's share of the basic plus unconditional grants has declined significantly since 1981, both on a current dollar and 1981 (deflated) dollar basis. In current dollars, we are receiving 22.5% less than in 1981 and in constant 1981 dollars we are receiving 48.2% less than in 1981.

These comparisons of revenue sharing payments to Burnaby are made on an adjusted grant basis which takes into account the human resources per capita charge that had to be paid to the Province until 1982 April when the Province stopped collecting this charge directly from the municipalities. If this per capita charge payment to the Province were excluded, the decline in the grant from 1981 to 1989 would be 38.1% in current dollars and 58.7% in 1981 dollars. In any event, Council's request to restore grants to 60% of the revenue sharing level appears to be reasonable in view of the above analysis and decline in grants since 1981.

3. All Provincial Grants and Contributions

Attachment 03 shows a five year trend for all Provincial grants and contributions paid to Burnaby, including revenue sharing capital grants. A major portion of the amount is for the Home Owner Grant, which is used first to reduce school taxes payable, and the balance, if any, against other taxes. In addition, some of the amounts received are subsequently remitted to other rate setting bodies. These grants are not suitable for trend analysis.

The foregoing is for the information of Council.



Howard Karras
DIRECTOR FINANCE

PWT:gw
Attach.

cc: All Directors
Municipal Clerk

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ATTACHMENT 01

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PROVINCIAL REVENUE SHARING FUND TRENDS AND BURNABY'S SHARE

Year	Total Revenue Sharing Fund \$000	Total Basic and Unconditional \$000	Basic and Uncond'l % of Total	Burnaby's Share		% of Burnaby Municipal Taxes
				Basic and Uncond'l Current \$000	% of Provincial Basic and Uncond'l	
1989	286,000	120,000 (1)	42.0	6,229.6	5.2	9.5
1988	239,300	108,000 (1)	45.1	5,667.2	5.2	9.5
1987	231,500	108,100	46.7	5,694.2	5.3	10.2
1986	222,700	101,400	45.5	5,361.4	5.3	10.3
1985	241,200	96,700	40.1	5,145.0	5.3	10.5
1984	204,600	96,300	47.1	5,133.1	5.3	10.9
1983	210,600	106,700	50.7	5,695.8	5.3	12.8
1982	210,300	106,000 (2)	50.4	5,758.9	5.4	13.2
1981	215,000	166,500	77.4	10,071.2	6.1	29.1
1980	172,200	136,400	79.2	8,335.7	6.1	26.3
1979	144,000	114,800	79.7	6,916.8	6.0	23.9

Notes

(1) Basic portion estimated for 1988 at \$8 million and 1989 at \$10 million and included.

(2) Drop from 1981 to 1982 is due to Province assuming Social Assistance programs.

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ATTACHMENT 02

BASIC PLUS UNCONDITIONAL GRANT ITEMS

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Year	Burnaby Grant, Current \$000	Human Resources Per Capita Charge (2) \$000	Adjusted Burnaby Grant, Current \$000	Canada C.P.I. (1)	Adjusted Burnaby Grant, 1981 \$000	(& Decrease) From 1981 Level Current \$	1981 Level \$
1989	6,229.6	-	6,229.6	149.7(est)	4,161.4	(22.5)	(48.2)
1988	5,667.2	-	5,667.2	143.8	3,941.0	(29.5)	(50.9)
1987	5,694.2	-	5,694.2	138.2	4,120.3	(29.1)	(48.7)
1986	5,361.4	-	5,361.4	132.4	4,049.4	(33.3)	(49.6)
1985	5,145.0	-	5,145.0	127.2	4,044.8	(36.0)	(49.6)
1984	5,133.1	-	5,133.1	122.3	4,197.1	(36.1)	(47.8)
1983	5,695.8	-	5,695.8	117.2	4,859.9	(29.1)	(39.5)
1982	5,758.9	(531.1)	5,227.8	110.8	4,706.3	(34.9)	(41.4)
1981	10,071.2	(2,037.2)	8,034.0	100.0	8,034.0	-	-
1980	8,335.7	(1,839.8)	6,495.9	88.9	7,307.0	(19.1)	(9.0)
1979	6,916.8	(1,654.2)	5,262.6	80.7	6,521.2	(34.5)	(18.8)

Notes

(1) Consumer Price Index for Canada, 1981 = 100.

(2) Amount paid back to Province, which had the effect of reducing the Revenue Sharing grant. These payments ceased in 1982 April.

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ATTACHMENT 03

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PROVINCIAL GRANTS AND CONTRIBUTIONS

1984 - 1988

	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>
	\$	\$	\$	\$	\$
B.C. Heritage Trust	61,164	31,743	11,008	4,616	12,227
B.C. Hydro		42,482	467,475	694,458	23,471
B.C. Parkway project					
B.C. Summer Games					
B.C. Transit			30,441	42,639	
Canada Assistance Plan	19,670	26,735	18,316	11,521	9,254
Elder citizens	44,384	36,336	31,514	18,647	30,670
Volunteer coordinator	34,934	25,881	29,453	29,388	27,985
Youth services					
Community Organization for					
Economic Development	25,000	27,331	41,334	63,000	3,700
Cultural Services grant	75,000	65,000	3,708	3,692	
Emergency program	3,692	3,692			
Grants in Lieu of taxes					
B.C. Enterprise Corporation	111,277				
B.C. Buildings Corporation	498,379	487,931	618,701	634,932	668,273
B.C. Housing Commission	148,179	144,101	134,780	127,547	127,943
B.C. Hydro & Power Authority	618,239	1,019,491	975,521	1,228,267	2,097,419
Insurance Corporation of B.C.	97,421	90,881	91,608	85,709	98,422
Ministry of Housing			8,507	18,301	21,812
Provincial properties				1,325	52,746
Greater Vancouver Library					
Federation	149,221	146,827	160,852	141,749	131,226
Hastings Street redevelopment					
- sharing		12,825			
Home owner grants	14,618,367	14,258,688	13,851,435	13,433,030	13,216,617
Health	278,809	222,579	182,582	310,754	203,668
Legal Services Commission	2,400	200,000		2,000	2,000
Lottery fund	12,800				
Ministry of Education - school					
tax administration fee	72,713	61,375	65,947	76,661	74,031
Ministry of Health					
Home care	1,769,234	1,760,279	1,589,404	1,462,401	1,498,913
Long term care	816,520	761,292	741,810	709,019	721,521
Preventive care	804,609	797,903	722,159	738,450	715,468
Handicapped children	4,202	5,391			
Nurses					
Accounting services	15,734	16,705	12,091	12,138	10,000
Administration fee					90,000
Payroll automation					46,466
Personnel services	50,233	53,323	51,076	51,275	24,654
Recreation Facilities Assistance					
Revenue sharing					
General	5,677,183	5,694,177	5,361,395	5,144,987	5,133,115
Highways		553,699	385,707	1,950,678	1,521,007
Planning		37,500		20,000	11,430
Secondary highways					
Construction	33,740	11,430	144,050	46,810	336,585
Maintenance		49,074	6,546	46,170	17,928
Sewerage Facilities Assistance	313,997	498,744	702,751	756,580	863,742
Victim Assistance Program	18,327				
TOTAL, PROVINCIAL GRANTS	26,375,428	27,143,415	26,503,171	27,866,744	27,792,293

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PROVINCIAL REVENUE SHARING GRANT INFORMATION

Formula

The Province derives its total Revenue Sharing income from a variety of sources as described in the Revenue Sharing Act. In summary, revenue is the sum of:

- One percentage point of individual income tax
- One percentage point of corporation income tax
- Six percent of shareable revenue from gasoline, social services tax, lands and forests, minerals, and the B.C. Petroleum Corporation.

In addition to the unconditional grants paid annually to municipalities, the total Revenue Sharing income is also used for grants and assistance to municipalities for:

- Water
- Highways
- Municipal planning
- Regional districts
- Sewerage (new 1982)
- Undergrounding of transmission lines
- Restructuring
- Mobile homes
- Housing growth (stopped 1983)

The Revenue Sharing Act regulations prescribe the basis of the distribution of the grants to municipalities. Basically the distribution is as follows:

- 80% of grant is determined on a population basis
- 20th of the grant is determined on a combined basis of per capita assessment, and municipal expenditures.

