

A stylized logo of a bird in flight, with a blue silhouette of the bird's body and wings, and a green silhouette of the bird's tail and lower wings. The bird is facing right.

# 2015 Tax Distribution Workshop

March 31, 2015

# Complete the Financial Planning Cycle

- ▶ **Determine the Revenue Requirement to Balance the Budget**
  - ▶ Tax Levy Increase
  - ▶ Financial Plan Bylaw
  
- ▶ **Decide on a Distribution of the Tax Rate Increase**
  - ▶ Set the tax rate
  - ▶ Tax Rate Bylaw

# Outline

1. Tax Strategy Recap
2. Understanding the Tax History
  - % Share
  - % Allocation
  - Tax Rate
3. Tax Distribution - Recommendation
4. Final Comments

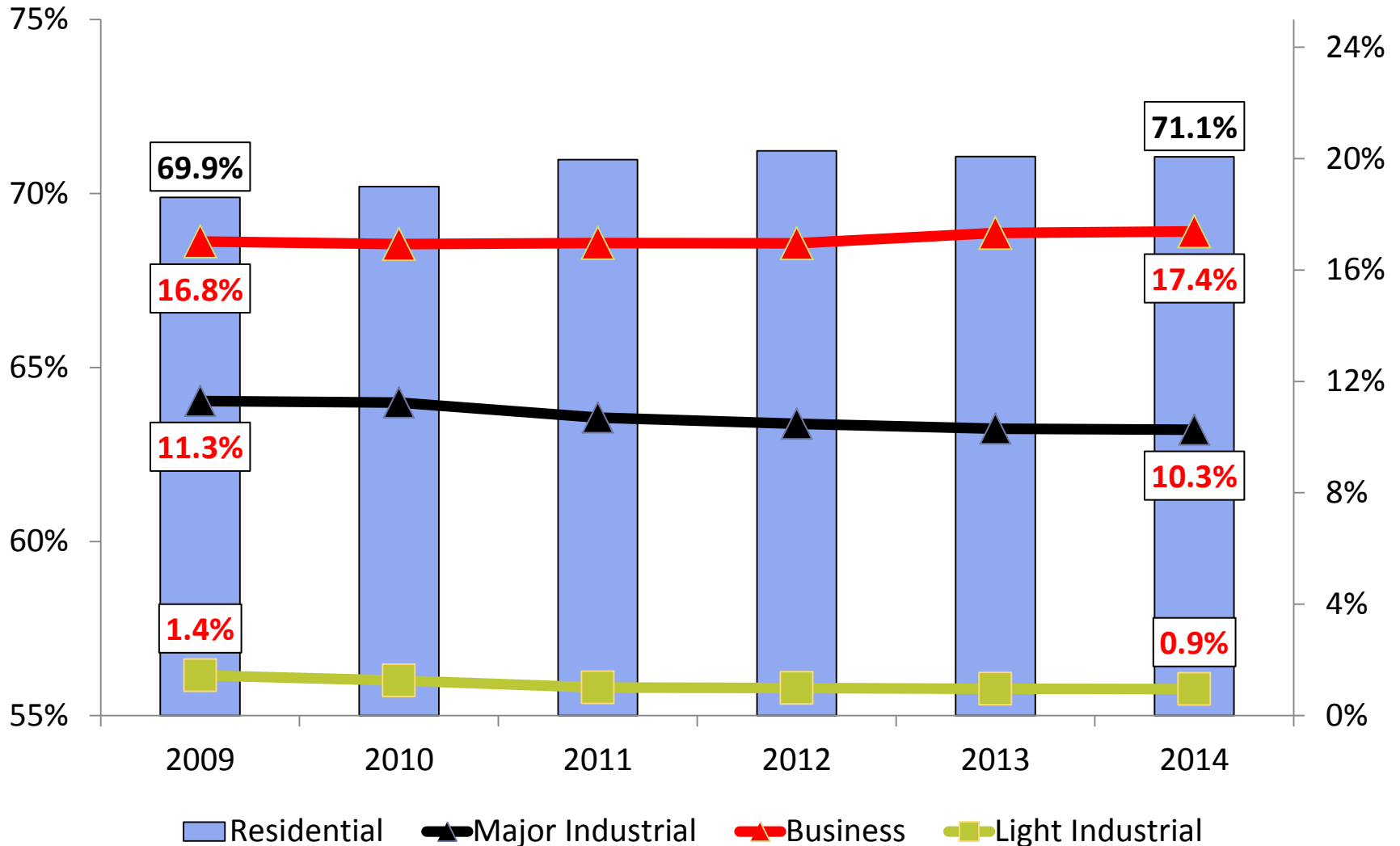
# Tax Competitiveness Strategy Recap

- ▶ Harmonizing tax rates with either:
  - ▶ the average for the region or
  - ▶ the capped rate (if applicable)
- ▶ Use New Investments as the tool to reduce Heavy Industry tax rate
- ▶ Shifting taxes between classes where the tax base for a property class is too small to be corrected by New Investments alone

# History - % Share of Tax Burden

Residential Class (Bar Graph)

Business Classes (Line Graphs)



# History - Allocation of Tax Levy Increase

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Tax Increase</b>	4.25%	3.00%	3.00%	2.00%	2.50%	2.50%
<b><u>Allocation</u></b>						
Residential	4.50%	3.24%	3.50%	2.22%	2.50%	2.25%
Business	4.25%	3.00%	3.00%	2.00%	2.50%	2.00%
Major Industry Noncapped	4.25%	Average (3.94%) reduction				
Light Industry	Average (11.07%) reduction				2.50%	2.50%

# History - Tax Rates

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<b>2014 Regional Averages</b>
Residential	\$ 2.60	\$ 2.47	\$ 2.36	\$ 2.37	\$ 2.44	\$ 3.73
Major Industry NC	44.39	42.49	41.17	36.77	29.33	30.33
Light Industry	22.58	21.72	19.53	10.91	11.12	11.38
Business	8.63	8.84	8.54	8.60	8.48	8.72





# 2015 Taxation Revenue Impacts Heavy Industry (Non-Capped)

## ▶ Fibreco

- ▶ Classification shift from non-capped to capped (\$11.1 million)
- ▶ Devaluation of the land (\$14.2 million)
- ▶ Permanent taxation revenue loss (\$440k)

## ▶ Canexus

- ▶ Reversal of BCA valuation error (\$8.5 million)
- ▶ Permanent taxation revenue loss (\$249k)

## ▶ Seaspan

- ▶ Significant taxable improvements + \$26.5 million
- ▶ Valuation appeals for land (\$25.7 million)
- ▶ Potential taxation revenue loss (\$755k)

# 2015 Assessment Change Heavy Industry (Non-Capped)

(in Millions)	<u>Market Change</u>	<u>New Construction</u>	<u>Net Increase</u>
<b>2015 Changes</b>	\$ (17.6)	\$ 18.7	\$ 1.1
<b><u>By Company</u></b>			
Seaspan	\$ 6.0	\$ 26.5	\$ 32.5
Canexus	1.3	(8.5)	(7.2)
Fibreco	(25.3)		(25.3)
Other	0.4	0.7	1.1
	<u>\$ (17.6)</u>	<u>\$ 18.7</u>	<u>\$ 1.1</u>

# Non-Capped Tax Rate Changes

2014 Rate	\$ 29.33
Baseline Changes	
Other	0.92
Fibreco	0.72
	<hr/>
Revised 2014 Rate	30.97
2.5% increase	0.73
	<hr/>
	31.70
<u>Policy</u>	
Fibreco	2.96
Canexus	1.67
Seaspan	(5.35)
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2015 Rate	<u><u>\$ 30.98</u></u>

# New Investments Benefit Heavy Industry NC only

		<b>2015</b>		
	<b>2014</b>			<b>2014</b>
	<b>District Tax</b>	<b>Levy %</b>	<b>Projected</b>	<b>Regional</b>
	<b><u>Rates</u></b>	<b><u>Increase</u></b>	<b><u>Tax Rates</u></b>	<b><u>Averages</u></b>
Residential	\$ 2.44	2.50%	\$ 2.37	\$ 3.73
Heavy Industry - NC	29.33	-5.51%	30.98	30.33
Light Industry	11.12	2.50%	11.87	11.38
Business	8.48	2.50%	8.33	8.72

# New Investments Benefits some Classes

	<b>2015</b>			
	<b>2014</b>	<b>Levy %</b>	<b>Projected</b>	<b>2014</b>
	<b><u>District Tax Rates</u></b>	<b><u>Increase</u></b>	<b><u>Tax Rates</u></b>	<b><u>Regional Averages</u></b>
Residential	\$ 2.44	2.16%	\$ 2.37	\$ 3.73
Heavy Industry - NC	29.33	2.65%	33.66	30.33
Light Industry	11.12	2.50%	11.87	11.38
Business	8.48	1.13%	8.22	8.72

# New Investments Benefit Residents only

**2015**

	<b>2014 District Tax Rates</b>	<b>Levy % Increase</b>	<b>Projected Tax Rates</b>	<b>2014 Regional Averages</b>
Residential \$	2.44	1.15%	\$ 2.34	\$ 3.73
Heavy Industry - NC	29.33	10.80%	36.33	30.33
Light Industry	11.12	2.50%	11.87	11.38
Business	8.48	2.50%	8.33	8.72

# Options for Consideration

## 2015 Tax Rate Options

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	<b>New Investments To Heavy Industry (Non- capped only)</b>	<b>New Investments Some Classes</b>	<b>New Investments to Residents only</b>	<b>2014 Regional Averages</b>
Residential	\$ 2.37	\$ 2.37	\$ 2.34	\$ 3.73
Heavy Industry - NC	30.98	33.66	36.33	30.33
Light Industry	11.87	11.87	11.87	11.38
Business	8.33	8.22	8.33	8.72

# Final Comments

- ▶ Tax Strategy is at a junction
- ▶ Provincial intervention has caused havoc
- ▶ BCA valuation error is detrimental
- ▶ Tax appeal risk is real but provided for
- ▶ The list of non-capped properties is shrinking

Recommendation is to stay with current policy pending:

1. resolution of the issue with the Province
2. the outcome of Seaspan appeal



# Direction

“Staff to prepare the 2015 Tax Rates Bylaw in accordance with Council’s selected distribution scenario”.

▶ The end