

## **AMENDED**

### **AGENDA FOR THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING TO BE HELD IN THE BOARD ROOM, CITY HALL, ON MONDAY, 2007-NOV-26, COMMENCING AT 4:30 P.M.**

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**1. CALL THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING TO ORDER:**

**2. INTRODUCTION OF LATE ITEMS:**

- Letter dated 2007-NOV-19 from the Association of Vancouver Island Coastal Communities, 545 Superior Street, Victoria, BC, V8V 1T7, regarding topics for the 2008 AGM and Convention. *[See Item (a) under Correspondence.]*

**3. ADOPTION OF THE AGENDA:**

**4. ADOPTION OF MINUTES:**

- (a) Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall, on Monday, 2007-OCT-22 at 4:30 p.m.

*Pg. 3-5*

**5. PRESENTATIONS:**

- (a) Mr. B. E. Clemens, Director of Finance, to provide a PowerPoint Presentation introducing the 2008 – 2012 Financial Plan.

**6. DELEGATIONS PERTAINING TO AGENDA ITEMS: (10 MINUTES)**

- (a) Delegations pertaining to the 2008 – 2012 Financial Plan.

**7. REPORTS OF ADVISORY BODIES:**

8. **STAFF REPORTS:** *(blue)*

DEVELOPMENT SERVICES:

- (a) **Union of British Columbia Municipalities Health Promotion Fund Application** Pg. 6-7
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*Staff's Recommendation: That Council approve the forwarding of the Nanaimo Foodshare application to the Union of British Columbia Municipalities Community Health Promotion Fund.*

9. **INFORMATION ONLY ITEMS:**

- (a) Report from Mr. B. E. Clemens, Director of Finance, re: 2008 – 2012 Financial Plan. Pg. 8-14
- (b) Report from Mr. B. E. Clemens, Director of Finance, re: Revenue Policy Disclosure Requirements. Pg. 15-25

10. **CORRESPONDENCE:**

- (a) Letter dated 2007-NOV-19 from the Association of Vancouver Island Coastal Communities, 545 Superior Street, Victoria, BC, V8V 1T7, regarding topics for the 2008 AGM and Convention. *(Supplemental)* Pg.

11. **NOTICE OF MOTION:**

12. **CONSIDERATION OF LATE ITEMS / OTHER BUSINESS:**

13. **DELEGATIONS PERTAINING TO ITEMS NOT ON THE AGENDA:**  
(10 MINUTES)

14. **QUESTION PERIOD:** *(Agenda Items Only)*

15. **PROCEDURAL MOTION:**

MINUTES OF THE REGULAR FINANCE / POLICY COMMITTEE OF THE WHOLE MEETING  
HELD IN THE BOARD ROOM, CITY HALL,  
ON MONDAY, 2007-OCT-22 COMMENCING AT 4:30 P.M.

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PRESENT: Mayor G. R. Korpan, Chair

Members: Councillor W. L. Bestwick  
Councillor M. D. Brennan  
Councillor W. J. Holdom  
Councillor L. D. McNabb  
Councillor C. S. Manhas  
Councillor L. J. Sherry  
Councillor M. W. Unger

Absent: Councillor Cameron

Others: Mr. John Finnie, Environmental Services, Regional District of Nanaimo

Ms. Carol Mason, Chief Administrative Officer, Regional District of Nanaimo

Staff:	G. D. Berry	B. E. Clemens
	A. C. Kenning	T. P. Seward
	A. W. Laidlaw	R. J. Harding
	D. W. Holmes	J. Horn
	E. C. Swabey	K. L. Burley
	I. Howat	T. Wilkinson

1. CALL THE OPEN MEETING TO ORDER:

The Regular Finance / Policy Committee of the Whole Meeting was called to order at 4:30 p.m.

2. INTRODUCTION OF LATE ITEMS:

- (a) Mayor Korpan advised that a late item would be brought forward under Consideration of Late Items / Other Business regarding the E. J. Hughes Mural.

3. ADOPTION OF AGENDA:

It was moved and seconded that the Agenda be adopted. The motion carried unanimously.

4. ADOPTION OF MINUTES:

- (a) Minutes of the Regular Finance / Policy Committee of the Whole Meeting held in the Board Room, City Hall on Monday, 2007-APR-23 at 4:33 p.m.

It was moved and seconded that the Minutes be adopted as circulated. The motion carried unanimously.

5. PRESENTATIONS:

- (a) Mr. Sean De Pol, Manager, Liquid Waste, Regional District of Nanaimo, to provide a PowerPoint Presentation regarding the Greater Nanaimo Pollution Control Expansion Plans.

Mr. De Pol gave a PowerPoint Presentation regarding future projects and expansion plans to the Greater Nanaimo Pollution Control Centre.

6. STAFF REPORTS:

DEVELOPMENT SERVICES:

- (a) Use of Community Services Building by 7-10 Club

Staff's Recommendation: That Council provide Staff with direction with regards to the temporary use of the Community Services Building by the 7-10 Club.

It was moved and seconded that Council authorize temporary use of the Community Services Building by the 7-10 Club until 2008-FEB-28.

It was moved and seconded that the motion be tabled. The motion carried unanimously.

Mr. Gordon Fuller answered questions from Council regarding this issue.

It was moved and seconded that the motion be lifted from the table. The motion carried unanimously.

The vote was taken on the main motion. The motion carried unanimously.

7. INFORMATION ONLY ITEMS:

- (a) Report from Ms. E. N. Anderson, Assistant Manager, Revenue Services, re: Assessment Roll Adjustments.

8. CONSIDERATION OF LATE ITEMS / OTHER BUSINESS:

(a) E. J. Hughes Mural *(Supplemental)*

It was moved and seconded that Council refer the E. J. Hughes Mural issue to the Port of Nanaimo Liaison Committee, the Port of Nanaimo Centre Advisory Committee, and to Malaspina-University College for review. The motion carried unanimously.

9. ADJOURNMENT:

It was moved and seconded at 5:07 p.m. that the meeting terminate. The motion carried unanimously.

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CHAIR

CERTIFIED CORRECT:

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DIRECTOR,  
LEGISLATIVE SERVICES

# STAFF REPORT

REPORT TO: ANDREW TUCKER, DIRECTOR, PLANNING AND DEVELOPMENT

FROM: BRUCE ANDERSON, MANAGER, COMMUNITY PLANNING

RE: UBCM HEALTH PROMOTION FUND APPLICATION

## STAFF'S RECOMMENDATION:

That the Finance/Policy Committee of the Whole approve the forwarding of the Nanaimo Foodshare application to the UBCM Community Health Promotion Fund.

## EXECUTIVE SUMMARY:

Nanaimo Foodshare Society is proposing to design and implement a Heritage (local) Foods box distribution program. They are seeking funding from the UBCM Community Health Promotion Fund to:

1. Assess the capacity of community organizations to participate and identify the barriers and issues that need to be overcome to facilitate their engagement;
2. Develop technical components of the marketing, ordering, payment and delivery of the boxes in partnership with participating business partners such as Coast Capital Savings Credit Union and Small Potatoes Urban Delivery;
3. Work through the Island Farmers' Alliance with farmers to produce food and food products to fulfill the specific demands of this program in partnership with the labour pool development program of the Nanaimo Association for Community Living; and
4. Implement the program for a trial period.

## BACKGROUND:

Applications for funding to the UBCM Health Promotion Fund are submitted by the municipality on behalf of local organizations; if the application is successful the municipality acts as the financial agent, approving the release of monies by UBCM and dispensing those funds to the applicants. This particular initiative arises from the difficulty of providing Nanaimo residents with access to nutritious, locally produced food. This objective is of interest to all members of the community, but is of particular interest to non-profit community groups working on issues of food security. Discussions amongst service providers in this area have led to the development of a broad partnership entitled the 'Islands Good Food Initiative' that aims to link the goal of encouraging individuals to eat nutritious food with the economic driver of the growing demand for local food.

<input type="checkbox"/> Council	Agenda Item	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Committee E./P.C.W.	Delegation	<input type="checkbox"/>
<input checked="" type="checkbox"/> Open Meeting	Proclamation	<input type="checkbox"/>
<input type="checkbox"/> In-Camera Meeting	Correspondence	<input type="checkbox"/>

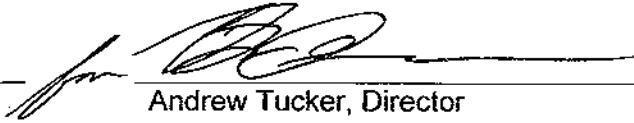
Meeting Date: 2007-NOV-26

The intent is to develop an economically sustainable Heritage Foods box program offering local, seasonal food to low-income people, people facing health vulnerabilities, and mainstream consumers.

Respectfully submitted,



Bruce Anderson, Manager  
Community Planning Division  
Development Services Department



Andrew Tucker, Director  
Planning and Development  
Development Services Department

JH/ch  
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FPCOW Date: 2007-Nov26

## FOR INFORMATION ONLY REPORT

REPORT TO: D.W. HOLMES, GENERAL MANAGER OF CORPORATE SERVICES

FROM: B. E. CLEMENS, DIRECTOR OF FINANCE

RE: 2008-2012 FINANCIAL PLAN

### RECOMMENDATION:

That Council receive this report for information.

### EXECUTIVE SUMMARY

The 2008-2012 Financial Plan being presented by staff includes property tax increases as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	7.0%	3.8%	3.0%	3.0%	4.1%
Commercial	6.5%	3.5%	2.8%	2.8%	3.8%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%
Blended	6.5%	3.5%	2.8%	2.8%	3.8%

There is also an annual increase of 5% to water fees, but no increases for sewer or garbage charges are proposed.

Council has an opportunity to receive input from the public and make changes to the Financial Plan before adopting it in February. There will be additional opportunities to discuss and amend the Plan in March and April before the final budget and tax rates bylaws are required to be adopted in mid-May.

The total impact of the proposed budget on a typical single family home (assessed at \$336,000 in 2008) is \$117.08 or about a 6.0% increase over 2007. This is only for the City of Nanaimo portion of the tax bill. This does not include any other taxing agency (school, hospital, Regional District of Nanaimo), as these increases are not known at this time.

### DISCUSSION:

The 2008-2012 Financial Plan (also known as "the Budget") is being presented tonight for Council's information. The current timetable for adoption is as follows:

- January 28 Regular Council meeting (first three readings of bylaw)
- February 11 Regular Council meeting (adoption of bylaw)

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<input checked="" type="checkbox"/> Committee	Delegation	<input type="checkbox"/>
<input checked="" type="checkbox"/> Open Meeting	Proclamation	<input type="checkbox"/>
<input type="checkbox"/> In-Camera Meeting	Correspondence	<input type="checkbox"/>
Meeting Date: <u>2007-NOV-26</u>		



Time will be set aside at every Council and Committee of the Whole meeting between now and adoption for members of the public to address Council with their concerns about the budget. Staff will advertise in the local papers in order to solicit public input at these meetings. Additional meetings may be scheduled if so directed by Council.

There is flexibility in the schedule, but staff recommend that Council pass the Financial Plan Bylaw as soon as possible in the new year. At the latest, Council must adopt the new Financial Plan before the annual Tax Rates Bylaw is approved in May. This year, staff proposes to introduce the 2008-2012 Financial Plan Bylaw at the Regular Meeting of Council to be held January 28th. Until the new plan is adopted, City expenditures will be governed by the plan adopted by Council last May. The new financial plan has changes from the previous year and adopting it as soon as possible will authorize these changes. This year, for the first time, Council will also be adopting policies related to sources of revenues. These will be outlined in a separate report to Council.

The community will have additional opportunities to address Council in April and May, and Council will be able to review and amend the Plan before the Tax Rates Bylaw is finally approved in May.

Complete budget packages, including information on current and recommended higher service levels, as well as the 2008-2012 capital budget, have been provided to Council and are available to the public at City Hall. Draft budget information will also be available on the City's website. In the past, staff set up a question and answer forum on the City's website, and this will be done again this year.

Highlights of the proposed 2008 Budget are as follows:

- Estimated \$1,200,000 in tax revenue from new growth (similar to 2007)
- Average property tax increase of 6.5% for all assessment classes in 2008
  - 7.0% residential
  - 6.5% commercial and other classes
  - 0% industrial
- User fees:
  - no change proposed for sewer or garbage rates
  - 5% increase in water rates to fund costs of water supply infrastructure
- \$1.8 million in higher service level requests are recommended by the City Manager and are included in the 2008 Budget (not all impact taxation - see attached for details)
- Completion of the Port of Nanaimo Centre in 2008
- Completion of the Oliver Woods Community Centre
- Completion and day time staffing of the Chase River Fire Hall includes the hiring of 10 firefighters in June 2008 Hall (24 hour staffing begins in 2010)
- A Five Year Capital Plan exceeding \$158 million

As noted above, there are different increases for some of the property tax classes. One significant staff recommendation is to freeze property taxes for the major industry tax class in 2008. For many years, Council's policy was to keep the industrial tax rate at the average of all BC municipalities. Major industry has been a large taxpayer in this community for a long time. This is changing as two sawmills closed in 2006 and now the City's largest taxpayer is under protection from creditors. Reducing tax levels for the class would serve two purposes: it would provide some relief to the remaining industrial taxpayers and it would

help to reduce the City's dependence on this revenue source. There is also a slightly smaller increase for commercial taxes, for similar reasons. There will be opportunities for discussion on the appropriate levels of taxation for the various classes as Council develops the revenue policies required by recent changes in the *Community Charter*.

The previous (2007-2011) Financial Plan anticipated that there would be a 4.8% property tax increase in 2008. There are a number of factors contributing to the higher than usual increase this year. There are the usual inflationary factors, particularly in construction costs, as well as the anticipated increases in wages due to collective bargaining. The shift from industrial class to the residential class has also contributed to the increase.

The City will be opening three new facilities in 2008: The Port of Nanaimo Centre, the Oliver Woods Community Centre and the Chase River Fire Hall. Each of these facilities will have operating costs for some portion of the year.

2008 will be the first year that the City will make the full amount of debt payments on the full \$30.0 million in borrowing for the Port of Nanaimo Centre. The impact of this alone is equal to a 1.2% increase in 2008. The City will also begin making payments on the \$3.75 million borrowed for the Chase River Fire Hall. There is no borrowing scheduled for 2008.

Based on preliminary information provided by B.C. Assessment, the average assessed value for a single family home in 2008 will be approximately \$336,000. The impact of the property tax increase for this home in 2008 is estimated at \$104.06, plus an additional \$13.02 for the increase in water rates. That makes the total impact of the proposed budget \$117.08, or 6.0%. This does not include any other taxing agency (school, hospital, Regional District of Nanaimo), as these increases are not known at this time.

#### Higher Service Level Requests

Staff have submitted higher service level requests in excess of \$4.6 million (Appendix I). The City Manager has recommended that \$1.8 million in higher service requests be included in the budget package. The impact on taxes will be just under \$1.3 million in 2008 as some of these are funded from other sources. One important decision made by staff to reduce the impact is to budget for the RCMP contract at 95% of the authorized strength. This is contrary to Council's previous direction to budget for 100% of staffing costs. The City is rarely billed for 100% of the authorized strength, which becomes a large contributor to the usual year end surplus. This shift in budgeting will reduce the surplus and there is a risk that the RCMP could be over budget at the end of 2008. If this occurs, staff will revisit this practice for next year.

Unlike some previous years, a list of program reduction options has not been provided for Council's consideration. While further cuts are always possible, staff believes such cuts would begin to erode the City's ability to deliver the quality services and programs that the taxpayers expect. There is also the potential that additional cuts would result in lay-offs of permanent staff. If Council wishes to reduce the tax increase in any future year, it is recommended that staff be asked to prepare a separate report outlining which services would be reduced, along with any foreseen impacts.

SUMMARY:

The effect of the recommended increase of 7.0% in residential property taxes is shown on Appendix II. For a typical home assessed at \$336,000 in 2008, the overall increase would be \$117.08.

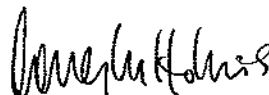
The *Community Charter* requires that operating and capital budgets be prepared on a five-year timeline. The full Five-Year Financial Plan is provided in Council's budget package. The estimated annual property tax increase for this period is:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	7.0%	3.8%	3.0%	3.0%	4.1%
Commercial	6.5%	3.5%	2.8%	2.8%	3.8%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%
Blended	6.5%	3.5%	2.8%	2.8%	3.8%

Respectfully submitted,



B.E. Clemens  
Director of Finance



D.W. Holmes  
General Manager,  
Corporate Services

BEC/sf

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**City of Nanaimo  
Higher Service Level Requests  
2008 Provisional Budget**

		FTEs	Cost \$	Other Funding \$	Impact on Taxation \$	
<b>Council Initiatives</b>						
General Revenue	Freeze major industry taxes - shift cost to residential		235,197	235,197	0	R
Community Planning	Downtown capital		530,000		530,000	
Community Planning	Downtown security		132,000		132,000	1 R
Community Planning	Social housing		690,000		690,000	2 R
<b>Total Corporate Services Requests</b>		0.00	1,587,197	235,197	1,352,000	
<b>Corporate Services</b>						
Parking	Security cameras for parkades		60,000	60,000	0	R
Regulatory Services	Comprehensive risk plan		50,000		50,000	
Financial Services	Grants Administrator	1.00	80,000		80,000	
Information Technology	Client Support Specialist	1.00	54,435	54,435	0	R
<b>Total Corporate Services Requests</b>		2.00	244,435	114,435	130,000	
<b>Community Safety</b>						
Fire	Logistical Support Clerk	0.80	41,925		41,925	R
Police Services	RCMP Members	5.00	596,250		596,250	3 R
Police Services	Steno - Operations	1.00	56,306		56,306	
Police Services	Crime Analyst	1.00	80,000		80,000	R
Police Services	Prisoner Guards	2.09	129,249	64,492	64,757	R
Police Services	Community Policing Coordinator	1.00	56,090		56,090	
Police Services	RCMP Members	6.00	715,500		715,500	
<b>Total Community Safety Requests</b>		16.89	1,675,320	64,492	1,610,828	

**City of Nanaimo  
Higher Service Level Requests  
2008 Provisional Budget**

		FTEs	Cost \$	Other Funding \$	Impact on Taxation \$	
<b>Development Services</b>						
Community Planning	Special Projects	1.00	350,000		350,000	R
Regulatory Services	Plan Checker	1.00	65,554		65,554	R
Regulatory Services	Building Inspection Clerk	1.00	59,432		59,432	R
Regulatory Services	Business License Inspector	0.60	39,340		39,340	
Regulatory Services	Building Inspector	1.00	74,854		74,854	
Civic Properties	Space Planning & Bldg Mtce Coordinator	1.00	82,560		82,560	
<b>Total Development Services Requests</b>		<b>5.60</b>	<b>671,740</b>	<b>0</b>	<b>671,740</b>	
<b>Parks, Recreation &amp; Culture</b>						
Recreation & Arenas	Facility Operator	1.00	62,209		62,209	R
Parks Operations	Custodian	0.50	29,949		29,949	R
Parks Operations	Parks Maintenance Worker	1.00	80,935		80,935	
Parks Operations	Bylaw Officer	0.50	33,873		33,873	
<b>Total Parks, Recreation &amp; Culture Requests</b>		<b>3.00</b>	<b>206,966</b>	<b>0</b>	<b>206,966</b>	
<b>Engineering &amp; Public Works</b>						
Sanitation	Increased downtown street & sidewalk cleaning	1.00	183,869	115,000	68,869	R
Engineering	Infrastructure Planning	1.00	90,000		90,000	
<b>Total Engineering &amp; Public Works Requests</b>		<b>2.00</b>	<b>273,869</b>	<b>115,000</b>	<b>158,869</b>	
<b>Total Higher Service Level Requests</b>		<b>29.49</b>	<b>4,659,527</b>	<b>529,124</b>	<b>4,130,403</b>	

R = Recommended and included in budget as presented

1 Only \$66,000 of the request is recommended and included

2 Only \$165,000 of the request is recommended and included

3 Only 4 additional RCMP members are recommended and included

City of Nanaimo  
Effect of 2008 Provisional Budget on a  
Typical Home with Average Water Consumption

	2007	2008	Budget increase	
PROPERTY TAXES			\$\$\$	%%%
Assessment *	300,000	336,000		
Tax rate - municipal only (includes library)	4.955			
Property taxes **	1,486.50	1,590.56	104.06	7.0%
USER RATES ***				
Water consumption - 220 gal/day (increase for 1/2 year only in 2007)	260.45	273.47	13.02	5.0%
Sewer charges	96.98	96.98	0.00	0.0%
Garbage charges	100.25	100.25	0.00	0.0%
Total user rates	457.68	470.70	13.02	2.8%
Total Property Taxes & User Rates	1,944.18	2,061.26	117.08	6.0%

\* Assumes a typical house with the average assessment change

\*\* Excludes Home Owner Grant and taxes collected for other governments

\*\*\* Excludes Limited Income subsidies for seniors

## FOR INFORMATION ONLY REPORT

REPORT TO D.W. HOLMES, GENERAL MANAGER, CORPORATE SERVICES

FROM B.E. CLEMENS, DIRECTOR, FINANCE

RE: REVENUE POLICY DISCLOSURE REQUIREMENTS

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### Staff's Recommendation

It is recommended that Council receive the draft Revenue Policy for information and discussion.

### Executive Summary

The Province has amended the *Community Charter* to require all municipalities to develop specific policies on sources of revenue.

This report is intended as a discussion document to assist Council in formulating these policies. Staff will be setting up seminar sessions at future Finance & Policy Committee of the Whole meetings. A PowerPoint presentation will be made to Council to facilitate these discussions.

A final version of the policy must be adopted by Council prior to adoption of the final Five Year Financial Plan in May 2008.

### Background

In 2007, the Province introduced amendments to the *Community Charter* that require municipalities to develop specific statements of policy on certain revenues and taxes.

The new legislation requires that the annual five-year financial plan must set out the objectives and policies of the municipality in relation to:

- a) The proportion of total revenue that is proposed to come from each of the following revenue sources:
  - Property value taxes (taxes based on assessment)
  - Parcel taxes
  - Fees & charges
  - Proceeds from borrowing
  - Other sources
- b) The distribution of property taxes among the property classes (i.e. residential, industrial, commercial, etc); and
- c) The use of permissive tax exemptions.

<input type="checkbox"/> Council	Agenda Item	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Committee	Delegation	<input type="checkbox"/>
<input checked="" type="checkbox"/> Open Meeting	Proclamation	<input type="checkbox"/>
<input type="checkbox"/> In-Camera Meeting	Correspondence	<input type="checkbox"/>
Meeting Date: <u>2007-NOV-26</u>		

In addition, before adopting the annual Property Tax Rate Bylaw, all municipalities must consider the proposed tax rates for each property class in conjunction with the objectives and policies as set out in the financial plan.

In 2008, municipalities will have to include explicit statements about the proportions of revenue proposed to come from various funding sources; the distribution of property taxes among property classes; and the use of permissive tax exemptions. In 2009, municipalities will have to go further by developing explicit objectives and policies in the financial plan in relation to these matters. A bulletin from Ministry of Community Services suggests that, in 2008, municipalities should focus on "*what* choices their councils have made (e.g. what proportions of their revenues come from property taxes) and *why* that is the case."

The Ministry of Community Services collects statistics from all BC municipalities. These statistics have been used in this report to compare Nanaimo to eight other municipalities that are similar in size (from Maple Ridge at a population of 68,949 in the 2006 census to Kelowna at 106,707). Although these municipalities are similar in size, they vary in many other respects, including age, geographical size and layout, weather, services provided, urban/suburban/rural development mix, ability to get senior government funding, and many other respects. One of the best examples is comparing Nanaimo to Victoria – they have almost exactly the same population, but Victoria has a significantly different assessment base - commercial makes up almost twice as much of their total assessment compared to Nanaimo (23.1% to 12.1%).

These differences should be kept in mind when reading the following comparisons. Often there is a reason that one municipality will stand out from the rest in a particular category.

#### Proportion of Revenue by Source

Chart 1 shows a comparison of eight municipalities and the proportion of revenue that comes from each source. Langley District was not included as the data was not comparable.

In order to understand the graph, it is necessary to know what is included in each category (note: these determinations are made by the Province to ensure comparability between municipalities):

- Taxes include all property taxes and grants in lieu of taxes from senior governments, but do not include the VI Regional Library.
- Fees include all water, sewer, garbage rates, licences, permits, Parks Recreation & Culture fees and similar revenues. Some municipalities have other sources, such as Kelowna's electrical utility and airport.
- Government transfers include all senior government grants (capital and operating) and transfers such as the funds received from the RDN for parks and sportsfields. This is a number that can fluctuate from year to year depending on grant programs.
- Developer contributions include both DCC payments and developer contributed assets. These assets are the infrastructure built by the private sector as part of a development and then turned over to the municipality. These revenues are large in developing cities such as Nanaimo, Kelowna, and Maple Ridge, but almost non-existent in municipalities with low growth (Prince George, Victoria). They are also difficult to accurately forecast.
- "Assets" include revenues from sale of municipal assets. This is a minor revenue item for most municipalities, except for Prince George.



- “Other” is what is left over, with the largest item being investment income. It also includes recoveries, e.g. where the City has been required to do work and bill someone for it.

### Parcel Taxes

A parcel tax is a levy that is a fixed amount per parcel and does not vary with assessment. An example is the \$10 per lot tax levied by the RDN for regional parks. The City of Nanaimo has not traditionally used parcel taxes, except for local improvements.

### Proceeds from Borrowing

The new regulations will require a policy statement regarding what percentage of revenue should come from the proceeds of borrowing (long term debt). This is a difficult task because borrowing is not an annual event. If the intent is to provide some policy direction on what is an acceptable level of debt, a better indication of this might be to look at debt per capita and/or annual debt servicing costs per capita (see Charts 2 & 3).

The data in Chart 2 includes debt that has been authorized but not issued. Therefore in 2006, it included the full \$30.0 million for the PNC, even though the entire amount had not been borrowed at the time. The debt payments in Chart 3 represent the actual payments made in 2006, so would not include the full amount for the PNC, which would not be fully implemented until 2008. This is consistent for all municipalities. Kelowna, Kamloops and Prince George all have significant amounts of debt authorized but not issued.

These charts show that municipalities have made some very different choices. Chilliwack has very little debt. Kelowna, Kamloops and Prince George all have higher than average debt loads.

For many years, the City of Nanaimo had a “pay as you go” policy, borrowing only for those projects that were too expensive to pay for from cash (e.g. Nanaimo Aquatic Centre) or benefited a specific area (e.g. Harbourfront Parkade). As the demand for facilities and services increases, it will become more difficult to build major facilities without borrowing. The order of magnitude of the Strategic Water Supply plan alone will dictate the necessity to borrow for many of these projects.

An additional reason to borrow is that it spreads the costs of a project over a longer lifetime and the cost is paid for by the people who benefit from the service.

### Distribution of property taxes among the classes

The new legislation requires Council to consider how the property tax burden is distributed among the various classes of taxation. This is an issue that has been raised by business and industrial organizations that believe they are over-taxed in comparison to residential properties.

Public discussion regarding the comparison between property classes (usually residential, commercial and industrial tax rates) often tends to focus on tax ratios. This ratio is calculated by dividing the commercial (or industrial) tax rate by the residential tax rate. For 2007, the tax ratio for commercial property in Nanaimo was 3.3, indicating that the commercial tax rate was 3 times the residential rate.

There are eight property classes. These classes, and their assessments, are determined by BC Assessment.

	<b>Class</b>	<b>2007 Rate</b>	<b>Ratio</b>
1	Residential	4.9550	-
2	Utility	46.3200	9.3
4	Major Industry	39.5119	8.0
5	Light Industry	17.5885	3.5
6	Commercial/Other	16.4698	3.3
7	Managed Forest	21.3002	4.3
8	Recreation/Non-Profit	10.1483	2.0
9	Farm	0.5000	0.1

This focus on tax ratios can be misleading. Residential assessments are determined by market values, whereas other factors are used to value commercial and industrial properties. The residential market has been fluctuating wildly for the last decade. As residential assessments rise, residential tax rates drop. While the same principle applies to commercial assessment and tax rates, the change is considerably smaller (e.g. a fast food restaurant in a 13 year period had a 25% fluctuation in assessment; whereas a neighbouring house had 124%).

This raises the question as to whether it is appropriate to directly compare properties that are valued using different methods. Is a \$100,000 commercial property really equal to a \$100,000 residential property? What about the following year when the same commercial property is now worth \$105,000 and the residential one is worth \$130,000?

The City of Nanaimo (and probably most other municipalities) does not pay much attention to ratios when setting tax rates. In setting rates for commercial and industrial properties, the City compares our rate to the average of all BC cities. In 2007, the City's commercial rate was 122% of the average of BC cities. This is consistent with previous years. The City's industrial tax rate was 108% of the average, whereas in previous years it was close to 100%. This may be due to the fact that there was no shift from industrial to residential taxes in 2007 as there had been in previous years.

The issue has been regularly raised that commercial and industrial properties do not receive the same services as residential properties. For example, it is argued that commercial properties don't benefit from parks and recreational facilities even though they pay large amounts for these services. A counter argument is that these kinds of amenities assist businesses to recruit and retain employees.

For the past 9 years, the City has attempted to shift property taxes from commercial and industrial to residential. This has been attempted by increasing residential tax rates by 0.5% more than the other classes (more in some years). Unfortunately, this has had little effect on commercial taxes when comparing our rate to other BC cities.

In the 10 year period 1997 – 2006:

- there were 8 years where the tax increase for residential was at least 0.5% greater than commercial;
- there were 2 years where commercial increases were the same as residential;
- in 1999 the commercial tax increase was 5% less than residential.

Chart 4 shows that, while there is some variation, residential properties make up the majority of the assessment base in all comparable municipalities. The average is about 85% (Nanaimo is 85.8%).

Chart 5 shows how this is translated into property tax revenue. Prince George, with a large industrial base, and Victoria, with a large commercial sector, have the smallest percentage of their property taxes come from residential properties. Nanaimo has 62.3% of its property taxes from residential, which is 1% below the average of 63.3%.

All of the properties in the Major Industry tax class are related to the forest industry. As Council is aware, this industry is struggling in BC and two Nanaimo sawmills were closed in 2006. Pope & Talbot (Harmac), traditionally Nanaimo's largest taxpayer, is currently under protection from its creditors. Although Council is generally prohibited from assisting individual businesses, it is possible to reduce the tax rate for the entire class. Staff will be recommending that industrial taxes be frozen in 2008 and that there be significant reductions to major industry taxes over the next few years.

#### Permissive Tax Exemptions

For many years, Council has had a comprehensive policy for Permissive Tax Exemptions and recently completed a review of these policies and procedures. Therefore, no additional discussion of these policies seems necessary at this time. Staff have attempted to summarize Council's position for the purposes of this review. Council may amend these as desired.

#### Conclusion

A draft policy statement is attached to act as a starting point for this discussion. Some of the items, such as the distribution of taxes among the classes, are key decisions that Council must make before the 2008 – 2012 Financial Plan can be finally adopted in May.

Respectfully submitted,



Brian E. Clemens  
Director of Finance



Douglas W. Holmes  
General Manager of Corporate  
Services

BEC/sf

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## CITY OF NANAIMO DRAFT REVENUE POLICY

### 1. Proportion of revenue by source

#### Property taxes

- The City of Nanaimo will attempt to keep the proportional share of revenue from property taxes at a level similar to the average of comparable municipalities.
- Where new sources of revenue are made available to the City from senior governments, wherever possible these revenues will be used to reduce dependency on property taxation revenue.

#### Parcel taxes

- Parcel taxes will be used whenever Council determines that they are more appropriate than property taxes.

#### Fees & Charges

- Wherever possible, fees & charges will be used to assign costs to those who benefit from the service provided. The proportion of the costs recovered by fees and charges will vary with the nature of the service provided.

#### Proceeds of borrowing

- Borrowing will be considered when determining the funding sources of large capital projects that provide benefits to taxpayers over a long period of time (20 years or more).
- Council will consider a policy to identify an appropriate level of debt for the community.

#### Other sources of revenue

- The City will continue to seek other sources of revenue in order to reduce reliance on property taxes.

### 2. Distribution of property taxes among the classes

- The City of Nanaimo will maintain the percentage of property taxes received from residential taxpayers at a level comparable to the average of similar municipalities.
- The City will attempt, over time, to reduce the commercial tax rate to the average of all BC municipalities. Council will need to develop a strategy for doing this.
- In 2008, the revenue received from industrial property taxes will stay at the same level as 2007.
- Over the next 4 years, the light and major industrial tax rates will be reduced to the same level as the commercial tax rate or alternately they could be frozen at existing rates.

### 3. Permissive Tax Exemptions

- The City of Nanaimo believes that Permissive Tax Exemptions are an appropriate way to recognize the value of the services provided to the community by non-profit organizations.
- Permissive Tax Exemption requests will be reviewed by the Grants Advisory Committee based on policies and guidelines approved by Council. The Committee will make recommendations to Council.
- Permissive Tax Exemptions will be reviewed at least every three years to ensure that the organization and property still meets the criteria established by Council.

Chart 1

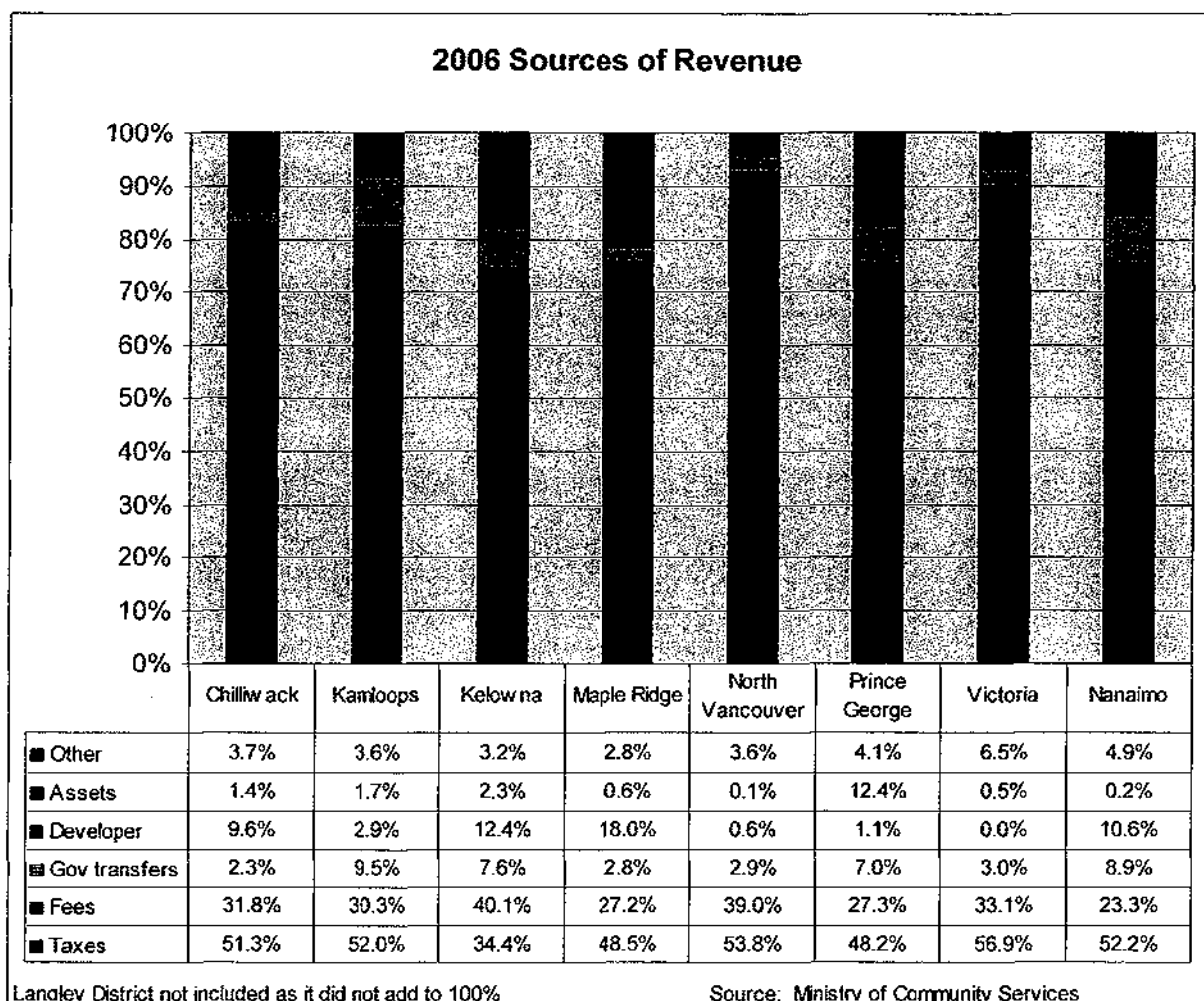


Chart 2

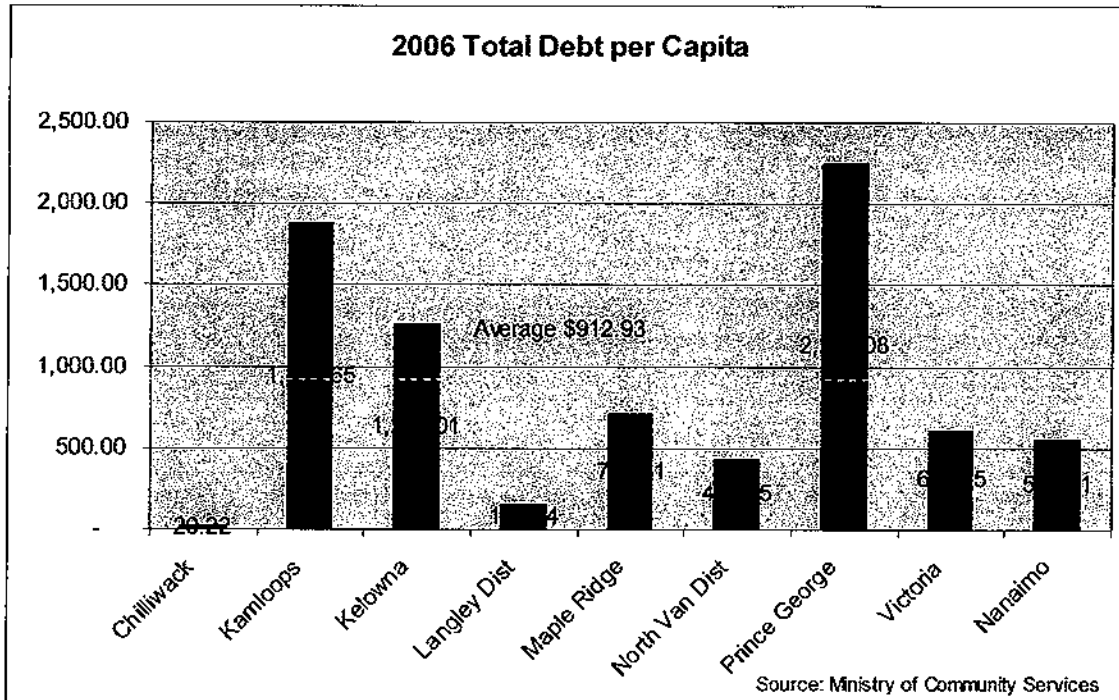


Chart 3

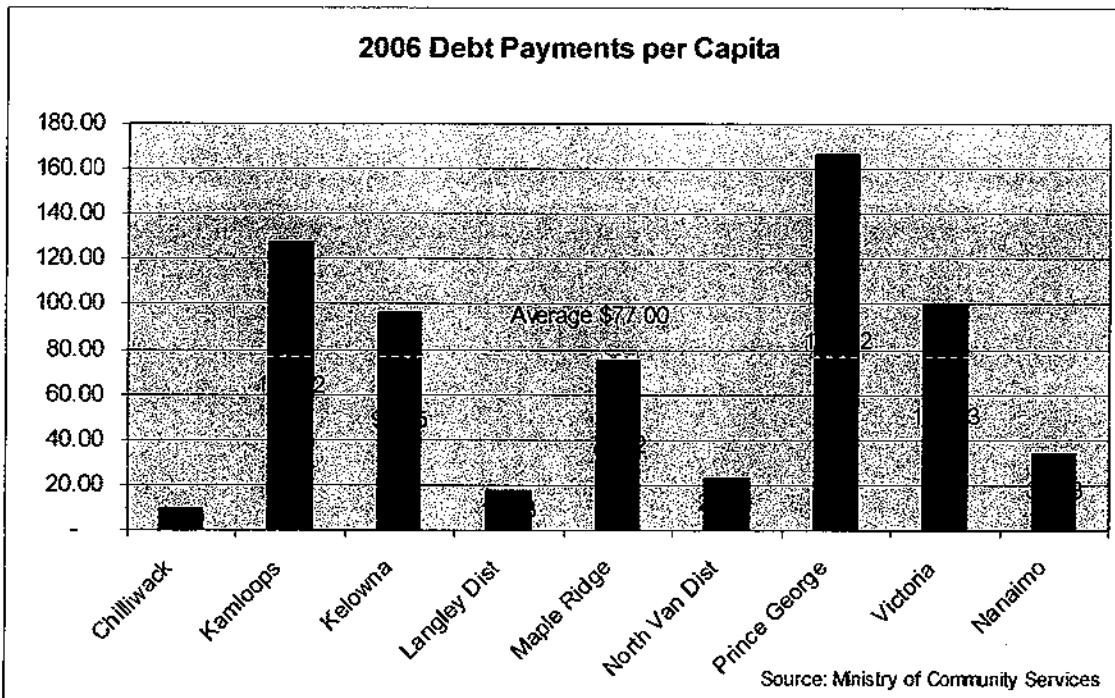


Chart 4

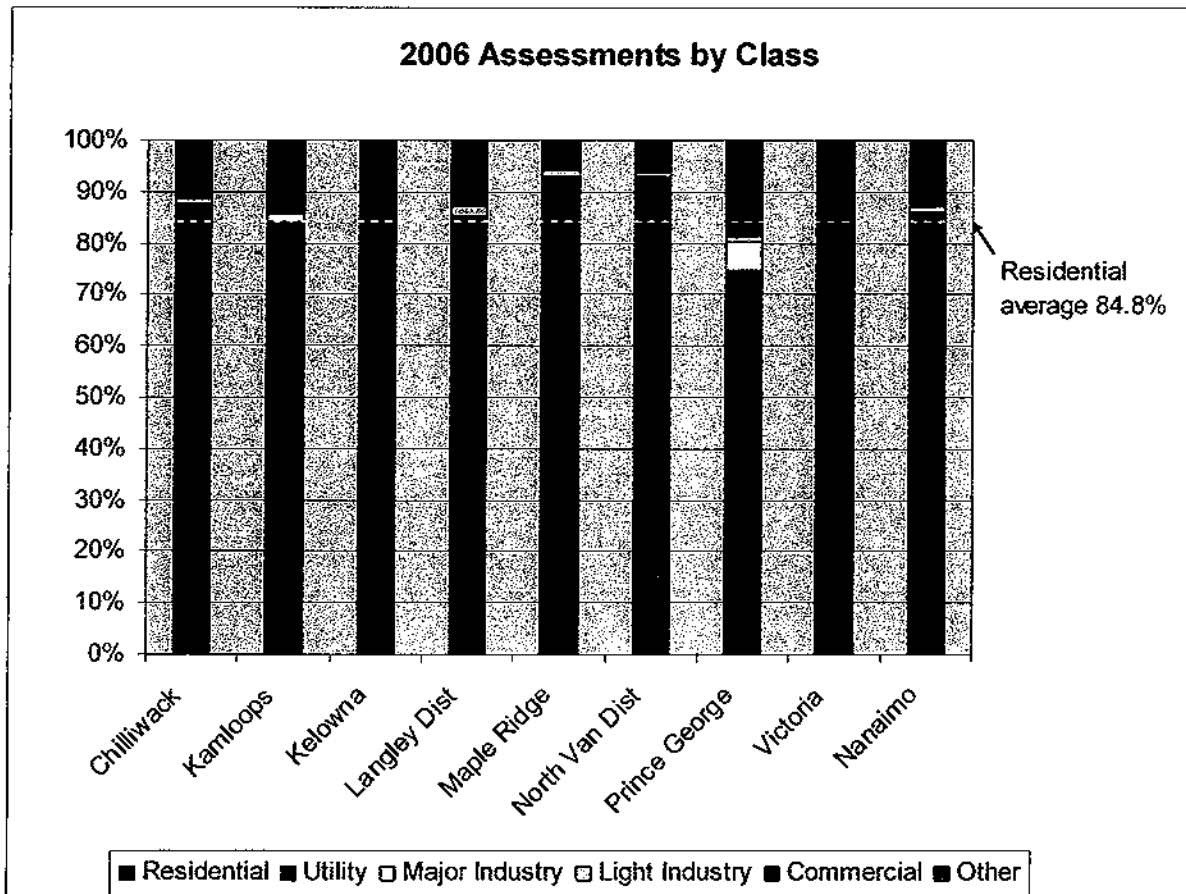
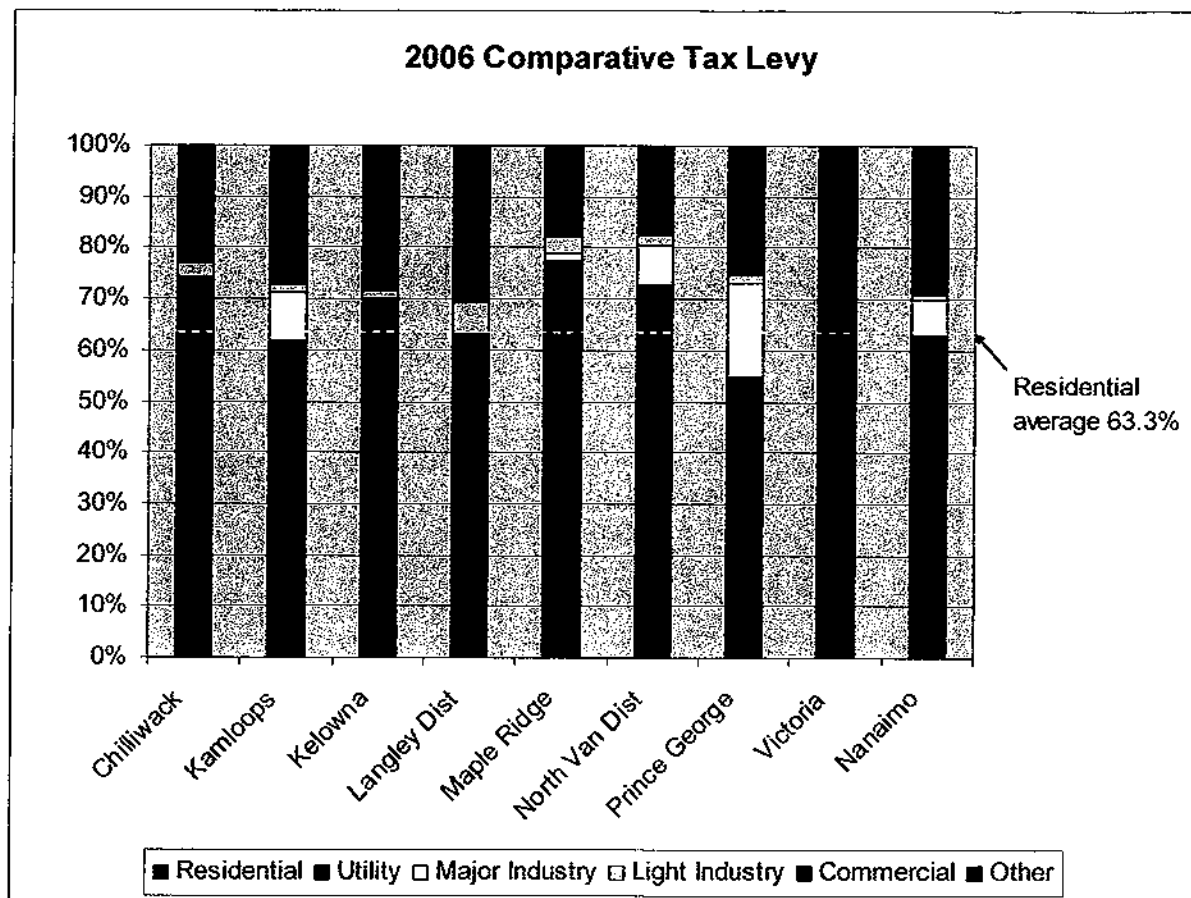
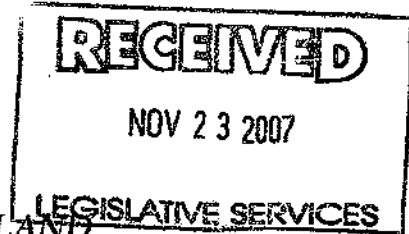




Chart 5





**ASSOCIATION OF VANCOUVER ISLAND  
AND COASTAL COMMUNITIES**  
545 Superior Street, Victoria, B.C. V8V 1T7

Telephone: (250) 356-5133  
Fax: (250) 356.5119

Email: [efraser@civicnet.bc.ca](mailto:efraser@civicnet.bc.ca)  
Website: [www.avicc.ca](http://www.avicc.ca)

TO: AVICC Members  
FROM: Chair Rod Sherrell, President  
DATE: November 19, 2007  
RE: TOPICS FOR CONVENTION PROGRAM

City Manager	<input checked="" type="checkbox"/>	Mayor & Council	<input checked="" type="checkbox"/>
Deputy City Mgr.	<input checked="" type="checkbox"/>	Deputy Mayor	<input checked="" type="checkbox"/>
GM Corp Svcs	<input checked="" type="checkbox"/>	Finance	<input checked="" type="checkbox"/>
GM Comm Svcs	<input checked="" type="checkbox"/>	RCMP	<input checked="" type="checkbox"/>
GM Dev Svcs	<input checked="" type="checkbox"/>	Police	<input checked="" type="checkbox"/>
FOR ACTION	<input type="checkbox"/>	FOR INFO	<input checked="" type="checkbox"/>

The Executive and staff of AVICC are starting work on the program for the upcoming 2008 AGM and Convention. At this time we would ask members to list the top four topics they would like to see on the program and return the attached by November 30<sup>th</sup>.

Please fax back to (250) 356-5119 or email to [efraser@civicnet.bc.ca](mailto:efraser@civicnet.bc.ca)

Thank you for your attention to this request.

**TOP FOUR TOPICS**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

NAME: \_\_\_\_\_

LOCAL GOVERNMENT: \_\_\_\_\_

☐ Council  
☐ Committee  
☐ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: \_\_\_\_\_

Agenda Item  
Delegation  
Proclamation  
Correspondence

☐  
☐  
☐  
☐