

DATE OF MEETING DECEMBER 14, 2020

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

SUBJECT 2021 PRELIMINARY NON-MARKET CHANGE (GROWTH) REVENUE

OVERVIEW

Purpose of Report

To provide Council with the Preliminary 2021 Non-Market Change (Growth) revenue estimates.

Recommendation

That Council:

1. Confirm the Provisional 2021-2025 Financial Plan Year 2021 tax increase target as 2% tax increase (plus 1% for Asset Management)
2. Incorporate Non-Market Change (growth) revenue information into the Final 2021-2025 Financial Plan and retain the target 2% tax increase (plus 1% for Asset Management). For Final:
 - a. Use the growth to replace additional funding from the Special Initiatives Reserve that was used to reduce the property tax rate increase.
 - b. Return required funding used to reduce property taxes to the General Financial Stability Reserve.

BACKGROUND

BC Assessment issues reports on Non-Market Changes (NMC), or what the City refers to as Growth, twice a year. Once in December with Preliminary numbers and again in March with Final numbers.

Non-Market Change is described as changes in property value as a result of:

- new construction authorized under local building authority permit (permitted improvements)
- new construction which occurs in an area with no local building permit authority
- property class changes
- exemption changes
- new development or "size" changes to land - including subdivisions, land assemblies and consolidations (Plans Cancellations); new/expired tenures on Crown/exempt land; and
- Zoning changes (e.g. changes that increase or decrease density, use & resulting property value).

The Preliminary figures usually trend approximately 0 – 20% higher than Final figures.

NMC Summary 2013 – 2020:

Non-Market Change Summary						
<u>Year</u>	<u>Preliminary</u>	<u>Final</u>	<u>Change</u>	<u>%</u>	<u>Budgeted</u>	<u>Diff</u>
2021	\$ 2,163,789					
2020	\$ 1,492,699	\$ 1,469,430	\$ (23,269)	-2%	\$ 1,200,000	\$ 269,430
2019	\$ 1,777,902	\$ 1,564,997	\$ (212,905)	-12%	\$ 1,200,000	\$ 364,997
2018	\$ 1,526,160	\$ 1,471,065	\$ (55,095)	-4%	\$ 1,200,000	\$ 271,065
2017	\$ 1,474,153	\$ 1,512,164	\$ 38,011	3%	\$ 1,200,000	\$ 312,164
2016	\$ 1,566,007	\$ 1,261,029	\$ (304,978)	-19%	\$ 1,200,000	\$ 61,029
2015	\$ 1,176,473	\$ 1,339,095	\$ 162,622	14%	\$ 1,200,000	\$ 139,095
2014	\$ 1,385,818	\$ 1,382,775	\$ (3,043)	0%	\$ 1,200,000	\$ 182,775
2013	\$ 2,116,994	\$ 1,989,289	\$ (127,705)	-6%	\$ 1,200,000	\$ 789,289

Currently the City budgets a conservative \$1,200,000 each year for growth. Any change is normally incorporated into the Final Budget once Final NMC information is received.

DISCUSSION

On 2020-DEC-10, the City received the Preliminary NMC information dated 2020-DEC-05 from BC Assessment. Based on the report, the City is estimating that growth revenue will be \$2,163,789. As the City has budgeted \$1,200,000 for growth, this is \$963,789 more than anticipated.

Treatment Options

Consistent with decisions made by Council during the Budget deliberations, the following options are available for consideration.

Option 1:

This option assumes that Council retains the 2% tax increase (plus 1% for Asset Management).

Council would endorse the following treatment for growth:

Step 1. Incorporate Non-Market Change information into the Final 2021-2025 Financial Plan.

- Historically the Final figures are up to 20% lower than Preliminary figures.
- Including growth for Final would provide the most accurate information.

Step 2. For Final, based on the motion made at the Special Finance and Audit Meeting held on 2020-DEC-09, the additional funding from the Special Initiatives Reserve that was used to reduce the property tax increase to 2% tax increase (plus 1% for Asset Management) would not be required and would remain in the reserve.

- As this funding is not required to achieve 2% tax increase (plus 1% for Asset Management), the funds would remain in the Special Initiatives Reserve to provide future funding for property tax reductions if the Pandemic continues and/or funding for other Council initiatives.

Step 3. For Final, return funding to the General Financial Stability Reserve.

- Included in the Draft Financial Plan, funding from the General Financial Stability Reserve in the amount of \$1,408,806 was used to reduce the property tax increase. This drew down the reserve to its minimum balance.
- Returning required funding used to reduce property taxes in the reserve would give Council some flexibility for future funding without triggering a repayment requirement.

Projected Result: The 2021 property tax increase would remain at 2% tax increase (plus 1% for Asset Management).

Option 2:

This option assumes that Council wants to leverage growth to impact the tax rate.

Council would endorse the following treatment for growth:

Step 1. Incorporate Non-Market Change information into the Final 2021-2025 Financial Plan.

- Historically the Final figures are up to 20% lower than Preliminary figures. Including growth for final would provide the most accurate information

Step 2. For Final, based on the motion made at the Special Finance and Audit Meeting held on 2020-DEC-09, the additional funding from the Special Initiatives Reserve that was used to reduce the property tax increase to 3% would not be required and would remain in the reserve.

- As this funding is not required to achieve 3%, the funds would remain in the Special Initiatives Reserve to provide future funding for property tax reductions if the Pandemic continues and/or funding for other Council initiatives.

Projected Result: Based on current information, this approach would bring the projected tax rate for 2021 to approximately 1.7% tax increase (plus 1% for Asset Management).

Other Considerations

The final COVID-19 Pandemic impact on the City is still unknown. As mentioned in the budget presentations, the City will likely need to adjust the Parks, Recreation and Culture budget for

Final. Depending on future impacts of the Pandemic, this could have a positive or negative impact on the Final 2021-2025 Financial Plan.

Council is being asked to determine a preferred course of action at the 2020-DEC-14 meeting, which will provide for the Financial Plan Bylaw to receive first three readings on 2020-DEC-21.

OPTIONS

1. That Council:

1. Confirm the Provisional 2021-2025 Financial Plan Year 2021 tax increase target as is at 2% tax increase (plus 1% for Asset Management).
2. Incorporate Non-Market Change (Growth) revenue information into the Final 2021-2025 Financial Plan and retain the target 2% tax increase (plus 1% for Asset Management). For Final:
 - a. Use the growth to replace additional funding from the Special Initiatives Reserve that was used to reduce the property tax rate increase.
 - b. Return required funding used to reduce property taxes to the General Financial Stability Reserve.
- The advantages of this option:
 - Including growth for Final would provide the most accurate information.
 - The Special Initiatives Reserve would have increased capacity to provide future funding for property tax reductions if the Pandemic persists and/or funding for other Council initiatives
 - Returning a portion of the funding used to reduce the property tax increase from the General Financial Stability Reserve would provide Council with some flexibility for future funding without triggering a repayment requirement.
 - Council would still have opportunity to make changes before Final adoption.
- The disadvantages of this option:
 - none
- Financial Implications:
 - Returning funding to the General Financial Stability Reserve and the Special Initiatives Reserves would provide Council with some flexibility for future funding to reduce taxes or other Council initiatives without potentially requiring repayment.

2. That Council,

1. Confirm the Provisional 2021-2025 Financial Plan Year 2021 tax increase target as is at 2% tax increase (plus 1% for Asset Management).
2. Incorporate Non-Market Change (Growth) revenue information into the Final 2021-2025 Financial Plan. For Final:

- a. Use the growth to replace additional funding from the Special Initiatives Reserve that was used to reduce the property tax rate increase.
 - The advantages of this option:
 - The Final estimated 2021 tax rate is positively impacted 1.7% tax increase (plus 1% for Asset Management).
 - Including growth for Final would provide the most accurate information.
 - The Special Initiatives Reserve would have increased capacity to provide future funding for property tax reductions if the Pandemic persists and/or funding for other Council initiatives
 - Council would still have opportunity to make changes before Final adoption.
 - The disadvantages of this option:
 - As the General Financial Stability Reserve is currently at its minimum balance, a repayment requirement would need to be incorporated into 2021-2025 Financial Plan.
 - Financial Implications:
 - Returning funding to the Special Initiatives Reserves would provide Council with some flexibility for future funding to reduce taxes or other Council initiatives.
3. That Council provide alternative direction.

SUMMARY POINTS

- BC Assessment issues Non-Market Change Reports twice a year.
- Preliminary Non-Market Change information received indicates that City should see \$2,163,789 in growth revenue for 2021.

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