



FINANCE & AUDIT COMMITTEE AGENDA CITY OF MERRITT

Wednesday, April 15, 2020

12:00 P.M.

Held online due to social distancing requirements

Public access link published on City website

& social media accounts

Mission Statement: *The City of Merritt is a progressive, attractive, economically viable City that is socially responsible and environmentally sustainable.*

Pages

1. CALL TO ORDER

1.1 Call to Order

2. PUBLIC INPUT

3. ADOPTION OF THE MINUTES

3.1 Finance and Audit Committee Meeting Minutes - February 25th 2020

3

Recommendation:

THAT the Minutes of the Finance & Audit Committee Meeting held on February 25th, 2020 be adopted.

4. GENERAL MATTERS - Delegations & Recognitions

5. UNFINISHED BUSINESS

6. NEW BUSINESS

6.1 Alternative Tax Collection Schemes

5

Recommendation:

THAT the Committee recommend to Council that the City utilize Section 235 of the Community Charter to set an alternative penalty structure for 2020; 10% to be applied September 4, 2020.

6.2 Tax Rate Guidance

Committee discussion re: tax rates in light of COVID-19

6.3 Utility Payments

Committee discussion re: utility payment schedules

7. CLOSED SESSION

Recommendation:

THAT the Committee close this meeting, pursuant to section 90(l) of the Community Charter, "discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report]"

7.1 Finance and Audit Committee Meeting Closed Session Minutes - February 25, 2020

8. TERMINATION OF MEETING



MINUTES

CITY OF MERRITT

FINANCE AND AUDIT COMMITTEE

Tuesday, February 25, 2020
12:00 P.M.
BOARD ROOM, CITY HALL
2185 Voght Street
Merritt, B.C

PRESENT:
Mayor L. Brown
Councillor A. Etchart
Councillor T. Luck

Mr. S. Hildebrand, Chief Administrative Officer
Mr. S. Smith, Director of Corporate Services
Ms. S. Thiessen, Director of Finance & IT

1. CALL TO ORDER

1.1 Call to Order

Mayor Brown, Chair, called the meeting to order at 12:10 p.m.

2. PUBLIC INPUT

Nil.

3. ADOPTION OF THE MINUTES

3.1 Finance and Audit Committee Meeting Minutes - February 18, 2020

THAT the Minutes of the Finance & Audit Committee Meeting held on February 18, 2020 be adopted.

Moved, Seconded, CARRIED

4. GENERAL MATTERS - Delegations & Recognitions

Nil.

5. **UNFINISHED BUSINESS**

6. **NEW BUSINESS**

7. **CLOSED ITEMS**

THAT the Committee close this meeting, pursuant to section 90(I) of the Community Charter, "discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report]"

Moved, Seconded, CARRIED

7.1 **Audit Information**

8. **TERMINATION OF MEETING**

Mayor Brown, Chair, declared the meeting closed at 12:50 p.m.

Corporate Officer

Sean Smith

Mayor

Linda Brown

Report

City of Merritt
FINANCE and AUDIT
Meeting
April 15, 2020

File Number: 1970

To: Scott Hildebrand, Chief Administrative Officer
From: Sheila Thiessen, Director of Finance & IT
Date: April 14, 2020
Subject: Alternative Tax Collection Schemes

RECOMMENDATION:

THAT the Committee recommend to Council that the City utilize Section 235 of the *Community Charter* to set an alternative penalty structure for 2020; 10% to be applied September 4, 2020.

Background:

The *Community Charter* states that the annual Tax Rates Bylaw needs to be adopted after the Financial Plan and before May 15, 2020. Within the Tax Rates Bylaw, the collection scheme is specified. There are two statutes that the City normally follows when determining the method of collecting property taxes each year:

1. *Community Charter* Section 234, General Tax Collection Scheme, which states property taxes are due July 2 of the year, and
2. *Municipal Tax Regulation* 426/2003 that states that the penalty for unpaid taxes must equal 10% on the unpaid portion after the due date.

In response to the COVID – 19, the City is considering utilizing Section 235 of the *Community Charter*, which allows an alternative municipal tax collection scheme. This section states that a Council may, by bylaw (Tax Rates Bylaw) establish one or more dates on which all or part of the property taxes are due and establish penalties and interest to be made after a tax due date established in the bylaw.

This will allow the City to provide some relief to the taxpayers of Merritt.

Options / discussion

The options for the alternative tax collection scheme can be varied in many ways. Three potential options for the committee to consider are:

1. Maintain the status quo and follow *Community Charter* Section 234, July 2 due date and 10% penalty on all outstanding property taxes after that date.
2. Adopt an alternative municipal tax scheme that maintains the July 2, 2020 due date, with a 10% penalty applied after September 4, 2020.
3. Adopt an alternative municipal tax scheme that maintains the July 2, 2020 due date, with a 5% penalty after September 4, 2020 and 5% after December 2, 2020.

Financial / Risk Implications:

COVID – 19 has resulted in an unprecedented financial situation for municipalities. Where revenues have been stable and predictable, municipalities all over the country are now required to plan for cash flow shortages and determine how to provide support for their taxpayers and community members, while maintaining the essential services of the municipality.

Although the City is in a good position with surplus's and reserves, those will only be able to be used in the short term. The City still requires the annual tax levy to continue municipal operations.

A secondary consideration is that the City collects property taxes for other authorities, and at this time there is no indication that the other authorities will not expect their proceeds at the usual time, which is after the July 2, tax collection date. This will result in the City paying out funds that they may not have actually collected.

It is for this reason that Staff is recommending that the official tax deadline date of July 2, 2020 be maintained, to encourage all those taxpayers that can pay their property taxes by that date to do so. This will include those taxpayers still employed, taxpayers that defer their property taxes, homeowner grant applications, and those that have prepaid their taxes or mortgage companies that pay property taxes directly.

Delaying when the penalty is applied will encourage payment by those dates.

For taxpayers that are unable to pay their property taxes, there are some options for them, including:

1. Making partial payments or monthly payments
2. If over 55 and qualify – Property tax deferment program
3. Not paying their taxes, as the City will not attempt collections until their taxes go into delinquent taxes in three years.
 - a. The outstanding amount will generate a penalty in the current year and interest in subsequent years.

The risk that the municipality faces with the uncertainty of the collection of property taxes, is one of cash flow and the ability to fund ongoing operations of the City and capital projects. As all municipal governments are facing the same issues, the availability of debt funding for capital projects and ongoing costs may be limited. Therefore, cash flow is going to be critical for the City for the next several months or years.

As the length of the COVID – 19 situation is unknown, any decisions made need to take the long term impact into consideration.

Staff requires direction from Council on this issue so that the preprinted tax notices can be ordered. The tax notices will be mailed out by the end of May, under any of the options.

Others Consulted:

Staff has been participating in webinars and discussions with many other municipalities. Many of these discussions have included representatives from the Province, Municipal Finance Authority and other agencies.

Each municipality has a different situation, some will require short term borrowing to maintain operations, and others can make use of internal borrowing between funds to continue operations.

Attachments:

Community Charter Sections 234-236
Municipal Tax Regulation

Respectfully submitted,

**Sheila Thiessen
Director of Finance & IT**

- (a) if the municipality has not established an alternative scheme, in accordance with the general tax collection scheme under section 234;
- (b) if the municipality has established an alternative scheme under section 235, in accordance with the election of the owner under section 236.

General tax collection scheme

- 234** (1) If this section applies, property taxes for a year are due on July 2 of the year.
- (2) The Lieutenant Governor in Council may make regulations establishing penalties and interest that must be applied by municipalities in relation to payments made after the tax due date under subsection (1).

Alternative municipal tax collection scheme

- 235** (1) A council may, by bylaw, establish one or more dates on which all or part of the property taxes under this Part are due.
- (2) A bylaw under subsection (1) must establish an annual period during which owners may make elections under section 236 [*owner may elect which scheme to use*].
- (3) A bylaw under subsection (1) may do one or more of the following:
- (a) establish procedures for determining the amount of taxes due on each of the due dates;
 - (b) provide for
 - (i) estimating, before the adoption of the annual property tax bylaw, the amount of taxes payable in the year, and
 - (ii) making adjustments to payments due after the adoption of that bylaw in order to take into account variations between the estimated and actual taxes payable;
 - (c) establish discounts to be applied in relation to payments made before a tax due date established by the bylaw;
 - (d) establish penalties and interest to be applied in relation to payments made after a tax due date established by the bylaw;
 - (e) set terms, conditions and procedures in relation to payments, which may be different for different classes of owners as established by the bylaw.
- (4) As a limitation on subsection (3) (a), there must not be more than 12 months between the first and last due dates for annual taxes for any year.

Owner may elect which scheme to use

- 236** (1) If an alternative municipal tax collection scheme is established under section 235, the applicable scheme is determined in accordance with the following:

- (a) if an owner has elected in accordance with subsection (2) to pay under the municipal scheme, that scheme applies;
 - (b) if an owner has elected in accordance with subsection (2) to pay under the general tax collection scheme, that scheme applies;
 - (c) if paragraph (a) or (b) does not apply and the municipal tax collection scheme
 - (i) has not established due dates that are before July 2,
 - (ii) has not established any interest, or has established interest that does not exceed the interest for the general tax collection scheme prescribed under section 234 (2), and
 - (iii) has not established any penalty, or has established penalties that do not exceed the penalties for the general tax collection scheme prescribed under section 234 (2),
 the municipal tax collection scheme applies;
 - (d) if no other paragraph applies, the general tax collection scheme applies.
- (2) An owner may make an election, or change an election, referred to in subsection (1) (a) or (b) by giving written notice of the election to the municipality within the period established under section 235 (2) [*alternative municipal tax collection scheme*].
- (3) If the land title registration of a property indicates that there is more than one registered owner of the property, a person giving notice under subsection (2) may only do so with the written consent of the number of those persons who, together with the person giving notice, are a majority of the registered owners.
- (4) As a limit on subsection (2), after an election or change has been made under this section, no further change in election may be made for the same year.
- (5) Once an election or change has been made under this section, the owner is liable to make payments in accordance with the applicable scheme until the owner has made a subsequent change in election under this section.

General tax notices

- 237** (1) Each year a municipality must deliver a tax notice in accordance with this section to each owner of property subject to tax under this Act.
- (2) A tax notice must include the following:
- (a) a short description of the property;
 - (b) the taxes imposed under this Act for the current year, separately stated for
 - (i) property value taxes imposed under section 197 (1)
 - (a) [*municipal property taxes*],
 - (ii) each property value tax imposed under section 197 (1)
 - (b) [*property taxes for other bodies*],

B.C. Reg. 426/2003
O.C. 1111/2003

Deposited November 28, 2003
effective January 1, 2004

This consolidation is current to April 7, 2020.

[Link to consolidated regulation \(PDF\)](#)

[Link to Point in Time](#)

Community Charter

MUNICIPAL TAX REGULATION

[includes amendments up to B.C. Reg. 117/2018, June 15, 2018]

Contents

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Interest on overpayment of municipal taxes

- 1** (1) The following rules apply to interest payable under section 239 [*interest on overpayment of taxes*] of the [Community Charter](#):
- (a) the interest is payable from the later of
 - (i) September 1 of the year in which the taxes are due, and
 - (ii) if the tax payment is made after July 2 of the year in which the taxes are due, the 61st day after the payment is made;
 - (b) the interest rate, during each successive 3 month period beginning on April 1, July 1, October 1 and January 1 in every year, is 2% below the prime lending rate of the principal banker to the Province on the 15th day of the month immediately preceding that 3 month period;
 - (c) the interest is to be compounded monthly and calculated on the number of days since
 - (i) the last compounding of interest, or
 - (ii) if no previous compounding has occurred, the interest commencement date;
 - (d) interest stops running on the day
 - (i) an instrument capable of effecting payment of the money owed is delivered or mailed to the person to whom it is owed, or

(ii) payment is made.

(2) Subsection (1) does not operate to require the payment of an amount of interest less than \$5.

Interest on refund of municipal tax sale money

2 (1) The following rules apply to interest payable under section 654 (3) [*refund if government refuses tax sale purchaser*] or 668 (1) (a) [*refund if council cancels sale*] of the *Local Government Act*:

- (a) the interest rate, for each successive 3 month period beginning on January 1, April 1, July 1 and October 1 in every year, is 2% below the prime lending rate of the principal banker to the Province on the 15th day of the month immediately preceding that 3 month period;
- (b) the interest is to be compounded monthly;
- (c) interest stops running on the day
 - (i) an instrument capable of effecting payment of the money owed is delivered or mailed to the person to whom it is owed, or
 - (ii) payment is made.

(2) Subsection (1) does not operate to require the payment of an amount of interest less than \$5.

[am. B.C. Reg. 117/2018, s. 14.]

Penalty for unpaid taxes

3 If all or part of the property taxes referred to in section 234 (1) [*taxes collected under general tax collection scheme*] of the [Community Charter](#) for a parcel of land and its improvements on the assessment roll remain unpaid after July 2 of the year those taxes are levied,

- (a) the collector must add to the unpaid property taxes for the parcel and improvements for the current year a penalty equal to 10% of the portion that remains unpaid, and
- (b) the penalty referred to in paragraph (a) is due as part of the property taxes for the current year for the parcel and improvements.

Property taxes for other bodies

4 If a property value tax is imposed under section 197 (1) (b) [*property taxes for other bodies*] of the [Community Charter](#) on the basis of

- (a) the net taxable value of land and improvements,
- (b) the net taxable value of land, or
- (c) the net taxable value of improvements,

unless otherwise expressly provided, the relationships between tax rates, expressed as ratios of the rate on each property class to the rate on Class 1, must be as set out in the following Schedule:

SCHEDULE

<i>Class of Property</i>	<i>Ratio to Class 1 Rate</i>
1	1.0:1
2	3.5:1
3	1.0:1
4	3.4:1
5	3.4:1
6	2.45:1
7	3.0:1
8	1.0:1
9	1.0:1

[en. B.C. Reg. 336/2008.]

[Provisions of the [Community Charter](#), S.B.C. 2003, c. 26, relevant to the enactment of this regulation: sections 199, 234 (2) and 239 (2)]

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