

# Report

**City of Merritt**  
**Committee of the Whole**  
**April 6, 2023**

**File Number: 1700**

**To:** Sean Smith, Chief Administrative Officer  
**From:** Sheila Thiessen, Finance Consultant  
**Date:** April 4, 2023  
**Subject:** 2023-2027 Financial Plan – Tax Considerations

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**RECOMMENDATION:**

That this report be received for information.

**Background:**

The Financial Plan and Tax Rate bylaws are required to be adopted by May 15<sup>th</sup>, 2023. It is possible to amend the Financial Plan during the year, but there is only one opportunity to set the tax rates.

The council's challenge is to balance the amount of taxation with the requirements of the City for operations and long-term financial planning through reserves.

Since 2019, the City of Merritt's assessment base was reduced by two separate factors:

1. The loss of major industry assessment with the closure of Tolko
2. Permissive tax exemption for Nicola Clean Power (formerly known as Merritt Green Energy) which is in the utility class.

This permissive tax exemption was complete as of 2022. There also was a further increase in the amount of utility tax base with the addition of the Trans Mountain Expansion in the City boundaries.

## Discussion:

Table 1 below shows how the assessment distribution has changed with the changes to the utility and heavy industry class over the years.

Table 1: Distribution of Assessment Base

<b>Class</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Residential	78%	82%	82%	83%	84%	83%
Utility	2%	0%	1%	1%	1%	2%
Heavy Industry	2%	1%	1%	1%	1%	1%
Light Industry	1%	1%	1%	1%	0%	1%
Business	17%	16%	16%	14%	14%	14%
Other *	0%	0%	0%	0	0%	0%
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Other includes Farm, Supportive housing and Recreational

The increase in the Utility class of 1% appears to be small, but with the ability to use a mill rate of 40.00, this class can generate around 11% of the total taxes collected. The increase in utility class at the mill rate will generate an additional \$329,000 tax revenue, regardless of the mill rates set for other classes.

Table 2 below shows tax options and the related impact on an average home in Merritt. The average home used was assessed at \$482,000 in 2022 and with a 13% increase in assessment went up to \$546,000 in 2023. Total municipal general taxes collected in 2022 were \$9,036,119.

Table 2: Tax Options

<b>Option</b>	<b>Total taxes collected \$</b>	<b>Residential Tax Paid 2022 \$</b>	<b>Residential Tax Payable 2023 \$</b>	<b>Difference \$</b>	<b>Difference %</b>
<b>A.</b> Mill rate same as 2022	10,715,304	1,900	2,152	252	13.28
<b>B.</b> 5% total tax increase	9,487,925	1,900	1,880	-20	-1.05
<b>C.</b> 5% residential tax increase	10,007,933	1,900	1,995	95	5.0
<b>D.</b> 3% residential tax increase	9,907,611	1,900	1,957	57	3.0

As the table above shows, a 5% total tax increase would result in a 1.05% drop in residential property taxes paid on an average property. Table 3 below shows the amount of additional tax that would be collected with each option.

Table 3: Total Taxes Collected

<b>Option</b>	<b>Total Taxes 2023 \$</b>	<b>Total Taxes 2022 \$</b>	<b>Difference \$</b>	<b>Difference %</b>
<b>A.</b> Mill rate same as 2022	10,715,304	9,036,119	1,679,185	18.6
<b>B.</b> 5% total tax increase	9,487,925	9,036,119	451,806	5.0
<b>C.</b> 5% residential tax increase	10,007,933	9,036,119	971,814	10.8
<b>D.</b> 3% residential tax increase	9,907,611	9,036,119	871,492	9.6

**Summary:**

The analysis presented above provides Council with a picture of the impact of recent assessment changes and the potential for tax revenues with the impact on the residential tax payer. Further analysis can be provided for Council on request. In summary, the increase in the Utility assessment class will generate around \$329,000 in increased taxes in any option. The primary decision for Council is how much tax do they want to generate for 2023, keeping in mind current and long-term requirements.

Staff will be presenting Council with a draft budget that shows the contracted and committed requirements for 2023 to 2027 along with options for addressing the infrastructure deficit and the long-term asset management plan.

**Respectfully submitted,**

**Sheila Thiessen, CPA, CMA  
Finance Consultant**