

Report

City of Merritt
Committee of the Whole
April 18, 2023

File Number: 1700

To: Sean Smith, Chief Administrative Officer
From: Sheila Thiessen, Finance Consultant
Date: April 14, 2023
Subject: 2023-2027 Financial Plan – Tax Considerations

RECOMMENDATION:

That Council provides staff with direction in relation to tax rates for draft budget compilation, by choosing one of the 4 options provided or providing other criteria.

Background:

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

During the budgeting process, there have been discussions related to the following items:

- Infrastructure Deficit and the need to fund reserves and capital projects to maintain and renew existing assets.
- Increases in costs due to inflation, supply chain issues and increased regulations.
- Assessments and the impact on revenue sources
- Taxation and the impact on the taxpayers
- Other funding sources like grants and user fees.
- Merritt is still in recovery mode after the flooding of 2021. The full impact has not been determined.
- Outstanding grant applications

All these factors make it difficult to do a financial plan with all the traditional information now.

Therefore, in order to meet the May 15, 2023 deadline to pass a financial plan and a tax rate bylaw, Council needs to determine what level of taxation they want to move forward with and their priorities that they want to see addressed, and staff can compile the financial plan to support those priorities.

There is an opportunity to amend the financial plan during the year, as more information and other funding sources come forward.

The option that Council chooses will be used to prepare the draft financial plan to be brought back to Council for consideration. Council will still have a final opportunity to make changes to the tax rates if they wish before adoption. All other aspects of the financial plan can be amended as circumstances change during the year.

Discussion:

Council has indicated that they wish to balance the needs for taxation revenue with the taxpayer’s ability to pay for this year and with that in mind, staff has prepared 4 options for Council’s consideration for tax rate bylaws.

Table 1 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. The multiples were adjusted for classes 4 and 5 to create an increase of roughly ½ of the assessment class increase. Heavy Industry increased in assessment by 2.23% and the multiple was adjusted so that the % increase in taxes was 1.17%.

Table 1: Tax Options

Option	Total taxes collected \$	Residential Tax Paid 2022 \$	Residential Tax Payable 2023 \$	Difference \$	Difference %
A. 5% residential tax increase	10,007,933	1,900	1,995	95	5.0
B. 5% residential tax increase with adjusted multiples classes 4, 5	10,064,012	1,900	1,995	95	5.0
C. 3% residential tax increase	9,907,611	1,900	1,957	57	3.0
D. 3% residential tax increase with adjusted multiples class 4	9,960,793	1,900	1,957	57	3.0

Table 3 below shows the amount of additional tax that would be collected with each option.

Table 3: Total Taxes Collected

Option	Total Taxes 2023 \$	Total Taxes 2022 \$	Difference \$	Difference %
A. 5% residential tax increase	10,007,933	9,036,119	971,814	10.8
B. 5% total tax increase w/adj	10,064,012	9,036,119	1,027,893	11.4
C. 3% residential tax increase	9,907,611	9,036,119	871,492	9.6
D. 3% residential tax increase w/adj	9,960,793	9,036,119	924,674	10.2

Summary:

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**

Attachments:
Comparatives

Comparatives

Table 1:
704 - Taxes and Charges on a Representative House - 2022

Municipalities	Population	House Value	Total Res Variable Rate Taxes	Total Res Parcel Taxes	Total Res User Fees	Total Residential Property Taxes and Charges
Castlegar	8,570	435,250	2,593	150	1,150	3,893
Merritt	7,606	407,868	2,763	360	813	3,936
Hope	6,767	616,542	3,129	85	759	3,973
Smithers	5,697	421,013	3,283	0	814	4,097
Creston	5,620	362,389	3,147	322	779	4,248
Revelstoke	8,429	708,893	3,200	260	1,594	5,054
Fernie	5,739	736,170	4,434	117	940	5,491

Overall, Merritt is 75th out of 161 municipalities in the province.

Table 2: Municipal Taxes per Capita based on 2022 Taxes

Municipalities	Type	RD	2021 BC Stats Population Estimates	Municipal Taxes Per Capita
Creston	T	CKO	5,620	896
Merritt	C	TNR	7,606	1,207
Hope	D	FVR	6,767	1,380
Smithers	T	BUL	5,697	1,450
Castlegar	C	CKO	8,570	1,528
Revelstoke	C	COL	8,429	1,672
Fernie	C	EKO	5,739	2,142

Overall, Merritt is 91st out of 161 in the Province.