

## APPENDIX B

### 2021 Tax Rate Alternatives Including the New Police Budget Allocation Formula Impact

On today's agenda, there is an update report relating to funding for policing for 2021. The purpose of this appendix is to outline the new tax rate alternatives should Council choose to fund the shift of policing costs due to the phase-in of the new budget allocation formula through a property tax increase as outlined in that separate report.

The Province provided a letter clarifying the phase-in of the budget allocation formula for policing after the initial 2021 Tax Rate Report was completed. This new formula would be phased in over two years, with a 50% shift in 2021 and the remainder in 2022. The impact to the City's 2021 budget would be an increase of \$296,122; or a 0.21% increase to property taxes, for an overall increase of 2.03% which is less than the Council directed maximum target of inflation plus 1% (2.1% for 2021.)

Should Council choose to fund the shift of policing costs through a property tax increase, below are the alternatives for Council's consideration.

#### Option 1 – Equalize tax change, hold industrial tax rate same as business (current tax policy) – recommended

Current tax policy equalizes any tax increase or decrease, with the exception of industrial classes which are held at the same tax rate as business. As outlined in the following table, for 2021, all but industrial classes would see an increase of 1.91% whereas industrial classes would see changes reflecting the assessment changes for those classes.

	<u>Tax Ratio</u>	<u>Tax Share</u> <u>Excluding NMC</u>	<u>Tax Rate</u>	<u>Tax Change</u>	<u>2020 Tax Rates</u>
Residential	1.0000	50.43%	3.1045	1.91%	3.1152
Utility	11.6339	0.57%	36.1172	1.91%	34.4916
Major Industrial	3.5902	0.13%	11.1457	11.51%	10.3581
Light Industrial	3.5902	0.86%	11.1457	14.86%	10.3581
Business	3.5902	47.83%	11.1457	1.91%	10.3581
Rec/Non Profit	1.9812	0.18%	6.1506	1.91%	6.8316

The increase would be approximately \$48 for the average residential property (\$834,000 assessed value) and \$136 for a typical business (\$647,000 assessed value).

#### Option 2 – Equalize tax change across all tax classes (tax policy prior to 2007)

This option would result in an overall property tax increase of 2.02%. However, industrial classes would have different tax rates than business.

	<u>Tax Ratio</u>	<u>Tax Share</u> <u>Excluding NMC</u>	<u>Tax Rate</u>	<u>Tax Change</u>	<u>2020 Tax Rates</u>
Residential	1.0000	50.48%	3.1078	2.02%	3.1152
Utility	11.6340	0.57%	36.1566	2.02%	34.4916
Major Industrial	3.2811	0.12%	10.1971	2.02%	10.3581
Light Industrial	3.1855	0.77%	9.9000	2.02%	10.3581
Business	3.5902	47.89%	11.1578	2.02%	10.3581
Rec/Non Profit	1.9812	0.18%	6.1573	2.02%	6.8316

The increase would be approximately \$51 for the average residential property (\$834,000 assessed value) and \$144 for a typical business (\$647,000 assessed value).

Option 3 – maintain the business tax share at 48%, excluding new assessment revenue (tax policy from 2012-2014 was to reduce share to 48%)

This option would result in a larger tax increase for business compared to residential and does not reflect the changes to new assessments coming on-stream since the shift in 2014. The resulting tax rates are outlined in the following table:

	<u>Tax Ratio</u>	<u>Tax Share</u> <u>Excluding NMC</u>	<u>Tax Rate</u>	<u>Tax Change</u>	<u>2020 Tax Rates</u>
Residential	1.0000	50.26%	3.0945	1.58%	3.1152
Utility	11.6338	0.57%	36.0008	1.58%	34.4916
Major Industrial	3.6139	0.13%	11.1832	11.88%	10.3581
Light Industrial	3.6139	0.86%	11.1832	15.25%	10.3581
Business	3.6139	48.00%	11.1832	2.26%	10.3581
Rec/Non Profit	1.9812	0.18%	6.1308	1.58%	6.8316

The increase would be approximately \$40 for the average residential property (\$834,000 assessed value) and approximately \$160 for a typical business (\$647,000 assessed value).

Option 4 – hold ratios same as in 2020 (tax policy 2007-2011)

This option would result in a decrease for business compared to residential due to the assessment decrease for business properties as outlined in the following table:

	<u>Tax Ratio</u>	<u>Tax Share</u> <u>Excluding NMC</u>	<u>Tax Rate</u>	<u>Tax Change</u>	<u>2020 Tax Rates</u>
Residential	1.0000	52.32%	3.2209	5.73%	3.1152
Utility	11.0720	0.57%	35.6621	0.63%	34.4916
Major Industrial	3.3250	0.12%	10.7096	7.15%	10.3581
Light Industrial	3.3250	0.83%	10.7096	10.37%	10.3581
Business	3.3250	45.96%	10.7096	-2.08%	10.3581
Rec/Non Profit	2.1930	0.20%	7.0635	17.04%	6.8316

The *increase* would be approximately \$145 for the average residential property (\$834,000 assessed value) and the *decrease* approximately \$146 for a typical business (\$647,000 assessed value).

**OPTIONS & IMPACTS**

Option 1: Do not amend the revenue and tax policy and approve tax rates as outlined in option 1 above (recommended)

This option will pass on equal tax increases to all classes, except major and light industry whose tax rates will remain the same as business.

Impacts: Tax increases will be shared equally among tax classes, excluding major and light industry whose property tax changes will depend on changes to assessed values.

Option 2: Amend the revenue and tax policy to shift taxes away from or toward the business class as determined by Council

This option will increase or reduce the burden on the business class with the equal and opposite burden to the residential class. This will influence the City's tax ratio and share of taxes, but overall taxes collected by the City will remain the same.