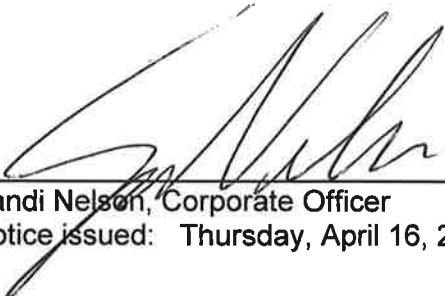

TOWN OF SIDNEY
SPECIAL COUNCIL MEETING
Monday, April 20, 2020
Council Chambers
6:00 pm

A G E N D A

1. **CALL TO ORDER**
2. **APPROVAL OF AGENDA**
3. **STAFF REPORT**
 - a. **Property Tax Relief Measures**
(Further to the Provincial announcement today).
- staff report to be distributed Friday, April 17, 2020.
4. **ADJOURNMENT**



Sandi Nelson, Corporate Officer
Notice issued: Thursday, April 16, 2020 at 12:00 noon



TOWN OF SIDNEY

REPORT TO COUNCIL

TO: Mayor & Council

FROM: Andrew Hicik, Director of Corporate Services

DATE: April 17, 2020 **FILE NO.:** 1700-20-2020

SUBJECT: 2020 TAX INCREASE & DUE DATES

PURPOSE:

To provide Council with an opportunity to reconsider options for reductions in municipal taxes and the tax due dates for the year, following receipt of additional information from the Province.

BACKGROUND:

At the April 14th meeting, Council considered a series of options for the reduction of the general property tax increase for this year, as a measure of relief in light of the financial impacts of the COVID-19 pandemic. Council had tentatively narrowed down the options to the following, subject to additional public input:

1. Reduce the general tax increase to zero for all property classes, and further reduce taxes for Commercial and Light Industrial properties by **5%**.
2. Reduce the general tax increase to zero for all property classes, and further reduce taxes for Commercial and Light Industrial properties by **10%**.

In addition, Council also considered delaying the property tax due date from July 2nd to later in the year. A tentative due date of September 15th was selected, subject to potential declarations from the Province by April 17th.

On April 16th, the Province announced several measures related to property taxes; this new information warrants a reconsideration by Council of the decisions made on April 14th. The most relevant aspects of the Provincial measures are as follows:

- Further reduction of the School Tax burden for commercial properties. This would be over and above the previous 50% reduction that was already in place. Class 8 (Recreational) properties were also added to the class of property benefitting from this reduction.
- Imposition of an October 1 penalty date for property classes 4 through 8. This effectively sets a Province-wide date for penalties to be applied for any taxes unpaid after September 30th, while leaving the penalty dates for Residential properties to the discretion of each municipality (should they wish to deviate from the standard of July 2nd).
- Delaying the Provincial School Tax remittances until the end of the year. This is mainly a cash flow assistance measure.

Given the above factors, there are two aspects of the previous Council decisions to be reconsidered:

1. Should the Town provide additional tax relief to commercial properties, now that the Province has done so?
2. Should the tax due date for Residential properties be moved up from the previously-recommended date of September 15th?

DISCUSSION:1. Municipal Tax Relief

At the April 14th meeting, Council decided to roll back the previously-approved 1.79% general tax increase to zero for all property classes. As additional relief to business properties (Commercial and Light Industrial), further tax reductions of 5% and 10% were being considered; staff had been asked to advertise these two options for community feedback, with the input being used to make a final determination on April 27th. Given the Provincial announcement, Council may wish to reconsider the options for business properties.

In reducing the tax rates even further, the Province was attempting to provide commercial properties with an overall 25% reduction in their total property tax bill; however, the exact magnitude of the benefit will be different for every community. For non-residential properties, there is only one Province-wide rate for School Taxes. This is different for Residential, where there is a different rate for each School District. With only one Province-wide rate, the intended target of a 25% reduction in the total tax bill cannot be met across all municipalities; the benefit will fluctuate greatly, depending on the change in assessed value for the average property in each jurisdiction, as well as the overall makeup of the tax bill.

As part of the Provincial announcement, tax rates for business properties were published. This has allowed staff to better estimate the impacts on the average commercial property. With a zero percent general tax increase, the average Commercial property in Sidney will be paying approximately 18% less in total property taxes than in 2019. While this falls short of the Provincial target for the average business, it *may* be an indication that the average business in Sidney was already paying less than the Provincial average. Or it may simply be an indication that the assessed value of the average commercial property in Sidney increased at a greater rate than the Provincial average.

If Council still wanted to consider additional relief to business – through a municipal tax reduction – the following impacts would result:

| Scenario | Impact on Avg. Commercial | % Reduction on Total Bill | Revenue Loss | Total Revenue Loss |
|----------------------------|---------------------------|---------------------------|--------------|--------------------|
| No General Tax Increase | \$ - | 17.8% | \$ (214,153) | \$ (214,153) |
| 5% reduction for business | \$ (352) | 20.6% | \$ (167,352) | \$ (381,505) |
| 10% reduction for business | \$ (706) | 23.5% | \$ (334,704) | \$ (548,857) |

The Province did not provide any specific, new tax relief measures for Residential properties. One may speculate that this may be a result of existing relief measures that are currently available for Residential, but not business class properties. These include the Home Owner Grant, as well as Property Tax Deferment programs for homeowners over 55, or for families with children. To date, no announcement has been made on additional Deferment options, such as a reinstatement of the Financial Hardship program that was available for a short time following the 2008/09 financial crisis. However, given the Town's demographic, it is estimated that the two existing Deferment programs cover the majority of the residential population, should they wish to take advantage of the programs.

Should Council wish to pursue additional tax relief for business (and perhaps residential), it is strongly recommended that a firm choice be made among the options presented above, or an alternative option. The chosen option may then be advertised for public input, with the results of that consultation to be available for the April 27th meeting.

2. Property Tax Due Dates

The April 16th announcement established a Province-wide penalty date to be applied to most business classes of property. It has been further clarified that the Province will not be changing the due date for these business properties (nor for Residential), simply the penalty date. It is unusual for the due date and the penalty date to be separate; one typically follows the other by a day. The intention of the Provincial change is that the penalty not apply to business properties until October 1st, and for that penalty to be the standard 10%. This delay in the penalty date is seen as giving businesses a longer timeframe in which to re-establish operations and revenue streams.

Individual municipalities are still free to establish their own due dates/penalty dates, should they wish to do so, under an Alternative Municipal Tax Collection Scheme Bylaw. The Town had previously set common due/penalty dates for all classes of property. The Provincial announcement essentially takes away much of our discretion for business properties; however, staff believe that some discretion still remains, in the form of a 2-stage penalty, rather than 10% all at once.

In light of the Provincial clarifications, as well as consultation across the region, staff are recommending that the official property tax due date be maintained as July 2nd, but that separate penalty dates be established for various classes of property. It is hoped that maintaining the due date as July 2nd – despite the absence of an immediate penalty – will result in payments from those who can afford to make them by that date. This will be reinforced through Town messaging.

The following penalty dates are proposed:

- Property classes 1, 2 and 9 – 5% for amounts outstanding after July 31st; an additional 5% for amounts outstanding after December 15th.
- Property classes 5, 6 and 8 – 5% for amounts outstanding after September 30th; an additional 5% for amounts outstanding after December 15th.

Staff see great value in having an earlier penalty date for Residential (class 1) properties. Taxes paid by Residential properties represent 75% of all collections; as a result, these have the largest impact on our cash flows. Residential properties also have a number of relief measures available to them, including the Home Owner Grant and Deferment programs. In addition, prepaid taxes, taxes paid through mortgage companies, and amounts collected through tax deferments represent approximately 33% of total residential taxes. These amounts also represent close to 40% of Residential properties; it is possible that this percentage may increase this year, should additional residents choose to defer their taxes.

Setting the due date at July 31 will also help with the first large remittance of taxes for other jurisdictions: Regional District and Regional Hospital. Approximately \$5 million will have to be paid by August 1st for these levies, meaning that an incentive to pay taxes prior to the end of July will have a significant positive impact for the Town.

One of the motivating factors for the originally-proposed delayed due date of September 15th was to also delay the remittance of School Taxes to the Province. Now that the Province has allowed for a delay in those payments on their own, this is no longer a consideration.

FINANCIAL IMPACTS:

The financial impacts of the contemplated tax reductions for business properties are clearly outlined in the table on page 2. If the proposed scenarios are modified by Council, the impacts would clearly change (up or down). The outlined options are considered “affordable” by staff, but the longer-term impacts of the revenue loss will have to be carefully monitored. Adjustments will have to be considered for the next financial plan, based on actual results for the year.

Moving up the penalty date for Residential properties, which make up 75% of our collections, will help considerably with our cash flow. In fact, the proposed change to the penalty date (from Sept. 15th to August 1st) may prevent the Town from having to undertake any interim financing measures, saving interest costs.

RECOMMENDATIONS:

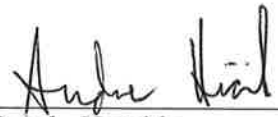
1. That the 2020-2024 Financial Plan be amended to reflect a ___% general tax increase (decrease) for Residential properties, and a ___% general tax increase (decrease) for Commercial and Light Industrial properties, with the offsetting funding to come from Accumulated Surplus.
2. That staff be directed to bring forward an Alternative Municipal Tax Collection Scheme Bylaw, featuring tax penalty dates as follows:
 - a. Property classes 1, 2 and 9 – 5% for amounts outstanding after July 31st; an additional 5% for amounts outstanding after December 15th.
 - b. Property classes 5, 6 and 8 – 5% for amounts outstanding after September 30th; an additional 5% for amounts outstanding after December 15th.

Respectfully submitted,

I concur,



Andrew Hicik
Director of Corporate Services

for 

Randy Humble
Chief Administrative Officer