

Proposed Property Tax By Mayor Boot - January 21, 2021

On January 13, after a full day presentation, questions and discussion, the District of Summerland Council approved a proposed 2021 property tax rate increase of 1.65%.

Although Council heard the final operational budget presentation on January 13, its content was developed following many, many hours of discussions within the District's management team: primarily departmental directors, their direct-report managers and the chief administrative officer (CAO).

The work of the management team began back in the summer of 2020 with a review of their respective departmental budget. Each department then developed a 2021 operational budget, which includes the expenses related to new projects and the 2021 completion of projects started in previous years, as well as existing and proposed new staff resources and any contractual obligations (negotiated pay increases, for example).

In early fall 2020, Director of Finance David Svetlichny compiled the operational budgets of each department to get a baseline deficit figure. At that time, this figure was \$1.4 M—which would equate to almost a 15.25% tax rate increase. (Based on 2021 B.C. Assessment Authority data, a 1% increase in the District of Summerland property tax rate results in taxation revenue of \$91,895.)

Mr. Svetlichny and the CAO had several meetings with each departmental management team to further review their piece of the overall operational budget. The objective of these meetings was to find operational savings, confirm priority work and remove items that could be deferred to future budgets.

Following the meetings with individual departments, the entire senior management team, collectively, reviewed the operational budget looking for efficiencies between departments. They also looked at the proposed new projects, including new staff hires, to determine which of these were best to bring forward as organizational priorities.

By mid-October 2020, the operational budget deficit had been pared down to \$356,633.

A Committee of the Whole meeting was held October 28 to reaffirm Council priorities, and to provide preliminary information on the budget pressures. Following Council discussion, the CAO confirmed that Directors would incorporate the direction from the Council discussions into operational budgets for presentation in January 2021.

One week later, Council learned that \$2.724 M in COVID-19 Safe Restart Grant funding was coming from the Province. The Director of Finance advised that he expected the pandemic would affect District budgets into 2023 and that we should consider cautious allocation of the grant funding (within the eligibility guidelines) and not use it all in 2021. Council accepted the Director of Finance's recommendation and requested a two-pronged approach be used in allocating this unexpected funding: Historical Recapture and Forward Thinking. Historical

Recapture (recouping amounts already spent in 2020) and Forward Thinking (allocating funding based on anticipated future pressures, such as increased costs).

At the January 13 meeting staff presented an operational budget showing a deficit of \$149,041—less than 10% of the original \$1.4 M deficit—and a 1.65% tax rate increase to cover the substantial reduction in the deficit.

In addition to the significant efforts of staff and Council to reduce the potential tax increase, this relatively low rate can be attributed to two main factors: The COVID-19 Safe Restart funds and the new construction revenue, both of which are allocated to the general fund (which, in turn, funds the operational budget).

A total of \$1,436,239 of eligible allocations are covered by the Restart Grant, as follows:

Historical Recapture Approach

2020 Operational Fund	\$891,788
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Forward Thinking Approach

2021 Operational Fund	\$309,451
2021 Capital Fund	\$235,000

Without the Restart Grant, the District of Summerland would be facing an extremely challenging fiscal situation well beyond the 2021 fiscal year. While vaccinations have begun in B.C., as mentioned previously it will be some time before pre-COVID revenue levels return. Therefore, Council has chosen to leave \$1,287,761 of the grant unallocated at this time. Although not nearly as substantial as the Safe Restart Grant dollars, the District logged an additional \$132,500 in new construction revenue in 2021. This amount, equivalent to a 1.44% tax increase, is additional taxation revenue generated from new construction in the prior year.

What does this all mean to Summerland residential property owners?

The combined utility rate increases approved in December 2020 and the proposed property tax increase of 1.65% results in an additional \$13.22 monthly charge (\$154 annually). These increases are based on BC Assessment Authority's 2021 average Summerland house value of \$591,790.