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**To:** Financial Planning Committee      **For the Meeting of:** February 20, 2019  
**From:** Julia Mobbs, Director,  
Administrative Services      **Date Prepared:** February 7, 2019  
**SUBJECT:** Bowen Island Municipality 2019/20 Tax Levy

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**PURPOSE:**

To provide a high level analysis of the Bowen Island Municipal (BIM) tax levy and factors that have led to recent increases in the amount levied.

**BACKGROUND:**

In the 2018/19 budget the BIM tax levy increased by 21% and is proposed to increase by 13% in the 2019/20 budget. These recent year increases to the BIM tax levy have exceeded tax increases seen by other Local Trust Areas (LTAs) in the same years. This has sparked conversation as to whether or not Trust Council's *Policy 7.2.6 Municipal Tax Requisition Calculation* in its current state is a fair and appropriate representation of the legislated principles outlined in the Islands Trust Act related to municipal contributions to Islands Trust. Furthermore, it identifies a need to better highlight and explain the factors that have contributed to the BIM tax levy increases.

This briefing addresses the latter discussion point, addressing the factors that have contributed to the increased BIM tax levy in the draft 2019/20 budget. Consideration is being undertaken as to the equitability of municipal contributions against contributions seen by other local trust areas and findings will be communicated as uncovered.

**Legislation and Policy:**

To provide context, we review the Islands Trust Act which addresses the principles upon which *Policy 7.2.6 Municipal Tax Requisition Calculation* has been derived:

The Islands Trust Act section 47 (2) reads as follows:

(2) *On or before April 25 in each year, the minister may deliver requisitions*

(a) *to the Minister of Finance in relation to*

(i) *the cost of operations of the trust council and the executive committee, except the operations of the executive committee acting as a local trust committee under section 23 (5), and the administrative operations of the Islands Trust Conservancy, and*

(ii) *the cost of operations of the local trust committees, and*

(b) *to each municipality in the trust area in relation to*

(i) *the cost of operations of the trust council and the executive committee, except the operations of the executive committee acting as a local trust committee under section 23 (5), and*

(ii) *the cost of administrative operations of the Islands Trust Conservancy.*

The Islands Trust Act section 47 (6) reads as follows:

*(6) The amount that is to be recovered by means of requisitions under subsections (2) (a) (i) and (2) (b) must be apportioned between the municipalities and the local trust areas on the basis of the converted value of land and improvements in the trust area.*

Trust Council's [Policy 7.2.6 Municipal Tax Requisition Calculation](#) details how these pieces of legislation are applied within the budgeting process for Trust Council.

#### **Application:**

Factors that influence the value of municipal requisitions include the following:

- **Trust Council (TC) expenses:** Islands Trust Municipalities contribute to all (100%) of these expenses. Consequently, as these expenses increase or decrease the contribution to these expenses will increase or decrease also. Items, such as elections expenses, which are included in TC expenses but are not applicable to Bowen Island Municipality, are removed from the calculation in acknowledgment that island municipalities do not use these services.
- **Islands Trust Conservancy (ITC) expenses:** Islands Trust Municipalities contribute to all (100%) of these expenses. Consequently, as these expenses increase or decrease the contribution to these expenses will increase or decrease also.
- **Administration expenses:** Islands Trust allocates administration expenses proportionally to its three functional areas: local planning, TC and ITC. Islands Trust Municipalities contribute only to the portion of administration expenses allocated to TC and ITC operations. Allocation of administration expenses is based on the portion of expenses that each functional area is expected to consume. For example, if TC expenses make up 18% of the Islands Trust budget (pre-administration), TC will be allocated 18% of total administration costs.
- **Converted Assessment Values (i.e.: Municipal Property Values):** Changes in property values within a municipality relative to changes seen in local trust areas influence the value of the municipal requisition. The rate applied to all expense areas mentioned above (TC, ITC, and administration) is based on how much of the Islands Trust Area property value 'pie' is within the municipality. Thus, as the distribution of property values among local trust areas shifts, so will the rate at which island municipalities contribute to the Islands Trust budget.
- **Transfers from Surplus:** Transfers from Islands Trust's surplus funds are a source of funding. Consequently, in years where greater funding is generated from surplus funds, less funding will be required from other sources, such as taxes. To acknowledge this principle, Island municipalities receive partial credit for transfers from surplus. The value of surplus credits is based on the nature of the project being funded by the surplus monies. If a project is related to TC, ITC, or administration, island municipalities will receive their share of credit (based on converted assessment values). Where surplus funds are paying for projects related to Local Planning Services, no credit is applied as these services are not part of funding previously taxed to the municipality.

#### **Analysis of Proposed 2019/20 BIM Tax Levy:**

An increase of approximately 13% (\$37,500) over last year's BIM tax levy has been proposed in the draft 2019/20 budget. This increase is due to the following factors:

- **Trust Council (TC) expenses,** normalized for elections expense, have increased by approximately 7% (\$69,000) over prior year. BIM's share of this increase, based on converted assessment values, equates to \$13,000.
- **Islands Trust Conservancy (ITC) expenses** have increased by approximately 19% (\$105,000) over prior year. BIM's share of this increase, based on converted assessment values, is \$20,000.
- **Administration expenses** have decreased by approximately 7% (\$136,000). However, the proportion of overall administration expenses allocated to TC and ITC has increased slightly. Therefore BIM is contributing to 28.5% of total administration costs in the draft 2019/20 budget, which is an increase over prior year when they contributed to 26.3% of total administration costs. The impact to the BIM levy of the reduction in overall admin expenses and the increase in the admin allocation rate is approximately \$1,000.

- **Converted Assessment Values** have not contributed to any change in the proposed BIM tax levy as the portion of BIM converted assessments as a percentage of total Islands Trust converted assessment values remains the same as prior year, at 18.7%.
- **Transfers from Surplus** have decreased significantly over prior year. The portion of surplus funds included in the calculation of the BIM tax levy has dropped from \$201,000 in the prior year to \$174,000 in the current year – a reduction of approximately \$27,000. This results in an increase to the BIM levy of approximately \$5,000.

The above changes generate a net increase of approximately \$37,000, which accounts for 99% of the \$37,500 increase seen in the proposed 2019/20 BIM tax levy.

**Bird’s Eye View Analysis: A different way to assess the calculation:**

Trust Council expenses, inclusive of their allocation of administration costs + Islands Trust Conservancy expenses, inclusive of their allocation of administration costs make up 29% of the total draft 2019/20 budget. BIM contributes to this 29% at a rate of 18.7% (their converted assessment value ‘share of the Islands Trust pie’). This translates to BIM taking financial responsibility for 5.3% of total expenses in the Islands Trust budget. In monetary terms, this equates to \$421,000.

Several credits are afforded to BIM for items buried in Trust Council expenses that are not related to them (such as by-elections expenses, applications sponsored by Executive Committee, elected officials liability insurance) totaling a \$15,000 reduction. Additional credits for non-tax funding sources received by Islands Trust (provincial grant, transfers from surplus funds, and interest income) generates additional credits of \$70,000.

This bird’s eye view analysis results in an expected net financial levy to BIM of \$336,000. The prescribed formula set out in *Policy 7.2.6 Municipal Tax Requisition Calculation* generates a levy of \$331,500.

**ATTACHMENT(S):**

1. None.

**FOLLOW-UP:**

Staff will review *Policy 7.2.6 Municipal Tax Requisition Calculation* as previously directed by Financial Planning Committee to determine if changes to the formula used to calculate municipal contributions are recommended.

Further analysis will be undertaken to determine if tax levies requisitioned from island municipalities are equitable against those levied from other local trust areas.

If directed, staff will undertake further analysis of the factors contributing to the proposed 2019/20 BIM tax levy increase.

If directed, staff will undertake analysis of historical increases to the BIM tax levy.

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**Reviewed By/Date:** Russ Hotsenpiller/February 8, 2019