

Report from Financial Management Services, Director

Date of Report: January 11, 2017

Date of Meeting: January 18, 2017

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Subject: 2017 Non-Tax Revenue Projections

Recommendation

That the Budget Standing Committee (BSC) receive this report for information purposes.

Summary

This report provides information on the amount of non-tax revenues projected for 2017. These revenues are estimated to decrease by \$522,000 from 2016. This report will provide the details for this decline.

Background

Each year as part of the budget process staff determine the amount of non-tax revenues expected to be generated during the particular budget year. The amount of non-tax revenues is deducted from the City's net expenditures to determine the amount net tax levy.

Report

In 2017 there are a number of decreases in revenues in the amount of \$890,000 which are offset by an increase in revenues of \$368,000. The following are the reasons for the decline in non-tax revenues for 2017.

Tax Appeals and Write-offs

With 2017 being the first year of the phase in of reassessments of the CVAs for properties in the City staff are expecting to an increase in tax appeals and write-offs. For that reason staff have increased the 2017 budget amount for tax appeal and write-offs by \$230,000. This has a negative impact on revenues.

Over the past five years the actual amount of tax write-offs have averaged 1.32% of total taxes billed. The tax appeals and write-offs amount in 2017 as a percentage of total taxes is 1.97%. Although this amount is higher than the five year average the actual average for the past two years is 1.73%. In addition, the first year after a reassessment historically sees an increase in appeals. Finally, staff have been contacted by some property owners concerned about the significant increase in their property assessment for 2017. Therefore the increase in the tax appeal and write offs

amount is required for 2017 to ensure that there is an adequate amount in place to cover these items.

Supplemental Taxes

Actual amount of supplemental tax revenues for the last four years is \$470,000. In the past couple of years MPAC has made a commitment to municipalities to have new properties included in the roll within one year of occupancy. As of November 2016, 85% of municipal growth for the Niagara Region had been included on roll within one year of occupancy. With this renewed focus by MPAC, staff have reduced the expected supplemental tax revenue for 2017 to \$430,000 from \$650,000 in 2016. A decline of \$220,000 which is a more reasonable forecast for supplemental tax revenue expected in 2017.

Miscellaneous Revenue – Motor Vehicle Equipment Reserve

The motor vehicle equipment reserve is an outstanding adjustment from when the city transitioned from expending its tangible capital assets to capitalizing them and recording depreciation expense. This effect of this amount has now been fully realized. As a result, there is a decline in miscellaneous revenue in 2017 from 2016 of \$200,000.

Contributions from other governments – Ontario Municipal Partnership Fund (OMPF)

In 2017, the City will receive 85% of the amount of its 2016 OMPF. This is a decrease of \$123,000. The City receives this grant under the “Transitional Assistance” portion of this program. This grant has been decreased due to the Province uploading \$10.1million more costs from the Niagara Region in 2017 than in 2016. Therefore with the removal of these costs off the property tax base all taxpayers within the Region of Niagara benefit, thus the rational for the decrease of the City’s 2017 OMPF allocation.

Fines

The City’s share of fines from Provincial Offences (POA) from the Niagara Region will be decreasing by \$50,000 in 2017 from 2016 due to decline in POA revenues impacting the amount of funds available to distribute to the area municipalities.

Rent and Concession revenues

These revenues are declining by \$42,000 in 2017 from 2016. This decline is the result of the Carousel Players moving out of the Courthouse in 2016.

Investment Income

Investment Income decreasing by \$25,000 in 2017 from 2016. This decrease is due mainly to a decline expected in the special dividend from St. Catharines Hydro.

These declines in revenues are offset by an increase in revenues. The following are the details of revenue increases expected in 2017.

Building Permit Revenues

Building Permit revenues are forecasted to increase by \$125,000 in 2017 from 2016. This increase is due to an increase in the building permit fees that were approved as part of the City's 2017 Rates and Fees and more building activity expected in the City in 2017.

Surplus

During the 2016 budget process this committee and Council approved the creation of a tax stabilization reserve. One percent of the 2016 operating budget is equal to \$1,085,000. Any amount in excess of this amount would be transferred to the tax stabilization reserve. At this time staff are expecting a surplus from 2016 fiscal year to meet or exceed \$1,085,000. This would be the amount that we would expect to use in the 2017 budget as the surplus amount. Although staff are still finalizing 2016 year end entries, we are relatively confident that the usage of \$1,085,000 as the surplus amount in the 2017 is a reasonable figure. This is an increase of \$85,000 from the one million dollar amount used in the 2016 budget.

Penalty and Interest on Taxes

The Municipal Act permits the City to charge 1.25% per month on unpaid property taxes. For various reasons, not all property owners pay their taxes on the due dates. Any amount not paid by the due date is subject to interest and penalties. Actual penalties and interest on taxes revenues for 2016 were 3.65% over the budgeted amount. Therefore staff has increased the 2017 budget amount for this item by 3% from 2016 or by \$80,000.

Payment-in-Lieu of Taxes (PILs)

In 2017, the City is expecting to see an increase in PILs by \$48,000, mainly due to an increase in assessment values for 2017.

Bingo Licences

In 2017, the Bingo Licences are expected to increase by \$30,000 from 2016. This increase is the result of an increase in 2016 actual revenues which is expected to continue in 2017.

Financial Implications

The net decrease in non-tax revenues has an unfavourable impact on the 2017 tax rates due to there being less non-tax revenues to offset the City's net expenditures for its operations. Ultimately this results in the need to have a higher tax rate to generate sufficient tax revenues to fund the City's net expenditures.

Relationship to Strategic Plan

This report relates to the goal under the economic pillar to be an affordable city for young people, families and retired older adults which is further defined as working towards achieving a budgetary tax rate increase at or below inflation. Although the non-tax revenues have an unfavourable impact on the tax rate, the decline in 2017 of \$522,000 is significantly less than the decline in 2016 of \$1.76 million.

Conclusion

Based on the 2017 non-tax revenues projected there will be a net decrease in these revenues in 2017. This net decrease has an unfavourable impact on City's tax rates for 2017 as more taxes need to be collected on only to fund the City's net expenditures but to fund the shortfall on non-tax revenues of \$522,000 from 2016 to 2017.

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City of St Catharines

2017 Operating Budget - Non-Levy Revenue

	2017 Budget	2016 Budget	2015 Actuals	2014 Actuals	2013 Actuals	\$ Change 2016 Budget	% Change 2016 Budget
REVENUES:							
General Levy	88,133,477	84,554,378	79,957,995	77,088,128	73,813,144	3,579,099	4.23%
Urban Service Area Levy	11,678,860	11,059,034	11,236,599	10,560,570	10,065,519	619,826	5.60%
Investment in CIP	(1,040,797)	(900,520)	(825,000)	0	0	(140,277)	15.58%
Tax Appeals and Write offs	(590,000)	(490,000)	(489,679)	(1,040,149)	(368,026)	(100,000)	20.41%
Commercial/Industrial Vacancy Reba	(344,000)	(354,000)	(423,533)	(371,993)	(305,487)	10,000	(2.82%)
Supplemental Taxes	430,000	650,000	507,506	302,368	857,690	(220,000)	(33.85%)
Municipal Utilities	594,000	575,000	572,966	518,977	536,206	19,000	3.30%
Universities and Hospitals	664,505	660,598	660,599	655,764	645,713	3,907	0.59%
Contributions from Other Governmen	2,350,500	2,449,100	2,595,487	2,826,206	3,631,616	(98,600)	(4.03%)
Licences and Permits	2,098,000	1,954,500	2,125,626	1,750,088	1,913,664	143,500	7.34%
Rents,Concessions,Franchises	35,000	77,000	72,959	77,608	77,738	(42,000)	(54.55%)
Fines	145,000	195,200	166,436	276,829	268,832	(50,200)	(25.72%)
Services Charges	52,000	46,000	50,940	46,680	42,880	6,000	13.04%
Penalties and Interest	2,765,000	2,678,000	2,784,188	2,638,992	2,416,326	87,000	3.25%
Income from Investment	3,739,727	3,764,940	3,587,110	5,206,118	4,893,904	(25,213)	(0.67%)
Miscellaneous Revenue	353,800	553,300	1,036,365	1,017,836	320,083	(199,500)	(36.06%)
Surplus	1,085,000	1,000,000	1,319,393	2,649,139	4,300,961	85,000	8.50%
Total REVENUES:	112,150,072	108,472,530	104,935,957	104,203,161	103,110,763	3,677,542	3.39%
Tax Levies							
General Levy	88,133,477	84,554,378	79,957,995	77,088,128	73,813,144	3,579,099	4.23%
Urban Service Area Levy	11,678,860	11,059,034	11,236,599	10,560,570	10,065,519	619,826	5.60%
Total Tax Levies	99,812,337	95,613,412	91,194,594	87,648,698	83,878,663	4,198,925	4.39%
Revenue - Non-Levy	12,337,735	12,859,118	13,741,363	16,554,463	19,232,100	(521,383)	(4.05%)