

Memorandum

To: Budget Standing Committee

Cc: Shelley Chemnitz, CAO; Dave Oakes, Deputy CAO

From: Kristine Douglas, Director Financial Management Services

Date: November 19, 2018

Subject: Estimated Property Tax Increase for 2019 for Median Household

On October 23, 2018 the Draft 2019 City Departmental Expenditure Budget was published on the City's website. The same was presented to the BSC on November 19th. There is an overall increase in City Departmental expenditures of 3.98% for 2019. The St. Catharines Public Library (SCPL) also presented their 2019 operating budget on November 19th. The BSC directed the SCPL to come back with the City's contribution at 2.1% including security costs. Although the BSC has not received presentations from the St. Catharines Transit Commission or the Niagara District Airport, their 2019 budget requests have been provided to staff. These presentations will occur on November 22nd 28th respectively. The chart below summarizes the City's total expenditures and direction from the BSC.

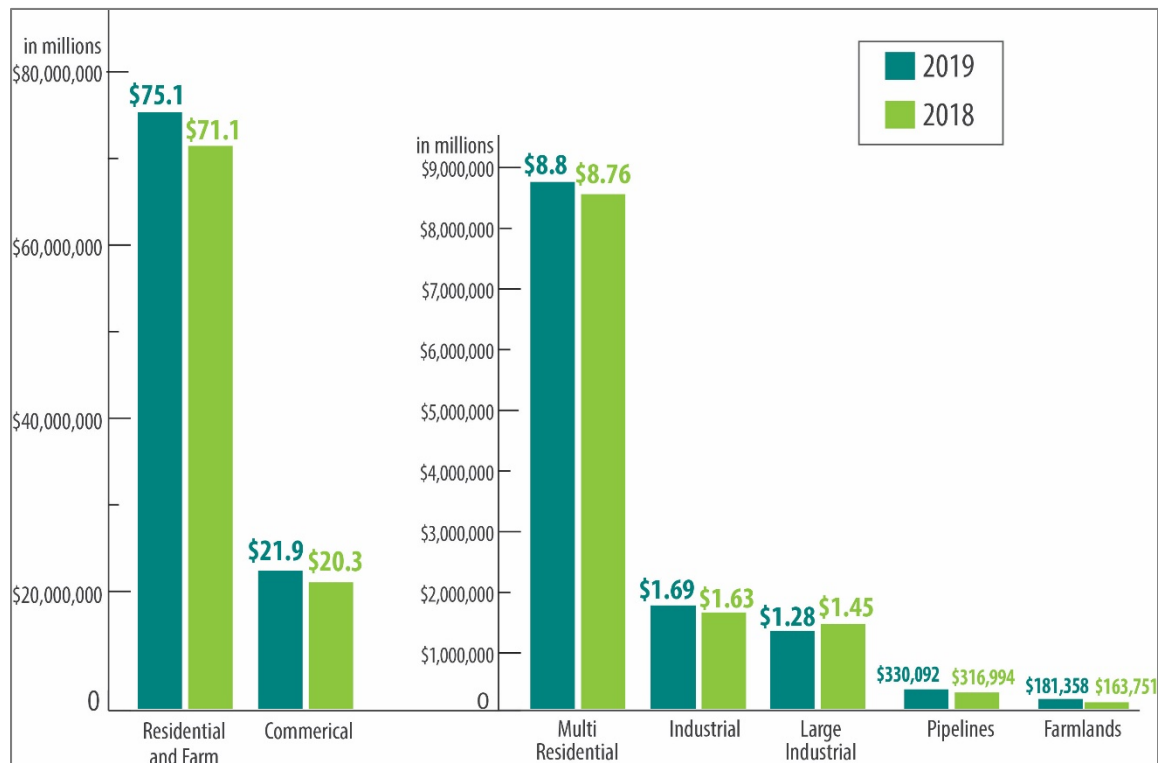
| Description | Amount | % Change from 2018 |
|---|-------------------------------|---------------------|
| City Operating Budget Expenditures (Oct 23/18) | (\$97,632,005) | 3.98% |
| Transit Commission – per Nov 1 st Presentation | (\$12,951,179) | 16.0% |
| Library Board –per Nov 1 st Presentation | (\$5,512,338) | 2.1% |
| Niagara District Airport – Operating Budget only – Nov 28 th Presentation - Estimate | (\$245,263) | 18.0% |
| Total 2019 Expenditures | <u>(\$116,340,785)</u> | <u>5.13%</u> |
| Non-Tax Revenues | \$10,263,456 | |
| Net Tax Levy | <u>(\$106,077,329)</u> | |
| | | |

Based on the median residential home in St. Catharines assessed at \$246,000 the following chart shows the estimated tax impact for the City portion of the tax bill.

| | 2019 | 2018 | \$ Change | % Change |
|-----------------------|--------------------------|--------------------------|-----------------------|---------------------|
| CVA | <u>\$246,000</u> | <u>\$238,000</u> | <u>\$8,000</u> | <u>3.36%</u> |
| City | \$1,526.06 | \$1,454.90 | \$71.16 | 4.89% |
| Hospital | <u>\$31.70</u> | <u>\$31.89</u> | <u>(\$0.19)</u> | <u>(0.60%)</u> |
| Sub-Total City | \$1,557.76 | \$1,486.79 | \$70.97 | 4.77% |
| Infrastructure Levy | \$14.42 | \$14.12 | \$0.30 | 2.12% |
| Total City | <u>\$1,572.19</u> | <u>\$1,500.91</u> | <u>\$71.27</u> | <u>4.75%</u> |

Based on the net tax levy amount for 2019 of \$106,077,329 the median household in St. Catharines will experience an increase of \$71.27 or 4.75% on the City portion of their 2019 taxes. The main pressure on the 2019 operating budget is the increase in debt payments, adequate allocation to equipment reserves, allocation to capital projects, potentially assuming the operations for the Merritton arena, FOPAC moving to outside board, the impact of the full 12 months for Transit's new crosstown route introduced in September 2018, increasing cost of diesel fuel for transit, and increased security costs for the library.

The assessment amounts for 2019 will be delivered by MPAC to the City of St. Catharines by December 15th. Therefore, preliminary assessment figures have been used to calculate the impact on the median household. The preliminary assessment amounts indicate that the City will be seeing a shift in assessment mix for 2019. This change is shown in the graph below.



The graph shows the allocation of tax levy dollars over the various tax classes for 2018 and 2019. There is a decline in the large industrial tax class dollars in 2019 when compared to 2018. This is largely due to the GM property on Glendale Avenue. The assessment for this property has received a significant reduction effective for 2019 taxation year. As industrial properties are taxed at a higher ratio (2.63 higher) than residential properties, it takes more residential properties to make up for this assessment loss. It also transfers some of the tax burden away from the industrial tax base to the other property tax classes. With residential properties representing almost 80% of city's tax base, a decline in industrial tax class is picked up by the other tax classes, with residential tax classes experiencing the highest dollar impact. This change in assessment mix is creating another significant pressure on the City's operating budget in 2019.

At this time the other two components of the tax levy related to the Region of Niagara and the Provincial Education rate are unknown. There are a few factors that need to be determined to fully estimate these rates related to tax ratios, tax policy and how the City's assessments compares to the rest of the Province. With new political party in power at the Province and their current mandate to review expenditures line by line, it is difficult to estimate the education rates for 2019. Therefore, staff are not able to predict the **total tax impact** for the median household in St. Catharines at this time.