Disclaimer: This presentation is intended to provide some comparative examples only and does not represent a complete overview of Village finances. Figures presented should be taken in context. Please reach out to admin@village.clinton.bc.ca if you have questions.

Purpose of this Report

The information provided in this report will give context on:

- Concerns raised by the Mill Rate Delegation
- Affordability concerns for residents and businesses
- Current costs for specific services
- Clinton's taxation situation as compared to other similarly-sized communities

1. CFO McKague and I hope with this report to provide some information for Council on the areas of concern brought up at the meeting, primarily with regard to the Mill Rate and suggestions for cutting services. This is a complex issue that has a huge effect on the Village's ability to provide services as well as the bottom line for residents and businesses so it's important for Council to have the all the information needed to make the best decisions you can. And this is just the first step in the process.
2. This information will help give some context on affordability for residents and businesses and to see where Clinton sits among similarly-sized communities in relation to taxation, some of the amenities we provide, and how we are limited by our sources of revenue.

In this Presentation:

1. Provide some responses to questions asked by delegation
2. Review the increases in the 2023 budget (recap)
3. Breakdown of taxation for average Single Family Home and Average Business
4. Taxation and Revenue Comparison with other similarly-sized communities

First, I will provide a few responses to questions posed by the delegation
The CFO will then give a brief review the increases to the 2023 budget, providing some context on the Mill Rate. This should just be a recap for everyone who was present for the 2023 budget meetings.
Then, we will provide a selective breakdown of taxation for residents and businesses, so that Council can see what services are costing residents and what a potential reduction of service levels might practically mean for the taxpayer.
Lastly, we will present a basic revenue comparison between Clinton and other similarly-sized Communities so Council can see where Clinton stands.
It is important to mention that though I hope this presentation helps to contextualize the Village's taxation, I want to acknowledge that any actual action on the budget and Mill rate will have to take place at a later time once we can look back at 2023's revenue and expenditures as a whole, and prioritize capital expenditures for 2024.

Questions:

What happens if residents defer their taxes?

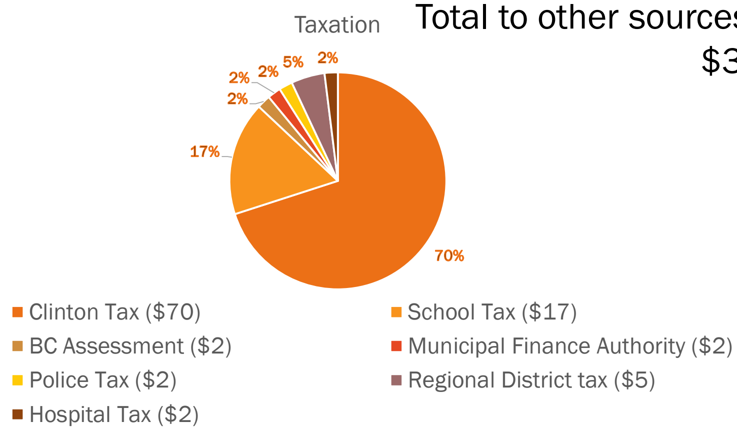
Why did the Village hire an accountant in 2022?

So first we will look at a couple of questions asked at the Mill Rate Delegation.

1. The first is, “What happens if most residents defer their taxes?” Well, if a resident defers their taxes, they are in essence leveraging the equity in their home to take out a loan from the province to pay their taxes. So if a homeowner deferred their taxes, the province would pay the Village the amount owing, and square up with the homeowner at a later time, usually once they sell their home. It would have no effect on the Village’s revenue, because either way, taxes are paid.
2. Secondly, we received the question of why the Village hired an accountant in 2022 when we have a CFO. The Village has experienced a lot of senior staff turnover in the past few years, which can mean a lot of organizational upheaval so the Village hired a financial consultant to help with financial oversight and meet capacity needs during a period of transition. To clarify, the consultant was not hired to fulfill day-to-day accounting needs. The Village has not paid for these services since mid 2022 and don’t anticipate any further expenses of this kind.

I will now hand it over to the CFO.

Taxation Info – Where do tax dollars go?



Total to other sources in 2023: $399,717

CFO: Before discussing Village finances, we thought it may be a good idea to briefly touch on some of the factors that go beyond the Municipal tax rate or what the Village spends that can influence a tax notice,. The hope is that with this information, you will be able to see on your tax notice the amount that is actually going to the Village for roads, recreation, parks, etc. As you can see on the graph not all tax dollars are retained by the Village. We are only collecting around 70% of the taxation amounts invoiced The rest goes to fund schools, police, the regional district, hospitals, BC Assessment, and the Municipal Finance Authority. In 2023, we collected $400,000 from our tax notices that had to be remitted back to the other taxing authorities. This represents almost one third of the total tax that is paid by our residents and businesses. Any increases to taxation for each of these other authorities also contribute to a higher tax bill.

Balanced Budget

Municipalities in BC MUST have a balanced budget.

- Meaning: we are not allowed to budget for a shortfall.

It is important to mention that all Municipalities in BC must have a balanced budget. Unlike other levels of government, we are not permitted to budget for a shortfall. In practical terms, this means that the amount we collect needs to exceed the amount we need to operate so we don't fall short or have to draw from reserves.

Budgetary increase in 2023: $71,516

Main 2023 Increases
Public Works Yard Loan Payment
New Sand and Salt Source
Insurance
Wages
Equipment and facility repair and maintenance
Inflation (6.8% in 2022)

This slide is a recap for anyone who may have been present during the 2023 budget meetings. You can see the budget increase of almost $72,000 from 2022. In addition to costs that rise every year like Insurance, Equipment and Maintenance Costs and wages, the Village began making payments on the Public Works Building and sand and salt had to be sourced from outside of Clinton which meant transportation costs had to be factored in. Regular costs for basic supplies, equipment, and shipping were subject to the 6.8% inflation rate in 2022. Together these add up to much more than $72,000, but we were able to find other places to reduce costs and limit the increase.

Overview – Taxation Revenue 2023

Class	Description	General Municipal*
1	Residential	8.9079
2	Utilities	40.0000
4	Major Industry	11.3320
5	Light Industry	19.6009
6	Business/Other	19.6009
8	Recreation/Non-Profit	8.9079
9	Farm	8.9079

2023 Budgeted Amount

$940,466

2023 Amount Collected

$984,117**

Class	2019	2020	2021	2022	2023 budgeted
Total	$679,651*	$721,448*	$759,002*	$868,950*	$940,466

* Actuals as per Audited Financial Statements
** As of December 15, 2023

Above numbers do not include Payments in Lieu of Taxes

The amount budgeted in 2023 was $940,466 based on the needs of the municipality and new and rising costs to deliver services. The amount we collect can be different than the budgeted number based on whether property owners pay their taxes, if there are changes to property assessments or if property owners appeal their assessments, etc. A municipality is provincially mandated to produce a balanced budget, so the amount we plan to collect from property taxes must be higher than the minimum needed to cover costs, in case of an emergency or unexpected expenditures. For example, if the price of gas skyrockets or we discover some critical issue to our infrastructure, we need these extra funds to cover those expenses. We have no control over our fees and charges income once the fees are set, and we also have no control over how much we receive from the province but we do have some control over taxation. That means that the buffer needed to cover emergencies and unforeseen expenses has to be accounted for by taxation. This year in tax we

collected $984,000.

Each year at budget time, we look at the previous year's expenditures and make changes to ensure we stay close to the amount we need to operate. In the last year, rising assessment values have meant that we collected more, but not significantly more than our necessary annual budget increase. The amount of this difference is a decision Council makes based on how much risk the Village is willing or able to take on, and whether the balance in the general reserve is enough to manage cashflow throughout the year, and any emergency expenses. This issue was discussed during the last budget process and Council was in favor of low risk and being prepared. We don't fund our reserves. Any overages go into surplus which then flow into reserves. In reality, we really aren't collecting enough to have adequate asset management and other reserves but we are on the right track.

That's my portion of the presentation and I will pass it back to CAO Doddridge.

Average Properties

Average residential property in 2023 - $233,175

Average Commercial Property in 2023 - $130,403

More realistic comparison for businesses along the highway - $323,186

I am going to break down taxation a bit to really help highlight what residents and businesses are paying for some of the services the Village offers, specifically ones where cuts were suggested by the delegation. To do this, I am going to give some examples based on the average single family home, and also an approximation of the average business in the commercial zone along the highway.
The average single family home in Clinton was assessed at $233,175 in 2023.
BC Assessment breaks down assessments by lot, so while the average commercial lot was assessed at $130,403, since most businesses in Clinton are built on multiple lots, this number may seem a little low. So I took a general average of businesses on the highway (including all lots) to be able to get a number that seems more familiar to our businesses, and the number I got is $323,186 which represents about two and a half average-priced commercial lots.

Examples – Average Properties

Jim

Owns a house assessed at **$233,175** in 2023 (the average single family home assessment in Clinton).

Lisa

Owns a business assessed at **$323,186** in 2023.

As examples, I have Jim and Lisa. Jim is a homeowner, his house is assessed at $233,175, the average assessment for a single family home in Clinton.
Then on the right we have Lisa, whose business is assessed at the approximate average for businesses along the highway, at $323,186, which represents just less than 3 average priced commercial lots.

2023 Taxation Averages

Jim paid $2077 ($1538) in 2023.

Lisa paid $6335 in 2023.

The average business lot paid $2556.

Jim, the average single family homeowner, is paying $2077 specifically to the Village on his tax bill. In reality, The Village's portion of Jim's taxes are actually reduced by $539 because of a homeowner grant. For the purposes of the following examples, the amount in brackets shows what he is paying if he is eligible for the basic homeowner grant, and a senior would pay slightly less if eligible for the additional grant.

Lisa is paying $6334, about three times what Jim is paying.

Paving

Jim pays $34.17 ($25.30).

Lisa pays $104.20.

The average business lot paid $42.

The first item to look at is paving.
Jim contributed $34 to paving and Lisa contributed $104 in 2023. $30,000 of the Village's revenue goes to paving projects each year. As these projects have become more expensive over the last few years, it has meant that it takes us longer for us to build up the funds for them, but the actual amount we collect has not changed. We also try to use grant funding when it's available to pay for these projects, like with the MacDonald street paving this year which was about 40% funded through provincial grants.

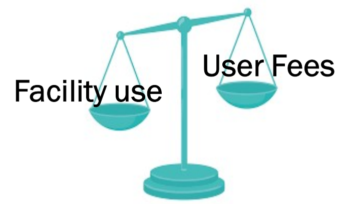
A Note on Recreation

The Village currently subsidizes the 47 mile complex approximately 90% through taxation.

A private company would have to increase user fees by at least 10x and maintain the current level of usership just to break even.

The Village has indicated that increasing usership of the facility is a major priority.

The Village reviews user fees most years to make sure cost recovery is at appropriate levels.



On to recreation, the Village by-and-large pays for the operation of the 47 mile complex through taxation. User fees only cover about 10% of the cost. There is always a trade-off with user fees and actual usage of the facility, where if fees go up, use may go down. The concept of privatizing the rec centre or entering into a partnership would be a long shot, as a private company would have to increase fees by about 10x and maintain current usership levels just to break even, or find some combination of increase to usership and increases to fees.

It’s important to note that the Village’s strategic plan has indicated that it’s a major priority of this Council to increase the usership of the facility which will reduce the burden on taxpayers. It’s also a possibility to review fees and charges again at some point to make sure that they match Council’s stance on cost recovery.

Recreation

Jim pays **$165.95 ($122.87)**.

Lisa pays **$506.10**

The average business lot paid **$204.61**

This covers the cost of operating and maintaining the Arena and Curling Club.

Practically, operating and maintaining the 47 Mile Complex cost Jim $166 and Lisa $506 in 2023.

Selling Assets

Asset	Assessed Value
Museum	$89,800
Public Washrooms	$25,000*
Robertson Square	$25,000*
Forestry Building (Public Works Storage)	$70,000
47 Mile complex	$1,186,000
*Assessment unavailable. Estimate based on similar nearby property.	

Selling the "old forestry building" could result in approximately $70,000 in cash and increased taxation on a very small scale.

Jim would see his taxes reduced by $79 for one year. Lisa's taxes could be reduced by $243 for one year. If a house is constructed on the lot, Jim's taxes could be reduced by $2.36 and Jill's by $7.12.

The Village requires storage for maintenance and fire department equipment and materials. Selling this storage site would result in added costs to purchase additional storage or would require other public facilities to expand their storage capabilities.

Now we move on to another consideration – The Village's property assets. It was suggested by the Mill rate delegation to sell the old forestry building, which is currently being used for public works and fire department storage. It is an option but I want to give some context for what it would mean for taxes and for operations. Basically, if the property were sold for assessment value and the money folded into general revenue to offset taxation, it could reduce Jim's taxes by $85 and Lisa's taxes by $243 for a single year, and if the property were added to the tax base with a house of average value constructed, it would reduce taxation by a nominal amount - about $2 for jim and $7 for Lisa.
Meanwhile, the Village could have additional costs to consider to make up for the reduced storage capacity for fire department and public works equipment.

Buildings and Maintenance

Jim pays **$86.64** ($54.50).

Lisa pays **$264.25.**

The average business lot pays $106

Includes all Village buildings except 47 mile complex, and water and sewer facilities. This includes the loan payment for the Public Works Building.

General maintenance for Village buildings, excluding the 47 Mile complex and water and sewer infrastructure costs Jim about $87 and Lisa $264. And this number includes the new loan payments on the public works building.

Public Washrooms

Jim pays **$10.82 ($6.85)**.

Lisa pays **$33.00**.

The average business lot pays $13.31

To break this down further, for example Jim pays $11 to keep the lights on and maintain the public washrooms on the highway and at Reg Conn Park., Lisa pays $33.
These examples don't cover all the items in the budget but I hope they've given a bit of context on what a reduction of services might mean for the average taxpayer.

Kamloops Comparison

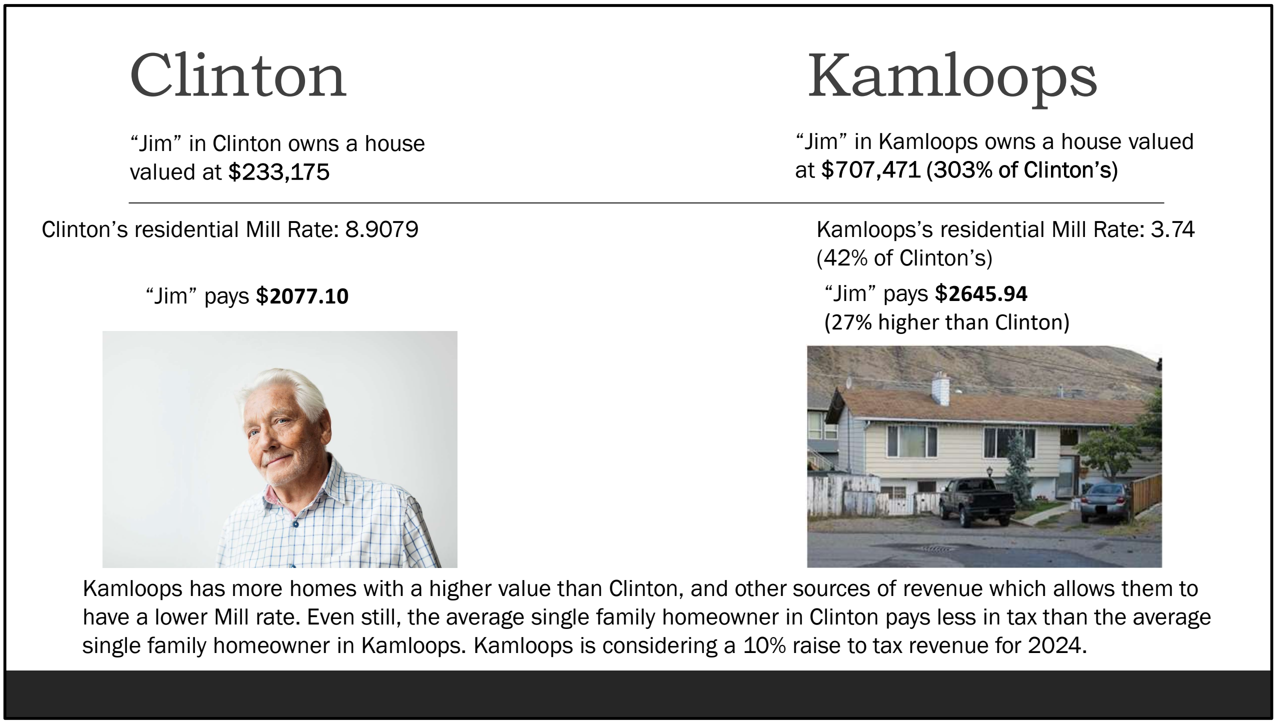
Economies of Scale:

The larger a municipality, and the higher the density, the less burden that is put on population per capita.

90,280 Kamloops residents are responsible for 1330 km of roads = 15- metres of road per person.

568 Clinton residents are responsible for 15 km of roads = 26+ metres of road per person (73% more). This principle can be applied to Fire halls, engines, snow plows, facilities, staff, etc.

I'm going to get into a revenue comparison between Clinton and other similarly-sized communities, but first I just want to make a quick note about why it can be tricky to compare Clinton Mill Rate to the Kamloops Mill Rate. Many people get the idea that small towns should have lower taxes and lower Mill Rates than larger centres, but there are few reasons why this typically isn't the case. The first main reason is that larger centres can take advantage of economies of scale. Basically what this means is that the Village of Clinton has 2 fire engines, one plow truck for 568 people. Kamloops has significantly more equipment than we do, but because their population numbers are higher, and their population is distributed more densely than we are, they can have fewer per capita and per taxpayer. Similarly, as an example, on a per capita basis, we have 73% more road to plow, sand, salt, fill potholes in, and replace than Kamloops. If you have more people paying for a service, there is generally a point where it becomes cheaper.



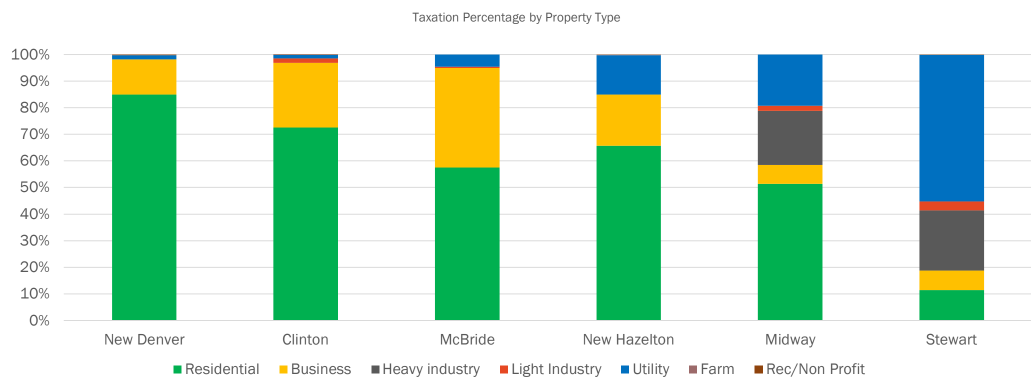
My second point is that assessments are higher in Kamloops, so the mill rate can afford to be lower. The average house in Kamloops, Jim's house would be valued at over $700,000, and even with a mill rate that is only 42% of Clinton's he is still paying more for his Kamloops taxes. By the way, The house on the slide has an assessment that is very close to the average assessment for a single family home in Kamloops, so it's not an unreasonable comparison. Kamloops also receives taxation from a variety of major and minor industrial sources, which lessens the burden that has to be placed on residents and small businesses. And to add to this, Kamloops is considering a 10% increase to taxes this year.
Basically, my point is that comparing Clinton taxes to Kamloops taxes is not an easy comparison and when you take into account higher assessments, other sources of revenue, and economies of scale, the difference in the Mill rates can be better put into context.

Comparison - Communities of Similar Size

Village	Population
New Denver	487
Stewart	517
Clinton	568
McBride	588
New Hazelton	602
Midway	651

Now I want to get into a brief comparison between Clinton and other communities that are all within about 100 people of Clinton's census population. I had to use 2022 numbers for the following graphs because it is the most recent year with full data available for all the communities.

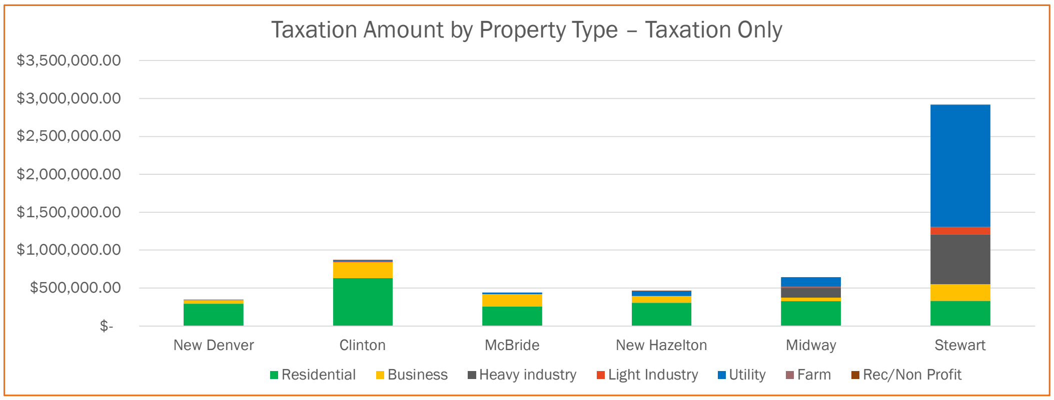
Tax Base Comparison (2022)



Percentages calculated based on tax rate bylaws and BC assessment summaries

This chart shows where these other communities put the “weight” of each tax class as a percentage of total tax dollars received. The green represents the percentage of taxation that is paid by residents, yellow is the percentage paid by business, Blue is private utilities, red is light industry and grey is heavy industry. So you have Midway, New Hazelton, and Stewart who all have varying degrees of taxation sources outside of residential and commercial which allow them to keep their residential and business taxes relatively low. Just like New Denver and McBride, Clinton is disadvantaged in not having large amounts of industrial and utility taxation to offset the cost to residents and businesses.
New Denver puts the vast majority of the tax burden on the residents, while McBride places more weight on the businesses. Clinton comes up somewhere in between.
So this is taxation class as a percentage of total taxation, but it’s helpful to see the same numbers comparing total taxation.

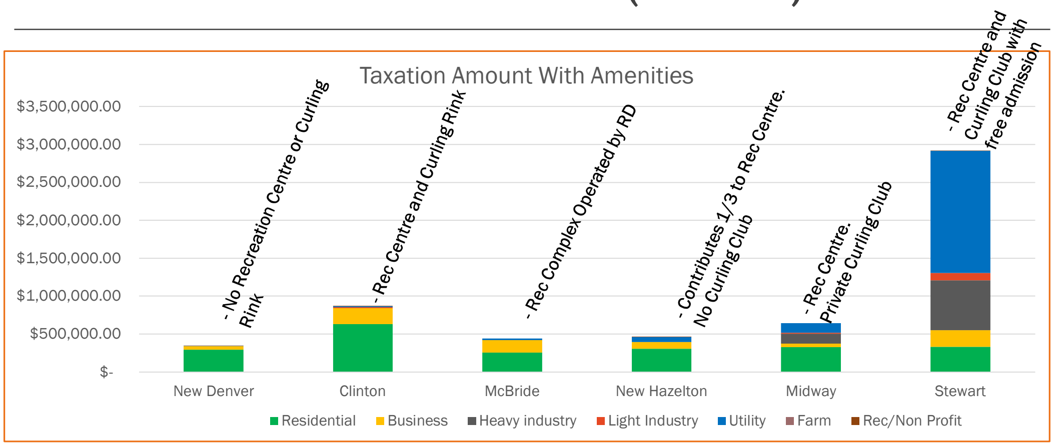
Taxation Out of Context (2022)



Taxation numbers calculated based on tax rate bylaws and BC assessment summaries

This chart shows only total taxation collected in 2022.
Other than Stewart, Clinton collected more in taxation than the other communities of similar size, but this graph does not include all the factors that influence the tax rate. This has to be put in context of the amenities that each community offers, and the other sources of revenue they have.

Taxation In Context (2022)



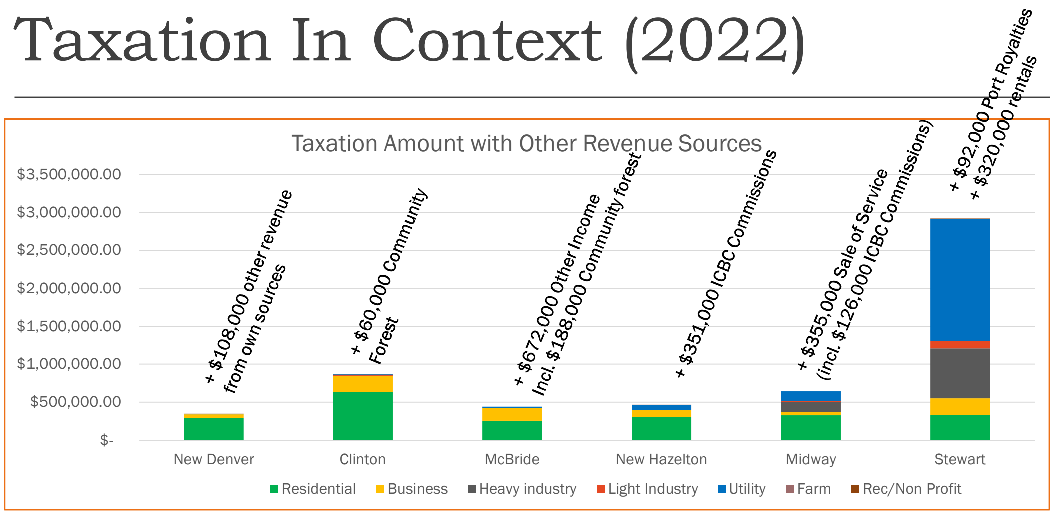
Taxation numbers calculated based on tax rate bylaws and BC assessment summaries

It would be a significantly larger task to compare all amenities a community provides, so I am using recreation centres as an example of how amenities have to be factored into a taxation comparison.

Clinton is the only community that has a municipally-funded rec centre and curling club, except Stewart. Stewart has the taxation that they can afford to offer it for free to all users. Other communities contribute to the rec centre but share costs with the regional district and/or other nearby municipalities, like New Hazelton and McBride. Then there's New Denver which does not have a recreation centre at all. New Hazelton and New Denver are also both less than 5 km from another small municipality, which allows them to have complimentary services and so share the burden of providing those services.

Basically, the point of this comparison is to show one example of how taxation in a vacuum doesn't take into account the fact that Clinton is offering at least some services that these other communities either don't provide or don't pay for themselves.

Taxation In Context (2022)



Taxation numbers calculated based on tax rate bylaws and BC assessment summaries.
Additional revenue sources taken from audited financial statements.

Now we will look at these same communities in the context of the other sources of revenue we have.
In addition to Stewart's industrial and Utility taxation, they collected $92,000 from port royalties and $320,000 from rentals of municipal land in 2022.
New Denver also received $108,000 from Other sources of revenue.
Clinton's main other source of revenue, the Community Forest, gave us $60,000 in 2022, compare that to the $188,000 McBride received from their community forest in 2022, which made up part of the $672,000 they received from other sources.
New Hazelton provides ICBC services out of the municipal office and collected $351,000 Commissions over and above taxation revenue.
Midway collects $355,000 for "sale of services" over and above taxes including $126,000 from ICBC Commissions.
It is important to make sure that these comparisons are done in the context of the other sources of revenue the municipalities have. Clinton may collect more in taxation than other similarly sized communities except Stewart, but the fact remains that we have no major industrial or utility taxation, very few other sources of revenue, and we do have desirable amenities to maintain. Council has indicated a diversified economy as a main goal of the Strategic Plan, which means working to build up a larger and more varied tax base but also looking for other sources of income for the municipality.

A Note on the Mill Closure

Gives context on what industrial revenue means to taxpayers

The Village received $163,087.85 in Major industrial Taxation in 2019.

This represented 24% of the Village's taxation revenue in 2019.

Jim: $185.74

Lisa: $566.46

I wanted to make a quick point about what the closure of the Mill really meant for taxpayers.

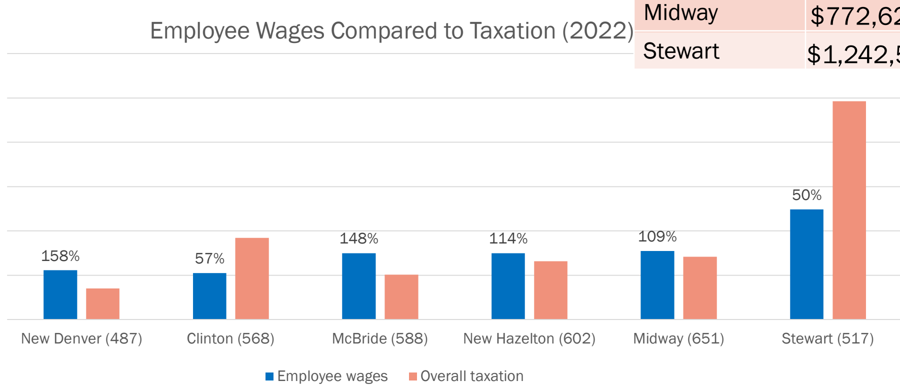
In 2019, the Village received just over $163,000 in taxes from major industry, which represented about 24% of total tax revenue that year. That dwindled until we received none in 2023.

If the Mill's assessment had stayed the same, it would mean $186 off Jim's tax bill this year, and $566 off of Lisa's in 2023.

The Village managed to maintain service levels since the closure by cutting costs where it could and by spreading the tax burden among existing taxpayers where it had to. So while there have been increases since 2019 both in terms of expenses and taxation to meet it, and while the Mill's proportional contribution to taxes would have lessened over time, the Mill closure did have an effect on taxation and continues to.

Employee Wages

Community	Wages (2022)
New Denver	$554,811
Clinton	$523,228
McBride	$747,993
New Hazelton	$747,133
Midway	$772,622
Stewart	$1,242,569



The Village has 7 full time employees and 3 part time employees (one is paid through grants) This number has not changed significantly since 2014.

Lastly, I want to address the request to re-assess staffing levels. The Village has 7 full time employees and 3 part time employees, one of whom is paid for exclusively through grants. This number has not changed since at least 2014 except that the Village went from a contracted animal control officer to an in-house one day per week bylaw officer in 2021. This is even though, since that time, there have been quite a few additional requirements being downloaded on the Village by the Provincial government including asset management planning, safety program improvements, accessibility planning, new financial reporting requirements, Greenhouse gas reporting, housing needs assessments, new privacy and records management responsibilities, new grants which require additional project management and reporting capacity, etc.

I want to point out that Clinton paid the least for wages in 2022 out of all the comparably-sized communities in BC. You may notice something interesting about this chart. All the other communities listed with the exception of Stewart and Clinton pay more for wages than they receive in taxation. This is partly because these communities have other sources of funding outside taxation to help cover costs. So in general, Clinton stands out from other communities here both for paying the least for wages and also being in a position where we have to collect more in taxation to cover basic operations, because we do not have many other steady sources of revenue. These graphs do not show the whole picture, but they can begin to give an idea of Clinton’s situation.

What's next?

1. Review where we sit with reserves and surplus. - JANUARY

2. Look at upcoming expenditures and prioritize/price out items on the business plan – JANUARY/FEBRUARY

3. Develop a draft financial plan bylaw – FEBRUARY/MARCH

4. Seek public consultation on the bylaw – FEBRUARY/MARCH

5. Make revisions to the bylaw and adopt it – MARCH/APRIL

6. Pass the Tax Rate Bylaw - MAY

Residents also have the opportunity to give input on the annual report released before the end of June.

In conclusion, I hope this information has given Council some context for where Clinton's taxation sits in relation to affordability and in relation to other communities. I have picked out some examples in response to questions and comments we have received, but the full picture will be visible in 2024 once we can look back at the year and see how we did with our budgets. And also at that time address the possibility of service level reviews and adjusting tax rates. Here is a brief rundown of what to expect next year. There will be public consultation opportunity again once we have a draft financial plan bylaw at some point in February or March.

Stay tuned…

Village Website: www.village.clinton.bc.ca

Facebook: Clinton Chatter

LED Sign in front of office

Bulletin Board in Village Office

Posting places around town