

REFERENCE JURISDICTION TRANSITION PLAN



Penticton Indian Band

October 18, 2018

The Sandman, Penticton, BC

Background

- **Chronology**
 - Pre-2008: Residents are taxed by province and regional district
 - 2008: PIB assumes taxation authority
 - 2015: PIB establishes separate tax districts
- **Property taxes pay for local services, such as:**
 - Fire protection
 - Garbage collection
 - Sewage services
- **Property taxes build and maintain local infrastructure, such as:**
 - Roads
 - Lighting
 - Water treatment

PIB's Long-Term Goal

- **Harmonize taxes with CoP**
 - Harmonizing tax rates lays the foundation for improved services, infrastructure, and future development
 - Cost of building necessary infrastructure and providing services to residents and businesses will increase with development
 - Treats all taxpayers equally
- **Supports:**
 - Integrating PIB lands with the local economy
 - Further development

How First Nations set Tax Rates under FMA

- Made under the authority of the *First Nations Fiscal Management Act*
- Rates established in annual tax rates law
- Must be approved by the First Nations Tax Commission
- Set by either:
 - keeping average tax bills from increasing beyond the rate of inflation
 - keeping average tax bills from increasing beyond the average tax bill of the reference jurisdiction; or
 - keeping tax rates identical to the tax rates of the reference jurisdiction

How PIB Sets its Annual Tax Rates

- District 1 (Skaha Hills and the Bow, businesses in the channel lands)
 - PIB sets its tax rates for each class identical to the tax rates of the City of Penticton
- District 2 (Red Wing, Sun Leisure, Riva Ridge, Green Mtn. Rd., IR #2)
 - PIB historically set tax rates to ensure the average tax bill does not increase beyond the rate of inflation

2018 Tax Rates

Property Classification	PIB District 2 2018 Tax Rates	PIB District 1/CoP 2018 Tax Rates
1 Residential	3.90550	6.1997
2 Utilities	22.3298	44.6060
3 Supportive Housing	-	2.66961
4 Major Industry	13.1313	13.1313
5 Light Industry	9.1103	12.7517
6 Business/Other	11.04	12.2059
8 Recreational/Non-Profit	6.3506	8.6623
9 Farm Land	9.4792	20.3990

Transition to the Reference Jurisdiction Rates

- Under the FNTC's standards, PIB must develop a reference jurisdiction transition plan that
 - Justifies the proposed increases related either to:
 - providing a higher level of local services to the taxpayers, or
 - to building new or replacement local service infrastructure
 - Sets how tax rates will increase
 - Transition cannot be longer than five years
- PIB must inform taxpayers that it intends to develop a reference jurisdiction transition plan and the time and place of a taxpayer meeting
- PIB must hold a taxpayer meeting to review and discuss the reference jurisdiction transition plan in the year before the transition starts

Higher level of local services provided

- Any increased revenue will be used to provide improved local services, such as:
 - increased amounts of protective services;
 - enhanced education and daycare services; and
 - public works, including landscaping on the channel lands

Building new or replacement local service infrastructure

- Any increased revenue will be used to build new local service infrastructure, such as:
 - installing benches on the channel lands;
 - street lighting, storm sewers, road and sidewalks; and
 - a water treatment plant, once the demand for water exceeds CoP's ability to provide it

What is a Reference Jurisdiction?

- A reference jurisdiction is a local government that is adjacent to a First Nation.
 - Often has a service agreement with the First Nation.
 - First Nations and the FNTC use reference jurisdictions in the setting of annual tax rates, and in the making and approval of annual tax rate laws
- PIB's reference jurisdiction is CoP
- Assessment practices are the same: PIB and CoP both use BC Assessment

How the Transition Will Work: Who it Applies To

- All taxpayers in all property classes in District 2 of the PIB where tax rates are currently below the CoP rates
 - In 2018, classes 1, 2, 5, 6, 8 and 9
- Property classes that currently match CoP's rates will continue to be comparable to CoP rates

How the Transition Will Work

- Reference Jurisdiction: City of Penticton
- First Transition Year: 2019
- Estimated Length of Transition: Five years

How the Transition Will Work:

Tax Rates will be Increased Gradually

- Five-year transition plan phases PIB's move to the CoP's property tax rates
- Tax rates for each class will be increased by a percentage of the difference between CoP's property tax rates and PIB's rates
- Because property tax rates adjust each year to changes in assessed values, a fixed transition rate would not ensure a smooth transition
- Instead the transition plan phases in the difference between PIB's previous year's rates and the current CoP property tax rates
- If a calculated transition year's rates are above the current CoP property tax rates, the current CoP rate will be used and the transition period ended

How the Transition Will Work:

Tax Rates will be Increased Gradually

Transition Year	Rate
One	PIB previous year's rate + .2(CoP current rate – PIB previous year's rate)
Two	PIB 1 rate + .4(CoP rate year 2 - year 1 PIB rate)
Three	Year 2 PIB rate + .6(CoP rate year 3 - year 2 PIB rate)
Four	Year 3 PIB rate +.8(CoP rate year 4 - year 3 PIB rate)
Five	CoP rate

How the Transition Will Work: A Historical Example

	Transition Year	CoP (Actual)	RDOS Area F (Actual)	PIB District 2 (Actual)	PIB District 2 (Transition)	Transition Plan Tax Bill*
2013		7.2285	5.3251	4.4094	4.4094	\$882
2014	One	7.4106	5.3619	4.6905	4.9732	\$1,044
2015	Two	7.3803	5.3855	4.975946	5.9482	\$1,312
2016	Three	7.3334	5.1868	4.534442	6.8074	\$1,576
2017	Four	6.8394	4.95221	4.280768	6.8394	\$1,663
2018	Five	6.1997	4.6017	3.9055	6.1997	\$1,583

* Based on a residential property worth \$200,000 in 2013, with assessed value increasing 5% per year

Comparative residential tax rates

	CoP	Summerland	Peachland	PIB District 2	Oliver	Osoyoos	Average
2013	7.2285	6.1349	6.2292	4.4094	6.3976	5.6552	6.32908
2014	7.4106	6.2858	6.6070	4.6905	6.6498	5.7666	6.54396
2015	7.3803	6.29774	6.4775	4.975946	6.6627	5.9925	6.562148
2016	7.3334	6.1570	6.2808	4.534442	6.6051	5.7795	6.4997
2017	6.8394	5.8184	5.7165	4.280768	6.2586	5.8307	6.09272
2018	6.1997	5.2971	5.1176	3.9055	6.1427	5.5156	5.65454

Inflation, 2013-2018

Inflation	
2013	0.8%
2014	1.24%
2015	1.9%
2016	1.6%
2017	1.5%
2018	1.9%

Why the Transition is Necessary

- Harmonizing tax rates lays the foundation for improved services, infrastructure, and future development
 - Cost of building necessary infrastructure and providing municipal services to residents and businesses will increase
 - PIB's budget has almost doubled because of increased development and the cost of providing expanded services