



Municipal Heavy Industry Property Tax Reform – Phase 1

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Background & Rational:

- Large industry is an essential component of the City's and southern New Brunswick's economy - from ***Sustaining Saint John – A Three-Part Plan***: “The private sector, including industry, is the engine that makes the Saint John economy move.”
- City of Saint John generates approximately 20 - 25% of the Province's gross domestic product (GDP) and 60% of the Province's exports, largely attributable to the presence of heavy industry.
- The Province derives hundreds of millions of revenue on an annual basis from these industries through Provincial Sales Tax, Fuel Tax, Utility Tax and Personal and Corporate Income Tax.
- The City of Saint John generates approximately **\$12 million** per year from property tax on heavy industry located in the City. The Province's receives approximately **\$9 million** in incremental property tax revenue from these same heavy industries.
- The City bears a particularly high proportion of the costs and impacts as the host community for New Brunswick's highest concentration of heavy industrial activities.
- The City and its residents are responsible for providing core municipal infrastructure and services to these industries, including protective services, and must contend with issues such as 7-24 industrial activity, road wear and deterioration, environmental impacts, EMO activations, and the land use and property valuation issues associated with multiple residential neighbourhoods co-existing adjacent to heavy industry.
- The proposed ***Phase 1 – Municipal Tax Reform*** provides a mechanism to allow the Provincial portion of the heavy industrial property taxes currently collected within the City of Saint John to remain in the City.

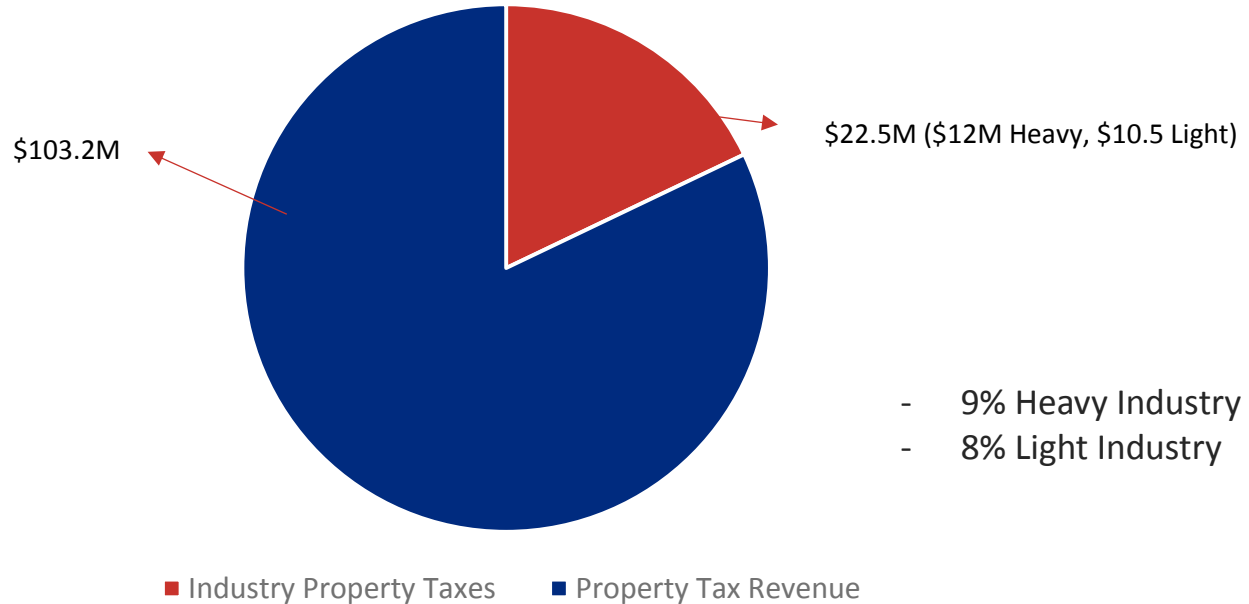
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Recommended Phase 1 Municipal Tax Reform:

- 100% of the property tax collected from large industry in Saint John stays within the City of Saint John as a reflection of the unique impact that cumulative heavy industrial activities have on the City and the delivery of core municipal and public safety services.
- This is an interim step in a much broader (comprehensive) review of municipal taxation issues by the Province of New Brunswick.
- Based on Service NB data, the City's total industry tax base is currently \$827M (July 2019). This includes both light and heavy industry. Industry accounts for approximately 17% of the City's total tax base (9% heavy industry, 8% light industry).
- Heavy industry located in Saint John pays approx. **\$12 million** in property tax to the City on an annual basis.
- Heavy industry located in Saint John pays approx. **\$9 million** in incremental property tax to the Province on an annual basis.
- A similar approach could be implemented Province-wide for municipalities hosting heavy industrial operations or activities, with minimal incremental impact for the Province.

Property Tax Revenue – City of Saint John (2019)

2019 Property Tax Revenue Budget



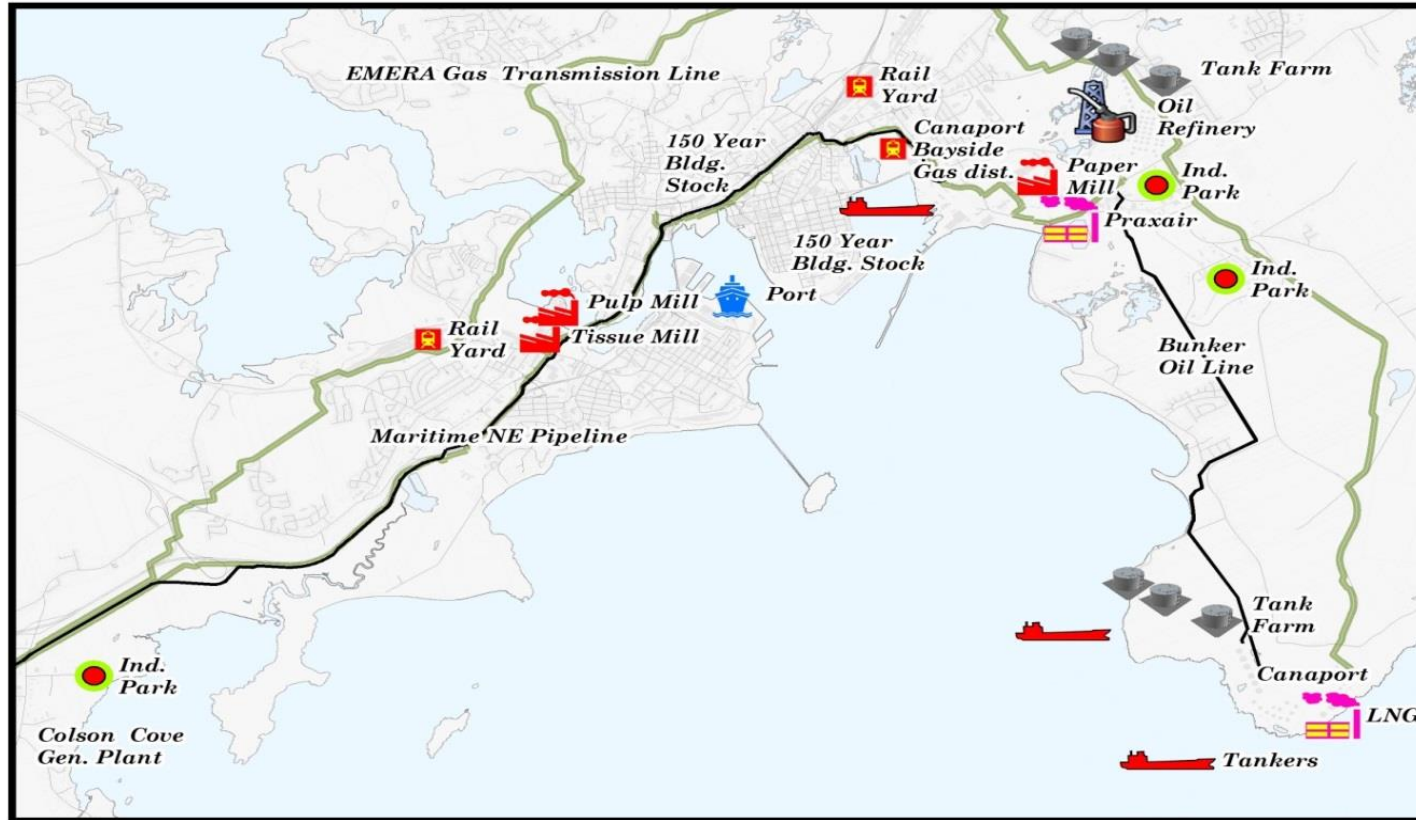
Industrial Profile - City of Saint John

From an industrial profile perspective, Saint John is home to Atlantic Canada's highest concentration of heavy industry, including:

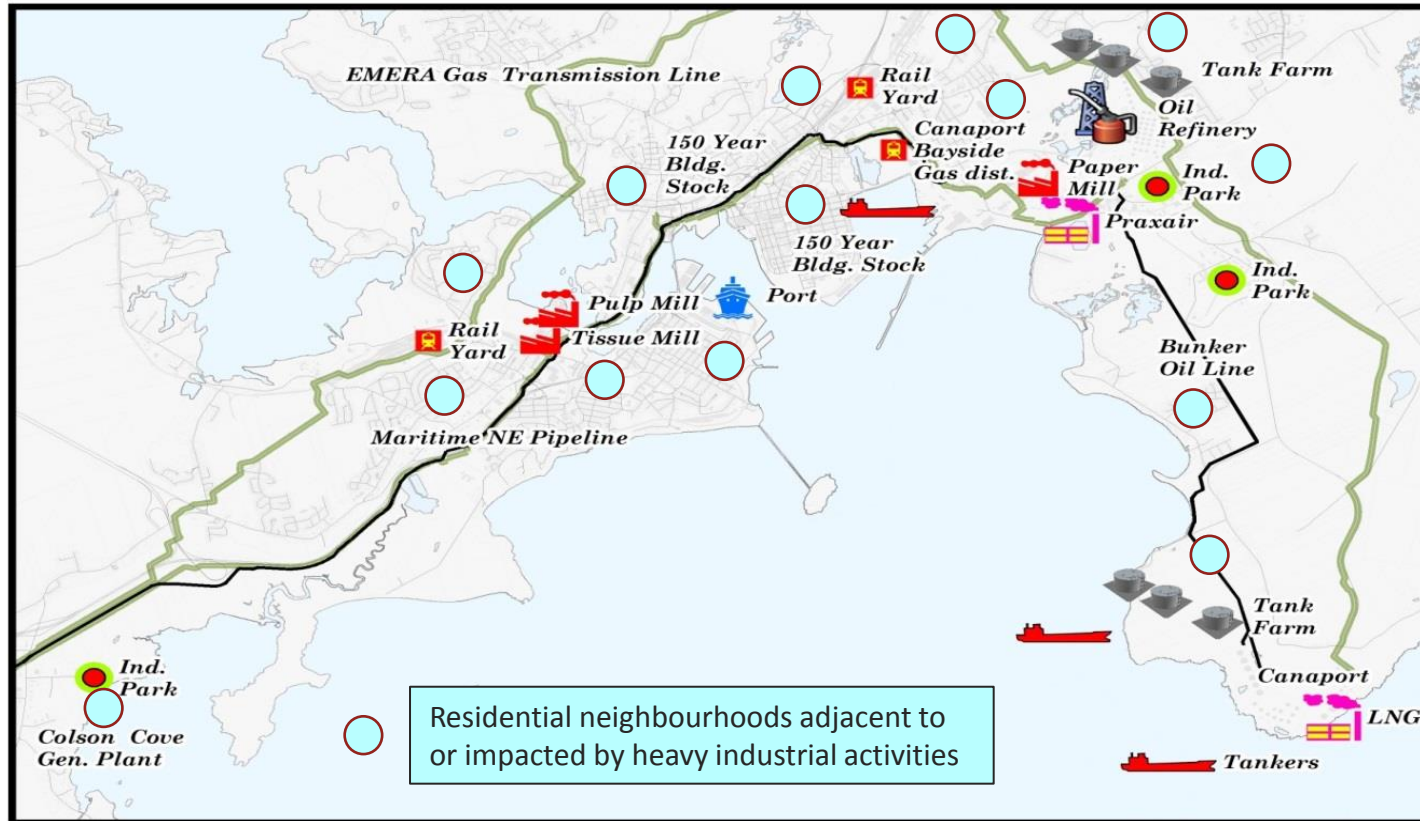
- *the largest oil refinery in Canada,*
- *the country's only LNG receiving terminal and regasification plant,*
- *a pulp and paper mill,*
- *two paper processing facilities,*
- *multiple power generation plants and associated electricity transmission infrastructure,*
- *two major natural gas pipelines,*
- *an active international deep water Port,*
- *a crude oil marine receiving terminal,*
- *a refined petroleum products export terminal,*
- *a crude oil rail receiving facility,*
- *two major rail carriers and rail yards (east and west),*
- *multiple smaller industrial operations located in three major industrial parks and within the Port of Saint John.*

Note: The City is also in close proximity to a nuclear power plant, with emergency response capabilities provided by the City of Saint John.

Industrial Profile – City of Saint John



Heavy Industry Coexisting With Residential Neighbourhoods



Heavy Industry Coexisting With Residential Neighbourhoods



East Side residential neighbourhoods adjacent to heavy industrial activities

Heavy Industry Coexisting With Residential Neighbourhoods



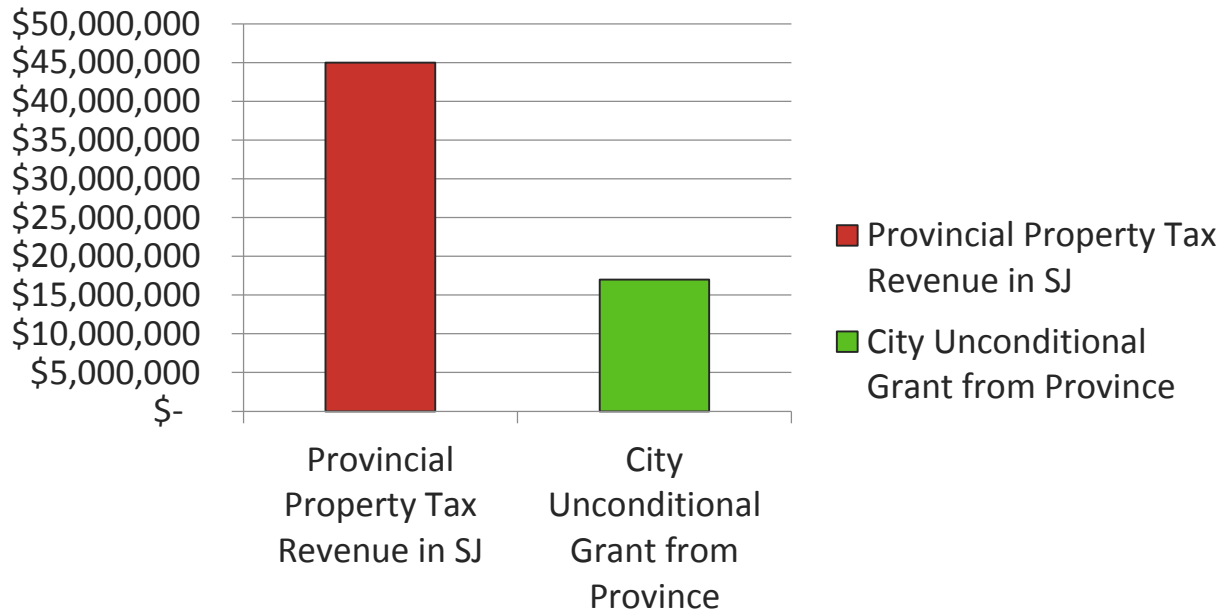
West Side residential neighbourhoods adjacent to heavy industrial activities

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- Immediately addresses a clear inequity with respect to the distribution of municipal industrial tax revenue within the Province of New Brunswick.
- Effectively allocates large industrial tax revenue to the local level in Saint John, where the impacts of heavy industry are directly felt.
- Reflects a truly unique community situation – Saint John is home to Atlantic Canada’s highest concentration of heavy industry, which is also a huge contributor to the Provincial economy, GDP and exports.
- There are very few municipalities in New Brunswick that have a comparably high concentration of industry – none have the economic impact that Saint John is home to.
- Does not create any immediate new taxes or a new or incremental tax burden for large industry.
- Contributes in a significant way to addressing the City’s pending 2021 “fiscal cliff” and structural deficit.

Province's Role in Property Tax

Provincial Property Tax vs City Grant



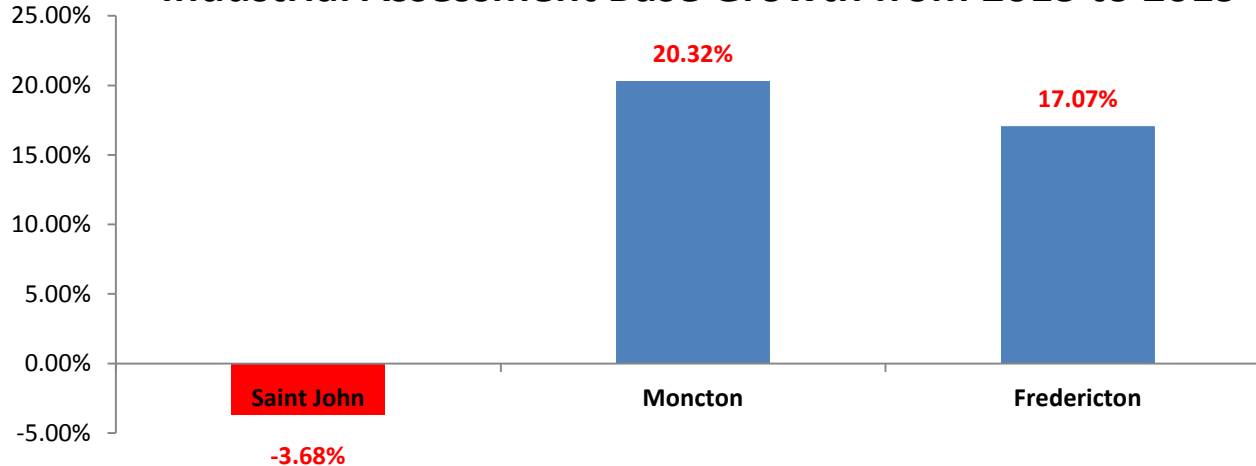
Slack and Kitchen

*"The property tax is a good tax for local government but not necessarily appropriate to pay for the redistributive services provided by the Provincial government, such as education and health care. **The Province should gradually get out of levying property taxes.**"*

*"Moreover, eliminating the provincial property taxes would reduce the pressure on the municipal property tax rate and increase transparency in the property tax system."
"It would also provide municipalities with needed tax room"*

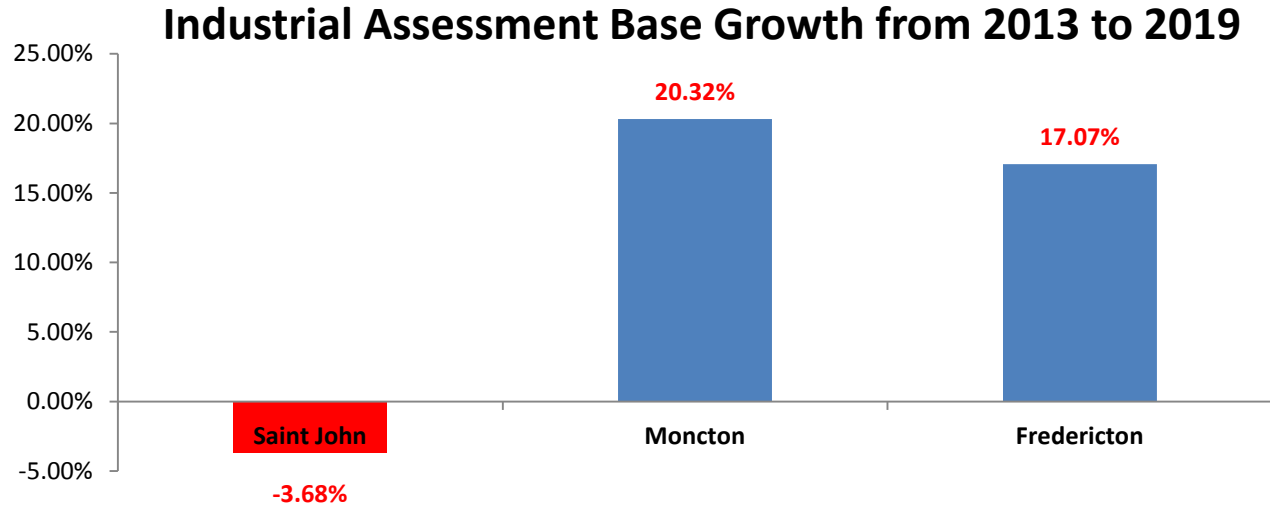
Industrial Growth in Saint John, Moncton and Fredericton

Industrial Assessment Base Growth from 2013 to 2019



Year	<u>Saint John</u>	<u>Moncton</u>	<u>Fredericton</u>
2013	786,620,000	461,957,700	113,475,500
2014	731,402,700	490,532,200	116,978,700
2015	740,339,100	504,415,000	119,154,900
2016	747,910,100	516,941,200	121,979,200
2017	749,878,700	528,355,000	125,644,700
2018	750,360,000	529,706,100	127,873,000
2019	757,662,800	555,808,100	132,845,400

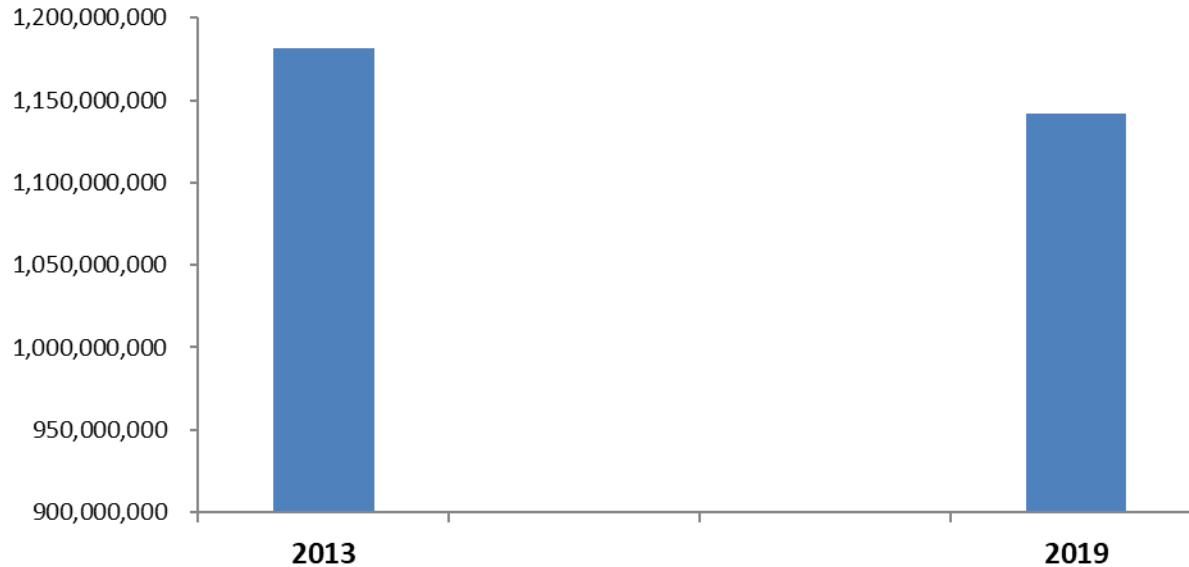
Industrial Growth in Saint John, Moncton and Fredericton



Industrial assessments in Saint John have been declining while large industry has been investing hundreds of millions in their operations year-over-year. Growth and new industrial investment is to be celebrated, but the City's property tax revenue from industry has actually declined. This is a contributing factor to the City's overall sustainability challenges.

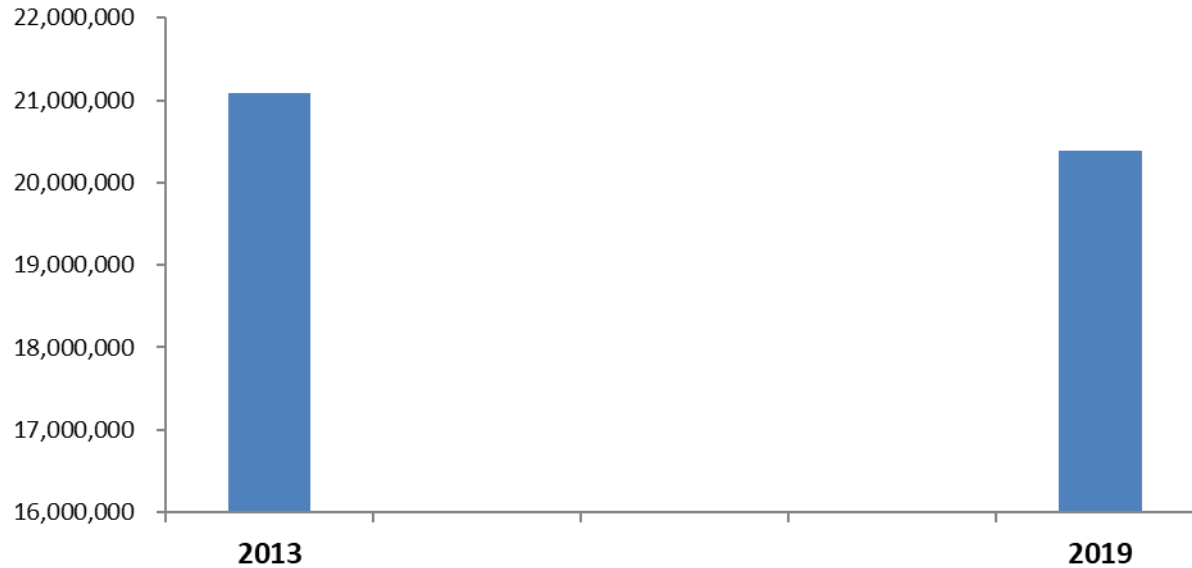
Industry Tax Base Less Today Than 2013

Total Assessed Value for Tax Purposes – Heavy Industrial Class



Industry Tax Revenue is less in 2019 than in 2013

Municipal Property Taxes Paid – Heavy Industrial Class



Redistribution of Heavy Industry Tax Impact

	Province Budget			
	2019	2020	Variance	%
Revenue	9,427,254,000	9,845,698,000	418,444,000	4.44%
Tax Revenue	4,536,650,000	4,790,950,000	254,300,000	5.61%
Federal Conditional & Unconditional Grants	3,224,730,000	3,484,716,000	259,986,000	8.06%
Own Source Revenue	1,184,923,000	1,177,302,000	- 7,621,000	-0.64%
Other	480,951,000	393,000,000	- 87,951,000	-18.29%
Total Provincial Revenue	9,427,254,000	9,845,968,000	418,714,000	4.44%
Estimated Provincial Heavy Industry Property Tax		\$ 9,000,000		
% of Overall Provincial Revenues		0.09%		
	City Budget			
	2018	2019	Variance	%
Revenue	156,090,792	160,257,783	4,166,991	2.67%
Tax Revenue	121,319,088	123,577,054	2,257,966	1.86%
Unconditional Grant	16,603,206	17,353,344	750,138	4.52%
Carryover Surplus	1,338,515	86,557	- 1,251,958	-93.53%
Short Term Provincial Assistance	4,717,196	7,117,402	2,400,206	50.88%
Other Revenues (User Fees, Permits, Parking, etc.)	12,112,787	12,123,426	10,639	0.09%
Total Municipal Revenue	156,090,792	160,257,783	4,166,991	2.67%
Proposed Heavy Industry Property Tax Redistribution		\$ 9,000,000		
% of Overall Municipal Revenues		5.62%		

Taxes and Transfers Comparison Last 5 Years

	Province of NB			
	<i>2015/2016 Estimate</i>	<i>2019/2020 Estimate</i>	<i>Variance</i>	<i>% Change</i>
<i>Budgeted Tax Revenues</i>	\$ 4,027,446,000	\$ 4,790,950,000	\$ 763,504,000	19%
<i>Budgeted Federal Transfers to Province</i>	\$ 2,881,218,000	\$ 3,484,716,000	\$ 603,498,000	21%
	\$ 6,908,664,000	\$ 8,275,666,000	\$ 1,367,002,000	20%
	City of Saint John			
	<i>2015/2016 Estimate</i>	<i>2019/2020 Estimate</i>	<i>Variance</i>	<i>% Change</i>
<i>Budgeted Tax Revenues</i>	\$ 118,446,651	\$ 123,577,054	\$ 5,130,403	4%
<i>Provincial Unconditional Grant</i>	\$ 20,935,308	\$ 17,353,344	-\$ 3,581,964	-17%
	\$ 139,381,959	\$ 140,930,398	\$ 1,548,439	1%

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- Alleviates the Province from future special funding requirements associated with the City of Saint John effective 2020, including year three of the existing “New Deal” funding agreement (up to \$10.4M in 2020).
- Provides an immediate sustainability solution as the City implements a series of sustainability and restructuring Action Items, as well as other strategic recommendations from the Municipal Sustainability Working Group with the Province.
- A reallocation of \$9 million in property tax revenue is transformational for the City of Saint John, but represents less than 1 tenth of 1 percent of projected Provincial revenues in 2019-2020 (\$9.85 Billion).
- Can be positioned as a first (albeit critically important) step with respect to municipal tax reform and a comprehensive review of the municipal tax system by the Province of New Brunswick.
- Does not require new tax assessment capabilities or resources from the Province.



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Questions – Discussion