

Fiscal Health

Description

Cities face two often-competing principles. They must provide services, facilities and programs to both sustain and enhance the quality of life for their stakeholders – but they must also find the funds to pay for them. Since there is a limit to the community’s ability to pay taxes, the City of Prince George must carefully prioritize where dollars are spent year after year.

Budgets must be adjusted not only to reflect changes in decisions that are up to the City but also to accommodate financial changes that lie partly or totally beyond the City’s control. Examples include a shift in the industrial valuations that make up part of the City’s tax base, or new provincial requirements to reduce greenhouse gas emissions.

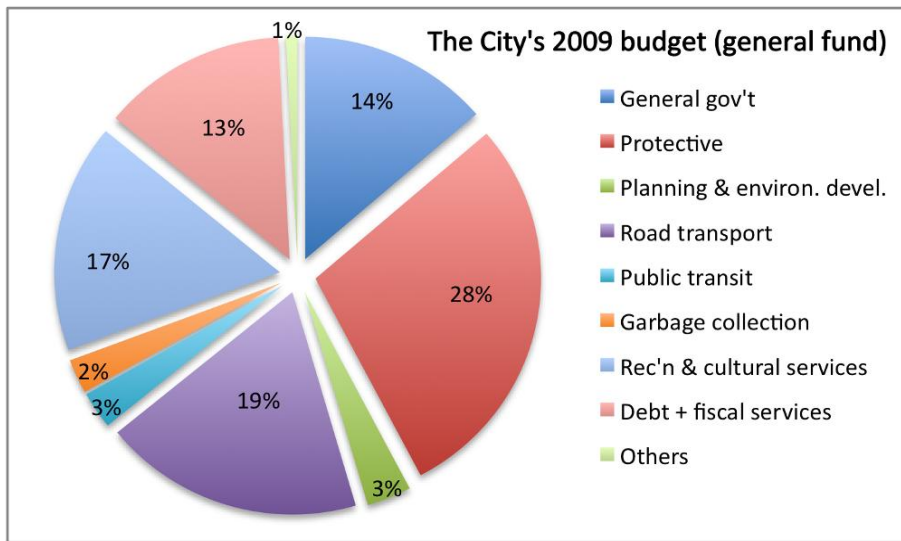
Status and Trends

There are three main areas of interest when looking at the City’s financial structure.

- The tax base available to the City to generate the needed taxes.
- The spending priorities that determine the overall need for property taxes and user fees.
- The policy for distributing the tax burden among homes, businesses, and industry.

The City’s Tax Base: The term “tax base” refers to the sum of all property assessments, not to the tax revenues they generate. The City ranks second among all BC municipalities in the size of its Major Industry tax base, at \$250 million. However, it still accounts for less than 4% of the City’s total assessments; the business sector (mainly stores and offices) accounts for about 16%, while residential properties account for over 75% of the tax base and light industry the rest. Over the last decade, Major Industry’s assessments have dropped by 20% in constant dollars, while residential assessments have gone up; along with some other factors, this means a perceptible shift in the tax base.

The City’s Spending Priorities: Given the competing demands for expanded and enhanced services – and the limited ability to pay for them – managing the budget is an ongoing challenge for any municipality. Prince George is no exception. The bulk of City services are part of the City’s General Fund (distinct from separate water and sewer funds). The breakdown of this fund is shown below.



Prince Georae 2009 Budaet

Despite the fall in population, most City department budgets have risen faster than inflation over the last decade, and some strongly so. Tax and some non-tax revenues have increased to pay for the extra costs.

Tax Distribution: The City's large industrial tax base allows it to shift part of the tax load away from homes and businesses. Like almost all local governments, the tax rate on industry (and business, too) is higher than the rate for homes.

Performance Measurement

Of the potential measures listed below, which should we use to measure and communicate progress? Would you rather use another one? Why?

The following are ways Prince George could measure performance in this area:

- Total debt/surplus
- Annual surplus
- Total budget, indexed to inflation
- Total revenue, indexed to inflation
- Tax base, by sector

Questions for Consideration

- **External factors:** What risks are there to the City's tax revenue over the next few years? How could these be managed?
- **Choices:** If it were necessary to choose between increasing taxes and reducing services, which would be better? How could the City avoid this hard choice?
- **Priorities:** If continued tax increases are to be avoided, how should spending priorities be changed? Which City services and functions should be reconsidered if the goal is to reduce spending?

More Information

[City of Prince George 2008 Annual Report \(8.5 meg file\)](#)