

Subject: RE: A simple lesson in comparing municipal taxes.

Date: Tue, 21 May 2002 11:34:46 -0700

From: Ernie Crist <CristE@dnv.org>

To: "Corrie Kost" <corrie@kost.ca>, Agnes Hilsen <agnes_hilsen@dnv.org>, Bill Denault <bdenault@dnv.org>, Don Bell <dbell@dnv.org>, Doug MacKay-Dunn <macdunn@dnv.org>, Ernie Crist <ecrist@dnv.org>, Heather Dunsford <hdunsford@dnv.org>, Janice Harris <jharris@dnv.org>, Lisa Muri <lmuri@dnv.org>

CC: "FONVCA (E-mail)" <fonvca@fonvca.org>

Dear Dr. Kost

Yes I am aware. What is more I have tried to do something about it at each and every way station on the road to Mount La-La. Unfortunately the La-Lalians cannot comprehend that there is something wrong. Even if you explain it to them patiently.

It reminds me of an International Waste Conference in Berlin 20 years ago paid for by the taxpayers. On the way to Berlin we visited waste disposal sites in England, Holland and West Germany. What we saw was impressive even then. Tertiary treatment of liquid waste, for instance, was pretty much established even then. We are still arguing whether we should have secondary treatment. Not to worry I suppose, we are only killing the environment.

Wherever we went, we were told that, regardless of countries and or conditions, no waste management plan can succeed unless it is coupled with government legislation compelling manufacturers to accept a certain percentage of recyclable material in the production of new products. Guess what? We don't have such legislation in place even now.

The result is that instead of getting paid for the value of the recyclable material we put in the blue box, we are paying for it, not once but twice - the first time in the store when we buy a product including the wrappings and the second time when we pay to have those same wrappings hauled away. I won't mention the cost of our labor to put it into the blue box. Neither will I tell you how much goes into the landfill for which we also pay. When I tell elected officials about this their eyes glaze over. Sometimes not even that. What I will get usually however, is another batch of glossy material telling us what a wonderful job we are doing reducing the waste. Receiving this glossy material makes our elected officials very happy and reassures them that we are "leaders".

But to get back to my story. Upon our return from the trip, paid for by the taxpayers, which I have to mention again, our then GVRD Chair, who had also been part of the tour, made the following "profound" statement to the press. When it comes to waste management he said "the only difference between them and us is that they have colored waste bags whereas ours are all black". With people of this caliber in charge, I have nothing more to add. Dr. Kost, I know why you posed your questions. I also know why you won't necessarily get a satisfactory answer.

Ernie Crist,

-----Original Message-----

From: Corrie Kost [<mailto:corrie@kost.ca>]

Sent: Monday, May 20, 2002 3:16 PM

To: Agnes Hilsen; Bill Denault; Don Bell; Doug MacKay-Dunn; Ernie Crist; Heather Dunsford; Janice Harris; Lisa Muri

Cc: fonvca@fonvca.org; corrie@kost.ca; council@dnv.org

Subject: A simple lesson in comparing municipal taxes.

Your Worship & Members of Council,

Some municipal elected officials are under the mistaken impression that comparing taxes with other municipalities for a home with a nominal assessed value (say \$400,000), is a good measure of the efficiency/effectiveness of financial governance. I will relate a tale of two communities to illustrate why this is wrong.

One upon a time there were two neighbouring municipalities, call them A & B. Both communities were of comparable size, population, and number of homes. All the homes in both communities were dominantly single family homes on large lots. Both municipalities had effective and efficient governance. They both provided comparable community services, such as water, fire and police protection, kept their roads in good shape, and provided similar recreational and other amenities.

The difference was that in one community (A) most of the homes were priced at \$800,000 while in the other community (B) they were priced on average at only \$400,000. However, the taxes collected from each home in both communities were very similar. This was because the services provided were comparable and of equal efficiency and the overall budgets of A and B were almost identical. The cost of the services had little to do with the average home price. The tax rate however, that is the mill rate, which is the tax per \$1000 of assessed value, was only half in the community with expensive home (A). The taxes on a \$400,000 in A was thus only half that of a \$400,000 home in B. However it is clearly false to conclude that the community with the lower tax rate (A) was doing a better job. What counts is how much it cost to deliver the same services to a home.

The lesson in all this is that to compare taxes from one municipality to another one should look at the cost to provide like services to a typical home - that is, the tax amount per average residential unit and not compare the tax on the same priced home in different municipalities.

Finally, some may wonder why the homes in A cost twice the price of those in B - well the answer is simple - the homes in A are on the other side of the river!

Yours truly,

Corrie Kost

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