



Date: 25/04/2018

AGENDA ITEM SUMMARY

To: Chair and Directors, Cariboo Regional District Board
And To: John MacLean, Chief Administrative Officer
From: Alice Johnston, Corporate Officer
Date of Meeting: Cariboo Regional District Board_May02_2018
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Short Summary:

Request from Director Forseth – BC Employer Health Tax/Impact to Local Governments

Voting:

Corporate Vote - Unweighted

Memorandum:

Director Forseth has requested that the following be presented to the Board for consideration:

PURPOSE:

To consider sending a letter to the Provincial Government stating the impacts that the Employer Health Tax will have on local governments' budgets commencing January 1st, 2019

BACKGROUND/DISCUSSION:

In Fall 2017 – the Provincial Government declared that it would eliminate completely the Medical Services Plan (MSP) premium paid by British Columbians and establish a MSP Task Force to investigate how to compensate for the lost MSP premium revenue which would be roughly \$1.3 billion dollars On February 1st, 2018 – the MSP Task Force issued its Interim Report to the Provincial Government which you can read in full at <https://engage.gov.bc.ca/app/uploads/sites/247/2018/02/MSP-Task-Force-Interim-Report-Final.pdf>

The Task Force's recommendation to the Provincial Government on the subject on how to proceed minus MSP Premiums was :

First, whatever mechanisms are chosen to replace MSP revenue, we feel strongly that there should not be any phase-in of the new measures and phase-out of MSP. Rather, we suggest that MSP be eliminated as at a specific date and that the new revenue measures take effect fully at the same time.

Second, we believe it is important that reasonable notice be given about when the change will take effect. MSP premiums are paid by many employers as an employee benefit, which represents part of the compensation of those employees. Reasonable notice will provide time for employees

and employers to agree upon how that compensation will be replaced when MSP premiums are eliminated. For unionized employees where the collective agreement does not already address this issue, that may require collective bargaining, which takes time. We believe that at least one year's lead time should be allowed.

Third, the amount of revenue to be replaced, approximately \$1.3B, is a sizable amount of money. Our analysis to date of the available options makes it clear that no one option is preferred based on the principles we were asked to assess the options against. All revenue options that have been identified represent trade-offs among the criteria, each having some positive and some negative implications. Therefore, we feel that it is important the revenue be replaced by a combination of measures in order to best mitigate the negative impacts of each

As part of BC Budget 2018 – the Provincial Government has decided to implement an Employer Health Tax effective **January 1st, 2019** with the tax applying to **ALL** employers, including local governments, with a total payroll of \$500,000 and up. Full details on the Tax can be viewed at <https://www.bdo.ca/en-ca/insights/tax/tax-alerts/british-columbia-employers-healthtax/>

The financial impact to local governments in the Cariboo-Chilcotin will vary but I understand that the impact to the CRD Function budgets, overall, would be roughly in the tens of thousands of dollars that now will have to be budgeted annually. In the case of our larger municipalities, like the City of Williams Lake, I understand that cost will be into the hundreds of thousands of dollars.

Given there was no genuine discussion with local governments about this tax beforehand and the Provincial Government has publicly stated the tax will proceed for 2019 and this does, in spirit, violate Section 2c(iii) of the *Community Charter* that says:

- c) Consultation is needed on matters of mutual interest, including consultation by the Provincial government on*
- iii) proposed changes to Provincial programs that will have a significant impact in relation to matters that are within municipal authority (annual budget)*

I recommend the Board consider sending a letter, either jointly with the Municipalities or individual letters from Cariboo-Chilcotin local governments', outlying concerns of the Employer Health Tax impacts to Cariboo-Chilcotin local government budgets

Attachments:

None

Financial Implications:

The CRD currently pays the MSP premiums for full-time (and some part-time) employees. Most part-time employees receive an hourly payment in lieu of benefits received by full time employees. The CRD will have cost savings when MSP premiums are eliminated in January of 2020. Payments in lieu of benefits made to part time employees will not be adjusted as they are set by terms and conditions of the collective bargaining agreement between the CRD and the BCGEU. The new payroll tax will exceed the amount historically paid for employee MSP premiums by approx. \$20,000 annually, beginning in year 2020 after MSP premiums have been eliminated. For the 2018 fiscal year (prior to implementation of the new tax), the CRD will pay

MSP premiums at 50% of historical rates resulting in a savings of approximately \$40,000. In 2019 (after the implementation of the new tax), both MSP premiums and the payroll tax will be payable, and for that one year, combined costs for MSP premiums and the new payroll tax will exceed historical MSP payments by approximately \$60,000 as illustrated in the table below.

Year	MSP Premiums	Payroll Tax	Total
2017	\$ 80,000	\$ -	\$ 80,000
2018	\$ 40,000	\$ -	\$ 40,000
2019	\$ 40,000	\$100,000	\$140,000
2020		\$100,000	\$100,000

Policy Implications:

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Alignment with Strategic Plan:

- Ensuring Sufficient and Sustainable Funding
- Building on our Relationships
- Providing Cost Effective High Quality Services
- Focusing on Being Well Governed

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CAO Comments:

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Options:

- 1) Receipt
- 2) Receipt and forward correspondence to Province
- 3) Receipt and other action
- 4) Defer

Recommendation:

That the agenda item summary from Alice Johnston, Corporate Officer, dated April 25, 2018, regarding a request from Director Forseth for the Board’s consideration to forward a letter to the Provincial Government with regard to the BC Employer Health Tax and its impacts to local governments, be received. *Further action at the discretion of the Board.*