

Schedule B to Bylaw No. 3248
2020 Revenue Policy Disclosure – Policies and Objectives

Requirement: The proportion of total revenue proposed to come from each funding source

The City receives revenue from various funding sources. The greatest proportion of revenue generated by the City is from property taxes. Property taxes are a stable and consistent revenue source for many services, including protective, community, and transportation services that would be complicated to fund on a user-pay basis. For this reason, property taxation will continue to be the City's major source of revenue.

The second largest revenue source is user fees and charges. User fees are applied to City services such as water, sewer, garbage, and recycling as a means of fairly apportioning the value of that service to those who use the service.

Council has been committed to developing a sustainable infrastructure replacement plan by moving towards a pay-as-you-go strategy for infrastructure replacement. This is put into practice through the process of transferring a portion of tax revenues to the Asset Reserve. These funds are then set aside for use as capital funding in recognition that other more historical capital revenue sources, such as land sales, are finite capital funding sources and are not as available in the future.

Policy:

Council is committed to reducing taxation in favour of the following practices:

- Fees and charges are reviewed annually to maximize the revenues from services and also to ensure that they are in line with the market rates for similar services or programs;
- Costs for services can be recovered from general taxation or charged specifically to the users of the services. Council recognizes that costs of some services could be more fairly recovered from user fees than property taxes. Council has considered, where feasible, to shift the cost burden of municipal services from property taxes to user fees. However, with respect to user fees, Council has concerns that the overall interests of the community are not always best served. Savings transferred from taxpayers by shifting costs to users also shift a financial burden to some service users that cannot absorb the shifts reducing equal access to services;
- Senior government and other agency grant opportunities are applied for and leveraged wherever possible as an external source of revenue to supplement scarce capital and operating property taxation revenues. However, Council will pursue federal and provincial funds and other grant opportunities only after assessing their full-cost implications. The City's Long-Term Strategic Financial Framework, a document designed to steer the City towards financial sustainability, states that the City will not rely on grant funding and will only pursue grants that align with established community priorities;
- When certain and applicable City land parcels have been identified for development, leasing opportunities rather than straight land sales are a consideration as ownership of City land inventories can be retained while still generating ongoing and sustainable lease, tax, and utility revenue streams, thereby reducing property taxation. Alternatively, the City could maintain those City land inventories through land swaps or land sales and

repurchase of other strategic land parcels, when contemplating land development opportunities of City lands; and

- Wherever possible, the City maximizes development opportunities to provide community amenities. Also, new developments generally should fund new increased infrastructure requirements.

Objective:

The 2020 Financial Plan includes the following distribution of revenue:

Table 1: Proportions of Total Revenue

Revenue Source	% Total Revenue
Municipal Taxation	47%
Fees and Charges	22%
Government Contributions	10%
Investment Revenue	1%
Payment in Lieu of Taxes	1%
Other	19%
TOTAL	100%

Requirement: The distribution of property taxes among the property classes

The City has delineated six property tax classes within the City, with separate rates levying taxes to six different types of property. Class 4 Major Industry has three rates, two of which are set by the Province to cap certain port properties to encourage new investments in those properties. The City's tax rate ratios are relatively consistent over the years except for classes where external forces, such as provincial capping and assessment calculation practices, are mandated by the Province.

Table 2 provides the distribution of property tax revenue among the property classes. Table 3 provides the comparison of the mill rates among the property taxes. The share of property tax revenue by class in 2020 is budgeted to be similar to levels in 2019.

Table 2: Distribution of property tax revenue among the property classes (2020)

Property Class	% Property Tax
Residential (1)	65.37%
Utilities (2)	0.30%
Major Industry – Other (4)	14.52%
Major Industry – Ports (4)	2.75%
Major Industry – Ports (New Investments) (4)	1.55%
Light Industry (5)	1.71%
Business (6)	13.67%
Recreation (8)	0.13%
TOTAL	100.0%

Table 3: Distribution of property tax mill rates (2020)

Property Class	Ratio
Residential (1)	1.00:1
Utilities (2)	13.08:1
Major Industry – Other (4)	16.91:1
Major Industry – Ports (4)	10.39:1
Major Industry – Ports (New Investments) (4)	8.50:1
Light Industry (5)	4.39:1
Business (6)	2.03:1
Recreation (8)	0.73:1

Policy:

Taxation versus Services Consumed

Property taxation is an *ad valorem* tax system, which means that taxes are based on the assessed value of real property (land and improvements). Therefore, the City does not relate the amount of the tax levied on each individual property with the amount of service the City provides each property. Similarly, the City does not levy its taxes based on the number of occupants in a household using services as taxes are not user fees. Further to this, Council commits to ongoing reviews with the objective of establishing a tax policy that best distributes property taxes among the property classes.

Tax Class Capping

Council is concerned with the distribution of property taxes for classes where provincial capping has been legislated. Provincial tax rate capping can affect the equity of the allocation due to the capping being only applied to certain properties within the class:

- the *Ports Property Tax Act* – 2004 restricts the municipal tax rates to \$27.50 per \$1,000 of assessment value. Eligible new construction relating to port properties is taxed at \$22.50 per \$1,000 of assessment value. The Province provides an annual grant to the City to assist in offsetting the cap, but since the grant is indexed to inflation and the tax increase may be higher, other taxpayers within the class are allocated the variance; and
- Class 2 Utilities with respect to the *Local Government Act 329/96* is capped at the greater of \$40 or 3.28 times Class 6 Business/Other.

Allocating the Tax Burden

After the provincial restrictions or capping of tax rates are met, the tax rates for the remaining classes are established by adding the Council approved tax increase to distribute the tax burden as equitably as possible across all tax classes, using a fixed share approach. Notwithstanding the aforementioned, Council may choose to distribute or exclude all or a specific portion of the general tax increase to one or more property classes recognizing that all tax classes have their own financial challenges. Port Moody reviews its tax rates and the revenue derived from the different property tax classes periodically, and strives to keep the tax rates comparable to neighbouring jurisdictions.

The impact to tax mill rates can appear inequitable in some classes even though the tax dollars paid rise more equitably. The reason some tax mill rates rise more while other tax rates remain more constant is due to the fact that the assessed values, on which the tax mill rates are based to generate the required revenues, can move in different directions by class as well. When

assessed values move in opposite directions for certain classes, the tax mill rates also need to move in step to keep the tax dollars paid equitable. Over time, tax mill rates moving in opposite directions to adjust for assessed values moving in opposite directions create significant variances in the tax mill rates between the classes. The only equity Council can achieve, without purposely directing tax shifts, is to try and keep the percentage increases to the tax dollars paid as equitable as possible.

Objective:

The 2020 Financial Plan includes minor changes in the distribution of property taxes among the property classes. Council's informal policy is to spread the tax burden equitably to each taxpayer in each class.

Requirement: The use of permissive and revitalization tax exemptions

Section 224 of the *Community Charter* provides Council with the authority to grant permissive property tax exemptions on land or improvements.

In 2019, Council approved the list of permissive tax exemptions granted for the 2020 taxation year and the estimated amount of tax revenue foregone. The list demonstrates the policy of Council that permissive exemptions are granted to not-for-profit institutions, including religious, historical, and cultural institutions that form a valuable part of our community.

The City provided 2020 permissive tax exemptions to:

- BC Conference of the Mennonite Brethren Churches;
- Roman Catholic Archbishop of Vancouver;
- Parish of St. John the Apostle;
- Trustees of the Congregation of Iloilo United Church;
- Port Moody Ecological Society;
- Port Moody Heritage Society;
- Port Moody Arts Centre Society;
- Port Moody Senior Housing Society;
- Community Ventures Society;
- Association of Neighbourhood Houses of BC DBA Sasamat Outdoor Centre;
- Community Ventures Society;
- Port Moody (Pacific #119) Branch of the Royal Canadian Legion; and
- City of Port Moody.

In accordance with the *Community Charter*, notice to adopt the bylaws must be published, and the bylaws adopted by October 31st of each year.

Civic tax revenue foregone as a result of the permissive tax exemptions for charitable organizations is estimated to be \$122,859 for 2020. Per section 227 of the *Community Charter*, notice of this exemption was given to the public. Per section 98(2) of the *Community Charter*, this amount of foregone revenue will be disclosed in the City of Port Moody 2020 Annual Report.

Policy:**Permissive Tax Exemptions**

Council is committed to the continued support of local organizations for permissive tax exemptions since the organizations provide value to the community that, in Council's view, should be supported by taxpayers.

Revitalization Tax Exemptions

Section 226 of the *Community Charter* provides Council with the authority to grant revitalization property tax exemptions on land or improvements to encourage revitalizations within the municipality. The City has currently entered into one Heritage Revitalization agreement for the taxation years 2016-2021.

Objective:

Each year, Council will examine its permissive tax exemption policy to determine if it should be expanded.