



Report to Council

From the Office of Councillor Amy Lubik

Date: February 14, 2020
Subject: Support Request to the Government of BC for Dedication of 1% of PST to Local Governments for Consistent and Ongoing Support of Local Fiscal Needs

Purpose

To seek Council support of a request to the Government of BC for dedication of 1% of PST to local governments for consistent and ongoing support of local fiscal needs.

Recommendation

THAT the following resolution regarding dedication of 1% of PST to local governments for consistent and ongoing support of local finances be endorsed by the City of Port Moody Council and forwarded to the Premier of British Columbia, the Ministers responsible for Municipal Affairs and Housing, and Finance and the Association of Lower Mainland Local Government Association (LMLGA) Annual Convention, the Union of British Columbia Municipalities (UBCM) Annual Convention, and member local governments and regional districts within the LMLGA and UBCM regions, requesting favourable consideration and resolutions of support as recommended by the report dated February 14, 2020 from Councillors Amy Lubik and Diana Dilworth:

WHEREAS Local Governments in the Province of British Columbia collect a disproportionate amount of tax from property tax compared to other provinces to cover financing of services and repairs of aging infrastructure and the need to address climate change ;

AND WHEREAS this needed action is not sustainable due to property tax being a regressive tax that is out of line with property values and the changing nature of the commercial, business, and digital economies;

AND WHEREAS due to downloading of responsibilities, local governments are increasingly reliant on granting systems that are not reliable in the long term and unequitable due to staff resources for small local governments compared to larger municipalities;

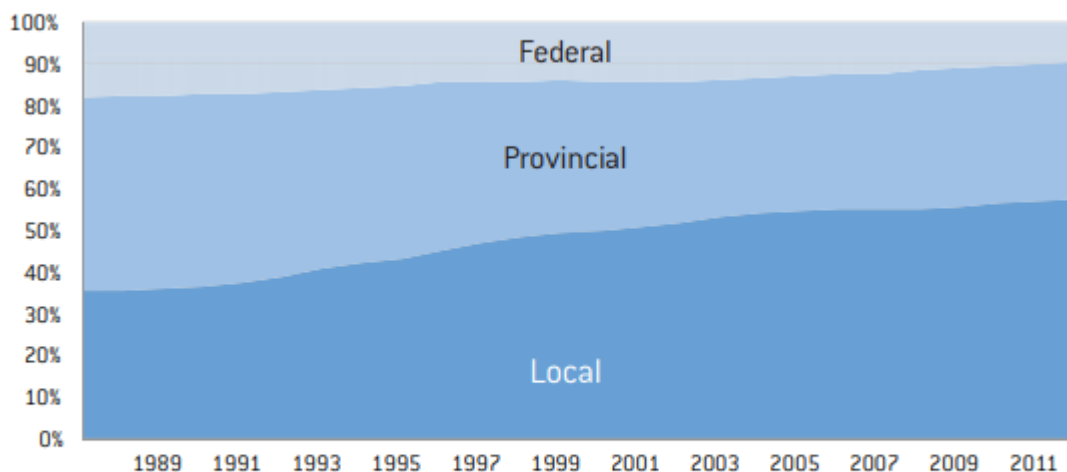
AND WHEREAS increased predictable revenue sharing arrangement reflects shared interests between municipalities and the Province, including policing, recreation, transit, and the environment;

THEREFORE BE IT RESOLVED THAT the Province of British Columbia allocate an amount equivalent to 1% of B.C.'s Provincial Sales Tax (PST) to local governments across British Columbia as part of ongoing cost-sharing agreements.

Background

Local Governments are expected to do more and more, from housing to food security to climate change preparation to emergency services, despite the decreasing of transfers from other areas of government in favour of grant programs that become “beauty contests for local governments” which are mainly likely to be successfully applied for by local governments that have enough staff resources, putting small local governments at a disadvantage. These are also often a one-time infusion of cash, not ongoing support. Since 2002, local governments are increasingly responsible for services and infrastructure, while still only receiving a minimal percentage of tax dollars (Figure 1- the Columbia Institute “Who’s picking up the tab?” (2014) (**Attachment 1**).

Figure 1: SHARE OF PUBLIC SECTOR CAPITAL ASSETS, BY ORDER OF GOVERNMENT, B.C. (1988–2012)⁶



⁶ Statistics Canada, Table 031-0002, Flows and stocks of fixed non-residential capital, by North American Industry Classification System (NAICS) and asset, Canada, provinces and territories, constant 2007 dollars.

From the Columbia Institute Report “Who’s picking up the tab?” (2014):

Between February and May 2014, we collected 133 completed survey responses from councillors, mayors, and regional district directors, representing more than half of B.C. municipalities. Respondents were asked if downloading was a problem for their local government, and if so whether they considered it a major or a minor one. In response, 83.6 per cent told us that downloading was a major problem, a further 12.9 per cent said it was a minor one, and only 0.9 per cent said it was not a problem. A further 2.6 per cent said they didn’t know or weren’t sure.

Overall, local government expenditures in B.C. grew 88 per cent between 2001 and 2010, in inflation adjusted dollars. But a number of budget lines grew much higher than the baseline, notably the following four areas, which overlap closely with top areas of concern identified by [local government staff and officials]:

- *Sewer services + 173 per cent*
- *Policing + 134 per cent*
- *Water services + 130 per cent*
- *Parks, recreation and culture + 108 per cent.*

Local Governments face growing backlogs of services and infrastructure repairs, which often require either higher property taxes, debt, or both. New and predictable revenue streams are needed. A dedication of 1% of PST to local governments would provide this much needed relief, and there are models that can be followed from other provinces in order to meet the needs of our residents.

Discussion

Enacted in 1948, British Columbia's Provincial Sales Tax (PST) is a 7% retail sales tax that applies when a taxable good or service is purchased, acquired or brought into BC, unless a specific exemption applies. The PST, in the 2019/2020 fiscal year was projected to result in \$7,586,000,000 income, approximately 13% of the provincial governments overall income. (https://www.bcbudget.gov.bc.ca/2019/pdf/2019_budget_and_fiscal_plan.pdf).

In a report from the Mowat Centre (2019), the situation for local government funding in a changing economic landscape is starkly described:

... the ability of municipalities to pay their mounting bills is likely to be threatened by the growing gap between how value is created in today's modern economy and the limited revenue tools available to cities and towns.

The growth of the digital economy, in which companies such as Amazon and Alphabet are increasingly dominating key sectors like retail and advertising, poses revenue challenges for all governments. Taxation systems based on residency for corporations and individuals are tough to apply in a borderless world with multinational platforms that employ relatively few workers.

These challenges are particularly acute at the local level, where revenue options are largely limited to land-based tools in the form of property taxes and development charges (in addition to user fees and intergovernmental transfers).

Local governments are increasingly interested in, and asking for, a larger share of tax revenue and innovative funding sources. In BC, at the 2019 UBCM meeting, the assembly enthusiastically endorsed resolutions for the following:

- B19 - Extension of Vacancy Taxation Authority to Local Government
- B30- Property Transfer Tax Redistribution for Affordable Housing
- B32 – Short term rental assessment classification
- B33- Share of Liquor Tax for Policing
- B122 - Modernization of Utility Taxation

The forms of revenue local governments have to cover the costs of needed services are very limited: property tax, service fees, development related charges, and most recently gas tax revenue. (With aging infrastructure, climate change crisis and increasing responsibility, local governments need more consistent funding sources.

In 2018, the Union of Quebec Municipalities (UQM) organized a campaign of tax reform that saw all Quebec provincial election parties agree to a transfer equal to 1% of the Quebec Sales Tax (QST) to local governments (attachment 2). Subsequent to the 2018 fall election in Quebec, the UQM and new provincial government worked together to reach an agreement “2020-2024 Partnership for Even Stronger Municipalities and Regions” that is the first act of comprehensive municipal tax reform, allowing for the transfer of the equivalent of the growth of one QST percentage point.

The new partnership enables local governments to honour their responsibilities and to cope with the economic and demographic changes experienced by the municipal environment, providing for predictability in municipal budgeting and revenue. *For the duration of the four-year agreement, \$730 million will be allocated to local governments.*

Saskatchewan also recently achieved something similar through the [Saskatchewan Urban Municipalities Association](#). [The Premier of that province](#) stated “Municipalities across Saskatchewan will continue to have a consistent source of unconditional provincial revenue to invest in their local priorities.”

[Details of Saskatchewan’s system are as follows:](#)

In 2018-19, the Ministry of Government Relations undertook a review of the Municipal Revenue Sharing program. Changes to the program include:

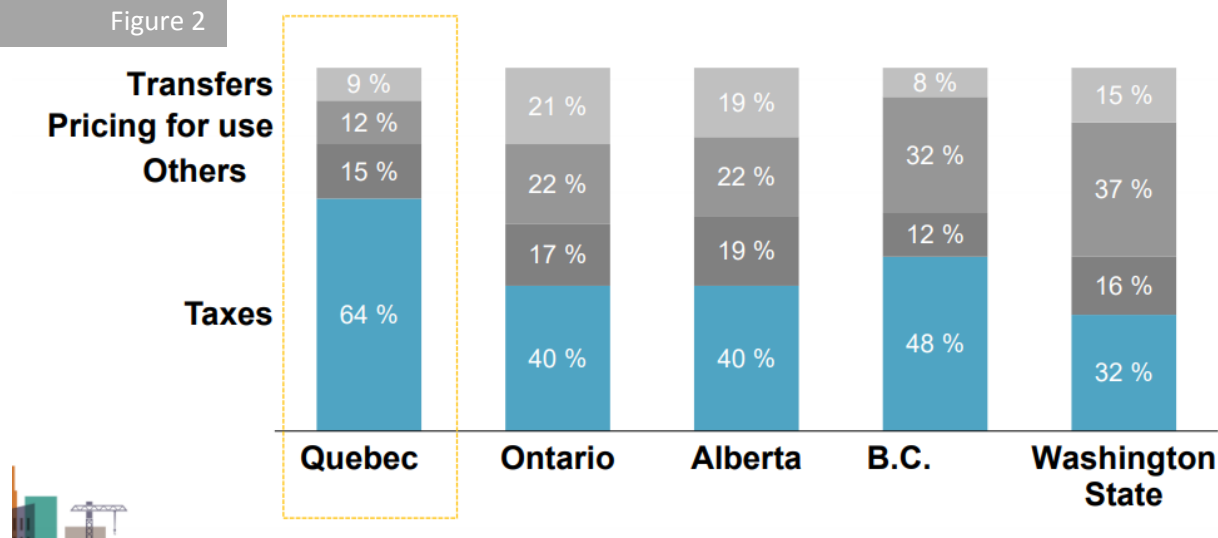
- *Funding will be based on the value of .75 of 1 point of the Provincial Sales Tax from the second preceding year;*
- *Funding percentages to the four pools will remain substantially the same but will be rounded to one decimal point;*
- *Beginning in 2019-20, [Targeted Sector Support](#) of \$1.5 million from Municipal Revenue Sharing will be allocated to support programs, projects and initiatives directed at good governance, legislative compliance and increased inter-municipal and regional co-operation;*
- *After a test year for additional eligibility criteria in 2019-20, municipalities will attest to their compliance with a set of key legislative provisions in order to remain eligible. Full implementation is intended for 2020-21.*

In 2019-20, the Government of Saskatchewan will distribute \$251 million to municipalities in Municipal Revenue Sharing. This is the equivalent of .75 of one full point of Provincial Sales Tax (from 2017-18 Public Accounts)....

For 2019-20, \$120.532 million or 47.9 per cent is allocated to the cities, \$40.764 million or 16.2 per cent to towns, villages and resort villages, \$71.715 million or 28.5 per cent to rural municipalities, and \$18.621 million or 7.4 per cent to northern communities.

Despite the increase in necessary local government expenditures, we have limited funding options, and BC gets more revenue from taxation compared to transfers than most other provinces (Figure 2- FCM presentation attachment 2). BC local governments should be asking for some of the solutions that have been granted in other provinces, and our strongest opportunity is to pursue this through our regional local government conferences (such as LMLGA) and through the Union of BC Municipalities (UBCM)

Figure 2



Other Option(s)

THAT the report dated February 14, 2020 from Councillor Amy Lubik and Councillor Diana Dilworth regarding Support Request to the Government of BC for Dedication of 1% of PST to Local Governments for Consistent and Ongoing Support of Local Fiscal Needs be received for information.

Financial Implications

There are no financial implications associated with the recommendations in this report.

Communications and Civic Engagement Initiatives

There are no communications or civic engagement initiatives required by the recommendations in this report.

Council Strategic Plan Objectives

Supporting the Support Request to the Government of BC for Dedication of 1% of PST to Local Governments for Consistent and Ongoing Support of Local Fiscal Needs aligns with the Council priorities of providing affordable housing in Port Moody and fiscal responsibility.

Attachment(s)

1. Columbia Institute (2014). Who's picking up the tab?
2. FCM Presentation on 1% QST Campaign (2019)

Report Authors

Councillor Amy Lubik

Councillor Diana Dilworth