

## APPENDIX A

| <b>Department of Finance</b><br><b>Policies and Procedures</b> |   |
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| Revenue and Tax  |   |
| Authorized by: Council   | Date of issue: February 16, 2009<br>Date of revision: April 3, 2025 |

### **Purpose**

The purpose of the Revenue and Tax Policy is to outline the proportions of revenue sources, the distribution of property taxes among property classes and the use of permissive property tax exemptions.

### **Objectives**

- To provide tax payers with stable, equitable and affordable property taxation while at the same time providing high quality services.
- To support the OCP and other City plans as well as complement the Regional Context Statement.

### **Policies**

#### **1. Revenue Proportions by Funding Sources**

Property taxes are the main source of revenue for the City and pay for services such as police and fire protection, bylaw enforcement, and infrastructure maintenance. Property taxes provide a stable and consistent source of revenue for services that are difficult or undesirable to fund on a user pay basis. Therefore, property taxes will continue to be the City's major source of revenue.

However, it is the City's desire to charge user fees where feasible. Some programs, such as recreation, are partially funded by user fees. The City also has several self-financed programs that are fully funded by user fees. These include Water Utility, Sewer Utility, Stormwater Utility, and Garbage Utility.

#### **Policy 1.0**

User pay funding will be used for such services that are practical and desirable to fund on a user pay basis.

Services that are undesirable or impractical to fund on a user pay basis will be funded by property taxes.

#### **Policy 1.1**

The City will continue to explore alternative revenue sources to diversity its revenue base.

## **2. Distribution of Property Taxes Among Property Classes**

Market value changes that result in uneven assessment changes between property classes result in a tax burden shift to the class experiencing greater market value increases unless tax ratios are modified to mitigate the shift.

Until 2007, it was Council's practice to adjust tax ratios to prevent such shifts. This equalization practice provided an effective tax increase that was equal for all classes. It is important to note that this practice only avoids shifts between property classes. There is still a possibility for shifts *within* a property class where one property has experienced a market value change that is greater than the average for that class.

However, starting in 2007, business and industrial tax ratios have been held constant in recognition of the larger tax burden that has been placed on those classes. This resulted in higher tax increases being passed on to the residential class compared to business and industrial.

The pressure continues across the country to reduce the tax burden on the business and industrial classes. In recognition of this, and the desire to support a healthy business environment, Council's goal is to have a business class tax burden that is equitable.

In 2012, a comprehensive review of the Revenue and Tax Policy was conducted to determine if Council's objective of reducing the tax burden on the business class was appropriate and if so, that the mechanism of achieving the objective (reduction of tax ratio) was the most effective mechanism to achieve the goal. The review concluded that additional relief for the business tax class was warranted. However, the tax ratio was not the best mechanism of achieving that goal. As a result, Council approved the following policy objective: To reduce the business property tax class share of the total property tax levy to 48% over three years (2012-2014). The redistribution excludes impact of new assessment revenue. The total redistribution of the tax levy was \$1.51 million.

In 2015, an update review was completed, and based on the findings, Policy 2.0 was amended to allocate tax increases equally by maintaining the current share of distribution of taxes among tax classes. In 2025, this policy was further revised to reduce the business to residential property tax ratio to 3.0 to 1 over the period from 2025 to 2030.

In 2024, to support the retention of industrial properties, Council amended Policy 2.1 to allow the industrial tax rates to be lower than the business rate, therefore reducing the tax burden on industrial properties. While the tax increase was distributed equally across all property classes, the lower industrial tax rate resulted in the lowest overall tax increase to industrial properties due to the tax rates for these classes being lower than business.

### **Policy 2.0**

To reduce the business to residential tax ratio to no more than:

3.5 to 1 in 2025  
3.4 to 1 in 2026  
3.3 to 1 in 2027  
3.2 to 1 in 2028  
3.1 to 1 in 2029

3.0 to 1 in 2030

### **Policy 2.1**

Tax rates for the light and major industrial tax classes will not exceed the business tax rate to support the City's desire to retain industrial businesses.

### **Policy 2.2**

Farm Tax Rates will be set at a rate so taxes paid by properties achieving farm status will be comparable to what the property would have paid if it were assessed as residential.

## **3. Use of Permissive Property Tax Exemptions**

The City continues to support local non-profit organizations through permissive tax exemptions. Each year, a list of these exemptions is included in the City's Annual Report.

In addition, the City offers a Tax Incentive Program to eligible owners of downtown heritage designated buildings to offset seismic upgrading costs for the purposes of residential conversion of existing upper storeys. The exemptions are for a period up to ten years.

The City encourages redevelopment of lands within the City and the use of environmentally sustainable energy systems for those developments through revitalization property tax exemptions.

### **Policy 3.0**

Permissive property tax exemptions are governed by the City's Permissive Property Tax Exemption Policy, which outlines the criteria for which property tax exemptions may be granted.

### **Policy 3.1**

Heritage property tax exemptions are governed by the City's Heritage Tax Incentive Program.

### **Policy 3.2**

Revitalization property tax exemptions are governed by revitalization property tax exemption program bylaws adopted for specific purposes.