

TABLE TWO

FEDERAL Payments in Lieu of Taxes (PILTs) PAID TO 13 CRD MUNICIPLITIES IN 2015					
	COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
MUNICIPALITY	FEDERAL PILT 2015	TOTAL MUNICIPAL REVENUES (INCLUDING SURPLUS)	% OF MUNICIPAL REVENUE PILT REPRESENTS (BEFORE DISBURSMENTS TO OTHER LOCAL GOVERNMENTS)	PILT Revenue Retained for Municipal Purposes	% of ALL Municipal Revenues derived from PILT
Victoria	\$ 2,219,476	\$ 230,166,322	0.96%		
Saanich	\$ 993,637	\$ 188,073,287	0.53%		
Esquimalt	\$ 17,541,671	\$ 31,134,347	56.34%	\$ 11,676,582	37.50%
Oak Bay	\$ 12,305	\$ 38,707,152	0.03%		
North Saanich	\$ 2,330,776	\$ 18,501,939	12.60%		
Central Saanich	NOT LISTED	\$ 26,323,183	N/A	N/A	N/A
Sidney	\$ 92,293	\$ 20,436,456	0.45%		
View Royal	\$ 3,459	\$ 12,906,664	0.03%		
Colwood	\$ 3,585,688	\$ 20,655,094	17.36%		
Langford	NOT LISTED	\$ 63,949,371	N/A	N/A	N/A
Metchosin	\$ 2,210,083	\$ 4,969,418	44.47%		
Sooke	\$ 39,758	\$ 13,943,821	0.29%		
TOTAL	\$ 29,029,146	\$ 669,767,054	4.33%		

NOTES:**Column 1**

Gross Amount of Payments in lieu of taxes paid by the Government of Canada to each municipality **before** disbursements to other local governments (CRD, Schools, Hospital District, Transit, BC Assessment).

Column 2

Total amount of revenue reported by each Municipality in their respective 2015 Audited Financial Statements (includes funds surplus to expenditures).

Column 3

% of gross revenues that Federal Payments in Lieu of Taxes represent, before transfers to CRD, Schools, & other local governments indicated in Column 2.

Column 4

\$ amount of Federal Payments in Lieu of Taxes Retained for Municipal Purposes: Esquimalt is the only municipality that separates the portion of their Federal PILT used for local municipal purposes from revenue transferred to other governments in their Annual Financial Statements - in 2015, **\$11,676,582** of Esquimalt's total revenue was derived from the Federal PILT (which equals 66.6% of said Payment). Municipalities annual statements are not created identically, hence data for other municipalities is not included.

Column 5

Percent of Total Municipal Revenue that Federal Payments in Lieu of Taxes represent, eg 37.5 % of Esquimalt's total revenues for Municipal purposes came from Federal PILT.

TABLE TWO Continued - Federal Payments in Lieu of Taxes within the CRD - PAGE 2

ADDITIONAL NOTES:

The following information is verbatim from the Public Works Canada Website and can be accessed at:

<https://www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt/index-eng.html>

QUOTE:

The Government of Canada as a Property Owner in Your Municipality

The Government of Canada, through its federal departments and Crown corporations and agencies, owns a large inventory of property that includes: office buildings, harbours, prisons, national parks, RCMP detachment buildings and post offices. Most federal properties benefit from the services provided by Canadian municipalities and the Government of Canada firmly supports the principle that, as a property owner, even though it is exempt from taxation, it should share the cost of local government equitably with other property owners in the community.

The Payments in Lieu of Taxes Program is administered by Public Works and Government Services Canada. Every year more than \$500 million is distributed to approximately **1,250 taxing authorities** where property owned by federal departments is situated. In addition, federal Crown corporations such as the Canada Post Corporation and the Canadian Broadcasting Corporation make payments in lieu of taxes on their property in the same way, adding another \$200 million to the federal contribution.

Key Program Features

Payments made under the Payments in Lieu of Taxes Act are based on the principle of fairness respecting both the taxing authorities and the federal government and are equitable in comparison to those made by other property owners.

Payments are calculated on the basis of values and rates which would, in the opinion of the Minister of Public Works and Government Services, apply to federal property if it were taxable.

Payments respect the property tax due dates established by taxing authorities and supplemental payments reflecting interest charges may be made if payments are late.

The federal government should receive equal access to services provided to other property owners by the host municipality.

UNQUOTE:

REMARKS:

The Federal Government, although exempt from property taxes, pay grants in lieu of taxes equivalent to what other property owners (except the Province) pay. In turn, the Federal Government expects to receive equal access to the same services as other property owners in host municipalities. On the surface, this seems very fair. Esquimalt seems to be a net beneficiary of this policy. Esquimalt ranked **SIXTH (6)** of **1250** municipalities in Canada for Federal Payments in Lieu of Taxes in 2015 (before distributions to other service providers (Schools, Hospital District, CRD). Only the National Capital (Ottawa and its neighbour Gatineau, PQ, Dorval, Halifax and the City of Montreal received larger grants. Esquimalt's NET of their Federal Payments in Lieu of Taxes represented 37.5 % of their total revenues in 2015.

TABLE TWO Continued - Federal Payments-in-Lieu of Taxes in the CRD - PAGE 3

CONSIDER THE FOLLOWING:

1) CFB Esquimalt is one of the two largest government employers in Greater Victoria (the other being the Province). Every workday, large numbers of DND employees (regular forces and civilians) commute to and from Dockyard and CFB Esquimalt. These individuals live throughout Greater Victoria and the Lower Island. Their vehicles create wear and tear on the regions roads - in the case of Provincial roads (TCH #!) & Highways 17 and 14, all taxpayers contribute regardless of where they reside in BC, however in the case of municipal roads, certain municipalities roads carry large numbers of DND commutor traffic, yet they receive no funding from the federal government to maintain those roads. Esquimalt retained \$11,676,582 of its Federal PILTs for its own purpose; funding which Esquimalt uses at its discretion (including road infrastructure maintenance within Esquimalt).

Two recent examples are worth mentioning - (**EXAMPLE # 1**) The Admirals Bridge spans the Gorge between Saanich & View Royal. Much of the traffic passing over that bridge goes to and from DND properties in Esquimalt. The Admirals bridge was recently replaced - major funding came from Gas Taxes (Federal) with the balance from View Royal and Saanich, **Esquimalt contributed nothing direct to that project** despite the fact that much of the traffic across that bridge is destined for or coming from Esquimalt.

(**EXAMPLE # 2**) The now infamous Johnson Street Bridge - current estimated final cost \$105 M, however this could go higher. This is a City of Victoria Bridge, hence Victoria taxpayers are picking up most of the construction costs - **\$21 Million is coming from the Federal Government**, nothing from the Province, **\$13.5 Million in a Gas Tax Grant, \$49.2 Million (authorized via a City of Victoria referendum** in 2010. The City will make up the balance from within. Again, despite the fact that a significant portion of traffic across the Johnson Street Bridge is destined for or coming from Esquimalt, Esquimalt is making no direct contribution.

2) Services provided by Esquimalt to properties/residents of Esquimalt are equivalent to those provided by the other three Core municipalities of Victoria, Saanich and Oak Bay. That includes Protective Services (Policing, Fire Protection, By-Law enforcement) etc. Esquimalt reported Protective Services Costs of **\$11,319,550** in 2015 against total expenditures of \$29,819,947 (this equates to **38%** of Esquimalt expenditures).

Now consider this - Esquimalt received 37.5% of its 2015 revenues from the Federal Payments in Lieu of Taxes and spent almost the same percentage of its total outlay on Protective Services. The Federal Government states that it expects to receive the same services as other property owners, yet DND Police their own properties inside Esquimalt via the Canadian Forces Military Police. Likewise, DND have their own Professional Fire Department, staffed 24 hours a day/7 days a week who, not only provide fire suppression services on DND lands but who also have a "Mutual Aid Agreement" with the paid Esquimalt Fire Department. Further, the DND Fire hall is located only 5 blocks from the Esquimalt Municipal Fire Hall, hence is in a excellent location to provide back up to Esquimalt. Esquimalt, in fact, is a net beneficiary of the DND Fire service yet only acts in a backup role for fires on DND lands, when called in by the DND Fire Department (Very few municipalities have a "free" fully paid/professional Fire Department available for back-up on a 24/7 basis). Also, Municipal by-law enforcement is another service not required by DND (Parking issues, etc are handled internally by DND).

Thus, although the Federal Government provided **37.5%** of Esquimalt's budget, DND receives little in the way of Protective Services, which account for the largest percentage of Esquimalt expenditures.

Furthermore, DND is self funding for infrastructure on its own properties, including roads, sidewalks, sanitary sewer and water lines (to a demarcation point where they connect to the municipal lines). Hence, there is no cost to Esquimalt for such infrastructure.

TABLE TWO Continued - Federal Payments-in-Lieu of Taxes in the CRD - PAGE 4

DND also pays Fees, much like residents, businesses and industry for Water Usage.

DND is helping to fund a portion of Esquimalt's share of the cost for the new Sewage Treatment facility through fees tied to water usage - these fees are over and above the Payments in Lieu of Taxes.

Despite this influx of Federal funding, Esquimalt had the highest residential tax rate of the 13 CRD Municipalities at 5.0161 (ahead of Victoria at 4.4414, Saanich at 3.8911 and Oak Bay at 3.4350).

3) Other examples of services that are not required from Esquimalt by DND, to the extent that they are outside DND lands, are Planning and Development Services and Recreational facilities (DND have their own, self-funded recreational facilities on DND property).

POTENTIAL COUNTERARGUMENT:

An argument could be made that if DND did not occupy lands it does within Esquimalt, the Township would collect **equivalent** taxes and fees from residential, business and industrial land owners who would otherwise occupy those lands. However, such private property owners **would require** the Township to maintain infrastructure therein (roads, sidewalks, sewers, waterlines, etc., infrastructure that DND currently maintains itself, at no cost to Esquimalt. Secondly, such private owners would expect Esquimalt to provide Protective services (Police, Fire Suppression, By-Law Enforcement, services that DND provides itself). So, while there might not be any loss on the revenue side of the Township's ledger, there would be an increase on the expenditure side to provide infrastructure maintenance, Protective and other municipal services to those lands, hence more revenue would be needed from business, industrial & residential taxpayers.

FURTHER READING:

Payments-in-Lieu of Taxes Act, see:

<http://laws-lois.justice.gc.ca/eng/acts/m-13/FullText.html>

Federal Treasury Board - Listing of Federal Properties by Municipality - see:

http://www.tbs-sct.gc.ca/dfrp-rbif/query_question/summary-sommaire-eng.aspx?qid=23393720

SEE FOLLOWING PAGE FOR INFORMATION ON THE EQUIVALENT PROVINCIAL PROGRAM:

BC Government - Grants-in-Lieu of Property Taxes:

The BC Government also distributes some Grants-in-Lieu of taxes, as outlined in their latest News Release for 2016 on this subject - visit the following webpage for details:

<https://news.gov.bc.ca/releases/2016MTICS0066-002699>

Quote:

The B.C. government has distributed nearly \$16 million in compensation for municipal property taxes to 56 communities around the province.

Grants-in-lieu of property taxes are distributed every November and reimburse municipalities for services that benefited government properties, such as municipally run sewers, roads and fire protection.

Grants are issued in accordance with the Municipal Aid Act and are payable on land owned by the provincial government such as courthouses, provincial government office buildings and warehouses.

Schools and **hospitals** are exempt from paying municipal property taxes and are not part of the grants-in-lieu calculation. Other provincial assets such as highways, forests, parks or land under the control, management or administration of a Crown corporation are also excluded from compensation under the act. Since 2002, the Government of British Columbia has distributed more than \$254 million in grants-in-lieu to B.C. communities. A portion of the funds is paid by each community to its regional district, and both levels of local government use grants to help pay for local services.

The funds are distributed electronically on behalf of government by the Ministry of Technology, Innovation and Citizens' Services.

Unquote:

The City of Victoria received the largest portion at \$3,261,970. Within Greater Victoria, Saanich received \$413,560 and View Royal received \$184,724. There are no other Greater Victoria municipalities on the list.

Unlike DND properties, which provide and maintain their own infrastructure, Protection Services and other "municipal like" services, Provincial Government properties receive municipal services from their respective municipalities (e.g. Police, Fire, By-Law, infrastructure such as roads, sewers, water lines and sidewalks adjacent to such properties).

NOTE: Esquimalt (before distributions to others - Schools, Hospital District CRD) received more funds from Federal Payments-in-Lieu of Taxes than all 56 BC Municipalities that received Grants-in-Lieu of Taxes from BC Government **combined**.

RECAP:

ESQUIMALT GROSS FEDERAL PILT 2015 (LATEST FIGURES AVAILABLE):

ESQUIMALT FEDERAL PILT AVAILABLE FOR MUNICIPAL PURPOSES:

TOTAL PROVINCIAL GRANTS-IN-LIEU OF TAXES FOR ALL BC MUNICIPALITIES:

\$	17,541,671
\$	11,676,582
\$	15,956,919