



# Revenue Source for Transit - Potential, Risk and Implementation and Intergovernmental Advocacy

Edmonton

Executive Committee  
September 20, 2023

Financial and Corporate Services

# Background

**April 13, 2022**

**City Operations Report CO00607  
Mass Transit System - Sustainable  
Funding and Service Growth**

**April 19, 2022 Motion**

- Report prepared in response to a motion passed April 19, 2021
- Shortlist of 10 revenue-generating tools to be further explored for potential implementation
- A mix of strategies is required to provide for all of Edmonton's future transit financial needs
- City Council directed Administration to:
  1. Conduct further analysis on the suite of shortlisted tools; and
  2. Explore shared advocacy to advance these opportunities

# ETS Revenue Requirement Scenarios

Description	Scenario 1: Maintain Service Level	Scenario 2: Grow Service Level
Service hours	Per capita hours as relatively constant with 2022 levels	Growing per capita hours as fast as possible within garage capacity constraints
Satellite garage	Lease begins 2025 40 new buses over 2025-2027	Lease begins 2025 40 new buses in 2025
New transit garage	Operational in 2031 70 new buses over 2031-2033	Operational in 2029 375 new buses over 2029-2033
Capital funding required for new growth buses <i>(Capital Shortfall)</i>	\$180.7 Million	\$692.5 Million
Annual ongoing operating funding <i>(Operating Shortfall)</i>	\$15.4 Million 2024-2026 (+0.7%) \$70 Million by 2033	\$18.5 Million 2024-2026 (+0.9%) \$174 Million by 2033

# Criteria For Evaluating Revenue Tools

1. Does the City have the authority to implement this tool?
2. How can the City implement this tool?
3. Can the revenue tool provide stable annual funding?
4. Can the revenue tool provide sufficient levels of funding?
5. Is the revenue tool viable and/or desirable for transit funding?

# Criteria For Evaluating Revenue Tools

Revenue tools were flagged as non-viable for sustainable long-term transit funding for one or more of the following reasons:

1. No authority to use the tool
2. Works against City Plan goals.
3. Revenue opportunities are limited
4. Revenue from tool already used for other purposes
5. Counteracts financial best practices.
6. Contravenes Canadian case law.

# Viability Revenue Generation Tools

REVENUE TOOLS	FUNDING USAGE	DESCRIPTION
<b>Property Tax based:</b>		
Dedicated Transit Funding	Operating / capital (PAYG)	Funding strategy for property tax, with multi-year dedicated tax increases earmarked for transit service
Property Tax	Operating / capital (PAYG)	Property tax revenue applied towards transit funding needs
Local Improvement Tax	Capital only	Levies on properties within benefiting areas to finance costs of local improvement transit projects
<b>Non-tax based:</b>		
User Fees/ Transit fares	Operating / capital	Transit fares
Development Charges	Capital only	Charges levied on developers to fund their portion of capital improvements that benefit the area being developed
Off-Site Levies	Capital only	Charges levied on developers, implemented through bylaw, and the fee is imposed at time of subdivision or development permit

# Property Tax Based Tools

## Opportunities and Challenges

REVENUE TOOL	OPPORTUNITIES	CHALLENGES
Dedicated Transit Funding	<ul style="list-style-type: none"> <li>• Stable annual funding and sufficient levels of funding</li> <li>• Within City's control</li> </ul>	<ul style="list-style-type: none"> <li>• Places further strain on the tax base</li> <li>• Increases share of tax support relative to user fees</li> </ul>
Property Tax	<ul style="list-style-type: none"> <li>• Stable and predictable</li> <li>• Within City's control</li> </ul>	<ul style="list-style-type: none"> <li>• Places further strain on the tax base</li> <li>• Potential to increase share of tax support relative to user fees, subject to rate of tax increase</li> </ul>
Local Improvement Tax (LIT)	<ul style="list-style-type: none"> <li>• City Council may on its own initiative propose a local improvement</li> <li>• Sufficient funding solution depending on the size of benefiting area and improvement project being considered</li> </ul>	<ul style="list-style-type: none"> <li>• Large LITs can produce property tax differentials across similar properties</li> <li>• Location of a LIT would need to be considered in the context of The City Plan</li> </ul>

# Non-Tax Based Tools

## Opportunities and Challenges

REVENUE TOOL	OPPORTUNITIES	CHALLENGES
<b>User Fees</b>	<ul style="list-style-type: none"> <li>• Within City's control</li> <li>• Aligns with Fiscal Policy For Revenue Generation C624 - benefiter pays principle</li> </ul>	<ul style="list-style-type: none"> <li>• Limit to how high transit fares can be priced due to price elasticity</li> <li>• Sufficient revenue to address gap require fee increases above the rate of forecasted consumer inflation</li> <li>• Cannot solely rely on user fee increases for entire funding shortfall</li> </ul>
<b>Development Charges</b>	<ul style="list-style-type: none"> <li>• Growth of transit infrastructure and facilities in new subdivisions/ neighbourhoods</li> <li>• Potential to generate funding for transit facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Only viable for greenfield developments</li> <li>• High development charges / off-site levies could create development and/or housing market spillover effects</li> </ul>
<b>Off-Site Levies</b>	<ul style="list-style-type: none"> <li>• Subdivision growth pays for transit capital growth in those new areas</li> </ul>	



# Intergovernmental Advocacy

- Advocacy strategies - provincial
  - Ensuring adequate levels of capital funding
    - Capital grants dedicated to support public transit
    - Restore City Charters permanent transit funding
    - Increase the LGFF baseline funding amount
  - Exploring new revenue tools
- Advocacy strategies - federal
  - Leverage the Federation of Canadian Municipalities' advocacy
    - New Municipal Growth Framework
    - Big City Mayors' Caucus
  - Flexible design of the Canada Permanent Public Transit Fund, scheduled to launch this fall

# Intergovernmental Advocacy Context

- Government of Alberta
  - Reluctance to allow new taxation / revenue tools
- Government of Canada
  - Permanent Public Transit Fund (2026)
- Concerns about affordability and adding costs to new housing development

# Questions?

