

Revenue Tools

Table 1: Tools Presented in CO00607 - "Mass Transit System - Sustainable Funding and Growth Plan"

	Authority to Implement?	How to Implement?	Description of the Revenue Tool	Able to Provide Stable Annual Funding?	Able to Provide Sufficient Levels of Funding?	Is this Viable and/or Desirable for Transit Funding?	Reason (If No)
Real Estate Based Revenue Sources							
1	Benefit Area Tax	Yes	Residential subclassing	Higher property taxes for properties near LRT/transit stations	Yes	Potentially - subject to tax rate applied	No This tool would levy higher residential property taxes near LRT/transit stations, which are typically located in the redeveloping area. This would work against redevelopment/infill goals, as higher property taxes would disincentivize infill ownership/development. The City also does not have legislative authority to subclass non-res properties in this way, so this could only be applied to residential properties.
2	CRL	No		Tax increment financing model for redeveloping area	Yes	Potentially - subject to size / location / assessment growth of CRL	No No authority to implement without Provincial approval; requires Ministerial approval. Edmonton is currently above the Province's 3 per cent limit for assessable tax base within CRLs, making the City ineligible for a new CRL.
3	Dedicated Transit Funding	Yes	Property tax	Dedicated tax levy funding	Yes	Yes	Yes
4	Real Estate Opportunities	Yes	Various ways	Revenues from various real estate opportunities	No	No	No Opportunities are limited; where land banking or other real estate investment opportunities exist, proceeds of sales are allocated for other purposes (i.e. Land Enterprise business objectives). Administration does not believe this to be viable for ongoing ETS funding: revenues would not be stable year to year, nor would they be sufficient for transit funding purposes.
Transportation Based Revenue Sources							
5	Motor Fuel Tax	No		Either excise or sales tax on vehicle fuels	Yes	Yes	No No legislative authority.

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6	Parking Fees	Yes	Expand existing parking fee rates / system	User fees on parking	Yes	No	No	Best practices suggest that revenues from user fees should be used to defray the cost of the service for which the consumer is paying a fee. Emerging practices also suggest that parking fees should be used to efficiently manage parking demand. Therefore, parking fees are used to recover parking costs, in whole or in part, and may be used to help balance parking supply and demand. Furthermore, incremental revenues from parking fees would not generate sufficient funds for transit purposes.
7	Road Usage Charging	No		User fees on road usage	Yes	Yes	No	No legislative authority; Traffic Safety Act prohibits this.
8	Transportation Network Company Fee	Yes	Licence fee	A regulatory (licence) fee on TNC-based vehicle for hire companies	Yes	No	No	The City has legislative authority to implement this, however, doing so would contravene Canadian case law. Revenues from licence fees can only be applied towards financing the regulatory program (i.e. vehicle for hire operations), and not for other purposes (i.e. transit operations).
9	Vehicle Registration Fee	No		Flat fee on vehicle registrations allocated to transit	Yes	Yes	No	No legislative authority; Traffic Safety Act prohibits this.
Other Revenue Sources								
10	Tourism Levy	No		A tax levied on temporary accommodations	Yes	No	No	No legislative authority to implement. Would not generate sufficient funds for transit if it were in place.

Table 2: All Remaining Revenue Generation Tools Available to the City

	Authority to Implement?	How to Implement?	Description of the Revenue Tool	Able to Provide Stable Annual Funding?	Able to Provide Sufficient Levels of Funding?	Is this Viable and/or Desirable for Transit Funding?	Notes / Additional Context	
Tax-Based Revenue Source								
11	Property Tax	Yes	Bylaw	Tax on the value of a property (i.e. tax based on the assessed property value).	Yes	Yes	Yes	
12	Special Tax	Yes - City can levy this tool, but not applicable for transit service	Bylaw	Tax on benefiting properties to fund a service or purpose as listed under s.382 of MGA. Bylaw must be passed annually.	Yes	Potentially	No	Transit not a permitted service or purpose for Special Tax under MGA.
13	Machinery and Equipment Tax	Yes	Bylaw	Machinery & equipment tax is a property tax levied on the Machinery & Equipment assessment class as per s.297 of the MGA.	Yes	Potentially - subject to tax rates	No	M&E is exempt from taxation in the City of Edmonton, as it is in other major Alberta municipalities, such as Calgary. This exemption provides an incentive for industrial investment and improves the City's tax competitiveness. Taxation of M&E would be a significant change to property tax practice in Edmonton and would take some years and resourcing before implementation is possible.
14	Business Tax	Yes	Bylaw	Tax on all businesses operating in Edmonton. Tax is levied on business operators, not the property owner.	Yes	Yes	No	Administration does not recommend using this tax tool. Business tax was phased out from 2009-2011. Because it's levied on business operators, it is very difficult and costly to implement and is inefficient. For example, business operators shut down, relocate or go out of business often. Nonpayment was very common with this model, with difficulties to collect and levy penalties.
15	Local Improvement Tax	Yes	Bylaw. A Council may on its own initiative propose a local improvement, or a group of	A tax paid by a benefiting area for an improvement	Yes	Potentially - subject to size of benefiting area, and that area's tax tolerance	Yes Capital only	Funding level depends on how wide the benefiting area is drawn, and how much of a local improvement tax is levied. A local improvement tax could be applied to generate revenue to finance a transit facility or capital project, where Council considers the

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			owners in a municipality may petition the Council for a local improvement.					facility/project to be of greater benefit to that area of the city than the whole of the city. A local improvement tax would be levied in addition to standard property taxes for the benefiting area, which would create tax differentials for the benefiting area. Local improvement taxes can be petitioned by the community.
16	Community Aggregate Payment Levy	Yes	Bylaw	Tax on all sand and gravel businesses operating in the municipality to raise revenue to pay for infrastructure and other costs.	Yes	No	No	Not ideal or practical for urban municipalities; tax base too narrow and targeted; no justification for levying such a tax in Edmonton; very limited revenue potential.
17	Well Drilling Equipment Tax	Yes	Bylaw	Tax imposed in respect of equipment used to drill a well for which a licence is required under the Oil and Gas Conservation Act.	Yes	No	No	Not ideal, practical, or intended for urban municipalities; tax base too narrow or nonexistent; no justification for levying such a tax; limited or zero revenue potential.
18	Clean Energy Improvement Tax	Yes	Bylaw	A clean energy improvement program provides a mechanism where the City issues debt to pay for the up-front cost of a clean energy improvement on a private property. The property owner then pays the City back, through a clean energy improvement tax, the cost of all or part of the clean energy improvement over a period of time specified in the program.	Yes	Yes	No	Not applicable for transit. Can only be used for Clean Energy Improvements on private property.
19	Business Improvement Area (BIA) Tax	Yes	Bylaw	A business improvement area (BIA) is a specific geographic area of the city in which businesses combine resources and work together through a formal business association to enhance the economic development of their area.	Yes	No	No	Public service is not the intent of a BIA. BIA's are established to advance the economic development of the geographic area of the BIA.

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20	Tax Increment Financing (TIF)	No		Not technically a unique revenue tool, just a different application of property tax. Allocates the tax uplift within a specified geographic area to finance capital improvements in that same area, where the intent of the capital improvement is to catalyse land development to spur more future uplift. CRLs are essentially TIFs.	Yes	Potentially	No	The City does not have the authority to implement any formal TIFs or CRLs without provincial/Ministerial approval. Edmonton is currently above the Province's 3 per cent limit for assessable tax base within CRLs, making the City ineligible for a new CRL.
Non-Tax-Based Revenue Source								
21	User Fees	Yes	Levied on consumers of transit service, either in advance or at time of boarding	Payments levied on consumers, citizens, constituents or other governments in exchange for City goods or services	Yes	Potentially - subject to fee rates and consumer willingness / ability to pay	Yes	Additional user fee revenues would necessitate higher fee rates. This may price some riders out of the service. There are limits to how high transit fees can go, as transit revenues are parabolic with respect to price: revenues increase with price to a certain point, then diminish due to reductions in consumption. Further investigation, market analysis and engagement would be required to determine optimal user fee increases.
22	Regulatory Charges (Permit / Licence / Approval Fees)	Yes	Levied at the time of application or approval for a City permit, licence, or approval.	The fee levied for the application and/or approval of obtaining a permit, licence, or approval from the City	Yes	Yes	No	Revenues from regulatory charges can only be used to finance the regulatory program. Cannot be used for transit service.
23	Franchise Fees	Yes	Franchise Fee Agreement	Charges for public land on utility providers to have an exclusive franchise in Edmonton	Yes	Yes	No	Franchise fees are already allocated to corporate revenues.
24	Fines/Penalties	Yes	Bylaws and/or Budget Process	A penalty of money that a court of law requires to be paid for committing an offence	Yes	Potentially - subject to fine/penalty amounts and rates of offence	No	Fines should not be used principally as a revenue-raising tool, as this creates "perverse incentives" for the government. Revenues from fines are incidental to their primary purpose of altering, dissuading or disincentivizing certain behaviours.

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25	Earnings on Investments	Yes	C212E Investment Policy	Earnings on the City's investment funds (Ed Tel Endowment Fund, Short Term Bond Fund, Money Market Fund)	Yes	Yes	No	Earnings on investments are already allocated.
26	Operating Grants from Other Orders of Government	N/A		Transfer funding from higher order governments for operating purposes	Potentially - subject to provincial /federal policy	Potentially - subject to provincial/ federal policy	Desirable - But requires provincial / federal support	Grants are outside the City's control, and are subject to budgetary/policy discretion of other orders of government. They have the potential to be both stable and sufficient, however, those factors are under the discretion of the provincial and federal governments. Grants are a desirable funding source for transit, and the City continues to advocate for more grant funding contributions.
27	Capital Grants from Other Orders of Government	N/A		Transfer funding from higher order governments for capital purposes	Potentially - subject to provincial /federal policy	Potentially - subject to provincial/ federal policy	Desirable - But requires provincial / federal support	Grants are outside the City's control, and are subject to budgetary/policy discretion of other orders of government. They have the potential to be both stable and sufficient, however, those factors are under the discretion of the provincial and federal governments. Grants are a desirable funding source for transit, and the City continues to advocate for more grant funding contributions.
28	Development Charges	Yes	Imposed at time of subdivision or development permit. Development charges can be applied one of two ways: 1) a financial levy on developers used to fund the capital project; or 2) by having the developer construct the capital project directly at their own cost, with the City avoiding the cost.	As a condition of the subdivision permit or development permit, the City can require developers to fund their portion of capital improvements that benefit the developing area. The payment must be proportional to the cost of the infrastructure or facility. Permanent Area Contributions (PACs) are under this model.	Potentially - subject to how the tool is applied	Yes	Yes Capital only	Development charges can provide funding for transit infrastructure/facilities in new neighbourhoods. Consideration should be given for economic, development, and housing market impacts.

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29	Off-Site Levies	Yes	Implemented through bylaw, and the fee is imposed at time of subdivision or development permit. Off-site levies can be applied one of two ways: 1) a financial levy on developers used to fund the capital project; or 2) by having the developer construct the capital project directly at their own cost, with the city avoiding the cost altogether.	An off-site levy may be used only to pay for all or part of the capital cost of the facilities/ infrastructure listed under s.648 of MGA; however under the City of Edmonton Charter, 2018 Regulation, the City is permitted to define the infrastructure for which an off-site levy will be imposed. This relaxes the MGA restrictions in s.648.	Potentially - subject to how the tool is applied	Yes	Yes Capital only	Off-site levies can be applied to fund all or part of the capital cost of transit infrastructure/facilities in new neighbourhoods. Off-site levies can also be applied where developers construct the transit infrastructure/facility, then contribute those assets to the City, whereby the City avoids the capital cost. When setting levy rates, consideration should be given for economic, development, and housing market impacts.
30	Redevelopment Levies	Yes, but not applicable for transit service	Imposed at time of development permit	A redevelopment levy may be imposed on an applicant of a development within an area redevelopment plan (ARP) for residential, commercial, or industrial developments. The levy can only be used to provide land for a park or school, or land for a recreation facility.	No	No	No	Redevelopment levies can only be used to provide land for park or school buildings, or land for new/expanded recreation facilities (s.647 MGA). Transit service is not permitted. Redevelopment and infill development volumes are not sufficient to generate significant redevelopment levies; levies on infill redevelopment could work against infill goals.
31	Density Bonusing	Yes	DC1 or DC2 zoning bylaw	A tool that permits developers to increase their maximum allowable development on a site, in exchange for funds or in-kind support for some public service or purpose.	No	No	No	The City could require applicants of DC1 and DC2 rezonings to provide a community amenity in the form of funds or in-kind support for transit facilities/infrastructure built in proximity to the development site. However, these contributions would not be stable annually, as they are application based, nor would they be significantly large. If fees or contributions are too high, it might render the private development non viable. Consideration should be given on the potential impacts of disincentivizing multi-unit

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								and mixed-use infill/redevelopment. Furthermore, Council Policy C599A currently prohibits using density bonusing in this way, and it grants the developer the authority to determine the community amenity contribution.
32	Earnings on the Sale of Goods/Services from a Municipal Enterprise, Subsidiary Enterprise, or Government Corporation	Yes	Through the sale of a good/service by a municipal enterprise or government corporation.	The earnings from any municipal corporation or enterprise.	Potentially	Potentially	No	Revenues depend on what type of enterprise is established. It is likely not practical to establish a for-profit enterprise solely to generate transit funding; further, it's not apparent any opportunities for such an enterprise are readily available. Existing corporations/enterprises already have business plans in place with objectives for their earnings (i.e. EPCOR, Land Enterprise, etc.).
33	Regulated Utility Rates	Yes, for utilities only; not applicable for transit	Charged to customers of regulated utilities	The fee charged to customers of a regulated public utility.	Yes	Yes	No	Customer utility rates are based on the full cost of providing service and to ensure the utility is financially sustainable over the long term. Regulated utility rates are levied to directly fund the utility. Not applicable for transit.
34	Partnership Funding / Contributions	Yes	Various ways	Contributions or donations from individuals or entities within the community.	Potentially - only in the scenario that a partner provided ongoing annual funding	No	No	Unlikely to generate significant funds. Typically used to generate one-time funds for certain capital projects. However, conceptually an annual donations program could be created, but contributions are not likely to be sufficient for any practical transit application.