

## ASSESSMENT AND TAX SERVICE FEES ADJUSTMENT

### Recommendation

That the March 20, 2024, Financial and Corporate Services report FCS02245, be received for information.

<b>Requested Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Healthy City</b>		
<b>City Plan Values</b>	ACCESS		
<b>City Plan Big City Move(s)</b>	Inclusive and compassionate	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• C624 - Fiscal Policy For Revenue Generation</li> <li>• Bylaw 20577 - To Fix the Fees for Assessment and Tax Services of the City of Edmonton - Amendment #8 to Bylaw 17693</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• October 24, 2023, Financial and Corporate Services Report FCS01985, Bylaw 20577 - To Fix the Fees for Assessment and Tax Services of the City of Edmonton - Amendment #8 to Bylaw 17693</li> <li>• November 21, 2023, Financial and Corporate Services Report FCS02052, Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget</li> </ul>		

### Previous Council/Committee Action

At the November 21, 2023, City Council - Budget meeting, the following motion passed:

## ASSESSMENT AND TAX SERVICE FEES ADJUSTMENT

That Administration provide a report with options to increase the assessment and tax service fees, as outlined in the Corporate Revenues and Expenditures, Corporate Revenues table on pages 104-105 of Attachment 2 of the November 7, 2023, Financial and Corporate Services report FCS02052, to support increased cost recovery.

### Executive Summary

- Edmonton City Council annually sets Assessment and Taxation service fees. These were last reviewed and approved on October 24, 2023.
- Each year, Administration reviews fees from both a cost recovery and reasonableness standpoint, leveraging an annual cross-jurisdictional survey to ensure fees are in line with other Alberta jurisdictions.
- Fees should generally not be considered from a revenue generation perspective.
- Further review of Assessment and Taxation service fees suggests that the present fee structure is reasonable and at, or near, cost recovery.
- Increases to fees within a reasonable range would result in a very minor change in amounts collected, and could actually decrease total fees paid if there is a drop in service demand.
- Minor changes to some fees are possible but not recommended at this time.

### REPORT

On October 24, 2023, City Council unanimously approved the Assessment and Taxation service fees (Financial and Corporate Services report FCS01985, Bylaw 20577 - To Fix the Fees for Assessment and Tax Services of the City of Edmonton - Amendment #8 to Bylaw 17693). These fees are reviewed annually in consideration of the cost to provide the service, as well as the fees imposed by other jurisdictions across the province and in other similar-sized jurisdictions across the country. Several fees were increased for 2024 to reflect increased staff costs, greater complexity of the services and to remain in line with municipalities across Alberta. The changes associated with that bylaw were reflected in the Fall 2023 Supplemental Operating Budget Adjustment (November 21, 2023, Financial and Corporate Services report FCS02052).

While there is no explicit requirement in the *Municipal Government Act* that fees should be based on the service cost, if fees are unreasonably higher than the cost of service provision, they may be subject to legal challenge. Previous court decisions in Canada indicate a precedent that government fees should approximately reflect costs of service and not be a source of general revenue. If challenged, the City may be required to demonstrate how the fees are reasonable, and the rationale for any changes to the fees may be reviewed. Chances of a challenge are higher if a fee increase is perceived as a means to generate additional revenue.

While cost recovery is considered when setting fees, it is not possible to consistently and precisely determine the exact cost of providing any particular service. While staff salaries are known, and the time and materials required to complete a task can be estimated, it is less clear how to account for indirect costs such as staff equipment, ancillary support services and general overhead costs. Also, some services can vary greatly in complexity depending on the particular circumstances of the account. In some cases, the per-unit cost of providing a service may depend on the number of times that service is requested during the year. The survey of other

## ASSESSMENT AND TAX SERVICE FEES ADJUSTMENT

municipalities helps in confirming the City's fees are reasonable, as other municipalities are also required to set their fees under the same legal framework.

In response to Council's motion, Administration reviewed its fees considering the complexities described above. The review found that most fees already reasonably meet a cost recovery standard. While Administration estimates that a few of its fees may be currently below cost-recovery, increasing them at this time is not recommended for the following reasons:

- The services currently estimated to be below cost are generally used infrequently so would generate very little additional revenue even if the fees were increased. Further, increasing the fees may result in fewer people utilizing the service, which could offset any potential new revenue.
- In general, Edmonton's fees for these services are already higher than the fees for similar services in other municipalities across Alberta. Increasing them further increases the risk for legal challenge if the fees are perceived to be revenue-generating rather than cost-recovery.
- The fees were set in October 2023, based on a similar review at that time. Since the costs to provide the services have not changed significantly since October, it may be difficult to justify any fee increases.

### Options

If Council wishes to proceed with an increase in fees for these products and services, the following options could be considered. The estimated change in fees paid does not assume a decline in demand, as this would vary depending on the service.

Option 1: Increase fees that may be below full cost recovery. Provided there was no decrease in demand for these services, an estimated \$95,000 more in fees would be collected. Some fees that are below cost recovery are those levied on accounts of people who may be in financial distress.

Option 2: Increase fees as a flat percentage across all services provided. As outlined above, an increase not in line with actual costs and/or provincial averages would increase the likelihood of legal challenge. Each one per cent increase correlates to approximately \$35,000 in fees collected, assuming no drop in demand.

Option 3: Increase all fees to at least the average of Alberta municipalities. As outlined in Attachment 2 in the October 24, 2023 Financial and Corporate Services report FCS01985, Bylaw 20577 - To Fix the Fees for Assessment and Tax Services of the City of Edmonton - Amendment #8 to Bylaw 17693, Administration completes a survey ahead of its annual fee adjustments to determine fees imposed by other jurisdictions. The City could increase its fees to match the provincial average in all instances its fee for a service is below the average. Note there are a number of City of Edmonton fees currently above provincial averages. This type of increase would raise the amount of fees collected by approximately \$27,000. However, meeting the Alberta average in all fees (i.e. lowering those above the average) would result in a lower total of revenue collected from Assessment and Taxation Service fees.

## **ASSESSMENT AND TAX SERVICE FEES ADJUSTMENT**

### **Next Steps**

Administration plans return to Council in Fall 2024 with a revised jurisdictional survey and proposed updates to all fees as per its usual process.

### **Budget/Financial Implications**

Fees are an important component of the City's cost distribution model. In accordance with Council's Fiscal Policy for Revenue Generation (C624), fees are used when direct benefits are provided to service consumers and those benefits can be measured. Such an approach ensures greater distributive fairness and equity. Current Assessment and Tax Service Fees generally meet this standard. Increases beyond existing fee levels would result in relatively small revenue increases.

### **Legal Implications**

In setting fees to access certain government services, there are court decisions throughout Canada that indicate that such fees cannot be set to generate revenue over and above the costs of running the service. When fees are set too high they can be struck down as an illegal form of taxation.

### **Community Insight**

As part of the Administration's Assessment and Taxation Service Fee analysis, a jurisdictional analysis is performed annually. Formalized consultation with property owners over the City's fee structure has not been undertaken, but informal feedback, received through direct correspondence with fee payers, is considered as part of the annual review process. Cost recovery is one aspect of fee setting; as is comparison with fees in other Alberta municipalities as a test of reasonableness.

### **GBA+**

Beyond an analysis of fee cost recovery, Administration must also take into consideration the overall reasonableness of a fee. Some fees, such as those related to missed payments or collection enforcement, may also disproportionately affect vulnerable populations. In those circumstances, full cost recovery may be a lower-priority than the general public benefit of subsidizing those fees for individuals of lesser means.