



Cost Allocation

Fiscal Policy For Revenue Generation CR_8018
Infrastructure Efficiency CR_8022



Edmonton

Executive Committee, October 16, 2020
Reports 8018, 8022

Our Discussion Today

Agenda

1. New Economic & Fiscal Reality

2. Fiscal Policy for Revenue Generation

3. Cost Allocation Tools for Rewarding Land-Use & Infrastructure Efficiency

New Economic & Fiscal Reality

Summary



Two Back-To-Back Recessions

Lost a near-decade of economic growth



Record Setting Unemployment

(in 2020)



Diminishing Fiscal Capacity

(in the years ahead)



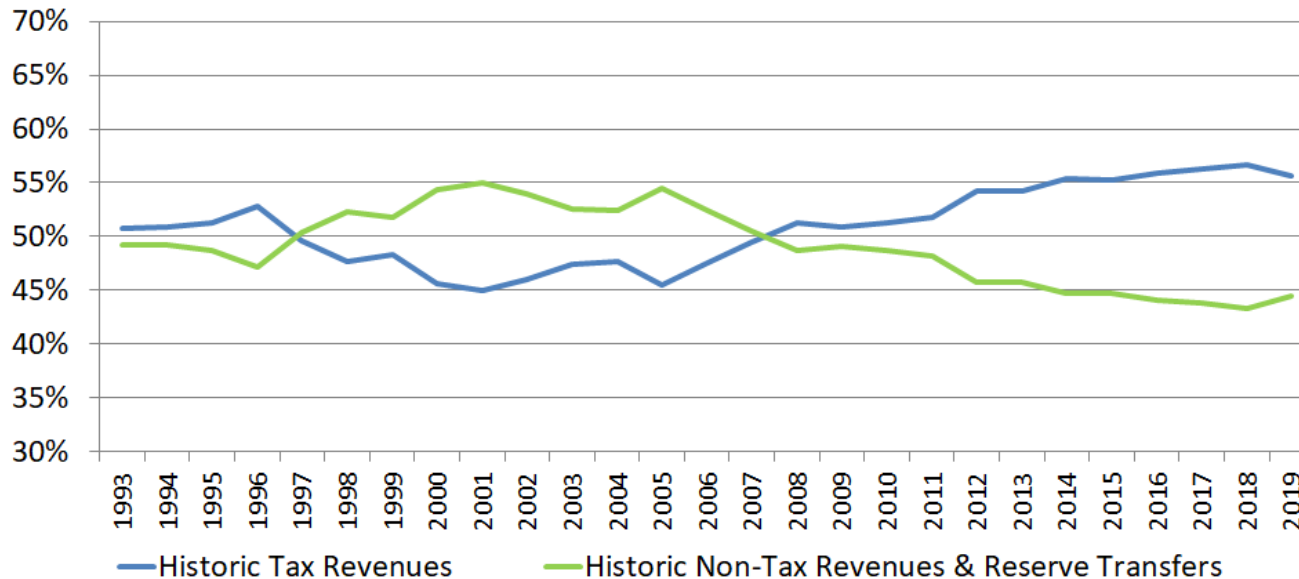
Low Property Tax Tolerance

(for the next several years)

- *Over the past 10 years the City has increased its reliance on property tax revenues.*

Growing Reliance on Property Tax Revenues

Tax Revenues vs. Non-Tax Revenues as % of Total Operating Revenues



What is Cost Allocation?

Description



Cost allocation purposefully distributes service and infrastructure costs according to the benefits received. Some services benefit:

- The Community at Large
- OR
- Service Consumers
- OR
- Mix of the Two
- Certain Stakeholders
- Certain Properties

All City service and infrastructure costs must be shared throughout the community in some way.

Cost allocation can ensure that public costs are shared fairly and equitably, while reducing strain on the tax levy.

Recommended Fiscal Policy For Revenue Generation

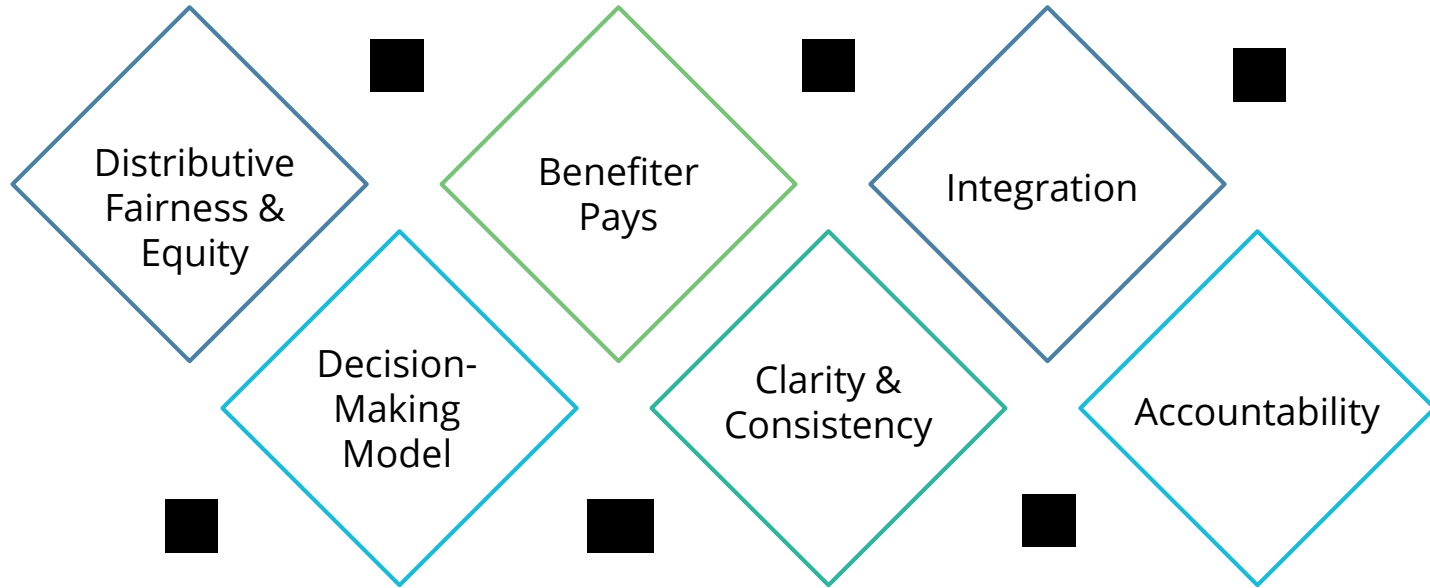
Overview



A principle-based framework to guide Council's decision making.
















- ❑ It will ground Council discussions on cost allocation.
 - This will provide a foundation for Council to explore ***'who pays for what, in what amount, and why'.***
- ❑ This policy does not bind Council on specific or individual budget decisions.

Fiscal Policy for Revenue Generation Principles



Fiscal Policy for Revenue Generation

Who pays for what?

	 PUBLIC SERVICE	 PUBLIC UTILITY	 MUNICIPAL ENTERPRISE
Who benefits?	<div>Community at Large</div> <div>Service Consumers, Stakeholders, Certain Properties, etc.</div>	<div>Utility Customers</div>	<div>Consumers</div>
Who pays?	<div>Broad-Based Taxation</div> <div>Benefiting Parties</div>	<div>Utility Customers</div>	<div>Consumers</div>
How do they pay? [Examples]	<div>Property Tax M&E Tax Business Tax</div> <div>User Fees, Regulatory Charges, Development Charges, Local Improvement Tax, etc.</div>	<div>Utility Rates</div>	<div>Purchase of Goods/Services Sold By Municipal Enterprise</div>

Cost Allocation

Rewarding Efficient Land Use

Property tax is the primary method of recovering costs:

- It distributes the tax burden by assessment value.
- *However, it does not factor in how properties variably drive infrastructure costs.*

→ This method has unintended effects:

- High-density properties cross subsidize low-density properties for infrastructure costs.
- It incentivizes less-intensive land use.



The City's costs of delivering linear infrastructure to residential neighbourhoods varies depending on land use intensity.

Cost Allocation

Rewarding Efficient Land Use



The City has three tools to allocate infrastructure costs according to land use intensity.



1. Local Improvement Tax



2. Development Charges & Off-site Levies



3. Residential Sub-Classes



Closing Remarks



» Thank You

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