



Memo

April 12, 2022

To: Mayor Gondek and Members of Council

From: Carla Male, Chief Financial Officer and Stuart Dalglish, GM Planning & Development

Re: Response to Administrative Inquiry – Alignment of Statutory Development Plans (Councillor Chabot)

The following is Administration's response to Councillor Chabot's administrative inquiry put forward at the 2022 February 15 Combined Meeting of Council,

Can administration please report to Council on what the costs are to deliver services in each individual communities as well as how much revenue is generated in each of those communities to determine where our greatest deficiencies exist so that we can focus our planning efforts to mitigate our financial deficiencies?

Can administration advise what differential mill rates for individual areas might look like to even out the cost/revenue differential between communities?

Currently, City costs to deliver services and revenues such as property taxes, user fees, & other revenues are neither tracked nor reported by geographic area. While it would be a manual and resource intensive task to report property tax revenues by community, allocating revenues from user fees and allocating cost of services by community would be a very difficult exercise, requiring a significant number of assumptions that will impact the reliability of the results. To highlight one difficulty of reporting cost of services and revenues by community, it would not be representative to allocate all operating costs, or user fees of regional amenities to the community it happens to reside in or around. These amenities are accessed by all Calgarians (i.e. Village Square Leisure Centre, C-Train, Whitehorn Multi-Services Centre). To track and report this information would require significant additional staff and financial resources as well as the reprioritization of existing and planned work.

In considering allocating taxes based on cost/revenue differential, it is important to state that property taxes are based on the market value assessment of property. Like income tax, property tax paid is not tied to level of services unlike user fees. A homeowner living in a home worth \$5 million, may not consume ten times the services as a homeowner living in a home worth \$500,000. This method of allocating tax responsibility by service usage is contrary to The City's public service culture "One City, One Voice" in prioritizing investments city-wide and may create inequitable service delivery and tax treatment across the city. It should be noted that assessment subclasses can be used to establish differential mill rates in accordance with the Municipal Government Act and regulations. Council could establish residential subclasses on any basis it considers appropriate based on property characteristics, provided the subclass criteria are not discriminatory. However, The City's ability to create non-residential subclasses is very limited and does not extend to geographic location. Administration has existing direction to investigate and pursue broader changes to subclasses.

Any consideration of subclasses based on cost/revenue differential, would need to address system changes, frequency of updates and changes to the rates, and significant ongoing resource needs. When coupled with the earlier discussion on tracking and reporting service expenditures, this overall system would be challenging and resource-intensive to administer and would require supporting communications, programs, and materials to explain tax variability among communities.

Administration continues to progress understanding the cost and revenues related to tax-supported city services, as shown in the recent briefing *Financial Impacts of Growth: New Community Operating Cost Model Update* (IP2022-0196). Administration has prioritized evolving the understanding of the financial impacts of a growing city, to help inform decision making and understanding of the return on investments The City makes and how to best drive value from these investments, through the *Financial Impacts of Growth work in the City Planning and Policy Roadmap* (IP2022-0053 – Attachment 3). Administration strives to continuously improve the financial sustainability of The City and return on investments.

Should Council wish Administration to undertake further work toward more directly attributing, by community, taxes and user fees paid to service expenditures, Administration suggests Council direct Administration to provide Council with a project scoping report, including outcome, project scope, budget, and time. Administration notes to generate this scoping report it would require the re-prioritization of existing work.