

Big City Revenue Sources: A Canada-U.S. Comparison of Municipal Tax Tools and Revenue Levers

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INTRODUCTION

The long-term financial prospects of Canada’s cities remains a recurring theme on the national economic and political agenda. At times, it seems everyone is talking about “a new deal” for Canada’s cities, whether it is the C-5 Group of Big City Mayors – backstopped by a continual stream of studies and reports from policy institutes, municipal associations, and business – to the Prime Minister’s Caucus Task Force on Urban Issues.

Canadians are talking about urban finance issues because cities are in a revenue squeeze, required to deal with an expanded list of responsibilities and new social pressures at the same time that population growth pressures traditional municipal services. In response, cities can call only upon the property tax (Vander Ploeg 2001, 2002). *Big City Revenue Sources* explores the fiscal dilemma confronting cities by undertaking a comparative assessment of the various tax tools and revenue levers available to the six large western Canadian metros, and similar cities in the United States. The study seeks answers to several questions:

- *What are the typical tax tools and revenue levers open to cities, how do they work, and what are their unique advantages and disadvantages?*
- *How do the tax tools and revenue levers open to western Canadian cities compare to those available to similar cities in the United States?*
- *How do the budgetary profiles of western Canadian cities compare to those of similar U.S. cities?*
- *Finally, is there evidence to suggest that western Canadian cities are at a competitive disadvantage compared to their American counterparts based on the revenue instruments at their disposal?*

METHODOLOGY

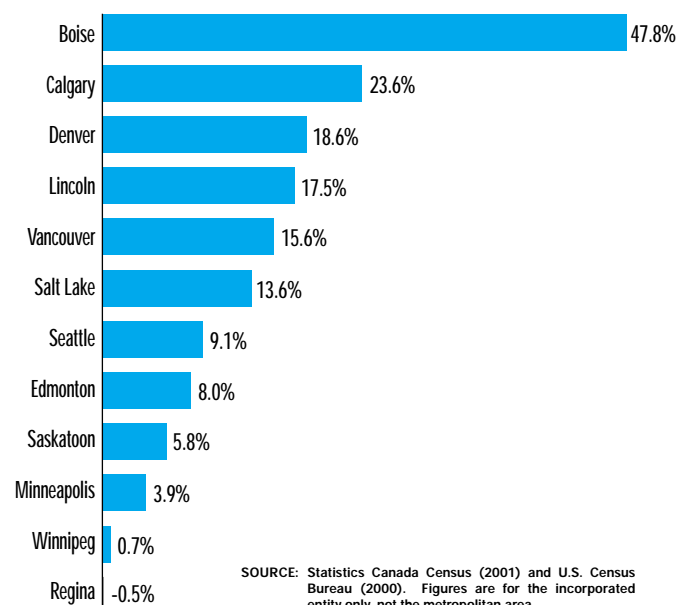
To conduct the comparison, the six large western Canadian cities were paired with similar American cities. These pairings include Vancouver and Seattle, Washington; Edmonton and Salt Lake City, Utah; Calgary and Denver, Colorado; Saskatoon and Lincoln, Nebraska; Regina and Boise, Idaho; and Winnipeg and Minneapolis, Minnesota. The decision about which cities to pair was driven by several factors including relative population size and geographical proximity.

Data for this study were secured from three sources. First, each city’s website was searched for financial statements, annual reports, and research papers on local tax issues. Second, a thorough review of state and provincial websites was conducted to determine the general local taxation environment. Several states publish annual tax manuals, which were analyzed in-depth. These tax manuals provided a comprehensive listing of all state and local taxes as well as administrative details. Additional financial data were secured from state and provincial governments that maintain online databases of fiscal information based on the annual financial returns submitted by cities. Third, financial directors and budget officers in each city were interviewed. The interviews, which often lasted up to an hour, were designed to uncover the limitations on the use of any tax tools as well as certain administrative details.

URBAN FINANCE CHALLENGES

To provide context, it is important to understand the financial challenges facing western Canada’s big cities. The problems revolve around four factors (Vander Ploeg 2002). First, population growth in Canada is increasingly focused in large metropolitan centres. Nowhere is this more relevant than in the West, which has three of Canada’s fastest growing big cities (Vancouver, Edmonton, Calgary). Rapid population growth leads to increased demands for municipal services and places stress on local infrastructure. As shown in *Figure 1*, this phenomenon is shared not only by western Canadian cities, but many U.S. cities as well.

FIGURE 1: Population Growth of the Various Cities
(1990-2000 for U.S. Cities, 1991-2001 for Cdn Cities)



SOURCE: Statistics Canada Census (2001) and U.S. Census Bureau (2000). Figures are for the incorporated entity only, not the metropolitan area.

A second factor, linked to the first, is the way urban populations are growing. The growth rate of Canada's large cities is often slower than the growth rate in the urban and rural "beltways" surrounding the cities (Vander Ploeg 1999). Rapidly expanding populations in metropolitan beltways are leading to increased problems with "free-riding" and issues of "fiscal equivalence." In addition to accommodating their own growing populations, large cities must also provide for a steadily growing stream of commuters, not to mention all the truckers, tourists, conventioners, and other "outsiders" who use city services. Ideally, outsiders would pay for at least some of the costs of the services they consume through an appropriate mix of taxes and user fees. If not, local taxpayers are left to carry the financial burden. It should be noted that this growth pattern, and the challenges it brings, also affects cities with more modest growth rates.

Rapid population growth is not ordinarily a financial liability for governments. But a third factor comes into play when considering municipalities. Unlike the revenues of their federal and provincial counterparts, municipal revenues have not kept pace with population growth or inflation. From 1990-2000, inflation-adjusted per capita revenue growth for the federal and four western provincial governments grew significantly, but most large western cities saw a decline in their inflation-adjusted per capita revenues (Vander Ploeg 2001). In many respects, this sluggish revenue growth is a function of the lack of elasticity in the property tax, the primary tax used by most Canadian cities. Compounding the lack of buoyancy in city tax revenues is the fact that operating and capital grants have not kept pace either.

Finally, cities are confronted with an expanded list of responsibilities, largely the result of federal and provincial downloading and offloading (e.g., affordable housing and a larger role in community and social services) and a set of growing urban social challenges (e.g., homelessness, poverty, illegal drug use). Cities are finding it difficult to keep up with the demand for traditional services, let alone addressing a whole new set of problems.

Answering the fiscal challenges facing our large urban centres needs to become a top priority for Canadians. In many ways, the race for success in the new information economy is being run on the streets of our cities. Cities that are very livable and offer a high quality of life will be the same cities that succeed in attracting and retaining the skilled human capital necessary for success, as well as a steadily increasing standard of living.

FIVE FISCAL OPTIONS

The options for addressing the financial challenges of our cities are not limited to hiking taxes, cutting program spending, or ignoring infrastructure. Such approaches would only worsen the problem as people begin choosing other places to live in order to avoid the higher tax rates and the deteriorating amenities and infrastructure. This in turn would cause the tax base to erode, making the fiscal situation even worse.

Fortunately, there are other options. In *Framing a Fiscal Fix-Up* (Vander Ploeg 2002), the Canada West Foundation synthesized and assessed the many ideas put forward by urban economists and finance experts to address the financial challenges of Canada's big cities. The report highlighted five specific alternatives to prompt a national discussion on the options open to our cities:

- *Focus on core responsibilities:* Cities need to identify their core priorities and fund them first. To the extent possible, cities should seek to disengage from activities that redistribute income, a task for which the property tax is ill-suited.
- *Set correct prices:* Cities can create improved user-pay systems that capture the real costs of providing services. Fees and property taxes could better mirror the variable costs of servicing different properties.
- *Adopt Alternative Service Delivery (ASD):* Cities can create a competitive environment for the delivery of services. Services need to be provided by those who can do it the most effectively and efficiently, be it the public, private, or non-profit sector.
- *Employ innovative capital funding:* Cities need to find new sources of capital funding, whether that be earmarked user fees or inviting the private sector to finance, construct, own, and even operate municipal facilities.
- *Secure a new tax mix with expanded authority to experiment:* Cities need a new mix of tax tools that are more buoyant, capture economic potential, and help control and manage spillovers. Cities also need the legislative flexibility to engage in policy innovation.

As the debate over urban finances has progressed, the fifth option has drawn the most attention. However, it is unlikely that this option alone can address all of the challenges. Each of the five alternatives needs to be pursued.

At the same time, it is still important to uncover whether Canadian cities are indeed confronted with a competitive disadvantage simply because they depend on a less favourable revenue base than their competitors. *Big City Revenue Sources* will shed light on the broader relationship between taxation and community competitiveness, and pull into sharper focus the issues associated with the tax tools available to western Canada's big cities.

A RANGE OF REVENUE SOURCES

Figure 2 demonstrates a wide range of revenue sources employed by cities in North America. These include property taxes, sales and excise taxes, specific business taxes, tax-sharing, senior government grants and other contributions, user fees, and a host of "other" revenue including licenses, permits, fines, and interest income on municipal investments. In the municipal context, each fiscal tool has its own unique advantages and disadvantages, differing in terms of their ability to generate a growing stream of revenue, capture economic growth and potential, and control for "externalities", "free-riding" or "spillovers."

1. Property Taxes

There are several types of property taxes evident from the data. The first is the *general property tax*, which derives revenue from a levy on the value of real property, usually including land and improvements. The second type of property tax is *special assessments* or *local improvement levies*. Revenues from this type of property tax are derived from an additional levy on specific properties benefiting from improvements undertaken by the city, such as a localized paving program or enhanced sidewalks and streetlighting. While the revenue produced by the general property tax is typically unrestricted (discretionary and used to support general expenditures), special assessment revenue is typically restricted or earmarked for specific expenditures (usually servicing debt assumed to finance the improvements). A third type of property tax is a separate *business tax*. Under this tax, business properties are usually assessed a "rental value" – how much rent per square foot the property would yield. The total square footage is then calculated and a total rental value determined. A tax rate (expressed in percentage terms) is then applied against the assessed annual rental value. *Other property taxes* are a mixed bag. They may include levies that do not accrue directly to the cities (they "flow through" the city budget to regional governing authorities or quasi-independent entities like some library boards) or taxes on certain types of personal property. For example, many American cities used to levy a property tax on the value of personal and business motor vehicles.

In many ways, the property tax tends to work well as a local tax. The tax base (property) is immobile and values tend to be stable. This assures a reasonable level of compliance with the tax and also yields consistent and predictable flows of revenue. The tax is also highly visible, which provides for accountability (Loreto and Price 1990, McCready 1984, Union of Nova Scotia Municipalities 2001). Generally, the computation and collection of the tax are straightforward, although assessment practices, the classification of certain properties, and millrates can be confusing for taxpayers. The property tax also provides a good fit with the "benefits principle" of taxation, where those who directly benefit from the services provided through the tax also pay the tax (Kitchen 2000).

On the downside, the tax is not directly related to income or ability to pay, and is often accused of violating principles of fairness. In many jurisdictions, the tax is not uniformly applied across all properties because of discrimination in assessed values or differential tax rates based on property class. Administration of the tax also presents problems. Unlike other taxes, there is no absolute or completely objective measure of the value of the tax base – property values are estimated through a process of assessment, which can be disputed. While some have argued that the tax is also regressive, the jury is still out on this issue. Regressivity likely depends on the type of property, the assessment practices in place, and the availability of tax credits, deferrals, exemptions, reductions, or refunds (Loreto and Price 1990, McCready 1984).

But the property tax has even bigger problems. It is important to realize that the property tax really amounts to a tax on capital. Capital taxes target savings and investment – the fuel that drives the engine of economic growth, innovation, and increased productivity. Some economists argue that capital taxes are the worst taxes possible (Clemens 2002).

One of the most detrimental shortfalls of the property tax is a lack of buoyancy (Loreto and Price 1990). The revenue generated by any tax is a function of the tax base, the value of that base, and the rate that is applied. For the property tax, the base is the total assessed value of real property. This is a narrow tax base in the sense that it links directly to only one aspect of the economy – real estate. This base tends to broaden only slowly, sometimes at less than the rate of inflation. When a city's tax base expands slowly and the full increase in the value of the base is not factored into the annual tax equation, the city may find itself having to constantly increase the rate simply to compensate for inflation (City of Regina 2001). In the media and the minds of the public, this is a tax increase. What is conveniently forgotten is that a portion of the so-called "increase" is accounted for by inflation, and is likely offset by increases in incomes (Loreto and Price 1990).

FIGURE 2: Tax Tools and Revenue Sources Available, Employed, or that Benefit the Cities

	Vancouver	Edmonton	Calgary	Saskatoon	Regina	Winnipeg	Seattle	Salt Lake	Denver	Lincoln	Boise	Minneapolis
Property Tax: General Property	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property Tax: Special Assessments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property Tax: Special Business	✓	✓	✓			✓	✓		✓			
Property Tax: All Other				✓	✓				✓			
Sales Tax: General Retail							✓	✓	✓	✓		✓
Selective Sales Tax: Lodging	✓							✓	✓		✓	✓
Selective Sales Tax: Restaurants							✓	✓	✓			✓
Selective Sales Tax: Liquor							✓		✓			✓
Selective Sales Tax: Entertainment				✓	✓	✓	✓		✓			✓
Selective Sales Tax: Car Rentals							✓	✓	✓			
Selective Sales Tax: Gambling							✓			✓		✓
Selective Sales Tax: Other							✓		✓			
Business Tax: Utilities/Franchise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business Tax: Gross Receipts							✓		✓			
Business Tax: Employee Tax							✓		✓			
Business Tax: Other							✓	✓		✓		
Other Tax: Real Estate Transfer							✓		✓			
Other Tax: Motor Vehicles							✓	✓	✓	✓	✓	
Other Tax: All Others							✓		✓		✓	
Tax-sharing: Income Taxes						✓						
Tax-sharing: General Sales Tax							✓			✓	✓	
Tax-sharing: Fuel Taxes		✓	✓				✓	✓	✓	✓	✓	✓
Tax-sharing: Motor Vehicle Taxes									✓	✓	✓	✓
Tax-sharing: Lodging Sales Tax							✓					
Tax-sharing: Liquor Taxes							✓				✓	
Tax-sharing: Tobacco Taxes									✓			
Tax-sharing: Other Taxes	✓						✓		✓	✓		
Contributions: Grants	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Contributions: Revenue-in-Lieu	✓	✓	✓	✓	✓	✓			✓		✓	✓
User Fees: Government Services	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
User Fees: Utilities/Enterprise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Revenue: Licenses/Permits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Revenue: Fines/Forfeits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Revenue: Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Revenue: Miscellaneous	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TOTAL REVENUE SOURCES	14	13	13	13	13	14	29	17	29	18	18	19

SOURCE: Developed by Canada West based on interviews with city officials, a review of each city's financial statements, various state and city tax manuals (where available), and state, provincial, and city websites.

NOTE: Checkmarks indicate that a city has access to a tax tool or revenue source and/or uses that tax tool. In some instances, a check indicates that the tax tool is used by the county, but the revenue is used to cover expenditures of a local nature. For example, King County has authority to levy a selective sales tax in Seattle on restaurants. The tax is not available to Seattle, but revenues are used to fund the baseball and football stadiums in Seattle.

The high visibility of the property tax, combined with the need to continually fiddle with the millrate, places city officials at a significant disadvantage. Local governments, fearing public backlash, are often hesitant to adjust the property tax rate to ensure sufficient revenue growth because it is viewed as a tax increase (McCready 1984).

Sluggish revenue growth is a double-whammy. Not only does it create a fiscal gap between revenues and growing demands for services and infrastructure, it limits the ability of local government to debt-finance capital expenditures. When revenues expand at a reasonable and consistent pace, some of that growth can be leveraged with modest amounts of debt without increasing the interest burden to the operating budget. If revenues grow slowly, the interest that accompanies any increase in debt consumes more and more operating revenue, squeezing out other priorities. Because municipal budgets are very capital intensive, a more buoyant set of revenues would allow for more “pay-as-you-go” funding as well as debt-financing for much needed infrastructure (Vander Ploeg 2002).

From a big city perspective, the largest disadvantage of the property tax is its inability to fully function as a “benefits-based” local tax. Large cities provide many services to a host of outsiders. At least some of the investment in the capital infrastructure of the city is required to meet the demands of commuters, and many of the services produced by the municipality are also consumed by truckers, tourists, and other visitors. Yet, these individuals do not contribute to the residential property tax base upon which the services and capital stock depend.

2. General Retail Sales Taxes

Sales taxes derive revenue from a levy on the consumption of goods and services. The primary difference between the many types of sales taxes are a function of the basket of goods and services to which they apply. A *general retail sales tax* applies to a wide variety of goods and services, typically with few exemptions (e.g., groceries or medical supplies and services).

A key advantage of the *general sales tax* is a more direct link to economic growth through retail activity. As long as the economy and retail sales are growing, both the base and value of the sales tax increase. It is not necessary to hike a sales tax rate to yield steadily growing revenues. Sales taxes tend to provide good revenue generating capacity, and they always capture the effects of inflation, which are reflected in the prices of the goods or services consumed. Another advantage of the sales tax in the municipal

context is the prospect of some relief from the “spillovers” generated by outsiders to the community. Because commuters, visitors, and tourists will likely spend at least a portion of their incomes in the city, a general retail sales tax captures a portion of that income to help cover the costs of providing services to non-residents.

If a tighter link to economic activity is a key advantage of the sales tax, that is also its prime disadvantage. Because sales taxes are more elastic than property taxes, they are also more vulnerable to the ups and downs of the local economy. Municipalities that are overly reliant on sales taxes could find themselves with a severe revenue shortfall during an economic downturn. Another problem with local general sales taxes is that they could produce excessive distortions. The non-neutralities of municipal sales taxes can be significant. For example, if a city were to implement a general sales tax, it could stimulate a shift in consumption to non-taxing beltline jurisdictions. While some argue that cities should be free to experiment and compete with tax policy, the relatively small size of cities and the presence of other competing municipalities in the metro area mean such taxes may be too easily avoided – cities may find themselves compelled to move back to the property tax simply because of the immobility of the property tax base (Tullock 1994).

To be sure, there are ways to lessen potential distortions. First, a general retail sales tax could be implemented across a city-region. Second, if it was decided that each municipality should be allowed to set their own sales tax rates, provincial legislation could specify the maximum tax rate differential allowed between municipalities. This would help avoid destructive tax competition. Third, a general retail sales tax could be levied, administered, and collected province-wide, with the amounts remitted to cities based on point of sale. Finally, some local sales taxes exempt expensive items to reduce distortions. The idea behind the exemptions is that consumers will not trouble themselves with avoiding “a few dollars” in tax. In Utah, for example, the special “Resort General Retail Sales Tax” does not apply to items in excess of \$2,500.

3. Selective Sales Taxes

A second set of consumption-based taxes are *selective sales taxes* or *excise taxes*. Unlike a general retail sales tax, selective taxes do not apply to a broad basket of goods and services, but are targeted against certain items. These taxes can be expressed as a percentage of the total cost of a good or service (e.g., 7% on restaurant meals) or as a flat dollar amount per each unit of an item purchased (e.g., 10¢ per each litre of fuel). Selective sales taxes either apply to items that are exempted from

a general sales tax, or they apply in addition to the general retail sales tax. Examples of selective sales taxes used in the municipal context include lodging and accommodations, the rental of motor vehicles, on-sale consumption of alcohol in public premises, restaurant meals, and entertainment events.

A key strength of selective sales taxes is that they capture economic activity generated primarily by outsiders. Taxes on lodging, restaurants, and car rentals, for example, focus on services disproportionately consumed by visitors. These taxes may also produce fewer distortions since they apply to a more limited range of goods and services, some of which are only available in the city (e.g., entertainment events). However, this also implies a narrower tax base, which means their ability to generate revenue is less powerful. These taxes may also be more prone to the vagaries of the local economy since they tend to target luxury items. As such, selective sales taxes can only act as a supplemental tax.

4. Specific Business Taxes

Our review uncovered four types of business taxes (excluding the square footage tax, which is more properly a property tax). The first is the *franchise fee*, *franchise tax*, or *special sales tax* on public and private utilities. (Other businesses pay franchise fees, rents, and concessions as well, but the majority of these taxes are paid by utilities.) This tax is imposed on the sale of electricity, natural gas, telecommunications, cable TV, water, sewer, and even solid waste. The tax is usually levied for one of three reasons. First, cities may tax sales from their own utilities to raise general revenue. Second, cities tax private utilities for the privilege of conducting operations within the city or using municipal right-of-ways. Third, the tax is used as an alternative to the property tax. Some utilities are not subject to property tax because of the extremely high value of utility properties and the difficulty this presents for assessment. The rates of taxation on utilities are sometimes specified in state or provincial legislation, but most cities also engage in negotiation with private and provincial or state-owned utilities to arrive at a mutually acceptable tax rate. This rate is typically expressed as a percentage of the gross sales recorded by the utility from customers in the city.

A second type of business tax is a *general gross receipts tax*. This tax functions like a franchise tax, but applies to all types of businesses. With this tax, cities set a tax rate, expressed in percentage terms, and apply it to the gross earnings of businesses. At first glance, franchise taxes and gross receipts taxes appear to be a modified form of a corporate income or sales tax. But, the tax does not apply to profit and neither is it collected at point of sale. Rather, amounts payable are often remitted by businesses, either quarterly or annually, using a tax form.

A third type of levy is the *employee tax*, which requires businesses to pay an amount based on the number of employees they have – usually a flat dollar amount per each employee. This tax amounts to a “head” or “poll” tax. Employers and employees often split the cost of the tax. Deductions are taken at source and are remitted monthly.

Finally, there is a group of *other business taxes* – a hodge-podge of levies based on the type of business activity or some other non-traditional tax base. One example is the City of Lincoln’s Business Occupation Tax, which targets vending machine owners with a flat dollar amount per each machine they operate. The amount of tax depends on the price of the goods being dispensed. Numerous other examples exist.

Each business tax has its own advantages and disadvantages. Utility franchise taxes and gross receipts taxes are based on gross earnings or sales, and have the same advantages as selective sales taxes. They link to consumption, and as such, the value of the revenue stream grows as consumption and business sales increase. The advantage of the employee head tax is that people working in a city but residing elsewhere contribute at least a modest amount to the city. The advantages of other business and occupation taxes can only be assessed on a case-by-case basis.

At the same time, there are a number of disadvantages with these taxes. From the perspective of business, none of them resemble a tax on profit, and thus suffer from the same criticisms typically levelled against the property-based “square footage” business tax. A company may very well have millions in annual gross earnings, yet fail to make a profit, and still face a substantial tax liability. Employee “head taxes” suffer from the same criticisms levelled against all types of payroll taxes, with the most devastating charge being the negative impact on job creation.

5. Other Taxes

Our review reveals a small group of other taxes available to some cities. One of the most important is the taxation of *motor vehicles*. Typically, these taxes are expressed as a flat dollar amount, and vary depending on the age and estimated value of the vehicle. For example, a certain tax rate applies to new vehicles, and the rate declines according to a standardized depreciation schedule, often constructed around some concept of “book value.” The taxes are paid annually when the vehicle is registered. Such taxes typically apply to all vehicles, whether used for personal or business purposes.

In the municipal context, taxes on vehicles seem to make a lot of sense. The key advantage is that cities can recoup some of the costs of transportation infrastructure by directly taxing those who use the roads. While the link is not as strong as a road toll, the tax does represent a type of “user fee.” The link is made stronger when the tax is restricted for transportation purposes. At first glance, the tax would also seem to be quite fair in that higher amounts are paid by owners of new and expensive luxury vehicles.

A second type of tax is the *real estate transfer tax (RETT)*. Revenue derived from an RETT comes from a percentage tax rate applied to the value of certain real estate transactions. Under an RETT, purchasers of properties are required to forward a percentage of the gross sales price to the taxing authority. While the RETT mimics a selective sales tax, the tax base is not always the purchase price. For example, a variant of the RETT is a *deed tax* – when a mortgage is signed and the deed to the property registered, a municipality applies a tax on the registered amount of the principal portion of the mortgage.

The advantages of the RETT are much the same as any selective sales tax, and in some ways, it also seems to complement the existing general property tax, with fewer complications. For example, the tax base is more easily quantified because it rests on price rather than some notion of assessment. At the same time, the tax is a one-time levy, paid only when real estate changes hands. Thus, a significant disadvantage of the tax is simply the size of the amounts involved. A 1.0% RETT on a modest home worth \$150,000 would cost a taxpayer \$1,500.

6. Tax-Sharing

Tax-sharing involves a transfer of tax revenue from a senior government to a local government. Taxes that are typically shared include general sales taxes, selective sales taxes on fuel, tobacco and liquor, and motor vehicle registration fees. Taxes are usually shared based on either a transfer of *tax points* (e.g., 3% points are shared from a 10% point tax) or a percentage of the *revenue yield* (e.g., 15% of all revenues produced by a tax).

For cities, the strength of any tax-sharing scheme is a direct function of how the tax is shared. There are two basic options. First, the tax-sharing can be based on *point of sale*. For example, a state or province might levy a 10% sales tax on all lodging. The state or province then shares with a city 3% points (or 30% of the revenues) of the 10% tax. With this type of tax-sharing, the city

receives revenue equal to 3% of all lodging consumed in the city. This form of tax-sharing is the most powerful, because it allows cities to capture a portion of the revenue generated within their own boundaries. Second, senior governments sometimes pool the revenues and then remit them according to a formula that *equalizes* the amounts across cities. While such tax-sharing formulas can be very complex, they typically include population size, the value of the local tax base, or some combination of both. In some instances, both point-of-sale and equalized formulas are used to share taxes.

Tax-sharing has a number of advantages as a revenue source. The most obvious is indirect access to a more diverse set of tax revenues. If the tax-sharing is based on point of sale, the revenue also links directly to local economic activity and growth. Because the tax is imposed, administered, and collected centrally, tax-sharing will not produce distortions like locally levied sales taxes. Tax-sharing, like grants, also provides cities with revenue to compensate for the costs generated by outsiders. Unlike grants, tax-sharing has an added benefit in that the amounts are usually specified in a legislated formula that provides consistent and predictable streams of revenue.

The key deficiency with tax-sharing is accountability. Whenever revenue and expenditure decisions are made independently, accountability becomes muddled and the system tends to allocate resources less efficiently (Kitchen 1993). In addition, most tax-sharing revenue is restricted or earmarked for specific expenditures, reducing municipal autonomy. For example, most fuel tax-sharing revenues must be spent on maintaining roadways and bridges.

7. Grants and Contributions

Grants and contributions come from federal, provincial, state, and county governments. These transfers are either restricted for certain purposes (specific or conditional) or unrestricted (non-specific and unconditional). Grants are distinguished from tax-sharing because they are not a transfer of tax points or a percentage of revenue from a specific tax. For local governments, grants serve two primary purposes. First, grants are designed to help reduce any potential mismatch between a city's fiscal capacity and its responsibilities, and to help cities recoup the costs of providing services to non-residents (vertical equity). Second, grants are intended to equalize revenues by offering support to those municipalities with a weaker tax base (horizontal equity).

Grants share many of the same disadvantages as tax-sharing, with an additional drawback – the amounts received are usually at the discretion of the granting authority. Tax-sharing, on the other hand, represents a more predictable revenue stream because it is formalized through legislation or intergovernmental agreements. In western Canada, grants have not generally served as a growing or predictable source of revenue. For most cities, grants have become more ad hoc and conditional in nature.

8. User Fees

User fees are designed to defray the cost of services that provide private benefits, and constitute a significant source of funding for most cities. User fees can be divided into two categories. First are *general user fees*, which are intended to recover the costs for government services such as planning, engineering, recreation, culture, libraries, etc. Some of these services are supported only partially by user fees, with the difference being covered by tax revenue. A second set of fees are *utility or enterprise fees*. Generally, these fees are designed to fully recover the costs of providing a service. Typical examples include water, sewer, and electricity. Some of these fees also generate a profit, which is then used to support general government expenditures.

User fees have a number of advantages. User pay meets the three criteria of effectiveness, efficiency and equity since people are paying for what they consume. User pay is also efficient in that it provides the right amount of service for the right price, and it is effective in that services are readily available. User pay dispels the myth that public goods are free goods, and it ensures that increasing demands for services are covered by both residents and visitors who use the services. However, user fees have limited potential for growth. While user fee revenue will increase as more people and visitors use more services, any net revenue gain is offset, in whole or in part, by the increased costs of providing more services. For user fees to contribute meaningfully to any increase in total revenue, cities would have to intentionally expand the number of services to which fees applied, or substantially increase fees relative to the costs of providing existing services.

9. Other Income

All cities report a group of other revenues, usually comprised of *permits, licenses, fines and penalties, interest income*, and the all-encompassing, but mysterious, *miscellaneous* category. For some Canadian and U.S. cities, these amounts are not at all insignificant. At the same time, neither do they tend to represent substantial revenue-generating capacity.

CAVEATS

The dataset on pages 10 through 21 details the revenue sources open to each city, how they are used, and their importance to each city's budget. In considering the data, several caveats should be mentioned. First, western Canadian cities consolidate their fiscal information, while the U.S. cities use fund-based accounting. In consolidating the U.S. figures, one runs the risk of double-counting revenues since transfers between funds are not always eliminated. It is important to keep the focus off minor differences in the data – they may be the result of different accounting practices.

Second, no two cities define or aggregate revenues the exact same way. For example, property tax totals for most Canadian cities include "revenue-in-lieu." These are funds given by senior governments and businesses whose properties are exempt from property tax. For comparative purposes, revenue-in-lieu is problematic because U.S. cities do not tend to break it out, and may even include it in a different category. To avoid inflating the property taxes collected by western Canadian cities, the dataset combines revenue-in-lieu with grants, which loosely reflects the practice of some U.S. cities. In building the dataset, such decisions could not be avoided, but were guided by the desire to provide the best possible fit between the cities. While all the issues could not be addressed, the data remains a reasonable basis upon which to draw conclusions.

Third, the proportion of a budget coming from different revenue sources depends on the level of services provided, especially utilities. For example, an electrical utility can inflate a budget, reduce the contribution of other revenue sources, and skew comparisons. Also, local government in the U.S. is more fragmented than in Canada – cities, counties, and special taxing districts all provide municipal services, which can impact on the size of a city budget. These factors need to be considered before making comparisons with the data.

Fourth, per capita amounts for the Canadian cities were calculated using 2001 census data, but the financial information is for the 2000 fiscal year. While this impacts on the per capita amounts, the census data is more accurate than 2000 population estimates. (With the exception of Boise, this problem does not exist for the U.S. cities. The fiscal data is for the 2000 year and the last U.S. census was in 2000). Further, all dollar amounts are presented in each city's national currency. This is not problematic if both currencies are assumed to have roughly equivalent purchasing power on their respective sides of the border. While purchasing power is no small issue, this study makes no attempt to determine whether western Canadian cities are facing a revenue shortfall compared to their U.S. counterparts. Rather, the purpose is to arrive at a reasonable estimate of the importance of specific revenue sources.

BIG CITY REVENUE SOURCES: DETAILED DATASET

Sources and Notes for the Dataset

VANCOUVER:	<p><i>SOURCES:</i> <i>City of Vancouver 2000 Annual Report</i> and <i>Canada West Foundation Interview</i>, August 14, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Intergovernmental revenues include revenue-in-lieu. Special assessments include business improvement levies and local improvements. Other property taxes are amounts forwarded to the Greater Vancouver Regional District, the British Columbia Assessment Authority, and the BC Municipal Finance Authority.</p>
EDMONTON:	<p><i>SOURCES:</i> <i>City of Edmonton 2000 Annual Report</i>, <i>EPCOR 2000 Annual Report</i>, and <i>Canada West Foundation Interview</i>, August 21, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Intergovernmental revenues include revenue-in-lieu. Utility-based user fees include a surplus amount for EPCOR. The surplus is equal to operating and capital revenue of EPCOR, less operating revenue. Interest on debt, capital expenditures, and depreciation are not factored into the surplus.</p>
CALGARY:	<p><i>SOURCES:</i> <i>City of Calgary 2000 Annual Report</i>, <i>ENMAX 2000 Annual Report</i>, and <i>Canada West Foundation Interview</i>, August 8, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Franchise fees were removed from the City's revenue-in-lieu amounts. Remaining revenue-in-lieu was added to intergovernmental revenue. Utility-based user fees include a surplus for ENMAX. The revenue surplus is equal to operating and capital revenue of ENMAX less operating revenue. Interest on debt, capital expenditures, and depreciation are not factored into the surplus.</p>
SASKATOON:	<p><i>SOURCES:</i> <i>City of Saskatoon 2000 Annual Report</i> and <i>Canada West Foundation Interview</i>, July 17, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Intergovernmental revenues include revenue-in-lieu. Property tax amounts include the Infrastructure Levy, which is a combination of taxes and some user fees.</p>
REGINA:	<p><i>SOURCES:</i> <i>City of Regina 2000 Annual Report</i> and <i>Canada West Foundation Interview</i>, August 7, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Intergovernmental revenues include revenue-in-lieu.</p>
WINNIPEG:	<p><i>SOURCES:</i> <i>City of Winnipeg 2000 Annual Report</i> and <i>Canada West Foundation Interview</i>, August 13, 2002.</p> <p><i>NOTES:</i> Financial statistics represent the 2000 fiscal year, but all per capita amounts were derived using the 2001 census population figures. Intergovernmental revenues include revenue-in-lieu.</p>
SEATTLE:	<p><i>SOURCES:</i> <i>2000 Tax Reference Manual</i> produced by the Research Division of the Department of Revenue for the State of Washington (via www.access.wa.gov), an <i>Online Database of Financial Statistics</i> maintained by the State Auditor's Office (via www.access.wa.gov), and <i>Canada West Foundation Interview</i>, August 13, 2002.</p>
SALT LAKE:	<p><i>SOURCES:</i> <i>Historic Overview of Utah's Property Tax</i>, and <i>Sales and Use Tax: General Information</i>, both published by the Utah Tax Commission (via www.utah.gov), <i>Salt Lake City's 2000 Consolidated Annual Financial Report (CAFR)</i>, and <i>Canada West Foundation Interview</i>, July 2002.</p> <p><i>NOTES:</i> The accounting methodology employed is fund-based accounting. Total revenues were consolidated by Canada West, and may include some double-counting. The grants and contributions category likely contains tax-sharing amounts.</p>
DENVER:	<p><i>SOURCES:</i> <i>2000 City and County of Denver Tax Manual</i>, <i>Canada West Foundation Interview</i>, July 2002, and an <i>Online Database of Financial Statistics</i> maintained by the Department of Local Affairs (via www.colorado.gov).</p>
LINCOLN:	<p><i>SOURCES:</i> Article 9 (Finance and Taxation) of the <i>City of Lincoln Charter</i> (via www.ci.lincoln.ne.us), <i>Nebraska State Statutes (77-3442)</i>, <i>Property Tax Levies</i> (via www.state.ne.us), <i>Municipal Ordinances</i>, Chapter 3.12, <i>Special Assessments</i>; Chapter 3.16, <i>Sales and Use Tax</i>; Chapter 3.24, <i>Occupation Taxes</i>; and Chapter 3.20, <i>Street Improvement Vehicle Tax</i> (via www.ci.lincoln.ne.us), <i>Nebraska Revenue Sources</i> (via www.state.ne.us), <i>City of Lincoln 2000 Consolidated Annual Financial Report (CAFR)</i>, and <i>Canada West Foundation Interview</i>, July, 2002.</p> <p><i>NOTES:</i> Lincoln uses fund-based accounting. In consolidating the amounts, some revenues may have been double-counted. The grants and contributions category likely contains tax-sharing amounts.</p>
BOISE:	<p><i>SOURCES:</i> <i>2002 City Budgeting Manual</i>, <i>Association of Idaho Cities</i> (www.idcities.govoffice.com), <i>Canada West Foundation Interview</i>, August 7, 2002, and <i>City of Boise 2001 Consolidated Annual Financial Report (CAFR)</i>.</p> <p><i>NOTES:</i> All financial information is based on fiscal 2001, but the population figure used for calculating per capita amounts is the 2000 census population figure. Boise uses fund-based accounting. In consolidating the amounts, some revenues may have been double-counted. The grants and contributions category likely contains tax-sharing amounts.</p>
MINNEAPOLIS:	<p><i>SOURCES:</i> <i>2000 Minnesota Tax Handbook</i> (via www.state.mn.us), <i>Canada West Foundation Interview</i>, August 28, 2002, and <i>Minneapolis 2000 Consolidated Annual Financial Report (CAFR)</i>.</p> <p><i>NOTES:</i> Minneapolis uses fund-based accounting. In consolidating the amounts, some revenues may have been double-counted. The grants and contributions category likely contains tax-sharing amounts.</p>

VANCOUVER

BRITISH COLUMBIA

CITY OF VANCOUVER

Population (2001 Census) 545,671
 Population Growth (1991-2001) 15.6%

VANCOUVER CMA

Population (2001 Census) 1,986,965
 Population Growth (1991-2001) 24.0%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)

	Actual	Per Capita	Percent
General Property Tax	\$368,907,000	\$676. ⁰⁶	45.8%
Special Assessments	\$7,769,000	\$14. ²⁴	1.0%
Special Business Property Tax			
Other Property Taxes	\$53,428,000	\$97. ⁹¹	6.6%
Total Property Taxes	\$430,104,000	\$788.²¹	53.4%
Total General Sales Tax			
Lodging Sales Tax	\$8,366,000	\$15. ³³	1.0%
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$8,366,000	\$15.³³	1.0%
Franchise Fees/Utility Taxes			
All Other Business Taxes			
Total Business Taxes			
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing			
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing	\$8,861,000	\$16. ²⁴	1.1%
Total-Tax Sharing	\$8,861,000	\$16.²⁴	1.1%
Grants/Intergovernmental	\$3,174,000	\$5. ⁸²	0.4%
All Other Contributions	\$18,107,000	\$33. ¹⁸	2.2%
Total Grants and Contributions	\$21,281,000	\$39.⁰⁰	2.6%
Government Service User Fees	\$118,295,000	\$216. ⁷⁹	14.7%
Utility/Enterprise Revenue	\$152,021,000	\$278. ⁵⁹	18.9%
Total User Fees and Revenue	\$270,316,000	\$495.³⁸	33.6%
Total Other Income	\$65,844,000	\$120.⁶⁷	8.3%
TOTAL REVENUE	\$804,772,000	\$1,474.⁸³	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections were \$5.71 per \$1,000 of rateable property assessment or \$676.06 per capita. Total collections (Greater Vancouver Regional District, provincial municipal services, and special assessments) were \$6.66 per \$1,000 or \$788.21 per capita. Assessment was \$118,309 per capita. Vancouver sets its own rates, which are not capped. Revenues are generally unrestricted, but Council has internally earmarked 15% for debt servicing. Business and local improvement portions are earmarked and flow to specific projects. Assessment practices are mandated by the province, which also conducts assessments. The City collects all property taxes and remits the amounts to six other authorities including two local school districts, the Greater Vancouver Regional District, a Regional Transit Authority, BC Assessment, and the BC Municipal Financing Authority.

General Retail Sales Tax Access: NO Usage: NO

NO ACCESS

Selective Sales Taxes Access: YES Usage: YES

Vancouver levies a 2.0% sales tax on lodging and accommodations within the city limits. This is in addition to the 8.0% selective sales tax levied by the province of British Columbia. Vancouver is not free to set this rate, which is specified by legislation and capped at the maximum of 2.0%. All revenues from the tax are restricted by provincial legislation. Revenues must be employed to either promote tourism in Vancouver or market the City. The tax is essentially administered at the provincial level. The same tax base is in use, and the province also collects the tax on behalf of the city and remits the proceeds. Vancouver is not required, however, to share the revenue with other local jurisdictions. Vancouver has no access to other selective sales taxes.

Specific Business Taxes Access: YES Usage: NO

Vancouver has access to a special business tax based on a percentage of the annual assessed rental value of business properties, but does not levy this tax. The City does levy business improvement taxes, but these are essentially a variant of the general property tax with revenues earmarked for specific business improvement areas. The City presumes access to sales taxes and/or franchise fees and taxes on utility companies operating in the city, but the levying of such taxes has not yet been tested. Vancouver does not currently levy any special utility taxes.

Other Taxes Access: NO Usage: NO

NO ACCESS

Tax-Sharing Access: YES Usage: YES

The province shares with the City 10.0% of the net profits from casino operations within Vancouver. This tax-sharing arrangement is the result of a special agreement between the City and the Government of British Columbia. The basis of the tax-sharing arrangement is point-of-sale. The City also receives a share of provincial traffic fine revenue. Unlike the gambling revenue, however, this tax-sharing is not based on point-of-sale. Traffic fine revenue is distributed based upon a formula rather than a portion of fine revenue derived within the city proper.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Federal and provincial grants contribute little revenue to Vancouver (0.4%). Generally, federal grants are conditional and typically reserved for capital purposes. The City also receives conditional grants from the province, but no unconditional grants aside from the tax-sharing amounts. User fees for government type services and the City's utility operations (water, sewer, solid waste, parking) are the second largest revenue source, contributing about one-third of total revenues. The City receives significant income from its Property Endowment Fund, which manages several aspects of the City's enterprise and commercial activities. License and permit revenue, interest on investments, municipal fines, tax penalties, development fees, and miscellaneous income comprise just under one-tenth of the City's total consolidated revenue.

REVENUE TOOLS

Residential and Commercial Property Tax	Access: YES	Usage: YES
Total property tax collections for municipal purposes by Seattle totalled \$3.70 per \$1,000 of assessed valuation or \$378.10 per capita. Total assessment was \$102,131 per capita. The City can set its own rates, but property tax revenues are capped by state legislation. Revenue can grow by only 1.0% annually, (or inflation if it is less than 1.0%) plus new additions to the tax roll. The cap can be exceeded with voter approval. Revenues are not formally earmarked, but the City does set separate levies for the General Fund, Special Revenue and Debt Funds, and Pension Funds. Assessment practices are mandated by state law. Assessment and collection is carried out by the county, which remits amounts to five other entities – Seattle, the local school district, the state (for school purposes), the Port of Seattle, and the county's separate 911 emergency system.		
General Retail Sales Tax	Access: YES	Usage: YES
Seattle has a 1.0% general sales tax on the same tax base as the 6.5% state sales tax. Seattle is free to set this rate from 0.5% to the legislated cap of 1.0%. Revenue from the tax is unrestricted. The state collects the tax and remits the revenue. Seattle keeps 85% of the revenue and shares 15% with King County. Other local authorities also levy general sales taxes that benefit Seattle. The Regional Transit Authority levies two sales taxes of 0.8% and 0.4%, and King County levies an additional 0.1% sales tax. These taxes are earmarked for transit and justice programs and services. Total state and local sales taxes in Seattle currently equal 8.8%. The maximum allowed is 9.6%, leaving 0.8% of unused sales tax points. (The Regional Transit Authority could levy an additional 0.6% and another 0.2% points could be used by a Public Facilities District.)		
Selective Sales Taxes	Access: YES	Usage: YES
Seattle levies a tax of 5.0% on most spectator events. Rates are capped at 5.0% but revenues are not earmarked. The city collects 1.0% to 20.0% of gross revenue (less prizes paid) on certain gambling activities. Rates are capped and revenue is earmarked for gambling enforcement or policing. Seattle could levy a tax on parking, but currently does not. These are Seattle's only selective taxes, but other local authorities levy taxes that benefit Seattle. King County has a 0.5% tax on restaurants and bars, a 3.0% tax on motor vehicle rentals, a 10.0% tax on stadium parking, and a 10.0% admissions tax. Revenue goes to the stadiums in Seattle. The Regional Transit Authority has a 0.8% sales tax on car rentals for transit, and could levy another 3.3%. Certain counties, cities, and RTAs also have access to a 1.0¢ to 2.3¢ per gallon sales tax on gasoline and diesel fuels.		
Specific Business Taxes	Access: YES	Usage: YES
A tax of 0.215% is levied on the gross receipts (sales) of retail businesses (0.415% for other businesses). Telephone service, natural gas, and steam heat are taxed at 6.0%. Cable TV is taxed at 10.0% and goes to "City TV" and Seattle's technology and IT needs. The city-owned electrical utility is taxed at 6.0%. The public water, sewer, and solid waste utilities are taxed at 10.0%. Rates are capped. Since 1983, increases require voter approval. Most of the revenue from these taxes is unrestricted, but 10% goes to parks. Seattle can tax businesses based on employees, the type of activity, and the square footage of facilities, but does not. Seattle could levy a tax of \$2.00 per employee per month for streets. Other taxes that could benefit Seattle are a \$2.00 tax per employee per month levied by an RTA for transit, and a county tax of 35¢ per telephone line (maximum of 50¢) for 911 service.		
Other Taxes	Access: YES	Usage: YES
Seattle could levy a flat tax of up to \$1.00 per household for transportation, but does not. Cities and Regional Transit Authorities can levy a motor vehicle excise tax (MVET). King County RTA levies an annual 0.3% tax on the value of vehicles in the county. The tax base is the retail sales price when new, and a depreciation schedule thereafter. The tax is capped at 0.8%. The tax is not levied by Seattle, but it benefits the city. Another 0.725% of MVET is theoretically available for transit. But this tax is a credit against the state's 2.2% MVET, which was repealed. (If the 0.725% was implemented, the state tax would drop to 1.475%). It is unclear if this tax is available. Cities also levy a Real Estate Excise Tax (REET). The rate is generally capped at 0.5%, but cities may levy up to 1.0% if the local retail sales tax rate is 0.5% or lower. Revenues must be used for capital purposes.		
Tax-Sharing	Access: YES	Usage: YES
Cities get 13% of all revenues from the tax on beer, 25% on strong beer, 20% on liquor, and 23% on wine. Distribution is based on population. About 23% of revenue from the state fuel tax goes to cities or urban projects. The total tax on lodging is 15.8% (6.5% state tax, 2.3% local tax, and another 7.0% state tax). The state shares 2.0% points of its 6.5% tax with Seattle, along with the 7.0% tax. Revenues are earmarked for the Convention Centre. Cities with full-time fire departments get 25% of the revenue from the insurance premium tax, and 0.33% is shaved off the state general sales tax on all sales in King County for the two stadiums in Seattle. Tax points and/or revenues from the leasehold excise, hazardous waste, state utility, timber, and solid waste taxes are also shared or used for local purposes. King County shares its 0.1% special general sales tax for justice purposes with Seattle.		
Grants, Contributions, User Fees, Other	Access: YES	Usage: YES
Seattle receives grants from the federal, state, and county governments. Total amounts in 2000 were about \$52 million or 3.2% of the City's budget. However, the single largest revenue source for Seattle is user fees. Total fees for government services and the city's five major utility and enterprise activities (water, sewer, solid waste, storm drainage, electricity) totalled over \$800 million or almost half of the entire budget. User fees exceed tax revenue from all sources. A large reason for the dominance of user fees is Seattle's electrical utility (City Light) which produced almost \$400 million in revenues in 2000. Revenues from interest on investments, licenses and permits, fines and miscellaneous sources contributed about \$142 million in 2000, or 8.5% of Seattle's total budget.		

SEATTLE

WASHINGTON

CITY OF SEATTLE

Population (2000 Census) 563,374

Population Growth (1990-2000) 9.1%

SEATTLE CMSA

Population (2000 Census) 3,554,760

Population Growth (1990-2000) 19.7%

BUDGET ANALYSIS (2000 Actuals, US \$)			
	Actual	Per Capita	Percent
General Property Tax	\$213,013,000	\$378. ¹⁰	12.9%
Special Assessments			
Special Business Property Tax			
Other Property Taxes			
Total Property Taxes	\$213,013,000	\$378.¹⁰	12.9%
Total General Sales Tax	\$123,616,000	\$219.⁴²	7.5%
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax	\$7,639,000	\$13. ⁵⁶	0.5%
Gambling/Gaming Tax	\$1,320,000	\$2. ³⁴	0.1%
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$8,959,000	\$15.⁹⁰	0.6%
Franchise Fees/Utility Taxes	\$112,867,000	\$200. ³⁴	6.8%
All Other Business Taxes	\$122,369,000	\$217. ²¹	7.4%
Total Business Taxes	\$235,236,000	\$417.⁵⁵	14.2%
Real Estate Transfer Tax	\$24,215,000	\$42. ⁹⁸	1.5%
Motor Vehicle Taxes/Fees	\$4,794,000	\$8. ⁵¹	0.3%
All Other Taxes	\$3,824,000	\$6. ⁷⁹	0.2%
Total Other Taxes	\$32,833,000	\$58.²⁸	2.0%
Income Tax-sharing			
General Sales Tax-sharing	\$11,497,000	\$20. ⁴¹	0.7%
Fuel Tax-sharing	\$10,113,000	\$17. ⁹⁵	0.6%
Liquor Tax-sharing	\$5,257,000	\$9. ³³	0.3%
Tobacco Tax-sharing			
Vehicle Tax-sharing	\$2,321,000	\$4. ¹²	0.1%
Other Tax-sharing	\$5,001,000	\$8. ⁸⁸	0.3%
Total-Tax Sharing	\$34,189,000	\$60.⁶⁹	2.0%
Grants/Intergovernmental	\$52,358,000	\$92. ⁹⁴	3.2%
All Other Contributions			
Total Grants and Contributions	\$52,358,000	\$92.⁹⁴	3.2%
Government Service User Fees	\$100,056,000	\$177. ⁶⁰	6.0%
Utility/Enterprise Revenue	\$712,888,000	\$1,265. ³⁹	43.1%
Total User Fees and Revenue	\$812,944,000	\$1,442.⁹⁹	49.1%
Total Other Income	\$142,150,000	\$252.³²	8.5%
TOTAL REVENUE	\$1,655,298,000	\$2,938.¹⁹	100.0%

EDMONTON

ALBERTA

CITY OF EDMONTON

Population (2001 Census) 666,104

Population Growth (1991-2001) 8.0%

EDMONTON CMA

Population (2001 Census) 937,845

Population Growth (1991-2001) 11.5%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)

	Actual	Per Capita	Percent
General Property Tax	\$301,133,000	\$452. ⁰⁸	20.7%
Special Assessments	\$21,447,000	\$32. ²⁰	1.5%
Special Business Property Tax	\$71,036,000	\$106. ⁶⁴	4.9%
Other Property Taxes	\$2,705,000	\$4. ⁰⁶	0.2%
Total Property Taxes	\$396,321,000	\$594.⁹⁸	27.3%
Total General Sales Tax			
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes			
Franchise Fees/Utility Taxes	\$62,488,000	\$93. ⁸¹	4.3%
All Other Business Taxes			
Total Business Taxes	\$62,488,000	\$93.⁸¹	4.3%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing	\$38,461,000	\$57. ⁷⁴	2.6%
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing	\$38,461,000	\$57.⁷⁴	2.6%
Grants/Intergovernmental	\$93,725,000	\$140. ⁷¹	6.4%
All Other Contributions	\$23,110,000	\$34. ⁶⁹	1.6%
Total Grants and Contributions	\$116,835,000	\$175.⁴⁰	8.0%
Government Service User Fees	.....	Amount Unreported	
Utility/Enterprise Revenue	.....	Amount Unreported	
Total User Fees and Revenue	\$684,137,000	\$1,027.⁰⁷	47.0%
Total Other Income	\$156,857,000	\$235.⁴⁹	10.8%
TOTAL REVENUE	\$1,455,099,000	\$2,184.⁴⁹	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections by Edmonton in 2000 totalled \$8.95 per \$1,000 of total taxable assessment or \$452.08 per capita. Total collections for municipal purposes (including special assessments, a separate business tax, and other amounts) were \$11.78 per \$1,000 or \$594.98 per capita. Assessment was \$50,525 per capita. The City of Edmonton sets its own property tax rates. Neither the rates, nor the revenue yield, are capped. Property tax revenues are generally unrestricted (revenues for local improvements and business improvements, as well as small amounts for debt servicing are earmarked). Assessment practices are mandated by the province, but the City carries out all assessments as well as the collection of all property taxes. Property tax room is shared by the City, and school districts. Each jurisdiction sets its own rates.

General Retail Sales Tax Access: NO Usage: NO

NO ACCESS

Selective Sales Taxes Access: NO Usage: NO

NO ACCESS

Specific Business Taxes Access: YES Usage: YES

Edmonton levies a separate tax on businesses. The tax is based on the gross annual rental value of business properties. A square foot rental value for all business properties is first assessed, and then a rate of 6.621% is applied. Edmonton is free to set this rate, which is not capped. Revenues are unrestricted. Edmonton also levies separate taxes on utility operations. First, the City levies a 22.7% tax on the distribution costs of the privately owned natural gas utility. The rate is negotiated, but capped by provincial legislation. EPCOR, a wholly owned subsidiary of Edmonton, provides water and electrical services. Qualifying revenues from the water and electrical operations are also taxed. Taxes on telecommunications and cable TV are currently in dispute. The taxes are collected by the utilities from consumers and are used for general purposes.

Other Taxes Access: NO Usage: NO

NO ACCESS

Tax-Sharing Access: YES Usage: YES

Edmonton receives a portion of the provincial fuel tax. The City receives 5.0¢ per litre (18.9¢ per U.S. gallon) from every litre of fuel sold in the city. The total provincial tax is 9.0¢ per litre (34.1¢ per U.S. gallon). The tax-sharing is based on point of sale, and resulted from an agreement signed with the Government of Alberta in 2000. In 2000, budget revenues from the tax-sharing were \$38 million. Revenues in 2001 were \$63 million. The annual value of the agreement for Edmonton is estimated at \$183 million, but revenues are only recorded when they are earned – when monies have been attached to specific capital projects. The tax-sharing agreement was threatened in 2002 when the provincial budget recommended a significantly scaled back fuel tax-sharing arrangement.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Conditional and unconditional provincial and federal grants totalled \$93.7 million (6.4% of revenue) in 2000. User fees are the largest source of revenue. Total user fees, including fees for government services, municipal utilities (sewer, solid waste, transit, parking) and a "surplus" amount for EPCOR comprised 47.0% of revenue in 2000. (EPCOR delivers water and power to Edmonton, and power across Alberta. EPCOR's surplus is defined as operating and capital revenue less operating expenditure, but excluding interest, depreciation, and capital expense.) Other revenues were 10.8% of the budget. The interest generated by the EdTel Endowment Fund, which received the proceeds of the sale of Edmonton's telephone utility in 1994, is significant. In 2000, the fund generated \$76 million. The market value of the Endowment was \$616 million in 2000, and \$588 million in 2001.

REVENUE TOOLS

Residential and Commercial Property Tax	Access: YES	Usage: YES
<p>General property tax collections in 2000 were \$5.30 per \$1,000 of estimated actual value or \$451.05 per capita. Total taxes (including special assessments) were \$5.39 per \$1,000 or \$457.62 per capita. Assessment per capita was \$84,876. Property tax revenues are subject to "Truth in Taxation." Revenues cannot grow by more than what was collected in the prior year plus new growth in the tax base. If the limit is exceeded, a public hearing must be held. While no vote is held and the City can legally go ahead, the mechanism works against tax increases. (Revenue growth used to be limited to 106% of what was collected in the prior year.) Revenues are generally unrestricted. Assessment practices are mandated by the state, but both the county and state conduct assessments. Counties collect the taxes. Property tax room is shared with five other jurisdictions.</p>		
General Retail Sales Tax	Access: YES	Usage: YES
<p>All cities and counties levy a 1.0% sales tax on the same base as the state. Rates are capped at 1.0%. Revenue is not earmarked, but is shared. Salt Lake keeps 50% of the revenue, but the rest is pooled at the state level and redistributed via an equalization formula. The total rate allowed (and levied) in Salt Lake is 6.6%. Utah levies 4.75%, the City 1.0%, and the county 0.85%. The county's own 1.0% tax does not apply in Salt Lake City, but of the 0.85% that does, 0.5% points are for transit (a benefit to Salt Lake), 0.1% points are for parks and cultural venues, and 0.25% points are unrestricted. Resort communities can levy another 1.5% points, rural municipalities another 1.0% for health care, and some towns another 1.0% to replace certain business taxes. Cities without transit can levy 0.25% for roads (but not the 0.5% for transit). The highest state and local combined rate is 7.0%. The lowest is 5.75%.</p>		
Selective Sales Taxes	Access: YES	Usage: YES
<p>Salt Lake City has an additional 1.0% tax on lodging. Revenues from the tax are unrestricted, and used for general purposes. The tax is administered and collected by the City itself. The rate is capped at 1.0%, but some cities can levy an extra 0.5% points to service debt for certain facilities. This is the only selective tax allowed. However, the county has several taxes that indirectly benefit Salt Lake City. The county levies its own lodging tax of 3.5% (bringing the combined rate, including general sales tax, to 11.1%), an additional 1.0% tax on restaurants (total of 7.6%), and an additional 7.0% on motor vehicle rentals (total rate of 16.1% including the 6.6% general sales tax and a special 2.5% state tax). All revenues from these taxes are earmarked for the promotion of tourism and the construction and maintenance of tourism, recreation and convention centre facilities.</p>		
Specific Business Taxes	Access: YES	Usage: YES
<p>Salt Lake City has no uniform or comprehensive tax on businesses. Most businesses are charged an amount, however, through a variety of regulatory mechanisms, fees, permits, and licenses. The methods employed vary depending on the type of business. For example, restaurants in the city are charged a fee based on the number of seats or chairs in the establishment. Salt Lake levies a 6.0% tax on the sales of numerous utility services including electricity and natural gas. Cable TV is taxed at a rate of 5.0%, and non-land based telecommunications (cell phones) are levied a flat fee of \$1.00 per month per phone. The city also applies a utility tax of 6.0% on the sales of municipal water and sewer utilities. Utility rates are generally capped by state legislation at a maximum of 6.0%. Revenues from the taxes are unrestricted and used for general purposes.</p>		
Other Taxes	Access: YES	Usage: YES
<p>Aside from the property tax on land and improvements, certain items of personal property are also subject to property taxation. One source of income is a fee-based tax on motor vehicles. Vehicles used to be subject to a millrate levy, but are now taxed based on a "uniform fee" in lieu of property tax. A flat fee or tax is applied to various categories of vehicles based on their age and value. (The rates range from \$10.00 to \$150.00). The taxes are paid at the time the vehicle is registered. Revenues first accrue to the county in which the vehicle is registered. The counties then remit the amounts to other local jurisdictions based on the rates currently in place.</p>		
Tax-Sharing	Access: YES	Usage: YES
<p>Salt Lake City benefits only marginally from tax-sharing with the State of Utah. The only state tax-sharing comes in the form of a "very small amount" of state fuel tax. (Because the amounts are so small, they are not broken out in the City's financial statements). The allocation of a portion of the state fuel tax is based on a formula that considers both the length of road mileage and the relative size of the local population. Allocation is based 50% on road mileage and 50% on population size. Other cities in Utah may benefit from more expanded tax-sharing, however. For example, Park City (a resort community within the Salt Lake City CMSA) benefits from some tax-sharing of tobacco and liquor taxes. All tax-sharing revenues are earmarked for specific projects and expenditures.</p>		
Grants, Contributions, User Fees, Other	Access: YES	Usage: YES
<p>Salt Lake City receives specific (or conditional) grants from both the federal and state governments. Total grants and intergovernmental revenues (including tax-sharing) totalled \$34 million in 2000 or about 8% of all revenues. Salt Lake City recorded the lowest percentage of revenues coming from user fees for general or government type services for any of the cities in this study (less than 3% of all revenues). However, user fees and revenue from utility and enterprise operations are some of the highest of all the cities at almost 50% of total revenues. (Salt Lake operates the local airport, as well as providing water, sewer, and solid waste services. The airport is the largest enterprise activity, recording over \$93 million in revenue in 2000). Other revenues (licenses, permits, fines, interest) constitute about 10% of the total budget, which is average for most cities.</p>		

SALT LAKE CITY

UTAH

CITY OF SALT LAKE

Population (2000 Census)181,743
 Population Growth (1990-2000) 13.6%

SALT LAKE CITY CMSA

Population (2000 Census)1,333,914
 Population Growth (1990-2000) 24.4%

BUDGET ANALYSIS (2000 Actuals, US \$)

	Actual	Per Capita	Percent
General Property Tax	\$81,976,000	\$451. ⁰⁵	18.9%
Special Assessments	\$1,194,000	\$6. ⁵⁷	0.3%
Special Business Property Tax			
Other Property Taxes			
Total Property Taxes	\$83,170,000	\$457.⁶²	19.2%
Total General Sales Tax	\$40,320,000	\$221.⁸⁵	9.3%
Lodging Sales Tax			Amount Unreported
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes			Amount Unreported
Franchise Fees/Utility Taxes	\$16,425,000	\$90. ³⁷	3.8%
All Other Business Taxes			
Total Business Taxes	\$16,425,000	\$90.³⁷	3.8%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing			Amount Unreported
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing			Amount Unreported
Grants/Intergovernmental	\$34,144,000	\$187. ⁸⁷	7.9%
All Other Contributions			
Total Grants and Contributions	\$34,144,000	\$187.⁸⁷	7.9%
Government Service User Fees	\$11,654,000	\$64. ¹²	2.7%
Utility/Enterprise Revenue	\$205,817,000	\$1,132. ⁴⁷	47.5%
Total User Fees and Revenue	\$217,471,000	\$1,196.⁵⁹	50.2%
Total Other Income	\$41,790,000	\$229.⁹⁵	9.6%
TOTAL REVENUE	\$433,320,000	\$2,384.²⁵	100.0%

CALGARY

ALBERTA

CITY OF CALGARY

Population (2001 Census) 878,866

Population Growth (1991-2001) 23.6%

CALGARY CMA

Population (2001 Census) 951,395

Population Growth (1991-2001) 26.2%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)

	Actual	Per Capita	Percent
General Property Tax	\$428,584,000	\$487. ⁶⁶	26.9%
Special Assessments	\$6,103,000	\$6. ⁹⁴	0.4%
Special Business Property Tax	\$134,501,000	\$153. ⁰⁴	8.4%
Other Property Taxes			
Total Property Taxes	\$569,188,000	\$647.⁶⁴	35.7%
Total General Sales Tax			
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes			
Franchise Fees/Utility Taxes	\$113,358,000	\$128. ⁹⁸	7.1%
All Other Business Taxes			
Total Business Taxes	\$113,358,000	\$128.⁹⁸	7.1%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing	\$20,874,000	\$23. ⁷⁵	1.3%
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing	\$20,874,000	\$23.⁷⁵	1.3%
Grants/Intergovernmental	\$130,338,000	\$148. ³⁰	8.2%
All Other Contributions	\$7,897,000	\$8. ⁹⁹	0.5%
Total Grants and Contributions	\$138,235,000	\$157.²⁹	8.7%
Government Service User Fees	\$161,666,000	\$183. ⁹⁵	10.2%
Utility/Enterprise Revenue	\$425,672,000	\$484. ³⁴	26.7%
Total User Fees and Revenue	\$587,338,000	\$668.²⁹	36.9%
Total Other Income	\$163,742,000	\$186.³¹	10.3%
TOTAL REVENUE	\$1,592,735,000	\$1,812.²⁶	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax	Access: YES	Usage: YES
<p>General property tax collections in 2000 by Calgary totalled \$6.52 per \$1,000 of total assessment or \$487.66 per capita. Total collections for municipal purposes were \$8.66 per \$1,000 or \$647.64 per capita. Total assessment equalled \$74,790 per capita. Calgary sets its rates. Neither the rates nor the revenues are capped. Revenues are generally unrestricted, although local improvement levies are earmarked for specific projects. The City has internally dedicated 1.5% of revenue for capital projects. Assessment practices are mandated by the province, but Calgary does the assessing and collection of all property taxes payable. Property tax room is shared by Calgary and the Province of Alberta, which levies amounts for educational purposes. The City retains about 55% of the revenue generated from the various forms of property taxes payable.</p>		
General Retail Sales Tax	Access: NO	Usage: NO
NO ACCESS		
Selective Sales Taxes	Access: NO	Usage: NO
NO ACCESS		
Specific Business Taxes	Access: YES	Usage: YES
<p>Calgary's Business Tax is based on the net annual rental value of business properties. Properties are assessed for their typical rental value (per square foot) and then a rate of 9.04% is applied to this amount. About 24,000 businesses pay the tax (average of \$5,604 per business). The City also collects Business Revitalization Zone (BRZ) levies. Businesses combine to form a BRZ, and devise a budget for specific local improvements. Rates of 0.126% to 2.0% are applied to the net annual rental value of participating businesses. Revenues "flow through." Both taxes are variants of the general property tax. Franchise taxes and fees for using municipal right of ways are also levied against public and private utility operations (primarily electrical and natural gas). Current rates are 11.1% of gross sales (in-lieu of property tax) and are arrived at by agreement.</p>		
Other Taxes	Access: NO	Usage: NO
NO ACCESS		
Tax-Sharing	Access: YES	Usage: YES
<p>Calgary receives 5.0¢ per litre (18.9¢ per U.S. gallon) from every litre of fuel sold in the city. The total provincial tax is 9.0¢ per litre (34.1¢ per U.S. gallon). The tax-sharing is based on point of sale, and resulted from an agreement signed with the province in 2000. In 2000, the revenues from the tax-sharing were \$21 million or 1.3% of the budget. Revenues in 2001 were much higher at \$138 million (8.7% of total 2000 revenues) because 2001 was the first full year of the program. The agreement has been controversial. In the fall of 2001, the province experienced budget difficulties and reduced both Calgary and Edmonton's share to 4.25¢ per litre. The provincial budget of March 2002 announced a further reduction to 1.2¢ per litre. The full 5.0¢ was restored after the two cities protested. The province has said it will not implement any reduction until at least March 2003.</p>		
Grants, Contributions, User Fees, Other	Access: YES	Usage: YES
<p>Unconditional and conditional operating and capital grants from the federal and provincial governments totalled \$130 million in 2000. Revenue-in-lieu from governments totalled \$8 million. User fees for general services and revenue from the City's utilities (water, sewer, solid waste, transit, parking, electricity) reached over \$580 million, or one-third of the budget. A significant source of revenue is generated by ENMAX, an electrical corporation wholly owned by the City (the company has customers for power across Alberta). In 2000, the ENMAX "surplus" (included in utility revenue and defined as operating and capital revenue less operating expenditure, but excluding interest, depreciation, and capital expense) was \$102 million (6.4% of total revenues). Revenue from licenses, permits, fines, and investments totalled just over 10% of revenues in 2000.</p>		

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections in 2000 were \$3.25 per \$1,000 of estimated actual value or \$236.57 per capita. Total for municipal purposes was \$3.62 per \$1,000 or \$263.96 per capita. Assessment was \$72,880 per capita. Revenues are capped by the 1992 Bruce Amendment (Taxpayer's Bill of Rights or TABOR), and can only increase by inflation plus population growth. If voters approve, cities can "de-Bruce" to exceed the cap. As of 2000, 325 municipalities have "de-Bruced" including Denver. Revenues are not formally earmarked, but the city sets separate levies for the General Fund, Social Services Fund, and Debt Servicing Funds. Denver does the assessment and collection (the city and county are one entity). Tax room is shared with eight jurisdictions – a school district, business and local improvement districts, pension funds, and a drainage and flood control district.

General Retail Sales Tax Access: YES Usage: YES

Denver has a 3.5% general sales tax on its own tax base (Colorado is one of four states allowing a separate local tax base). Denver can set the rate, but TABOR specifies that any increase requires voter approval. Revenues are not earmarked. As such, revenues from the tax are subject to TABOR, which specifies that all property tax revenues (regardless of purpose) and all revenues used for General Fund purposes must not grow past inflation plus population growth. Denver "de-Bruced" the tax by agreeing to commit any amounts collected in excess of TABOR to affordable housing and transportation. Denver administers and collects the tax. Revenues are not shared. The total general sales tax rate in Denver is 7.2% (Colorado at 2.9%, Denver at 3.5%, 0.6% levied by the Regional Transportation District, 0.1% for the Football Stadium District, and 0.1% for cultural purposes).

Selective Sales Taxes Access: YES Usage: YES

Denver administers and collects its own 6.25% tax on lodging, 0.5% on prepared food and beverages, 0.5% on off-sales of beer, wine, and liquor, 3.75% on motor vehicle rentals, 4.0¢ per gallon on aircraft fuel sold at its airports, and a tax on certain entertainment events. These are additional to any general sales taxes that apply. Denver can set the tax rates. No rate caps are specified, but increases require voter approval. Most of the taxes are earmarked, so revenues are not subject to TABOR. One-third of the lodging tax (3.25%) and half of the fuel tax (2.0¢) are unrestricted. The rest of the lodging tax goes to the Convention Centre and Visitor's Bureau, while the rest of the fuel tax goes to the airports. The entertainment tax is used to service debt, and all other taxes are used by the Convention Centre. Denver could implement other taxes, but would require voter approval under TABOR.

Specific Business Taxes Access: YES Usage: YES

Businesses in Denver are subject to the Occupational Privilege Tax (OPT), which is a head tax on employees. All employees earning in excess of \$500 per month working in Denver are required to pay \$5.75 per month (employers pay an extra \$4.00 per employee per month). Amounts are deducted at source. Rates are not capped, but increases are subject to voter approval. Half the revenue goes to the General Fund (subject to TABOR) and half goes to the Capital Fund. Denver administers and collects the tax. Denver also collects a 3.0% tax (in addition to the general sales tax of 3.5%) on the revenues of electrical and natural gas utilities and a flat tax of \$1.20 per account per year for telecommunications services. Cable TV is also taxed. Other business taxes (gross receipts, square footage, etc.) are possible, but would require voter approval to implement.

Other Taxes Access: YES Usage: YES

Denver levies an Auto Ownership Tax – a flat tax based on the value and age of motor vehicles. The tax is levied annually upon owners when vehicles are registered. Revenue is not earmarked. (The tax used to be a component of the property tax, but was moved off the millrate in 1988). Denver is presumed to have access to a Real Estate Transfer Tax (RETT), but currently does not levy this tax. (Only two cities in Colorado currently levy a RETT). As a "home rule" city with its own charter, Denver possesses significant latitude in terms of the tax tools available. With the exception of certain taxes (e.g., personal and corporate income taxes) and constitutional limits (TABOR) the city is free to devise its own unique tax system. Theoretically, other taxes are possible, although each would have to pass the scrutiny of the voters before implementation.

Tax-Sharing Access: YES Usage: YES

Colorado reserves a portion of four taxes for municipalities. First, municipalities receive a share of the state fuel tax, which is distributed based on a formula. Allocations are based on the number of vehicles registered in the jurisdiction and the miles of roadway in the municipality (80% of the amount is based on the number of vehicles and 20% on the miles of roadway). Revenues are earmarked for construction and maintenance of roadways and bridges. Second, almost 30% of the revenues from the Cigarette Tax are shared, with amounts distributed based on point of sale. (Denver receives about 18% of the state's total collections.) Revenues are not earmarked. Third, municipalities receive \$4.00 for every vehicle registered in the community. Finally, municipalities also receive a share of the state lottery. These revenues are earmarked for capital projects.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Denver receives grants from both the federal and state governments. Total amounts in 2000 were \$124 million. Because the city and county are a unified entity, Denver receives a significant grant from the state for social services (\$67 million in 2000). User fees for government type services do not contribute an overwhelming amount (about 6%), but the city does collect \$771 million in user fees and other revenue from its utility and enterprise activities (sewer, solid waste, parking, airports). Enterprise revenue is the single largest budget source in Denver (38.5%), and is a direct result of the city's ownership of the two airports, which generated over \$530 million in 2000. Revenues from interest on investments, licenses and permits, fines and miscellaneous contributed \$238 million in 2000, or close to 12% of the budget. This income is somewhat higher than other cities.

DENVER

COLORADO

CITY OF DENVER

Population (2000 Census) 554,636
 Population Growth (1990-2000) 18.6%

DENVER CMSA

Population (2000 Census) 2,581,506
 Population Growth (1990-2000) 30.4%

BUDGET ANALYSIS (2000 Actuals, US \$)

	Actual	Per Capita	Percent
General Property Tax	\$131,213,000	\$236. ⁵⁷	6.5%
Special Assessments			
Special Business Property Tax			
Other Property Taxes	\$15,188,000	\$27. ³⁹	0.8%
Total Property Taxes	\$146,401,000	\$263.⁹⁶	7.3%
Total General Sales Tax	\$441,190,000	\$795.⁴⁶	22.0%
Lodging Sales Tax	\$32,333,000	\$58. ³⁰	1.6%
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$32,333,000	\$58.³⁰	1.6%
Franchise Fees/Utility Taxes	\$21,504,000	\$38. ⁷⁷	1.1%
All Other Business Taxes	\$44,189,000	\$79. ⁶⁷	2.2%
Total Business Taxes	\$65,693,000	\$118.⁴⁴	3.3%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes	\$8,625,000	\$15. ⁵⁵	0.4%
Total Other Taxes	\$8,625,000	\$15.⁵⁵	0.4%
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing	\$22,179,000	\$39. ⁹⁸	1.1%
Liquor Tax-sharing			
Tobacco Tax-sharing	\$3,082,000	\$5. ⁵⁶	0.2%
Vehicle Tax-sharing	\$1,873,000	\$3. ³⁸	0.1%
Other Tax-sharing	\$4,518,000	\$8. ¹⁵	0.2%
Total-Tax Sharing	\$31,652,000	\$57.⁰⁷	1.6%
Grants/Intergovernmental	\$124,117,000	\$223. ⁷⁸	6.2%
All Other Contributions	\$23,531,000	\$42. ⁴³	1.2%
Total Grants and Contributions	\$147,648,000	\$266.²¹	7.4%
Government Service User Fees	\$122,938,000	\$221. ⁶⁶	6.1%
Utility/Enterprise Revenue	\$770,659,000	\$1,389. ⁴⁸	38.5%
Total User Fees and Revenue	\$893,597,000	\$1,611.¹⁴	44.6%
Total Other Income	\$237,662,000	\$428.⁴⁹	11.8%
TOTAL REVENUE	\$2,004,801,000	\$3,614.⁶²	100.0%

SASKATOON

SASKATCHEWAN

CITY OF SASKATOON

Population (2001 Census) 196,811
 Population Growth (1991-2001) 5.8%

SASKATOON CMA

Population (2001 Census) 225,927
 Population Growth (1991-2001) 7.1%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)

	Actual	Per Capita	Percent
General Property Tax	\$74,938,000	\$380. ⁷⁶	23.3%
Special Assessments	\$636,000	\$3. ²³	0.2%
Special Business Property Tax			
Other Property Taxes	\$8,910,000	\$45. ²⁷	2.8%
Total Property Taxes	\$84,484,000	\$429.²⁶	26.3%
Total General Sales Tax			
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax	\$403,000	\$2. ⁰⁵	0.1%
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$403,000	\$2.⁰⁵	0.1%
Franchise Fees/Utility Taxes	\$9,572,000	\$48. ⁶⁴	3.0%
All Other Business Taxes			
Total Business Taxes	\$9,572,000	\$48.⁶⁴	3.0%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing			
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing			
Grants/Intergovernmental	\$12,328,000	\$62. ⁶⁴	3.9%
All Other Contributions	\$3,686,000	\$18. ⁷³	1.1%
Total Grants and Contributions	\$16,014,000	\$81.³⁷	5.0%
Government Service User Fees	\$45,238,000	\$229. ⁸⁶	14.1%
Utility/Enterprise Revenue	\$128,405,000	\$652. ⁴²	40.0%
Total User Fees and Revenue	\$173,643,000	\$882.²⁸	54.1%
Total Other Income	\$36,970,000	\$187.⁸⁴	11.5%
TOTAL REVENUE	\$321,086,000	\$1,631.⁴⁴	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax	Access: YES	Usage: YES
<p>General property tax collections by Saskatoon in 2000 were \$14.48 per \$1,000 of assessed value for taxation purposes, or \$380.76 per capita. Total property tax collections for municipal purposes (including special assessments, library, infrastructure levy, and other) were \$16.32 per \$1,000 or \$429.26 per capita. Total assessment equalled \$26,304 per capita. Saskatoon sets its own rates. Neither rates nor revenues are capped. Revenues are generally unrestricted, although the amounts levied for the library simply "flow through" the City (the public library sets its own rates subject to Council approval). Assessment practices are mandated by the province, but Saskatoon does the assessment. The City also collects the property taxes. Property tax room is shared by the City (40.5% of revenues), the public and separate school districts (54.9%), and the public library (4.5%).</p>		
General Retail Sales Tax	Access: NO	Usage: NO
NO ACCESS		
Selective Sales Taxes	Access: YES	Usage: YES
<p>Saskatoon levies a small admissions or amusements tax on tickets for cinemas, midways, and carnivals. The rates of taxation vary. On tickets from \$0.25 to \$3.25 the rate is a flat fee ranging from 2.0¢ to 25.0¢. On admissions over \$3.25, the rate is 9.0% of the price. Saskatoon can set its own rates, which are not capped. Revenue is unrestricted and the City collects and administers the tax on its own. The City has no access to any other selective sales taxes.</p>		
Specific Business Taxes	Access: YES	Usage: YES
<p>Saskatoon taxes the provincially-owned electrical and natural gas utilities. The rate for electricity is 15.0% of sales in the city and 5.0% for sales of natural gas. Saskatoon can set the rates, but they are capped at 15.0% and 5.0% respectively. The revenues are collected by the companies and remitted to the City. Revenues are unrestricted and used for general purposes. Saskatoon used to collect a business tax based on the rental value of business property. The tax was eliminated in 1997, and several other cities then eliminated their business tax. The province then amended its municipal legislation by removing this tax as an option for municipalities.</p>		
Other Taxes	Access: NO	Usage: NO
NO ACCESS		
Tax-Sharing	Access: NO	Usage: NO
NO ACCESS		
Grants, Contributions, User Fees, Other	Access: YES	Usage: YES
<p>Saskatoon receives unconditional and conditional grants from the province and conditional grants from the federal government. Total grants in 2000 for operating and capital purposes were \$12 million (less than 4% of total revenue). User fees for government services and utility operations constitute the single largest budget source for the City at almost 55% of revenue. The largest portion accrues from the City's utility operations (water, sewer, storm water, transit, parking, electricity). The largest operation is the electrical utility, which yielded \$86 million in 2000, or one-quarter of the City's total revenue. Saskatoon also collects revenue from licenses and permits, fines, and interest on investments. These other sources constituted about 12% of total revenue in 2000.</p>		

REVENUE TOOLS

Residential and Commercial Property Tax

Access: YES Usage: YES

General property tax collections by the City of Lincoln in 2000 were \$2.99 per \$1,000 of taxable assessment or \$127.43 per capita. Total collections for municipal purposes (including special assessments) were \$3.19 per \$1,000 or \$136.07 per capita. Total taxable assessment was \$42,650 per capita. The City sets its own rates, but they are capped. A state Levy Limit restricts the total tax levy to \$5.00 per \$1,000 of assessed value, and a Lid Limit in the City Charter restricts year over year revenue growth to 7.0%. Lincoln is under the Levy Limit but is bumping against the Lid Limit. Revenues are unrestricted. Assessment is mandated by state legislation, and the county is responsible for collection. Nine entities share the tax room, including the City of Lincoln, Lancaster County, several schools and colleges, natural resource districts, and the Public Building Commission.

General Retail Sales Tax

Access: YES Usage: YES

Lincoln currently levies a 1.5% general sales tax. The City uses the same tax base as the State of Nebraska's 5.0% sales tax. The City has only limited authority to set the local rate. In state legislation, three rates are available (0.5%, 1.0%, and 1.5%). The maximum under state law is 1.5%. The tax is administered and collected by the state. Revenues are remitted to the City. A small administrative fee is retained by retailers who collect the tax from consumers. Revenues from the tax are not earmarked, and flow into the General Fund. Revenues are not shared with other jurisdictions. The City first started collecting sales tax in 1970 (rate of 0.5%). The rate was increased to 1.0% in 1972. In 1985, the rate was increased to 1.5%. Implementation of the local sales tax and any increase in rates requires voter approval.

Selective Sales Taxes

Access: YES Usage: YES

The only selective sales tax open to Lincoln is a tax on gambling activities (primarily Keno in local restaurants and bars). A tax of 14.0% is applied to all amounts wagered on Keno. The tax is shared. Lincoln receives a total of 8.7% points, the state receives 2.0% points, and Lancaster County receives 3.3% points. Lincoln is not free to set this rate, which is capped. Revenues are also earmarked. Only 1.0% points go to the General Revenue Fund (to cover the costs of administering the tax). Of the remaining 7.7% points, 65% goes to support public parks and 35% goes to human services and gambling assistance programs. Counties, however, can levy selective taxes on lodging with rates from 1.0% to 4.0% in addition to any general sales tax. (The tax must be used to promote tourism. Whether any of the funds support activities in Lincoln is not clear.)

Specific Business Taxes

Access: YES Usage: YES

Lincoln has access to two types of business taxes, a Business Occupation Tax and a levy on utilities. The Business Occupation Tax is levied on telecommunications companies, which are required to pay a tax of 5.5% on the gross sales of certain services. Vending machine operators pay a flat fee of \$0.50 to \$4.00 annually per machine, and halls, theatres, and entertainment facilities pay a flat fee of \$100 to \$500 based on the number of seats. Lincoln could expand its Business Occupation Tax to include more businesses, such as lodging and the rental of motor vehicles. Omaha currently levies a \$4.00 per day Occupation Tax on hotels and motels. (This would generate \$1.5 million annually for Lincoln, but it would likely have to be earmarked for tourism.) A utility tax of 5.0% is charged on all sales of natural gas and cable TV, and the City attaches a 5.0% tax on its own sales of electricity.

Other Taxes

Access: YES Usage: YES

Lincoln levies a special "Wheel Tax" or Street Improvement Vehicle Tax on all motor vehicles registered in the city. Owners of vehicles register them with Lancaster County, which then applies the tax at the time of registration. Rates vary from \$5.50 to \$195.00 annually per vehicle, depending on the type of vehicle. Amounts for the wheel tax are remitted to the City of Lincoln by the county (less 1.0% of revenues to cover administration of the tax). Revenues from the tax are earmarked. About one-fifth of the revenue is used for snow removal. The remainder is used for street construction and maintenance, or to service debt incurred for construction and maintenance. This tax is not shared with other jurisdictions.

Tax-Sharing

Access: YES Usage: YES

The Highway Allocation Fund receives a total of 6.9¢ of the state fuel tax (24.5¢ per U.S. gallon). The fund also receives 46.6% of the revenue from the state registration tax on motor vehicles, as well as all the revenue from the state's 5.0% general sales tax that applies to motor vehicles, trailers, and semi trailers. Cities and counties each receive 50% of the Fund. (The city share is about 3.45¢ of each gallon of fuel and 23.3% of vehicle taxes and applicable general sales tax revenue.) Distribution between cities is accomplished by a formula. Revenues are earmarked for roads, streets, and bridges. Lincoln receives \$12 to \$13 million annually, or 15% of the entire Fund. The county also shares a portion of its Library Tax with Lincoln. (About 15% of the revenue from the state's Insurance Premium Tax goes to a Municipal Equalization Fund, but Lincoln does not benefit from this.)

Grants, Contributions, User Fees, Other

Access: YES Usage: YES

Lincoln receives grants from both the federal and state governments. There are three primary types of state grants, including the Municipal Infrastructure Redevelopment Fund (MIRF), the Municipal Equalization Fund (MEF), and State Aid to Cities (SATC). Some grants are linked to specific taxes (MIRF, for example, is supported in part by \$3 million annually from the state tax on cigarettes). MIRF and SATC provided Lincoln with about \$3.2 million in 2000. User Fee revenue is the largest revenue source for Lincoln, especially utility revenue (water, sewer, transit, parking, electricity). The high reliance on fees results from the city-owned electrical system, which generated \$148 million in 2000. Fees for government services, however, contribute only a modest amount at about 6% of total revenue. Other revenue (permits, fines, interest) are about average, at 10% of total revenue.

LINCOLN

NEBRASKA

CITY OF LINCOLN

Population (2000 Census) 225,581

Population Growth (1990-2000) 17.5%

LINCOLN CMSA

Population (2000 Census) 250,291

Population Growth (1990-2000) 17.2%

BUDGET ANALYSIS (2000 Actuals, US \$)

	Actual	Per Capita	Percent
General Property Tax	\$28,746,000	\$127. ⁴³	7.3%
Special Assessments	\$1,949,000	\$8. ⁶⁴	0.5%
Special Business Property Tax			
Other Property Taxes			
Total Property Taxes	\$30,695,000	\$136.⁰⁷	7.8%
Total General Sales Tax	\$43,608,000	\$193.³¹	11.0%
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax			
Gambling/Gaming Tax	\$2,870,000	\$12. ⁷²	0.7%
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$2,870,000	\$12.⁷²	0.7%
Franchise Fees/Utility Taxes			Amount Unreported
All Other Business Taxes			Amount Unreported
Total Business Taxes	\$5,846,000	\$25.⁹²	1.5%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees	3,071,000	\$13. ⁶¹	0.8%
All Other Taxes	\$10,108,000	\$44. ⁸¹	2.5%
Total Other Taxes	\$13,179,000	\$58.⁴²	3.3%
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing			Amount Unreported
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			Amount Unreported
Other Tax-sharing			Amount Unreported
Total Tax Sharing			Amount Unreported
Grants/Intergovernmental			Amount Unreported
All Other Contributions			Amount Unreported
Total Grants and Contributions	\$36,788,000	\$163.⁰⁸	9.3%
Government Service User Fees	\$23,189,000	\$102. ⁸⁰	5.9%
Utility/Enterprise Revenue	\$200,894,000	\$890. ⁵⁶	50.8%
Total User Fees and Revenue	\$224,083,000	\$993.³⁶	56.7%
Total Other Income	\$38,051,000	\$168.⁶⁹	9.7%
TOTAL REVENUE	\$395,120,000	\$1,751.⁵⁷	100.0%

REGINA

SASKATCHEWAN

CITY OF REGINA

Population (2001 Census) 178,225
 Population Growth (1991-2001) -0.5%

REGINA CMA

Population (2001 Census) 192,800
 Population Growth (1991-2001) 0.6%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)			
	Actual	Per Capita	Percent
General Property Tax	\$85,429,000	\$479. ³³	39.8%
Special Assessments	\$2,640,000	\$14. ⁸¹	1.2%
Special Business Property Tax			
Other Property Taxes	\$2,710,000	\$15. ²¹	1.3%
Total Property Taxes	\$90,779,000	\$509.³⁵	42.3%
Total General Sales Tax			
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax	\$384,000	\$2. ¹⁵	0.2%
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$384,000	\$2.¹⁵	0.2%
Franchise Fees/Utility Taxes	\$24,734,000	\$138. ⁷⁸	11.5%
All Other Business Taxes			
Total Business Taxes	\$24,734,000	\$138.⁷⁸	11.5%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing			
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing			
Grants/Intergovernmental	\$8,357,000	\$46. ⁸⁹	3.9%
All Other Contributions	\$6,574,000	\$36. ⁸⁹	3.1%
Total Grants and Contributions	\$14,931,000	\$83.⁷⁸	7.0%
Government Service User Fees	\$17,729,000	\$99. ⁴⁸	8.3%
Utility/Enterprise Revenue	\$51,867,000	\$291. ⁰²	24.2%
Total User Fees and Revenue	\$69,596,000	\$390.⁵⁰	32.5%
Total Other Income	\$13,997,000	\$78.⁵³	6.5%
TOTAL REVENUE	\$214,421,000	\$1,203.⁰⁹	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections by Regina in 2000 totalled \$1789 per \$1,000 of taxable assessment or \$479.33 per capita. Total property tax collections for municipal purposes (including special assessments and other taxes) were \$19.01 per \$1,000 or \$509.35 per capita. Taxable assessment was \$26,799 per capita. Regina can set its own property tax rates. Neither the rates nor the revenue yield are capped. Property tax revenues are generally unrestricted. Assessment practices are mandated by the province, but the City of Regina carries out all assessments. The City also collects the taxes. Property tax room is shared by Regina, two school districts (public and separate) as well as the Regina Public Library. Each jurisdiction sets its own rates. However, the millrate levy for the Library Board is subject to approval by the Regina City Council.

General Retail Sales Tax Access: NO Usage: NO

NO ACCESS

Selective Sales Taxes Access: YES Usage: YES

Regina is able to levy a small Amusements Tax on tickets for concerts, football and hockey games, cinemas, theatres, etc. Regina's City Council has decided to limit the tax to commercial theatres (as such, the tax could be expanded). The current rate is 10.0% of the ticket price. Theatre owners keep 10% of all the revenues for administering, collecting, and remitting the tax. The City is free to establish the rate, which is not capped. Revenue from the tax is unrestricted. Regina does not share the proceeds with other jurisdictions.

Specific Business Taxes Access: YES Usage: YES

Regina taxes the provincially-owned electrical and natural gas utilities. The rate for electricity is 15.0% of sales in the city and 5.0% for sales of natural gas. Regina can negotiate the rates, but they are capped at 15.0% and 5.0% respectively. As such, these taxes are at their maximum. The taxes are collected by the companies and remitted to the City. Revenues are unrestricted. Regina used to collect a business tax based on the rental value of business property. The tax was eliminated in 2000. The province has since amended its municipal legislation by removing this tax as an option for municipalities.

Other Taxes Access: NO Usage: NO

NO ACCESS

(In theory, other taxes are available, but their applicability is not practical. For example, there is a "minimum" property tax payable that resembles a head tax, but most property tax bills are already above the minimum.)

Tax-Sharing Access: NO Usage: NO

NO ACCESS

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Regina receives unconditional and conditional grants from the province and conditional grants from the federal government. Grants received in 2000 for operating and capital totalled \$8.4 million (less than 4% of total revenue). User fees for government services and utilities are a large budget source for the City at almost one-third of total revenues. The largest portion accrues from the City's utility operations (water, sewer, storm drainage, solid waste, parking, and transit). Legislative provisions exist to expand user fees to many other city services. However, officials in Regina state that there is a lack of enforcement provisions, effectively ruling out the option. The City also collects revenue from licenses and permits, fines, and interest on its investments. These other sources tend to constitute a smaller amount than most other cities at 6.5% of total revenue in 2000.

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

Total property tax collections by the City of Boise in 2001 were \$5.76 per \$1,000 of taxable market value or \$330.81 per capita. Total taxable market value per capita was \$57,423. The City of Boise sets its own tax rates, but the revenue yield is capped. Revenues cannot grow by more than 3% annually, plus a bonus for new construction and annexation (the 3% limit and new growth serves as the base for next year's tax limit). Most revenues are not earmarked, but special levies and improvements (which need two-thirds of voters approving) are earmarked for specific projects. Assessment is tightly controlled under a uniform Tax Code. Ada County conducts assessments and collects the taxes. Five entities share the property tax, including the City of Boise, Ada County, the County Highway District, the Boise School District, and Emergency Medical Services.

General Retail Sales Tax Access: NO Usage: NO

NO ACCESS
(Qualifying Resort Communities can levy a general retail sales tax if approved by the voters.)

Selective Sales Taxes Access: NO Usage: NO

NO ACCESS
(A Lodging Tax is levied by the City's Convention Bureau, which operates at arm's length from the City. Some of the revenue may indirectly benefit Boise.)

Specific Business Taxes Access: YES Usage: YES

Boise has no access to a comprehensive tax on business other than franchise taxes and levies on utilities. Boise levies a 1.0% tax on sales of electricity, 3.0% on sales of natural gas, 5.0% on sales of cable TV, and 3.0% on sales of water (none of these services are owned or provided by Boise). The city can set these rates through negotiation, but there is a legislative cap. Tax rates are generally limited to 3.0%, unless higher rates were in place prior to the cap coming into effect. Thus, there is 2.0% of unused tax capacity for electrical sales. The cap for water sales is 5.0%, leaving another 2.0% in unused capacity. Natural gas and cable TV rates are at the maximum. Voter approval may be needed to increase rates up to the legislated cap.

Other Taxes Access: NO Usage: NO

NO ACCESS
(A vehicle registration tax and an emissions tax are levied at the county level. These revenues support the Ada County Highway District. Revenues may benefit Boise as the district funds road projects in Boise.)

Tax-Sharing Access: YES Usage: YES

Idaho shares 13.75% of the revenue (0.7% points) from its 5.0% general sales tax. Of this amount, 56% (0.4% points) is reserved for cities and counties (each gets 28% of the revenue or 0.2% points). Distribution to cities is based on population and the value of the tax base. Special districts receive 8% (0.05% points). The remaining 36% (0.25% points) is given to cities and counties through another formula. Revenue is unrestricted. Cities get 60% of the proceeds from state-owned liquor stores, and counties get 40%. (Cities with stores get 90% of the allocation, distributed based on point of sale. Cities without stores get 10% based on population.) Fuel taxes and vehicle registrations are shared via the Highway Distribution Account. Cities get 11.5%, counties 26.5%, and Idaho 62.0%. Revenue is for transportation. Boise and Ada County forward their amounts to the Ada County Highway District.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Grants, intergovernmental revenue and other contributions comprise a significant revenue source for the City of Boise, totalling 22.6% of the budget in fiscal 2001. (This amount includes some tax-sharing revenue). Of all the cities in the survey, Boise receives the most senior government support (measured in grants and tax-sharing). User Fee revenue comprised one-third of the 2001 total budget. While general user fees contributed less than 10% of total revenues, the City does collect significant fees from its enterprise operations (sewer, solid waste, airport, transit, parking, housing). Boise does not provide water services, which are privatized and managed by a separate utility district. Other revenue (licenses and permits, fines and penalties, interest) totalled \$25 million in 2001, or just over 12% of the budget. This is slightly higher than amounts recorded by other cities.

BOISE

IDAHO

CITY OF BOISE

Population (2000 Census)185,787
Population Growth (1990-2000) 47.8%

BOISE CMSA

Population (2000 Census) 432,345
Population Growth (1990-2000) 46.1%

BUDGET ANALYSIS (2001 Actuals, US \$)

	Actual	Per Capita	Percent
General Property Tax	.....	Amount Unreported	
Special Assessments	.....	Amount Unreported	
Special Business Property Tax			
Other Property Taxes			
Total Property Taxes	\$61,461,000	\$330.⁸¹	29.9%

Total General Sales Tax

- Lodging Sales Tax
- Restaurant/Liquor Sales Tax
- Entertainment/Amusements Tax
- Gambling/Gaming Tax
- Other Selective Sales Taxes
- Total Selective Sales Taxes**

Franchise Fees/Utility Taxes	\$5,167,000	\$27. ⁸¹	2.5%
All Other Business Taxes			
Total Business Taxes	\$5,167,000	\$27.⁸¹	2.5%

- Real Estate Transfer Tax
- Motor Vehicle Taxes/Fees
- All Other Taxes
- Total Other Taxes**

Income Tax-sharing			
General Sales Tax-sharing	.....	Amount Unreported	
Fuel Tax-sharing	.....	Amount Unreported	
Liquor Tax-sharing	.....	Amount Unreported	
Tobacco Tax-sharing			
Vehicle Tax-sharing	.....	Amount Unreported	
Other Tax-sharing			
Total-Tax Sharing	.....	Amount Unreported	

Grants/Intergovernmental	.....	Amount Unreported	
All Other Contributions	.....	Amount Unreported	
Total Grants and Contributions	\$46,447,000	\$250.⁰⁰	22.6%

Government Service User Fees	\$17,950,000	\$96. ⁶²	8.7%
Utility/Enterprise Revenue	\$49,586,000	\$266. ⁸⁹	24.2%
Total User Fees and Revenue	\$67,536,000	\$363.⁵¹	32.9%

Total Other Income	\$24,796,000	\$133.⁴⁷	12.1%
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TOTAL REVENUE	\$205,407,000	\$1,105.⁶⁰	100.0%
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WINNIPEG

MANITOBA

CITY OF WINNIPEG

Population (2001 Census) 619,544

Population Growth (1991-2001) 0.7%

WINNIPEG CMA

Population (2001 Census) 671,274

Population Growth (1991-2001) 1.6%

BUDGET ANALYSIS (2000 Actuals, Cdn \$)

	Actual	Per Capita	Percent
General Property Tax	\$363,529,000	\$586. ⁷⁷	32.4%
Special Assessments	\$27,504,000	\$44. ³⁹	2.5%
Special Business Property Tax	\$55,974,000	\$90. ³⁵	5.0%
Other Property Taxes			
Total Property Taxes	\$447,007,000	\$721.⁵¹	39.9%
Total General Sales Tax			
Lodging Sales Tax			
Restaurant/Liquor Sales Tax			
Entertainment/Amusements Tax	\$2,216,000	\$3. ⁵⁸	0.2%
Gambling/Gaming Tax			
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$2,216,000	\$3.⁵⁸	0.2%
Franchise Fees/Utility Taxes	\$13,725,000	\$22. ¹⁵	1.2%
All Other Business Taxes			
Total Business Taxes	\$13,725,000	\$22.¹⁵	1.2%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes			
Total Other Taxes			
Income Tax-sharing	\$44,824,000	\$72. ³⁵	4.0%
General Sales Tax-sharing			
Fuel Tax-sharing			
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing			
Other Tax-sharing			
Total-Tax Sharing	\$44,824,000	\$72.³⁵	4.0%
Grants/Intergovernmental	\$91,480,000	\$147. ⁶⁵	8.1%
All Other Contributions	\$25,386,000	\$40. ⁹⁸	2.3%
Total Grants and Contributions	\$116,866,000	\$188.⁶³	10.4%
Government Service User Fees	\$100,220,000	\$161. ⁷⁶	8.9%
Utility/Enterprise Revenue	\$309,254,000	\$499. ¹⁷	27.6%
Total User Fees and Revenue	\$409,474,000	\$660.⁹³	36.5%
Total Other Income	\$86,460,000	\$139.⁵⁵	7.8%
TOTAL REVENUE	\$1,120,572,000	\$1,808.⁷⁰	100.0%

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections in 2000 were \$15.77 per every \$1,000 of assessment or \$586.77 per capita. Total collections for municipal purposes (including special assessments and the business tax) were \$19.40 per \$1,000 of assessment or \$721.51 per capita. Assessment was \$37,199 per capita. Winnipeg can set its own tax rates, but under provincial legislation, it must apply a uniform rate for all property classes. The rates and the revenue yield are not capped. Revenues are unrestricted. Assessment practices are mandated by the province, but Winnipeg carries out all assessments and also collects the taxes. Property tax room is shared by three jurisdictions – Winnipeg, local school boards, and the province (which collects taxes for education equalization purposes). The City retains about 47% of all taxes payable.

General Retail Sales Tax Access: NO Usage: NO

NO ACCESS

Selective Sales Taxes Access: YES Usage: YES

Winnipeg levies a small admissions tax called the Entertainment Funding Tax. A tax of 10.0% is applied to the ticket price of qualifying events. Commercial cinemas generate the bulk of the revenue, but the tax also applies to concerts and sporting events. The city is free to set the tax rate, which is not capped. All of the revenue is earmarked, and "flows through" the City to the arts community, or professional sports teams and stadiums. *The Provincial-Municipal Tax-Sharing Act* includes a provision that allows municipalities to pass by-laws to tax lodging, restaurant meals, and on-sale liquor purchases. However, cities are not free to enact such by-laws on their own. Such a tax would have no force unless first agreed to by the province. As a result, no municipality in Manitoba levies these selective sales taxes.

Specific Business Taxes Access: YES Usage: YES

Winnipeg levies a separate Business Tax. Assessors determine an annual rental value of business properties based on square-footage, location, and type of building. A rate of 9.75% is applied to this value. Winnipeg can set this rate up to a cap of 15.0%. Revenues are not earmarked. Winnipeg also levies a tax on the consumption of electricity and natural gas. A formula calculates amounts used for heating, which are then exempted. The tax rate for residential consumers is 2.5%, and the rate for businesses is 5.0%. Winnipeg cannot set these rates, which are prescribed by the province. Revenue is unrestricted. The City levies a small tax based on the square footage area of major billboards. Winnipeg also collects taxes on behalf of various Business Improvement Zones, but these amounts simply "flow through."

Other Taxes Access: NO Usage: NO

NO ACCESS

(The Provincial-Municipal Tax-Sharing Act has provisions for a municipal real estate transfer tax that would apply to transfers of land. However, the tax cannot be imposed unilaterally, and would require provincial approval.)

Tax-Sharing Access: YES Usage: YES

The Province of Manitoba shares with municipalities a portion of the revenue produced by the provincial tax on personal incomes as well as corporate incomes. Each year, the province sets aside 2.2% of the total revenue generated from the provincial personal income tax, and another 1.0% of the revenue generated from the corporate income tax for use by municipalities across the province. Allocation of the revenue to the various municipalities is made through a legislated formula based on population (municipalities receive "per capita" amounts). Winnipeg comprises about 60% of the province's population, so the City (and surrounding communities) receive the great majority of the tax-sharing revenue. The revenue is generally unrestricted, and accrues to the General Revenue Fund of the City.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Winnipeg receives unconditional and conditional grants from the province (for both operating and capital purposes) as well as conditional grants (mostly for capital) from the federal government. Total conditional and unconditional grants for operating and capital (excluding tax-sharing) in 2000 were \$91.5 million (8.1% of total revenue). Winnipeg also receives substantial amounts of revenue-in-lieu of tax, totalling \$25 million in 2000. User fee revenue for government services totalled \$100 million, and fee revenue from the City's utility and enterprise activities amounted to about \$310 million. Winnipeg provides water, sewer, residential solid waste, transit, and parking. The electrical operation was recently sold. Other revenues (fines, licenses, permits, interest on investments) comprised 7.8% of total revenue in 2000.

REVENUE TOOLS

Residential and Commercial Property Tax Access: YES Usage: YES

General property tax collections in 2000 were \$7.22 per \$1,000 of estimated market valuation or \$365.90 per capita. Total collections for municipal purposes (including libraries, parks, and special assessments) were \$9.77 per \$1,000 or \$494.77 per capita. Assessment was \$50,660 per capita. Minneapolis can set its own tax rates, but revenues are capped by the Levy Limitation. Property tax revenues cannot grow by more than what was levied in the prior year, plus inflation and new additions to the tax roll. In general, property tax revenues are not earmarked for specific expenditures. Assessment responsibilities are shared by the state and county. The county collects all property taxes. Property tax room is shared by Minneapolis, the county, school districts and several special taxing districts such as the Metro Council and the Transit Authority.

General Retail Sales Tax Access: YES Usage: YES

Minneapolis has access to a 0.5% general sales tax on the same tax base as the state sales tax. State law prohibits local governments from imposing a general sales tax on their own. In order to access the tax, specific authorization must be given through state legislation. As such, Minneapolis is not allowed to set its own sales tax rate. The 0.5% rate is specified as the rate in Minneapolis via the enabling legislation establishing the tax. The state collects the tax and remits the revenue, less a small fee for administration. All revenue is earmarked for tourism and convention promotion, and covers the operating and capital needs of the Minneapolis Convention Centre and related economic development activities. Minneapolis is one of 12 Minnesota cities and counties that levy a general sales tax (rates range from 0.5% to 1.0%).

Selective Sales Taxes Access: YES Usage: YES

Minneapolis has four selective sales taxes authorized by special state legislation. All of them are in addition to the state and local general sales tax. First, a 3.0% tax is applied to lodging. Second, a 3.0% tax is levied on restaurant meals in the downtown. Third, beer, wine and liquor consumed in restaurants, lounges, and bars are subject to a 3.0% tax. All revenues from these taxes are earmarked for the same purposes as the general local sales tax. Finally, the city is authorized to levy a 3.0% Entertainment Tax, which applies to admission charges, ticket prices, cover charges, and merchandise sold at various entertainment functions. Revenues are split between the City's General Revenue Fund and the Target Centre, Minneapolis' professional sports stadium. Minneapolis also retains a portion of gambling revenues, which are used to support policing.

Specific Business Taxes Access: YES Usage: YES

Minneapolis does not levy a comprehensive tax on business aside from the general property tax, business licenses, and miscellaneous fees. However, Minneapolis does levy a franchise tax based on the gross earnings of utilities. The tax is primarily restricted to sales of electricity and natural gas. The tax rate on residential natural gas consumption is 4.25% of gross sales. The rate for small commercial purposes and multi-family dwellings is 5.0%. The large industrial rate is 3.0%. For electricity, residential customers pay 5.0%, small commercial users pay 5.75%, and large industrial users pay 3.3%. Revenues are not earmarked, and are deposited into the General Revenue Fund. The tax is primarily administered at the local level. The tax is paid by consumers and collected by the utilities, which forward the amounts to the City.

Other Taxes Access: NO Usage: NO

NO ACCESS

Tax-Sharing Access: YES Usage: YES

Minneapolis benefits from two types of tax-sharing. First, local governments in the metro area have established a Fiscal Disparities program that shares property tax revenue between municipalities. Under the program, a portion of the growth in commercial, industrial, and public utility property in participating communities is pooled. Each receives amounts from the pool based on the value of the local tax base and population. Second, the state constitution has established the Highway User Tax Distribution Fund, which collects all of Minnesota's vehicle registration revenue and 98% of the state fuel tax. By law, the state receives about 60% of the revenue, counties 30%, and cities 10%. Allocations to the municipalities are based on population and the budget needs of approved projects. Revenues are for transportation only.

Grants, Contributions, User Fees, Other Access: YES Usage: YES

Minneapolis receives grants from the federal and state governments, as well as Hennepin County. Total intergovernmental revenue (grants, tax-sharing, fiscal disparity amounts) is very significant, totalling 22.1% of revenue. (This amount may be overstated. Minneapolis uses "fund-based" accounting, and adding together amounts in the various funds can result in double-counting of revenue since all interfund transfers are not eliminated. It may also include amounts received from the sale of services to other governments, as opposed to grants.) Total user fee revenue (government services and utilities) constituted about 40% of total revenue in 2000. Basic services provided by Minneapolis include water, sewer, and solid waste. Other income (fines, licenses, permits, fees, interest) was about 11% of total revenue, a comparable amount to most other cities.

MINNEAPOLIS

MINNESOTA

CITY OF MINNEAPOLIS

Population (2000 Census) 382,618
Population Growth (1990-2000) 3.9%

MINNEAPOLIS CMSA

Population (2000 Census) 2,968,806
Population Growth (1990-2000) 16.9%

BUDGET ANALYSIS (2000 Actuals, US \$)

	Actual	Per Capita	Percent
General Property Tax	\$140,000,000	\$365. ⁹⁰	16.0%
Special Assessments	\$11,082,000	\$28. ⁹⁶	1.3%
Special Business Property Tax			
Other Property Taxes	\$38,224,000	\$99. ⁹¹	4.4%
Total Property Taxes	\$189,306,000	\$494.⁷⁷	21.7%
Total General Sales Tax	\$27,391,000	\$71.⁵⁹	3.1%
Lodging Sales Tax	\$2,983,000	\$7. ⁸⁰	0.3%
Restaurant/Liquor Sales Tax	\$10,880,000	\$28. ⁴³	1.2%
Entertainment/Amusements Tax	\$7,071,000	\$18. ⁴⁸	0.8%
Gambling/Gaming Tax	\$351,000	\$0. ⁹²	0.1%
Other Selective Sales Taxes			
Total Selective Sales Taxes	\$21,285,000	\$55.⁶³	2.4%
Franchise Fees/Utility Taxes	\$21,594,000	\$56. ⁴⁴	2.5%
All Other Business Taxes			
Total Business Taxes	\$21,594,000	\$56.⁴⁴	2.5%
Real Estate Transfer Tax			
Motor Vehicle Taxes/Fees			
All Other Taxes	\$72,000	\$0. ¹⁹	0.0%
Total Other Taxes	\$72,000	\$0.¹⁹	0.0%
Income Tax-sharing			
General Sales Tax-sharing			
Fuel Tax-sharing	.....	Amount Unreported	
Liquor Tax-sharing			
Tobacco Tax-sharing			
Vehicle Tax-sharing	.....	Amount Unreported	
Other Tax-sharing	.....	Amount Unreported	
Total-Tax Sharing	.....	Amount Unreported	
Grants/Intergovernmental	.....	Amount Unreported	
All Other Contributions	.....	Amount Unreported	
Total Grants and Contributions	\$193,627,000	\$506.⁰⁶	22.1%
Government Service User Fees	\$140,736,000	\$367. ⁸²	16.1%
Utility/Enterprise Revenue	\$183,900,000	\$480. ⁶⁴	21.0%
Total User Fees and Revenue	\$324,636,000	\$848.⁴⁶	37.1%
Total Other Income	\$96,432,000	\$252.⁰²	11.1%
TOTAL REVENUE	\$874,343,000	\$2,285.¹⁶	100.0%

ANALYSIS

The first impression to emerge from the data is the tremendous variability among the cities when it comes to tax instruments and revenue sources. For example, the primary tax for most western Canadian cities, as well as Boise, is the property tax. On the other hand, Denver, Seattle, and Minneapolis have access to a general retail sales tax as well as a myriad of selective sales taxes. Significant and even dramatic differences across the data occur frequently. Yet despite the variability, there are general patterns that set western Canadian cities apart from the majority of their American counterparts.

1. Property Taxes

■ CITIES IN WESTERN CANADA ARE BOTH HIGHLY AND UNUSUALLY DEPENDENT ON PROPERTY TAXES.

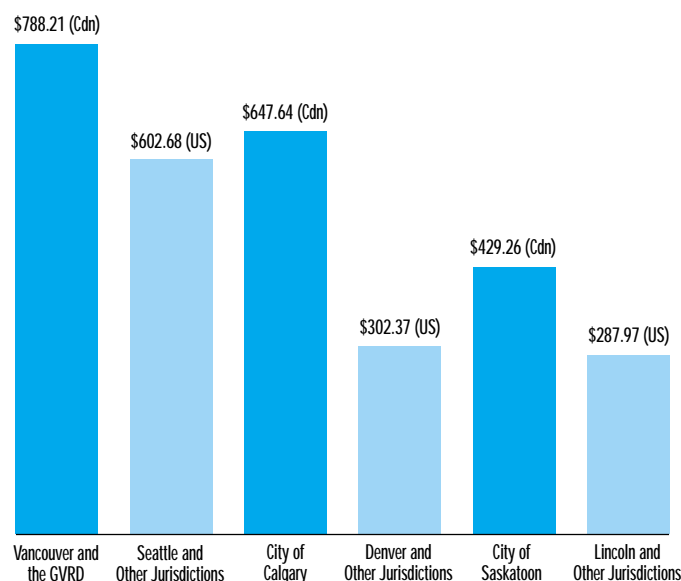
Measured as a percent of total revenue, property taxes for the western Canadian cities range from a low of 26.3% in Saskatoon to a high of 53.4% in Vancouver. In contrast, Denver generates only 7.3% of its total revenue from property taxes and Lincoln only 7.8%. The American city with the highest dependence on property tax is Boise at 29.9%. While this is higher than both Edmonton and Saskatoon, it is still lower than all the other western Canadian cities. Further, Boise itself is the clear outlier on the U.S. side of the border in this study.

Focusing on property taxes as a proportion of each city's total budget forms only part of the story, however. First, the relative size of any municipal budget is a direct function of the number and type of services a city provides. For example, Denver's relatively low reliance on property taxes is due, in part, to the fact that the City operates a municipal airport. In 2000, the airport produced almost \$440 million in user fee revenue, thereby making all other revenue sources that much less important. Second, all types of taxes will necessarily increase as a percentage of the budget if little tax-sharing, grants, and other revenues are received. In part, this explains Vancouver's higher reliance on property tax – the City receives little in the form of tax-sharing or grants. *Figure 3* (page 23) factors out the influence of large utility operations and other revenue streams by examining only the *tax revenue* side of the budget. With the exception of Boise, property taxes still form only a small part of the municipal tax base for the six American cities. The six western Canadian cities, on average, have 88.7% of their tax revenue coming from property taxes compared to 52.0% for the six U.S. cities.

A second factor to consider is that in the United States, cities, counties, and special taxing districts (e.g., utility districts, regional transit authorities) all collect property taxes to provide at least some municipal services. This stands in sharp contrast to the western Canadian experience, where it is cities alone that collect all the property taxes needed for local purposes. In other words, would the U.S. reliance on property taxes approach that of western Canadian cities if the amounts levied by all these independent jurisdictions were aggregated?

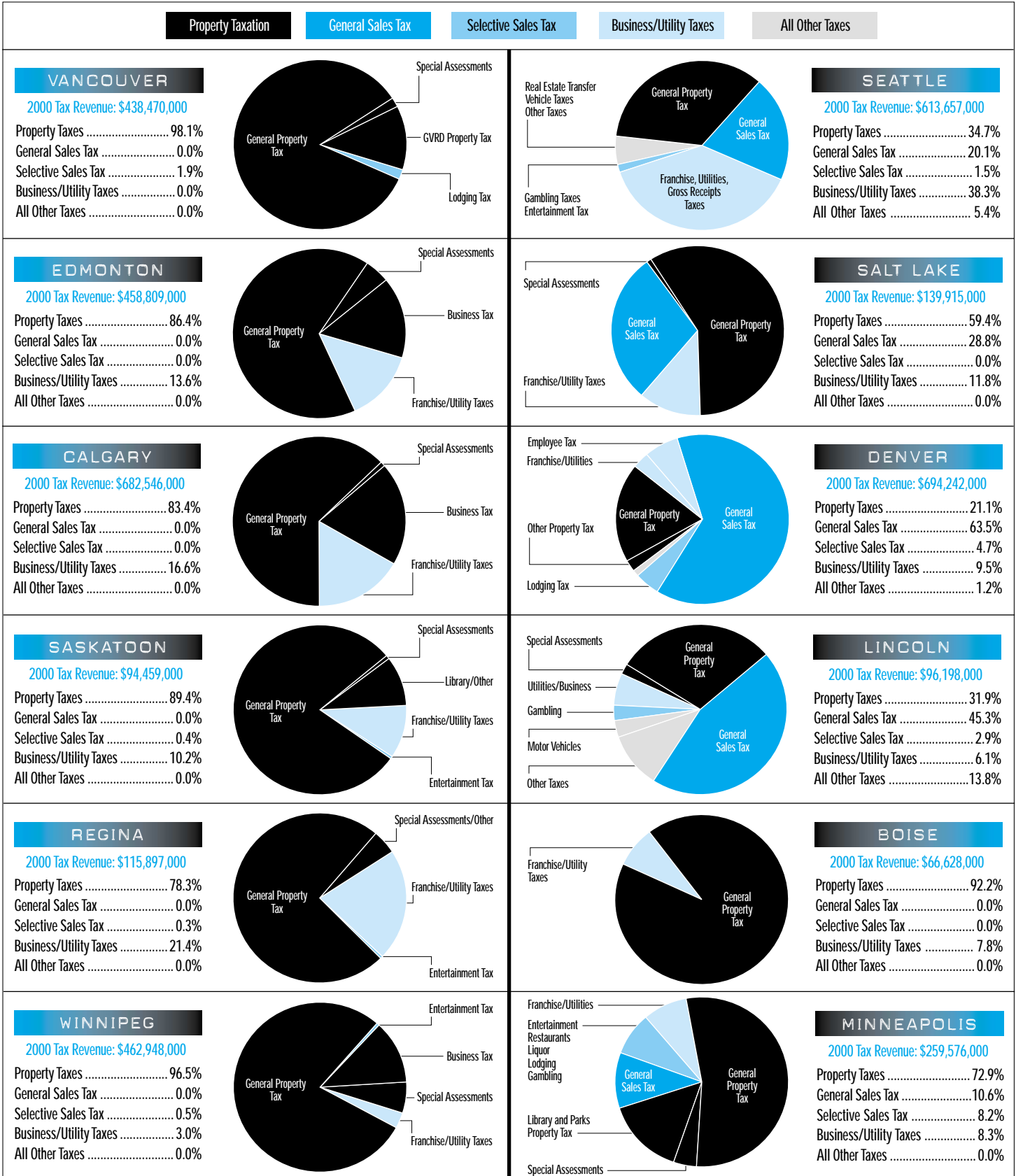
Answering the question is difficult. One needs a good handle on *situs* – the legal location of a property – to determine whether or not that particular property is actually subject to any or even all of the property taxes levied by independent jurisdictions. Fortunately, three of the U.S. cities included sufficient information in their annual reports to allow an aggregation of property tax levies. (The City and County of Denver is a unified entity, which makes sorting out the property taxes easier. Financial statements for Seattle and Lincoln included details that facilitated the combining of property taxes.) *Figure 4* shows the results. Total per capita property taxes payable for municipal purposes in Vancouver amounted to \$788.21 in 2000. In Seattle, the per capita amount was almost 25% lower at \$602.68. Likewise, per capita property taxes for all municipal purposes in Denver were half that of Calgary. The City of Lincoln collected about the same amount as Denver, which was 30% lower than Saskatoon.

FIGURE 4: Total Property Taxes Paid for Municipal Purposes
(Per Capita Amounts, Select Cities, Fiscal Year 2000)



SOURCE: 2000 Annual Reports of Vancouver, Calgary, Saskatoon, and the 2000 Consolidated Annual Financial Reports of Seattle, Denver, and Lincoln.

FIGURE 3: Tax Profiles of the Twelve Cities



SOURCE: Derived by Canada West Foundation from each city's Fiscal 2000 Annual Report (Boise 2001) and online financial databases maintained by the states of Colorado and Washington.

■ WESTERN CANADIAN CITIES EXERCISE MORE CONTROL OVER THE PROPERTY TAX THAN DO U.S. CITIES.

Regarding the administration of the property tax, western Canadian and U.S. cities typically share only one similarity – assessment practices are outside the direct control of cities. On both sides of the border, it is state and provincial authorities that decide how properties will be valued for assessment purposes, how they will be separated into different classes and categories, and which properties will be exempted from the tax. With respect to the other administrative factors of the property tax lever, Canadian cities tend to exercise more control than their U.S. counterparts.

First, all of the western Canadian cities, with the exception of Vancouver, are responsible for assessing properties (the province is responsible for assessment in Vancouver). Second, all of the cities are responsible for collecting the taxes and remitting amounts to other taxing jurisdictions. In the U.S., these two functions are usually carried out at the county level, with the county remitting amounts back to the cities as well as the state and other taxing jurisdictions. Third, while senior governments on both sides of the border do not typically require cities to earmark their property tax revenue (special assessments and local improvement levies are the exception), western Canadian cities tend to keep property tax revenue for general purposes, while some U.S. cities are more likely to internally dedicate property tax revenue or set separate levies for specific purposes. For example, the City and County of Denver levies a separate amount for General Fund purposes, as well as its Bond Principal Fund, Bond Interest Fund, and its Social Services Fund, while Seattle levies separate amounts for its General Fund, Special Revenue Funds, and Debt Service Funds.

Third, and most important, western Canadian cities are allowed more freedom to set property tax rates and do not face restrictions on the amount of revenue that can be solicited from the property tax. This stands in stark contrast to the U.S. experience, where cities face limits on the amount by which property tax revenues can grow year over year. For example, Seattle's property tax revenue can grow by only 1.0% annually plus new construction and growth in the tax base. Boise's collections are limited to a 3.0% annual increase plus new growth in the tax base. Property tax revenue for Minneapolis is subject to a highly complex formula where annual growth cannot surpass inflation and growth. Lincoln faces two limitations – the State of Nebraska's Levy Limit and the Lid Limit in the City Charter. The state requires that the total tax levy not exceed \$5.00 per \$1,000 of assessed value, while the Charter stipulates that total revenues may not grow by more than 7.0% annually.

Denver and Salt Lake City are exceptions. All cities in Colorado face a property tax limit under the "Bruce Amendment" (also called the Taxpayer's Bill of Rights or TABOR), but Denver has "de-Bruced" by winning a referendum on the issue. To win the referendum, Denver agreed to earmark all property taxes collected in excess of TABOR for affordable housing and transportation. Utah's "Truth in Taxation" laws do not formally restrict the amount of property taxes Salt Lake City can collect, but if revenues exceed what was collected in the prior year (plus growth in the tax base) the city must hold a "Truth in Taxation Hearing" to explain the increase and allow for taxpayer input. While there is no requirement for a vote, the process provides citizens with the means to exert political pressure and limit potential tax increases. Regardless of the specific practice, such legislative limits on property tax revenue growth are unheard of in western Canada's cities.

2. General Retail Sales Taxes

■ MOST U.S. CITIES HAVE ACCESS TO A GENERAL RETAIL SALES TAX. WESTERN CANADIAN CITIES DO NOT.

The most significant difference between western Canadian cities and their U.S. counterparts is that most American cities, with the exception of Boise, have access to a local general sales tax. Minneapolis has access to a 0.5% general sales tax that contributes 3.1% of its total budget (10.6% of its tax revenue). Both Seattle and Salt Lake City levy a 1.0% general sales tax, which contributes 7.5% of Seattle's budget and 9.3% for Salt Lake (20.1% and 28.8% of total tax revenue, respectively). Denver levies the largest general sales tax at 3.5%, which is responsible for 22.0% of its budget and almost 65% of its tax revenue.

■ U.S. CITIES ALSO BENEFIT FROM GENERAL SALES TAXES LEVIED BY COUNTIES OR SPECIAL DISTRICTS.

A number of U.S. cities directly benefit from additional general sales taxes levied by the county or special taxing districts. Seattle, for example, is a direct beneficiary of the transit services provided by King County's Regional Transit Authority, which has its own 1.2% general sales tax (the tax is in addition to the state tax and Seattle's sales tax). The 1.2% tax applies in Seattle and benefits Seattle, but it is not levied by Seattle. Salt Lake City benefits from a 0.85% sales tax levied by the county, of which 0.5% points fund transit and 0.1% points are used for parks and cultural facilities. Additional taxes at the county level provides a partial explanation for Denver's higher tax rate of 3.5%. Denver is a co-existent entity, where the city and county have been merged. (At the same time, Colorado's general sales tax is quite small at 2.9%. This may also indicate that Denver has responsibility for services traditionally delivered at the state level.)

■ U.S. CITIES DO NOT EXERCISE UNFETTERED CONTROL OVER THEIR GENERAL SALES TAXES.

Local general sales taxes in the six U.S. cities are administered in a similar fashion, with a defining feature being little local control. First, all cities face a cap on the maximum tax rate allowed, or must choose from one of several rate structures set in state legislation. The only possible exception is Denver, which can theoretically bypass TABOR limits with voter approval. Second, the state sales tax base is usually used for the local sales tax, and the state usually administers and collects the tax. Again, Denver is the sole exception. Third, most cities are not required to earmark revenue from their local general sales tax, although the additional tax rates mentioned above are usually restricted. Minneapolis is an exception to this general rule – revenue from that city's general sales tax must go toward tourism promotion, the Convention Centre, and related economic development activities.

General local sales taxes are usually made available to a wide range of municipalities across each state. However, this is not always the case. For example, Minneapolis derives authority for the tax from special state legislation. Only a handful of Minnesota cities can levy a general sales tax. Typically, cities do not tend to share any of the revenues from their general sales tax, but again, this is not always the case. For example, state legislation in Washington requires Seattle to turn over 15% of the revenues produced from its local general sales tax to King County. The State of Utah keeps 50% of all revenues derived from Salt Lake City's general sales tax. The revenue forms part of a pool that is redistributed to municipalities for equalization purposes.

3. Selective Sales Taxes

■ SELECTIVE SALES TAXES PLAY A MUCH LARGER ROLE IN THE U.S. CITIES THAN IN WESTERN CANADIAN CITIES.

The only selective sales taxes in play in western Canada are a 2.0% tax on lodging and accommodations in Vancouver and a set of small taxes on entertainment and amusements in Saskatoon, Regina, and Winnipeg. The U.S. cities, on the other hand, have access to a wide range of selective taxes. Numerous cities have access to a special tax on lodging (Salt Lake, Denver, Minneapolis), restaurant meals (Denver, Minneapolis), on-sale and/or off-sales of beer, wine, and liquor (Denver, Minneapolis), admissions and entertainment (Seattle, Denver, Minneapolis), gambling activities (Seattle, Lincoln), and car rentals (Denver).

Some cities such as Seattle, Salt Lake, and Boise also benefit from selective taxes levied at the county level, including taxes on restaurant meals, car rentals, and lodging. Generally, sales taxes on such items as tobacco and fuel are not available to local governments in the U.S., although again, there are exceptions. For example, Denver levies its own 4.0¢ tax on each gallon of aviation fuel sold at the local airports. All counties in the state of Washington are allowed to levy their own fuel tax, up to a maximum of 10% (2.3¢ per gallon) of the state fuel tax (23.0¢ per gallon). Cities that qualify (not Seattle) are also allowed a 1.0¢ per gallon fuel tax.

■ U.S. CITIES HAVE LITTLE CONTROL OVER SELECTIVE TAXES, AND REVENUES ARE USUALLY EARMARKED.

Generally speaking, selective sales tax rates are subject to a state legislative cap. Denver is the only exception, as the City could increase its rates, as well as implement a number of other selective taxes, with voter approval. Typically, the local selective tax base is also the same as the state sales tax base.

The most important distinction to make between general and selective sales taxes is that revenue generated by the latter tend to be heavily earmarked for specific expenditures such as transit, tourism promotion, sport stadiums, city convention facilities, parks, recreation and cultural facilities, and even policing and gambling enforcement. The only U.S. selective taxes uncovered in this study that were not earmarked are Seattle's admissions tax, Salt Lake City's lodging tax, and a portion of Denver's aviation fuel tax and its lodging tax.

4. Specific Business Taxes

■ CITIES ON BOTH SIDES OF THE BORDER HAVE ACCESS TO FRANCHISE AND UTILITY TAXES.

With the exception of Vancouver, all cities collect special franchise taxes or sales taxes on the gross sales of private, public, and city-owned utilities. Some cities also tax other businesses such as cable TV providers and telecommunications companies. The importance of these taxes to the cities varies. For western Canadian cities, Winnipeg receives the least from this type of tax at 1.2% of total revenue (3.0% of its tax revenue). Regina collects the most at 11.5% of total revenue (21.4% of its tax revenue). Edmonton, Calgary, and Saskatoon collected about 3% to 7% of total revenue from franchise and utility taxes in 2000.

Generally speaking, there is not a lot of difference between the western Canadian cities and the six U.S. cities with respect to franchise and utility taxes. For example, the lowest dependence on this tax was recorded by Denver at 1.1% of total revenue (3.1% of its tax revenue). Franchise fees and utility taxes for most U.S. cities comprise about 2% to 7% of total revenue, an amount similar to Saskatoon, Edmonton and Calgary. In the U.S. context, Seattle is the only outlier. That city collected 18.4% of its total tax revenue from the taxes on public and private utilities in fiscal 2000. The administration of franchise and utility taxes is generally the same on both sides of the border. For example, most cities have at least some capacity to negotiate the rates that will apply, although they are usually capped by provincial or state legislation. Most cities also reported that the revenues yielded by these taxes are unrestricted.

■ **THE U.S. CITIES HAVE ACCESS TO A WIDER RANGE OF BUSINESS TAXES THAN DO WESTERN CANADIAN CITIES.**

For cities in western Canada, the only other tax on business aside from franchise taxes on utilities, is a property-based levy on the assessed rental value of business properties. This tax is currently in play in Edmonton, Calgary, and Winnipeg. The amounts received are substantial, comprising 12.1% of all taxes in Winnipeg (5.0% of its total revenue), 15.5% of the taxes in Edmonton (4.9% of its total revenue), and 19.7% of all taxes in Calgary (8.4% of its total revenue). Revenues accruing from the tax are unrestricted, and in Alberta, there is no provincial cap on the tax rates. While this type of tax is open to Vancouver, it is not currently used. The tax is not an option for Saskatchewan's two large cities.

The situation is very different for the six U.S. cities, which have access to a wider range of local business taxes. Like most cities in western Canada, Seattle can levy a special property tax based on the assessed rental value of business properties, but it can also levy a head tax on each employee in the city as well as special business and occupation taxes based on business type or activity. Currently, Seattle does not levy any of these taxes, but has chosen a fourth option – a tax on the gross receipts of all businesses operating in the city. This tax generates one-fifth of all tax revenues in Seattle, or 7.4% of its total revenues. Denver levies a head tax on each employee in the city, and could implement other taxes with voter approval. Salt Lake City and Lincoln levy business and occupation taxes based on the type of business activity. The only two U.S. cities that do not levy a special comprehensive business tax are Boise and Minneapolis.

With regards to the administration of these taxes, several of the U.S. cities report legislative caps on the rates that can be applied, but the revenues generated are usually unrestricted. The only two exceptions are Seattle, which dedicates 10% of the revenue generated by its gross receipts tax for parks, and Denver, which commits 50% of the revenue from its employee tax for capital purposes.

5. Other Taxes

■ **WESTERN CANADIAN CITIES CANNOT ACCESS OTHER TAXES. MOST U.S. CITIES DO.**

The list of tax levers available to western Canada's cities is limited to property taxes, utility franchise taxes, and a few small selective sales taxes. On the other hand, the list for many of the six U.S. cities continues. Topping this list of "other" taxes are special levies on motor vehicles. For example, Denver has its own Auto Ownership Tax while the City of Lincoln levies its own Wheel Tax. Salt Lake City also levies a fee-based tax on personal and business motor vehicles.

Other U.S. cities such as Seattle and Boise do not levy their own vehicle taxes, but do benefit from them. In Seattle, vehicle owners are taxed by the King County Regional Transit Authority, which levies its own Motor Vehicle Excise Tax (MVET) for transit and transportation systems across the county. The City of Boise benefits from a Vehicle Registration tax and an Emissions Tax levied by Ada County. Revenues from these taxes help finance the Ada County Highway District, which funds transportation projects in Ada County as well as in Boise.

Generally, most of these taxes take the form of a flat dollar amount per vehicle. The amount of tax depends on both the age and value of the vehicle, and is paid annually when the vehicle is registered. Like most selective sales taxes, the revenues from vehicle taxes are earmarked for transportation, mass transit, or capital infrastructure purposes.

But the list does not end here. For example, Seattle could also levy a head tax on each household for transportation purposes and Denver could pursue its own Real Estate Transfer Tax (RETT). Of all the cities, Denver has the widest taxing authority. Denver can implement virtually any tax it sees fit, provided the tax is approved by the voters and does not contradict the state constitution. Boise and Minneapolis are the only U.S. cities in this study without access to at least some of these other taxes.

6. Tax-Sharing

- THE U.S. CITIES HAVE A LONGER HISTORY OF TAX-SHARING THAN DO WESTERN CANADIAN CITIES.

Winnipeg is arguably the only western Canadian city with a long-standing tradition of tax-sharing, as the provincial government forwards a portion of personal and corporate income tax revenue to all the province's municipalities. The current tax-sharing regimes in British Columbia and Alberta are recent developments. In BC, the 1978 *Revenue-Sharing Act* was discontinued in 1994 and replaced with the *Local Governments Grants Act*. In 1997, provincial transfers were cut and only partially replaced with the sharing of provincial traffic fine revenue, and it is only recently that Vancouver has received casino revenue. In Alberta, the fuel tax-sharing arrangement was negotiated in 2000, and more important, the long-term future of the program remains in doubt. Regina and Saskatoon do not enjoy any tax-sharing. All of this stands in stark contrast to many of the six U.S. cities, such as Boise, which has enjoyed comprehensive tax-sharing since 1965.

- TAX-SHARING FOR THE U.S. CITIES INVOLVES A MORE DIVERSE SET OF TAX REVENUES.

Tax-sharing is much more diverse for the six U.S. cities than for the six western Canadian cities. For example, each of the U.S. cities shares revenue from the state fuel tax and most share motor vehicle registration revenue as well. But some cities (e.g., Seattle, Boise, Lincoln) also receive a portion of the state's general sales tax. Some cities also share in a portion of state selective taxes like liquor and/or tobacco (e.g., Seattle, Denver, Boise). Selective taxes on gambling and lotteries can also be shared (e.g., Seattle, Denver) as well as lodging taxes (e.g., Seattle). Some states (e.g., Washington, Nebraska) earmark certain state taxes for municipal purposes or share them directly with qualifying communities. Examples include leasehold excise taxes, hazardous waste taxes, state utility taxes, and even insurance premium taxes.

- FEDERAL-MUNICIPAL TAX-SHARING IS NOT PRESENT IN ANY OF THE TWELVE CITIES.

It is interesting to note that federal-municipal tax-sharing does not register on either side of the border. No cities reported any sharing of taxes with federal governments. As such, the recent suggestion for federal-municipal fuel tax-sharing from several western Canadian city mayors, and the receptivity of the idea shown by some federal cabinet ministers, is very interesting. This is not to imply that a potential federal-municipal tax-sharing scheme could not be made to work, but only to state the obvious - it would constitute a unique Canadian practice.

- RESTRICTIONS ON TAX-SHARED DOLLARS VARY WITH THE TYPE OF TAX BEING SHARED.

Tax-shared revenues, on both sides of the border, can be either unrestricted or earmarked. Much depends on the types of taxes being shared. For example, most fuel-tax sharing, whether in Canada or the U.S., is earmarked for transportation infrastructure or transit. On the other hand, Winnipeg's personal and corporate income tax-sharing is largely unrestricted, as is Boise's share of the Idaho general retail sales tax.

- TAX-SHARING ENJOYED BY THE SIX U.S. CITIES IS NOT NECESSARILY STRONGER OR RICHER THAN THAT OF THE WESTERN CANADIAN CITIES.

While tax-sharing may be a recent development for some cities in western Canada, this does not imply that it is necessarily weaker than arrangements for the six U.S. cities. First, the more powerful "point-of-sale" tax-sharing is in place on both sides of the border. Seattle, Denver, Boise, Edmonton, and Calgary all share taxes based on point of sale. The weaker "equalized" tax-sharing, conducted through formula, is also seen in both Canada and the U.S. (e.g., Seattle, Salt Lake, Denver, Lincoln, Boise, Minneapolis, and Winnipeg).

Second, the data do not suggest that tax-sharing yields more revenue for the U.S. cities. To be sure, Vancouver's tax-sharing is very small, representing only 1.1% of total revenue or \$16.24 per capita. But Winnipeg's tax-sharing constitutes 4.0% of total revenue or \$72.35 per capita. This level of tax-sharing is richer than Seattle (2.0% of total revenue or \$60.69 per capita) and Denver (1.6% of total revenue or \$57.07 per capita).

The current fuel tax-sharing scheme in place for Edmonton and Calgary is even more instructive. Each of these cities receives 5.0¢ per litre of the provincial fuel tax from every litre sold in the city (point-of-sale tax-sharing). This 5.0¢ per litre translates into almost 19¢ (Cdn) per U.S. gallon – a very rich tax-sharing scheme considering that most U.S. state fuel taxes are in the 20¢ to 25¢ (U.S.) range. While the amounts received by both cities in fiscal year 2000 were less than 3% of total revenue, this understates the importance of the sharing because 2001 was the first full year for the program. The City of Edmonton has estimated the annual value of the tax-sharing at \$183 million, or 12.6% of that city's 2000 revenues (\$274.73 per capita). To be sure, Alberta's two cities do not have a diverse tax-sharing scheme and its future remains in doubt, but it is clearly one of the most powerful and richest tax-sharing arrangements of any of the cities surveyed here.

7. Grants and Contributions

- GOVERNMENT GRANTS VARY BETWEEN THE CITIES, BUT SOME DIFFERENCES DISAPPEAR WHEN OTHER CONTRIBUTIONS ARE CONSIDERED.

Three groups of cities emerge based on the grants they receive from other governments. Three of the four cities in the first group are from western Canada, and include Vancouver, Saskatoon, and Regina. These cities receive very few grants, from 0.4% to 3.9% of total revenue. The only U.S. city to register a similar level is Seattle, at 3.2%. Western Canadian cities in the second group include Edmonton, Calgary, and Winnipeg, whose grants were between 6.4% to 8.2% of total revenue. These cities correspond to Salt Lake City, Denver, and Lincoln, whose grants were in the range of 7.4% to 9.3% of total revenue (amounts may include some tax-sharing). The third group are the outliers – Boise and Minneapolis – each of which received over 20% of their budget from intergovernmental revenues (some of this may tax-sharing). These two cities have an interesting correlation between property tax reliance and state government support. Of all the U.S. cities, Boise and Minneapolis are the most reliant on property taxes, yet they also record the highest levels of intergovernmental revenue. This helps to offset their dependence on property taxes.

At the same time, some of the differences disappear when other contributions (revenue-in-lieu) are added to grants for the western Canadian cities. With the exception of Vancouver, these totals represent from 5.0% to 10.4% of total revenue, a similar amount to many of the U.S. cities. Seattle, Boise, and Minneapolis, like Vancouver, remain the outliers.

A strong pattern between western Canadian and U.S. cities does not emerge with respect to total grants and contributions. However, it should be noted that U.S. cities are more likely to receive specific grants that are conditional in nature. Most of the western Canadian cities reported a mixture of conditional and unconditional grants, for both operating and capital purposes.

8. User Fees

- USER FEES FIGURE PROMINENTLY ON BOTH SIDES OF THE BORDER.

User fees and the sale of municipal services comprise a significant revenue source for both western Canadian and U.S. cities. However, the degree to which they contribute is heavily dependent on what utilities a city delivers. On the one extreme are cities like Salt Lake City, Denver, Saskatoon, Seattle and Lincoln, each of which records huge amounts of utility revenue

(from 38.5% of the total budget in Denver to 50.8% in Lincoln). In these instances, the revenue is primarily driven by large electrical operations or city-owned airports. Most other cities, whether on the Canadian or American side of the border, typically record about 20% to 25% of their total budget from utility operations. (This group includes Calgary and Edmonton, both of which own large electrical utilities. However, these operations are separate companies that are not consolidated in the municipal budget. If they were, these two cities would have some of the highest utility revenue.)

- THERE IS ONLY MODEST EVIDENCE TO SUGGEST THAT CANADIAN CITIES LEVY MORE FEES FOR GOVERNMENT SERVICES THAN DO THE U.S. CITIES.

To better understand the role of user fees, utilities should be ignored and the focus shifted only to those user fees charged for “general” or traditional “government” services that are also funded in part through taxation. In western Canada, Regina collects the least of these fees at 8.3% of total revenue and Vancouver collects the most at 14.7%. The average for all six western Canadian cities was 11.2%. The six U.S. cities were slightly less reliant on general user fees. Salt Lake collected only 2.7% of total revenue from fees, while Minneapolis collected 16.1%. The average for the six U.S. cities was 7.6% of total revenue.

Admittedly, there are difficulties with drawing too much from these data if only because no two cities define “general” services the same way. For example, city-owned golf courses are often recorded as a “general” user fee by western Canadian cities, while many U.S. cities tend to roll them into “enterprise” funds. It is beyond the scope of this paper to unpack all of these definitions. As such, the only viable conclusion that can be reached is that western Canadian cities appear to be slightly more dependent on user fees, but in reality, there could be very little difference.

9. Other Income

- CITIES DO NOT DIVERGE WIDELY WITH RESPECT TO OTHER SOURCES OF REVENUE.

Licenses and permits, investment income, fines and other revenue are significant for all of the cities, usually comprising about 8% to 12% of total revenue. U.S. cities were only slightly more likely to record higher amounts. The average amount of other income recorded by the six U.S. cities was 10.5% of total revenues compared to 9.2% for the six western Canadian cities. The lack of any substantial difference between the cities is interesting, but relatively unimportant from a comparative standpoint – every city has access to the same types of “other” revenues, none of which can realistically form a foundation for a municipal budget.

DISCUSSION

If we paint the comparison in very broad strokes, western Canadian cities are heavily dependent on the residential and business property tax, whereas American cities have brought into play a greater variety of tax tools. Many U.S. cities appear to use the property tax as a foundation tax only, supplementing it with general retail sales taxes, selective sales taxes, and a variety of business and other taxes. Such differences are not found with respect to other revenue levers, such as franchise and utility taxes, grants, user fees, and other sources of income, and our comparative assessment shows that these revenue sources do not tend to differ between western Canadian and the U.S. cities in terms of their relative importance to municipal budgets. The chief difference, clearly, is tax tools.

But is all this important? Does the difference in tax tools really matter? Yes, it does. Ultimately, the issue comes down to whether or not western Canada's municipal tax distinctiveness constitutes a competitive disadvantage. The answer to this question is not one of total tax revenues per se – the contrast among the two groups of cities is less stark and certainly less consistent than is the contrast with respect to tax sources. Further, the existence of county governments and a host of independent authorities that join with U.S. cities in providing municipal services complicates national comparisons. One cannot simply transfer all the circumstances of Seattle and Minneapolis to Vancouver and Winnipeg. The fact is, American cities differ in many legislative respects from their Canadian counterparts. Thus, while we can conclude that western Canada's big cities rest on a distinctive tax base heavily tilted toward the property tax, it is more difficult to conclude that our cities suffer from a competitive disadvantage simply based on an overall revenue shortfall compared to the six U.S. cities. Any such conclusion would require a more detailed analysis than can be provided here.

At the same time, the lack of diversity in the set of tax tools open to western Canadian cities is enough to crack the window open on the competitiveness issue. First, economic theory would suggest that western Canada's big cities face a competitive disadvantage – one that is exacerbated by current patterns of population growth – merely because of their heavy reliance on the property tax. It is difficult to argue that western Canadian cities benefit from this singular dependence, if only because property taxes can lag population and economic growth, and more importantly, they are the tax tool least able to capture revenue from non-residents who can nonetheless impose a significant load on municipal infrastructure and facilities.

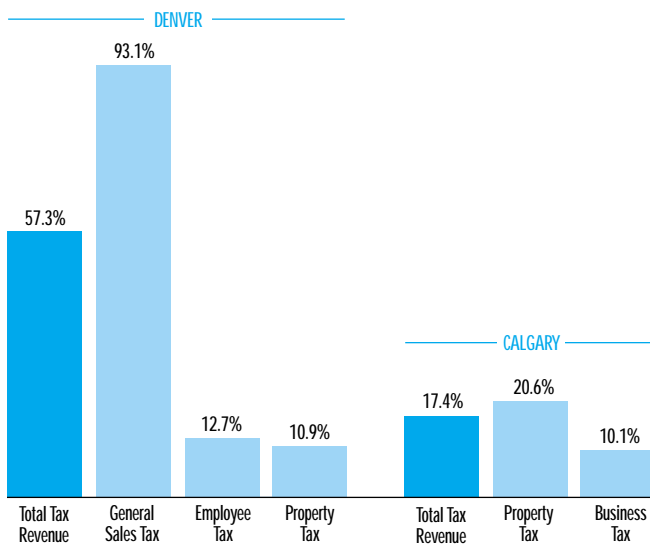
In other words, it is important to recognize the competitive benefits that accrue from a diversity of tax tools and revenue levers. No single tax is entirely fair or neutral with regards to investment patterns, economic distortions, or decisions about location and business inputs. Nor is every tax equally suited to generating a predictable, stable, and growing stream of revenue. No single tax source is equally suited to compensating for the costs of inflation, capturing local economic growth, or controlling the problems of “free-riding” and “fiscal equivalence” that inevitably result from more and more people filling the beltways around our large cities.

The fiscal challenges confronting western Canada's cities constitute a powerful argument for employing a range of tax tools and revenue levers, where the advantages and disadvantages of one tax are offset by the advantages and disadvantages of other taxes (Kitchen 2000). It is unreasonable to expect one tax alone to carry the burden of financing a large city. Sales taxes, particularly when applied to a broad base, are much better tools for capturing revenue from outsiders, for example. In many ways, they provide a good fit to the circumstances of today's large metros, but they are simply not brought into play in western Canadian cities. In contrast, most of western Canada's competitor cities in the U.S. possess a balanced tax regime, with property taxes being only one tax of many.

But we can open the window wider on the competitiveness issue by bringing yet another comparative analysis into play – one that assesses the revenue-generating capacity that comes with a more diverse set of tax tools. The cities of Calgary and Denver provide the best basis for such a comparison simply given the fact that the City and County of Denver is a single entity.

Figure 5 presents data on how tax revenues in Denver and Calgary have grown during the period 1990-2000. Tax revenue in Denver (measured in per capita terms to control for population growth) has increased by 57.3% from 1990 to 2000. This stands in sharp contrast to the City of Calgary, where per capita tax revenues have increased by only 17.4% over the same time period. (For comparative purposes, the tax totals exclude Denver's lodging tax, which was implemented in the mid-1990s, as well as a small set of “other” taxes. The total for Calgary excludes revenue-in-lieu and franchise fees.) Readers should note that these figures do not take inflation into account. As shown in an earlier Canada West study, Calgary actually experienced negative growth when the effects of ten years of inflation were considered. In fact, Calgary's total per capita revenues, expressed in inflation-adjusted dollars, actually fell by 6.0% over the course of the 1990s (Vander Ploeg 2001).

FIGURE 5: % Growth in Per Capita Tax Revenue
(Denver and Calgary, Growth from 1990-2000)



SOURCE: Derived from the Colorado Financial Database and Annual Reports of the City of Calgary.
NOTE: For comparative purposes, Denver's tax total does not include the Lodging Tax (a new tax that was implemented in the 1990s), and a small amount of "other" taxes. Calgary's total does not include revenue-in-lieu amounts and franchise fees.

It is not difficult to uncover at least one of the key drivers for Denver's more robust revenue growth – the local general retail sales tax. Revenues from this tax have almost doubled in per capita terms over the past ten years, despite the fact that the tax rate remained untouched at 3.5% during the period. Revenue from Denver's employee tax increased by 12.7%, while property tax revenues grew by 10.9%.

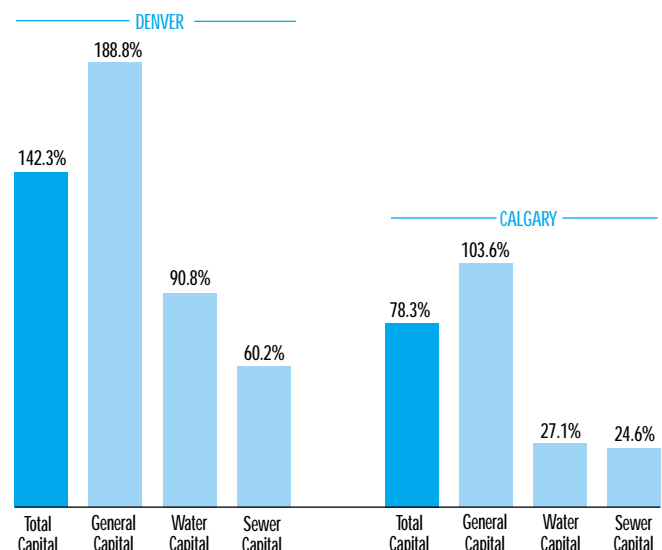
The experience of Denver presents a remarkably different picture than the situation in Calgary, where per capita general property tax revenues have grown by 20.6% over the same time period. Growth in the property-based business tax – Calgary's second most important tax – was particularly anemic at only 10.1%.

Revenue growth has implications for municipal expenditures. This can be seen by contrasting the two cities' ability to invest in capital infrastructure, a serious concern for cities in western Canada as well as in the United States. The data in *Figure 6* suggest that Denver's investment in capital has been growing at a faster rate than that of Calgary. From 1990-2000, capital expenditures for Denver (measured in per capita terms) have grown by 142.3% compared to 78.3% for Calgary over the same time period. Denver's per capita capital expenditures for general purposes (i.e., the City's General Fund) have grown by 188.8% since 1990 compared to Calgary's 103.6%. Investment in water infrastructure has grown by 90.8% per capita in Denver, but only 27.1% in Calgary. Per capita investment in sewer capital has increased by 60.2% for Denver but only 24.6% in Calgary. On this measure, Denver certainly appears to have a competitive edge over Calgary.

The difference between Denver and Calgary is pulled into sharper focus when we realize that out of all the western Canadian cities, it is Calgary that has seen the fastest population growth, and it is Calgary that has grown its capital expenditures the most (Vander Ploeg 2002). So while Calgary is a leader among big cities in the West, it is questionable whether Calgary is keeping pace with Denver.

Admittedly, there are dangers associated with these types of comparisons. For example, Denver's sales tax rate remained unchanged from 1990-2000, but it is not clear if the tax base was expanded. If the base was expanded, some of the revenue growth would be the result of a tax "increase" rather than the result of economic growth. On the capital side, Denver is responsible for delivering social services in addition to other typical county responsibilities such as criminal justice and the courts. Denver's rate of capital growth could be higher because it does more than Calgary. Further, Denver was investing heavily in its airport in 1990, and that investment has since slowed dramatically (the airport is not included in these data). If the City simply shifted capital funds toward other projects, the growth in *Figure 6* may be illusory. However, if a large part of the capital outlay in the early 1990s was borrowed, the growth comparison becomes more meaningful. At the end of the day, the data is preliminary, and suggest a need for further research. At the same time, Denver still has access to a more diverse and powerful set of tax tools – and all the advantages that come with it.

FIGURE 6: % Growth in Per Capita Capital Spending
(Denver and Calgary, Growth from 1990-2000)



SOURCE: Derived from the Colorado Financial Database and Annual Reports of the City of Calgary.
NOTE: The capital total for Denver includes the the General Fund, the Water and Sewer Funds, and Other Enterprise Funds. The Airport Fund (Calgary does not operate an airport) is excluded. The capital total for Calgary includes all capital outlays, including the electrical system/ENMAX. Some of Denver's capital growth could be the result of shifting expenditures from the Airport Fund to other city operations. The relative amount, however, is unclear.

CONCLUSION

There are striking differences between western Canadian cities and their U.S. counterparts in terms of the tax tools and revenue levers at their disposal, and while the potential impact of this on western Canada's competitive position is not equally transparent, there are warning signs. At the same time, it is important to understand that the U.S. experience, while markedly different than the current situation in western Canada, does not represent a panacea for all of Canada's urban fiscal challenges. Neither does the U.S. experience constitute the "nirvana of municipal finance." In fact, our interviews with U.S. city officials revealed that everything is not perfect on that side of the border, either. There are deep concerns, for example, about state-imposed limitations on property tax revenue growth and the increased trend toward Internet and catalogue shopping – threatening trends for those cities that are highly dependent on locally levied sales taxes.

In many respects, then, this study points to a series of trade-offs that cities themselves have to consider. Is it better for a city to be overly reliant on property taxes, but at the same time free from restrictions on the tax rate, the revenue generated, and the use of revenues? Or is it more desirable to have access to a small local general sales tax and more selective sales taxes that provide better revenue-generating capacity during the good times, but where the tax rates are capped, revenues are earmarked, and any slowdown in the local economy threatens the tax base?

The first scenario obviously provides for a higher level of municipal autonomy and predictable revenue flows, but it fails to provide relief from the fiscal burden produced by outsiders and does not allow cities to capture the wider range of economic activity occurring within their own boundaries. The second option may help alleviate the fiscal equivalence problem, but at the expense of municipal autonomy and flexibility. As such, the issues facing western Canadian cities on the revenue front are not simply a question of accessing a particular tax, but answering the nuances of how that tax is structured and administered, and whether a city can use a particular tax to satisfy local concerns and priorities.

Another trade-off that cities need to manage is the process by which any diversification of their tax tools can take place. Essentially, there are three options. First, cities can simply argue to their provinces that extra taxes need to be made available. While this argument is the easiest to frame and understand, cities have to recognize that this really amounts to an increase in effective taxation. The tax structure in place for western Canada's

cities may be placing them at a competitive disadvantage, but the prospect of a higher effective tax burden can hardly be considered the appropriate response. There is very little public support for an increase in taxation, and rightly so.

Second, cities could argue for a transfer of taxes from the federal government or their respective provincial governments, avoiding an increase in taxation. But again, this ignores the fact that the federal government is already coming under pressure to increase provincial transfers for health care and education, not to mention the more recent concerns over defence funding and national security. At least one provincial government in the West is still running budget deficits, and others have been teetering on the edge. Even Alberta's 2002 budget predicted an evaporation of recent surpluses and introduced a set of tax increases. Indeed, the competition for scarce tax dollars is fierce.

Third, cities could sidestep objections over a tax increase or pressuring senior government budgets by agreeing to sacrifice revenue now as an investment toward better tax tools in the future. For example, a city could commit to a significant one-time reduction in the property taxes it collects. As a result of negotiations with the province, new taxing authority could be granted, whether that be a small local general sales tax or some new or expanded tax-sharing scheme based on a combination of income and sales taxes. To ensure a "win-win" scenario for taxpayers, the province, and the cities, the new tax revenue would not have to make up the entire difference in lost revenue. Since many western Canadian cities have relatively low amounts of tax-supported debt, the short-term revenue loss could be made up with some modest borrowing (Vander Ploeg 2001, 2002). In effect, cities would be offering a tax cut by making an investment in lost revenue now to secure a more diverse set of tax tools and better revenue growth in the future.

A final trade-off that cities must manage goes back to the other options mentioned at the introduction to this study – alternatives that are still very much in play. Cities should not singularly focus on new tax tools and revenue levers at the expense of options that address municipal expenditures. For example, cities are well-placed to build momentum for expanding the principle of user pay as well as introducing alternative service delivery (ASD). Both options help to increase efficiency and lower costs. Because federal and provincial governments have shown less interest in ASD since turning back from the large deficits of the mid-1990s, there is a vacuum into which cities can easily step. A heavy dependence on property taxes becomes less of a burden and threat to competitiveness if cities themselves are operating more effectively, efficiently, and at lower cost than the guys down the street – or across the border. ■

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