Cities Are Not Created Equal

A look at differences in how cities tax residents and businesses.

Prepared by: CAO Secretariat and Corporate Finance
Updated September 2002
Winnipeg Residential Municipal Property Tax (1990 to 2002)

10 to 15 yr old
3 bedroom bungalow

Source: 1990 to 2000 data from City of Edmonton Property Tax Survey
2001 & 2002 calculated by City of Winnipeg using known 2% decreases
Winnipeg Residential Municipal Property Tax (1990 to 2002)

10 to 15 yr old 3 bedroom bungalow

Adjusted to 1990 constant dollars (factored out inflation)

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<tbody>
<tr>
<td></td>
<td>$1,122</td>
<td>$1,126</td>
<td>$1,119</td>
<td>$1,143</td>
<td>$1,189</td>
<td>$1,150</td>
<td>$1,129</td>
<td>$1,129</td>
<td>$1,119</td>
<td>$1,100</td>
<td>$1,021</td>
<td>$972</td>
<td>$935</td>
</tr>
</tbody>
</table>

Source: 1990 to 2000 data from City of Edmonton Property Tax Survey
2001 & 2002 calculated by City of Winnipeg using known 2% decreases
Municipal Property Tax - 2001
Bungalow – 1,200 sq ft, 3 bedroom

Source: City of Winnipeg, CAO Secretariat, January 2002
Derived from Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001
Municipal Property Tax - 2001
Standard Two-Storey – 1,500 sq ft, 3 bedroom

Source: City of Winnipeg, CAO Secretariat, January 2002
Derived from Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001
Municipal Property Tax - 2001
Executive Two-Storey – 2,000 sq ft, 4 bedroom

Source: City of Winnipeg, CAO Secretariat, January 2002
Derived from Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001
Comparison of Cities Budget

Winnipeg–Edmonton–Calgary
1999 to 2002 Budgets

For 2002:
Edmonton & Calgary preliminary budgets

January 2002
Introduction – Budget Comparison

Cities & Population:

<table>
<thead>
<tr>
<th></th>
<th>Winnipeg</th>
<th>Edmonton</th>
<th>Calgary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>628,000</td>
<td>648,000</td>
<td>842,000</td>
</tr>
<tr>
<td>2000</td>
<td>629,700</td>
<td>658,000</td>
<td>861,000</td>
</tr>
<tr>
<td>2001</td>
<td>631,700</td>
<td>663,000</td>
<td>877,000</td>
</tr>
<tr>
<td>2002</td>
<td>633,000</td>
<td>670,000</td>
<td>894,000</td>
</tr>
</tbody>
</table>

Challenge: High level comparison of sources of revenue and principal service expenditures. Attempts to compare basket of similar services.

Limitations: Service levels and scope of activities within services may differ between cities.

Basket of Public Service Areas: Police; Fire; Ambulance; Libraries; Community Services including parks & rec; Planning, Development & Real Estate; Transit; Roads; land drainage; Solid Waste (col & disp).

Services not included: Water Utility; Sewer Utility; Electric Utility; social services & health contribution to Province.

Restated Budget: Winnipeg budget was significantly restated in order to match Calgary and Edmonton budgets.
Winnipeg collects less total revenue on a per capita basis than Edmonton and Calgary.

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
Property Tax

With property tax reductions over the last several years, on a per capita basis, Winnipeg now collects less total property tax revenue than Edmonton and Calgary.
Reliance on Property Tax

As % of Total Budget

<table>
<thead>
<tr>
<th></th>
<th>Wpg</th>
<th>Edm</th>
<th>Cal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>49.4%</td>
<td>40.1%</td>
<td>40.4%</td>
</tr>
<tr>
<td>2000</td>
<td>48.0%</td>
<td>40.0%</td>
<td>41.1%</td>
</tr>
<tr>
<td>2001</td>
<td>46.7%</td>
<td>39.5%</td>
<td>38.4%</td>
</tr>
<tr>
<td>2002</td>
<td>45.4%</td>
<td>40.1%</td>
<td>41.8%</td>
</tr>
</tbody>
</table>

As Dollars Per Capita

<table>
<thead>
<tr>
<th></th>
<th>Wpg</th>
<th>Edm</th>
<th>Cal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$566</td>
<td>$503</td>
<td>$481</td>
</tr>
<tr>
<td>2000</td>
<td>$553</td>
<td>$512</td>
<td>$503</td>
</tr>
<tr>
<td>2001</td>
<td>$544</td>
<td>$547</td>
<td>$532</td>
</tr>
<tr>
<td>2002</td>
<td>$544</td>
<td>$567</td>
<td>$560</td>
</tr>
</tbody>
</table>

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002

NOTE: Winnipeg, change in accounting practice, 2002 budget estimates for property taxes from homes built during year. In previous years, not budgeted for, revenue went directly into reserve. Thus 2% cut does not show up clearly.
Revenue per capita -- 2002

Winnipeg collects slightly less amounts in property taxation.

Big difference in revenue from user fees and utilities (private & city owned)

Utilities:
- Wpg $69 M
- Edm $198 M
- Cal $194 M

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
Winnipeg spends the least on a per capita basis.

In 2002,
Edmonton: 18% more
Calgary: 12% more.

Significant change from 1999,
Edmonton: 10% more
Calgary: 4% more.

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
Expenditures on Principal Public Services

For direct expenditures on principal public services, Winnipeg spends the least on a per capita basis.

In 2002,
Edmonton: 32% more
Calgary: 16% more.

Significant change from 1999,
Edmonton: 19% more
Calgary: 12% more.

Police; Fire; Ambulance; Libraries; Community Services including parks & rec; Planning, Development & Real Estate; Transit; Roads; Solid Waste; and Land Drainage.

As Dollars Per Capita

<table>
<thead>
<tr>
<th>Year</th>
<th>Wpg</th>
<th>Edm</th>
<th>Cal</th>
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</thead>
<tbody>
<tr>
<td>1999</td>
<td>$720</td>
<td>$854</td>
<td>$808</td>
</tr>
<tr>
<td>2000</td>
<td>$732</td>
<td>$897</td>
<td>$824</td>
</tr>
<tr>
<td>2001</td>
<td>$750</td>
<td>$959</td>
<td>$882</td>
</tr>
<tr>
<td>2002</td>
<td>$774</td>
<td>$1,021</td>
<td>$900</td>
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Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
Gross Expenditures per capita - 2002

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
Residential vs Commercial Taxation

How other cities tax business

Updated July 2002

Compiled by:
City of Winnipeg - CAO Secretariat
Which Large City has a Business Tax

<table>
<thead>
<tr>
<th>City</th>
<th>Business Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>No</td>
</tr>
<tr>
<td>Edmonton</td>
<td>Yes</td>
</tr>
<tr>
<td>Calgary</td>
<td>Yes</td>
</tr>
<tr>
<td>Saskatoon</td>
<td>No</td>
</tr>
<tr>
<td>Regina</td>
<td>No</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>Yes</td>
</tr>
<tr>
<td>Hamilton</td>
<td>No</td>
</tr>
<tr>
<td>Mississauga</td>
<td>No</td>
</tr>
<tr>
<td>Toronto</td>
<td>No</td>
</tr>
<tr>
<td>Ottawa</td>
<td>No</td>
</tr>
<tr>
<td>Montreal</td>
<td>Yes</td>
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Several cities have recently replaced their business tax with additional commercial property taxation.

In 1998 the Ontario government introduced legislation which resulted in cities replacing their business tax revenue with harmonized non-residential property tax mill rates.
Ratio of Property Tax Rates
Commercial to Residential

<table>
<thead>
<tr>
<th>City</th>
<th>Ratio com/res</th>
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<tbody>
<tr>
<td>Van</td>
<td>4.9</td>
</tr>
<tr>
<td>Edm</td>
<td>1.9</td>
</tr>
<tr>
<td>Cal</td>
<td>3.1</td>
</tr>
<tr>
<td>Saskt</td>
<td>2.3</td>
</tr>
<tr>
<td>Reg</td>
<td>1.9</td>
</tr>
<tr>
<td>Wpg</td>
<td>1.4</td>
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<tr>
<td>Ham</td>
<td>3.6</td>
</tr>
<tr>
<td>Miss</td>
<td>1.3</td>
</tr>
<tr>
<td>Tor</td>
<td>3.8</td>
</tr>
<tr>
<td>Ott</td>
<td>1.9</td>
</tr>
<tr>
<td>Mont</td>
<td>1.1</td>
</tr>
<tr>
<td>Que</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: City of Winnipeg, CAO Secretariat, July 2002

Other cities have differential mill rates.

Calgary taxes its commercial properties at a rate 3.1 times more than its residential prop.

Vancouver: 4.9 times more.

Winnipeg: 1.4 times more.
Some cities have a higher differential tax rate for industrial properties.

**Ind to Res Ratio:**

- **Vancouver:** 9.5 times more.
- **Ontario cities:** 1.7 to 5.3 times more.

Source: City of Winnipeg, CAO Secretariat, July 2002
Winnipeg has a lower reliance on commercial/business taxation as compared to the other large western cities.

Vancouver & Calgary rely on 58% and 61% of their tax revenues coming from businesses. -- Winnipeg is at 45%.

This results in Winnipeg having lower taxes for business but higher residential property taxes than some other cities.

Source: City of Winnipeg, CAO Secretariat, July 2002
The mix of residential to non-residential property value is similar in most Canadian cities. In other words, the mix of our tax bases are nearly identical!

The average of these 11 cities: res 76%, non-res 24%

Source: City of Winnipeg, CAO Secretariat, July 2002
Total Property & Business Tax Revenues Combined as % of Total Budget

With property tax reductions over the last several years, in 2002, Winnipeg at 55% no longer overly relies on taxation as compared to other cities.

Note: Services provided by cities vary.
Many Eastern cities provide many social needs services such as welfare, daycares, shelters etc.

Source: City of Winnipeg, CAO Secretariat, July 2002
Budget data for Cal, Edm, and Wpg are from City Budget Comparison study which restated financial data for comparison purposes.
Tax Revenues & Total Revenues

On a per capita basis, Winnipeg has both lower tax revenues as well as lower total revenues than Edmonton & Calgary.

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2002
There is evidence that Winnipeg has lower taxes on business than Cal & Edm.

Source: City of Winnipeg, CAO Secretariat & Corporate Finance Dept, Jan 2001.
Sample properties & tax amounts provided by the Cities of Edmonton and Calgary.
For Edmonton used average of range provided.
Cities have different revenue structures and thus have different reliance on the various sources of revenue:

- Property tax
- Business tax
- User fees, licenses and fines
- Revenue from utilities
- Provincial government grants

The following slides examines what would happen to Winnipeg’s residential property taxes if we had a similar revenue structure as the City of Calgary.

The slides are meant to illustrate that Winnipeg has a significantly different revenue structure when compared to Calgary.

Royal LePage house price and property tax survey is used for comparative purposes.
WHAT IF Winnipeg had the **same commercial to residential tax rate ratio** as Calgary?

3.1 : 1 ratio com to res

Wpg property taxes (city):

For 2002

3 bedroom bungalow: $940

Wpg median residential home: $655

Source: Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001, City of Winnipeg, CAO Secretariat derived city averages for house prices and total property taxes, as well as, the split in Municipal/Education property taxes.

“What if” calculated by the City of Winnipeg using 2002 budget information. July 2002
WHAT IF Winnipeg had the **same user fees, licenses & fines revenues per capita** as Calgary?

City would acquire an additional $39 million in user fees.

Wpg property taxes (city):
For 2002
3 bedroom bungalow: $1,225

Wpg median residential home: $859

Source: Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001, City of Winnipeg, CAO Secretariat derived city averages for house prices and total property taxes, as well as, the split in Municipal/Education property taxes. “What if” calculated by the City of Winnipeg using 2002 budget information. July 2002
WHAT IF Winnipeg had the same utilities revenue per capita as Calgary? (city & non-city owned)

City would acquire an additional $69 million from utilities.

Wpg property taxes (city):
For 2002
3 bedroom bungalow: $1,106
Wpg median residential home: $773

Source: Royal LePage's Survey of Canadian House Prices, Jul-Sep 2001, City of Winnipeg, CAO Secretariat derived city averages for house prices and total property taxes, as well as, the split in Municipal/Education property taxes. “What if” calculated by the City of Winnipeg using 2002 budget information. July 2002
WHAT IF Winnipeg had the same commercial to residential tax rate ratio, user fees, and utilities revenues per capita as Calgary?

Combine all 3 Wpg property taxes (city):
For 2002
3 bedroom bungalow: $651
Wpg median residential home: $449

3.1 to 1 ratio for com/res property tax rate
$39 M extra in user fees
$69 M extra from utilities

Municipal property taxes on 1,200 sq ft, 3 bedroom bungalow
Wpg 2001 market value of $122,600

Source: Royal LePage’s Survey of Canadian House Prices, Jul-Sep 2001, City of Winnipeg, CAO Secretariat derived city averages for house prices and total property taxes, as well as, the split in Municipal/Education property taxes. “What if” calculated by the City of Winnipeg using 2002 budget information. July 2002
Sources of Revenue:
The Differences are Striking

City of Winnipeg

- Property & Business Tax: 54%
- User Fees, Licences, Fines, from Utilities & Other: 30%
- Government Grants: 16%

City of Phoenix

- Local Sales Tax: 44%
- State-Shared Revenues: 27%
- User Fees & Other Resources: 23%
- Property Tax: 6%

Source: City of Winnipeg.
Restated 2001 Budget: $0.75 Billion.
Includes transit, solid waste disposal and provincial capital grants.

Source: City of Phoenix.
2000-2001 General Purpose Funds: $1.07 Billion.
Similar set of services but also includes municipal courts (5%).