



# **Corporate** NO: R070

# **Report** COUNCIL DATE: March 27, 2000

## **REGULAR**

**TO: Mayor & Council**    **DATE: March 20, 2000**

**FROM: General Manager, Finance, Technology & HR**    **FILE: 0042-080**

**SUBJECT: Taxation and Service Fee Task Force**

## **RECOMMENDATIONS**

1. That the information contained in this report be received.
2. That the 'Draft' Taxation and Service Fee Principles recommended by the Taxation and Service Fee Task Force be accepted as the basis for further study.
3. That the Taxation and Service Fee Task Force continue with Phase 2 of the study as outlined in this report.

## **BACKGROUND**

The City of Surrey has maintained 0% Property Tax Rate increases for 7 consecutive years in spite of a \$10 million annual reduction in Provincial revenue sharing. The City has met this challenge by increasing user pay options, reducing costs, improving productivity and increasing efficiency. During the same period the City has maintained and, in some cases, increased service levels as well as delivered significant new capital infrastructure.

However, there is a limit to what the City can do to reduce costs while maintaining existing services and infrastructure

and adding new infrastructure without raising additional revenues. The City has, for the most part, raised additional revenues with traditional alternatives to tax increases such as increased service fees. This approach has limits and a complete review of the City's funding strategies is required.

## **REVENUE TASK FORCE**

A Taxation and Service Fee Task Force was established and chaired by Councillor Hunt, with four representatives of the general public and private sector business community and supported by two staff. The individuals were chosen to bring independence, taxpayer perspectives, diverse backgrounds and a sound knowledge of the City's finances and local government operations.

### **Members:**

- Councillor Marvin Hunt, Chair;
- Steve Lake, CA, Lake & Associates;
- Pam Glass, White Rock/South Surrey Chamber of Commerce;
- Ragbir Gurm, Bridgewater Development Corp;
- Craig East, CA, Coast Spas;
- Gary Guthrie, CA, General Manager, Finance, Technology & HR;
- Dave Gomm, Manager, Strategic Development.

### **Task Force Mandate:**

- Phase 1 - Review the City's current revenue sources and processes.
- Phase 2 - Develop revenue alternatives and options for Council's consideration.

## **Phase 1 Results:**

The Task Force approached the first part of its mandate with an extensive analysis of Surrey's taxation and service fee levels and ratios. The analysis revealed that the City's revenue generation processes were traditional and, while effective, were not based on clearly expressed principles and policies. While Surrey's taxes and fees are competitive in a regional context, further advances could only result from challenging the status quo with questions directed at core concepts and principles such as:

- What should property taxes pay for?
- What components of property taxation could be more appropriately “service fees”?
- Where could service fees recover less than service cost (subsidy)?
- What other methods or solutions could be explored to generate additional revenues?

Research was conducted into what other jurisdictions had done. While further research is required, no innovative or creative alternatives were discovered and most jurisdictions merely “tweaked” existing methodologies. The Task Force concluded it was necessary to formulate some primary “principles” that were appropriate to Surrey's reality to help fix the direction and focus for further study. Those principles are attached as Appendix A to this report.

## **Phase 2:**

With Council's acceptance of these principles as the basis for further study, the Task Force will embark on Phase 2 of its mandate, *‘Develop revenue alternatives and options for Council's consideration’*.

In this phase the Task Force will identify a department(s) or service delivery areas to which the revenue principles can be applied. As part of this “pilot”, the Task Force will examine the cost and revenue components of the service including the levels of user fees or tax subsidies.

Following the study, the Task Force will provide Council with:

- an assessment of the results;
- opportunities and options for short-term exploration and implementation;
- suggested policies, procedures and practices;
- suggestions for opportunities for long-term implementation;
- recommendations for further Task Force participation or public input;

## **CONCLUSION**

The methods and practices used to raise revenues are at the core of the City's relationship and responsibility to its citizens. They are closely linked to the services the City provides such that any study of taxation and user fees will inevitably require a review of the methods the City uses to deliver those services.

It is important that the citizens understand the principles and methods by which the City levies taxes and imposes user fees. To be understood, these principles and methods must be simple, consistent and flexible enough to adapt to current realities and future needs.

The Task Force has brought together both staff and citizen perspectives in drafting Taxation and Service Fee Principles for Council's consideration. This is but the first step in a complex and challenging process.

The Task Force recognizes that Council has the primary responsibility for determining and meeting the expectations of the citizens. Therefore, it recommends that the principles developed be tested by applying them to selected City services in the next phase of its work. The results will then be shared with Council together with options, recommendations, and suggestions for the next steps in the process.

Gary D. Guthrie, CA

General Manager, Finance, Technology & HR

cc City Manager

City Clerk

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