

# Calgary's hyper-inflated tax and fee increases: **Calgary's Taxes and Fees** **2005-15**



By Mark Milke  
January 2016

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# **ABOUT THE CANADIAN TAXPAYERS FEDERATION**



The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizens' group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has 89,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF's flagship publication, The Taxpayer magazine, published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2015 the CTF raised \$4.7 million on the strength of 30,663 donations. Donations to the CTF are not tax deductible as a charitable contribution.

# ABOUT THE **SEE CHARTER, THINK TAX CAMPAIGN**



[www.seecharterthinktax.ca](http://www.seecharterthinktax.ca)

*See Charter, Think Tax* is an Alberta-based coalition launched to demand taxpayers and small businesses have their say in any new city tax powers. The coalition is comprised of the Canadian Taxpayers Federation, the Canadian Federation of Independent Business and Common Sense Calgary.

The mayors of Edmonton and Calgary have been pushing for city charters – special agreements that could give their councils historic new taxing powers, the likes of which Albertans have never seen before. The Alberta Government committed to working with the mayors on city charters and giving cities “the tools to build the services their residents expect.”

Unlike premiers before her, Alberta Premier Rachel Notley has yet to rule out new city tax powers or tell all municipalities to first let the people have their say. In August, the Canadian Taxpayers Federation re-launched a petition demanding Premier Notley require citywide referenda before any new tax powers are given to big city mayors.

The *See Charter, Think Tax* coalition is committed to advocating for no new taxes by Alberta's big cities, at least not without citywide referenda on any new tax powers.

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## ABOUT THE **AUTHOR**



Mark Milke, Ph.D. is a consultant, author, policy analyst and columnist with four books and dozens of studies published by policy institutes in Canada, the United States and Europe. Mark's work has touched on everything from taxes, civil rights, and private property to airline competition, insurance, aboriginal policy, government monopolies and crony capitalism. Mark has a PhD in International Relations and Political Philosophy from University of Calgary, is President of *Civitas* and a past lecturer in Political Science at the University of Calgary.

# SUMMARY

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This report analyzes the annual increase in the municipal portion of residential and non-residential property tax rates between 2005 and 2015; it also analyzes increases in city fees during the same years. Both sets of data are compared with Statistics Canada's Consumer Price Index (CPI) for the census metropolitan area of Calgary over the same period.<sup>1</sup>

## **Residential property tax rate increases: Almost three times the 2005-15 increase in the Consumer Price Index:**

On residential municipal property tax rate increases between 2005 and 2015, two trends emerge.

- First, the rise in the municipal portion of property taxes was much higher than the rise in the Consumer Price Index for the City of Calgary from Statistics Canada. Between 2005-15 inclusive, the average annual rise in the residential property tax rate was 5.9%. In the same years, the Statistics Canada Consumer Price Index rose, on average annually, by 2.2%.
- Second, the above-CPI increases occurred under both Mayor David Bronconnier and under Mayor Naheed Nenshi though the tax rate increase has been even more "steep" under the latter.
  - Between 2005 and 2010, while David Bronconnier was mayor,<sup>a</sup> the average rise in the residential property tax rate was 4.6% while in the same years, the Statistics Canada Consumer Price Index rose, on average annually, by 2.6%.
  - Since 2011 (effectively the first full "Nenshi year") the average annual rise in the residential property tax rate was 7.6% while the Statistics Canada Consumer Price Index rose, on average annually, by 1.7%.

## **Non-residential rates**

- On the non-residential property tax rate increases, between 2007 and 2015 (2007 being the earliest year for which data is available) the *non*-residential property tax rate has risen on average, annually, by 5%; that increase was two-and-half times the average annual rise in the CPI between 2007 and 2015 inclusive at 2%.

*a. Bronconnier served from 2001 to (October) 2010; this report looks at available data only, from 2005 to 2015 in the case of residential municipal property taxes.*

### **Fees up as much as 181% between 2005 and 2015**

In addition to residential and non-residential property taxes, the City of Calgary also accrues revenue through fees on everything from transit passes to water to landfills. In tracking 15 fees between 2005 and 2015<sup>b</sup>, the difference in fees have ranged from a 1% reduction (the Blue Cart fee, from \$8 in 2009 to \$7.90 in 2015) to a 181% increase (the monthly storm water drainage charge, from \$3.90 in 2005 to \$10.96 in 2015).

Between 2005 and 2015, 12 of 15 fee increases have surpassed CPI increases.

For example, city council raised single ride transit tickets to \$3.15 in 2015 from \$2.00 in 2005, a 58% increase; it also raised prime time ice rink rental fees to \$252.25 per hour in 2015 from \$176.50 in 2005, a 43% increase. Some of the most dramatic increases beyond the CPI came on items that make it more expensive to operate a home or business. Flat-rate water use jumped to \$74.02 per month by 2015 from \$39.64 in 2005, an 87% increase, while landfill disposal fees jumped by 162% to \$110 per tonne by 2015 from \$42 in 2005.

### **The city's weak defense: A self-created inflation rate, the Municipal Price Index**

In various budget documents the City of Calgary refers to the Municipal Price Index (MPI), essentially the city's own measurement of the municipal government's own "inflation rate." While it is useful for the city to measure its own cost of doing business, the main flaw in using the MPI to justify above-CPI increases in spending or in later tax and fee increases is its circularity. Simply put, if the City of Calgary—more specifically, City Council and senior negotiators responsible for "signing off" on compensation agreements with government employees—agree to above-inflation or above-CPI wage and benefit deals, then such agreements boost the Municipal Price Index: The higher the agreed-to compensation, the higher the city's own inflation index, the MPI.

*b. Blue cart and waste management charges tracked from 2009 and 2011 respectively.*

# INTRODUCTION: THE CITY OF CALGARY'S ABOVE-INFLATION INCREASES TO PROPERTY TAXES AND FEES

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In 2005, then-Calgary Mayor Dave Bronconnier complained that senior levels of government did not need all the tax dollars flowing into the provincial and federal treasuries, because of selected tax decreases in previous years. The Calgary mayor thus made a pitch for more tax dollars to be transferred to Calgary and/or for the city to be allowed to tax in new ways. (In Alberta, as in other provinces, municipalities are subject to provincial legislation as they have no constitutional status. Provincial governments then set the parameters of city responsibilities and taxing powers through provincial legislation.)

With reference to the federal and provincial governments, Bronconnier asserted that if “they aren’t using all your tax dollars, why should successful cities such as Calgary and Edmonton need to keep hiking taxes and still keep falling behind? It doesn’t make sense.” In addition, Bronconnier argued that “cities don’t have a spending problem, they have a revenue problem.”<sup>2</sup>

The newest mayor, Naheed Nenshi, has also made a similar argument. In lobbying for a city charter from the provincial government, the Mayor has made it clear he believes the city lacks enough revenue. In a 2014 interview with the *Globe and Mail*, the Mayor argued that “The orders of government that are responsible for delivering the service don’t have control of the revenue to deliver the service,” and that cities need “stable, predictable and long-term revenues.”<sup>3</sup>

# CITY OF CALGARY SPENDING: A BRIEF REVIEW

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Others have analyzed City of Calgary expenditures in depth. In 2013, the Canadian Federation of Business (CFIB) chronicled how if the city of Calgary had increased operating spending between 2000 and 2011—in line with population growth and inflation but not above that combined parameter—the City of Calgary would have spent \$1 billion less in 2011 than it actually did. Over the entire 11-year period, the cost of spending beyond population growth and inflation amounted to an extra \$5.4 billion, or \$20,922 per Calgary family of four.<sup>4</sup>

As to where the increased tax dollars have gone, in 2015, the CFIB found that municipal workers in Calgary earned salaries that were 7.6% higher than private sector equivalents, and that once non-salary benefits were added to the calculation, the premium for working in the municipal government sector rose to 18.7%.<sup>5</sup> This finding is consistent with other work done by think tanks such as the Fraser Institute which found similar compensation premiums in the government sector relative to the private sector (finding an average 6.9% wage premium, not including benefits, in public sector salaries at the provincial and municipal level in Alberta when 2013 data was analyzed).<sup>6</sup>

In addition, Calgary's Mayor Naheed Nenshi has resisted further reform of civic spending. In May 2014, when the then provincial government was attempting to reform provincial government sector pension plans, including the Local Authority Pension Plan into which the City of Calgary pays as an employer, Mayor Nenshi wrote an open letter to then interim premier Dave Hancock to complain that the city had not been adequately consulted. The Mayor thus opposed the

proposed pension reform. While careful to state that “we are not opposed to public sector pension reform,” the mayor and Calgary City Council have never offered an alternative reform plan.<sup>7</sup> The provincial government under a newer premier, Jim Prentice, cancelled pension reform in September 2014. Alberta's newest premier, Rachel Notley, has given no indication that reform of government compensation and public sector pensions in the provincial and municipal sector is of policy interest.

The result of such per-person above-inflation spending over time then leads directly to governments that will look for substantially higher revenues, i.e., higher fees and taxes, precisely what has occurred in the City of Calgary. Next, consider how property taxes and fees have risen between 2005 and 2015.

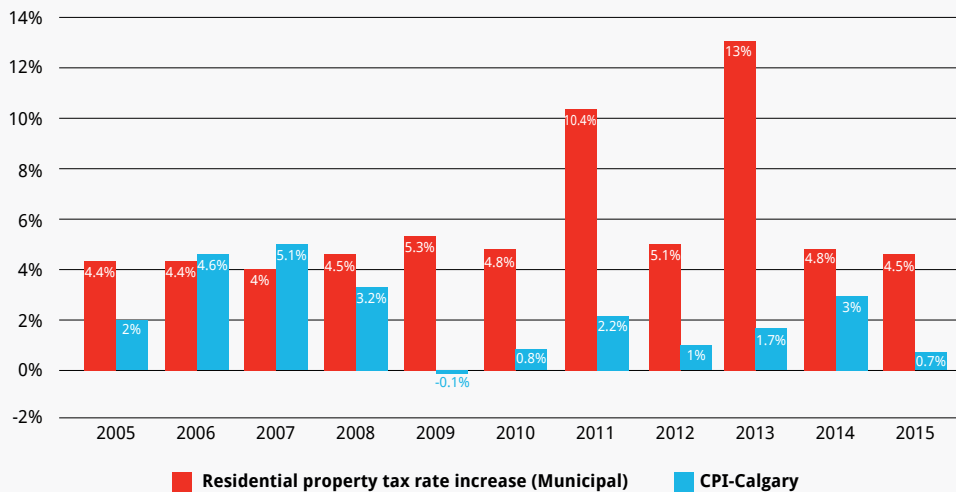
# MUNICIPAL RESIDENTIAL PROPERTY TAX INCREASES 2005-15: ALMOST TRIPLE THE CONSUMER PRICE INDEX

In this analysis, the annual increase in the municipal portion of the residential property tax rate<sup>8</sup> was compared with Statistics Canada’s Consumer Price Index (CPI) for the census metropolitan area of Calgary.<sup>6</sup> Note that this comparison measures the municipal portion of the residential property tax bill only,<sup>d</sup> not the combined municipal-provincial property tax bill for a simple reason: The city, obviously, cannot control what the provincial government decides to levy for its own portion of that property tax bill.

Between 2005 and 2015, two trends emerge.

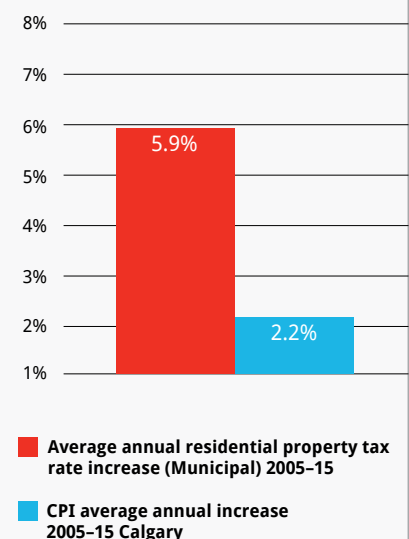
First, overall, the rise in the municipal portion of property taxes has been significantly higher than the rise in the Consumer Price Index for the City of Calgary from Statistics Canada. On the first finding, overall for 2005-2015 inclusive, the average annual rise in the residential property tax rate was 5.9%. In the same years, the Statistics Canada Consumer Price Index rose, on average annually, by 2.2%, or almost one-third the rise in the residential property tax rate (Figures 1a and 1b).

Figure 1a:  
**Municipal residential property tax rate increases v. Consumer Price Index (Calgary) 2005-15**



Sources: City of Calgary annual reports 2005-2014; business plan and budgets 2006-2008, 2009-2011, 2012-2014; 2015-2018 Action Plan; Statistics Canada CANSIM table 326-0020

Figure 1b:  
**Average annual municipal residential property tax rate increase v. Consumer Price Index (Calgary) 2005-15**



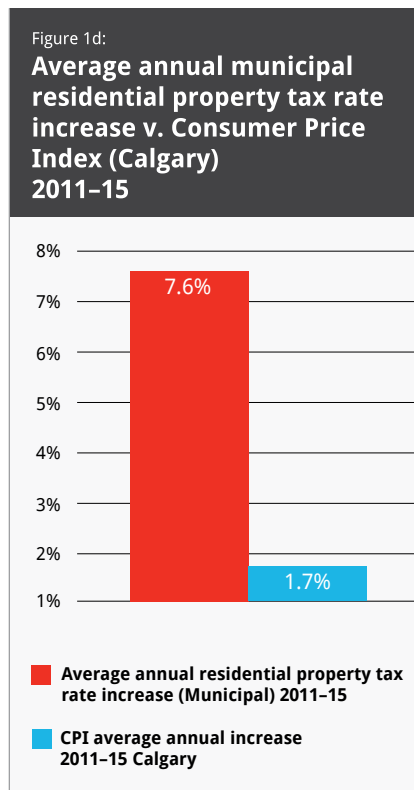
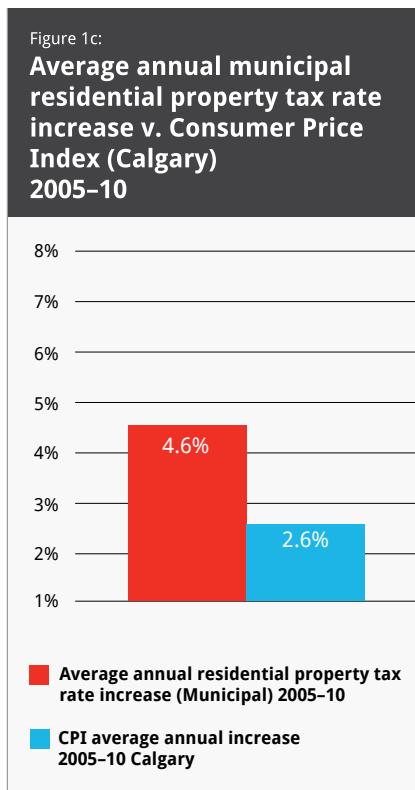
c. The residential property tax rate is described in more detail in endnote 8. All of the base numbers in this report are derived courtesy of the City of Calgary, including the 'residential property tax rate increases' which the City of Calgary calculates after first calculating revenue neutrality and then deriving the subsequent percentages after that initial calculation.

d. In 2015, the municipal/provincial share of the residential property tax bill was 61.5%/38.5% respectively; the breakdown for non-residential property tax was 75.6%/24.4%. <<http://www.calgary.ca/CA/fs/Pages/Property-Tax/Tax-Bill-and-Tax-Rate-Calculation/Current-Property-Tax-Rates.aspx>>.



Second, since Mayor Naheed Nenshi entered office (2010), the average annual rise in the residential property tax rate has been even higher relative to the Consumer Price Index for Calgary. For example, between 2005 and 2010, while David Bronconnier was mayor<sup>e</sup>, the average rise in the residential property tax rate was 4.6% while in the same years, the Statistics Canada Consumer Price Index rose, on average annually, by 2.6% (Figure 1c).

Since 2011 (effectively the first full “Nenshi year”) the average annual rise in the residential property tax rate was 7.6% while the Statistics Canada Consumer Price Index rose, on average annually, by 1.7% (Figure 1d).



Sources: City of Calgary annual reports 2005-2014; business plan and budgets 2006-08, 2009-11, 2012-14; 2015-18 Action Plan; Statistics Canada CANSIM table 326-0020

*e. Bronconnier served from 2001 to October 2010; this report looks at available data only, from 2005 to 2015 in the case of residential municipal property taxes.*

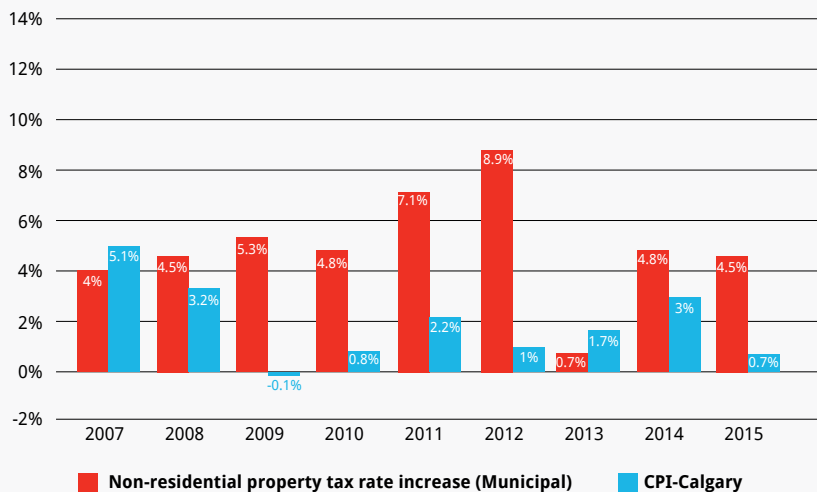
# MUNICIPAL NON-RESIDENTIAL PROPERTY TAX INCREASES 2007-15: TWO-AND-HALF TIMES THE CONSUMER PRICE INDEX

In this analysis, the annual increase in the municipal portion<sup>f</sup> of non-residential property tax rate is compared with Statistics Canada's Consumer Price Index (CPI) for the census metropolitan area of Calgary.

non-residential property tax rate has been 5% (Figures 2a and 2b). In the same years, the Statistics Canada Consumer Price Index shows the CPI has declined in one year (0.1% in 2009) and has been as high as 5.1% (2007). The average annual rise in the CPI between 2007 and 2015 has been 2% (Figure 2b).

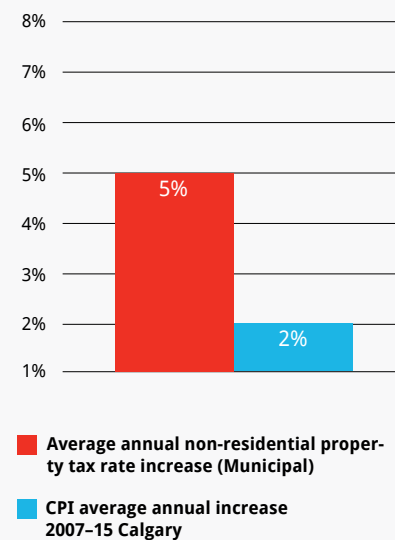
Between 2007 and 2015 (2007 is the earliest year for which data is available), Calgary City Council has approved increases to the non-residential property tax rate that ranged between 0.7% (2013) to as high as 8.9% (2012). The average rise in the

Figure 2a:  
Municipal non-residential property tax rate increases v. Consumer Price Index (Calgary) 2007-15



Sources: City of Calgary annual reports 2005-2014; business plan and budgets 2006-08, 2009-11, 2012-14; 2015-18 Action Plan; Statistics Canada CANSIM table 326-0020

Figure 2b:  
Average annual municipal non-residential property tax rate increase v. Consumer Price Index (Calgary) 2007-15



f. Note that as with the residential measurement, this comparison measures the municipal portion of the property tax rate increase only.

# USER, UTILITY, TRANSIT AND RECREATION FEE INCREASES 2005-15: 12 OF 15 ABOVE THE CPI

In addition to residential and non-residential property taxes, the City of Calgary also accrues revenue through fees on everything from transit passes to water to landfills. In tracking 15 fees between 2005 and 2015\* the difference in fees ranged from a 1% reduction (the Blue Cart fee, from \$8 in 2009 to \$7.90 in 2015) to a 181% increase (the monthly stormwater drainage charge, from \$3.90 in 2005 to \$10.96 in 2015).

Of the 15 fees reviewed, 12 exceeded the 24.2% rise in the Consumer Price Index between 2005 and 2015 (Figures 3 and 4).

Figure 3:  
City of Calgary transit and recreation fees 2015 over 2005 fees v. Consumer Price Index

Transit 2005 to 2015	2005 \$	2015 \$	Difference %	Actual CPI 2005-2015
Transit-adult single ride	2.00	3.15	58%	<b>24.2%</b>
Transit-youth single ride	1.40	2.10	50%	
Adult monthly pass	70.00	99.00	41%	
Youth monthly pass	47.00	65.00	38%	
Transit 2005 to 2015	2005 \$	2015 \$	Difference %	Actual CPI 2005-2015
Ice arenas: prime time (per hour)	176.50	252.25	43%	<b>24.2%</b>
Leisure centres: general admission	8.90	11.95	34%	
Swimming pools: general admission (lowest tier)	5.25	6.00	14%	

Figure 4:  
City of Calgary user and utility fees Actual 2015 over 2005 v. Consumer Price Index

Fees 2005 to 2015	2005 \$	2015 \$	Diff. %	Actual CPI 2005-2015
Landfill disposal fee/commercial tipping fees/tonne	42.00	110.00	162%	<b>24.2%</b>
Blue cart fee*/household/month (also known as curbside recycling fee)	8.00	7.90	-1%	
Water-flat rate	39.64	74.02	87%	
Water-metered rate (average monthly charge per household)	33.26	49.02	47%	
Wastewater-flat rate	24.43	61.09	150%	
Wastewater-metered rate (average monthly charge per household)	21.10	41.30	96%	
Stormwater monthly drainage charge	3.90	10.96	181%	
Waste management charge**	4.35	4.90	13%	

Sources: City of Calgary annual reports 2005-2014; business plan and budgets 2006-08, 2009-11, 2012-14; 2015-18 Action Plan; Statistics Canada CANSIM table 326-0020

Note that blue cart fees began in 2009 and waste management fees began in 2011; the 2015 comparison is thus relative to those years for those fees.

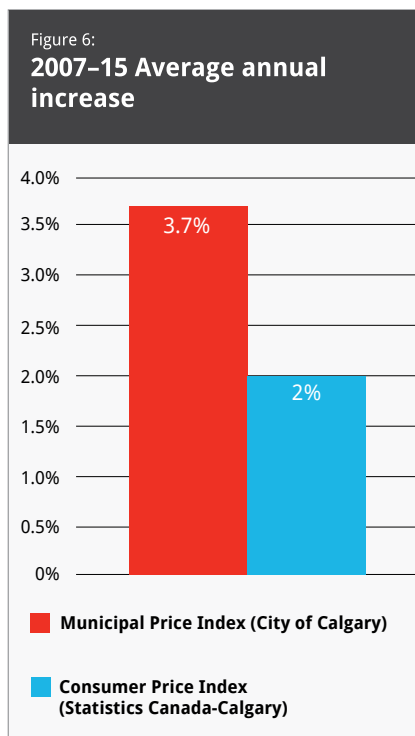
\*Blue cart fees began in 2009 and the 2015 comparison is thus relative to that year.

\*\*Waste management charge began in 2011 and 2015 comparison is relative to that year.

g. Blue cart and waste management charges tracked from 2009 and 2011 respectively.

# THE CITY'S (WEAK) DEFENSE: THE MUNICIPAL PRICE INDEX

In various budget documents the City of Calgary refers to the Municipal Price Index (MPI), essentially the city's own measurement of the municipal government's own "inflation rate." For the years 2007 to 2015 (2005 and 2006 are unavailable), the MPI rates ranged from an increase of 1.8% (in 2009) to a high of 5.9% (in 2008). Averaged over the 2007-2015 period, the MPI was 3.7% while the CPI average annual increase rate was 2.0% (Figure 6).



Sources: City of Calgary request by author; Statistics Canada CANSIM table 326-0020

While it is useful for the city to measure its own cost of doing business, the main flaw in using the MPI to justify above-CPI increases in spending or in later tax and fee increases is its circularity. For example, in calculations of the MPI, city employee wages and salaries account for 46.1% of the MPI index with benefits a further 9.6%, or 55.7% of the calculation that goes into the MPI. (In contrast, for example, annual fuel and oil costs constitute just 2.1% of the index calculation.)<sup>9</sup>

Simply put, if the City of Calgary—more specifically, City Council and senior negotiators responsible for “signing off” on compensation agreements with government employees—agree to above-inflation or above-CPI wage and benefit deals, then such agreements boost the Municipal Price Index: The higher the agreed-to compensation, the higher the city's own inflation index, the MPI.

Thus, it is difficult to justify higher-than-CPI increases in spending, and then increase property taxes and fees with reference to the city's own inflation index — given that City Council itself and top city management are the ones driving the city's own costs/inflation/MPI higher in the first place when they agree to compensation deals that “shoot past” the Statistic Canada Consumer Price Index.

# CONCLUSION

In Calgary, between 2005 and 2015, municipal property tax rate increases (residential and non-residential) have been almost triple the Consumer Price Index increases observed during the same period. On fees paid by Calgarians, the increases have ranged from a 0.1% decline to as high as 181%; thus 12 of 15 fees noted in this report have surpassed the 24.2% rise in the CPI between 2005 and 2015.

Given that salaries, wages, overtime and benefits account for approximately 45% of total tax-supported expenditures according to the City's own documents,<sup>10</sup> this means it is inevitable that more prudent management of that cost must occur if taxpayers are to see any moderation in the increases in city fees and taxes in future years.

1. As the statistical agency notes, the "Consumer Price Index (CPI) is an indicator of the changes in consumer prices experienced by the target population. The CPI measures price change by comparing, over time, the cost of a fixed basket of goods and services and eight major components make up the "all-items CPI": food; shelter; household operations; furnishings and equipment; clothing and footwear; transportation; health and personal care; recreation, education and reading; and alcoholic beverages and tobacco products. See: <<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3260021&paSer=&pattern=&stByVal=1&p1=1&p2=37&tabMode=dataTable&csid=>>>.
2. Keith Gerein. 2005. "Mayor urges cities to team up on taxes." *Calgary Herald*, September 10, B2. Tom Olsen. 2005. "Bronconnier blitzes capital business crowd." *Calgary Herald*, September 10, B2.
3. Marcus Gee. 2014. "It's time to re-examine the scope of municipal powers." *Globe and Mail*. October 22, <<http://www.theglobeandmail.com/news/toronto/its-time-to-re-examine-the-scope-of-municipal-powers/article21251359/>>.
4. CFIB. 2013. *Big City Spenders*. <[http://www.cfib-fcei.ca/cfib-documents/rr3293\\_calgary.pdf](http://www.cfib-fcei.ca/cfib-documents/rr3293_calgary.pdf)>.
5. CFIB. 2015. *Municipal Wage Watch*, June 2015. <<http://www.cfib-fcei.ca/cfib-documents/researchreporten/rr3354.pdf>> 1.
6. Jason Clemens, Charles Lammam, Milagros Palacios and Feixue Ren. 2015. *Comparing Government and Private Sector Compensation in Alberta*. <<http://www.fraserinstitute.org/research-news/display.aspx?id=22177>>.
7. Naheed Nenshi. 2014. *Letter to the Honourable Dave Hancock*, May 2, 2014.
8. The City of Calgary describes the 'tax rate' in this manner: "The most accurate way to describe the 'municipal property residential tax rate' is literally the increase in the revenue required by The City divided by the total value of the assessment base. The municipal property tax rate reflects the amount of taxes to be paid for every \$1.00 of assessed value. The City of Calgary applies a revenue neutral policy to ensure that, tax revenues do not increase automatically with assessment changes due to fluctuations in the real estate market and tax increases reflect The City's need for additional funds. With each year's assessment roll, a revenue neutral tax rate is established based on the application of these principles." Information provided by City of Calgary to author, via e-mail, January 8, 2016.
9. Patrick Walters and John Dunfield. 2010. *Developing a Municipal Price Index*. Government Finance Officers Association. <[http://gfoa.org/sites/default/files/GFR\\_APR\\_10\\_42.pdf](http://gfoa.org/sites/default/files/GFR_APR_10_42.pdf)>, 3-4.
10. City of Calgary. 2015. *2015-2018 Action Plan* <<http://www.calgary.ca/CA/fs/Documents/Action-Plan/Approved/Action-Plan-2015-2018-Complete-Approved.pdf>>.