TERA Model

Tool for Expenditure & Revenue Allocation Model for

Residential, Commercial and Institutional Properties

TERA Model

Overview

- Purpose

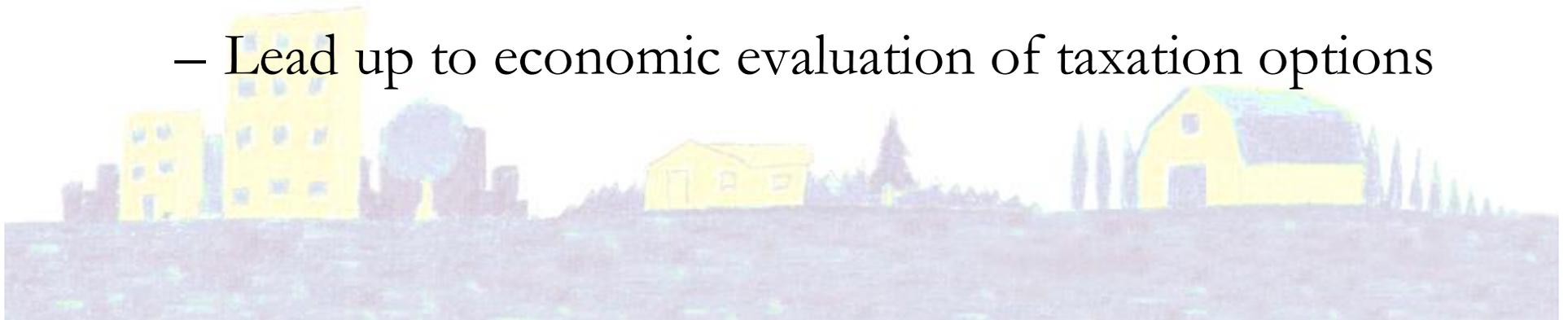- Approach

- Cost Drivers for Specific Services

- Results

Purpose of TERA Model

Purpose

- Identify costs drivers for HRM services

- Attempt to quantify the benefits of HRM services on different sectors

- Encourage public debate on:
  - direct and indirect benefits of HRM services, and
  - how costs for HRM services should be shared

- Lead up to economic evaluation of taxation options

Approach

Approach

1) Identify costs drivers for each HRM service

2) Allocate service costs, based on costs drivers

3) Identify sources of revenues for each HRM service

4) Allocate HRM revenues

5) Sum Costs and Revenues for Commercial, Residential and Institutional assets/occupants

Selection of Cost Drivers

Cost Driver	Possible Application
Assessment	Mandatory Provincial Costs Police or Fire Services (protection of property) Solid Waste (proxy for occupancy/consumption)
Dwelling Unit	Police or Fire Services (protec'n of household) Solid Waste (6 bags/household) Recreation & Parks
Frontage (road length)	Local Roads, Sidewalks, Lighting Fire Hydrants
Traffic Volumes	Collector/Arterial Roads – expansion
Traffic Vol. x Vehicle Wt.	Collector/Arterial Roads – wear & tear
Resident : Employee ratio	Police or Fire Services (protec'n of persons) Recreation & Parks

Cost Drivers → Tax Tools

| Cost Driver	Possible Tax Tools
Frontage	Frontage Charge
Dwelling Unit	Dwelling Unit Charge
Traffic Volumes	Smart Sensors; Gas Tax; Parking Lot Surtax; Census Commuting Stats (by area)
Liquor Use	NSLC Tax
Traffic Vol. x Vehicle Wt.	Vehicle Registration Charge
Resident : Employee ratio	Poll Tax; Employee Tax
Resident : Tourist ratio	Hotel Tax

Preliminary Results

On <u>average</u>:

- Commercial pays more than the cost of services
- Residential, Exempt and non-profit properties pay less than the cost of services

Other HRM research estimated that:

- Only 10 to 15% of single family homes pay the full cost of municipal services;
  - average home pays 70 to 80% of costs.
- Apartments do not pay the full cost of municipal services.
- Condos come closest to paying full cost.
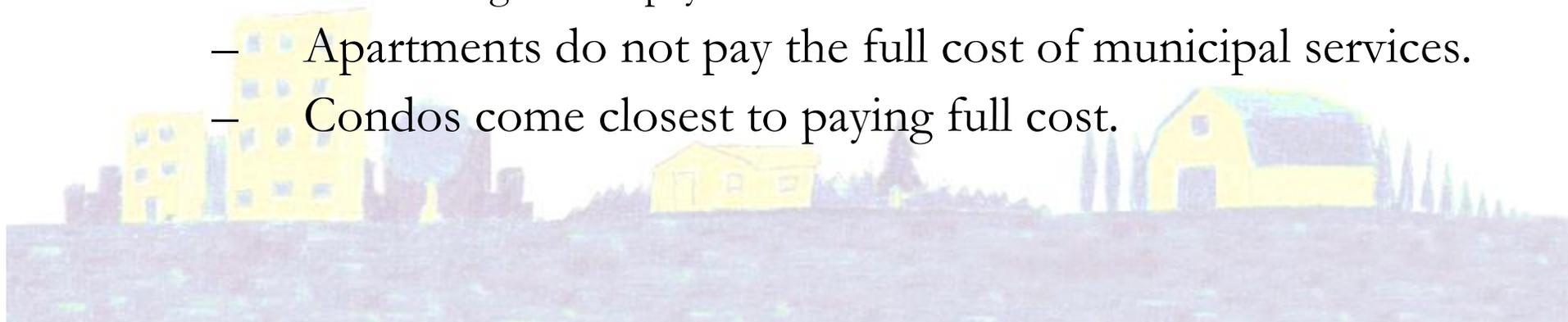
Conclusions

Looking across HRM services,

- Urban homes do not subsidize rural and suburban homes;

- Rural and Suburban homes do not subsidize urban homes.

However:

- Commercial taxpayers do subsidize residential taxpayers.