

# Background and Previous Council Direction

## Background

---

Since 2016, Administration has provided Council and the public with preliminary assessment roll information and related estimates to illustrate how market changes may impact tax responsibility for different property types. This information is intended to support Council budget deliberations and proactively share information with the public about tax implications of market changes. Information is preliminary because the assessment roll is not finalized until mid-November. In 2020, Administration began reporting on preliminary assessment information earlier in response to Financial Task Force recommendations #2, #4 and #27, which called on The City to improve how it uses annual reporting to be responsive to economic conditions.

## Previous Council Direction

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2023 July 4	C2023-0633	<p><b>Strategic Discussion on Building and Delivering on Plans and Budgets</b></p> <p>Administration provided Council with a confidential update on the forecasted 2024 assessment roll based on preliminary market information.</p>
2023 February 14	C2023-0109	<p><b>2023 Residential and Non-Residential Tax Share Options</b></p> <p>Council directed Administration to maintain the status quo tax share of 52 residential:48 non-residential and consider accounting for differential physical growth (new or re-development) in preparing tax share scenarios for 2024-2026.</p>
2022 November 01	EC2022-1090	<p><b>2023 Preliminary Assessment Roll, Tax Share Scenarios and Related Estimates</b></p> <p>Council received report to inform November Service Plans &amp; Budget deliberations.</p>
2022 October 04	EC2022-0649	<p><b>Financial Task Force - Property Tax Policy Framework</b></p> <p>Council approved a motion affirming that it will continue to use the budget-based approach to setting budgets and property tax rates and will continue to use the tax share approach in making tax distribution decisions.</p>
2020 July 27	C2020-0815	<p><b>Financial Task Force Recommendations – Implementation Approach and Resources</b></p> <p>Council directed Administration to implement Financial Task Force recommendations including recommendations #2, #4, and #27.</p>
2020 June 29	C2020-0742	<p><b>Financial Task Force - Report and Recommendations</b></p> <p>Council adopted the Financial Task Force recommendations to establish annual reporting that reflects evolving economic conditions faced by Calgary residents and businesses. The goal is to generate evidence that will allow The City to be responsive to economic conditions and taxpayer expectations in a meaningful manner.</p>

## Financial Task Force Recommendations

---

On 2020 June 29 and 2020 July 27, Council adopted the Financial Task Force recommendations and directed Administration to implement recommendations including several relevant to the property assessment and budget setting process that impacts tax rates. In fulfillment of this direction, Administration has taken steps to share preliminary assessment information and forecasted tax implications in advance of the annual budget process. Administration also now finalizes the annual assessment roll earlier so that more complete information can inform budget decisions in November. This enables Council to set indicative tax rates when it approves the budget in November and can provide greater certainty to residents and businesses about property tax costs.

The following excerpted recommendations are relevant to this report:

**Recommendation #2:** Develop and sustain the credibility of the decision-making process by:

- Committing to a principles-based process for adjusting municipal property taxes with strong accountability and ownership.
- Delivering analysis, in everyday language, of the upcoming year's property tax challenges ahead of the tax rate decisions for adequate reflection.
- Communicate, using standardized terms, the evolution of drivers of change and their fiscal impact before decision-making.

**Recommendation #4:** Establish annual reporting, including for public information, that reflects evolving economic conditions faced by Calgary residents and businesses. The goal is to generate evidence that would anchor decisions for a cyclical economy. Be responsive to economic conditions and taxpayer expectations in a meaningful manner. The elements in the periodic reporting would include:

- Monitor – List prevailing stresses and shocks on the local economy and the transmission mechanism to property taxes to minimize the impact of sudden shocks.
- Anticipate – Limit uncertainty by predicting future-year changes in the taxable assessment base using correlations with economic activity.
- Sustain – Improve reliance on the non-property tax revenue by limiting its volatility and increasing its growth before exploring offsetting property tax measures for shifts.
- Segment – Measure annual changes in property tax dollars charged to residents and businesses across the distribution of taxpayers (i.e. not just mean or median).
- Respond – Report on the distribution of the tax responsibility across subgroups of residential and non-residential taxpayers to better support timely responses.

**Recommendation #27:** Address the misalignment where the approved tax rate decisions occur before information on the distribution of annual property assessments through the property assessment roll is available.

- Develop and implement changes to processes for the assessment roll that would allow earlier information on the results of annual property assessment exercises.
- Adjust the timing of the approved tax rate decision or the timing of assessment roll completion or both.
- When determining tax rates for budget approval, provide as much information as possible on the distribution of the tax responsibility across classes (and subclasses if applicable).

- The information should include impacts of a range of tax rate decisions on different classes and sub-classes and non-residential taxpayer groups, such as retail, office and warehouses.
- Affirm recommendations from City Council's Tax Shift Assessment Working Group requiring the same type of information for the indicative tax rate decision before the approved tax rate decision.