



Report Number: PFC2019-1323

Meeting: Priorities & Finance Committee

Meeting Date: 2019 October 08

## NOTICE OF MOTION

**RE: Aligning Property Tax Methodology and Budgets to Calgary's New Economic Reality**

**Sponsoring Councillor(s):** Gondek, Sutherland, Magliocca, Chu, Davison, Jones, Keating

### WHEREAS:

1. On May 27<sup>th</sup> 2019, Council directed Priorities and Finance Committee to form a Tax Shift Assessment Working Group (TSAWG) with a mandate to assess the best options for greater tax parity between assessment classes;
2. TSAWG was tasked with analyzing the root problems that include but are not limited to disparity in proportional share of operating budget and absence of zero-based budgeting on an annual basis;
3. Administration Report C2019-0352 (Chief Financial Officer's Report to Priorities and Finance Committee) indicated that the decline in non-residential property value in Calgary's downtown was approximately \$14 billion, resulting in a \$250 million shortfall in anticipated non-residential property tax revenues;
4. Notice of Motion C2019-0782 (Immediate Tax Relief for Calgary Business) called for permanent budget reductions to address non-residential tax rate impacts;
5. Notice of Motion C2019-1011 (Delivering Modern and Affordable Municipal Services In An Environment of Economic Constraint) called for proposals to establish mechanisms for reducing the cost of delivering municipal services and establishing citizen priorities within an environment of economic constraint while maintaining critical front line services;
6. The Government of Alberta has clearly indicated that municipalities must demonstrate an understanding of fiscal responsibility during this challenging time, reflected in Notice of Motion C2019-1153 (Modernization of Municipal Expense Disclosure) which makes reference to the framework and series of recommendations provided by the Government of Alberta through the Blue Ribbon Panel on Alberta's Finances to explore new approaches and alternatives for delivering public services, improve Alberta's competitive position, and focus on achieving a sustainable financial situation and long-term results for Albertans;
7. Calgary must adapt to our new economic environment, which is slowly recovering from an unprecedented downturn while attempting to become more diversified, clearly outlined in Calgary Economic Development's *Calgary in the New Economy* strategy which was unanimously approved by Council;

8. The City of Calgary as a corporation must evolve its budgeting practices to be sustainable within this new economic environment; and
9. The expertise provided through the TSAWG allows the City of Calgary to make meaningful changes in its budgeting and tax assessment practices to better align with the new economic reality faced by residents and businesses in our city, as well as the expectations within the mandate of the Government of Alberta.

NOW THEREFORE BE IT RESOLVED THAT:

1. Council enact the 4 recommendations (see below) of the Tax Shift Assessment Working Group (TSAWG), recognizing the collaborative efforts of private, public and elected representatives in identifying property tax and budget reform initiatives based on empirical evidence (in the form of the supplementary documents attached to the 2019 October 8 final report and recommendations to Priorities and Finance Committee from TSAWG:
  - a. TSAWG recommends that Council make a values-based decision on the proportional share of operating budget responsibility between residential and non-residential property tax classes. This is to be informed by the scenarios provided.
  - b. TSAWG recommends that Council be provided with assessment values and number of properties in both residential and non-residential property tax assessment classes for November 2019 and future budget seasons to make informed decisions based on past actuals and projected assessment amounts.
  - c. TSAWG recommends that Council strike a similar working group each year in the spring to ensure that stakeholder perspectives inform property tax assessment and budget decisions.
  - d. TSAWG recommends that the Financial Task Force liaise with the working group lead or any other members as required to fully understand the discussion items that are longer term solutions for tax reform.
2. Council implement Recommendation 1a prior to budget setting in November 2019 by determining the most equitable, appropriate and sustainable proportional share of operating budget between residential and non-residential tax assessment classes, leveraging the scenarios provided by the TSAWG;
3. Council use Recommendation 1b to aid in budget setting in November 2019, with an eye to reassessing the One Calgary budget for the remaining years of 2020-2022;
4. The City of Calgary's newly formed Financial Task Force prioritize how Bill 7 could provide meaningful property tax relief to properties impacted by extended infrastructure and/or construction projects that are City of Calgary led (e.g. ongoing roadworks along 17<sup>th</sup> Avenue South); and
5. As part of ensuring that the City of Calgary is evolving its approaches to taxation and budgeting, the Chief Financial Officer liaise with the appropriate counterpart at the Government of Alberta to understand the provincial portion of Calgarians' property taxes before November 2019 budget setting in an effort to provide more certainty and predictability to residents and businesses.