

**Chief Financial Officer's Report to
Priorities and Finance Committee
2019 November 05**

**ISC: UNRESTRICTED
PFC2019-1394**

Discussion on proportional share for tax classes for 2020 in advance of budget deliberations

EXECUTIVE SUMMARY

As directed by NOM C2019-1323, Council is to explore the most equitable, appropriate and sustainable proportionate share of operating budget between residential and non-residential tax assessment classes for 2020 (using the illustrative examples provided by the Tax Shift Assessment Working Group (TSAWG) Attachment 1).

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee use the Tax Shift Assessment Working Group (TSAWG) illustrative examples presented in Attachment 1 as reference material in their discussion and development of Council recommendations on the proportion of property taxes between residential and non-residential properties for 2020.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 October 21, Council approved the following recommendations of the Tax Shift Assessment Working Group from C2019-1323.

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. (defeated)
- 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. Prior to budget setting in November 2019, Council explore the most equitable, appropriate and sustainable proportional share of operating budget between residential and non-residential tax assessment classes for 2020 (using the scenarios provided by the TSAWG) by adding this as an agenda item to the 2019 November 5 meeting of the Priorities and Finance Committee, with recommendations to be sent to the 2019 November 18 Combined Meeting of Council;

3. Council use Recommendation 1b to aid in understanding estimated revenue streams between residential and non-residential tax assessment classes, as well as examples of individual taxpayer circumstances (using the most readily available information in

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Administration's annual assessment roll report), each November when the One Calgary budget is adjusted for the remaining years of 2021 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.

BACKGROUND

As a result of the TSAWG work, a recommendation was made 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 illustrative examples provided by the TSAWG.

Further, prior to budget setting in 2019 November, Council explore the most equitable, appropriate and sustainable proportional share of operating budget between residential and non-residential tax assessment classes for 2020 (using the scenarios provided by the TSAWG) by adding this as an agenda item to the 2019 November 5 meeting of the Priorities and Finance Committee, with recommendations to be sent to the 2019 November 18 Combined Meeting of Council. Information is included in this report to facilitate the discussion at PFC and Council.

In 2019, the proportionate share of property tax revenue is 53% for non-residential tax responsibility and 47% for residential tax responsibility. This is a change from the 2018 split of 54%:46%, including the last year of the Business Tax Consolidation. With the budget reductions of 2019 July, the share for non-residential tax responsibility is 51% and 49% for residential tax responsibility for 2020 based on the current budget approval.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The information provided in Attachment 1 outlines the options for consideration by PFC and Council in their discussions.

Stakeholder Engagement, Research and Communication

None required.

Strategic Alignment

Social, Environmental, Economic (External)

None noted.

Financial Capacity

Current and Future Operating Budget:

No impacts.

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Current and Future Capital Budget:

No impacts.

Risk Assessment

Information is provided to facilitate the discussion at PFC and Council on the proportion of property tax distribution between residential and non-residential properties for 2020. There is a risk that additional information beyond these scenarios may be required for decision making.

REASON(S) FOR RECOMMENDATION(S):

The discussion on property tax proportion is aligned with budget deliberations in an effort to provide property tax payers with transparency in the decision making process.

ATTACHMENT

1. Attachment 1 – Illustrative examples from Tax Shift Assessment Working Group