

Chief Financial Officer's Report to
Priorities and Finance Committee
2020 January 21

ISC: UNRESTRICTED
PFC2020-0012

2020 Business Improvement Area Budgets and Enabling Bylaws

EXECUTIVE SUMMARY

Approval is being sought for the 2020 budgets for Calgary's 15 Business Improvement Areas (BIAs) and Business Revitalization Zones (BRZs) and the enabling 2020 BIA tax rates bylaws on behalf of BIAs. This process is undertaken annually pursuant to the BIA Regulation, and provides BIAs with the funding required to deliver programs and services valued by their member businesses.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

1. Approve the proposed 2020 BIA budgets (Attachment 1) and, if budget amendments are needed, authorize each BIA board to amend its respective budget by:
 - (a) transferring amounts to or from a BIA board's reserves, and
 - (b) transferring amounts between expenditures so long as the amount of the total expenditures is not increased; and
2. Give three readings to the proposed 2020 BIA Tax Rates Bylaw (Attachment 2).

PREVIOUS COUNCIL DIRECTION / POLICY

Annually, since the inception of BIAs in Calgary in 1984, Council has approved the BIA annual budgets and enabling bylaws as required by the *Municipal Government Act* (MGA) and the *Business Improvement Area Regulation* (BIA Regulation).

The 2020 BIA Tax Bylaw is being presented at the 2020 January 21 Priorities and Finance Committee Meeting concurrent with this report.

BACKGROUND

The Government of Alberta (the Province) passed enabling legislation in 1983 to allow municipalities to establish BIAs. The provisions are contained in Section 50 of the MGA, as amended, and the BIA Regulation. Legislation requires that, for each calendar year, Council:

- approve the BIA budgets as prepared and approved by each BIA Board (BIA Regulation, Section 11);
- pass a BIA tax bylaw authorizing the imposition of a tax on businesses operating within a BIA subject to certain exempted businesses (BIA Regulation, Section 20); and
- pass a BIA tax rates bylaw establishing the tax rates applicable to each BIA (BIA Regulation, Section 21).

Historically, The City would administer and impose the BIA tax in conjunction with the general business tax regime, however, given the elimination of the business tax, it is necessary to enact a standalone BIA tax bylaw. In accordance with the BIA Regulation (Subsection 13(1)) Council may, in its approval of the BIA Boards of Directors' (BIA Boards) budgets, if needed, authorize the BIA Boards to amend their budgets by:

- (a) transferring amounts to or from a BIA board's reserves, and
- (b) transferring amounts between expenditures so long as the amount of the total expenditures is not increased.

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Administration is recommending that Council authorize BIA Boards to amend their budgets, if needed, in accordance with Subsections 13(1) and 13(2) of the BIA Regulation to allow BIA Boards to more effectively manage their budgets to provide programming and services that is responsive to the needs of their business communities, while staying within the total expenditure approved by Council.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Currently, there are two BRZs and thirteen BIAs in Calgary. As of January 2020, there are three new Council approved BIAs: Crescent Heights Village Business Improvement Area, the Bridgeland Business Improvement Area, and the Beltline Business Improvement Area. A list, including a reference to the bylaw which creates each respective BIA, is contained in Schedule "A" to the 2020 BIA Tax Bylaw (Attachment 3). Each BIA Board has met and approved its 2020 program and budget requirements in accordance with their respective internal processes. The BIA budgets have been submitted to Administration and are included in this report for Council's approval. Pursuant to the BIA Regulation, a BIA Board must submit an annual proposed budget to Council for approval. The BIA levy is based on the BIA's proposed budgets (Attachment 1) and is collected through a BIA tax (calculated by multiplying a business assessment by the applicable BIA tax rate set by the BIA tax rates bylaw) levied against each taxable business located in the BIA.

The 2020 BIA Levy Summary and Budgets (Attachment 1) contains, for each BIA, a summary comparing the 2020 and 2019 BIA levy followed by the 2020 budget request. The BIA budget template includes a budget overview that allows for the presentation of qualitative factors which have influenced the development of BIA budgets, as well as variance explanations. The budget overviews and variance explanations provided by individual BIAs are included verbatim and have not been edited for content. These templates, completed by each of the BIAs, can be found in Attachment 1. The proposed 2020 BIA tax rates bylaw sets the tax rates required to raise the BIA levy identified in each budget.

To enhance administrative efficiency, businesses with a calculated BIA tax of \$24.99 or less will not receive a 2020 BIA tax notice. Administration proposed in 2019 that \$25.00 in BIA tax revenue is the minimum amount required to cover the resources required to bill, monitor and collect the BIA tax. Administration estimates this will result in approximately 180 accounts not being charged BIA tax for 2020, totaling approximately \$2,700 in BIA tax revenue. The difference in revenue as a result of this relaxation will be recovered through adjustments to BIA tax rates in the following year.

Stakeholder Engagement, Research and Communication

In accordance with the BIA Regulation (Section 12), the Finance Business Unit mailed those taxable businesses in each of the 15 BIAs a copy of the appropriate 2020 BIA budget and notice of the date and place of the 2020 January 21 Priorities and Finance Committee Meeting, and the 2020 February 03 Combined Council Meeting.

Strategic Alignment

Council's direction and the work discussed in this report aligns with the Citizen Priority of A Prosperous City in One Calgary 2019-22, "Calgary continues to grow as a magnet for talent, a

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place where there is opportunity for all, and strives to be the best place in Canada to start and grow a business.”

The work of BIAs also supports and aligns with *Calgary in the New Economy: an updated economic strategy for Calgary*. BIAs are included as part of the Economic Development & Tourism service line in One Calgary.

Social, Environmental, Economic (External)

BIAs play an important role in supporting economic activity and neighbourhood revitalization.

Financial Capacity

Current and Future Operating Budget:

The revenue raised as a result of the BIA levy is transferred directly to the respective BIA.

There is an annual impact to The City's operating budget of approximately \$500,000 to provide support to BIAs. This consists of the provision of professional and administrative support in Calgary Neighbourhoods, and across the Corporation including Law, City Clerk's and Finance. This work is administered through existing operating budgets using existing staff resources.

Current and Future Capital Budget:

Where the MGA currently enables the imposition of a BIA tax on taxable businesses within a BIA, *An Act to Strengthen Municipal Government* proposes amendments to the MGA which would permit, as an alternative, that the BIA tax be imposed on property within a BIA. To date these amendments are not in force, meaning that the BIA tax must be imposed on taxable businesses and collected through business operators. Revisions to the BIA Regulation to allow the BIA tax to be collected through BIA property owners are also anticipated but have not been released by the Province to date.

Once the revisions to the BIA Regulation are released and the amendments to the MGA are in force, it is anticipated that Administration will prepare a report for Council to consider the option to impose the BIA tax on property within a BIA instead of businesses. If these revisions are not approved The City could potentially face capital costs to maintain or develop information technology systems to allow for the continued taxation of businesses, and the collection of BIA taxes from business operators.

Risk Assessment

2020 BIA tax bills, are scheduled to be mailed on or before 2020 February 07. From the Council meeting on 2020 February 03 to the scheduled mailing date, limited time is available to complete required activities. A delay in approving the BIA budgets and third reading of the BIA tax rates bylaw could delay the mailing of the BIA tax bills.

REASON(S) FOR RECOMMENDATION(S): The MGA requires Council to approve the BIA budgets and BIA tax rates bylaw annually to provide funding to the BIAs.
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ATTACHMENT(S)

1. Attachment 1 – 2020 BIA Levy Summary and Budgets
2. Attachment 2 – Proposed wording for a 2020 Business Improvement Area Tax Rates Bylaw
3. Attachment 3 – 2020 Business Improvement Area Tax Bylaw