

Financial Task Force Update Overview, EC2022-1105

Modernizing government by establishing policies to respond to tax volatility and economic cycles to Executive Committee – Sept 29, 2022

(Agenda items – to come)

Overview:

- On 2022 September 29, the Executive Steering Committee will receive four Financial Task Force reports, recommendations and actions, including:
 - Property Tax Policy Framework
 - Assessment smoothing
 - Non-Residential Assessment subclasses
 - Establishing Policy to respond to Calgary’s economic highs and lows
- In 2019, Council directed the creation of the Financial Task Force to explore short- and long-term solutions that would provide greater property tax stability and improve The City’s financial resiliency.
- Approval of recommendations today will enable Administration to prepare for conversations with Council in October and during the 2023-2026 Service Plans and Budget deliberations in November.
- Following a thorough review and analysis of taskforce recommendations, key points include:
 - Calgary’s budget-based approach to tax rate setting, used in most municipalities in Canada, remains the gold standard for transparency and tax stability.
 - Council’s ability to adjust the distribution of property tax between residential and non-residential provides the most effective and efficient means to create tax stability, eliminating the need for legislative changes or costly investments.
 - Council’s approval of these recommendations will prompt additional information and analysis about the distribution of property tax to be brought forward for discussion at the 2022 October 18 Executive Committee.
 - Council’s direction to establish a countercyclical policy will enable The City to respond to economic highs and lows with timely tax policy and reserves-related solutions and actions.
 - Assessment smoothing and non-residential subclasses are potential policy levers for Council’s consideration to address tax volatility; neither are being recommended as they require legislative changes, increase the complexity of the tax system, and reduce transparency in the assessment system for Calgarians.
 - Advocating for non-residential subclasses as a tool to provide targeted tax relief or incentives in support of other public policy objectives is recommended by Administration.

Approval of these recommendations supports Calgary’s strong financial management practices, proven capacity to policies and ability to respond to external risks. These practices have been noted in the most recent enact fiscal credit rating release by S&P on 2022 August 9 where Calgary’s AA+ credit rating was affirmed.

Background:

In 2015, the beginning of a rapid decline of a few highly valued downtown office properties resulted in a redistribution of property tax from downtown office properties to other non-residential properties outside the downtown core, including other office buildings, retail locations, hotels and motels. The dramatic change in non-residential property tax responsibility highlighted the need for solutions to reduce tax volatility and support economic recovery.