

2014 PROPERTY TAX RELATED BYLAWS

EXECUTIVE SUMMARY

Council approval is required for the 2014 property tax-related bylaws and the Rivers Community Revitalization Levy Rate Bylaw.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Give three readings to the proposed Property Tax Bylaw 14M2014 (Attachment 4), for a combined property tax rate increase of 4.8% for residential (9.0% for municipal purposes and -1.5% for provincial purposes), 4.8% for non-residential properties before business tax consolidation (2.0% for municipal purposes and 14.2% for provincial purposes), and 7.3% for non-residential properties after business tax consolidation (5.2% for municipal purposes and 14.2% for provincial purposes), as shown in Attachment 3;
2. Give three readings to the proposed Machinery and Equipment Property Tax Exemption Bylaw 15M2014 (Attachment 5);
3. Give three readings to the proposed Rivers Community Revitalization Levy Rate Bylaw 16M2014 (Attachment 6);
4. Direct Administration to transfer the \$9.8 million additional annual property tax room to the Lifecycle Maintenance and Upgrade Reserve (LMUR) via the Capital Financing Costs Program 840 for Council's future direction as to the allocation of the funds;
5. Receive for information Reductions per 2014 Budget Adjustment Deliberations (Attachment 7) and approve a reduction of 18 FTEs.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 January 13, Council approved PFC2014-0062 and gave three readings to the 2014 Business Tax Rate Bylaw 5M2014.

On 2014 January 13, Council approved 2014 Assessment Rolls - Flood Update Report PFC2013-0812. 1,939 properties have been identified as having experienced a market value loss. Council directed Administration to use the Tax Loss Provision Reserve to reduce the impact to the tax base in 2014, estimated at \$2.4 million. This effectively reduces the previously approved 5.0% tax rate to 4.8%.

On 2013 December 16, Council approved PFC2013-0731 and gave three readings to the 2014 Business Tax Bylaw 1M2014.

During the 2014 Business Plans and Budget deliberations, the original approved tax rate for 2014 of 6.1% was lowered to 5.0% through reduction in Council and exempt staff salary increases and through a \$9.3 million budget reduction in all departments, except for the Calgary Police Service. Council also approved the \$52 million in tax room for 2014 to be allocated for a tax rebate to residential and non-residential taxpayers.

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Council approved PFC2012-35 consolidation of business tax revenue into the non-residential property tax, based on the following schedule for the incremental transfer of budgeted 2013 business tax revenues, adjusted for physical growth and contingency amounts in future years:

- (a) zero per cent in 2013,
- (b) 10 per cent in each of the years 2014 - 2015, and
- (c) 20 per cent in each of the years 2016 - 2019,

with the business tax, for business tax revenue purposes, eliminated in 2019.

On 2007 April 16, Council passed Bylaw 27M2007 to authorize the creation of a community revitalization levy area in the Rivers District. The Bylaw was approved by the Lieutenant Governor in Council of Alberta on 2007 July 17. Council is required to pass a community revitalization levy rate bylaw annually.

BACKGROUND

Municipal Government Act (MGA), Chapter M-26, RSA 2000
Section 353 Property tax bylaw

- (1) Each council must pass a property tax bylaw annually.
- (2) The property tax bylaw authorizes the council to impose a tax in respect of property in the municipality to raise revenue to be used toward the payment of
 - (a) the expenditures and transfers set out in the budget of the municipality, and
 - (b) the requisitions.

On 2013 November 18, Council rescinded its motion on 2011 June 28 to automatically absorb tax room offered by the Province. The 2011 June 28 motion approved that should tax room be offered by the Province, in the absence of structural tax reform, Council will take the tax room, and, with the proceeds, will prioritize (a) debt reduction and (b) capital funding, including life-cycle maintenance.

The 2014 additional property tax room vacated by the Province is \$9.8 million. It is Council's decision whether it takes the tax room and by how much. This report has been prepared based on taking the tax room.

The Community Revitalization Levy (CRL) is calculated based on the incremental assessed value of residential and non-residential property in the Rivers District. Business tax is not included in the CRL calculation. The Business Tax Consolidation process is intended to transfer business tax revenues into the non-residential property tax through incremental transfers that will occur annually during the consolidation timeframe. A key principle of Business Tax Consolidation is revenue neutrality for The City. As a result of the Business Tax Consolidation process, an unforeseen situation arose which resulted in a higher portion of non-residential property tax revenue accruing to the Calgary Municipal Land Corporation (CMLC) and creating a corresponding shortfall in The City's non-residential property tax revenue. The City is currently working with CMLC to develop a mutually satisfactory resolution to this issue.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Provincial Property Tax Requisition

The 2014 provincial property tax requisition on The City is \$665.7 million, \$33.6 million higher or 5.3% from 2013. Calgary's share of provincial property tax is 31.8%. A summary of the requisitions and the resulting levy to be raised from the 2014 Property Tax Bylaw is provided in Attachment 1.

Municipal Property Taxes

Attachment 2 summarizes the amount to be generated through the 2014 Property Tax Bylaw. The total municipal property tax requirement is \$1,403.6 million. This amount includes \$9.8 million in property tax room.

Attachment 3 provides a summary of property tax rates for all classes of properties, which would be established through the 2014 Property Tax Bylaw. The tax rate changes for municipal and provincial purposes produces a combined rate increase of 4.8% for residential properties (representing 9.0% for municipal purposes and -1.5% for provincial purposes). The combined rate increase is 4.8% for non-residential properties before business tax consolidation (2.0% for municipal purposes and 14.2% for provincial purposes) in 2014. The combined rate increase for non-residential properties after business tax consolidation is 7.3% (5.2% for municipal purposes and 14.2% for provincial purposes). For the 2014 median assessed residential property of \$430,000, the overall effect would be an annual increase of \$123 (\$10.25/month) in total property taxes in 2014 to \$2,689 with 62% of that remaining in Calgary to meet municipal needs, and 38% being remitted to the Province. This is the first year of the incremental transfer of business tax revenues to non-residential property taxes. The incremental increase in non-residential taxes due to business tax consolidation will decrease business taxes by an equivalent amount.

Administration is recommending three readings of the proposed Property Tax Bylaw 14M2014 (Attachment 4), so that property tax bills can be prepared and mailed by 2014 May 23.

Machinery and Equipment Property Tax

The City of Calgary has elected to levy a business tax and not the machinery and equipment tax. To exempt machinery and equipment property from the municipal portion of property taxes, The City annually passes an exemption bylaw, which is provided in Attachment 5 as Bylaw 15M2014 and recommended for three readings.

The provincial requisition pertaining to machinery and equipment property is zero.

Community Revitalization Levy Rate Bylaw

The City of Calgary Rivers District Community Revitalization Levy Regulation (AR 232/2006) established a community revitalization levy area known as the Rivers District. The Municipal Government Act authorizes a council to pass a bylaw to impose a levy in respect of the incremental assessed value of property in a community revitalization levy area. The levy will raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area. The estimated

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revenues required for the payment of infrastructure, and other costs associated with the redevelopment of property in the Rivers District, for the year 2014 will be \$33.3 million.

Administration is recommending three readings of the proposed Rivers Community Revitalization Levy Rate Bylaw 16M2014 (Attachment 6).

Reductions per 2014 Budget Adjustment Deliberations

During the 2014 Budget Adjustment Deliberations, Council achieved a 2014 tax increase of 5% by including a net budget reduction of \$9.3 million in all departments except for the Calgary Police Service. Each department was allocated a portion of this amount based on its portion of the net budget. An 18 FTE reduction also resulted from the reduced budget. Attachment 7 provides a comprehensive summary of the reductions and the strategies/actions taken with their associated impacts.

Stakeholder Engagement, Research and Communication

All property owners in Calgary have received their 2014 Property Assessment Notices which gave them their 2014 property assessed values, 2014 property tax amounts and notification of tax billing would occur in May.

Strategic Alignment

The recommendations are in alignment with the direction in Council's 2012-2014 Fiscal Plan for Calgary and the Proposed Adjustments to the 2014 Business Plans and Budgets, as amended.

Social, Environmental, Economic (External)

The Property Tax Bylaw allows the municipality to generate the tax funds necessary for its operation, and to pay the 2014 provincial property tax requisition. This has implications for the full range of municipal services.

Financial Capacity

Current and Future Operating Budget:

The estimated funding of \$1,403.6 million (which includes the aforementioned \$9.8 million tax room) generated through the Property Tax Bylaw will meet the 2014 operating budget requirements that align with the business plans and budgets approved by Council on 2013 November 25.

Due to Council including a \$9.3 million budget reduction in all departments except for the Calgary Police Service, a corresponding reduction of 18 FTEs is required.

Current and Future Capital Budget:

Property tax revenues are part of the source of capital funding.

Risk Assessment

Any major delay in passing the 2014 Property Tax Bylaw may affect the mailing date of property tax bills, which in turn would change the customary property tax payment cycle with which the public and business communities have become accustomed.

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Until the 2014 Property Tax Bylaw is passed, The City of Calgary cannot meet its 2014 municipal financing obligations, and would be unable to make full payment on its provincial property tax requisition.

REASON(S) FOR RECOMMENDATION(S):

The 2014 Property Tax and related Bylaws are needed for The City to collect property taxes in 2014. Council's 2012-2014 Fiscal Plan for Calgary and the 2014 business plans and budgets rely on the property tax as a municipal revenue source. The City is also legally required to collect Provincial Property Tax on behalf of the Provincial Government.

ATTACHMENT(S)

1. 2014 Provincial Property Tax Summary
2. 2014 Municipal Property Tax Summary
3. 2014 Property Tax Rates and Comparisons The City of Calgary
4. Proposed 2014 Property Tax Bylaw 14M2014
5. Proposed Machinery and Equipment Property Tax Exemption Bylaw 15M2014
6. Proposed Rivers Community Revitalization Levy Rate Bylaw 16M2014
7. Reductions per 2014 Budget Adjustment Deliberations