



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: 2020 BUDGET ADJUSTMENTS – MUNICIPAL PROPERTY TAX SPLIT

PURPOSE OF REPORT

The purpose of this report is to present additional information on a motion motion for which Councillor MacKay gave notice on May 4th, 2020.

PROPOSED MOTION(S):

That regardless of compliance with Section 21 of Council Policy C-FS-05 (Budget and Taxation Guiding Principles), the principles surrounding the determination of Municipal Property Tax Split be waived for the 2020 budget year and that the Chief Administrative Officer recommend to Council a tax split that freezes the ratio at the 2019 split.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On Dec 16, 2019 Council passed the following motion:

(AR-19-432)

That the 2020 Consolidated Municipal and Utility Budget in the amount of \$309,919,300 detailed in the attachment titled "2020 Consolidated Budget" be approved.

BACKGROUND:

Resolution of this motion will provide direction to administration, as to the final tax split to be applied to the general municipal portion of the 2020 municipal tax levy. Upon finalization of the tax split requirement, preparations can then carry on by administration to prepare and present the 2020 Tax Rate Bylaw, as scheduled for May 19, 2020.

The “calibration” of the municipal “tax split” is an integral part of the annual property tax levy function. Tax split determines what percentage portion of the general municipal tax levy will be levied upon the residential property class versus the non-residential property class. The City of St. Albert has policy references within Section 21 of C-FS-05, which guide the tax split process. At present, the City of St. Albert employs a “migrate and lock” policy, whereby the tax split migrates, when possible, given assessment growth composition in the applicable tax year. In adverse years, the tax split “locks”, to avoid slippage of the tax split back to the residential class. Currently, the policy provides for the CAO to recommend a tax split to Council, and this is presented as part of the annual Tax Rate Bylaw process.

The effects of COVID-19 pandemic has created a unique situation where pause for thought is being given to the determination of the tax split for use in the 2020 tax year. Specifically, it is administration’s understanding that this motion will initiate debate as to if freezing or regressing the tax split is the most beneficial option, given the realities of COVID-19.

In theory, a tax split can be migrated (pushed), locked (freezed), or regressed (pulled back). Each budget year creates unique circumstances which effect the recommendation of the tax split. Generally, each of these three options implies the following:

Action	Tax Split Direction	Tax Impacts
Migrating (pushing)	Tax split % to non-residential class increases.	Municipal tax increase % is equal across both property classes.
Locking (freezing)	Tax split % remains the same.	Dependent on underlying assessment growth composition in that tax year
Regressing (pulling) *this option is currently not available under existing Council Policy S.21d	Tax split % to non-residential class decreases.	Municipal tax increase % to non-residential is lower than the tax increase % to residential.

To assist in understanding the range of tax impact effects as a result of this motion, please refer to **Attachment 1**, which is a matrix providing scenario-based municipal and overall tax impacts to a typical residential and non-residential property. As there are two tax related motions scheduled for the May 11 meeting, the matrix encapsulates the range of outcomes from both motions.

For reference, additional attachments have been included as follows:

- **Attachment 2** illustrates the 10-yr history of our municipal tax split.
- **Attachment 3** illustrates the comparative tax splits existing in other Alberta cities.
- **Attachment 4** illustrates the 10-yr history of our taxable assessment growth.

The proposed motion will allow for the “Locking (freezing)” of the 2020 tax split as described above.

Should Council wish to move forward with the “Regressing (pulling)” option, the following revised motion should be moved instead.

“That regardless of compliance with Section 21d of Council Policy C-FS-05 (Budget and Taxation Guiding Principles), the principles surrounding the determination of Municipal Property Tax Split be waived for the 2020 budget year and that the Chief Administrative Officer recommend to Council a tax split that allows for the regression of the non-residential tax split from 2019 levels.”

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