

2011 Budget Update

Recommendation:

1. That the 2011 residential tax levy budget be increased by \$8,986,790, which would result in the average property tax increase, including both municipal and education, being 3.85% due to the percentage increase in residential education property tax being lower, as determined by the Province, than the municipal tax increase of 3.85% approved by Council during 2011 budget deliberations.
2. That the 2011 tax levy budget be increased by \$7,566,600, to reflect higher than budgeted tax revenue from assessment growth.
3. That the increase in revenue be applied first to the additional costs of Provincial Fees related to Motor Vehicle Searches that cannot be funded through alternative means, and that the balance be applied to fund future capital such as Light Rapid Transit (LRT) projects.

Report Summary

This report recommends adjustments to the Council approved 2011 Operating budget to address 2011 issues.

Previous Council/Committee Action

At the November/December 2010, City Council budget meeting, the following motion was passed:

That the 2011 Proposed Operating Budget presented to City Council on November 9, 2010, with changes based on any approved budget

amendments, be approved as follows:

Tax-supported Operations based on a total property and payment-in-lieu tax levy of \$935,602,000 (2.35% increase for general civic purposes and 1.50% for Neighbourhood Renewal).

Report

This report recommends that the 2011 tax levy budget be increased by the amount of tax revenue available due to higher than budgeted assessment growth and due to residential education property tax room made available by the Province in 2011. Education property tax room is created when the percentage increase in the residential and/or non-residential education property tax is less than the percentage increase approved by Council for the municipal property tax. In 2011, the residential municipal tax levy budget can be increased by \$8,986,790 and the percentage increase for the combined residential education and municipal property tax will be 3.85%.

Operating Budget Issues

The 2011-2012 Provincial Budget has identified changes in fees related to motor vehicle searches conducted by municipalities that will have a significant impact to the costs of photo radar operations and bylaw ticket processing.

These changes in fees will result in a \$15 charge for each motor vehicle's license plate search done by a municipality.

Based on preliminary estimates, the changes in fees will increase the costs to the City of Edmonton by \$10.3 million annually. Of that amount approximately

\$5.9 million would be attributed to Edmonton Police Service and the balance of \$4.4 million to Bylaw Ticket Administration.

Administration is working with the Province to potentially resolve the issues created by the fee and working to ensure the cost of the additional fee is recovered from the fine itself. However, those discussions have just begun and results are not guaranteed.

Recommended Strategies to Address Operating Budget Issues

There is \$8,986,790 of education property tax room made available by the Province in 2011.

The tax revenue from assessment growth (construction/development) is \$7,566,600 higher than budgeted.

Administration recommends that the identified total additional tax revenue of \$16,553,390, be approved for allocation in 2011 as follows:

- First, to offset any additional costs of Motor Vehicle searches imposed by the Province through their 2011-2012 budget if resolution of the issue is not reached in a timely manner.
- Second, that the balance of the funding available after the additional Motor Vehicle search costs are dealt with be allocated to a reserve to fund future LRT projects.

Budget/Financial Implications

The net impact of all adjustments would result in an increase to the 2011 tax levy of:

- \$8,986,790 increase from 2011 property tax revenue requirement;

- \$7,566,600 related to additional tax revenue from assessment growth.

The average percentage tax increase would still be 3.85%.

Justification of Recommendation

1. In speaking to municipal requests for additional funding, the Province has indicated that it is appropriate for municipalities to utilize the education property tax room made available by the Province taking less of a percentage increase than the municipality.
2. Council approved 3.85% average percentage increase in property tax in December. Now that the assessment growth is finalized, the tax revenue from that growth is higher than presented in the budget. This revenue can be utilized within the 3.85% approved increase.
3. Approval of this additional revenue will provide an avenue to offset the increase in additional costs of Provincial Fees related to Motor Vehicle Searches if the resolution is not reached in a timely manner. Allocating the balance of the funding to a Council capital priority such as LRT can be done within the 3.85% tax increase Council approved if the education and municipal taxes are considered together.