

LATE DISTRIBUTION FOR COUNCIL - JULY 18, 2006

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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: July 11, 2006
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Meeting Date: July 18, 2006

TO: Vancouver City Council
FROM: General Manager of Corporate Services
SUBJECT: Update of the Property Taxation Consumption Study

RECOMMENDATION

THAT Council appoint MMK Consulting Inc to undertake an update of the 1995 Property Taxation Consumption Study as detailed in this report at a cost not to exceed \$40,000 plus applicable taxes and disbursements; source of funding to be Contingency Reserve.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing

COUNCIL POLICY

Consulting contracts with a value above \$30,000 must be approved by Council.

Funding from Contingency Reserve requires Council approval.

PURPOSE

In anticipation of more detailed work related to the distribution of the property tax levy to begin in the fall of 2006, this report recommends funding for an update of the 1995 Property Taxation Consumption Study and the appointment of a consultant team to undertake the work.

BACKGROUND

In 1995, Council commissioned KPMG Consulting to undertake a review of the consumption of tax supported City services by the residential and non-residential classes of property. The report was received by Council and has formed part of the rationale for the shifts of property taxation from the non-residential to the residential property classes in subsequent years.

On April 20, 2006, when considering a report from the Director of Finance on the distribution of the property tax levy, Council adopted the following resolution:

That Council instruct staff to propose a process to engage the business community, residential taxpayers and other key stakeholders to arrive at a long-term goal of defining and achieving a "fair tax" for commercial taxpayers. The goal should be achieved within the current framework of a "fixed burden" approach where the allocation of the levy among the classes of property remains constant over time subject to physical changes within the classes or to Council action, and the report is to articulate processes on how shifts might occur.

DISCUSSION

It is anticipated that a report from staff in response to the Council motion will be brought forward in September, 2006. An update of the 1995 Consumption Study is seen by both staff and the Fair Tax Coalition as a key component of the information that will be necessary to complete a review of the tax distribution policy as contemplated in the motion. The original report is now ten years old and the nature of the City's property classes and some components of the Operating Budget have changed. As the timing to complete a broader review of the property tax distribution in time for advice to be provided to Council by March 2007 is short, it is recommended that the update to the consumption study begin over the summer.

The scope and approach for the update will be similar to the original 1995 study in which the consumption patterns between residential and non-residential property classes were determined for each City department. These were combined in an overall comparison of net consumption patterns of tax-supported services for these property classes and how these patterns compared to the taxes paid by each class in respect of the services consumed.

The work program would involve the following steps:

- For each City department, perform a detailed analysis of gross consumption patterns, revenues attributed and net consumption patterns on a comparable basis to the 1995 study.
- Within the non-residential property classes, also analyze consumption patterns for the various classes including Utilities, Major Industry, Light Industry and Business & Other.
- Combine department-by-department results to develop full results for the entire tax base for 2006, documenting all analysis and assumptions.
- Develop a report using the same general framework used in the 1995 report plus an additional section comparing the 2006 and 1995 results. The expectation is that the report will contain an executive summary, documentation of the allocation process and results and detailed supporting appendices supporting the work.

The assignment will specifically not require the consultant to draw conclusions on the "fairness" of the current distribution or to make recommendations on an alternative. The necessity of this work should be determined by whatever review process Council approves in September. A separate follow up contract with the consultant can be pursued if required.

The report from the consultant will be delivered directly to the review process to be approved by Council as part of the background information that will support the review. The report from the consultant will only be reported to Council through the review process.

Completing this work in a timely fashion is critical to having a review of the property tax distribution completed in time for the 2007 tax levy. As a result, staff approached MMK Consulting to provide a quote to complete an update of the 1995 study. These consultants are the same professionals who undertook the original work (the KMPG Study) and, in recent years have completed similar work for a number of other lower mainland municipalities, improving on the methodology. They bring familiarity with the requirements and methodology to complete the work and considerable experience with required work and offer the best opportunity to complete the work by early fall.

MMK Consulting has indicated that an update of the 1995 study, based on the terms of reference can be completed at a cost not to exceed \$40,000 plus taxes and disbursements with a report delivered to the City by mid October 2006.

FINANCIAL IMPLICATIONS

MMK Consulting has indicated that they can complete this assignment at a cost not to exceed \$40,000 plus applicable taxes and disbursements. The source of funding will be Contingency Reserve.

CONCLUSION

Council has asked for a report from staff on a process for determining a "fair" distribution of the property tax levy among the various classes of property in the City. One of the key components of this review is an update of the 1995 study on the consumption of City services by the various classes of property. Beginning this work now will ensure that the results will be available to the review process to be approved by Council in September.

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