

March 26, 2018

To: His Worship the Mayor
And Members of City Council

Re: Delegation of Authority for Tax Agreement

RECOMMENDATION

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- MARCH 14, 2018**

1. That City Council delegate authority to the Executive Director of City Planning and Development or their delegate to finalize and approve a five-year agreement with the Government of Saskatchewan for collection and distribution of education property taxes as further described in this report.
2. That City Council delegate authority to the Executive Director, City Planning and Development or their delegate to extend the initial five-year agreement on similar terms for a further five years should the terms continue to be satisfactory to the City of Regina.
3. That the City Clerk be authorized to execute the agreement with the Government of Saskatchewan in a form approved by the City Solicitor.

EXECUTIVE COMMITTEE – MARCH 14, 2018

The Committee adopted a resolution to concur in the recommendation contained in the report. Recommendation #4 does not require City Council Approval.

Mayor Michael Fougere, Councillors: Jason Mancinelli (Chairperson), Lori Bresciani (Teleconference), Sharron Bryce, John Findura, Jerry Flegel (Teleconference), Bob Hawkins, Joel Murray, Andrew Stevens and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at its meeting held on March 14, 2018, considered the following report from the Administration:

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- FEBRUARY 14, 2018**

1. That City Council delegate authority to the Executive Director of City Planning and Development or their delegate to finalize and approve a five-year agreement with the Government of Saskatchewan for collection and distribution of education property taxes as further described in this report.
2. That City Council delegate authority to the Executive Director, City Planning and Development or their delegate to extend the initial five-year agreement on similar terms for a further five years should the terms continue to be satisfactory to the City of Regina.
3. That the City Clerk be authorized to execute the agreement with the Government of Saskatchewan in a form approved by the City Solicitor.
4. That this report be submitted to the March 26, 2018 City Council meeting for approval.

EXECUTIVE COMMITTEE – FEBRUARY 14, 2018

The Committee adopted a resolution to concur in the recommendation contained in the report.

Mayor Michael Fougere, Councillors: Lori Bresciani (Chairperson), Sharron Bryce, Jerry Flegel (Teleconference), Bob Hawkins, Jason Mancinelli, Mike O'Donnell, Andrew Stevens and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at the PRIVATE session of its meeting held on February 14, 2018, considered the following report from the Administration:

RECOMMENDATION

1. That City Council delegate authority to the Executive Director of City Planning and Development or their delegate to finalize and approve a five-year agreement with the Government of Saskatchewan for collection and distribution of education property taxes as further described in this report.
2. That City Council delegate authority to the Executive Director, City Planning and Development or their delegate to extend the initial five-year agreement on similar terms for a further five years should the terms continue to be satisfactory to the City of Regina.
3. That the City Clerk be authorized to execute the agreement with the Government of Saskatchewan in a form approved by the City Solicitor.
4. That this report be submitted to the March 14, 2018 public session of the Executive Committee meeting and March 26, 2018 City Council meeting for approval.

CONCLUSION

As a result of legislative changes, the City of Regina (City) must end its existing arrangement with the school boards for collection and remittance of education property taxes and replace this with a new arrangement with the Government of Saskatchewan (Government). *The Education Property Tax Act* and *The Education Property Tax Regulations* now require that education property taxes be paid directly to the Government. However, this legislation permits the Government and the City to enter into an agreement for the collection and remittance of education property taxes. In this regard, the Administration is negotiating an agreement with the Government, which is to be effective January 1, 2018 for a period of five years and then after which may be renewed for a further five years. This agreement is similar to the arrangement the City previously had with the school boards. The Administration seeks the approval of City Council to delegate authority to the Executive Director of City Planning and Development to approve the agreement, including the authority to later renew the agreement.

BACKGROUND

Historically, education property taxes have been paid by the City directly to the Regina Public School Board and the Regina Separate School Board. The City had a letter of understanding with both school boards regarding collection and payment of education property taxes. Under this arrangement, the City paid the school boards the levy as billed. This meant the boards were paid the full levy even if it was not collected by the City. The City retained an administration fee of 1.8 per cent of the levy and all interest and penalties collected, as well as, any revenue from tax enforcement land sales or leases.

Under the new legislation, taxes are required to be remitted to the Government directly and an administration fee is no longer able to be charged.

DISCUSSION

The Education Property Tax Act (Act) which was passed on April 27, 2017 governs the calculation, collection and payment of education property taxes. *The Education Property Tax Regulations* (Regulations) which were passed at the end of December 2017 set out the details as to the collection and payments of education property taxes including the ability to enter into agreements with the Government. This legislation came into effect on January 1, 2018.

The Act and Regulations require the City to collect and remit education property taxes directly to the Government. Section 6 of the Act and Section 12 of the Regulations allow for the City to enter into an agreement with the Government to do the following: establish penalties for non-compliance; rules regarding the abatement or exemption of school taxes or tax arrears; the process for collecting school tax arrears; how payments will be made to the Government; a deadline for submission of payments to the Government; rules for adjustment of revenue; terms

or conditions with respect to the continuation, amendment or termination of the agreement; and any other provisions the municipality and the Government agree would be necessary or beneficial for the agreement.

Administration is working with the Government to establish an agreement that will allow the City to continue to use current processes of paying and reporting education property taxes similar to the arrangement the City had with the school boards.

In summary, the Agreement with the Government provides for the following:

- The City will provide the Government with the full amount of the education property taxes that are levied;
- The City will remit the education property taxes to the Government on a monthly basis based on the previous year's collection pattern. This amount will be reconciled with the actual amount levied at the end of the year;
- In exchange for providing the Government with the full levy; the City will receive the benefit of retaining all penalties and interest collected by the City (normally the interest and penalties would be shared with the Government) and the City will retain all revenue received through the tax enforcement process including revenue received on the sale or lease of any land;
- The City will not be required to separately record and report on interest and penalties for the education property taxes as the interest and penalties will be retained by the City;
- The City will remit grants in lieu of property tax to the Government in the month after they are received.
- The amount of the education property taxes paid will be adjusted to account for any assessment appeal losses or wins.
- Exemptions, abatements, cancellations, reductions, refunds or deferrals of education property taxes will be administered in accordance with the Act, sections 9, 10, and 11 of the Regulations, and *The Cities Act*.

With the exception of the administration charge and exemptions, the above mirrors the arrangement that the City has had with the school boards for decades. Sections 9, 10, and 11 of the Regulations outline the conditions under which the City can exempt, abate, cancel, reduce, refund or defer education property taxes. The City must provide exemptions in accordance with the Regulations.

While the agreement would result in the City taking on the collection risk, this is not new as this coincides with the previous arrangement with the school boards. This collection risk has historically been low due to the City's efficient collection efforts. The benefits of retaining the interest and penalties collected is sufficient to offset the collection risk. Further, the City is legislated to collect outstanding taxes and arrears on behalf of the Government. If no agreement

is in place, the City would bear the administrative costs of collections, without the benefit of retaining the penalties.

If the City does not enter into an agreement with the Government, significant changes will have to be made to the assessment and taxation system to meet legislative requirements. The Act outlines penalties for non-compliance and the City could incur financial penalties if it is unable to meet the requirements.

Because of this, as well as the ongoing benefits the City has received under its previous arrangement with the school boards, the Administration recommends proceeding with an agreement with the Government.

RECOMMENDATION IMPLICATIONS

Financial Implications

The new legislation does not allow for an administration fee to be charged for any services or duties required as part of the Act. Previously an administration fee of 1.8 per cent of the education property tax levy was charged to the school boards for services provided. This reduction in revenue has been reflected in the 2018 budget. The 2017 administration fee was \$2,380,385.

For the same reasons it is preferable to enter into an agreement with the Government-the current systems do not function in the manner required to report education property tax levies and penalties as outlined in legislation-it is not feasible to determine the exact financial impact of not entering into this agreement.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

None with respect to this report.

Other Implications

Changes to legislation are beyond the control of the City. *The Education Property Tax Act* and *The Education Property Tax Regulations*, came into effect January 1, 2018. If the City does not enter into an agreement with the Government, it must comply with the legislation. Current systems do not allow compliance and the City may be subject to financial penalties.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

EXECUTIVE COMMITTEE

A handwritten signature in black ink, appearing to be 'J. Nicol', written in a cursive style.

Jim Nicol, Secretary