



REGIONAL MUNICIPALITY  
OF **WOOD BUFFALO**

## Special Council Meeting

Jubilee Centre Council Chamber  
9909 Franklin Avenue, Fort McMurray

Tuesday, May 19, 2009  
6:00 p.m.

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### Agenda

#### **Call to Order**

#### **Opening Prayer**

#### **Bylaws**

1. 2009 Tax Rate Bylaw (2<sup>nd</sup> and 3<sup>rd</sup> readings)  
*(continuation of May 12, 2009 Council meeting)*

#### **Adjournment**

**Subject: Bylaw No. 09/015 - 2009 Tax Rate Bylaw****APPROVALS:**

Henk van Waas, General Manager, Assessment and Taxation  
Kevin Greig, Deputy Chief Administrative Officer  
Rodney Burkard, Chief Administrative Officer

**Administrative Recommendation(s):**

1. THAT Bylaw No. 09/015, being the 2009 Tax Rate Bylaw, be read a second time.
2. THAT the 2009 Operating Budget be amended by reducing the amount to be contributed to the Capital Infrastructure Reserve by \$24,561,306 million.
3. THAT Bylaw No. 09/015 be read a third and final time.

**Summary:**

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required, annually, to pass a Tax Rate Bylaw. The bylaw establishes the rates at which various property classes are to be taxed and is calculated based on the total assessment value of all properties within each of the property classes throughout the Municipality (Urban and Rural Service Areas).

Assessment valuation methods are prescribed by the Provincial Government and vary between property types. The tax levied on all residential and commercial properties is calculated by applying the tax rate against the individual property's market value assessment as of July 1st of the previous year. Machinery and equipment and linear property are assessed based on a regulated cost approach.

Property taxes are levied to raise revenue to fund municipal expenditures and external requisitions from Alberta Education, and seniors' housing (Ayabaskaw and Rotary House). With respect to requisitions for provincial education and seniors' housing, the requisitioning authority's tax rates are calculated based on the amounts they request. In imposing the necessary tax levy, it is important to note that the Municipality simply acts as a collector of the funds and has no authority to refuse or change the amount requested by external requisitions.

A typical residential property tax notice will consist of three components: a municipal levy, an Alberta Education requisition levy, and a levy for seniors' housing. The total amount of property taxes paid will vary based on the actual assessment value, and the respective tax rate applied against the various property classes.

**Background:**

In 2005 and 2006, our Council presented two resolutions to both the Alberta Urban Municipalities Association and Alberta Association of Municipal Districts and Counties concerning machinery and equipment assessments. The resolutions called for the abolishment of the immediate 25% depreciation allowance and repealing *Municipal Government Act Section 354 (3.1)* which requires machinery and equipment to be taxed at the same rate as non-residential properties. These resolutions would enable the Municipality to fairly distribute taxes.

Although supported unanimously by both associations and forwarded to the Provincial Government, to date there has been no positive government response.

In 2006, the Regional Municipality of Wood Buffalo intervened in three Alberta Energy and Utility Board hearings. The Board recognized that there is a need for immediate Federal and Provincial Government funding for the accelerated infrastructure growth in the Municipality. In 2006, the Radke Report recommended immediate substantial direct funding to the Municipality. Although funding has been made available from the Provincial Government, the amount is not sufficient to cover projected infrastructure costs facing the Municipality. This was further verified through the Fiscal Impact Model, which confirms the Municipality requires over \$9 Billion dollars in infrastructure and services.

In 2007, Administration petitioned the Provincial Government to strike *Section 291* from the *Municipal Government Act*. This action would allow the Municipality to tax oil sand developments as they are being built, thereby financing infrastructure costs as the developments come on line. The Government acknowledged in 2008 that it was time to start consultations with stakeholders, but as of this date, no commitment to hold stakeholder consultations has been made by the Provincial Government.

In order to assist with the understanding of the following 2009 tax rate recommendations, the following clarifications are provided:

- Property tax remaining neutral simply means that the Municipality will collect the same Municipal tax revenue for the 2009 tax year as it did in the 2008 tax year on properties (as a group) which existed in 2008. Market values in the residential property tax classes experienced differing market value increases due to factors such as locational influences and as such, individual properties may experience increases or decreases in taxes.
- The overall total tax revenue collected for the residential property classes will increase as a result of new properties being taxed for the first time in the 2009 taxation year. New properties are referred to as “construction growth”.

Administration has used the following approach to establish tax rates for the 2009 Tax Rate Bylaw:

- Urban Residential and Rural Residential property taxes (as a group) remain neutral, with additional taxes collected from first time new properties

- Urban Other Residential property taxes (as a group) remain neutral, with additional taxes collected from first time new properties
- Urban Non-Residential property taxes (as a group) be increased 5%, with additional taxes collected from first time new properties
- Rural Non Residential property taxes (as a group) be increased 20%, with additional taxes collected from first time new properties

Since Council approval of the 2009 Operating Budget in late 2008, revenue expectations associated with the rural non-residential assessment class for the 2009 taxation year have not been realized resulting in an estimated \$24.5 million taxation shortfall.

Administration’s taxation strategy for the years 2010 – 2012 is as follows.

Urban Residential, Urban Other Residential, and Rural Residential property taxes

- 2010 (as a group) remain neutral, with additional taxes collected from first time new properties
- 2011 – 2012 strategy will be updated as information becomes available

Urban Non Residential property taxes

- 2010 – 2012 (as a group) be increased 5%, with additional taxes collected from first time new properties

Rural Non Residential property taxes

- 2010 (as a group) be increased 20%, with additional taxes collected from first time new properties
- 2011 – 2012 strategy will be updated as information becomes available

**Alternatives:**

1. Amend the approved 2009 operating budget by decreasing the amount to be allocated to the Capital Infrastructure Reserve by an estimated \$24.5 Million. This is the recommendation from Administration as contained in the report and proposed bylaw.
2. Raise additional taxes required for the taxation revenue shortfall by an estimated \$24.5 Million.

**Budget/Financial Implications:**

The Fiscal Impact Model outlines a need for funding exceeding \$9 Billion in order to service a growing population. Although the current recession has likely impacted these projections, and the expected population may be less than projected in the model, the required funding is still tremendously significant. A reduction in the proposed tax increases would further diminish the Municipality’s ability to obtain the required revenues to address prior, current and future infrastructure and services needs. As such, no fundamental change to the taxation strategy is proposed.

The Municipality should strive for a debt limit comparable to other cities. It is not prudent to increase debt since this limits financial capacity in times of economic decline.

**Rationale for Recommendation:**

- In order to support future population growth and quality of life amenities for our citizens, the Municipality should maintain a long term taxation perspective and not fall into short term decisions regarding the collection of taxation revenues for capital infrastructure requirements.
- As a result of oilsands plants not coming on line by the end of 2008 as originally stated by plant representatives, Municipal tax revenues are less than projected. Assessment growth (which translates into taxation growth) for the next three year period is predicted to be minimal.
- The Municipality requires a stable source of revenue and industry desires a predictable taxation regime. The Municipality should strive to flatten out over the long term the “peaks and valleys” created by market conditions.
- Assessment and Taxation administration has received no complaints from industry stakeholders regarding the proposed 20% taxation increase in the rural non-residential assessment class for the 2009 taxation year.

**Attachments:**

1. 2009 Tax Rate Bylaw

**BYLAW NO. 09/015**

**BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO AUTHORIZE THE SEVERAL RATES OF TAXATION TO BE IMPOSED FOR THE RURAL AND URBAN SERVICE AREAS FOR THE 2009 FISCAL YEAR.**

WHEREAS the operating expenditures for the Regional Municipality of Wood Buffalo as approved in the 2009 Operating Budget total \$494,291,264; and

WHEREAS Local Improvement Program levies total \$441,607 as approved in the 2009 Operating Budget; and

WHEREAS the operating revenues for the Regional Municipality of Wood Buffalo from sources other than taxation levies as approved in the 2009 Operating Budget total \$79,419,203; and

WHEREAS Section 357 (1) of the Municipal Government Act provides that the Municipal Tax Bylaw: “may specify a minimum amount payable as property tax.....” and the Regional Municipality of Wood Buffalo has resolved to establish a minimum tax;

WHEREAS the Alberta School Foundation has issued the following requisitions to the Regional Municipality of Wood Buffalo, namely:

- |      |                               |               |
|------|-------------------------------|---------------|
| (i)  | for residential and farm land | \$ 13,446,320 |
| (ii) | for non-residential           | \$ 16,335,142 |

WHEREAS the Fort McMurray R.C.S.S.D. #32 has made the following Requisitions to the Regional Municipality of Wood Buffalo, namely:

- |      |                              |            |
|------|------------------------------|------------|
| (i)  | for residential and farmland | \$ 781,053 |
| (ii) | for non-residential          | \$ 126,663 |

WHEREAS the Ayabaskaw House has made the following Requisition to the Regional Municipality of Wood Buffalo, namely:

- |     |                        |            |
|-----|------------------------|------------|
| (i) | for all property types | \$ 275,000 |
|-----|------------------------|------------|

WHEREAS the Rotary House Senior Lodge has made the following Requisition to the Regional Municipality of Wood Buffalo, namely:

- |     |                        |              |
|-----|------------------------|--------------|
| (i) | for all property types | \$ 1,563,000 |
|-----|------------------------|--------------|

WHEREAS Section 10 of the Order in Council No. 817-94 bringing about the amalgamation of Improvement District 143 and the City of Fort McMurray, which became effective on the 1<sup>st</sup> day of April, 1995, allows the Municipality, by Bylaw, to establish different rates of taxation for the Fort McMurray Urban Service Area and the Rural Service Area for each assessment class or sub-class referred to in Section 297 of the Municipal Government Act; and

WHEREAS the net annual tax levy requirements of the Regional Municipality of Wood Buffalo for the 2009 Fiscal Year are estimated to be:

MUNICIPAL PURPOSES \$414,491,759

WHEREAS the total Regional Municipality of Wood Buffalo Rural Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised total \$19,856,091,448; and

WHEREAS the total Regional Municipality of Wood Buffalo Urban Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised total \$13,689,655,140; and

WHEREAS it is deemed necessary to impose several rates of taxation for the 2009 Fiscal Year, as hereinafter set out, against those properties from which the tax levy requirements may be raised;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, in the Province of Alberta, duly assembled, hereby enacts, pursuant to Sections 353 and 354 of the Municipal Government Act the following:

1. THAT the General Manager of Assessment and Taxation shall be authorized and required to levy the rates of taxation as shown following against the assessed value of all lands, buildings, and improvements as shown upon the Municipal Assessment Roll.

EDUCATION

- Alberta School Foundation Fund	
Rural and Urban Service Area	
- Residential and Farmland	0.0011431
- Non-Residential	0.0029569
- Fort McMurray R.C.S.S.D. # 32	
- Residential and Farmland	0.0011431
- Non-Residential	0.0029569

SENIORS' FACILITIES

- Ayabaskaw Home	0.0000081
- Rotary House	0.0000464

MUNICIPAL PURPOSES - RURAL SERVICE AREA

- Residential and Farmland	0.0015034
- Non-Residential	0.0191730

MUNICIPAL PURPOSES - URBAN SERVICE AREA

- Residential and Farmland	0.0023911
- Other Residential	0.0051223
- Non-Residential	0.0075284

2. THAT all properties not otherwise exempt from taxation subject to assessment shall be

subject to a minimum tax of \$50.00. Where the application of the tax rates established by this Bylaw to the assessment of any taxable property would result in a total tax payable of less than \$50.00, the total tax shall be assessed at \$50.00, with the tax allocated to pay firstly the amount of Education, Ayabaskaw Home and the Rotary House tax payable, and the balance paid and deemed to the Municipal Tax payable.

3. This Bylaw shall be passed and become effective when it receives third reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this 28<sup>th</sup> day of April, A.D. 2009.

READ a second time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2009.

READ a third and final time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2009.

SIGNED and PASSED this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2009.

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CHIEF LEGISLATIVE OFFICER