



Subject: 2016 Property Tax Rate Bylaw – Bylaw No. 16/007

APPROVALS:

Philip Schofield, Director
Elsie Hutton, Executive Director
Marcel Ulliac, Chief Administrative Officer

Administrative Recommendations:

1. THAT Bylaw No. 16/007, being the 2016 Property Tax Rate Bylaw, be read a second time.

Procedural Note: Prior to voting on second reading, it is requested that Council consider and debate the following proposed amendment:

2. THAT Bylaw No. 16/007 be amended by revising the education tax rates to reflect the amounts set out in the Government of Alberta's amended Education Tax Requisition, as set out in Attachment 2 (Proposed Amendments to Provincial Education Tax Rates and Amounts, dated May 3, 2016).

Procedural Note: If the amendment is passed, Council would then deal with any further amendments, and vote on second reading, as amended.

3. THAT Bylaw No. 16/007, as amended, be read a third and final time.
4. THAT the additional net revenue of \$77,615,120 be transferred to the Emerging Issues Reserve and committed for costs associated with assessment complaints.

Summary:

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required to pass a Property Tax Rate Bylaw annually for the purpose of completing the work set out in the approved Operating and Capital Budgets.

Background:

A property tax rate bylaw establishes the rates at which various property classes are to be taxed and is calculated based on the total assessment value of all taxable properties within each of the property classes throughout the Municipality. The Order in Council creating the specialized Regional Municipality of Wood Buffalo provided Council with the authority to establish a mill rate structure for each of the Urban and Rural Service Areas.

Assessment valuation standards are prescribed by the Alberta Provincial Government and are either based on a market value premise or on a regulated cost based system depending on property type. The tax levied on all residential and commercial properties is calculated by

applying the tax rate against the individual property assessment which is an estimate of the market value as of July 1, 2015. Machinery and Equipment and linear property are assessed based on a regulated cost approach standard established by Ministerial Regulations.

Property taxes are levied to raise revenue to fund municipal expenditures and pay external requisitions from Alberta Education, and seniors' housing (Ayabaskaw House and Rotary House). With respect to requisitions for provincial education and seniors' housing, the requisitioning authorities' tax rates are calculated based on the amounts they request. In imposing levies, 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 property tax notice consists of the municipal levy, Alberta Education requisition levy and levy for seniors' housing. The exception is the Machinery and Equipment class which is exempt from the Alberta Education levy.

The total amount of property taxes paid will vary based on the actual assessment value and the respective tax rate applied.

In establishing municipal tax rates for the 2016 Property Tax Rate Bylaw, Administration has used the tax revenue neutral plus new construction growth approach for all property classes. The purpose of this practice is to add stability to the amount of taxes collected annually and the municipal budget and finance processes. Further to the revenue neutral plus new construction growth approach Council has approved a 4% or \$30 million budget reduction.

In order to assist with understanding of the 2016 Property Tax Rate recommendations, the following clarifications are provided:

- Property tax remaining tax revenue neutral plus new construction growth simply means that the Municipality will collect the same tax revenue for the 2016 tax year as it did in the 2015 tax year on properties which existed in 2015. Inflationary or deflationary aspects of the real estate market have been factored out of the tax rate calculation. Further to the revenue neutral plus new construction growth approach Council has approved a 4% or \$30 million budget reduction
- The Residential property tax class has experienced market value changes due to factors such as location influences, residence type, size, and as such, individual properties will experience differing increases or decreases in taxes. This will result in a redistribution of the tax burden amongst other properties within the assessment class.
- The Other Residential property class has experienced a reduction in the assessment base due to the decision of the Province of Alberta to abolish the grant in lieu of property taxes for provincially owned social housing. This property class has experienced market value changes due to variations in factors such as vacancy, rents and as such, individual properties may experience differing increases or decreases in taxes.
- Market values in the Non-Residential property class experienced increases and decreases due to factors such as sales vacancy, availability, rents and as such, individual properties may experience differing increases or decreases in taxes.

The overall total tax revenue collected for the Residential, Other Residential and Non-Residential property classes for 2016 will increase relative to 2015 as a result of new construction growth being taxed for the first time in the 2016 taxation year.

Following first reading of Bylaw No. 16/007 on April 19, 2016, the Municipality received an updated Education Tax Requisition from the Province of Alberta, which requires that the education tax rates and amounts set out in the bylaw be amended.

Budget/Financial Implications:

During budget development in the fall of 2015, property tax revenue from new construction growth was estimated at \$58M net of estimated assessment corrections. Based on the updated assessment roll information, property tax revenue from new growth has now increased by \$107M from the approved 2016 Operating Budget. This is offset by the \$30 million budget reduction in tax revenue, resulting in a net \$77M revenue increase from the 2016 budget approved in December. A Council motion will be required at third reading of the bylaw to authorize the \$77M transfer to the Emerging Issues Reserve.

The 2016 – 2018 Fiscal Management Strategy (FMS) is also presented for consideration. The FMS provides a holistic perspective of the impact of the current tax rate bylaw decision and the relationship to future financial plans.

Assessment notices were sent out on February 29, 2016 and the deadline for assessment appeals is April 28, 2016 for the majority of properties. In some instances, additional information has been received regarding Non-Residential assessment accounts that have led to the issuance of an updated assessment. In accordance with legislated requirements, notice of the appeal period for these properties is extended by an additional 60 days. A better estimate of assessment roll totals and resulting property tax revenue impacts will be determined when the last appeal deadline has passed. Due to this uncertainty, Administration will be recommending that the \$77M additional revenue be allocated to the Emerging Issues Reserve pending the outcome of the appeals in order to protect against potential appeal losses. In the event assessment appeals are not filed, Council will be presented with options for consideration. The options will include, but are not limited to, debt reduction, future capital funding and property tax rate stabilization.

Rationale for Recommendation:

The proposed property tax methodology is consistent with the previously adopted tax revenue neutral plus new construction growth strategy contained in the 2016 - 2018 Fiscal Management Strategy.

Strategic Plan Linkage:

Pillar 1 – Building Responsible Government

Attachments:

1. Bylaw No. 16/007
2. Proposed Amendments to Provincial Education Tax Rates and Amounts (mark-up version of Bylaw No. 16/007)