



Audit and Budget Committee

Council Chamber
9909 Franklin Avenue, Fort McMurray

Tuesday, April 22, 2014
4:00 p.m.

Agenda

Call to Order

1. Adoption of Agenda
2. Minutes of Audit and Budget Committee Meeting - April 8, 2014
3. 2014 Property Tax Rate Bylaw - Bylaw No. 14/019
4. Council Expense Summary - January 1 - March 31, 2014

Motion to Move In Camera

5. 2013 External Audit Status Update
(In camera, pursuant to section 24 of the Freedom of Information and Protection of Privacy Act)
6. Accountability, Integrity and Transparency Audit (Ron Taylor contract)
(In camera, pursuant to section 16 of the Freedom of Information and Protection of Privacy Act)

Motion to Reconvene in Public

Adjournment

Unapproved Minutes of a Meeting of the Audit and Budget Committee held in the Jubilee Centre Third Floor Boardroom at the Municipal Offices in Fort McMurray, Alberta, on Tuesday, April 08, 2014, commencing at 4:00 p.m.

Present: S. Germain, Chair
T. Ault, Councillor
M. Blake, Mayor
G. Boutilier, Councillor
L. Bussieres, Councillor
J. Cardinal, Councillor
K. McGrath, Councillor
P. Meagher, Councillor

Absent: J. Chadi, Councillor
J. Stroud, Councillor
A. Vinni, Councillor

Administration: A. Rogers, Senior Legislative Officer

Call to Order

The Chair called the meeting to order at 4:03 p.m.

1. Adoption of Agenda

Moved by Councillor K. McGrath that the agenda be adopted as presented.

CARRIED UNANIMOUSLY

2. Minutes of Previous Audit and Budget Committee Meeting – April 1, 2014

Moved by Councillor Bussieres that the minutes of the April 1, 2014 Audit and Budget Committee meeting be adopted as presented.

CARRIED UNANIMOUSLY

Motion to Move In Camera

Moved by Councillor T. Ault that the Audit and Budget Committee move in camera pursuant to section 24 of the *Freedom of Information and Protection of Privacy Act*.

CARRIED UNANIMOUSLY

3. Accountability, Integrity and Transparency Audit

Attendees: Alex Beis, KPMG; John Stelter, KPMG (teleconference); Joleen Collier, Office of the Municipal Auditor

Exit and Return

Councillor G. Boutilier was absent from 4:16 p.m. – 4:42 p.m.

Arrival

Councillor P. Meagher joined the meeting at 4:52 p.m.

Motion to Reconvene in Public

Moved by Councillor L. Bussieres that the Audit and Budget Committee reconvene in public.

CARRIED UNANIMOUSLY

The Audit and Budget Committee met in camera from 4:05 p.m. to 4:54 p.m.

Adjournment

Moved by Councillor P. Meagher that the meeting be adjourned.

CARRIED UNANIMOUSLY

The meeting adjourned at 4:57 p.m.

Chair

Chief Legislative Officer

Subject: 2014 Property Tax Rate Bylaw – Bylaw No. 14/019

APPROVALS:

Brian Moore, Director
Elsie Hutton, Executive Director
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendation:

1. That the 2014 Tax Rate Bylaw be forwarded to Council for consideration.

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, 2013. 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.

The education requisition received from the Province for this year has increased by \$10,423,544.41 which equates to an overall 18% increase from 2012. The owner of the typical single family home will experience a 27% increase in education taxes which translates to \$350 per year. This is the second year of a two year Provincial School Tax phase out of the Capping

and Mitigation Program which has been in place since 2000. Over the two years the Provincial Education Tax requisition has increased by 64% with the typical single family home taxes increasing by \$750 or 87%.

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.

In establishing municipal tax rates for the 2014 Property Tax Rate Bylaw, Administration has used the tax revenue neutral plus new construction growth approach for all property classes.

In order to assist with understanding of the 2014 Property Tax Rate recommendations, the following clarifications are provided:

- Property tax remaining tax revenue neutral simply means that the inflationary aspects of the real estate market have been factored out of the mill rate calculation and as a result, the Municipality will collect the same municipal tax revenue for the 2014 tax year as it did in the 2013 tax year on the grouping of properties which existed in 2013.
- The Residential property tax class has experienced varying 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.
- The Other Residential property class has experienced differing 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 information, 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 2014 will increase relative to 2013 as a result of new construction growth being taxed for the first time in the 2014 taxation year.

Since Council approval of the 2014 Operating Budget earlier this year, property taxation revenue estimates for the 2014 taxation year based on tax revenue neutral plus new construction growth approach have been exceeded.

For more information see Attachment 2 – 2014 Property Tax Rate Bylaw Questions and Answers.

Budget/Financial Implications:

During budget development in the fall of 2013, property tax revenue from new construction growth was estimated at \$63,579,902. Property tax revenue from new growth is now estimated at \$109,948,744, resulting in an increase of \$46,368,842 from the approved 2014 Operating

Budget. After an allocation for potential appeal adjustments of \$1,569,753 (3%), \$44,799,089 is available. Audit and Budget Committee (Committee) will review the options available in conjunction with the Fiscal Management Strategy at their May 6 meeting. Based on the Committee's recommendation, Council will discuss as part of the May 13 Council meeting when considering second and third reading of the tax rate bylaw.

Assessment notices were sent out on February 28, 2014 and the deadline for assessment complaints is May 2, 2014. A better estimate of assessment roll totals and resulting property tax revenue impacts cannot be determined until the appeal deadline has passed.

Rationale for Recommendation:

The proposed property tax rates are consistent with the previously adopted tax revenue neutral plus new construction growth strategy proposed in the 2013-2015 Fiscal Management Strategy.

Attachments:

1. Bylaw No. 14/019 – 2014 Property Tax Bylaw
2. 2014 Property Tax Rate Bylaw Questions and Answers

BYLAW NO. 14/019**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 2014 FISCAL YEAR.**

WHEREAS Sections 353 and 354 of the *Municipal Government Act*, RSA 2000, c.M-26, require that a municipality adopt a property tax bylaw annually and establish guidelines for the setting of tax rates;

AND WHEREAS estimated amended operating expenses including potential appeal losses for the 2014 fiscal year total \$771,112,497;

AND WHEREAS the approved 2014 budget including potential appeal losses is \$724,743,655;

AND WHEREAS estimated additional revenues as a result of the revenue neutral methodology of Council will total \$46,368,842;

AND WHEREAS estimated Local Improvement Program levies total \$418,100;

AND WHEREAS estimated operating revenues from sources other than taxation levies total \$106,435,955;

AND WHEREAS the Alberta School Foundation Fund (ASFF) has issued the following requisitions to the Regional Municipality of Wood Buffalo, namely;

- | | | |
|-----|-------------------------------|-----------------|
| i) | for residential and farm land | \$35,703,789.64 |
| ii) | for non-residential | \$31,113,398.68 |

AND WHEREAS the Fort McMurray Roman Catholic Separate School District #32 (R.C.S.S.D) has made the following requisitions to the Regional Municipality of Wood Buffalo, namely;

- | | | |
|-----|-------------------------------|----------------|
| i) | for residential and farm land | \$1,688,549.04 |
| ii) | for non-residential | \$209,605.28 |

AND WHEREAS the Ayabaskaw House has made the following requisition to the Regional Municipality of Wood Buffalo, namely;

- | | | |
|----|------------------------|-------------|
| i) | for all property types | \$32,706.00 |
|----|------------------------|-------------|

AND WHEREAS the Rotary House Senior's Lodge has made the following requisition to the Regional Municipality of Wood Buffalo, namely;

- | | | |
|----|------------------------|----------------|
| i) | for all property types | \$2,034,001.00 |
|----|------------------------|----------------|

AND WHEREAS Section 10 of the Order in Council No. 817-94 regarding the amalgamation of Improvement District 143 and City of Fort McMurray, which became effective on the first 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 for the Regional Municipality of Wood Buffalo for 2014 are estimated to be:

- i) Municipal Purposes \$664,258,442

AND WHEREAS the total Regional Municipality of Wood Buffalo Rural Service Area assessment of land, building, and improvements from which tax levy requirements may be raised totals \$34,695,942,065;

AND WHEREAS the total Regional Municipality of Wood Buffalo Urban Service Area assessment of land, building, and improvements from which tax levy requirements may be raised totals \$18,003,471,696;

AND WHEREAS it is deemed necessary to impose several rates of taxation for the 2014, 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, as follows:

1. The Director of Assessment and Taxation is authorized and required to levy the following rates of taxation against the assessed value of all lands, buildings, and improvements as shown upon the Municipal Assessment Roll.

EDUCATION

Alberta School Foundation Fund

- Residential and Farmland 0.0024739
- Non-Residential 0.0029856

Fort McMurray R.C.S.S.D. #32

- Residential and Farmland 0.0024739
- Non-Residential 0.0029856

SENIORS' FACILITIES

- Ayabaskaw Home
 - Residential and Farmland 0.0000006
 - Non-Residential 0.0000006
 - Machinery and Equipment 0.0000006
- Rotary House
 - Residential and Farmland 0.0000389
 - Non-Residential 0.0000389
 - Machinery and Equipment 0.0000389

MUNICIPAL PURPOSES RURAL SERVICE AREA

- Residential and Farmland 0.0012243
- Non-Residential 0.0179951
- Machinery and Equipment 0.0179951

MUNICIPAL PURPOSES URBAN SERVICE AREA

- Residential and Farmland 0.0023098
- Other Residential 0.0051616
- Non-Residential 0.0040066
- Machinery and Equipment 0.0040066

Definitions

2. For the purpose of this Bylaw:

- a. “other residential” has the same meaning as set out in Bylaw No 13/012 being the Bylaw to create residential subclasses.

3. This Bylaw comes into force when it is passed.

READ a first time this _____ day of _____, A.D 2014.

READ a second time this _____ day of _____, A.D. 2014.

READ a third and final time this _____ day of _____, A.D. 2014.

SIGNED and PASSED this _____ day of _____, A.D. 2014.

Mayor

Chief Legislative Officer

2014 Property Tax Rate Bylaw Questions and Answers

What do we mean by “Tax Revenue Neutral”?

Property taxes’ remaining tax revenue neutral simply means that the Municipality will collect the same tax revenue for the 2014 tax year as it did in the 2013 tax year on properties which existed in 2013. In reference to the recommended 2014 Tax Rate Bylaw, Residential, Other Residential and Non-Residential properties are recommended to remain tax revenue neutral. Assessed values in the Residential property tax class, as an example, experienced differing value changes due to market influences. Although the Municipality is collecting the same tax revenue in 2014 from all classes of properties “which existed in 2013”, there will be both tax increases and decreases within the property classes. The overall total tax revenue collected for all property classes will increase as a result of new properties (new construction) being taxed for the first time in the 2014 taxation year.

How do property taxes in Fort McMurray (Urban Service Area) compare to municipal Residential taxes in other urban centers with a population of 50,000 or greater?

As of 2013 the Municipality has the 3rd highest residential property taxes in comparison to 9 Alberta urban centers with a population of 50,000 or greater when we were 3rd lowest in 2012. This is a direct result of the dramatic increase in Provincial School Taxes in 2013.

How do property taxes in Fort McMurray (Urban Service Area) compare to municipal Non-Residential taxes in other urban centers with a population of 50,000 or greater?

As of 2013 the Municipality has the lowest Non-Residential property taxes in comparison to urban centers with a population of 50,000 or greater.

Has the Provincial Education Requisition levy (school taxes) changed?

The 2014 Provincial Education property requisition and resulting school taxes for both Non-Residential and Residential properties has **increased**. For the typical single family home, the 2014 school tax increase is 27% which translates into a \$340 increase. In the past two years Provincial Education Taxes have increased by \$750 or 87% for the typical home.

Is the current property tax revenue enough to address future capital requirements?

The municipality currently has a strong financial position. Additional funding may be required in the medium term for capital projects. Administration is currently evaluating optimal financing and will make recommendations to Council in due course.

Subject: Council Expense Summary – January 1 – March 31, 2014

APPROVALS:

Surekha Kanzig , Director
Brian Makey, Chief Operating Officer
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendation:

THAT the Council Expense Summary for the period January 1 – March 31, 2014 be forwarded to Council for consideration.

Summary:

The current Elected Officials Compensation, Travel, Expense and Support Policy requires that reports on expenditures for each member of Council be presented for review at a public meeting on a quarterly basis.

Background:

Administration records, monitors and reports on expenditures for each Council Member. The attached Council Expense Summary (Attachment 1) reflects the expenses entered in the Municipality's financial system for the period January 1-March 31, 2014 in the categories of business travel, conference travel (includes registration costs and training) and public relations (includes event tickets, hosting, sponsorships, etc.). At the request of Council, reporting has also been expanded to provide additional detail about the nature of the expenses.

The quarterly report also reflects any expenses that were incurred while acting as Deputy Mayor or when participating on an external board or agency on behalf of Council. These expenses are budgeted separately and do not impact the individual Council Member's budget allocations.

Individual budgets are monitored on an ongoing basis, and budget adjustments are made, as needed. As of March 31, 2014, all Council Members are within established budget parameters; therefore, no adjustments are required.

Attachments:

1. 2014 Council Expense Summary for the period January 1 – March 31, 2014.

2014 COUNCIL EXPENSE SUMMARY
Total Expenses Submitted for the Period January 1 - March 31, 2014

Elected Official	Annual Budget	YTD Expenses	Percentage Expended	Other Committees	Deputy Mayor	Details
Blake, Melissa - Business Travel	10,000	2,418	24.18%			Meetings: Minister Hughes/Northern Alberta Mayor and Reeves/Mid-Size Cities Meeting
Blake, Melissa - Public Relations	15,000	1,900	12.67%			Holiday Reception (2013) /Chamber Luncheon/Minister Quest Meeting
Blake, Melissa - Conference Travel	7,500	0	0.00%			
MAYOR - TOTAL	32,500	4,318	13.29%			
Ault, Tyran - Business Travel	1,000	0	0.00%			
Ault, Tyran - Public Relations	3,000	0	0.00%			
Ault, Tyran - Conference Travel	10,000	828	8.28%			FCM (flights)
AULT - TOTAL	14,000	828	5.91%			
Boutillier, Guy - Business Travel	1,000	206	20.60%		650	Council Retreat; Return Flight from Edmonton to Fort McMurray - Poor Road Conditions
Boutillier, Guy - Public Relations	3,000	363	12.10%			Cdn. Business Leader Award Dinner - \$195; Dinner Expense - \$168
Boutillier, Guy - Conference Travel	10,000	0	0.00%			
BOUTILIER - TOTAL	14,000	569	4.06%			
Bussieres, Lance - Business Travel	1,000	0	0.00%			
Bussieres, Lance - Public Relations	3,000	0	0.00%			
Bussieres, Lance - Conference Travel	10,000	0	0.00%			
BUSSIERES - TOTAL	14,000	0	0.00%			
Cardinal, Julia - Business Travel	32,200	4,519	14.03%			Travel, Accommodation and Expenses for Weekly Council Meetings
Cardinal, Julia - Public Relations	3,000	0	0.00%			
Cardinal, Julia - Conference Travel	10,000	3,265	32.65%			FCM (flights) - \$545; AAAMDC - \$1969 (registration, travel and accommodation); Council for Aboriginal Business - \$664 (registration)
CARDINAL - TOTAL	45,200	7,784	17.22%			
Chadi, John - Business Travel	32,200	0	0.00%			
Chadi, John - Public Relations	3,000	0	0.00%			
Chadi, John - Conference Travel	10,000	0	0.00%			
CHADI - TOTAL	45,200	0	0.00%			
Germain, Sheldon - Business Travel	1,000	0	0.00%			
Germain, Sheldon - Public Relations	3,000	0	0.00%			
Germain, Sheldon - Conference Travel	10,000	2,353	23.53%			FCM (flights)
GERMAIN - TOTAL	14,000	2,353	16.81%			
McGrath, Keith - Business Travel	1,000	0	0.00%			
McGrath, Keith - Public Relations	3,000	1,233	41.10%			Event Tickets - State of the Region; Leading the North Golf; Cdn. Business Leader Awards; Council for Aboriginal Business
McGrath, Keith - Conference Travel	10,000	1,868	18.68%			FCM (flights)
McGRATH - TOTAL	14,000	3,101	22.15%			

Elected Official	Annual Budget	YTD Expenses	Percentage Expended	Other Committees	Deputy Mayor	Details
Meagher, Phil - Business Travel	1,000	0	0.00%			
Meagher, Phil - Public Relations	3,000	105	3.50%			Event Tickets - State of the Region; Chamber Luncheon
Meagher, Phil - Conference Travel	10,000	0	0.00%	3,060		Arctic Winter Games (airfare and hotel)
MEAGHER - TOTAL	14,000	105	0.75%			
Stroud, Jane - Business Travel	15,880	1,162	7.32%	1,038		Travel and Expenses for weekly Council Meetings - \$1162;
Stroud, Jane - Public Relations	3,000	187	6.23%			Event Tickets - State of the Region; Leading the North Golf Tournament
Stroud, Jane - Conference Travel	10,000	2,949	29.49%			AAMDC (registration, travel and accommodation) - \$1420; FCM - \$837 (flights); Council for Aboriginal Business - \$664
STROUD - TOTAL	28,880	4,298	14.88%			
Vinni, Allan - Business Travel	5,000	0	0.00%			
Vinni, Allan - Public Relations	3,000	456	15.20%			Event Tickets - Gold Star Gala; Spring Fling
Vinni, Allan - Conference Travel	10,000	707	7.07%			FCM (flights)
VINNI - TOTAL	18,000	1,163	6.46%			