

Subject: Bylaw No.13/016 – 2013 Property Tax Rate

APPROVALS:

Kola Oladimeji, Director
Elsie Hutton, Chief Financial Officer
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendations:

1. THAT the 2013 Operating Budget be amended by increasing transfer to Capital Infrastructure Reserve by \$16,872,861.
2. THAT Bylaw No. 13/016, being the 2013 Property Tax Rate Bylaw, be read a first time.

Summary:

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required, annually, to pass a Property Tax Rate Bylaw 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 vary between property types. 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, 2012. 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 Home 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 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 \$16,316,188 which equates to an overall 39% increase from 2012. The average homeowner will experience a 42.9% increase in education taxes which translates to \$408 per year. The latest information received from the Province indicates a two year phase, therefore a similar increase in education taxes is expected for next year.

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.

In order to assist with understanding of the 2013 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 2013 tax year as it did in the 2012 tax year on properties which existed in 2012.
- 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 2013 will increase relative to 2012 as a result of new construction growth being taxed for the first time in the 2013 taxation year. In establishing municipal tax rates for the 2013 Property Tax Rate Bylaw, Administration has used the “tax revenue neutral plus new construction growth” approach for all property classes.

Since Council approval of the 2013 Operating Budget in late 2012, property taxation revenue estimates for the 2013 taxation year based on tax revenue neutral plus new construction growth approach have been exceeded.

For more information see Attachment 2 – 2013 Property Tax Rate Bylaw Questions and Answers

Budget/Financial Implications:

The 2013 property tax revenue budget was determined based on property tax revenue neutral methodology for all property classes (properties existing in 2012), with additional property tax revenue budgeted for estimated new construction growth. At the time of developing the 2013 budget in the fall of 2012, property tax revenue from new construction growth was estimated at \$42,612,294. Property tax revenue from new growth is now estimated at \$59,485,155, resulting in an increase of \$16,872,861 from the approved 2013 Operating budget.

Assessment notices were sent out on March 1, 2013 and the deadline for assessment complaints is April 30, 2013. A better estimate of potential assessment roll and the resulting property tax revenue impacts cannot be determined until the deadline has passed.

Rationale for Recommendations:

The proposed property tax rates are consistent with the previously adopted tax revenue neutral plus new construction growth strategy proposed in the 2012-2014 fiscal management strategy. The previously adopted strategy, based on current conditions and assumptions will maintain uncommitted fiscal reserves within recommended levels.

The 2013 – 2015 Fiscal Management Strategy update has also validated that the best course of action is to proceed with the “property tax revenue neutral plus new construction growth” approach and continue to re-prioritize capital projects to match available funding.

The budget does not include 11 projects identified as Alternative Capital Financing (ACF) in the 2013 Approved Capital Budget as well as unfunded capital projects of about \$590M in the 2013-2018 Capital Plan.

Attachments:

1. Bylaw No. 13/016 – 2013 Property Tax Bylaw
2. 2013 Property Tax Rate Bylaw Questions and Answers.