

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 Bylaw No. 14/019, being the 2014 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 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;

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|-----|-------------------------------|-----------------|
| 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;

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|----|------------------------|----------------|
| 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 subclass 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.