

**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