



## STAFF REPORT

**Title:** Bylaw No. 647-AN-19 - Tax Rate Bylaw

**Meeting Date:** May 21, 2019

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### **Executive Summary:**

Annually a tax rate bylaw must be passed in order to generate the taxation revenue required to meet the 2019 approved operating budget of \$52,160,253, which includes a transfer to capital of \$9,245,000. The City must generate \$21,110,619 (2018: \$20,482,643) from municipal taxation to balance the 2019 budget. This amount is inclusive of the estimated \$16,028,000 from the Cold Lake Air Weapons Range and the allowance of \$1.2M for the PILT dispute.

Assessment notices were mailed on March 6, 2019, and as per regulation the tax payers have 67 days to appeal their assessments. The appeal deadline for 2019 is May 13, 2019.

Council gave first reading to the tax rate bylaw at March 14<sup>th</sup> Council meeting with the tax rates to be as follows: Residential Tax rate 8.2505, Multi-Family Residential rate 8.6490, and Non-residential rate of 12.6079. These rates establish an average municipal tax increase of 2.70% to generating sufficient taxation revenue as budgeted in the 2019 budget. These rates are Municipal tax rates only and do not include the School Board or Lakeland Housing Foundation Requisitions. Inclusion of the requisition will generate an approximate 0.55% increase.

Administration has prepared an additional option at 1.35% increase and added it to the tax rate spreadsheet attached for further discussion around the 2019 tax rate bylaw.

### **Background:**

Council passed the 2019 Operational Budget on December 11, 2018 in the amount of \$52,160,253 with \$21,110,619 to be generated from taxation revenue. The budget was passed with an estimated average tax increase of 3.07%. However, the bylaw presented shows an average increase of 2.70% to all assessment classes. Taxes are dependent on the assessed value of a property in relation to other properties in the City. The tax rate is set per \$1000 of assessment. All assessments are based on market values as at July 2018 and condition as of Dec 31, 2018. If the requisitions inclusive of the estimate requisition for Schools are included the average increase would be approximately 0.55%.



Administration is also providing other options if Council wishes to consider them.

Option 1: same rate as last year which will equate to a deficit of 1.4M. Options 2 and 3 are both calculated with an average of no increase to Municipal taxes with the difference of option 3 making Multi family the same as the residential rate. Both these options would require a transfer of approximately 560,000 from accumulated surplus to balance the 2019 Operational Budget. Option 4 and 5 both will generate the funds from taxation to balance the 2019 Operational budget. Option 4 presents Residential and Multifamily rates the same while option 5 will give an equal increase of Municipal taxes to all classes.

The City appealed the 2013 to 2018 Payment in lieu of taxes (PILT) to the Dispute Advisory Board (DAP) stemming from a discrepancy between the City's Assessor's assessment and the Federal Assessors assessment of the 4 Wing property. The 2019 budget includes a PILT allowance of \$1.2M. The City will again apply for deferral of the portion of the school board requisition relating to PILT in 2019.

The City's total assessment decreased by \$96.8M when compared to prior year. Total growth was \$600,000 and the inflationary decrease was \$97.4M. The City's assessment increased just over \$7M from the annexation of lands which will generate \$31,500 in taxation revenue. The City however sustained a huge decrease in assessments due to the demolition of properties on 4 Wing (Martineau area).

Under the Order in Council regarding the Annexation the City of Cold Lake must tax the annexed land at the same tax rate as the MD or the tax rate of the City of Cold Lake whichever is lower up to and including 2069 unless the criteria is met as per the Annexation agreement. The 2018 MD tax rates are 2.7663 Residential, 5.0000 Farmland and 15.0000 for Non-Residential.

Administration has provided for informational purposes on the attached spreadsheet a projected average increase of 2.7% to municipal taxes. Due to the timing of the 2019 provincial election the education tax requisition has not been released. Municipalities have been forced to estimate the requisition and the tax rates. The City has estimated the requisition based on 2018 equalized assessment utilizing 2018 school rates to generate the City school tax rate. The City estimates the 2019 School requisition to be \$6,829,815 and have set the tax rates accordingly. If the requisition is received prior May 23, 2019 the 2019 tax rate bylaw will be amended prior to 3<sup>rd</sup> and final reading. Administration does not anticipate it the requisition being received prior to the approval of the tax rate bylaw and will allocate any difference as an over or under levy in 2020.

The Lakeland Seniors Foundation's requisition is \$200,340.41. (2017: \$201,915.20) which requires a tax rate of 0.0893 to generate the funds required. A tax rate of 0.0786



will be utilized to generate \$1,954.05 for the Designated Industrial Property Requisition. The City has no control over these requisitions; they are collected by the City and forwarded in full to the respective party.

Administration is presenting tax rate options for Council discussion.

**Alternatives:**

Council may consider the following options:

1. Council may provide direction to Administration to present 2<sup>nd</sup> and 3<sup>rd</sup> reading to Bylaw 647-AN-19 as presented to the May 23 Council meeting.
2. Council may give direction to amend tax rate bylaw prior to 2<sup>nd</sup> and 3<sup>rd</sup> reading.

**Recommended Action:**

Council to provide direction to give 2<sup>nd</sup> and 3<sup>rd</sup> reading to Bylaw 647-AN-19 the 2019 Tax Rate Bylaw with the Municipal Residential tax rate of 8.2505, Multi-Family Residential rate of 8.6490, Non-Residential tax rate of 12.6079, Annexed Residential 2.7663, Annexed Farmland 5.0000, and Annexed Non-Residential 12.6079. Education tax rates of 2.7774 residential, and 3.7879 non-residential, a tax rate of .0893 for the Lakeland Lodge and Housing requisition and a tax rate of 0.0786 for the Designated Industrial Property requisition.

**Budget Implications (Yes or No):**

Yes

**Submitted by:**

Kevin Nagoya, Chief Administrative Officer