



STAFF REPORT

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

Meeting Date: May 23, 2019

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.

Administration presented several options that were discussed by Council at the May 21, 2019 Corporate Priorities meeting. The Committee recommended to Council to hold the line on taxes in 2019 due to hard economic times in the area by transferring \$555,381 from 2018 accumulated surplus to balance the 2019 budget. Scenario 2 provides an average increase to taxes for all classes at 0% this is however dependent on the percentage change in your assessment. If your property decreased approximately 6.6% in your municipal taxes will remain virtually the same. If your property assessment decreased more than 6.6% you will see a decrease and if your assessment decreased less than 6.6% you will see a slight increase in municipal taxes.

All annexed properties will be taxed at the rate set by the MD of Bonnyville or the City of Cold Lake, whichever is lower, as per the Order in Council 356/2018 approved by the Lieutenant Governor.

Upon approval of the tax rate bylaw the tax notices will be mailed with a due date for all taxes of June 30, 2019 as per Bylaw.



Background:

Council gave first reading to the tax rate bylaw at March 14th 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.

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, after actual assessments were filed, the bylaw presented shows an average increase of 2.70% to all assessment classes.

At May 21, 2019 Corporate Priorities the Committee recommended to decrease the amount generated from taxation from \$21,110,619 to \$20,555,238 by transferring \$555,381 from the 2018 accumulated surplus.

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. Most assessments decreased due to inflation. If your property decreased approximately 6.6% in your municipal taxes will remain virtually the same. If your property assessment decreased more than 6.6% you will see a decrease and if your assessment decreased less than 6.6% you will see a slight increase in municipal taxes. On average the proposed tax rate equates to a 0% increase municipal in municipal taxation.

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. Option 6 was added for the Corporate Priorities meeting which presents an approximate 1.35% increase 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. The non-residential rate for the annexed properties will be at the City approved rate as per the Order of Council from the Lieutenant Governor.

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 3rd 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.

Alternatives:

Council may consider the following options:

1. Council may amend the operational budget by transferring \$555,381 from accumulated surplus, amend Bylaw 647-AN-19 as presented and give 2nd reading as amended and 3rd and final reading.
2. Council not approve the tax rate bylaw as presented



Recommended Action:

1. Council to approve a resolution to balance the operating budget of \$52,106,253 with \$555,381 coming from 2018 accumulated surplus.
2. Council approve the amendment to Bylaw 647-AN-19 the tax rate bylaw as ~~presented~~ with the Municipal Residential tax rate of 8.0331, Multi-Family Residential rate of 8.4215 Non-Residential tax rate of 12.2760, Annexed Residential 2.7663, Annexed Farmland 5.0000, and Annexed Non-Residential 12.2760. 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.
3. Council give 2nd reading to Bylaw 647-AN-19 as amended being the 2019 Tax Rate Bylaw with the Municipal Residential tax rate of 8.0331, Multi-Family Residential rate of 8.4215 Non-Residential tax rate of 12.2760, Annexed Residential 2.7663, Annexed Farmland 5.0000, and Annexed Non-Residential 12.2760. 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.
4. Council give 3rd and final reading to Bylaw 647-AN-19 the 2019 Tax Rate Bylaw with the Municipal Residential tax rate of 8.0331, Multi-Family Residential rate of 8.4215 Non-Residential tax rate of 12.2760, Annexed Residential 2.7663, Annexed Farmland 5.0000, and Annexed Non-Residential 12.2760. 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:

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