



## **STAFF REPORT**

**Title:** Bylaw No. 672-AN-20 - 2020 Tax Rate Bylaw

**Meeting Date:** May 19, 2020

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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 2020 approved operating budget of \$53,528,632, which includes a transfer to capital of \$9,245,000. The City must generate \$20,873,554 (2019: \$20,555,238) from municipal taxation to balance the 2020 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. The City has been notified that we will receive \$16,153,399 for the 2019 ID349 taxation revenue as an interim solution. The City along with the ministry and municipalities of the area will work towards a long-term sustainable solution for the distribution of the ID349 taxation revenue for 2020 and future years. The 2020 budget includes 16M which is consistent with what we have received the last several years.

Council gave first reading to the tax rate bylaw at the May 12, 2020 council meeting with the tax rates set as follows: Residential Tax rate 8.4179, Multi-Family Residential rate 8.7510, and Non-residential rate of 12.6985. These rates establish an average municipal tax increase of 1.24% to generate sufficient taxation revenue as budgeted in the 2020 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 1.58% decrease for residential and a .23% increase for non-residential.

### **Background:**

Council passed the 2020 Operational Budget on March 24, 2020 in the amount of \$53,528,632 with \$20,873,554 to be generated from taxation revenue. The budget was passed with an estimated average tax increase of 1.11%. The bylaw presented shows the actual amount required which is an average increase of 1.24% 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 2019 and condition as of Dec 31, 2019. If the tax rates inclusive of the requisitions are included the average decrease would be approximately 1.58% for residential and a .23% increase for non-residential.



Administration is suggesting the following noteworthy items for discussion:

1. Assessment notices were mailed on February 27, 2020, and as per regulation the tax payers have 67 days to appeal their assessments. The appeal deadline for 2020 was May 4, 2020 but Municipal Affairs extended the deadline for appeal to July 1, 2020. To date the City has received 2 residential and 3 non-residential assessment appeals. The appeals are requesting a decrease in assessments of 2.5M which if all successful will amount to \$300,000 in taxation revenue. The City does not have an allowance set up for any appeals as we are usually aware of the appeals prior to setting the tax rate.
2. The City financial statement are completed and after receiving the ID349 the City did have a surplus of \$1.4M which was attributed to personnel expenses, return on investments, the ID 349 received was \$125,000 higher than the conservative budget and other minor discrepancies.
3. The City is currently uncertain of the taxation revenue it will receive in 2020. The Budget includes 8M in operating and 8M in capital. As council is aware the City has approved a limited Capital Budget dependent on sure funding from grants and other contributions other than taxation. Every 208,000 is a 1% increase required in taxation or decrease in service level.
4. The City has incurred some savings due to the pandemic mostly in personnel costs but also lost substantial revenue due recreational facilities and programming not opened to the public. The City did budget for a 5% increase in Recreation fees for half a year in the amount of \$37,500.
5. Administration is unsure of the actual cost that will be incurred or the costs that are saved due to the COVID-19 pandemic as many items are changed daily that affect the cost of operations. We currently do not know when things will return to "Normal". The City has incurred costs of approximately \$70,000 to date and we are unsure of what the costs will be going forward with opening facilities due to the restrictions and procedures required to deliver these service levels in a new format.
6. Council may wish to consider deferring the tax due date to July 31, 2020 and amend the tax penalty bylaw. The City's cash flow may not be as critical as anticipated since the announcement of the release of the 2019 ID349 funds and the 10M short term borrowing bylaw. Please note that as of May 15, 2020 we have not yet received the funds from the ID349. Council has passed a bylaw to defer the school portion of the 2020 taxes for non-residential properties until September 30, 2020.

Administration has provided some options for Council's consideration:

Option 1: same rate as last year which will equate to a deficit of \$855,155.



Option 2 is calculated with an average of no increase to Municipal taxes with a deficit of \$254,532.

Both these options would require a transfer of approximately \$855,000 and \$254,000 respectively from accumulated surplus to balance the 2020 Operational Budget.

Option 3 will generate the funds from taxation to balance the 2020 Operational budget with an approximate 1.24% increase.

The City appealed the 2013 to 2019 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 2020 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 2020.

The City's total assessment decreased by \$61.9M when compared to prior year. Total growth was \$9.1M and the inflationary decrease was \$71M. The City sustained a \$3M 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 2019 MD tax rates were 2.7663 Residential, 5.0000 Farmland and 14.5000 for Non-Residential.

The 2020 Education Property Tax Requisition totals \$6,474,212 (2019-\$6,828,899) which requires a tax rate of 2.6440 for residential properties and 3.8594 for non-residential properties.

The Lakeland Seniors Foundation's requisition is \$196,055. (2019: \$200,341) which requires a tax rate of 0.0900 to generate the funds required.

The Designated Industrial Property Requisition for 2020 is \$1,887 (2019-\$1,954). A tax rate of 0.0760 will be utilized to generate \$1,887 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 with 2nd and 3rd reading of the bylaw scheduled for May 26, 2020. Tax Notices will be mailed by May 31, 2020 with a due date of June 30, 2020.

**Alternatives:**

Council to discuss and give direction on 2<sup>nd</sup> and third reading of the tax rate bylaw

**Recommended Action:**

Council to provide direction to give 2<sup>nd</sup> and 3<sup>rd</sup> reading to Bylaw No. 672-AN-20 the 2020 Tax Rate Bylaw with the Municipal Residential tax rate of 8.4179, Multi-Family Residential rate of 8.7510, Non-Residential tax rate of 12.6985, Annexed Residential 2.7663, Annexed Farmland 5.0000, and Annexed Non-Residential 12.6985. Education tax rates of 2.6440 residential, and 3.8594 non-residential, a tax rate of .0900 for the Lakeland Lodge and Housing requisition and a tax rate of 0.0760 for the Designated Industrial Property requisition.

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

Yes

**Submitted by:**

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