

CITY OF FORT SASKATCHEWAN

2016 Property Tax Bylaw

Motions:

1. That Council amend the 2016 budget by allocating \$1,597,306 of additional growth assessment revenue to the Financial Sustainability Reserve.
2. That Council give first reading to Bylaw C8-16, providing for the collection of 2016 property taxes.
3. That Council give second reading to Bylaw C8-16, providing for the collection of 2016 property taxes.
4. That Council provide unanimous consent to proceed with third and final reading to Bylaw C8-16, providing for the collection of 2016 property taxes.
5. That Council give third reading to Bylaw C8-16, providing for the collection of 2016 property taxes.

Purpose:

To establish the 2016 property tax rates to raise revenue to be used toward the payment of budgeted municipal expenditures, the provincial education tax requisitions, and Heartland Housing Foundation seniors' accommodation.

Readings:

Bylaw C8-16 can be given three readings. Three readings are required by April 26, 2016, in order to meet production deadlines and mail tax notices.

Background:

On December 8, 2015 Council adopted the 2016 Budget resulting for municipal purposes within Fort Saskatchewan.

In addition to collecting property taxes for municipal purposes, the City is also required to collect property taxes for the Province's education tax and Heartland Housing Foundation. The total amount the City collects for these organizations is:

- 1) Heartland Housing Foundation - requisition of \$326,741 to provide for a portion of their 2016 operating requirements. This is collected equally across residential and non-residential properties.
- 2) Province of Alberta – requisition of \$12,314,178 for the 2016 public and separate education taxes. Of the \$12,314,178:
 - a) \$8,347,983 (67.8%) is collected from residential properties, and
 - b) \$3,966,195 (32.2%) is collected from non-residential properties

The Province determines how the education requisition is split between residential and non-residential properties.

Property Tax Levy Increase:

The following charts summarizes the increases for Municipal, Education and Heartland Housing in dollar value and percentage from 2015 to 2016. The chart also displays the combined tax increase to each property class.

Residential

	2016 Assessment \$400,000	2015 Assessment \$400,000	Dollar Change	Percent Change
Municipal Tax Levy	\$ 1,998.64	\$ 1,961.02	\$ 37.62	1.92%
Education Tax Levy	\$ 949.88	\$ 917.80	\$ 32.08	3.50%
Heartland Housing Foundation Tax Levy	\$ 21.37	\$ 19.86	\$ 1.51	7.60%
Combined Tax Impact	\$ 2,969.89	\$ 2,898.68	\$ 71.21	2.46%

Non-Residential

	2016 Assessment \$1,000,000	2015 Assessment \$1,000,000	Dollar Change	Percent Change
Municipal Tax Levy	\$ 9,867.28	\$ 9,605.66	\$ 261.62	2.72%
Education Tax Levy	\$ 3,364.70	\$ 3,470.00	\$ (105.30)	(3.03%)
Heartland Housing Foundation Tax Levy	\$ 53.43	\$ 49.64	\$ 3.79	7.63%
Combined Tax Impact	\$ 13,285.41	\$ 13,125.30	160.11	1.22%

As outlined in the charts residential properties will see their overall property tax bill increase by 2.46% with non-residential increasing by 1.22% based on the combined examples provided.

Additional Growth Assessment Revenue

The 2016 Budget included estimated growth revenue of \$1,715,576. This revenue was an estimate as the final property assessment values for 2016 are not known until March. As there are many variables when it comes to these values, a conservative estimate is used for the budget and then adjusted at the time of the Property Tax Bylaw approval.

With the property assessment values finalized, the City will realize \$1,597,306 in new ongoing growth property tax revenue in addition to what was budgeted in the 2016 budget. As in previous years it is recommended the revenue collected for 2016 be moved to the Financial Stabilization Reserve and then considered as part of the 2017 Budget Deliberations. Background on the rationale for this recommendation follows.

Assessment growth is basically the value of new construction which provides additional tax revenue. As there are costs associated with new growth the additional revenue helps to offset those costs. Prior to 2013 the revenue from the additional growth was used to reduce the overall tax increase and not specifically applied to growth. The result was in 2012 the City faced a 15% residential tax increase to maintain service levels.

As a mitigation strategy, the 15% increase was spread over three budget years. However, no provision was made to address growth pressures for those three years. For this reason in 2013 any additional assessment revenue was deferred to budget deliberations so Council could mitigate growth costs.

The practice of allocating the additional growth money to the following year's budget deliberations has:

- a) Helped with the City's financial position,
- b) More closely linked growth revenue to growth costs,
- c) Allowed money to be set aside to fund future operating costs of new projects, and
- d) Assisted in leveling future years' tax increases.

Although the City has experienced considerable growth in its industrial base over the past few years, early projections indicate a significant reduction in new construction projects extending beyond 2016. This reduction would impact the amount of future growth related revenue. Deferring the allocation of the additional \$1,597,306 to the 2017 Budget Deliberation provides Council more options should the reduction in growth revenue be realized.

Alternative:

Council could allocate a portion of the additional growth revenue to the 2016 budget to reduce the property tax increase.

Recommendations:

1. That Council allocate \$1,597,306 in real growth assessment revenue to the Financial Sustainability Reserve in the 2016 Budget.
2. That Council give three readings to Bylaw C8-16, which provides for the collection of 2016 property taxes.

Q & A

Additional information regarding the Property Tax Bylaw is included in the attached 2016 Property Tax Bylaw – Questions and Answers.

Attachments:

1. Bylaw C8-16 – 2016 Property Tax Bylaw
2. 2016 Property Tax Bylaw – Questions and Answers

File No.:

Prepared by:	Shannon Andruchow Senior Accountant	Date: April 20, 2016
Reviewed by:	Jeremy Emann Chief Financial Officer	Date: April 20, 2016
Reviewed by:	Kelly Kloss City Manager	Date: April 20, 2016
Submitted to:	City Council	Date: April 26, 2016