

CITY OF FORT SASKATCHEWAN

Bylaw C8-17 - 2017 Property Tax Bylaw

Motion:

1. That Council amend the 2017 budget by allocating \$219,493 of additional growth assessment revenue to the Financial Stabilization Reserve.
2. That Council give first reading to Bylaw C8-17, providing for the collection of 2017 property taxes.
3. That Council give second reading to Bylaw C8-17, providing for the collection of 2017 property taxes.
4. That Council provide unanimous consent to proceed with third and final reading to Bylaw C8-17, providing for the collection of 2017 property taxes.
5. That Council give third reading to Bylaw C8-17, providing for the collection of 2017 property taxes.

Purpose:

To establish the 2017 property tax rates to raise revenue to be used toward the payment of budgeted municipal expenditures, the Provincial education tax requisition, and Heartland Housing Foundation seniors' accommodation.

Background:

On December 13, 2016 Council adopted the 2017 budget for municipal purposes within Fort Saskatchewan.

In addition to collecting property taxes for municipal purposes, the City is also required to collect property taxes on behalf of the Heartland Housing Foundation and Provincial education requisitions. The total amount the City collects for these organizations is:

- a) Heartland Housing Foundation – requisition of \$351,905 (2016 - \$326,741) to provide for a portion of their 2017 operating requirements. This is collected equally across residential and non-residential properties;
- b) Province of Alberta – requisition of \$13,200,934 (2016 - \$12,314,178) includes public and separate education taxes. Of the \$13,200,934:
 - 1) \$8,871,830 (67.2%) is collected from residential properties, and
 - 2) \$4,329,104 (32.8%) is collected from non-residential properties

The Province determines the allocation of the education requisition between residential and non-residential properties (machinery & equipment is exempt from education taxes).

Property Tax Impacts:

The following charts summarize the property tax impacts for Municipal, Education and Heartland Housing levies from 2016 to 2017, in dollar values and percentages, for sample residential and

non-residential properties. The chart also displays the combined tax impacts for both property classes.

Residential

	2017 Assessment \$400,000	2016 Assessment \$400,000	Dollar Change	Percent Change
Municipal Tax Levy	\$ 2,023.45	\$ 1,982.57	\$ 40.89	2.06%
Education Tax Levy	\$ 1,030.28	\$ 949.88	\$ 80.40	8.46%
Heartland Housing Foundation Tax Levy	\$ 22.86	\$ 21.37	\$ 1.47	6.92%
Combined Tax Impact	\$ 3,076.59	\$ 2,953.82	\$ 122.77	4.16%

Non-Residential

	2017 Assessment \$1,000,000	2016 Assessment \$1,000,000	Dollar Change	Percent Change
Municipal Tax Levy	\$ 9,259.03	\$ 9,711.14	\$ (452.11)	(4.66%)
Education Tax Levy	\$ 3,578.10	\$ 3,364.70	\$ 213.40	6.3%
Heartland Housing Foundation Tax Levy	\$ 57.14	\$ 53.43	\$ 3.71	6.9%
Combined Tax Impact	\$ 12,894.27	\$ 13,129.27	\$ (235.00)	(1.79%)

As outlined in the chart, residential properties will see their overall property tax bill increase by 4.16% and non-residential properties will see a decrease of 1.79% from 2016 to 2017, based on the combined examples provided.

Additional Growth Assessment Revenue:

The 2017 budget approved in December 2016 included estimated growth revenue of \$1,162,505. Growth revenue is estimated at budget time, as the final property assessment values for 2016 are not known until spring 2017. As there are many variables when it comes to these values, a conservative estimate is used for preparing the budget, and then adjusted to actual at the time the Property Tax Bylaw is prepared.

With the property assessment values now finalized, the City will realize \$219,493 of additional, ongoing property tax revenue related to growth, in addition to the amount included in the 2017 budget. As in previous years, it is recommended that this additional growth revenue collected for 2017 be moved to the Financial Stabilization Reserve, and then considered as part of the 2018 budget deliberations. Background on the rationale for this recommendation follows.

Assessment growth is basically the value of new construction which provides additional, ongoing 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 increases 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 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 \$219,493 to the 2018 budget deliberation provides Council more options should the reduction in growth revenue be realized.

Effects on the Tax Split:

On December 13, 2016, Council passed a motion to allocate the 2017 municipal property taxes at a ratio of 59.0% non-residential and 41.0% residential. At this time, separate property tax rates for residential and non-residential properties were calculated on the basis of a 59.0 / 41.0 tax split using property tax revenue approved in the 2017 budget and estimated property assessment figures. The tax rates resulted in a 2.06% increase in the municipal tax portion for residential properties and a 4.66% decrease in the municipal tax portion for non-residential properties, from 2016 to 2017. The tax rates and related tax impacts were presented to Council on this date.

In March 2017, property assessors finalized the City's property assessment figures. This made it possible to calculate additional growth revenue of \$219,493, by comparing the final property assessment figures to the estimated figures used for budget purposes. Our analysis showed that from the time the budget was prepared and adopted by Council, to the time the assessment figures were finalized, the residential assessment base decreased in value by approximately \$74.1 million and the non-residential assessment base increased in value by approximately \$64.2 million. This resulted in a net reduction of \$374,942 to the residential portion of municipal property taxes, and a net increase of \$594,435 to the non-residential portion.

The combined effects of the assessment changes described above, produces a shift in the tax split to 60.1% non-residential and 39.9% residential, provided that the property tax rates set at budget are held constant. However, Council has an alternative option of maintaining the 59.0 / 41.0 tax split and applying it to the additional growth figure. Under this option, the property tax rates set at budget will change, resulting in a 4.71% increase in the municipal tax portion for residential and a 6.33% decrease in the municipal tax portion for non-residential, from 2016 to 2017.

Administration is not recommending that the 59.0 / 41.0 tax split be maintained, and that a fixed revenue split no longer be used as a guide for decisions regarding how taxation is applied in the future. Such a system, as has been used in the past, does not reflect the reality that the City's assessment classes are volatile and can grow or decrease at very different rates. A more formal strategy to the application of taxation is being discussed by Council for 2018.

Three readings of Bylaw C8-17 are required by April 25, 2017, in order to meet production deadlines and mail tax notices.

Additional information (Q & A) regarding the Property Tax Bylaw has been included as Attachment 2.

Recommendations:

1. That Council allocate \$219,493 of additional growth assessment revenue to the Financial Stabilization Reserve in the 2017 budget.
2. That Council maintain the property tax rates set during budget and allow the tax split to change from 59.0 / 41.0 to 60.1 / 39.9, as reflected in Bylaw C8-17.
3. That Council give three readings to Bylaw C8-17, which provides for the collection of 2017 property taxes.

Attachments:

1. Bylaw C8-17 – 2017 Property Tax Bylaw
2. 2017 Property Tax Bylaw – Questions and Answers

File No.:

Prepared by:	Len Mueller Senior Accountant	Date: April 20, 2017
Approved by:	Jeremy Emann Chief Financial Officer	Date: April 20, 2017
Approved by:	John Dance General Manager, Corporate Services	Date: April 20, 2017
Reviewed by:	Troy Fleming Acting City Manager	Date: April 20, 2017
Submitted to:	City Council	Date: April 25, 2017