



Special Council Meeting

AGENDA

Monday, May 06, 2013 – Council Chambers, City Hall

Call to Order: 4:30 PM

I. UNFINISHED BUSINESS

- I.1. 2013 Tax Rate Bylaw 3495/2013
Consideration of Second and Third Reading

(Agenda Pages I – II)

2. ADJOURNMENT



April 30, 2013

2013 Tax Rate Bylaw 3495/2013, Option 3

Consideration of Second and Third Reading

Legislative Services

Report Summary & Recommendation:

Summary:

The attached report is being brought forward from the Monday, April 29, 2013 Council Meeting.

Recommendation:

That Council consider giving second and third reading to the 2013 Tax Rate Bylaw 3495/2013, Option 3.

City Manager Comments:

I support the recommendation of Administration to proceed with second and third reading of the 2013 Tax Rate Bylaw 3495/2013, Option 3.

Craig Curtis
City Manager

Report Details

Background:

At the Monday, April 29, 2013 Regular Council Meeting, Council gave first reading to the 2013 Tax Rate Bylaw 3495/2013, Option 3, a bylaw to establish the property tax rates for 2013. As no advertising is required for this bylaw, Council is asked to consider second and third reading at this time.



Report originally presented
at the April 29, 2013
Council Meeting

April 29, 2013

2013 Tax Rate Bylaw 3495/2013

Revenue & Assessment Services

Report Summary & Recommendation:

This report has been prepared to provide Council with information and options relevant to the setting of the property tax rates for 2013. Administration is requesting Council's direction of the tax rates to be used for distribution of the tax requirement among the different classes of taxable property in the City for the 2013 taxation year.

Administration recommends that Council give consideration to first reading of the 2013 Tax Rate Bylaw 3495/2013 - Option 3 to establish the property tax rates for 2013.

City Manager Comments:

I support the recommendations of Administration. This item will come back to a Special Council meeting on Monday, May 6, 2013 for consideration of second and third reading.

Craig Curtis
City Manager

Proposed Resolution

The Council consider first reading of the 2013 Tax Rate Bylaw 3495/2013.



Background:

The Municipal Government Act (MGA) requires Council to pass a property tax bylaw annually. The property tax bylaw authorizes Council to impose a tax in respect of property in the municipality to raise revenue to be used toward the payment of expenditures and transfers set out in the budget of the municipality and to collect requisitions. The tax rate bylaw must set and show separately all of the tax rates to be imposed under the MGA to raise the revenue required.

Key processes must be complete in order to create the tax rate bylaw and levy taxes:

- **Property Assessment** – The annual assessment roll must be established and declared to the Province.
- **Annual Budget** – Council must approve an annual operating budget to set the amount of general tax revenue required to fund City operations.
- **Education Requisition** – The requisition amount and education tax rates for residential and non-residential property must be set by The Province.
- **Piper Creek Requisition** – The Piper Creek Foundation has until April 30 to requisition the City for amounts to be collected on their behalf.
- **Red Deer County Tax Rate Bylaw** – The City must tax certain lands annexed into The City at County tax rates and therefore the County rates must be known.

Administration is able to prepare the analysis for the tax rate bylaw once assessed values, general tax revenue requirement, education tax rates, and the Piper Creek Foundation requisition are known.

After Council passes the tax rate bylaw and County tax rates are set, taxes are calculated for each individual property. Property taxes are calculated by multiplying the assessed value of the property by the tax rate for the property type.

$$\boxed{\text{Assessed Value}} \times \boxed{\text{Tax Rates}} = \boxed{\text{Property Tax Bill}}$$

Administration will be mailing tax notices on May 22 in order to meet the legislated timelines. Taxes will be due June 28 which is the last business day in June.

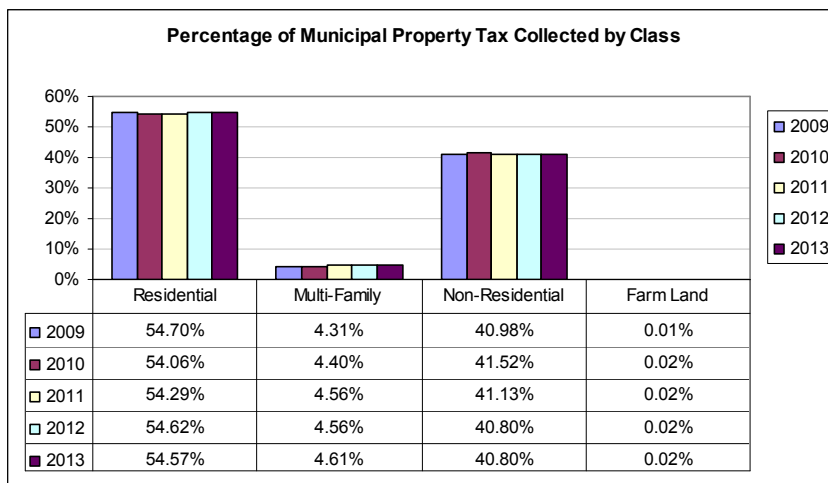
Discussion:

The 2013 Tax Rate Bylaw has three key components:

I. Municipal Property Tax



In the 2013 operating budget Council approved general municipal tax revenue of \$106,494,397 which includes supplementary tax revenue of \$275,000. These funding requirements have been incorporated into the proposed 2013 Tax Rate Bylaw.



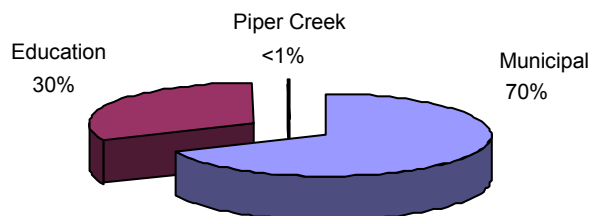
2. Requisitions

A. Province of Alberta Education Requisition: \$39,607,986

This marks a 3.8% increase over 2012 and was set during the annual provincial budget process that took place on March 7. The education amount is determined by the Province and must be collected and remitted by municipalities to the Province to fund education. Education tax rates for residential and non-residential are also set by the Province.

B. Piper Creek Foundation Requisition: \$269,599

The Piper Creek Foundation has requisitioned The City to collect funding for affordable senior's housing. The City is required by Ministerial Order to collect this on their behalf.



This year, requisitions comprise 30% of the average homeowner's tax bill while municipal taxes make up the remaining 70% of the total property tax bill.

3. Annexed Property



This section of the bylaw provides for taxation conditions for annexed property:

- Order in Council 432/2004 requires the taxation of certain 2004 annexed property at the lower of County or City tax rates.
- Order in Council 531/2009 amended by 477/2010 and subsequently 103/2011 requires the taxation of certain 2009 annexed property at County tax rates.

Analysis:

The Municipal Government Act requires that taxable property be classified into residential, non residential, farmland and machinery and equipment classes. Furthermore, Council has resolved that there will be a separate tax subclass for multi family properties - residential properties with three or more units. It is these classes of property for which Council is required to set the tax rates.

There are a number of tools which are used to measure and compare the distribution of the tax requirement. One of the most useful ways to evaluate the options and impacts of tax distribution is to calculate and compare ratios. The two ratios commonly utilized are the **multi family ratio** (multi family municipal tax rate divided by the residential municipal tax rate) and the **commercial ratio** (non residential municipal tax rate divided by the residential municipal tax rate). These ratios are a key indicator of how the tax requirement is being distributed between the taxable classes of property and are also comparable to other municipalities.

A review of the multi family and commercial ratios of five other comparable cities in Alberta (Calgary, Edmonton, Grande Prairie, Lethbridge and Medicine Hat) was undertaken using 2012 approved tax rates. Findings of this review indicate that the commercial tax ratio in The City of Red Deer is currently second lowest in the province behind Grande Prairie (however they charge machinery & equipment tax). This ratio has been dropping since 2008 when it was 2.80. A commercial ratio of 2.70 is the average for the comparable cities in 2012 and Red Deer was at 2.05. It is important to note that The City of Red Deer does not charge business tax or machinery & equipment tax which some of the comparison municipalities do and which would be in addition to the non residential tax rates.

Comparison of the multi family ratio concluded that Red Deer has one of the most attractive rates for multi family property taxation with the average being 1.35 where the multi family property class has been split into a sub class (4 of the comparison municipalities). Red Deer's ratio was 1.02. Generally, multi family property is classified separately so as to have a higher municipal rate of taxation than the single family residential properties recognizing that they are typically income producing with market forces dictating the rents that are generated.

Also a good indicator of tax shifts is the chart on page 2 of this report entitled 'Percentage of Municipal Property Tax Collected by Class' which compares the percentage of municipal property tax collected from



each class. Over the last five years the percentage of tax collected from each of the different property types has remained relatively constant with slight shifts for growth. In 2013 the percentage of tax collected from residential decreases a small amount, multi family increases a small amount and non residential remains the same.

Another useful indicator is to compare how the City of Red Deer tax rates rank in relation to the other cities in the province. For 2012 the **residential** municipal tax rates in order from lowest to highest are: Calgary, Edmonton, Medicine Hat, Red Deer, Lethbridge and Grande Prairie. And for **non-residential** municipal tax rates (including Business Tax) lowest to highest are: Red Deer, Medicine Hat, Edmonton, Lethbridge, Grande Prairie and Calgary. Because Calgary is the only municipality in Alberta charging a Business Tax it has been added together with the non-residential rate to reflect the comparable amount that a non-residential property pays. This analysis shows that Red Deer has the most attractive non residential tax rates.

Finally, environmental scanning done through the surveys and reports prepared by third parties provides a barometer for how The City measures up with our citizens, against other municipalities in Alberta, and across the country. These surveys include those done by Ipsos Reid, Canadian Federation of Independent Business, fDI, and the Venture and MoneySense magazines.

All indicators and analysis show that, when viewed as a whole, The City has a reasonable residential tax rate, a very attractive non residential tax rate, and provides good value for tax dollars.

One particular challenge this year is the education tax rates. Although the overall increase in the education requisition was 3.83%, the tax rates which are also set by the Province, have a large disparity between residential and non-residential. The result is a 7.79% increase in education tax rate for non-residential property and a decrease in education tax rate of 6.65% for residential property. This is due to:

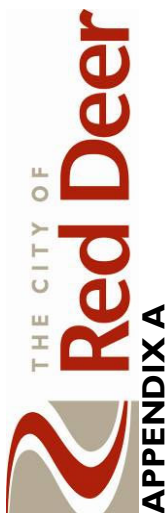
1. a policy change that no longer caps or mitigates significant shifts in assessment,
2. the local assessment shifts did not match those throughout the province, there was more growth in non-residential assessment than there was growth in residential assessment in comparison to the rest of the province, and
3. the province is collecting more of the provincial tax requirement from non residential property.

This means that if only the total tax increase is considered the municipal tax requirement will have to be significantly shifted to the residential property class to balance the overall tax increase. The options will require careful consideration to ensure that the desired balance of municipal and overall tax distribution is struck.

The purpose in setting different tax rates for the different property classes is to balance the distribution of the tax among the classes with the following objectives in mind:

- maintaining reasonable residential tax rates,
- ensuring tax rates that are conducive for business, and
- tax rate stability for taxpayers.

With these objectives and challenges in mind Administration has prepared the options in Appendix A for Council's consideration.



2013 Summary of Tax Rate Options

Administration's
Recommendation



	OPTION # 1	OPTION # 2	OPTION # 3	OPTION # 4	OPTION # 5
Residential (typical market change on \$100,000)					
103.82%					
2012 Assessment \$ 96,318	<u>Muni Only</u> 850	<u>Muni Only</u> 850	<u>Muni Only</u> 850	<u>Muni Only</u> 850	<u>Muni Only</u> 850
2013 Assessment \$100,000	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583
Increase	\$ 609	\$ 610	\$ 609	\$ 611	\$ 623
Percent Increase	19	20	19	20	33
	4.57	4.73	4.57	4.82	6.96
2.24		2.34	2.24	2.41	3.87
Multiple Family (typical market change on \$100,000)					
101.12%					
2012 Assessment \$ 98,892	<u>Muni Only</u> 883	<u>Muni Only</u> 883	<u>Muni Only</u> 883	<u>Muni Only</u> 883	<u>Muni Only</u> 883
2013 Assessment \$100,000	\$ 608	\$ 608	\$ 608	\$ 608	\$ 608
Increase	\$ 642	\$ 644	\$ 636	\$ 659	\$ 657
Percent Increase	901	903	896	919	917
	19	21	13	36	34
	5.48	5.82	4.57	8.42	8.05
2.11		2.34	1.48	4.13	3.87
2013 MULTI FAMILY RATIO	1.05	1.05	1.04	1.08	1.05
Non-Residential (typical market change on \$100,000)					
105.71%					
2012 Assessment \$ 94,598	<u>Muni Only</u> 1,502	<u>Muni Only</u> 1,502	<u>Muni Only</u> 1,502	<u>Muni Only</u> 1,502	<u>Muni Only</u> 1,502
2013 Assessment \$100,000	\$ 1,171	\$ 1,171	\$ 1,171	\$ 1,171	\$ 1,171
Increase	\$ 1,223	\$ 1,220	\$ 1,224	\$ 1,215	\$ 1,182
Percent Increase	1,601	1,598	1,602	1,593	1,560
	99	96	100	91	58
	4.47	4.22	4.57	3.81	0.99
6.59		6.39	6.67	6.07	3.87
2013 COMMERCIAL RATIO	2.01	2.00	2.01	1.99	1.90
Monthly tax increase for a \$300,000 property:					
	OPTION # 1	OPTION # 2	OPTION # 3	OPTION # 4	OPTION # 5
	RS \$ 4.75	RS \$ 4.98	RS \$ 4.75	RS \$ 5.11	RS \$ 8.23
	MF \$ 4.65	MF \$ 5.15	MF \$ 3.26	MF \$ 9.12	MF \$ 8.55
	NR \$ 24.73	NR \$ 24.00	NR \$ 25.04	NR \$ 22.80	NR \$ 14.54
2012 MULTI FAMILY RATIO 1.02					
2012 COMMERCIAL RATIO 2.05					

BYLAW NO. 3495/2013

Being a bylaw to authorize the rates of taxation to be levied against assessable property within The City of Red Deer for the 2013 taxation year.

WHEREAS Council for The City of Red Deer (Council) is required by the provisions of Section 353 of the Municipal Government Act, Chapter M-26, R.S.A. 2000 (the Act) to pass a property tax bylaw every year once Council has adopted an operating and capital budget;

AND WHEREAS Council passed budget resolutions adopting an operating and capital budget for 2013, which provided for the raising of \$ 106,494,397 by general municipal taxation; which amount is to be raised from the following sources:

2013 General Property Tax Revenue	\$ 106,219,397
2013 Supplementary Tax Revenue	\$ <u>275,000</u>
TOTAL TAX REVENUE	\$ 106,494,397

AND WHEREAS the requisitions that The City of Red Deer is required to collect under Section 326 of the Act on behalf of other organizations are as follows:

Alberta School Foundation Fund (ASFF)	\$ 34,945,018
Red Deer Catholic Regional Division	\$ <u>4,662,968</u>
School requisitions	39,607,986
Management Bodies (Piper Creek Foundation)	\$ <u>269,599</u>
TOTAL REQUISITIONS	\$ 39,877,585

AND WHEREAS Council is authorized under the Act to classify property for assessment purposes and to establish different rates of taxation for each class of property;

AND WHEREAS the assessed value of all taxable property in The City of Red Deer as shown on the assessment roll is:

Single Family Residential	\$ 9,515,173,420
Multiple Family Residential	\$ 770,353,300
Non Residential	\$ 3,539,622,490
Farm Land	\$ 1,897,520
Machinery & Equipment	\$ 40,154,990
TOTAL	\$ 13,867,201,720

AND WHEREAS Council has passed Bylaw 3493/2013 being a Bylaw authorizing the supplementary assessment of all improvements to properties which are completed or occupied or moved into The City in 2013, but not including machinery and equipment;

AND WHEREAS the taxation rates and taxation revenue for certain properties which were brought into The City of Red Deer as a result of annexation are governed by:

- Order in Council 432/2004, and
- Order in Council 531/2009 amended by Order in Council 477/2010 and further amended by Order in Council 103/2011.

THEREFORE COUNCIL OF THE CITY OF RED DEER ENACTS AS FOLLOWS:

1. This bylaw shall be known as the "Tax Rate Bylaw 2013".

Definitions

2. In this bylaw, the following terms shall have the meanings shown:

- (a) The following terms have the meanings set out in the Act:
 - "Designated manufactured home"
 - "Farm land"
 - "Machinery and equipment"
 - "Manufactured home community"
- (b) "Multiple Family Residential" property means:
 - (i) all residential property where the total number of dwelling units on the parcel of land, whether contained in a single building or more than one building, exceeds two dwelling units;
 - (ii) manufactured home communities, excluding the individual Designated Manufactured Homes;
 - (iii) vacant residential land held for the development of the above uses; and
 - (iv) the non-owner occupied residential portion of non-residential property.
- (c) "Non Residential" property means:
 - (i) any land and/or building used for a commercial, industrial, or other non-residential purpose or business venture, or any portion of that land and/or building as is used for such purpose or business venture;
 - (ii) any linear assessment; and
 - (iii) vacant land held for the development of the above uses.
- (d) "Single Family Residential" property means:
 - (i) residential property where the total number of dwelling units on the parcel of land, whether contained in a single building or more than one building, does not exceed two dwelling units;
 - (ii) registered residential condominium units;
 - (iii) single family dwelling with basement suite;
 - (iv) owner occupied portion of non-residential property;
 - (v) vacant residential land held for the development of the above uses; and
 - (vi) designated manufactured home located on a site in a manufactured home community.

Municipal Property Tax Rates

3. (1) Council authorizes the imposition of taxes for the purpose of raising revenue to be used towards the payment of the expenditures and transfers set out in the budget of the City of Red Deer, and taxes are hereby imposed on each class of assessed property within the City of Red Deer, whether listed in the assessment roll or supplementary assessment roll, at the rates for each class shown below:

General Municipal	Tax Levy	Taxable Assessment	Tax Rate
Single Family Residential	\$ 57,965,485	\$ 9,515,173,420	0.0060919
Multiple Family Residential	\$ 4,899,832	\$ 770,353,300	0.0063605
Non Residential	\$ 43,337,368	\$ 3,539,622,490	0.0122435
Farm Land	\$ 16,224	\$ 1,897,520	0.0085500
Machinery & Equipment	\$ -	\$ -	0.0122435
TOTAL TAX LEVY	\$ 106,218,909	\$ 13,827,046,730	
Approved tax requirement	\$ 106,219,397		
Over/(Under) Levy	\$ (488)		

- (2) Notwithstanding the tax rate set for machinery and equipment, Council has passed Bylaw 3211/98 which states that Machinery and Equipment used for manufacturing and/or processing shall be exempt for purposes of municipal and requisition taxation.

School Requisitions

4. Council authorizes the imposition of taxes for the purpose of raising funds for the school requisitions and taxes are hereby imposed on each class of assessed property within The City of Red Deer, whether listed in the assessment roll or supplementary assessment roll, at the rates for each class shown below:

Alberta School Foundation Fund & Red Deer Catholic Regional Division			
	Tax Levy	Taxable Assessment	Tax Rate
Single Family Residential	\$ 24,521,553	\$ 9,515,173,420	0.0025771
Multiple Family Residential	\$ 1,867,349	\$ 724,593,100	0.0025771
Non Residential	\$ 13,235,520	\$ 3,523,364,960	0.0037565
Farm Land	\$ 4,890	\$ 1,897,520	0.0025771
Machinery & Equipment	\$ -	\$ 40,154,990	0.0000000
TOTAL TAX LEVY	\$ 39,629,312	\$ 13,805,183,990	
Prior Year Over (Under) Levy	\$ (21,435)		
Requisition	\$ 39,607,986		
Over/(Under) Levy	\$ (109)		

Management Bodies – Piper Creek Foundation Requisition

5. Council authorizes the imposition of taxes for the purpose of raising funds for the Piper Creek requisition and taxes are hereby imposed on each class of assessed property within The City of Red Deer, whether listed in the assessment roll or supplementary assessment roll, at the rate shown below:

	Tax Levy	Taxable Assessment	Tax Rate
TOTAL TAX LEVY	\$ 268,418	\$ 13,765,029,000	0.0000195
Prior Year Over (Under) Levy	\$ 681		
Requisition	\$ 269,599		
Over/(Under) Levy	\$ (500)		

Annexed Property

- 6. Order in Council 432/2004 – authorizes the imposition of taxes on lands annexed to the City of Red Deer in 2004 and requires the taxation of certain annexed properties at the lesser of Red Deer County or City of Red Deer municipal tax rates (expiry December 31, 2014 for non farm land and December 31, 2029 for farm land).
- 7. Order in Council 531/2009 – annexed lands to the City of Red Deer in 2009 and requires the taxation of certain properties at the Red Deer County municipal tax rate until December 31, 2034 as amended by:
 - Order in Council 477/2010
 - Order in Council 103/2011
- 8. Notwithstanding section 3 of this Bylaw the municipal tax rate of the Red Deer County for 2013, if lower than the municipal tax rate of the City of Red Deer for 2013, shall be in effect for applicable annexed properties for the year 2013 as specified in the Orders in Council referred to above.

READ A FIRST TIME IN OPEN COUNCIL this 29th day of April 2013.

READ A SECOND TIME IN OPEN COUNCIL this day of 2013.

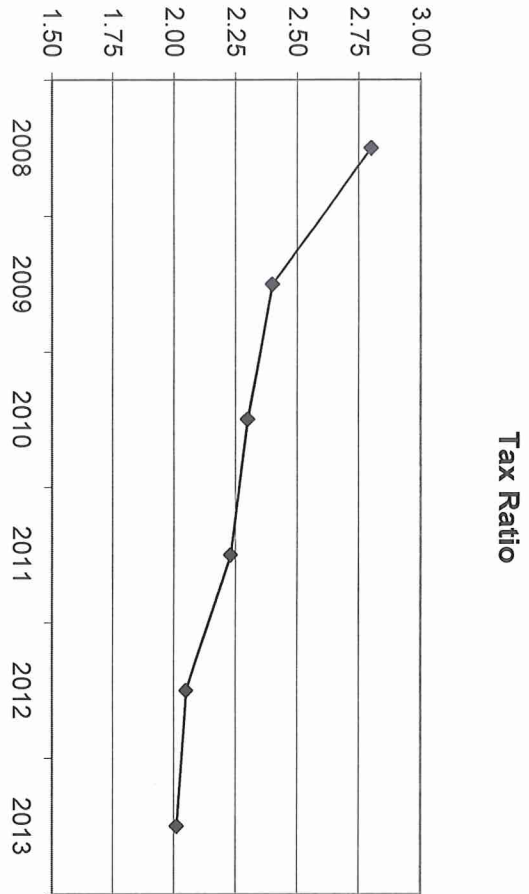
READ A THIRD TIME IN OPEN COUNCIL this day of 2013.

AND SIGNED BY THE MAYOR AND CITY CLERK this day of 2013.

MAYOR

CITY CLERK

CRAIG HANDED OUT
AT MAY 6TH COUNCIL
MEETING.





Council Decision – May 6, 2013

DATE: May 7, 2013
TO: Joanne Parkin, Revenue & Assessment Services Manager
FROM: Frieda McDougall, Legislative Services Manager
SUBJECT: 2013 Tax Rate Bylaw 3495/2013

Reference Report:

Legislative Services department, dated April 30, 2013 and Revenue & Assessment Services department dated April 29, 2013.

Bylaw Readings:

At the Monday, May 6, 2013 Council Meeting Council defeated 2013 Tax Rate Bylaw 3495/2013 (Option 3) at second reading. Council then considered 2013 Tax Rate Bylaw 3502/2013 (Option 1) and gave first, second and third readings to the bylaw. A copy of the bylaw is attached for your information.

Report back to Council: No

Comments/Further Action:

This office will post the bylaw to the City's webpage and distribute copies of the bylaw in due course.

A handwritten signature in blue ink, appearing to read 'F. McDougall'.

Frieda McDougall
Legislative Services Manager
/attach.

c: Director of Corporate Services
Controller – Property Taxation
Corporate Meeting Coordinator