

COUNCIL – AGENDA REPORT

Meeting Date: 16 May 2022

Subject: Bylaw No. B-19/2022 – 2022 Tax Rate Bylaw

Boards Routed Through: N/A

Date: N/A

Issue:

Council is being asked to give three readings to Bylaw No. B-19/2022, being the 2022 annual tax rate bylaw.

Background:

In accordance with Section 353 of the *Municipal Government Act* (MGA), the City is required to pass a tax rate bylaw annually. This bylaw enables a municipal council to levy a property tax to raise funds for operating the municipality in accordance with the 2022 Council approved budget and to meet Provincial obligations to collect and remit education tax.

Property taxes paid by the property owners in the city of Airdrie are based upon the tax rate set by bylaw, multiplied by the assessed value of each property. A property's assessment value is to reflect as close as possible, the home's market value as at July 1, 2021.

In preparing the budget, Administration takes the municipal tax revenue from the previous year and adds the additional tax revenue that will be created due to the growth in the number of parcels and their assessment.

If a tax increase is approved as part of the budget process, the increase is added to both existing parcels and the new parcels. This additional revenue provides the necessary resources to generate the revenue to be used towards payment of the expenditures and transfers set out in the budget of the municipality.

Assessment:

The assessment roll has been completed and the notices were mailed out on January 20, with a final complaint deadline of March 29, 2022. The Assessment department conducted a successful non-residential pre-roll consultation period, whereby the property owner or agent was provided with the opportunity to discuss the pre-roll values prior to the assessment roll

being finalized. The City received a total of 59 appeals in 2022, which is a higher volume compared to last year but is comparable to other mid-sized cities in Alberta.

Of the 59 appeals received within the appeal period, four have been withdrawn or experienced an assessment value adjustment. It is expected that more appeals will be resolved and hearings will be booked for the remainder of the appeals. If all assessed values are reduced to the amount requested by the property owner/agents, the potential tax revenue loss is \$1,457,661 (total tax). In the previous two years, the assessment department has been successful in defending all the assessment values that been taken forward to the appeal board.

The municipal tax revenue from the previous year is held constant in the current year except for any tax revenue increases approved during the budget process. This budgeted tax revenue is divided by the total assessed value of property within the municipality to determine the tax rate. The municipal tax rate will vary from year to year and is dependent upon the assessment base. If the total assessed value stays constant, the municipal tax rate will stay constant. If the total assessed value changes due to an increase or decrease in market values, the municipal tax rate will change.

Municipal Tax:

City Council approved a 4.3% revenue increase with the 2022 budget. Now that the assessment data has been finalized, the actual results have been calculated. Since property classes across the city have all increased or decreased slightly, properties owners will experience changes based on any increased or decreased assessment value. The overall assessment value has increased year over year, which means the municipal tax rate decreased in order to bring in the same amount of revenue. The median single-family homeowner with a change in assessed value from \$385,000 to \$420,000 will see an increase in municipal taxes of \$9.94/month. If a property value has increased or decreased more or less than this, there will be a corresponding effect on taxes.

Education Tax:

Every year, the Province calculates the amount each municipality must contribute towards the public education system based on a city's total assessment value. Municipalities then collect the education property tax and send it to the Province for the Alberta School Foundation Fund (ASFF). It is then distributed to the public and separate school boards on an equal per student basis.

The median single-family homeowner who had a change in assessed value from \$385,000 to \$420,000 will see an increase of \$1.24/month in education taxes.

Rocky View Foundation:

The Rocky View Foundation provides affordable housing options to seniors within Airdrie. They currently operate two senior's lodges. They also purchased the Hampton Inn and Suites and will be converting it to another lodge for residents. The Rocky View Foundation requisition will be increasing by \$9,800 in 2022 to help fund these services.

Designated Industrial Property Tax:

As of January 1, 2018, the Province (under the position of the Provincial Assessor) has assumed the responsibility for Designated Industrial Property assessment. The cost of assessing designated industrial property is recovered through a requisition and paid by designated industrial property taxpayers at a rate set by the Minister. The City does not have many linear parcels (e.g., wells, pipelines, railways and telecommunications); the total revenue collected and remitted to the government in 2022 is \$6,836.

Combined Tax Rates:

The chart below details the municipal, education, senior foundation and designated industrial property tax rates for residential and non-residential properties (not including annexed lands).

	2021	2022	% Change
Residential			
Municipal Tax	0.00484559	0.00472588	-2.47%
Education Tax	0.00259814	0.00241678	-6.98%
Seniors Foundation Tax	0.00005428	0.00005004	-7.81%
Total Residential	0.00749801	0.00719270	-4.07%
Non-Residential			
Municipal Tax	0.01017584	0.00992508	-2.46%
Education Tax	0.00353893	0.00378276	6.89%
Seniors Foundation Tax	0.00005428	0.00005004	-7.81%
Total Non-Residential	0.01376905	0.01375788	-0.08%
Designated industrial Property - Requisition	0.0000766	0.0000766	0.00%

For the median single family residential property, when the municipal and education tax rates are combined (due to the increase in assessment values), the total taxes paid will increase as shown in the chart below.

Property Type	Year	Assessed Value	Municipal Tax	Education Tax	Total Tax	Per month
Residential	2022	420,000	1,985	1,036	3,021	
	2021	385,000	1,866	1,021	2,887	
Increase (Decrease)		35,000.00	119.36	14.88	134.20	11.18

Non-Residential Properties

It is much more difficult to state the effect for the average non-residential property due to a large discrepancy between property types and values in this class. Also, there are substantially less properties compared to residential. This can greatly affect the median value in each category when a large value property is added to the pool. The chart below shows the effect to each class based on no change in assessed value year over year.

Property Type	Year	Assessed Value	Municipal Tax	Education Tax	Total Tax	Per month
Commercial	2022	651,000	6,461	2,495	8,956	
	2021	651,000	6,624	2,339	8,964	
Increase (Decrease)		0	(163)	156	(7)	(1)

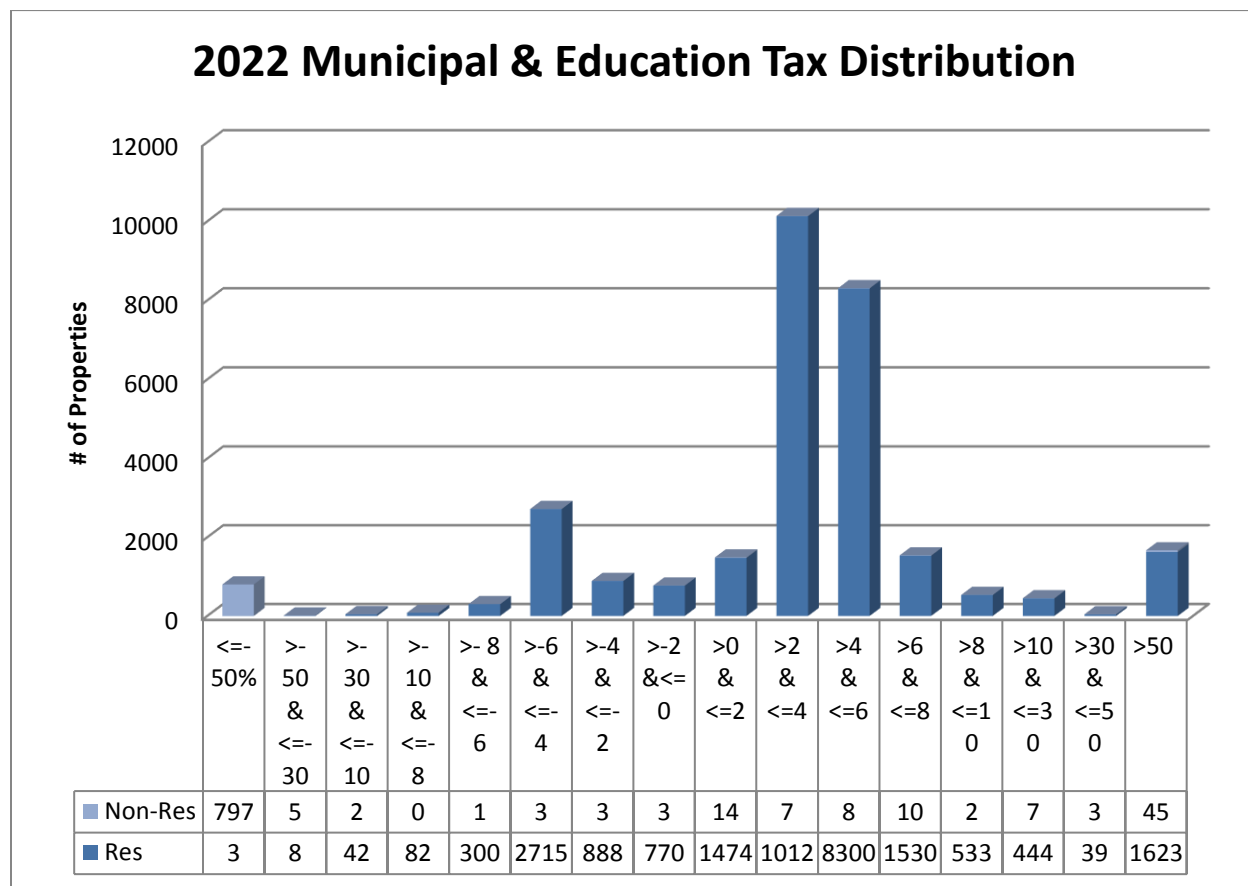
Property Type	Year	Assessed Value	Municipal Tax	Education Tax	Total Tax	Per month
Industrial	2022	631,000	6,263	2,418	8,681	
	2021	631,000	6,421	2,267	8,688	
Increase (Decrease)		0	(158)	151	(7)	(1)

Non-Residential to Residential

Tax Revenue Split Section 358.1(2) of the MGA states “[n]o municipality other than a nonconforming municipality shall in any year have a tax ratio greater than 5:1”. The national tax ratio average for large cities across Canada is 2.65. As per the City’s Fiscal Sustainability Strategy, Airdrie’s goal was to reach a ratio of 2.5 by 2022 from the current ratio of 2.1. Due to the current economic conditions, the ratio will remain unchanged in 2022 from the previous year.

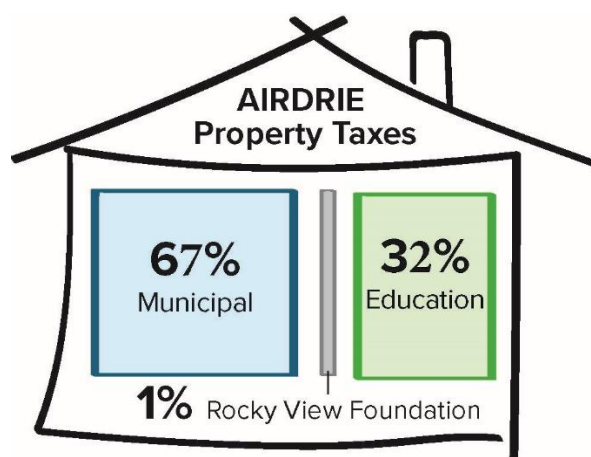
Overall effect on ALL Airdrie property owners

The graph below shows the changes in municipal and education tax combined for all residential and non-residential properties. The graph shows that the majority of property owners will experience a 2-6% increase in overall property taxes. Even though the overall combined increase is 9.3% (4.3% municipal and 5.0% education), year over year growth has help spread this burden over more properties so the effect is significantly less.



Property Tax Distribution

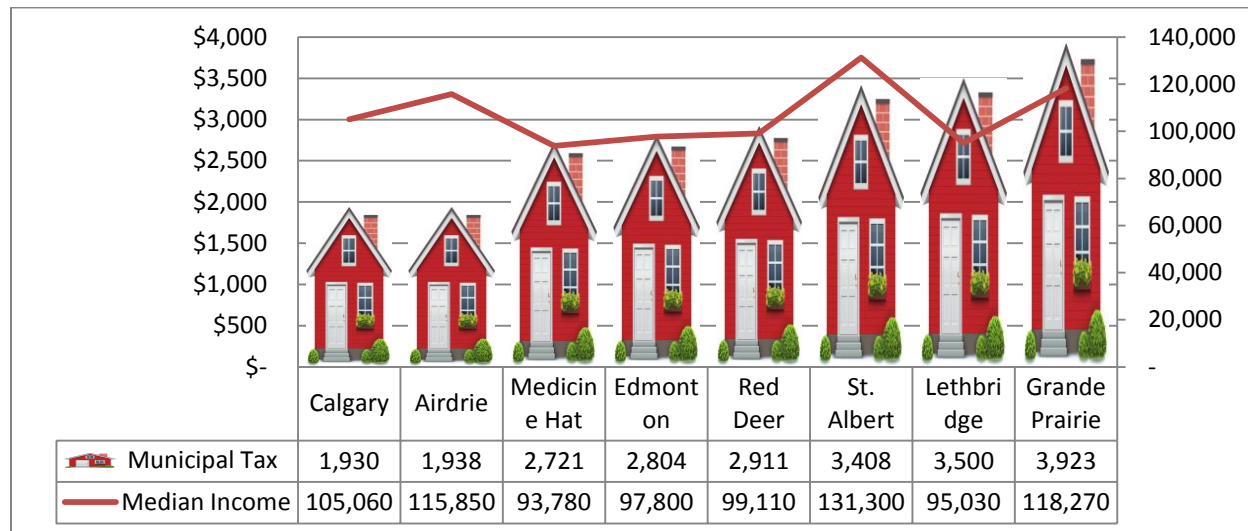
The image below shows the distribution of residential taxes: 67% of property taxes are for municipal purposes, 32% goes to the Province for education taxes and 1% goes to Rocky View Foundation.



How does Airdrie compare to other Cities in Alberta?

Residential

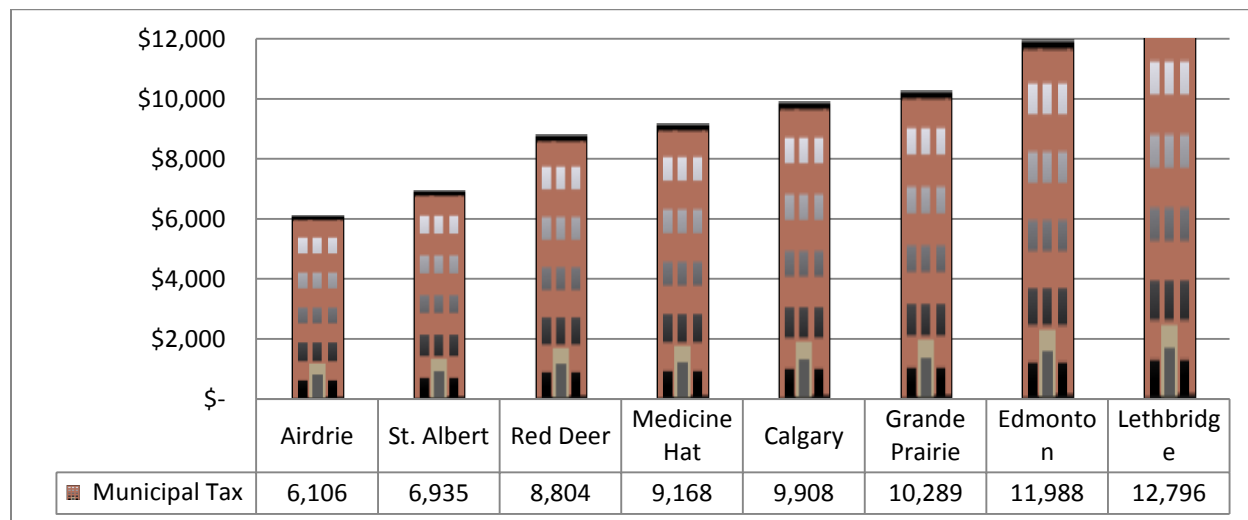
The chart below compares the municipal taxes a resident would pay in each mid to large sized city for a property with an assessed value of \$400,000. The chart will be included with the annual tax brochure to help demonstrate value for money compared to other cities of similar size in Alberta.



These rates are based on 2021 mill rates for each city.

Non-Residential

The chart below compares the municipal taxes a business would pay in each mid to large sized city for a property with an assessed value of \$600,000. The chart will also be included with the annual tax brochure to help demonstrate the tax advantage of having a business located in Airdrie.



This demonstrates how municipalities fund services and what portion of tax revenue is contributed by homeowners and businesses. The non-residential rate in Calgary is significantly higher than that of Airdrie, which is why Calgary's residential tax rate is lower.

5 Year Historical Trends:

The following is a summary of the tax rates, assessed values and resulting taxation for the past five years.

Combined Tax Rates	2018	2019	2020	2021	2022
Residential	0.00668775	0.00712538	0.00738744	7.49801	7.1927
Non-residential	0.01231951	0.0134154	0.01357404	13.76905	13.75788

Municipal Tax Rates	2018	2019	2020	2021	2022
Residential	0.00420045	0.00455494	0.00478468	4.84559	4.72588
Non-Residential	0.00861093	0.00956571	0.01004809	10.17584	9.92508

Live Assessed Values	2018	2019	2020	2021	2022
Residential	\$9,402,200,200	\$9,716,167,050	\$9,494,793,900	\$9,637,949,900	\$10,718,153,550
% of total	84.51%	84.54%	83.90%	84.23%	85.03%
Non-Residential	\$1,722,888,940	\$1,777,285,580	\$1,822,060,620	\$1,803,815,990	\$1,887,530,930
% of total	15.49%	15.46%	16.10%	15.77%	14.97%
Total Assessed Values	\$11,125,089,140	\$11,493,452,630	\$11,316,854,520	\$11,441,765,890	\$12,605,684,480

Municipal Tax Levies	2018	2019	2020	2021	2022
Residential	\$39,172,753	\$43,874,867	\$45,033,138	\$46,292,339	\$50,240,389
% of Mun.	72.56%	72.13%	71.16%	71.67%	72.91%
Non-Residential	\$14,813,391	\$16,952,452	\$18,251,685	\$18,296,469	\$18,670,805
% of Mun.	27.44%	27.87%	28.84%	28.33%	27.09%
Total Municipal Taxes	\$53,986,144	\$60,827,319	\$63,284,823	\$64,588,808	\$68,911,194

Requisition Tax Levies	2018	2019	2020	2021	2022
Residential	\$23,386,092	\$24,974,824	\$24,712,670	\$25,563,891	\$26,439,756
Non-Residential	\$6,337,668	\$6,791,748	\$6,379,043	\$6,435,391	\$7,185,159
Total Requisitions	\$29,723,760	\$31,766,573	\$31,091,712	\$31,999,282	\$33,624,915

Total ALL Taxes	\$83,709,904	\$92,593,892	\$94,376,536	\$96,588,090	\$102,536,109
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Airdrie has stayed fairly constant over the last five years, with non-residential properties comprising about 15% of the City's total assessment value and generating 27% of the municipal tax levy.

The Tax Rate Bylaw must be passed before tax notices can be mailed. Information has been published informing residents that tax notices will be mailed on May 27, 2022. This timeline is consistent with prior years.

Alignment with South Saskatchewan Regional Plan and AirdrieONE:

N/A

Boards Routed Through:

N/A

Alternatives/Implications:

Council has the following alternatives:

- 1: Council could choose to give three readings to Bylaw No. B-19/2022. Choosing this option would suggest that Council accepts the 4.3% tax increase as approved during the budget process, which allows for the tax notice process to continue as planned.
- 2: Council could choose to table Bylaw No. B-19/2022. Choosing this option would suggest that Council is not prepared to deal with the bylaw at this time or that more information is required. This report would then be brought back to a special Council meeting in May for approval in order to meet the advertised timelines and not adversely affect cash flow for the Municipality.

Public Engagement and Communications Plan:

Tax notices will be mailed out to all property owners on May 27, 2022. A brochure is included with each notice detailing where tax dollars are spent, as well as the calculation for municipal and education taxes. The brochure will also be posted on the City website. Both the brochure and City website help to further engage, inform and educate citizens with regards to how tax revenue is generated, levied, and used. Municipal tax rates will be broken out into three categories that align with the communication strategy rolled out with the 2019 budget. Below is an example of the average home in Airdrie.

Description	Current Rates	Levy
Policing and Fire Services	0.00158324	\$664.96
Municipal Residential	0.00300377	\$1,261.58
Tax Stabilization Reserve	0.00013887	\$58.33
Public School Residential	0.00241678	\$1,015.05
Rocky View Foundation	0.00005004	\$21.02

The average home contributes \$665 towards protective services. This breakdown provides much more transparency for the taxpayer.

Recommendation:

That Council gives three readings to Bylaw No. B-19/2022, being the 2022 Tax Rate Bylaw, with the 2022 budget approved 4.3 percent tax increase.

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Manager, Treasury

Presenter:	Shannon Schindeler
Department:	Corporate Services
Reviewed by:	Lucy Wiwcharuk
Attachments:	#1: Bylaw No. B-19/2022
Appointment:	N/A