

PROPERTY TAX

Date Issued: April 10, 2018, R103-18

Mandated by: City Council

Current Revision: April 10, 2018

Cross Reference:

- Operating and Capital Budgets Policy FIN-024-C
- Financial Reserves Policy FIN-021-C
- Allocation of Operating Budget Surplus Policy FIN-022-C

Next Review: January 1, 2021

Responsibility: City Manager

PURPOSE

A major objective of the City is to be a financially sustainable organization that can provide quality services and support the City's long term capital plan. The City recognizes that an important component for reaching and maintaining this objective is a property tax strategy. This Policy provides consistent standards, principles, and key factors to consider when setting municipal property tax rates to achieve the City's strategic planning objectives.

POLICY

The City relies on property taxes as its primary source of revenue to fund the programs and infrastructure that support our residents, businesses, and industry. The setting of municipal property tax rates requires judgement on the part of Council with multiple key factors to consider: balancing the interests of the overall community; distributing the tax burden fairly and equitably; and maintaining an affordable environment for residents, businesses, and industry.

DEFINITIONS

Assessment classes – shall mean one of 4 classes: residential, non-residential, farm land and machinery and equipment under current Alberta legislation.

Assessment growth – shall mean new construction that adds value to a property; can take the form of new buildings or improvements to existing property, new subdivisions, or machinery and equipment.

City – shall mean the City of Fort Saskatchewan.

Council – shall mean the current municipal Council of the City of Fort Saskatchewan.

Equitable - shall mean fair and impartial distribution in reference to tax burden being shared among property owners.

Market value - shall mean the price a pre-existing property might reasonably sell for to a willing buyer after appropriate time and exposure on the open market.

Property Tax Bylaw – shall mean the bylaw established by Council, typically in April, which finalizes assessment growth/market value change and requisitions, and allows for the collection of property taxes; is distinguished from budget approval preliminary tax increase/decrease established by Council in November or December which estimates assessment growth/market value changes.

Property tax increase/decrease - shall mean annual changes in municipal property taxes from the previous year expressed as a percentage.

Property tax split – shall mean the relevant contributions of non-residential to residential municipal property taxation expressed as percentages; where the machinery and equipment class is legislatively included with non-residential and farm land by choice is included with residential.

Requisitions - shall mean property taxes required to be collected by the City on behalf of the Government of Alberta for education as well as on behalf of the Heartland Housing Foundation.

Taxation - shall mean the process of applying a tax rate to an assessed value to determine the taxes owing.

Tax burden – shall mean the economic costs or losses resulting from imposition of a tax.

Tax rate – shall mean the percentage of assessed value at which each property is taxed; can be expressed as a mill rate by multiplying the resulting tax rate x 1000.

Tax rate ratio – shall mean the ratio of municipal non-residential to residential tax rates and the differences in the tax rates applied to different classes based on ratios with the residential tax rate being the lowest as base, or 1.0.

GUIDING PRINCIPLES

1. A long term tax rate perspective will be taken, considering multi-year operating and capital expenditures, and mitigation strategies to avoid significant future tax increases, particularly for the implementation of expanded services.
2. The generally accepted principles of taxation shall form the foundation of decision making in terms of tax distribution: fairness and equity; predictability and stability; competitiveness; sustainability of revenues raised; simplicity; transparency; and efficiency of the tax system.
3. The City shall endeavor to maintain and expand the non-residential assessment base (unweighted by tax rate) to be at more than 40% of the overall assessment base.
4. A floating/variable tax split approach shall be utilized based on prior year's taxation and growth in the assessment classes. The primary focus for the setting of tax rates shall be tax rate impacts, tax rate ratio and the property tax increase/decrease for assessment classes.

5. The City shall endeavor to achieve and maintain a tax rate ratio and tax rates competitive in the economic region with flexibility to strategically adjust in response to changing circumstances, emerging issues, and achievement of the City's strategic planning objectives.
6. The tax rates and property tax increase/decrease established at budget are reflective of estimates of assessment growth and market value change. The Property Tax Bylaw finalizes assessment growth and market value change for tax rates and property tax increase/decrease. The Property Tax Bylaw shall be prepared in accordance with the approved budget and requisitions.
7. Supplementary assessments, through the annual bylaw, shall be utilized to allow assessment for improvements added to land after the December 31 condition date for collection of property taxes for a portion of the current year.
8. Actual additional assessment revenue growth for the Property Tax Bylaw, beyond estimates made at budget, shall be initially allocated to the Financial Stabilization Reserve and in future years will be included to reflect actuals as part of proposed budget revenues. Actual assessment revenue for the Property Tax Bylaw, less than estimates made at budget, shall initially utilize the Financial Stabilization Reserve to make up for any shortfall, and in future years will be adjusted to reflect actuals as part of proposed budget revenues.
9. Separate tax rate levy lines shall be utilized for the Dow Centennial Centre and shall be considered for other major City projects.
10. The City shall consider future optional changes to provincial legislation relative to assessment and property taxes with changes approved by Council.

KEY FACTORS TO CONSIDER FOR THE SETTING OF PROPERTY TAX RATES

- Impacts arising from the annual budget and revenue requirements
- Tax rates for assessment classes
- Tax rate ratio
- Property tax increase/decrease for assessment classes and resultant impacts on sample properties
- Assessment growth and market value changes for assessment classes
- Assessment bases; both unweighted and weighted by tax rates
- Prior year tax rates for assessment classes
- Future years forecasted tax rates integrating mitigation strategies to avoid significant future tax increases
- Property tax split and relevant contribution of assessment classes
- Comparators and regional competitiveness relative to tax rates and tax rate ratio for assessment classes. Comparators will be cities within the economic region (plus towns of Beaumont and Stony Plain) and Alberta Industrial Heartland communities. The City shall strategically position tax

rates and tax rate ratio recognizing taxation levels are a function of taxable assessment base, budget, requisitions, and relative market value levels

- Implications of future assessment ratios through municipal boundary expansions

AUTHORITY / RESPONSIBILITY TO IMPLEMENT

The City Manager is responsible for administrative compliance with this Policy. Council is responsible for compliance with City Bylaws and applicable legislation including the *Municipal Government Act*.