

Request for Decision

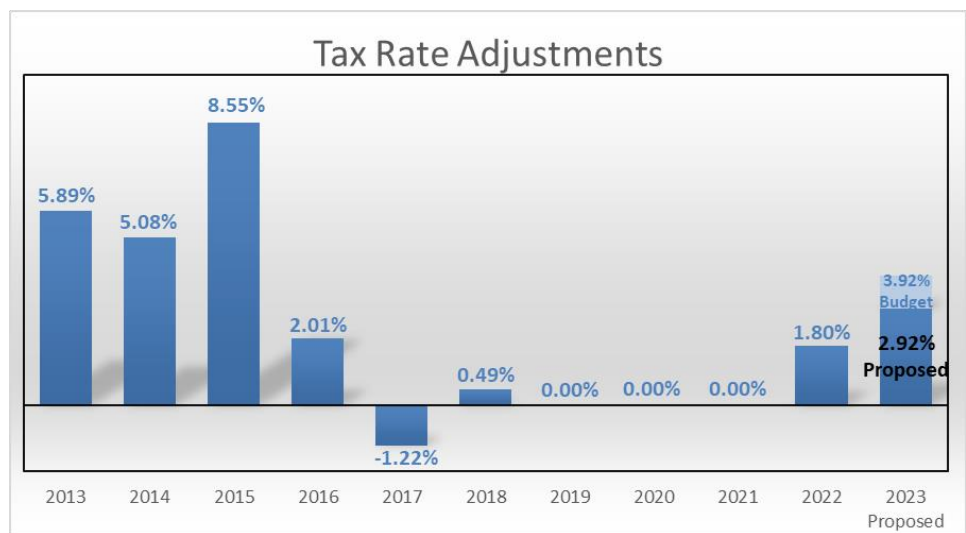
Title	2023 Assessment Update and Taxation Rates
Proposed Motion	<ol style="list-style-type: none"> 1. That Council direct Administration to prepare the 2023 Taxation Rates Bylaw to reflect a tax rate increase of 2.9%. 2. That Council release the 2023 tax stabilization transfer from reserves in the amount of \$1,168,144.
Administrative Recommendation	To provide information to Council regarding significant favourable changes to Sturgeon County's 2023 assessment and to present options to Council in light of these favourable changes.
Previous Council / Committee Direction	<p><u>December 13, 2022 Regular Council Meeting</u></p> <p>Motion 481/22: That Council approve the 2023 Operating Budget as amended by motions passed on November 23, and 24, 2022, which represents a 3.9% tax rate increase.</p> <p>Motion 482/22: That Council approve the 2023-2025 Capital Budgets in the amounts of \$35,701,907 for 2023, \$42,114,975 for 2024, and \$38,639,232 for 2025 as referenced in Attachment 3: Capital Funding and Project Listing.</p> <p>Motion 483/22 That Council approve in principle the 2024-2026 Operating Financial Forecast and the 2026-2028 Capital Financial Forecast as presented in the consolidated Operating and Capital Budget and amended by motions passed on November 23 and 24, 2022.</p>
Report	<p><u>Background Information</u></p> <ul style="list-style-type: none"> • On December 13, 2022, Council passed a budget that represented a 3.9% tax rate increase for the 2023 Budget. • Since this time, there have been significant favourable changes to assessment as detailed within Attachment 1. In response to this new information, Administration is presenting options to reduce the previous approved tax rate increase and remove the tax stabilization allocation from reserves for 2023. <p><u>Assessment Report (Attachment 1)</u></p> <ul style="list-style-type: none"> • The finalized 2023 assessments resulted in approximately 7.12% or approximately \$764 million more assessment than what was anticipated for budget purposes.

- Assessments applied for budget process are estimated approximately 8 months prior to the completion of actual assessment figures in February of the current tax year. Assessment estimates are used in advance to gain understanding on how assessment changes can impact Sturgeon County's future budget and tax rates. Assessment growth is defined as the changes in assessment resulting from adding inventory, data corrections, or changes in assessment policy applied by assessors.
- Assessment inflation is defined as assessment value change resulting from changes in market trends, market driven factors, and base year cost modifiers that are applied as part of the mass appraisal process.
- A conservative approach is applied when providing assessment estimates 8 months in advance of when final values are calculated.
- Effectively, the underestimated assessment will generate higher than anticipated revenue from taxation.
- The variance value for each assessment class is referenced in the 2023 Assessment Report (Attachment 1).
- **Key reasons for the 2022 assessment variance are as follows (in order of significance):**
 - \$480 million – Designated Industrial properties (DIP) contributed 62% of the overall variance from assessments predicted for budget purposes. Final assessments in this inventory are not reported until February of the current tax year. Assessment Services has limited pre-budget insight into final changes applied to this inventory because it is assessed by the Provincial Assessor. The variance in this inventory is primarily driven by inflation and removal of additional depreciation adjustments previously applied on 5 of 10 process units at North West Redwater Refinery (NWR). Total inflation for this inventory was recorded at 6.6%.
 - \$102 million – Residential market estimates for budget were conservative. Residential inflation ended approximately 1% higher than predicted. More growth than anticipated was recorded from cyclical inspection updates and construction started or completed in the second half of 2022.
 - \$70 million – Non-Residential market inflation estimates are driven by sales, analyses, and inspections that are not concluded until late in the year. Additionally, the ongoing review of all local industrial properties in Sturgeon County and the actual growth contributed to the variance recorded in this inventory.
 - \$69 million – Machinery and Equipment (M&E) Inflation is primarily driven by Ministerial guidelines that are updated annually. These updates did not occur until late 2022. As such, inflation rates are conservatively estimated for budget. Higher than anticipated inflation by 3.5% generated most of the assessment variance from this inventory.

- \$60 million – Linear assessments are completed by the Provincial Assessor. Inflation recorded for Electric transmission lines, Rail, and Wells & Land in this group exceed internal estimates by 2.9%, which generated most of the assessment variance from this inventory.
- Provincial administration of Designated Industrial and Linear property assessment has reduced County Administration’s visibility on future changes for approximately 47% of Sturgeon County’s taxable assessment base (\$11.5 billion). As a result, the magnitude of changes from assessment policy, growth, or inflation on this inventory can create significant variances between assessment estimates for budget and final assessments completed in the current tax year. Administration will consider current processes and options to augment accuracy of future assessment estimates, as well as opportunities to align the budget and key Council decisions with timely information.

Tax and Funding Report (Attachment 2)

- The budgeted municipal property tax revenue, inclusive of all assessment classes, was \$88.4 million based on a 3.9% tax rate increase. This was required at the time to balance the budget along with an additional reserve allocation from the tax stabilization in the amount of \$1.2 million.
- The 2023 assessment changes from budget to declaration resulted in a total of \$96.0 million in municipal property tax revenue based on a 3.9% tax rate increase (review Attachment 2 for details).
- The assessment difference from budget to declaration has resulted in \$7.6 million in additional municipal property tax revenue. The majority of this revenue increase is assessed and declared by the Provincial Assessor which can be volatile (future year decreases) and subject to assessment complaints. For that reason, Administration is recommending that a portion remain uncommitted, and another portion be repurposed as per below:
 - Reduce the tax rate increase from 3.9% to 2.9% resulting in a tax revenue reduction of \$0.9 million.
 - Uncommit the 2023 tax stabilization reserve transfer in the amount of \$1.2 million.
- The below represents historical property tax rates for the past 10 years and the current year’s budgeted and proposed rate changes.



External Communication

- Coverage of the Council meeting.

Relevant Policy/Legislation/Practices

- Section 353 of the *Municipal Government Act* requires that Council pass a property tax bylaw annually.

Implication of Administrative Recommendation

Strategic Alignment

Collaborative Governance - Administration presented and addressed questions during 2023 Budget deliberations to enable informed debate for the 3.9% tax rate increase at that time. With the assessment declaration now finalized, Administration has an opportunity to provide more refined financial information for Council to consider.

Operational Excellence - Municipalities rely heavily on property tax revenue to support the operating and capital programs.

Organizational

- If approved, Administration will make the necessary changes to the draft 2023 Taxation Rates Bylaw and present it to Council for approval in April 2023.

Financial

	2023 Taxation Budget	2022 Taxation Actual	Value Change Taxation	Summary
Administrations Proposal	88,349,582	96,027,174	7,677,593	Tax Rate Increase of 3.9% (Budget)
	88,349,582	95,088,546	6,738,963	Tax Rate Increase of 2.9% (Proposed)
			\$ 938,629	Tax Revenue Adjustment (Decrease)

Alternatives Considered

Council could maintain the previously approved tax rate increase of 3.9%.

Implications of Alternatives	<p><u>Strategic Alignment</u></p> <ul style="list-style-type: none"> • None. <p><u>Organizational</u></p> <ul style="list-style-type: none"> • If approved, Administration will develop the 2023 Taxation Rates Bylaw at a 3.9% tax rate increase and present it to Council for approval in April 2023. <p><u>Financial</u></p> <ul style="list-style-type: none"> • The County would levy \$96.0 million in municipal property tax revenue for 2023 which represents a \$7.6 million increase from budget. The majority of this revenue increase is assessed and declared by the Provincial Assessor which can be volatile (future year decreases) and subject to assessment complaints.
Follow up Action	<ol style="list-style-type: none"> 1. Present the 2023 Taxation Rates Bylaw to Council for consideration of approval (Corporate Finance & Treasury, April 2023).
Attachment(s)	<ol style="list-style-type: none"> 1. Attachment 1: 2023 Assessment Report 2. Attachment 2: 2023 Tax and Funding Report
Report Reviewed by:	<p>Luis Delgado, Manager, Assessment Services</p> <p>Sabrina Duquette, Manager, Corporate Finance & Treasury</p> <p>Andrew Hayes, General Manager, Financial Services & Chief Financial Officer</p> <p>Reegan McCullough, County Commissioner – CAO</p>

Strategic Alignment Checklist

Vision: *Offering a rich tapestry of historical, cultural, and natural experiences, Sturgeon County is a municipality that honours its rural roots and cultivates desirable communities. Uniquely situated to provide world-class agricultural, energy, and business investment opportunities, the County prioritizes responsible stewardship and dreaming big.*

Guiding Principles: Collaboration | Accountability | Flexibility | Excellence | Safety | Future Readiness | Affordability | Innovation

Community Outcome	Not consistent	Consistent	N/A
Planned Growth			
<ul style="list-style-type: none"> Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Modern broadband and digital capabilities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Low cost, minimal red-tape regulations 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Thriving Communities			
<ul style="list-style-type: none"> Beautiful, surprising places with high standards; integrated natural spaces & trail systems; healthy and resilient 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Engaging cultural, historical, and civic amenities; strong community identity and pride 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental Stewardship			
<ul style="list-style-type: none"> Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Sustainable development; partnerships with industry and others to drive emission reductions 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative Governance			
<ul style="list-style-type: none"> Predictable and stable external relationships; volunteer partnerships 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Meaningful connections with Indigenous communities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Respectful and informed debate; clear and supportive governance processes 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Operational Excellence			
<ul style="list-style-type: none"> Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Quality cost-effective service delivery; robust procurement and operational practices and policies; asset management and performance measurement; careful debt and reserve stewardship; long-term financial planning and sustainability 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Future focused thinking to proactively respond to emerging opportunities and challenges 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Alternative revenue generation and service delivery models integrated strategic and business planning 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>