



# COUNCIL REQUEST FOR DECISION

**MEETING DATE:** June 22, 2020

**SUBMITTED BY:** J. Cannon, Director, Finance

**PREPARED BY:** G. Damo, Manager, Revenue Services

**S. Ahn, Budget Analyst**

**REPORT TITLE:** 2020 Property Tax Rate Bylaw No. 1045-2020 (2nd and 3rd Readings)

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## EXECUTIVE SUMMARY

The 2020 property tax bylaw is built upon the foundation of the 2020 budget. However, the emergence of the COVID-19 pandemic has brought forward new economic challenges, which have caused our ratepayers to feel unprecedented financial hardships. Administration and Council have taken steps to respond to these new challenges and alleviate the burden on the ratepayers, which include:

- Providing a 0% tax revenue increase to both residential and non-residential ratepayers;
- Moving the tax deadline from June 30<sup>th</sup> to August 31<sup>st</sup>;
- Allowing businesses to defer, upon request, the payment of taxes until December 31, 2020; and
- Waiving penalties on taxes for the remainder of the year.

Overall, an average residential and non-residential taxpayer will see a reduction in their combined education and municipal taxes over last year.

## RECOMMENDATION

That Council give 2020 Property Tax Rate Bylaw No. 1045-2020 second reading.

That Council give 2020 Property Tax Rate Bylaw No. 1045-2020 third reading.

## RATIONALE

### Background

The City of Leduc ("City") is currently experiencing unprecedented times due to the COVID-19 pandemic, which has intensified an already weakened economy. In order to alleviate some of the financial hardships facing the ratepayers as a result of the current situation, some measures have been put in place by the City. The property tax payment deadline has been extended from the end of June to August 31, 2020, for both residential and non-residential ratepayers, with tax notices being sent out mid-July. Recognizing the importance of our businesses and the role they play in the community, non-residential ratepayers will also have the ability, upon request, to defer tax payments to December 31, 2020, with the balance due in full on January 1, 2021, or payable through a payment plan extending from January 1 to June 30, 2021. In addition to deferred tax payments, penalties on property taxes will not be issued for both residential and non-residential ratepayers for the remainder of the year.

Keeping in line with Council's direction at the April 6, 2020, meeting to reduce the residential and non-residential tax revenue requirement to 0%, Administration is bringing forth a bylaw that represents this. This is another measure implemented by the City of Leduc to provide support to the community in response to the economic hardships resulting from the pandemic. However, it is important to recognize that these relief measures have resulted in revenue shortfalls,

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which place pressure on the current 2020 operating budget. In order to fund this shortfall, Administration has the City's emergency reserve, the Mill Rate Stabilization Reserve, which was established for unexpected events such as these. In addition to the use of emergency funding, Administration has undertaken a number of cost-cutting measures, including a hiring freeze and the temporary layoff of casual staff, to offset the loss of revenues.

### 2020 Mill Rate in Detail

The Municipal Government Act requires a bylaw to establish property tax mill rates against assessed property to raise sufficient tax revenue to fund the 2020 operating and capital budgets and provide for various flow through requisitions from outside organizations, such as the Provincial Education Property Tax Requisition and the Leduc Foundation.

### **Overall 2020 Property Taxes**

Based on Bylaw No. 1045-2020, the total taxes levied (municipal, provincial and Foundation) for 2020 are \$65,567,175.

The overall 2020 residential mill rate is 10.111 (10.132 in 2019). This translates to a \$2 annual decrease for every \$100,000 of residential property assessed value. Recognizing that the overall average residential assessment value decreased from \$350,000 (2019) to \$325,000 (2020), this translates to a \$260 annual decrease when considering the total residential mill rate of 10.111.

The overall 2020 non-residential mill rate is 11.909 (12.960 in 2019). This translates to a \$1,050 annual decrease for every \$1,000,000 million of non-residential property assessed value.

### **Municipal Property Tax**

The 2020 municipal property tax revenue requirement is \$49,250,762 (\$48,132,487 in 2019). This revenue requirement will be funded by \$30,408,434 in residential taxation, which equates to a municipal mill rate of 7.603 for 2020 (7.425 for 2019) and \$18,842,328 in non-residential taxation, which equates to a non-residential mill rate of 8.792 for 2020 (8.517 for 2019).

### **Leduc Foundation**

The 2020 Leduc Foundation requisition is \$162,965 (\$165,090 in 2019). The 2020 Foundation mill rate will be 0.026 (0.027 for 2019). For clarity, this requisition is a flow through tax that is collected on behalf of the Foundation by the municipality.

### **Provincial Education Property Tax**

The overall Education Property Tax requisition is \$18,270,200, which includes both a residential and non-residential component. The residential portion of the requisition saw an increase by 0.61% from \$10,235,715 in 2019 to \$10,298,136 in 2020; this equates to a mill rate of 2.482 for 2020 (2.669 for 2019). The non-residential portion of the requisition saw an increase of 2.15% from \$7,804,360 in 2019 to \$7,972,064 in 2020; this equates to a mill rate of 3.090 for 2020 (4.404 for 2019).

With that being said, it is important to remember that an assumption was required to be made last year with respect to the Provincial Education Property Tax, as the requisition that is normally provided to the municipalities in April was not provided until October. To prevent a significant shortfall in tax collection last year, which would have resulted in a compounding tax requirement to be applied this year, the City of Leduc estimated the requisition based on a five-year average year-over-year increase for both residential (6%) and non-residential (14%). The adjustment this year between actual and estimate will result in the residential sector seeing a small favourable impact and a much more favourable impact for the non-

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residential sector as a result of reduced growth as correlated to the provincial equalized assessment. Thus, there has been a corresponding decrease in the mill rate, as shown above, from last year to this year.

### Designated Industrial Property Tax

In the past, designated industrial properties ("DI properties") were assessed at the municipal level. In 2018, the assessment of DI properties was changed from a municipal responsibility to a provincial responsibility with the revision of the *Municipal Government Act*. At this time, the City has 39 non-residential DI properties. These properties are assessed by the provincial government and the City is issued a requisition, which is then flowed through to the applicable property. The 2020 annual DI property requisition is \$4,653 (\$4,836 for 2019).

### STRATEGIC / RELEVANT PLANS ALIGNMENT

Approval of the 2020 Property Tax Rate Bylaw provides funding for the 2020 Operating and Capital Budgets.

### ORGANIZATIONAL IMPLICATIONS

#### ADMINISTRATION:

The City determines its revenue requirements through a public budget process each fall. If the market value of assessable property has increased more than the revenue requirements, the tax mill rate decreases. However, if the revenue requirement increase exceeds the market values changes, a tax mill rate increase occurs.

#### RISK ANALYSIS: FINANCIAL / LEGAL:

The *Municipal Government Act* requires that tax rates for a municipality be set by bylaw (s.353). The tax rate must be set for each assessment class (s.354 (2)) and it may be different for each assessment class (s.354 (3)). The Act requires that the tax rate be calculated by dividing the amount of revenue required by the total assessment of all property on which that rate will be imposed (s. 355). The amount of tax due from a specific property will be calculated by multiplying the assessment for that property by the tax rate contained in the bylaw (s.356). A municipality may not plan to be in a deficit position, and must meet these legislative requirements in order to fund the expenditures and transfers set out in the budget or other requisitions.

Section 364 of the *Municipal Government Act* allows Council to pass a bylaw that exempts machinery and equipment used for manufacturing or processing to the extent they consider appropriate. This bylaw creates a 100% exemption for this category of assessment.

#### IMPLEMENTATION / COMMUNICATIONS:

It is the intention that the tax notices will be sent out mid-July 2020 with a due date of August 31, 2020.

#### ALTERNATIVES:

That Council directs that changes be made to the proposed bylaw considering it for second and third reading.

### ATTACHMENTS

1. 2020 Property Tax Rate Bylaw No 1045-2020