



AGENDA ITEM

Lacombe County 2020 Tax Rates

April 9, 2020

BACKGROUND

The past four weeks have brought about the most significant amount of uncertainty in over a generation. The combination of a global pandemic and uncertainty in the oil industry will have a major impact on all levels of government and Lacombe County will be no different.

Rising unemployment and reduced liquidity for businesses will have an impact on the tax revenues and payments of taxes. To this end, the Province has already taken steps to reduce the local property tax burden for 2020.

The first step was to reverse the proposed school tax requisition rate proposed in the 2020 provincial budget which would have generated a 3.5% increase over 2019 rates. County taxpayers will avoid, for the time being, a \$419,000 addition in education taxes.

The second step, though temporary, will allow non-residential properties to defer ½ of their school requisition levy for 2020 and into 2021. If all non-residential properties in Lacombe County take this action, up to \$3,482,595 in school tax will be deferred in 2021. It should be noted however, that municipalities will likely still have to pay the full amount in 2020 to Province.

On the municipal side, expected assessment changes by the Provinces had already been delayed and slight increases to the Assessment Year Modifiers helped offset anticipated depreciation of non-residential assessments. As a result, the County's expected loss in revenue from assessments has declined from \$560,090 to \$193,190, a \$366,900 improvement. This is equal to a 1.19% increase in taxation.

This gain in revenue along with other cost savings such as the lower than anticipated price for fuel will allow Council to consider alternatives to its proposed 1.5% residential and 3% farm and non-residential tax increases proposed in December 2019.

ANALYSIS

The final 2020 taxable assessment for the County was 1.19% higher than budgeted (\$6,670,549,890 compared to projected \$6,592,362,301). Using 2019



tax rates this additional assessment would mean \$366,900 more in tax revenue than budgeted in December 2019. With no other changes to the budget, the County's tax rate increase can be reduced from 1.5% and 3.0% to .30% and 1.8%. This would still result in a draw from the tax rate stabilization reserve of \$218,470.

If Council wished to go to 0% for all property classes, a combination of operational savings and tax stabilization of \$708,230 would be required. Staff are currently reviewing their budgets to find further cost savings and updates.

This analysis does not take into consideration the impact of the Rural Policing Initiative which based on the most recent information we have began on April 1st. This was an additional \$299,201 (for 9 months) in 2020.

The impact of tax rates known to date can be demonstrated below:

Typical Residential at 1.5%, 0.3% and 0%

		Residential - Acreage						
	<u>Mun. Tax</u>							
	<u>Increase</u>	<u>Assessment</u>	<u>Mun</u>	<u>Police</u>	<u>School</u>	<u>Seniors</u>	<u>Total</u>	<u>Difference</u>
2019		460,430	1,177.32	-	1,141.41	27.86	2,346.58	
2020	1.5	443,230	1,150.31	11.03	1,142.07	26.82	2,330.23	- 16.35
2020	0.3	443,230	1,136.74	11.03	1,142.07	26.82	2,316.66	- 29.92
2020	0	443,230	1,133.34	11.03	1,142.07	26.82	2,313.26	- 33.32

Typical Commercial at 3.0%, 1.8% and 0%

		Non-Residential - Commercial						
	<u>Tax</u>							
	<u>Increase</u>	<u>Assessment</u>	<u>Mun</u>	<u>Police</u>	<u>School</u>	<u>Seniors</u>	<u>Total</u>	<u>Difference</u>
2019		2,520,430	13,769.11	-	10,237.99	152.49	24,159.58	
2020	3.0	2,589,760	14,572.29	64.46	9,363.80	156.68	24,157.23	- 2.35
2020	1.8	2,589,760	14,402.51	64.46	9,363.80	156.68	23,987.44	- 172.14
2020	0	2,589,760	14,147.86	64.46	9,363.80	156.68	23,732.79	- 426.79

The bulk of the reduction for the commercial property is due to lower school rate as a result of an overcollection in 2019. These properties will see a jump in school tax in 2021 even if rates remain unchanged.



ALTERNATIVES

Administration has demonstrated three potential scenarios above, all of which are achievable currently. Administration will be bringing a full analysis to Council at its first meeting in May including adjustments to operational expenses.

However, some direction from Council would assist in identifying additional options for Council's consideration.

RECOMMENDATION

This report is for information only.

PREPARED BY: Michael Minchin, Director of Corporate Services

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REVIEWED BY: Tim Timmons, County Manager

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