



AGENDA ITEM

2020 Final Budgets and Tax Rate Bylaw

May 14, 2020

BACKGROUND

The 2020 interim operating and capital budgets were approved by Council at its budget meeting in November 2019. Since the interim budget was approved, seismic changes in the world economy as result of the pandemic and a crash in oil prices have required Administration to adjust the budget to reflect this new reality. Council at its April 9th, 2020 Council meeting also provided direction on the 2020 municipal tax rates.

The proposed final budget and tax rate bylaw reflects these changes as well as the 2020 school requisition and 2020 property assessments. Included in both documents is the proposed 0% increase in tax rates for all property classes discussed by Council at its April 9, 2020 meeting.

This proposed budget and property tax bylaw is a departure from the 2020 interim budget where tax rate increases of 1.5% for residential properties and 3% for farmland and non-residential increases were proposed.

For simplicity, the 2020 final budget includes the original 2020 interim budget estimates and all changes not previously approved by Council in 2020. Items from the 2019 operating budget approved but not yet completed have not been included in this year's budget amendment.

ANALYSIS

Property Assessment and Taxation

The primary purpose of the final budget is to incorporate the final estimates for property taxes and to incorporate the 2020 school, senior's foundation, and Designated Industrial Property requisitions. Overall, final assessments for 2020 were higher than the estimates included in the interim budget. There was additional assessment growth in electrical power generation and machinery and equipment, which help offset additional declines in linear assessment related to the shallow gas tax relief program which became permanent in 2020. The Province also delayed implementation of changes in the regulated assessment models.

Residential and commercial property assessments remained flat and in line with budget expectations. The net affect on the 2020 operating budget is an increase in



municipal tax revenue of \$379,180. For comparison, a 1% tax increase equals \$311,210.

Municipal Taxation

Attachment 1 (2020 Tax Estimate) illustrates the municipal assessment and tax variance for each assessment class from the 2019 budget to the proposed 2020 budget. The 0% change in tax rates results in an overall reduction of tax revenue of -0.58% due to net decline in assessments for the County. For comparison, below is a summary of the municipal tax levy and corresponding tax rates for the five-year period 2015 to 2020:

Municipal Tax Levy and Tax Rates

<u>Year</u>	<u>Tax Levy</u>	<u>Tax Rates</u>		
		Residential	Farmland	Non-Residential & Machinery & Equip
2015	\$26,431,074	2.363	4.785	4.785
2016	\$27,158,217	2.422	4.905	4.905
2017	\$28,648,815	2.446	4.954	5.003
2018	\$30,374,340	2.507	5.177	5.228
2019	\$31,304,000	2.557	5.358	5.463
2020	\$31,121,576	2.557	5.358	5.463

Municipal Tax Levy and Tax Rate Changes

<u>Year</u>	<u>Tax Levy Change</u>	<u>Tax Rate Change</u>		
		Residential	Farmland	Non-Residential & Machinery & Equip
2015	3.32%	1.99%	2.00%	2.00%
2016	2.75%	2.50%	2.51%	2.51%
2017	5.49%	0.99%	1.00%	2.00%
2018	6.02%	2.50%	4.50%	4.50%
2019	3.06%	2.00%	3.50%	4.50%
2020	-0.58%	0.00%	0.00%	0.00%

2020 Policing Levy

New for 2020 is the Province’s decision to charge all municipalities for policing costs. This change directly impacts all rural municipalities and all other municipalities with a population of less than 5,000. This change was effective April 1, 2020 with municipalities responsible for 10% of the projected cost. This



proportion increases annually topping out at 30% after year 4. Council has directed that this be funded by a uniform tax rate applied against all taxable properties and will be shown separately from the annual municipal tax rate on tax notices:

	<u>2019</u>	<u>2020</u>	<u>Change</u>
Policing Levy	\$0	\$299,201	\$299,201

2020 Alberta Education Requisition

The official 2020 Alberta Education Requisition was released in early Spring and had identified a 3.1% increase for all school tax rates. However, this decision was reversed in April and rates will remain at 2019 levels. Providing further relief to Lacombe County non-residential taxpayers is a reconciliation of levies and requisitions from 2019 which resulted in over levy of \$444,336. This over levy plus the 2018 PERC credit that was applied in 2019 lowers the non-residential requisition from \$6,965,189 to \$6,502,467.

2019 & 2020 Education Levy Comparison (including over/under)

<u>Property Type</u>	<u>2019</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Residential/Farmland	\$4,883,554.00	\$5,036,557.00	\$153,003.00	3.1%
Non-Residential	<u>\$7,532,290.00</u>	<u>\$6,502,467.00</u>	<u>-\$1,029,823.00</u>	<u>-13.67%</u>
Total	\$12,415,844.00	\$11,539,024.00	- \$876,820.00	-7.06%

The change in the 2020 education live mill rate from 2019 is:

Residential/Farmland	3.95% increase
Non-Residential	10.96% decrease

2020 Designated Industrial Property Requisition

The requisition of costs related to the preparation of assessments for designated industrial properties, also known as DIP, is in its third year. This is a provincial mandated requirement and applies to specifically designated properties as determined by provincial regulations and includes linear assessments. The requisition levy amount and rate are determined by the Province.

	<u>2019</u>	<u>2020</u>	<u>Change</u>
Designated Properties	\$338,084	\$323,276	-\$14,808

The decrease reflects the 2020 cost estimate for assessment services related to DIP properties throughout the Province. It is not necessarily reflective of the cost of delivering these services in the County.



2020 Lacombe Foundation Requisition

There was a minor increase in the requisition for Lacombe Foundation. The increase includes an under levy from 2019.

	<u>2019</u>	<u>2020</u>	<u>Change</u>
All Properties	\$406,318	\$408,566	\$2,248

Combined Tax Rate Summary

Below is a summary of the 2019 and 2020 proposed combined tax rates for Lacombe County, Lacombe Policing Levy, Alberta Education, and the Lacombe Foundation (for simplicity the DIP requisition has not been included):

Combined Tax Rate Summary

Organization	Year	Tax Rates			
		Residential	Farmland	Non-res	M & E
Lacombe County	2019	2.557	5.358	5.463	5.463
	2020	2.557	5.358	5.463	5.463
	% Change	0%	0%	0%	0%
Policing Levy	2019	0.0000	0.0000	0.0000	0.0000
	2020	0.0448	0.0448	0.0448	0.0448
	% Change	n/a	n/a	n/a	n/a
Alberta Education	2019	2.479	2.479	4.062	0.000
	2020	2.577	2.577	3.617	0.000
	% Change	3.95%	3.95%	-10.96%	0.00%
Lacombe Foundation	2019	0.0605	0.0605	0.0605	0.0605
	2019	0.0613	0.0613	0.0613	0.0613
	% Change	1.32%	1.32%	1.32%	1.32%
Combined Total	2019	5.0965	7.8975	9.5855	5.5235
	2019	5.2401	8.0411	9.1861	5.5691
	% Change	2.82%	1.82%	-4.17%	0.83%

2020 Operating and Capital Budget Amendments

Attachment 2 (Operating and Capital Budget) includes the 2020 operating and capital budget summaries as well as the proposed changes to the 2020 final operating and capital budgets and inventory purchases, relative to the interim budget.

The proposed amendments to the operating budget result in a net increase of revenue and expenditures of \$12,585,410. The bulk of this increase is the result of the inclusion of the 2020 requisitions. Other adjustments in revenue include changes in estimates for interest revenue, provincial grants, and fines. Municipal tax revenue has also been adjusted to reflect the proposed 0% tax rate change.

In addition to requisitions payments, adjustments have been to salaries, contracted services, and transfers to other governments expenses.

Highlights of the operating budget include:

Revenue:

- Inclusion of requisitions (School, Senior's Foundation, DIP) - \$12,727,170;
- Inclusion of additional municipal levy to cover 9 months of provincial policing costs - \$299,200
- Adjustment to municipal tax revenue to reflect new assessment growth and move from tax increase to 0% tax rate change – (\$475,420);
- Reduction in interest revenue due to lower interest rates from April to December – (\$263,390);
- Adjustment to the Agriculture Services Board Grant to reflect 25% reduction – (\$46,040);
- Reduction in fine revenue – (\$35,000);
- Reduction in planning re-designation fees – (\$10,000);
- Inclusion of transfers from reserves to fund the following one-time projects:
 - Innovation Committee - \$10,000; and
 - Financial Reserve Review - \$50,000 and
- Inclusion of additional funding from tax rate stabilization reserve to fund budget shortfall - \$328,890.

Expense:

- Inclusion of 2020 School, Senior's Foundation, and DIP requisitions - \$12,727,170;
- Inclusion of Provincial Police Funding for April to December - \$299,200;
- Reductions in wages because of deferring filling of position vacancies – (\$503,350);
- Recognition of benefits savings of (\$33,940) for April, May, and June 2020;
- Additional postage costs for County News - \$16,200;
- Addition of Lacombe Performing Arts operating grant - \$13,000;

- Additional recreational operating grant for Town of Blackfalds - \$43,000;
- Replace external consultant safety audit with Peer audit – (\$5,700);
- Elimination of Clearwater & Red Deer County IDPs – (\$6,000);
- Postponement of Gull Lake ASP – (\$5,000);
- Reduction in culvert expenses due to lower than expected tender price – (\$30,370);
- Addition of Innovation Committee Initiative - \$10,000;
- Addition of a Financial Reserve Review - \$50,000; and
- Addition of IT Server setup and recovery - \$11,200.

The proposed amendments to the 2020 capital budget total \$35,000. Highlights of the capital budget include:

- Addition of boiler replacement project for County Administration building – funded from municipal facilities reserve.

Also included in the supporting document is the following:

- Municipal Tax Rates Comparison – Counties (Attachment 3)
- 2020 Property Tax Bylaw (Attachment 4)
- Tax Changes by Property (Attachment 5)
- 2021-2023 Operating Budget Forecast (Attachment 6).

The 2021-2023 Operating Budget Forecast is an update from the interim 3-year operating budget. It is for information only and forms the basis for planning for future budgets.

Please note that a tax change sheet which compares 2019 and 2020 assessment and tax information for individual Councillor's properties will be emailed to each Councillor separately.

ALTERNATIVES

1. The proposed budget amendments includes a 0% tax increase as discussed at Council's April 9th, 2020 meeting of Council. This change in tax rate along with changes in revenues and expenses results in an increase in funding from the tax stabilization reserve of \$328,890 (from \$222,290 to \$551,180). This produces a balanced budget. Tax Rate Bylaw 1325-20 is based on this scenario.
2. Administration also examined a scenario using an increase of 0.3% as discussed at the April 9th, 2020 meeting of Council. This scenario results in an increase of tax revenue of \$93,370. This scenario would result in an offsetting decrease in the proposed transfer from the tax rate stabilization reserve.

3. Administration also determined what the tax increase would have to be to eliminate the draw from the tax stabilization reserves. Based on current assessments, a tax increase of 1.77% would result in no transfer from the tax rate stabilization reserve. This would be in addition to the provincial school tax levy.
4. Council can direct Administration to incorporate changes to the operating and/or capital budget as it sees fit.

BUDGET IMPLICATIONS

Attachment 1 and 2 outline the impacts on approving the proposed amendments to the 2020 operating and capital budgets.

LEGISLATIVE RESPONSIBILITIES

Operating and Capital Budget Approval:

- Sections 242(1), and 243 of the Municipal Government Act (MGA) outline the requirements for the approval of an annual operating budget.
- Sections 245 and 246 of the Municipal Government Act (MGA) outline the requirements for the approval of an annual capital budget.
- While Council had previously approved the interim operating and capital budgets, these budgets have since been amended and, as such, require approval in their final form.

Tax Rate Bylaw Approval:

- Section 353(1) of the MGA requires Council to pass a property tax bylaw annually.
- Section 247 of the MGA requires Council to approve the operating and capital budget prior to the adoption of a tax rate bylaw.

STRATEGIC PLAN

- Core Strategies– “Finance”, “Service Delivery”, “Infrastructure”
 - Strategic Priority – Manage the financial assets of the County in order to obtain maximum value.
 - Strategic Priority - Manage the County’s infrastructure.
 - Strategic Priority - Provide appropriate service levels to our citizens.
 - Strategic Priority - Maintain effective cooperation and collaboration with neighbouring urban and rural municipalities.
- The 2020 operating budget, capital budget, and municipal tax rates have been established in a manner which provides for the most efficient and



cost-effective delivery of County services and programs for our citizens and in a fashion, that maximizes the value of the County's financial, human and other resources.

RECOMMENDATION

That Council approve the following resolutions (based on Alternative 1):

1. That the Lacombe County 2020 operating budget which provides for 1) total revenue of \$68,306,860 comprised of \$60,799,950 in operating revenue, \$7,506,910 in reserve transfers, including a \$551,180 transfer from the Tax Rate Stabilization Reserve, and 2) total operating expenses of \$68,306,860 comprised of \$37,444,960 in operating expenses, net inventory costs of (\$64,620), capital transfers of \$14,062,320 and reserve contributions of \$16,864,200, be approved
2. That the Lacombe County 2020 capital budget which provides for revenues and expenditures of \$33,546,220, be approved.
3. That the Lacombe County 2021-2023 operating budget forecast be received as information.
4. That Council give all three readings to the 2020 Tax Rate Bylaw No. 1325/20.

PREPARED BY: Michael Minchin, Director of Corporate Services

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REVIEWED BY: Tim Timmons, County Manager

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