

2023 Preliminary Roll, Tax Share Scenarios and Related Estimates

Executive Committee

2022 October 18

ISC: Unrestricted





Recommendation

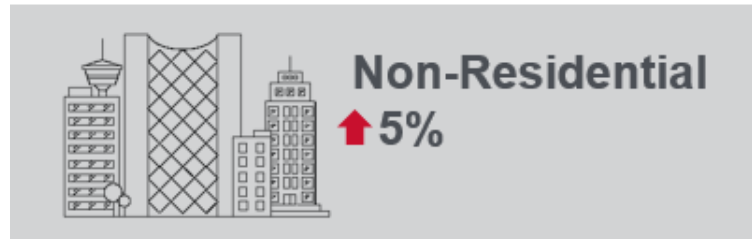
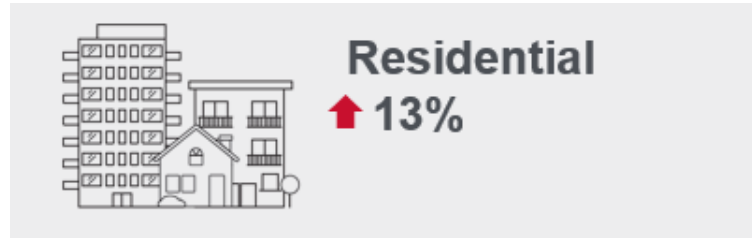
The Executive Committee recommends that Council receive this report to inform November Service Plans & Budget deliberations.



Highlights

- The following preliminary estimates are provided based on Administration recommendations for upcoming Service Plans and Budget deliberations in November:
 - 13 per cent increase based on market changes in residential assessed values and 5 per cent increase in non-residential assessed values, exclusive of physical growth
 - 8.1 per cent decrease in the residential tax rate and a 0.5 per cent decrease in the non-residential tax rate
 - Median single residential home's municipal tax projected to increase by about 5 per cent, which is less than the average inflation in Alberta from 2021 July to 2022 July at 7.4 per cent
 - Median residential condo owner municipal tax projected to decrease by about 1 per cent
 - A non-residential property experiencing a typical 5 per cent assessment increase is projected to see a municipal tax increase of about 4 per cent

2023 Preliminary Assessment Typical Market Changes



Note: Assessment roll is preliminary and subject to change and excludes physical growth



Municipal Property Tax Calculation

Total 2023 Projected Expenditures
\$4,364 M

-

Non-Tax Revenues (Utilities, user fees, etc.)
\$2,235 M

=

Required Property Tax Revenues*
\$2,163 M

52%

Tax Share

48%

Residential Property Taxes
\$1,125 M

Non-Residential Property Taxes
\$1,038 M

Residential Tax Rate

Non-Res Tax Rate

$$\frac{\text{Tax Revenue}}{\text{Taxable Assesed Value}} = \frac{1,125 M}{260,815 M} = 0.0043126$$

$$\frac{1,038 M}{58,340 M} = 0.0177976$$

Municipal Tax Rate Ratio

$$\frac{NR Rate}{Res Rate} = 4.13$$



Residential Example



Non-Res Example

Assessed Value × *Tax Rate* = *Tax*
\$555,000 × 0.0043126 = \$2,393


Assessed Value × *Tax Rate* = *Tax*
\$5,250,000 × 0.0177976 = \$93,437

* Includes additional \$34m in bylaw adjustments

Estimates provided are subject to change



2023 Preliminary Assessment - Residential

 Tax Share

52 Res / 48 NR

 Tax Rate Ratio

4.13 : 1

 Residential Municipal Tax Rate from 2022

-8.14%

Assessment x Tax Rate = Taxes
0.0043126



	Single Residential		
	2022	2023	Year-over-Year Change
Assessment	\$485,000	\$555,000	14.43%
Estimated Municipal Taxes Prior to Budget Adjustments (revenue neutral)	\$2,277	\$2,298	0.90%
Estimated Municipal Taxes	\$2,277	\$2,393	5.11%




	Condo	High-Rise Apartment
	Year-over-Year Change	Year-over-Year Change
	7.66%	11.56%
	-5.07%	-1.63%
	-1.11%	2.47%

Note that these are preliminary values and are subject to change



2023 Preliminary Assessment – Non-Res

 Tax Share

52 Res / 48 NR

 Tax Rate Ratio

4.13 : 1

 Non-Res Municipal Tax Rate from 2022

-0.48%

Assessment **x** *Tax Rate* = *Taxes*
0.0177976



	Retail – Strip Mall	Retail - Neighbourhood Shopping Centre	Suburban Office	Office - Downtown AA Class	Large Format Industrial - Warehouse	Typical Industrial - Warehouse	Hotel/ Accommodation
	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change
Assessment	9.81%	14.79%	-5.79%	12.19%	8.41%	2.53%	0.49%
Estimated Municipal Taxes Prior to Budget Adjustments (rev neutral)	4.70%	9.44%	-4.66%	6.96%	3.36%	-2.25%	-4.19%
Estimated Municipal Taxes	9.28%	14.23%	-6.25%	11.64%	7.88%	2.03%	0.01%

Note that these are preliminary values and are subject to change



Rate Based Approach: Hypothetical Illustration

Calculated using 2023 assessed values and 2022 tax rates
(for illustrative purposes only)

Rate-based approach (hypothetical) - In \$M	2022	2023F	Change
Residential Property Tax - 52%	\$1,060.7	\$1,224.5	\$163.9
Preliminary Residential Assessment	\$225,913.6	\$260,814.7*	-
Residential Property Tax Rate**	0.0046950	0.0046950	-
Non-Residential Property Tax - 48%	\$983.0	\$1,043.4	\$60.4
Preliminary Non-Residential Assessment	\$54,962.7	\$58,339.5*	-
Non-Residential Property Tax Rate**	0.0178843	0.0178843	-
Total Property Tax Collected***	\$2,043.6	\$2,267.9	\$224.3
Total Property Tax Required		\$2,163.1	
Over collection		\$104.8	
Municipal Tax Ratio (NR Tax Rate/Res Tax Rate)	3.81 : 1	3.81 : 1	

*2023 forecasted residential and non-residential assessments include forecasted market value change and physical growth.

** Final tax rates will depend on the tax revenue budget approved by Council and the finalized assessments.

***Does not include revenue from Farm Land also included in the Property Tax Bylaw.



Illustration of 2023 tax rates using preliminary taxable assessment base

Budget-based approach (current)- In \$M	2022	2023F	Change
Residential Property Tax – 52%	\$1,060.7	\$1,124.8	-
Preliminary Residential Assessment	\$225,913.6	\$260,814.7*	-
Residential Property Tax Rate**	0.0046950	0.0043126	-8.1%
Non-Residential Property Tax – 48%	\$983.0	\$1,038.3	-
Preliminary Non-Residential Assessment	\$54,962.7	\$58,339.5*	-
Non-Residential Property Tax Rate**	0.0178843	0.0177976	-0.5%
Total Property Tax Collected***	\$2,043.6	\$2,163.1	
Total Property Tax Required		\$2,163.1	
Difference		-	
Municipal Tax Ratio (NR Tax Rate/Res Tax Rate)	3.81 : 1	4.13 : 1	

*2023 forecasted residential and non-residential assessments include forecasted market value change and physical growth.

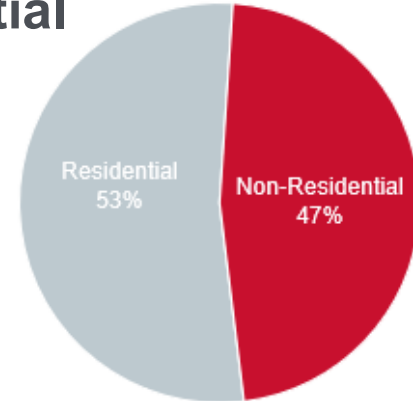
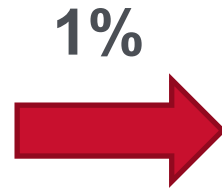
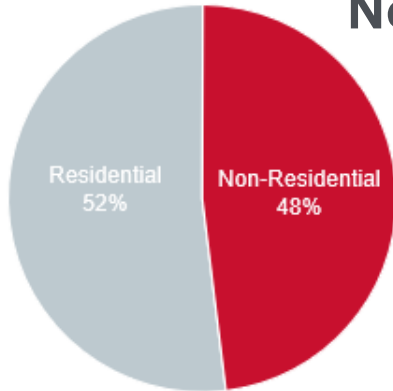
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1% Redistribution – Property Tax Impacts

Non-Residential to Residential




 **Municipal Tax Share = 52/48%**
 Municipal Tax Ratio = 4.13
 NR Tax Rate = 0.0177976
 Res Tax Rate = 0.0043126

 **Municipal Tax Share = 53/47%**
 Municipal Tax Ratio = 3.96
 NR Tax Rate = 0.0174252
 Res Tax Rate = 0.0043956

Residential Home
 Assessment: \$555,000 

Redistribution Impact: +\$46/yr (+\$3.83/mo)
 Total Change: +\$162/yr (+\$13.54/mo)

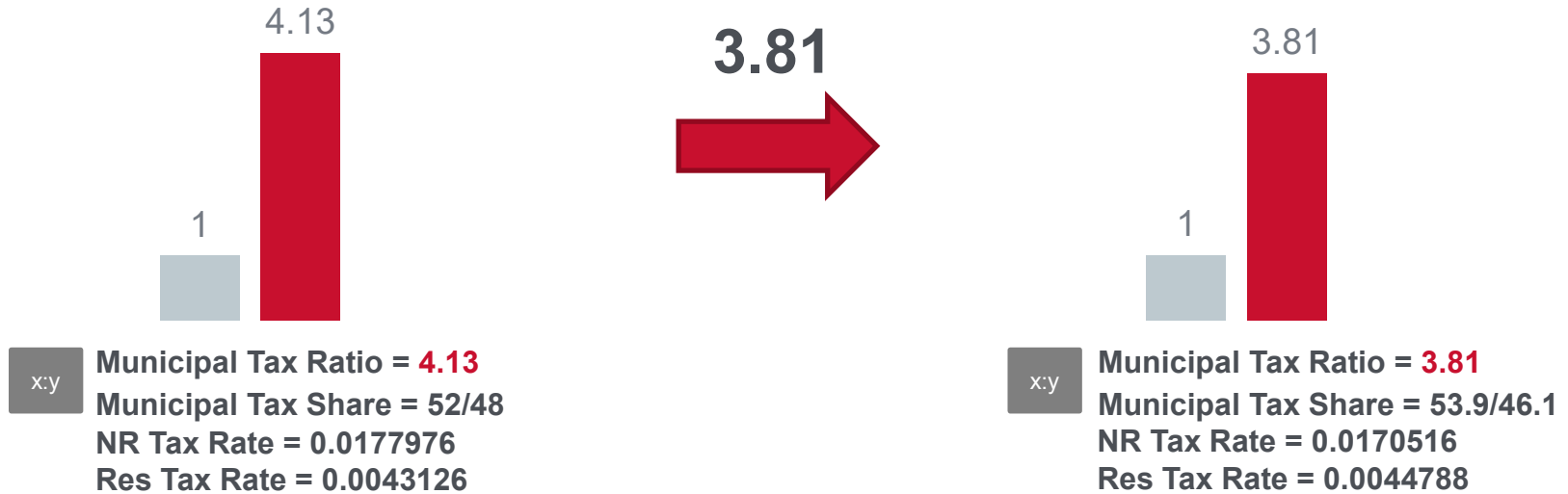
Non-Residential
 Assessment: \$5.25m 


Redistribution Impact: -\$1,952 / yr
 Total Change: +\$2,061/ yr




Redistribution – Maintain Last Year’s Tax Ratio 3.81

Non-Residential to Residential



Residential Home
Assessment: \$555,000 

Redistribution Impact : +\$92/yr (+\$7.69/mo)
Total Change : +\$209/yr (+\$17.39/mo)

Non-Residential
Assessment: \$5.25m 

Redistribution Impact : -\$3,917 / yr
Total Change: +\$99/ yr



Recommendation

That the Executive Committee recommend that Council receive this report for the Corporate Record to inform November budget deliberations.

Backup Slides

Executive Committee

2022 October 18

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Revenue and Expenditures

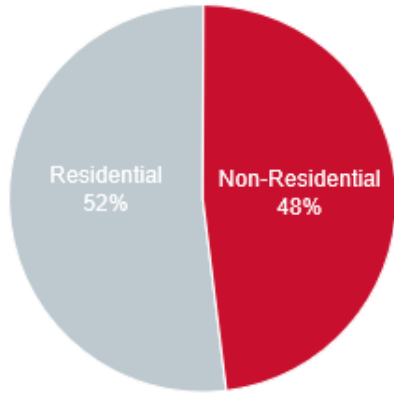
Value (\$) in millions

Funding Envelope	2022 Estimate	2023 Projected	2024 Projected	2025 Projected	2026 Projected
Expenditures	\$4,192	\$4,364	\$4,526	\$4,697	\$4,863
% Change in projected expenditures		4.1%	3.7%	3.8%	3.5%
Non-Tax Revenues	(\$2,181)	(\$2,235)	(\$2,296)	(\$2,356)	(\$2,418)
% Change in projected non-tax revenues		2.5%	2.7%	2.6%	2.6%
Total Property Tax Revenues Required	(\$2,011)	(\$2,129)	(\$2,230)	(\$2,341)	(\$2,445)
% Change in projected total property tax revenues required		5.9%	4.7%	5.0%	4.4%
% Change property tax from development & redevelopment		1.5%	1.4%	1.3%	1.2%
% Change additional property tax required after development & redevelopment		4.4%	3.3%	3.7%	3.2%
Comparison: <i>Municipal Price Index (MPI) & Population Growth</i>	5.1%	4.0%	3.6%	3.7%	3.5%

From 2022 July 05 (C202-0798) & 2022 Sep 13 (C2022-0942) regarding service plans & budgets

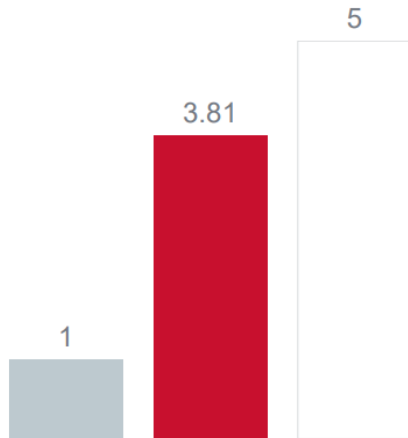


Tax Share and Tax Ratio Approaches



- Easy to understand framework for distribution
- Allows Council to set and change share deliberately and transparently
- More stability for individual tax bills

 **Municipal Tax Share = 52/48%**



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- More stable tax rate
 - Automatically redistributes tax responsibility between assessment classes
 - Less stability for individual tax bills

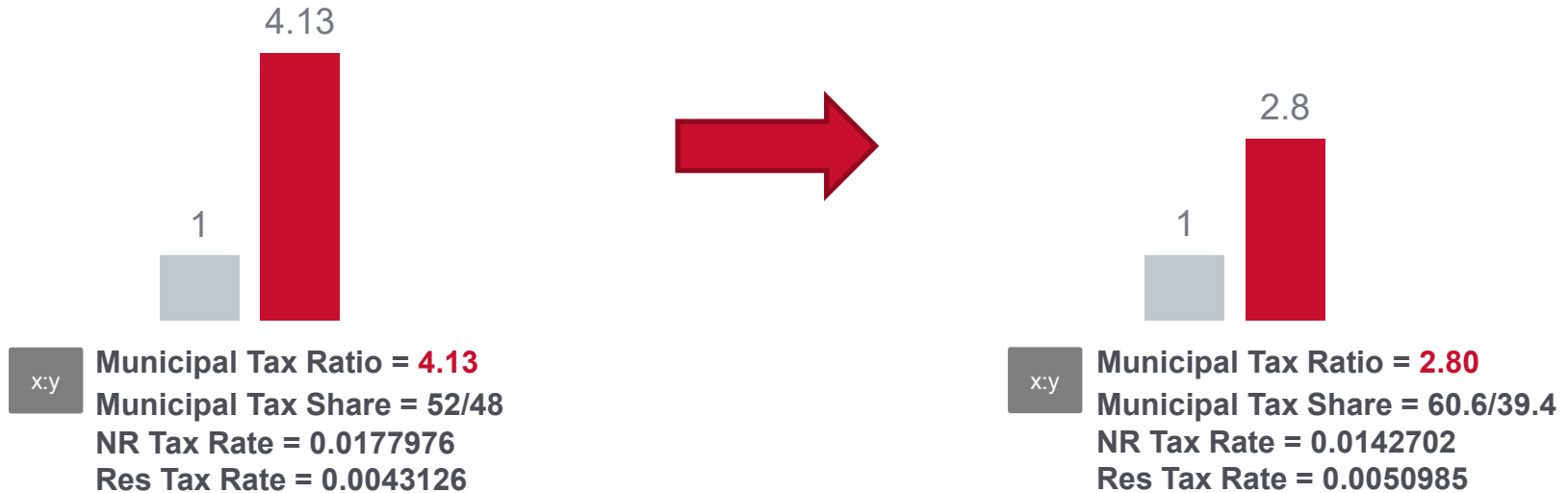
x:y Municipal Tax Rate Ratio = 3.81:1

MGA Maximum Municipal Ratio = 5:1



Redistribution – Chamber of Commerce’s Recommended Ratio of 2.80

Non-Residential to Residential



Residential Home Assessment: \$555,000



Redistribution Impact: +\$436/yr (+\$36.35/mo)
Total Change: +\$553 /yr (+\$46.05 / mo)

Non-Residential Assessment: \$5.25m



Redistribution Impact : -\$18,519 / yr
Total Change : -\$14,503 / yr



Municipal Benchmarking

Figure 6: 2021 total municipal property tax per capita and non-residential to residential tax rate ratio

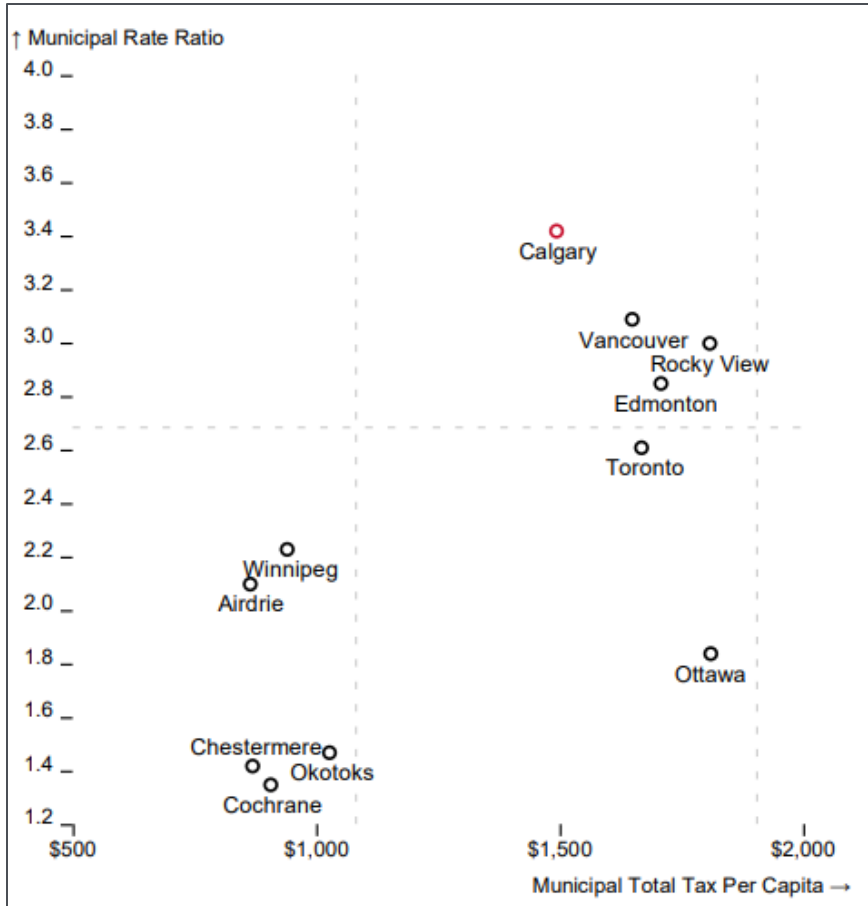


Figure 7: 2021 national and regional averages

