



## AGENDA ITEM

### 2022 Final Budgets and Tax Rate Bylaw

May 12, 2022

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#### BACKGROUND

Council approved the 2022 interim operating and capital budgets at its budget meeting in December 2021. With the release of the 2022 requisitions and the completion of the 2022 property assessments, the final budget and property tax rate bylaw are presented for Council consideration.

The proposed final budget and tax rate bylaw include a 1.50% increase in residential and 2.75% increase in farmland and non-residential municipal tax rates. These rates are a decrease in rates presented in the 2022 interim budget, which proposed a 2.00% increase in residential and a 3.50% increase in farmland and non-residential rates.

For simplicity, the 2022 final budget includes the original 2022 interim budget estimates and all changes not previously approved by Council in 2022. Items from the 2021 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 incorporate the 2022 school, senior foundation, and DIP requisitions. Overall, final assessments for 2022 were higher than the initial estimates included in the interim budget.

There was some assessment growth and market increases in residential assessments. The increase in M & E assessments is partly due to the increase in the assessment year modifiers and the completion of two larger projects in 2021. The increase in Commercial assessments results from several additions and expansions throughout the County as well as market increases.

##### Municipal Taxation

Attachment 1 (2022 Tax Estimate) illustrates the municipal assessment and tax variance for each assessment class from the 2021 budget to the proposed 2022 budget.



For comparison, below is a summary of the municipal tax levy and corresponding tax rates for the five years 2017 to 2022 including the recommended increase for 2022:

**Municipal Tax Levy and Tax Rates**

<u>Year</u>	<u>Tax Levy</u>	<u>Tax Rates</u>		
		Residential	Farmland	Non-Residential & Machinery & Equip
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
2021	\$31,157,180	2.557	5.358	5.463
2022	\$32,756,440	2.595	5.505	5.613

**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
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%
2021	0.11%	0.00%	0.00%	0.00%
2022	5.13%	1.50%	2.75%	2.75%

**2022 Policing Levy**

Effective April 1, 2020, the Province charges all municipalities for policing costs. This change directly impacts all rural municipalities and all other municipalities with a population of less than 5,000. In 2022, municipalities are responsible for 20% compared to 15% in 2021. This proportion increases annually, topping out at 30% after year 4. Council has directed Administration to fund the policing cost by a uniform tax rate applied against all taxable properties and showed separately from the annual municipal tax rate on tax notices:

	<u>2021</u>	<u>2022</u>	<u>Change</u>
Policing Levy	\$578,092	\$802,920	\$224,828



2022 Alberta School Fund Requisition

The official 2022 Alberta School Fund Requisition was released in early 2022 and identified a \$0.09/\$1,000 increase for residential and farmland and a \$0.14/\$1,000 increase for non-residential Provincial school tax rates. In 2022, the education requisitions will be paid to Alberta School Foundation, St. Thomas Aquinas Roman Catholic and Red Deer Catholic Regional, depending on the school declaration made by ratepayers. The local school tax rates are to remain the same for all school boards.

**2021 & 2022 Education Levy Comparison (including over/under)**

<u>Property Type</u>	<u>2021</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Residential/Farmland	\$4,978,181.00	\$5,021,284.00	\$43,103.00	0.866%
Non-Residential	<u>\$6,645,777.00</u>	<u>\$6,905,684.00</u>	<u>\$259,907.00</u>	<u>3.911%</u>
Total	\$11,623,958.00	\$11,926,968.00	\$303,010.00	2.607%

As a result of additional assessment growth in 2022, the changes in the local 2022 education live mill rates from 2021 are as follows:

Residential/Farmland	1.66% decrease
Non-Residential	1.18% increase

2022 Designated Industrial Property Requisition

This requisition represents costs related to preparing assessments for designated industrial properties, also known as DIP. This is a provincially mandated requirement and applies to specifically designated properties as determined by provincial regulations and includes linear assessments. The Province determines the requisition levy amount and rate.

	<u>2021</u>	<u>2022</u>	<u>Change</u>
Designated Properties	\$326,170	\$332,794	\$6,624

The increase reflects the 2022 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.

2022 Lacombe Foundation Requisition

There was a decrease in the requisition for Lacombe Foundation. The decrease includes an over levy from 2021.

	<u>2021</u>	<u>2022</u>	<u>Change</u>
All Properties	\$408,583	\$406,229	-\$2,354



Combined Tax Rate Summary

Below is a summary of the 2021 and 2022 proposed combined tax rates for Lacombe County, Lacombe Policing Levy, Alberta School Fund, 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 (Recommended rate)	2021	2.557	5.358	5.463	5.463
	2022	2.595	5.505	5.613	5.613
	<b>% Change</b>	<b>1.50%</b>	<b>2.75%</b>	<b>2.75%</b>	<b>2.75%</b>
Policing Levy	2021	0.0867	0.0867	0.0867	0.0867
	2022	0.1175	0.1175	0.1175	0.1175
	<b>% Change</b>	<b>35.52%</b>	<b>35.52%</b>	<b>35.52%</b>	<b>35.52%</b>
Alberta School Fund	2021	2.583	2.583	3.737	0.000
	2022	2.540	2.540	3.781	0.000
	<b>% Change</b>	<b>(1.66%)</b>	<b>(1.66%)</b>	<b>1.18%</b>	<b>0.00%</b>
Lacombe Foundation	2021	0.0613	0.0613	0.0613	0.0613
	2022	0.0595	0.0595	0.0595	0.0595
	<b>% Change</b>	<b>(2.94%)</b>	<b>(2.94%)</b>	<b>(2.94%)</b>	<b>(2.94%)</b>
Combined Total	2021	5.2880	8.0890	9.3480	5.6110
	2022	5.3120	8.2220	9.5710	5.7900
	<b>% Change</b>	<b>0.45%</b>	<b>1.64%</b>	<b>2.39%</b>	<b>3.19%</b>

**2022 Operating and Capital Budget Amendments**

Attachment 2 (Operating and Capital Budget) includes the 2022 operating and capital budget summaries and the proposed changes to the 2022 final operating and capital budgets relative to the interim budget.

The proposed amendments to the operating budget resulted in a net increase in revenue and expenditures of \$13,426,330. The bulk of this increase results from the inclusion of the 2022 requisitions. Other changes include no drawing of funds from the Tax Rate Stabilization Reserve.

Highlights of the operating budget include:

Revenue:

- Inclusion of requisitions (school, foundation, and DIP) - \$12,677,290;
- Adjustment of municipal levy for provincial policing costs – \$14,610
- Adjustment to municipal tax revenue to reflect changes in assessment – \$699,710;
- Increase of contributions from reserves is associated with the following:
  - Lacombe County Website upgrades - \$50,000 and;
  - Additional costs for parking lot repairs – \$14,200
- Deferred services levies interest earned per repayment agreements - \$41,870;
- Addition of a contribution from the Operational Reserve for repairs to the scraper awaiting a replacement unit - \$55,000;
- Inclusion of parking revenue for Sandy Point and Sunbreaker Cove recreation sites - \$80,000;
- Inclusion of the Summer Village of Sunbreaker Cove contributions for the Commissionaires at the Sunbreaker Cove recreation area, previously netted in expenses - \$7,140.
- Reduction of funding from tax stabilization – (\$218,890)

Expense:

- Inclusion of 2022 school, foundation, and DIP requisitions - \$12,677,290;
- Increase in Provincial Police Funding – \$14,610;
- Increases in Administration Services include:
  - Website upgrades - \$50,000
  - HR Staff - \$22,460
  - Office parking lot repairs - \$14,200
- Increase in fuel costs for Agriculture equipment - \$15,830;
- Reduction of WCB costs as a result of lower premiums – (\$65,940);
- Inclusion of Lightcatch Crime App for six months – \$7,500;
- A transfer to reserves representing the interest collected on deferred services levies - \$41,870;
- Increase in Operational Services include:
  - Fuel cost increase - \$390,700
  - Additional training - \$16,330
  - Equipment repairs - \$68,940
  - Increase in contracts and maintenance supplies - \$32,570
  - Transfer to capital projects increase - \$54,550
- Increase of costs associated with operating paid parking at recreation sites - \$59,540;
- Increase in recreation operating grants results from inflation – \$24,860.



Capital Budget:

The proposed amendments to the 2022 capital budget total \$89,550. Highlights of the capital budget include:

- Decrease in Wetland Compensation payments on various road construction projects – (\$29,450);
- Addition of power pole moves on road construction projects:
  - Township Road 41-3 - \$60,000
  - Range Road 2-3 - \$24,000
- Addition of a generator for Lakeview Estates water system - \$35,000

Also included in the supporting document is the following:

- Reserve Summary (Attachment 3)
- Municipal Tax Rates Comparison – Counties (Attachment 4)
- 2022 Property Tax Bylaw (Attachment 5)
- 2023-2025 Operating Budget Forecast (Attachment 6).

The 2023-2025 Operating Budget Forecast is an update on 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 that compares 2021 and 2022 assessment and tax information for various properties and individual Councillor's properties will be emailed to each Councillor separately.

## **ALTERNATIVES**

1. The proposed budget amendments include a 1.50% tax increase for residential and a 2.75% increase for farmland and non-residential properties. The changes in property assessments and revenues and expenses decrease the funding from the tax stabilization reserve of \$0.00, compared to the \$218,890 proposed in the interim budget. These changes produce a balanced budget. Tax Rate Bylaw 1375-22 is based on this scenario.
2. Administration prepared a scenario using the rates proposed in the interim budget. Applying a 2% increase to residential and a 3.50% increase to farmland and non-residential results in a surplus of \$229,620.



3. No increase in tax rates results in a funding shortfall and would require a draw from the Tax Rate Stabilization Reserve of \$817,160
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 of approving the proposed amendments to the 2022 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.

## **RECOMMENDATION**

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

1. That the Lacombe County 2022 operating budget which provides for 1) total revenue of \$70,693,740 comprised of \$64,123,840 in operating revenue, \$6,569,900 in reserve transfers, and 2) total operating expenses of \$70,693,740 comprised of \$40,273,270 in operating expenses, net inventory costs of \$520,600, capital transfers of \$11,454,580 and reserve contributions of \$18,445,290 be approved.

# LACOMBE COUNTY

2. That the Lacombe County 2022 capital budget, which provides for revenues and expenditures of \$24,187,200 be approved.
3. That the Lacombe County 2023-2025 operating budget forecast be received as information.
4. That Council give all three readings to the 2022 Tax Rate Bylaw No. 1375/22.

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**PREPARED BY: Wendy Wiebe, Manager of Finance**



**REVIEWED BY: Michael Minchin, Director of Corporate Services**



**REVIEWED BY: Tim Timmons, County Manager**

