

Municipal Government Act Review

What We Heard: A Summary of Consultation Input

Assessment and Taxation Technical Session
Held in Fort McMurray on February 12, 2014

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Developed by KPMG for Alberta Municipal Affairs



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Introduction

Purpose

This document provides a summary of what was heard during a consultation session for the *Municipal Government Act* (MGA) review. The summary below includes the comments and opinions of the participants of the Assessment and Taxation Technical Session held in Fort McMurray.

These contributions have not been reviewed or edited for accuracy. Comments recorded here reflect the opinions of individuals offered in person and recorded by session facilitators; they do not necessarily represent the opinion of the Government of Alberta.

The input summarized below will be considered by Alberta Municipal Affairs as part of the review of the legislation. Municipal Affairs would like to thank the participants of this session, as well as all Albertans participating in the review of the MGA. Any inquiries related to this summary or to the consultation process should be directed by email to the MGA Review Team at mga.review@gov.ab.ca.

The Municipal Government Act Review

The MGA is designed to help build strong, prosperous and sustainable communities throughout Alberta. Alberta Municipal Affairs is reviewing and refreshing the MGA to address evolving circumstances and priorities in Alberta's many communities, and to ensure the MGA continues to meet its objective. A successful MGA review process will continue to position Alberta as the leading Canadian jurisdiction in terms of municipal legislation, having incorporated sound thinking, input and research into a clear Act that meets the needs of the Province and municipalities. In order to achieve this vision, an inclusive and comprehensive engagement process was developed to ensure stakeholders across the province have opportunities to provide input to the review.

As part of the MGA review, regional consultations were held in eleven locations around the province to give Albertans an opportunity to provide input face-to-face. In each location, different types of sessions were held, including Technical Sessions, a Business and Industry Session, a Municipal Administrators Session, an Elected Officials Session, and a Public Open House.

These engagements were conducted in February 2014 to April 2014 in 11 locations throughout the province. Each location was held over 3 days in the following locations:

- Brooks
- Calgary
- Edmonton
- Edson
- Fort McMurray
- Grande Prairie
- Lethbridge
- Medicine Hat
- Peace River
- Red Deer
- Vermilion

Sessions were promoted via news releases, direct email invitations, social media, and by the Minister of Municipal Affairs at stakeholder conventions. Information on regional session locations, dates and registration were on the MGA Review website.

Input to the MGA Review has also been provided through other channels, including the MGA Review website (mgareview.alberta.ca), the MGA Review Consultation Workbook, and official submissions.

Session Overview

Session	Assessment and Taxation Technical Session
Location	Macdonald Island Park, Fort McMurray
Date	February 12, 2014
Number of Participants	11

- This session was open to anyone who wished to attend. Participants were asked to register in advance in order to receive background materials before the session.

Regional Consultation Methodology

How sessions were organized

Regional consultations were structured around one or more of the three themes of the MGA Review:

- Governance and Administration
- Assessment and Taxation
- Planning and Development

Participants were provided with agendas in advance, which identified a list of potential topics for discussion. These topics were taken directly from the MGA Review Consultation Workbook. Several of the topics for discussion appear under more than one of the three themes of the review because they are relevant to more than one theme (e.g. public participation). The agenda is attached as Appendix A.

At this session, participants provided input through facilitated table discussions. The goal of the facilitated conversations was to give the opportunity to all participants to discuss the issues that mattered most to them. Given the large size and scope of the MGA, participants at each table were asked to focus their discussion on those topics that they felt were most important to provide input on, using the list provided in advance. In addition, this session included time for “open discussion” during which participants could provide any additional input that they felt was important to the review. Table facilitators and note takers included staff from Municipal Affairs, KPMG and ADR Education.

Capturing input and reporting

Input from session participants was captured on flipcharts by facilitators during the discussion. It was explained to participants that:

- Comments were being recorded on flipcharts so that they could be captured and considered by Municipal Affairs as part of the review of the MGA.
- Comments would not be attributed to individuals or organizations.
- Other avenues were also available to provide written input to the review.

The summary below documents the input heard from participants and recorded on flipcharts. These comments have been transcribed and organized according to the list of topics for discussion; they have not been screened for accuracy and do not reflect consensus of participants. As a result, comments and opinions listed may be contradictory. Comments that apply to issues outside of the scope of the review (e.g., suggested changes to other legislation) have been removed.

It is important to emphasize that this summary reflects the input heard from participants, and does not necessarily reflect the position of the Government of Alberta.

How the Summary of Responses is Organized

Input from session participants is organized according to the three themes for the review:

- *Governance and Administration*
- *Assessment and Taxation*
- *Planning and Development*

Within these themes, comments are organized according to the applicable topics for discussion, using the list provided to participants in advance. In some sessions, not all themes may have been discussed.

Summary of Input

General Comments about the MGA

The following input was received and documented related to the MGA in general.

Comments from participants included that:

- The MGA should include a preamble or statement of the intent of the legislation to act as guiding principles.
- The Province should provide regular evaluations or requests for feedback to enable a “living document” type of legislation that is updated more often.

Governance and Administration

During the discussions surrounding assessment and taxation, some discussion occurred on governance and administration. The following input was received and documented related to governance and administration.

Municipal Governance and Administration

Municipal administration

Comments from participants included that:

- The Province should provide training to chief administrative officers to ensure they are highly qualified.

Municipal Accountability, Liability and Risk Management

Provincial powers

Comments from participants included that:

- The MGA gives a lot of power and autonomy to municipalities, but in some cases the Province should take charge or give more direction.
- The Province needs to take ownership of some issues, to provide central authority that has an appropriate level of resources to address issues.

Public Participation and Municipal Relations

Municipal relationships and dispute resolution

Comments from participants included that:

- The MGA should focus on resolving disputes through negotiation with experts, rather than through a hearing.

Assessment and Taxation

The following input was received and documented related to assessment and taxation.

Taxation and Municipal Finances

Taxation

Comments from participants included that:

- Residential and non-residential property tax rates should be linked together using a ratio.
 - Linking residential and non-residential rates together would make taxes unaffordable for citizens.
 - For some citizens who already pay close to the highest levels of municipal tax in the province, and tying the two rates together would raise taxes again.
 - Businesses don't have a vote, so there is no accountability when their tax rate is raised. Sometimes municipalities take advantage of this.
 - There is concern that businesses will leave and seek more advantageous tax jurisdictions if tax rates rise.
- The MGA needs to clearly define residential and non-residential property tax rates to ensure they don't become muddled.

Municipal revenue sources

Comments from participants included that:

- Municipalities need more flexibility in how they can raise revenue.
 - Municipalities should have the option to charge taxes on things like gas, natural gas and cable.
 - There is too much dependency on the revenue from property tax, which creates a disproportional burden on property owners.

Fees and levies

Comments from participants included that:

- Municipalities should be able to apply offsite levies for fire fighting, recreation, and transit services.

Exemptions from Assessment and Taxation

Exemptions and other special tax treatment

Comments from participants included that:

- Municipalities should have more control over tax exemptions.
- The MGA should make exemptions explicit and clear, rather than burying them under layers of regulations that are difficult to follow.
 - The MGA should clearly reference exemption regulations, where appropriate.
- The *Community Organization Property Tax Exemption Regulation* is too complicated and ambiguous.
- The criteria for seniors care facility exemptions are difficult to follow. These exemptions are out of date and do not reflect the current provincial approach to funding seniors care facilities.
- There should be tax exemptions for environmental or “green” projects in the MGA.
 - For example, exemptions for pollution abatement do not exist, and they should be put in place like they are in other jurisdictions.
- There should be a tax break for improving land that is not developed, such as muskeg. This would be much like how early homesteads were treated.

Market Value, Equalized and Supplementary Assessment

Market value assessment and administration

Comments from participants included that:

- For market value assessments, a definition of “sale” needs to be added. For example, this could apply when it is registered with the land titles office.
- Prior to use, land must be zoned as agricultural or industrial while it is in development. The financial implications of being taxed according to these zoning provisions can be challenging for small businesses as they are getting started.
- The mass appraisal principle is confusing and should be clarified.
 - If mass appraisal were to change, assessors would need to get more information, which could create issues related to Alberta's *Freedom of Information and Protection of Privacy Act*.

Progressive and supplementary assessment

Comments from participants included that:

- The MGA should be more equitable in how progressive assessments are applied. Property has no value until it is up and running.

Industrial and Agricultural Property Assessment

Linear property assessment

Comments from participants included that:

- Linear property assessment works well, with the Province providing one uniform venue to address concerns. This ensures consistency across the province.
- Clarity could be improved in the MGA when it comes to linear property assessment.
 - Definitions, such as those for telecommunications and pipelines, are out of date in the MGA and don't reflect current technology.
 - Property may fit in more than one existing assessment category, as the same structures may have multiple uses.
 - There is a need for more explanation on how assessment rates are developed, what is included, what the costs are and what is excluded. For example, there is difficulty comparing the *2005 Construction Cost Reporting Guide* with other types of assessments.
- There is a need for clarity and consistency around which board makes decisions about assessment of linear property versus machinery and equipment property.
- There is a need for a single condition date for all categories of linear property assessment, such as October 31st. This would provide consistency, as well as more time to provide assessment information. This is outlined in sections 289 (Assessment for property other than linear property) and 292 (Assessments for linear property) of the MGA.

Machinery and equipment property assessment

Comments from participants included that:

- The MGA should not require machinery and equipment properties to be assessed.
- Currently, too much depreciation is being initially applied to machinery and equipment properties. Depreciation should start at zero for machinery and equipment properties, like everything else.
- Additional depreciation for power generation is an area that is unclear. There needs to be a reference point or explanation within the 2013 Alberta Machinery and Equipment Assessment Minister's Guidelines about what is included in Schedule C (Depreciation) and therefore included or excluded from Schedule D (Additional Depreciation).
 - There is also a need for the MGA to specify a way to quantify this depreciation for power generation in dollars.
- The 2013 Alberta Machinery and Equipment Assessment Minister's Guidelines are out of date.
 - There is a need to state the kind of depreciation given in Schedule C (Depreciation), so that what qualifies as depreciation in Schedule D (Additional Depreciation) is clear.
 - There is a need for clarity on the rationale for the policy of 25 per cent depreciation in the first five years, then a subsequent threshold of 40 per cent.

- Equity for regulated property in sections 467 (Decisions of assessment review board) of the MGA needs to be reviewed.
 - More clarity is required on comparisons between assessments in machinery and equipment properties.

Farm property assessment

Comments from participants included that:

- The MGA should require farm property to be assessed at market value.

Assessment Administration

Assessment administration

Comments from participants included that:

- Section 299 (Access to assessment record) of the MGA references properties which include improvements at market value, but improvements may include machinery and equipment, which are not assessed at market value. This sends an inconsistent message.
 - Section 300 (Access to summary of assessment) of the MGA has the same issue with market value property versus non-market value property.
- The 15-day timeline for creating machinery and equipment assessment reports is insufficient.
- Some of the information requested that assessors are required to provide under Section 295 (Duty to provide information) of the MGA is difficult or impossible to provide.
- The MGA needs to clarify who is responsible for what assessments. This will get rid of inconsistencies and help remedy inequitable assessments across the province.
- The timelines outlined in the MGA for assessment administration are working well.
- The MGA should outline common assessment reporting standards that define consistent terminology and provide a clear financial reporting framework.
- The assessor needs to be able to amend an assessment once a complaint is filed and provide both versions to the assessment review board. For example, this could be helpful in a situation where the reporting was late, so that the assessor can include new information.

Public Participation and Assessment Appeals

Assessment complaints and appeals

Comments from participants included that:

- The appeal period outlined in the MGA should change from 60 to 30 days.
- The appeal period outlined in the MGA should not change from to 30 days, as this would be too short.
- The MGA should require earlier engagement to promote enhanced communication and interaction on both sides of the appeal early in the process.
 - Consultation prior to appeals should be legislated in the MGA, as it would provide increased clarity and transparency.
- Local appeal boards should be removed and should transition to provincial boards. This would ensure consistent decisions and would get rid of conflict of interest on the local appeal boards.
 - The education required for a municipality to learn about complex issues and have expertise to adjudicate appropriately is expensive and time-consuming.
 - A provincial body would make binding decisions that could ensure the same issues are not being resolved over and over again.
- Composite assessment review board members should have multiple days of training related to topics like hearing procedures and writing decisions. The current training is only sufficient for residential complaints.
- All three members of the composite assessment review board should be appointed by the Province to improve consistency of decisions.
 - Currently, these boards have a regional focus, so decisions may be inconsistent across Alberta.
- The assessment review board process should be simplified for residential complaints.
 - Residential complaints should go for a hearing with the Municipal Government Board and not the Court of Queen's Bench.
 - More complicated complaints should have access to case management and alternative dispute resolution.
 - The MGA should allow appeals to be settled through mediation, rather than just through assessment review boards and the courts.
- Section 467 (Decisions of assessment review boards) of the MGA states that the assessment review board has the ability to make a "change" to the assessment, but there is not a clear definition of what is meant by change, such as whether it can be increased.

Municipal Government Board

Comments from participants included that:

- The Municipal Government Board is not required to give notice to the linear assessor when a complaint is raised, and they should be required to do so. This lack of communication creates issues with relationships between linear assessors and municipalities.

Appendix A: Session Agenda

MGA Review: Assessment and Taxation Technical Session

Agenda Item	Timing
1. Welcome and introductions	1:00-1:10
2. Potential topics for discussion: <ul style="list-style-type: none"> <u>Subject 1: Taxation and Municipal Finances</u> <ul style="list-style-type: none"> • Taxation • Municipal revenue sources • Fees and levies <u>Subject 2: Exemptions from Assessment and Taxation</u> <ul style="list-style-type: none"> • Exemptions and other special tax treatment <u>Subject 3: Market Value, Equalized and Supplementary Assessment</u> <ul style="list-style-type: none"> • Market value assessment and administration • Equalized assessment • Progressive and supplementary assessment <u>Subject 4: Industrial and Agricultural Property Assessment</u> <ul style="list-style-type: none"> • Linear property assessment • Machinery and equipment property assessment • Transportation properties • Farm property assessment <u>Subject 5: Assessment Administration</u> <ul style="list-style-type: none"> • Assessment administration <u>Subject 6: Public Participation and Assessment Appeals</u> <ul style="list-style-type: none"> • Public participation • Assessment complaints and appeals • Municipal Government Board 	1:10-1:20
3. Change tables (if needed)	1:20-1:25
4. Table facilitation <ul style="list-style-type: none"> ▪ Up to three topics will be prioritized for discussion (~20 minutes each) ▪ Discussion will focus on what is working well, desired changes, and potential impacts of changes to the legislation 	1:25-2:35
5. Open discussion <ul style="list-style-type: none"> ▪ Are there any other relevant topics participants want to address? 	2:35-2:55
6. Wrap-up	2:55-3:00