

# Municipal Government Act Review

## What We Heard: A Summary of Consultation Input

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Assessment and Taxation Technical Session

Held in Edmonton on February 5, 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 Edmonton.

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](mailto: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](http://mgareview.alberta.ca)), the MGA Review Consultation Workbook, and official submissions.

## Session Overview

<b>Session</b>	Assessment and Taxation Technical Session
<b>Location</b>	Delta Edmonton South Hotel and Conference Centre, Edmonton
<b>Date</b>	February 5, 2014
<b>Number of Participants</b>	56

- 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 policy language used in the MGA is difficult for the average taxpayer to understand.
  - Ambiguity needs to be removed from the MGA wherever possible.
- Reviews of the MGA and its accompanying regulations should occur more often.
  - Gaps have been created because the legislation has not kept up with court precedents.
- Duplication with other acts should be removed.
- The MGA should describe “what” has to occur, not how.
- There is a need for the MGA to distinguish between municipalities and communities.
- Services need to be clearly delineated for each level of government.

## 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:

- Taxation should be used to encourage sustainable growth:
  - For example, increased property tax rates for non-residential properties.
- Additional non-residential taxes are inappropriate.
- Service levels within municipalities should directly correlate to residential revenues.
- There should be a link between residential and non-residential tax rates.
  - The current ratio of 4:1 on non-residential to residential rates is too high.
  - The previous MGA model had a maximum ratio of non-residential to residential tax rates of 1.33:1. This ratio would be much more appropriate.
  - Competition between municipalities should mitigate big gaps between residential and non-residential tax rates.
- There is a need to define how much taxpayer money goes to each municipal service. For example, taxpayers should know how much of their tax dollars are used for garbage collection, snow removal and other services.
- Different municipalities need the flexibility to have differential tax rates according to the needs of their citizens. The problem is that this would treat different businesses in different ways.
- All taxable items should be clearly defined.
- Taxes work well as a source of revenue.
  - Business Revitalization Zones are working particularly well.
  - Property taxes are simple and should remain so.
- Businesses should not have to pay machinery, equipment and business tax – one or the other would be better.
- There needs to be money set aside for the future cleanup of linear property.
- Expenditures should be shared by all taxpayers.
- Tax notices and assessment notices need to be available on a website in addition to traditional mail.
- Municipalities should only provide receipts on demand, as they are not always needed.
- Utility balances should be transferred to taxes to reduce collections.
  - Currently there are no powers that allow for the collection of outstanding utility payments for the municipality.
  - These should be transferred to the owner of the property. This would create an additional liability for property owners.

### ***Municipal revenue sources***

Comments from participants included that:

- Municipalities should receive a portion of income tax. It is frustrating that 92 per cent of all taxes go to the federal government and provinces. Manitoba has adopted a model that shares a portion of provincial income taxes with municipalities.
- Guaranteed funding from the Province should be available for long-term projects.
- Revenues should be matched to services received. For example, students should be taxed on their income to account for universities.
- Use of fees, levies and investment income as revenue could be improved. Municipalities shouldn't use fines and penalties to fill revenue gaps.
  - There should be parameters around where revenue is generated and what it is used for.
- Other options like bonds and community finance districts would reduce reliance on property tax.

### ***Fees and levies***

Comments from participants included that:

- Additional services like arrears notices and title changes should not be provided free of charge.
- Currently there is no connection between the levy collected and the service provided. The MGA needs to be clearer about the appropriate use of levies.
- The community aggregate payment levy should either be removed or only used for roads.
- Fees charged across the province should be regulated in the MGA.

## **Exemptions from Assessment and Taxation**

### ***Exemptions and other special tax treatment***

Comments from participants included that:

- Tax deferrals should be done at the Provincial level.
- Clarification is needed as to why exemptions are given to progressive assessments and farmland.
- Municipalities should be able to decide if places like commercial areas within hospitals and universities receive exemptions.
- Municipalities should be able to challenge a decision on whether a grant-in-lieu should be paid or not paid.

## Market Value, Equalized and Supplementary Assessment

### ***Market value assessment and administration***

Comments from participants included that:

- Assessments should be based on market value and use.
- An enforcement mechanism is needed in the MGA to give municipalities access to information to assess a property.
  - Section 328 in the MGA (Duty to Provide Information) allows for information to tax a property but not to assess a property.
- Valuation and conditions dates should be the same or closer together.

### ***Equalized assessment***

Comments from participants included that:

- Linear and industrial properties should be analyzed to ensure that they are equalized appropriately across the Province.
  - If areas across the Province assess in different ways, equalized assessments could be impacted.
- Municipalities should not need to prepare market values without compensation when the Province expects compensation for preparing linear assessments.
- It is not fair that the municipality incurs costs for education taxes not paid by the landowner.
- Taxes to support libraries should be requisitioned directly, like the collection process for seniors and education taxes.
  - Municipalities do not have enough money for libraries right now and it is putting pressure on their budgets.
- It doesn't make sense that education tax is collected according to a supplementary assessment when not all municipalities prepare supplementary assessments. This creates an inequality across the province on taxes being collected.

### ***Progressive and supplementary assessment***

Comments from participants included that:

- The MGA should not adopt progressive assessments for machinery and equipment and linear properties as it would be a huge administrative undertaking.
- There should be a supplementary assessment on new buildings or additions, rather than zoning changes.
- Bylaws should remain in effect until a change is needed, rather than changed every year.
- Supplementary assessments need to be completed for bare land that is subdivided.

## Industrial and Agricultural Property Assessment

### ***Linear property assessment***

Comments from participants included that:

- Linear property maintenance upgrades need to be equitable and consistent for all industries.
- There should be third party verification of pipeline condition assessments.
  - Industry would be willing to pay for the third party verification.
  - Disputes on third party valuation in the event of a disagreement could be resolved by Municipal Affairs.
- Collection of linear property taxes at the provincial level would make the most sense, as they could fairly distribute the funds to all municipalities.
  - Property tax revenue from linear property and from machinery and equipment is not shared equitably between urban and rural taxpayers.
  - Pipelines should be taxed at a provincial level, with one mill rate for the entire province.
  - Revenue collected across the province needs to be spread equally to all municipalities.
- Having Municipal Affairs as a central assessment body allows for consistency across the Province. However, there are concerns about how the money will come back to municipalities, and the Province has capacity issues.
- There needs to be better definition of what provincial assessors and local assessors are each responsible for.
  - If the Province looked after co-generation completely, including land and supporting buildings, assessments would be consistent.
  - There is a need to define who should have responsibility for major specialized assessments.
- Linear property should be on a level playing field with machinery and equipment with a 77 per cent depreciation level and similar exemptions.
  - There should be fixed depreciation of 23 per cent on pipelines at the start.
- Evaluating residential lines as linear property means they are potentially being taxed twice.
- Assessment rates of linear property should be based on utilization.
  - Under-utilized pipelines should have lower rates. A third party could be used to confirm utilization on pipelines.
- Municipalities should have the opportunity to assess linear property once a pipeline is in the ground.
  - Linear property should be assessed once it is in service rather than when it passes inspection.
  - There is a loss of revenue when plants take multiple years to complete.
- Section 304 of the MGA (Recording Assessed Persons) says that linear property is separate from property, but Matters Relating to Assessment and Taxation defines this differently. It should be clarified which definition holds authority.

### ***Machinery and equipment property assessment***

Comments from participants included that:

- Depreciation tables need to define the use of depreciation more clearly.
  - A good valuation model for machinery and equipment is needed. The start-up depreciation rate of 25 per cent for machinery and equipment should be abolished, reconsidered or reformulated.
  - If immediate depreciation was removed, a depreciation “floor” (meaning a minimum rate) should be considered.
  - All municipalities need some standard of cost-based valuation and a depreciation schedule to ensure a low risk of assessment volatility.
- No changes are desired to how machinery and equipment and linear property are assessed.
- There is a need for one simple definition of machinery and equipment. The three different definitions currently in the MGA are confusing.
- Alberta’s Construction Cost Reporting Guide needs revisions and updates. Specifically, the definitions should be updated.
- The current Minister’s Guidelines need to be updated, as it does not reflect today’s technology.
  - A schedule is needed to regularly review and update rates.
  - There is a need to redefine what is assessable for a pipeline that is complete but not capable of being used.
  - Definitions of “commissioner” and “completion” need to be added to the manual.
- The MGA should outline that the Province is responsible for ensuring rates are kept up-to-date.
- There are grey areas in definitions and intent.
  - There needs to be a definition of what the non-assessable costs are.
  - It should be clear that industrial buildings on plant sites are to be assessed at market value, and not replacement cost.
- There should be a separation of small and large manual assessment rates and reporting costs.

### ***Transportation properties***

Comments from participants included that:

- Transportation assessments should be similar to railroad assessments.
- Remote municipalities are assessed higher for rail, which is inequitable.
- Airport assessments should be left the same. A per passenger assessment would not work well.
  - Taxable Commercial Rental Units need to be defined.
- The main problem with rail property assessment is inconsistency in rail right of way and non-rail right of way.
- Rail property should be assessed the same as linear property. This would allow rail to be assessed consistently.
- Spur lines should be assessed and considered for taxation.

### ***Farm property assessment***

Comments from participants included that:

- Farm rates should be the same as non-residential tax rates.
- There needs to be a clear definition of what a farm property is.
  - Farm buildings should only be exempt if they are used 100% as a farm building.
  - There should be no exemption on a farmer's place of residence.
  - The minimum parcel size should be increased when defining farm property.
- Farmland should be assessed at market value.
  - Land values should be based on land sales in the area.
  - If farmland is being developed, assessment of the land should change from regulated to market value.
- Properties should be assessed at market value if the land is not being farmed.
- Intensive farming operations and land-intensive farming operations should be assessed differently.
- There should be a different valuation method for urban fringe and rural areas.
- Rural assessment should be abolished, leaving all exemptions on the taxation side.
- There should be minimum exemptions for income and production on acreages.

## **Assessment Administration**

### ***Assessment administration***

Comments from participants included that:

- The MGA needs to allow for amended assessment throughout the year.
  - Assessments should be able to be adjusted due to late filing of reports by the property owner.
- Large industrial plants should be valued by a provincial authority that has the capacity to conduct the work and ensure consistency.
- It is necessary to consider succession planning to retain assessment knowledge.
- There is a need to develop and adopt valuation manuals that value specialized properties.
- Assessment of regulated industrial property should be done at the provincial level to make the process more transparent and equitable.
- Exemptions should be administered by Municipal Affairs to provide more consistency in application. This would take autonomy away from municipalities.
- The current assessment delivery system is effectively protecting municipal autonomy.
- Assessors need training, an updated manual, and support to do assessments properly.
  - There is too much inconsistency in assessments, despite there being such a small community of assessors.
  - There is a desire for assessment uniformity and consistency across the province.

- It would be more cost effective for municipalities to standardize well site assessments.
- The language in sections 295(4) (Duty to Provide Information) and 299 (Access to Assessment Record) in the MGA is too soft and could be improved to allow information gathering to occur.
- Sections 299 (Access to Assessment Record) and 300 (Access to Summary of Assessment) in the MGA need to be revised to exclude regulated property.
- Municipalities should be allowed to use information to prepare, defend and test assessments.
  - There needs to be a required list of the information that must be provided to the municipality by the property owner.
- The assessment community is in favour of a 12-month system like the one in Bill 23 (Municipal Government Amendment Act, 2009).
  - Large municipalities would like to see assessment dates adjusted.
  - Primary revenue sources for municipalities are at risk due to wait periods.
- Regulated rate calculations need to be updated to keep pace with market value assessments.
- There needs to be new, clear definitions with explicit explanations of what is going to be assessed. This should include valuation standards.
  - A clear definition of “manufacturing and processing” is needed.
- An ombudsman would provide an additional degree of independent oversight.
  - The assessment commissioner should act as an independent provider of advice, a quasi-adjudicator and an ombudsman.
- Currently, construction costs for well drilling are not included in assessment, and should be taken into account.
- The Construction Cost Reporting Guide requires a complete overhaul, as it is not keeping up with current costs.
- A mechanism to assess federally leased properties, like Nav Canada properties, is needed to promote equity in assessment.
  - Without this mechanism, municipalities with federal properties like Cold Lake could be at risk of losing revenue.
- A mechanism to appeal to the federal government is needed.

## Public Participation and Assessment Appeals

### ***Public participation***

Comments from participants included that:

- The MGA needs to allow for and encourage the use of current communications technologies and progress from the antiquated use of letter mail and newspaper notices.

### ***Assessment complaints and appeals***

Comments from participants included that:

- Appeal timelines in relation to the assessment process should be better aligned.
  - The sixty day period for complaints and appeals is too long. A thirty day period would be more appropriate.
  - There should be an earlier disclosure of issues required.
- Moving away from the two review boards system towards a provincially-appointed review board would be a good change.
- Section 467(4) of the MGA (Decisions of Assessment Review Boards) should be more clearly defined.
- There needs to be clarity around whether section 467(3) of the MGA (Decisions of Assessment Review Board) applies to only farmland, or if machinery and equipment is included.
- The complaint process can freeze an assessor, causing unnecessary delays and compromising assessment administration.
- There is no power in the MGA for an assessor to inspect property in order to defend an assessment complaint.
- There should be another opportunity to appeal to the Assessment Review Board.
- Composition of Assessment Review Boards should be reviewed.
  - The current composition that can include two elected councillors from a municipality or someone uneducated can be a problem, especially for complicated appeals.
  - Clarity is required around whether a board can increase an assessment.

### ***Municipal Government Board***

Comments from participants included that:

- The Municipal Government Board should hear regulated assessment appeals.
  - Those who sit on the Municipal Government Board (MGB) have knowledge of complex issues.
  - The regulated assessment appeal process should be similar to linear property appeals process.
- The MGB needs to support the assessor when the property owner has not disclosed information in a timely manner.
- Council appointing appellate MGB members is not a fair or transparent process.

## **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 Finances**

#### ***Financial administration***

Comments from participants included that:

- There is a need for accountability and transparency about how councils spend money.

## Appendix A: Session Agenda

### *MGA Review: Assessment and Taxation Technical Session*

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