

# Municipal Government Act Review

## What We Heard: A Summary of Consultation Input

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Assessment and Taxation Technical Session

Held in Medicine Hat on April 14, 2014

Released on June 24, 2014

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 Medicine Hat.

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>               | Southside Events Centre, Medicine Hat     |
| <b>Date</b>                   | April 14, 2014                            |
| <b>Number of Participants</b> | 16  |

- 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 new MGA should be clearer and easier to understand.
- The types of communication permitted in the MGA should be updated to include electronic means.

## **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 governance***

Comments from participants included that:

- More education needs to be provided to councillors so they feel empowered to know and follow the provisions in the MGA.
  - Training for councillors should be delivered by a third party.
  - More educated councillors would help minimize the influence of administration on council.

#### ***Municipal administration***

Comments from participants included that:

- Administration needs training and increased accountability.

### Municipal Finances

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

Comments from participants included that:

- The MGA needs more clarity about what councils can and can't do to cancel, defer, forgive and refund taxes. For example, councils want the ability to revisit tax forgiveness over multiple years.

### Municipal Accountability, Liability and Risk Management

#### ***Compliance and accountability***

Comments from participants included that:

- There should be an ombudsman for councillors to turn to for advice.
- The Province needs to play a larger role in ensuring compliance to the MGA.
- There is currently no penalty for assessors not meeting MGA deadlines. There need to be consequences for non-compliance with the MGA.

## 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:

- Municipalities should be able to sub-group non-residential property taxes and apply split mill rates. This is especially important because changes in the economy don't impact all businesses and industries in the same way.
- The gap between non-residential and residential property tax rates is getting wider.
  - There needs to be a set ratio between non-residential and residential property tax rates, such as 2:1.
  - Without a cap on non-residential property tax rates, residential ratepayers get better rates because they have a vote. A maximum rate would help ensure fairness and a reasonable tax level for industry. A maximum should apply to provincial rates (such as education property taxes), not just local rates.
  - Businesses should only pay for services they use, and a cap on tax rates ensures this equity.
  - A cap holds municipalities accountable to industries, which don't have a vote.
- Municipalities need power to make taxation decisions for their municipality. There should not be prescription of tax rates in the MGA.
- The well drilling equipment tax needs to be updated to reflect changes in technology and industry. For example, current requirements wouldn't address re-entry into old wells.
  - The MGA needs to provide clarity on what vertical depth means for drilling, as this provision doesn't reflect horizontal drilling. The tax should be based on the length of pipe, not the depth.
- Municipalities need more flexibility in the use of special taxes to support long-term sustainability. The MGA should explain the types of special taxes permitted, ways they can be used and length of time they can be applied for, and then municipalities can choose to apply them.
- The MGA should prevent municipalities from collecting additional revenue through linear property taxes when they're not covering any costs for that property.

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

Comments from participants included that:

- There is a resistance to new taxation powers for municipalities established through big city charters. Alternative financing methods would be a better solution.

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

Comments from participants included that:

- Municipalities have too much flexibility to set fees for organizations and people that request information related to comparable properties' assessments.
  - Fee structures for information requests should be more transparent.

## **Exemptions from Assessment and Taxation**

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

Comments from participants included that:

- All properties should receive an assessment and notice of tax amounts, even if they're exempt.
- Exempt organizations need to have a better understanding of their assessment.
  - For example, perhaps organizations should pay taxes, and then receive a refund.
  - Inaccurate assessments can become a challenge later down the road.

## **Market Value, Equalized and Supplementary Assessment**

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

Comments from participants included that:

- Market value assessment should use the "plus or minus five per cent" provision that is included under equalized assessment in the MGA.
- Market value assessment keeps the principle of fairness in market value definitions.
- There need to be simpler, cost-effective ways to calculate market value.
- The MGA should allow broader definitions of market value beyond assessor definitions.
  - The amount of time on the market should be factored into market value.
  - Traditional real estate methods of showing price should be included into the definition of market value.

## **Assessment Administration**

### ***Assessment administration***

Comments from participants included that:

- Municipalities should be required to provide information on how assessments were made as a matter of public record.
  - Assessed property owners have a right to assessment information for free, and shouldn't receive an assessment without a full set of information.

- There should be one clear, easy to complete request for information form that is usable by property owners. Current forms are complex and onerous, and also challenging to submit.
- Assessment information provided to owners needs to include assessors' calculations.
  - The MGA needs to consider what happens in the case of a rogue assessor. There needs to be a consideration of future proof in case of improper assessment.
- The MGA should clarify the options municipalities have to collect information.
  - Increased transparency of assessment information would encourage consistency across the province and sharing of methods from large to small municipalities.
  - For example, the MGA should make it clear when to require property financial information.
- The Province should provide classification tables as templates or best practices ensure consistency across the province.
- Existing assessment timelines don't allow for a customer review period and advance consultation processes.
  - Assessment information should be provided to owners within a customer review period. Current timelines would need to shift by several months to provide this time to owners.
  - Assessment should move to a two-year cycle to provide more time for calculation and consultation.
    - As an example, Winnipeg does this and it is working well. Also, Quebec only issues assessment every three years.
- Tax recovery timelines in the MGA are too long, and are abused by taxpayers. A year and a half would be sufficient.
- Tax recovery timelines in the MGA are working well. Property owners make restitution at the end of the time period.
- The requirement for municipalities to sell tax recovery property at market value isn't working.
  - In British Columbia, this property goes to auction so that it is sold faster. In Alberta, people either hold onto property so it increases to market value or the municipality can't reclaim the assessed value.
- The school board selection should be removed from the public assessment roll. The current approach publicizes people's religious affiliation.
- Property owners should be able to split contributions between school boards.
- Municipalities need the ability to send electronic assessment and tax notices.
- The MGA should include a provision that prevents incomplete assessment notices from being sent out.

## Public Participation and Assessment Appeals

### ***Public participation***

Comments from participants included that:

- Business and industry need a municipal vote.

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

Comments from participants included that:

- There is the perception of bias among assessment review board members, and this should be addressed in the new MGA.
  - There need to be clear definitions for conflict of interest for assessment review board members and participants in appeals. For example, current or former municipal councillors often bring conflicts of interest.
- Members of the assessment review boards should be appointed by an ombudsman or by the Province.
  - Local, provincially appointed boards would increase the risk of previous councillors or assessors being on the board and bringing bias.
  - All assessment review boards should be regional. Small municipalities don't have resources to staff local assessment review boards.
- There is a need for greater consistency across the province in the interpretation of the MGA at appeal boards.
- There should be tighter requirements for membership and training of appeal board members. Specific expertise should be required, such as expertise in real estate.
- Three members of the composite assessment review board need to be present for all hearings. Composite assessment review boards should not be able to proceed with any less than three members present, but should have a total of five or so members to draw from.
- The current requirement for one year between appeals isn't working well. Perhaps a penalty could be applied instead of limiting the right to appeal.
  - Property owners' hands are tied if there was an appeal the year before.
  - A lack of previous disputes should not limit owners of new properties from disputing an assessment.
  - Appeals should be able to go back more than one year in certain situations.
    - Longer timelines for the appeal process may negate the need for appeals to look further back than one year.
    - There should be a process to address lagging properties that were assessed too low.
- Assessors should be required to honour previous years' appeal decisions. Currently, some property owners have to appeal their assessment every year even if they've won in the past.
- There should be a requirement to date stamp appeals to document submissions.
- Appeals should not consider mass appraisal. They should only consider the one property being dealt with under the appeal.

- The disclosure process doesn't work for non-professional appellants.
  - Appeal processes should support citizens.
  - The appeal process should grant extensions and allow support for citizens beyond what is included in the disclosure process.
- The whole appeal process needs to be equitable for appellants and assessors. Both parties should have access to each other's information, and operate within the same timeframes.
  - More responsibility should be placed on assessors to prove the accuracy of their assessment than exists under the current MGA.
  - There is concern that there would be more appeals if the onus was on assessors to prove the accuracy of their assessment and less effort was required from appellants.
- Specific categories of the assessment roll should be made available to property owners so they can compare their assessment to similar properties. This could create privacy issues, although there are already some privacy issues associated with disclosure of information.
  - Property owners want to be able to compare properties to ensure equity. More information could be removed from the roll in order to permit comparison, such as names of owners.
- Assessors have too much power, and municipalities and citizens don't have recourse to fight unfair taxes. The systems for appeals are too complex and extreme.
- The Minister of Municipal Affairs or the municipal council should be able to make a request to an ombudsman for an inspection of an assessment.
  - An ombudsman could step in on major municipal issues and call for a new assessment so major issues don't have to wait to be addressed through a lengthy appeal system.
- A dispute resolution process would be a better approach than appeals for the general public. A mandated discussion between assessors and owners should occur prior to each appeal. This might prevent appeals.
  - Consultation in advance of the customer review period is working well in Calgary, and should be implemented across the province.
- The Court of Queen's Bench isn't the right venue for assessment appeals. A venue like the Municipal Government Board would be more appropriate if the board were equipped with relevant subject matter expertise.

## Appendix A: Session Agenda

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

| Agenda Item  | Timing    |
|--|-----------|
| <b>1. Welcome and introductions</b>  | 1:00-1:10 |
| <b>2. Potential topics for discussion:</b><br><u>Subject 1: Taxation and Municipal Finances</u> <ul style="list-style-type: none"> <li>• Taxation</li> <li>• Municipal revenue sources</li> <li>• Fees and levies</li> </ul> <u>Subject 2: Exemptions from Assessment and Taxation</u> <ul style="list-style-type: none"> <li>• Exemptions and other special tax treatment</li> </ul> <u>Subject 3: Market Value, Equalized and Supplementary Assessment</u> <ul style="list-style-type: none"> <li>• Market value assessment and administration</li> <li>• Equalized assessment</li> <li>• Progressive and supplementary assessment</li> </ul> <u>Subject 4: Industrial and Agricultural Property Assessment</u> <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> <u>Subject 5: Assessment Administration</u> <ul style="list-style-type: none"> <li>• Assessment administration</li> </ul> <u>Subject 6: Public Participation and Assessment Appeals</u> <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 |
| <b>4. Table facilitation</b> <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 |
| <b>5. Open discussion</b> <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 |