

Municipal Government Act Review

What We Heard: A Summary of Consultation Input

Assessment and Taxation Technical Session

Held in Vermilion on February 19, 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 Vermilion.

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 | Vermilion Regional Centre, Vermilion |
| Date | February 19, 2014 |
| Number of Participants | 10 |

- 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

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

Comments from participants included that:

- The MGA should be updated to include more current and modern direction.
- There needs to be a balance in the MGA between prescription and autonomy.
- Municipal Affairs should provide information to municipalities on how to interpret the MGA.
 - Currently, there are “gray areas” in the MGA are challenging to interpret.
 - Municipal Affairs should provide more support to municipalities through their internal advisory services, rather than recommending that municipalities should contact their own legal counsel.
 - Municipalities are often left at the mercy of how courts interpret the MGA.
 - Workshops may be needed to provide education on case law.
- Municipal Affairs should maintain a log all inquiries to determine if there are several on a given topic.
 - Municipal Affairs should then provide support or information on that topic to municipalities through bulletins or other mechanisms.

Governance and Administration

Municipal Governance and Administration

Municipal governance

Comments from participants included that:

- There needs to be clarification in the MGA regarding the enforcement of long-term promises by council, particularly when the promises go beyond a councils' term of office.
 - The MGA should outline tax incentives to encourage municipalities to keep long-term commitments. This will help, for example, when council changes or if the existing council changes their direction.
- The Province should use incentives to encourage municipalities to participate in long-term budgeting.

Municipal Finances

Municipal revenue sources

Comments from participants included that:

- Municipalities need to be able to support the operating costs of services. They can't rely on only one industry for revenue.

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:

- There needs to be the ability for municipalities to split non-residential mill rates.
 - The impact of infrastructure should be an important consideration in determining the ration of the split mill rates.
- Splitting non-residential mill rates could result in a huge disparity of rates between industry and small businesses.
- Businesses do not have the ability to vote to influence tax rates. A linkage between residential and non-residential mill rates would help to ensure accountability to businesses.
- The residential and non-residential mill rates could be linked together with a ratio legislated in the MGA. The ratio would need to be clearly defined in the MGA, along with a description of the administrative process.
- There should be a formula for the well drilling equipment tax that is not just based on depth, in order to benefit more municipalities.
 - Well drilling impacts the land regardless of the depth of well, making this legislative change particularly important for the oil and gas wells.
- The MGA should clearly state what is and is not taxable.

Fees and levies

Comments from participants included that:

- The MGA needs to encourage or mandate a community aggregate levy.

Exemptions from Assessment and Taxation

Exemptions and other special tax treatment

Comments from participants included that:

- The Community Organization Property Tax Exemption Regulation is confusing and should be clarified. It is also difficult to administer.
 - It is not clear why there is so much prescription in the regulation if councils aren't required to follow it.

- There is no direction in the regulation on whether administration or council determines what properties to exempt. This should be clarified.
- Definitions of “for-profit” and “not-for-profit” need to be updated in the Community Organization Property Tax Exemption Regulation.
 - For properties that include a mix of “for-profit” and “not-for-profit” groups it is difficult to determine exemptions.
 - For example, a recreational centre may have non-profit services and also for-profit facilities, such as a coffee shop.
 - The assessment of these mixed use properties should include the value of the entire property.

Market Value, Equalized and Supplementary Assessment

Equalized assessment

Comments from participants included that:

- The application of education property tax on properties needs to be more consistent across the province. Higher education property taxes on industrial properties are a deterrent to new projects.

Industrial and Agricultural Property Assessment

Linear property assessment

Comments from participants included that:

- Linear property assessment is inconsistent across the province.
 - There needs to be consistency among municipalities’ tax rates on linear property.
 - The statutory level should go up to 100 per cent to generate more assessment income.
 - There should be a flat provincial rate that is administered by the Province for linear property.
 - The Province should set the rates as well as collect the taxes on linear property.
 - An oversight body may be needed, such as a commissioner or a user friendly manual, which could be used to drive consistency.
- There should be grants given back to municipalities to redistribute linear property tax revenue on a per capita basis.
 - Having this would mean that municipalities would lose control over that revenue.
- The assessment cut-off date for linear property should be December 31st, or there should be more assessment cut-off options.
- There needs to be consistency among the assessment of regulated properties. For example, pipelines and railway properties should be assessed the same.
 - Pipelines are always assessed at 100 per cent utilization, whether or not something is flowing, while railways get an exemption if nothing is being hauled.

- A “utilization factor” for the pipeline industry would balance usage over time. For example, Saskatchewan uses a three-year volume factor.
- Municipalities experience damage to roads and infrastructure from industrial developments, so a user-pay system may be more appropriate than the current approach.
 - Some municipalities have cost sharing agreements with industry for roads and repairs. They use section 18 of the MGA (Control of Roads) where municipalities are responsible for care and control of roads.
- The Province approves oil drilling applications but provides no support or resources to municipalities to accommodate increases in oil industry operations.

Machinery and equipment property assessment

Comments from participants included that:

- Machinery and equipment property should be assessed at market value first, and then exemptions can be applied separately.
 - However, machinery and equipment properties are administratively difficult to assess. This might add additional burdens to local assessors.
- Assessment rates on machinery and equipment property need to be updated more often to meet municipal needs.
- There needs to be progressive assessment on machinery and equipment property.
 - There should be percentages for the building stage, testing stage and production stage.
 - Currently, there is no way to recoup costs associated with construction damage to roads.
- The initial depreciation on machinery and equipment property should be eliminated, and machinery and equipment should be treated like residential taxation.
- There should be a regulated assessment authority to ensure more consistency. There are limited options available for qualified industry assessors.
- The Province needs to enforce rendition timelines.
- There is a need for more clarification of the Construction Cost Reporting Guide. Areas of ambiguity need to be addressed.

Farm property assessment

Comments from participants included that:

- Farming exemptions should be administered through taxation, rather than assessment.
- The MGA should create a variation of the Community Organization Property Tax Exemption Regulation that is specific for farmland.
- The Province should review what is classified as a “farm house,” and slowly start removing farm house exemptions.
 - Farmland in urban areas should be assessed at market value.

- The Province should bring farmland assessment up-to-date to reflect today's market value, and then apply exemptions after assessment.
- Farmland value should stay based on productivity, but should be adjusted to more realistic values.
- The farm operation definition needs to be clarified in the MGA.
- In urban areas, developers will hold land that is taxed as farmland. This is not working well.
- The MGA review should deal with intensive livestock operations first; then the rural assessment policy will not be required.
 - The Province should set different policy for intensive livestock operations.
 - The MGA needs to better explain the purpose of the rural assessment policy.
- Currently, landowners are taxed but the operators of the cell phone towers are not taxed separately, which requires the landowner to go to the operator of the cell phone tower to recover costs.
 - The process for cell phone towers should be the same as the approach used for oil wells.
 - There should be a provision in the tax recovery process for cell phone tower operators.

Assessment Administration

Assessment administration

Comments from participants included that:

- Assessment administration is mostly working well.
- There is a need to have separate assessment classes for non-residential properties.
- Assessors currently have to deal with tax policy, but should only have to deal with assessment.
- The assessment portion of the MGA should deal with valuation only. There should be no references to taxation in those sections.

Public Participation and Assessment Appeals

Public participation

Comments from participants included that:

- There is a need for more public participation for the approvals and appeals of industrial development.
- There needs to be a way for business owners who do not reside in the town, but own a business in the community to have a say in local decisions. Local businesses are bringing a lot of tax revenue to the municipality.

Assessment complaints and appeals

Comments from participants included that:

- The assessment appeal process is generally working well.
- There should be a 30-day appeal process for commercial and residential properties, and a 60-day process for industrial appeals. Industry has more complex processes to work through and this requires additional time.
- The appeal board should be entirely made up of Municipal Government Board members for appeals with values of \$5 million and higher.
- The training for assessment appeal board members is working well.
- Assessors need more training in order to present information accurately to appeal boards. Currently, assessors are tasked with educating the public, the appeal board and the council.
- Assessment Review Board panels should be made up of provincial employees and could be centralized in Edmonton.
 - People could attend meetings through the use of technology.
 - These Assessment Review Board panels could travel to different areas within the province.
- The Assessment Review Board or clerk needs to have enough time to review information before it goes to a hearing.

Municipal Government Board

Comments from participants included that:

- The Municipal Government Board should be provided with specific training for appeals with high dollar values. This would lead to increased consistency and competency in the appeal decisions.

Appendix A: Session Agenda

MGA Review: Assessment and Taxation Technical Session

| Agenda Item | Timing |
|--|-----------|
| Welcome and introductions | 1:00-1:10 |
| <p>Potential topics for discussion</p> <p><u>Subject 1: Taxation and Municipal Finances</u></p> <ul style="list-style-type: none"> ▪ Taxation ▪ Municipal revenue sources ▪ Fees and levies <p><u>Subject 2: Exemptions from Assessment and Taxation</u></p> <ul style="list-style-type: none"> ▪ Exemptions and other special tax treatment <p><u>Subject 3: Market Value, Equalized and Supplementary Assessment</u></p> <ul style="list-style-type: none"> ▪ Market value assessment and administration ▪ Equalized assessment ▪ Progressive and supplementary assessment <p><u>Subject 4: Industrial and Agricultural Property Assessment</u></p> <ul style="list-style-type: none"> ▪ Linear property assessment ▪ Machinery and equipment property assessment ▪ Transportation properties ▪ Farm property assessment <p><u>Subject 5: Assessment Administration</u></p> <ul style="list-style-type: none"> ▪ Assessment administration <p><u>Subject 6: Public Participation and Assessment Appeals</u></p> <ul style="list-style-type: none"> ▪ Public participation ▪ Assessment complaints and appeals ▪ Municipal Government Board | 1:10-1:20 |
| Change tables (if needed) | 1:20-1:25 |
| <p>Table facilitation</p> <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 |
| <p>Open discussion</p> <ul style="list-style-type: none"> ▪ Are there any other relevant topics participants want to address? | 2:35-2:55 |
| Wrap-up | 2:55-3:00 |