



# 2018 Tax Rate Analysis

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## **Introduction**

Analysing the tax rate is foundational to the budget process as it establishes a target level of expenditures within which project and service prioritization decisions must be made. A higher tax rate increase will allow for more goods and services to be provided to residents but at a greater cost to them. Balancing the levels of service provided with their cost to residents is the essence of the budget process.

In order to complete this analysis, there are many components that need to be considered. The most influential components are:

- Level of service changes
- Inflation/deflation
- Municipal tax rate comparison

## **Level of Service**

Historically, Administration has prepared an operating budget on the basis of maintaining service levels that are consistent with the prior period unless otherwise requested by Council.

As discussed in the Budget Philosophy, TransAlta has submitted a linear assessment appeal to the Province of Alberta requesting additional depreciation on Keephills 3. This could have a significant impact on the County, reducing revenues by approximately \$5.7 million with no equivalent reduction in expenditures. If service level changes are not considered, the potential impact on residents is a 13% tax increase. As a result, Administration will be preparing a budget for Council that will consider reductions in service levels provided to residents combined with a proposed 4% taxation increase in order to balance resident needs with the cost of providing goods and services. Administration will re-evaluate the 4% target during the Final Budget process in spring if TransAlta is unsuccessful in its appeal.

## **Inflation/Deflation**

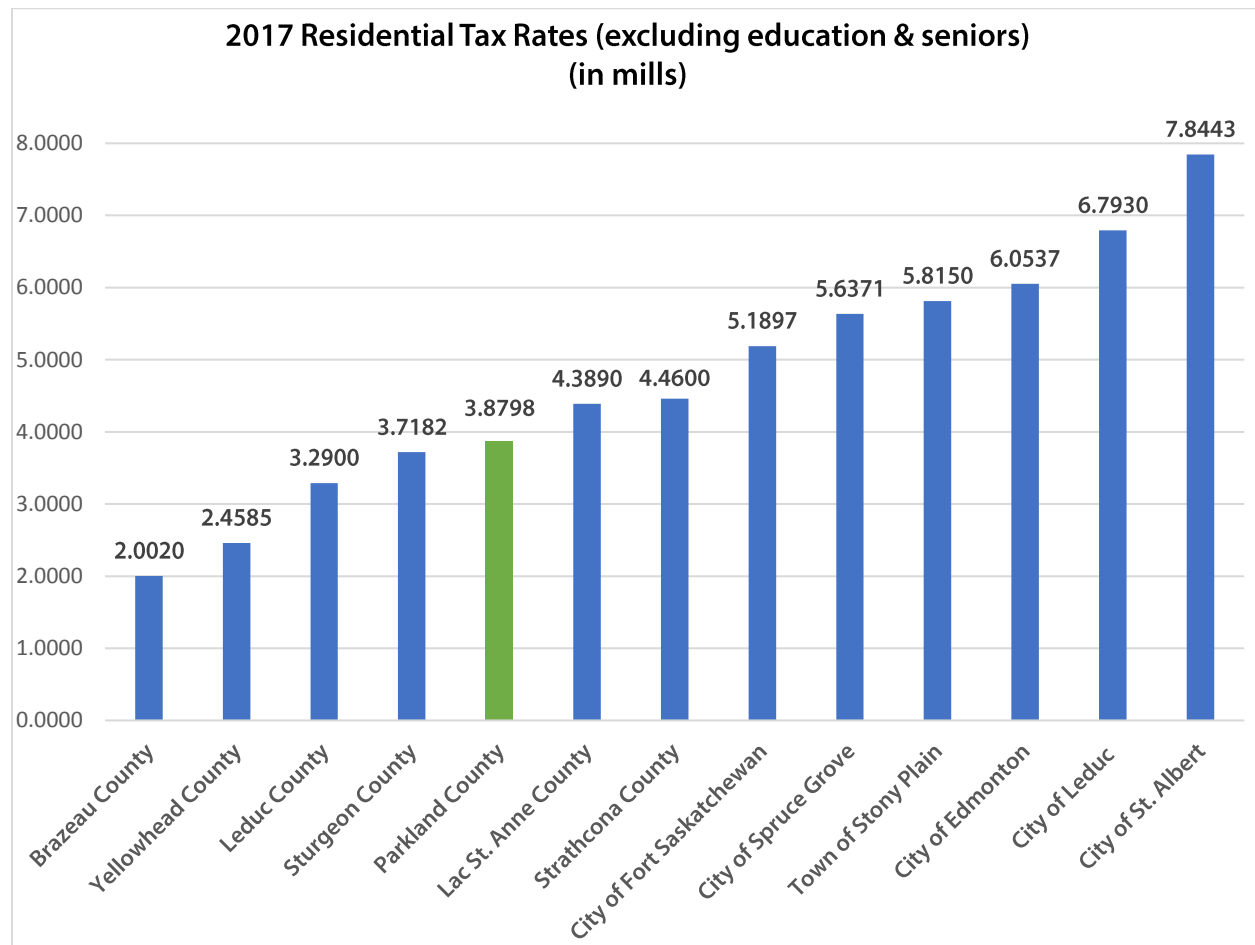
The cost of goods and services typically change year over year, therefore, in order for the County to maintain a consistent level of service, corresponding adjustments must be made to the Municipal Budget to account for inflation/deflation. The County uses published index rates to provide a recommendation for the rate applied to the budget. The County relies on the Municipal Price Index (MPI) to determine the rate of inflation/deflation to apply to its budget. The MPI is calculated using items commonly utilized by municipalities and is indicative of the County's operations.

Historically, administration would recommend an inflation adjustment equal to the 2018 forecasted MPI rate of 2.78% as noted in the Parkland County's 2018 Budget Philosophy.

For the 2018 budget year, Administration is recommending that departments hold to 0% inflation on all services. If an increase is required, a compelling case will need to be prepared by the department to provide evidence that the existing service levels cannot be met without a base budget adjustment.

### Municipal Tax Rate Comparison

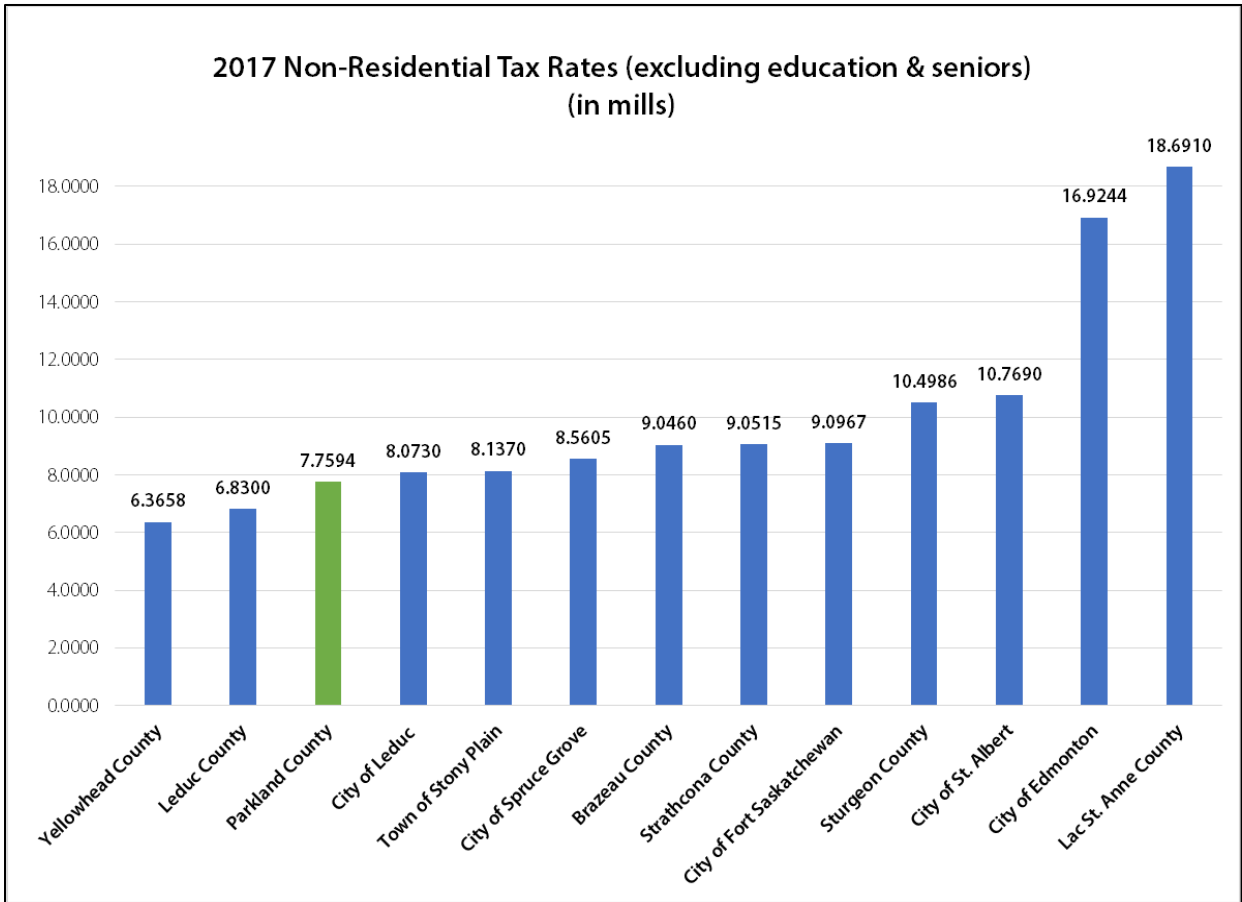
Each year Parkland County administration compiles information on the tax rates set by other municipalities in the region. This comparison is used to ensure that the tax rate established by Council is reasonable within the geographic area based on the goods and services provided. The following charts illustrate how the Parkland County's tax rates compare to neighbouring municipalities.



Parkland County has the fifth lowest residential tax rate of the thirteen municipalities listed. Please keep in mind that different levels of service dictate the amount of taxes required by

the municipality. Because of Parkland County's proximity to Edmonton and the number of residential subdivisions in the County, the range and level of service expected is higher than some of the smaller and more "rural" municipalities such as Yellowhead and Brazeau County.

Municipalities such as Sturgeon County, Leduc County, and Lac St. Anne County have a significantly higher farmland tax rate than their residential tax rate. This ranges from 2.3-4.05 times higher than the residential tax rate thus allowing them to offer a more competitive residential tax rate.



Parkland County continues to maintain the third lowest non-residential tax rate of the thirteen municipalities listed. Again, different levels of service dictate the amount of taxes required by the municipality.

It is important that Parkland County continually monitors these rates to ensure that the County maintains competitive tax rates as well as a balance between residential and non-residential taxes.

## Tax Rate Ratio Comparison

A tax rate ratio is a way of distributing the taxes paid by residential versus non-residential properties. Currently Parkland County has a 2:1 tax rate ratio. When setting the tax rate ratio the County wants to ensure that the residential and non-residential taxation in the County remains competitive within the region and the tax burden remains fairly distributed. Based on economic realities, Administration may consider adjustments to the tax rate ratio to ensure residential and non-residential tax rates remain competitive should the County suffer a substantial loss of revenue.

