



BYLAW 05-25 – ASSESSABLE AND SUPPLEMENTARY TAX RATES

Purpose

The purpose of Bylaw 05-25 is to authorize the rates of taxation levied against assessed taxable properties, including properties with supplementary assessments for the 2025 tax year.

Readings

That Bylaw 05-25 Assessable and Supplementary Tax Rates Alternative ____ be read a first time.

That Bylaw 05-25 Assessable and Supplementary Tax Rates Alternative ____ be read a second time.

That authorization be given to read Bylaw 05-25 Assessable and Supplementary Tax Rates Alternative ____ a third time.

That Bylaw 05-25 Assessable and Tax Rates Alternative ____ be read a third time and passed.

That Council directs Administration to draw up to \$_____ from the general capital reserve to fund the under-collection of 2025 municipal property taxes arising from setting tax rates at those in Bylaw 05-25 Assessable and Supplementary Tax Rates Alternative ____.

Report, Analysis and Financial Implications

Section 353(1) of the *Municipal Government Act (MGA)* states that a Council must pass a property tax bylaw annually. The property tax bylaw authorizes Council to impose a tax on:

- a. the expenditures and transfers set out in the budget of the municipality; and
- b. the requisitions of external organizations (these include amounts for Provincial Education, Westwinds Communities, and Designated Industrial Properties).

Council has approved the 2025 Municipal tax revenue budget of \$39,044,900, plus requisitions of \$21,284,887 for a total of \$60,329,787.

General Municipal	<u>\$39,044,900</u>
Provincial Education	\$20,571,072
Westwinds Communities	\$ 711,184
Designated Industrial Properties	<u>\$ 2,631</u>
Subtotal Requisitions	<u>\$21,284,887</u>
	<u>\$60,329,787</u>

Determination of the property tax rates is a three-step process:

Step 1: calculation of the budget and tax requisition revenue requirements;

Step 2: finalization of the assessment roll for the Town; and

Step 3: calculation of the property tax rates.

Step 1: Calculation of the budgeted revenue requirements:

In November of 2024, Council approved the 2025 budget which included a 4.8% property tax increase for existing property owners, 1.6% increase for growth in new taxable properties, and estimates of the required requisitions. It is important to note that revenues increased from both the 4.8% property tax increase and the 1.6% increase from new taxable properties, this leads to an overall property tax base growth of 6.4%, or a \$2,342,500 increase from the 2024 tax revenue base.

Step 2: Finalization of assessment roll:

The following chart shows the trend in Okotoks' assessed values, excluding annexed properties, along with the impact on the residential to non-residential assessment split. The assessment value, determined as of July 2024, results in a \$898,614,750 increase in residential assessed value and a \$79,026,340 increase in non-residential, for a total assessment increase of \$977,641,090. Important to note in these assessed value changes is the rate of growth for residential properties at 14.5% is higher than the rate of growth for non-residential properties at 8.5%.

Municipal Taxable Assessment Base – Residential / Non-Residential Split (excluding Annexed Properties)						
	2024 Declared		2025 Declared		Value Change	Change
	\$	% Split	\$	% Split	\$	%
Residential	6,210,640,390	86.9	7,109,255,140	87.5	898,614,750	14.5
Non-Residential	32,446,150	13.1	1,011,472,490	12.5	79,026,340	8.5
Total Assessment	7,143,086,540		8,120,727,630		977,641,090	13.7

The following chart shows the trend in Annexed Properties, along with the impact on the residential to non-residential assessment split. The assessment value, determined as of July 2024, results in a \$5,268,500 increase for residential, (\$45,910) decrease for farmland and \$605,810 increase for non-residential, for a total increase of \$5,828,400 in assessed value. Important to note is that the value of assessment for annexed properties did not increase at the same rate as the traditional assessment base.

Municipal Taxable Assessment Base – Residential / Non-Residential Split (Annexed Properties)						
	2024 Declared		2025 Declared		Value Change	Change
	\$	% Split	\$	% Split	\$	%
Residential	52,257,750	82.4	57,526,250	83.2	5,268,500	10.1
Farmland	940,020	1.6	894,110	1.3	(45,910)	(4.9)
Non-Residential	10,131,180	16.0	10,736,990	15.5	605,810	6.0
Total Assessment	63,328,950		69,157,350		5,828,400	9.2

Step 3: Calculation of the tax rate:

Okotoks has two classes of taxation (residential and non-residential) in which non-residential is calculated as a percentage of residential taxation.

For 2024, the total municipal tax revenue was \$36,702,400, of which \$29,337,814 (79.9%) was recovered from the residential tax base and \$7,364,586 (20.1%) from non-residential.

For 2025, maintaining a tax split of 80% residential and 20% non-residential results in a non-residential to residential tax ratio of 175%, up from 166.5% in 2024. The total budgeted municipal tax revenue is \$39,044,900, and at the 80/20 split, \$31,225,993 (79.97%) is to be recovered from the residential tax base, \$10,242 from Farmland (0.03%) and \$7,808,666 (20.0%) from non-residential.

Alternatives:

At the end of 2024, the Town had a one-time surplus of \$1,048,000, which was transferred to the General Capital Reserve. Council has options for how it uses the surplus, including:

- fund a portion of the \$58 million of unfunded capital projects contained in the 10-year capital plan,
- fund as-yet unidentified capital projects, or
- fund a reduction of the 2025 municipal property taxes.

Should Council opt to reduce the 2025 budgeted tax increase, this decision will impact future tax increases. Using a non-recurring source (for example, a one-time surplus or reserve draw) to fund recurring expenditures (for example, operating budgets) will impact future tax requirements. Future years will require either annual reserve draws or permanent reductions in expenditures of the same amount to mitigate this impact. Any surplus used to offset the 2025 tax variance would also not be available to fund capital projects.

Administration has prepared four (4) alternative Bylaws for Council to consider as follows:

1. Maintain current budgeted tax revenue and use none of the surplus to reduce tax.
2. Use \$369,863 of the surplus to reduce taxes by 1%.
3. Use \$739,781 of the surplus to reduce taxes by 2%.
4. Use \$1,035,689 of the surplus to reduce taxes by 2.8%.

Alternative 1 (recommended): Maintain collection of current budgeted \$39,044,900 and use \$0 of the surplus:

Municipal Taxes (Alternative 1: Maintain Budgeted Tax Revenue Collection)				
	2024	2025	Change	Percentage
Residential	29,337,814	31,236,234	1,898,420	6.5
Non-Residential	7,364,586	7,808,666	444,080	6.0
Total	36,702,400	39,044,900	2,342,500	6.4

This alternative maintains the budgeted 4.8% tax revenue increase to existing taxable properties, and the 1.6% tax revenue increase for new taxable properties; resulting in tax collection as budgeted in the amount of \$39,044,900 and maintains the surplus transferred to reserves.

Administration recommends this alternative as there are \$58 million of unfunded capital projects in the 10-year capital plan; the surplus could help fund some of them.

Alternative 2: Reduce budgeted tax revenue by 1% from \$39,044,900 to \$38,675,037, creating a variance of \$369,863, or approximately 1/3 of the surplus:

Municipal Taxes (Alternative 2: Decrease 4.8% to 3.8% Tax Revenue Increase)				
	2024	2025	Change	Percentage
Residential	29,337,814	30,940,728	1,602,914	5.5
Non-Residential	7,364,586	7,734,309	369,723	5.0
Total	36,702,400	38,675,037	1,972,637	5.4

Decreasing the collection of tax revenue by 1% from the budgeted 4.8% to 3.8% would create a variance between the budgeted tax revenue and the actual amount collected equivalent to approximately 1/3 of the 2024 surplus in the General Capital Reserve, or \$369,863.

Alternative 3: Reduce budgeted tax revenue by 2% from \$39,044,900 to \$38,305,119, creating a variance of \$739,781, or approximately 2/3 of the surplus:

Municipal Taxes (Alternative 3: Decrease 4.8% to 2.8% Tax Revenue Increase)				
	2024	2025	Change	Percentage
Residential	29,337,814	30,645,178	1,307,364	4.5
Non-Residential	7,364,586	7,659,941	295,355	4.0
Total	36,702,400	38,305,119	1,602,719	4.4

Decreasing the collection of tax revenue by 2% from the budgeted 4.8% to 2.8% would create a variance between the budgeted tax revenue and the actual amount collected equivalent to approximately 2/3 of the 2024 surplus, or \$739,781.

Alternative 4: Reduce budgeted tax revenue by 2.8% from \$39,044,900 to \$38,009,211, creating a variance of \$1,035,689, or almost 100%:

Municipal Taxes (Alternative 3: Decrease 4.8% to 2.0% Tax Revenue Increase)				
	2024	2025	Change	Percentage
Residential	29,337,814	30,408,759	1,070,945	3.7
Non-Residential	7,364,586	7,600,452	235,866	3.2
Total	36,702,400	38,009,211	1,306,811	3.6

Decreasing the collection of tax revenue by 2.8% from the budgeted 4.8% to 2.0% would create a variance between the budgeted tax revenue and the actual amount collected equivalent to almost all of the 2024 surplus, or \$1,035,689.

If Council chooses to reduce the tax revenue, this will result in a variance that may need to be offset with a draw from the General Capital Reserve. A Council resolution would be required to do so.

Properties annexed from Foothills County are subject to tax rates set by Foothills County and not those otherwise set by the Town. The 2025 tax bylaw rates for properties within Foothills County passed second and third reading by Foothills County Council on April 23, 2025. Bylaw 05-25 applies Foothills County's municipal tax rates to the subject properties under the Annexation Orders.

Section 369 of the *MGA* requires that if in any year a Council passes a supplementary assessment bylaw it must, in the same year pass a bylaw to impose a supplementary tax in respect of that property. Bylaw 01-25, passed January 13, 2025, authorizes the preparation of supplementary assessments for improvements completed, occupied, or moved into the municipality during any part of 2025. Proposed Bylaw 05-25 – Assessable and Supplementary Tax Rates proposes supplementary tax rates equal to the assessable tax rates.

Administration's recommendation is to maintain collection of currently budgeted \$39,044,900 municipal tax revenue, Alternative 1.

Strategic Plan Goals

<input type="checkbox"/>	Responsibly Managed Growth	<input type="checkbox"/>	Demonstrated Environmental Leadership
<input type="checkbox"/>	Strong Local Economy	<input type="checkbox"/>	Enhanced Culture & Community Health
<input checked="" type="checkbox"/>	Organizational Excellence		

Community Engagement Strategy

n/a

Alternatives for Consideration

See alternatives presented in the body of the report.

CAO Comments

Council has options available for the property tax bylaw and will need to provide direction on which option they feel is most appropriate. For context, I offer the following information:

	4.8% tax increase	3.8% tax increase	2.8% tax increase	2.0% tax increase
Base municipal property tax	2926.80	2898.97	2871.08	2848.82
Base 2024 tax	2829.64	2829.64	2829.64	2829.64
Difference	97.16	69.33	41.44	19.18

Okotoks Tax Rate Increase vs Alberta Inflation Rate Increase (2014–2024)

Year	Okotoks Tax Rate Increase (%)	Alberta Inflation Rate Increase (%)
2014	4.3	1.9
2015	4.8	1.2
2016	1.6	1.5
2017	1.7	1.7
2018	3.0	2.4
2019	2.0	2.0
2020	0.0	0.9
2021	0.0	3.7
2022	2.5	6.5
2023	4.5	4.1
2024	4.6	3.2
Average	2.63	2.49

Property tax as a % of total revenue

Year	Total Revenue (\$M)	Total Property Tax (\$M)	%
2016	58733	26540	45
2017	59005	27296	46
2018	65263	27915	43
2019	62822	29156	46
2020	62173	29399	47

2021	65157	29954	46
2022	69448	32274	46
2023	78067	34540	44
2024	83014	36491	44

Attachment(s)

1. Alternative 1 Draft Bylaw 05-25 Assessable and Supplemental Tax Rates (4.8% + 1.6%)
2. Alternative 2 Draft Bylaw 05-25 Assessable and Supplemental Tax Rates (3.8% + 1.6%)
3. Alternative 3 Draft Bylaw 05-25 Assessable and Supplemental Tax Rates (2.8% + 1.6%)
4. Alternative 4 Draft Bylaw 05-25 Assessable and Supplemental Tax Rates (2.0% + 1.6%)
5. Tax Rate Math

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