






Subject: **2024 Requisitions and Ratepayer Impacts**
 Meeting Date: Tuesday, March 26, 2024
 Prepared By: Marika von Mirbach, Financial Planning Coordinator
 Presented By: Marika von Mirbach, Financial Planning Coordinator

RECOMMENDED MOTION:

That Council accepts the 2024 Requisitions and Ratepayer Impacts report for information.

STRATEGIC PLAN ALIGNMENT: (Check all that apply)

	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
High Quality Infrastructure		Economic Resilience		Quality of Life		Effective Leadership		Level of Service	

RELEVANT LEGISLATION:

Provincial (cite)- Alberta Housing Act (Section 7) and Alberta School Foundation Fund Regulation

Council Bylaw/Policy (cite)- N/A

BACKGROUND/PROPOSAL:

Kneehill County requisitions funds which are collected by the County through ratepayer tax bills, and then paid to the requisition authority. These include requisitions related to Kneehill Housing Corporation, and the Alberta School Fund.

The requisition amounts for both Kneehill Housing Corporation and the Alberta School Fund are set to impact ratepayer tax bills in a significant way for the 2024 tax year. Administration felt it was prudent to communicate the impact and to provide potential options to Council to alleviate the burden on ratepayers.

Kneehill Housing Corporation

Kneehill Housing Corporation (originally Kneehill Housing Foundation) was established in 1960 to build and operate Golden Hills Lodge in Three Hills Alberta.

In addition to Golden Hills Lodge, KHC operates Seniors Self Contained Manor projects (Robertson Manor, Trochu Valley Manor, JC Long Memorial Court, Lynn Haven Manor, Meadow Park Manor and Torreville Manor) and Family & Community Housing.

Requisition Amount

On Tuesday, July 25, 2023, Kneehill Housing Corporation informed the County that the requisitions sent out in 2023 had a slight error calculation, which resulted in some municipalities overpaying and some underpaying. At that time, Kneehill Housing Corporation requested that all underpayments and overpayments be added/deleted to the 2024 requisition. Kneehill County underpaid in 2023, and an allocation of \$266.28 was to be added to our 2024 requisition.



The minutes reflected the Kneehill Housing Request, which was moved and approved anonymously.

Resolution: 264/ 23

Moved by: Councillor McGhee

That Council endorse the approach prescribed by Kneehill Housing to adjust the Kneehill Housing requisition in 2024 to account for the miscalculation in the 2023 Kneehill Housing requisition.

CARRIED UNANIMOUSLY

Additionally, in March 2024, the Kneehill Housing Corporation addressed Municipalities, signaling a notable uptick in the requisition amount for the year. They cited various challenges, including the impact of Carbon Tax, escalating food and utility costs, and pressing maintenance issues arising from the Lodge's original construction in 1960. Julie Miller, CAO of Kneehill Housing, stressed that historically, Golden Hills Lodge received the lowest requisition amount per unit in the province, leading to significant funding shortfalls hindering operational efficiency. Despite a recent increase in requisition funds, Golden Hills Lodge is still expected to receive only 48% of the provincial average, indicative of ongoing financial strains.

In 2023 the requisition for Kneehill Housing was \$83,347. For 2024 the requisition amount has increased to \$303,371. This represents a \$220,024, or 263%, increase. There is no indication that this increase is a one-time payment, and it is anticipated that in future years the requisition will be in line with the 2024 amount. The impact of this increase on ratepayers and potential mitigation options will be identified in the subsequent section of this report.

Alberta School Fund

The Alberta School Fund collects a requisition through municipal taxes to provide Alberta's education system with a sustainable source of revenue to facilitate educational programs for schools across the province. The requisition is calculated based on a set mill rate and allocated based on equalized assessment.

Requisition Amount

Annually, Kneehill County submits the Equalized Assessment Report to the Province, which utilizes this assessment to determine the Education Requisition portion of the tax bill. Each year the Alberta School Fund issues a Statement of Intent which the County uses to set the tax levy rate required to collect the necessary funds from ratepayers.

However, discrepancies arose in 2023, as the Alberta School Fund withdrew more funds than indicated in the initial Statement of Intent.

The 2023 Statement of Intent indicated the County was required to requisition \$4,589,607 from ratepayers. However, the 2023 Statement of Intent failed to consider a substantial assessment amount, \$156,526,870, corresponding to non-residential non-regulated assessments. Trevor Elliott, Policy Advisor for Municipal Affairs, could not pinpoint the cause of this system error, which led to an understatement in the intended withdrawal which totaled \$5,229,893. Consequently, the County under-levied \$640,286 as compared to what was collected by the Alberta School Fund.

This means that the County is required to requisition the 2023 under-levy of \$640,286 in addition to the amount that will be listed on the 2024 Statement of Intent. The projected 2024 levy is \$5,572,896, which represents an increase of \$343,003 over the 2023 requisition which means the County needs to collect \$6,213,182 in 2024. The impact on ratepayers and potential mitigation options will be identified in the subsequent section of this report.



DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES/OTHER CONSIDERATIONS:

This section of the report presents the impact of these requisitions as well as a proposal for possible options to address the increases related to Kneehill Housing Corporation and the Alberta School Fund.

Kneehill Housing Corporation

The 2024 requisition for Kneehill Housing Corporation is \$303,371. This represents a significant increase from prior requisitions, and the following estimated impact to ratepayers:

Ratepayer Type	2023 Requisition	2024 Requisition	Increase
Average Acreage - \$350,000 assessment	\$13.44	\$54.09	\$40.65
Average Hamlet Home - \$150,000 assessment	\$5.76	\$23.18	\$17.42
Average Farmland Quarter Section - \$30,000 assessment	\$1.15	\$4.63	\$3.48
Non-Residential per \$100,000 of assessment	\$3.84	\$15.45	\$11.61

Options

In relation to the increased requisition for the Kneehill Housing Corporation, there are two options for Council's consideration:

1. Utilize reserves to fund a portion of the increase:

Council has the option to waive a portion of the increase by funding it from reserves, and levy the remainder on ratepayers, with the intention of the full requisition being levied in 2025. This approach alleviates some of the immediate financial pressure on ratepayers, as they would not bear the full burden of the increased requisition in 2024. Utilizing reserves demonstrates prudent financial management and ensures that essential services are not compromised due to budgetary constraints.

Benefits:

- Alleviates immediate financial pressure on taxpayers by covering a portion of the increase from existing reserves.
- Demonstrates prudent financial management and protects essential services from budgetary constraints.

Disadvantages:

- May deplete reserves, impacting the municipality's financial stability in the long term.
- Could potentially limit the availability of reserves for future emergencies or unforeseen expenses.

2. Immediate adjustment to requisition tax rate with explanation to ratepayers:

Council can add the entire requisition to this year's tax rate and explain the changes clearly to ratepayers. This option prioritizes transparency and accountability, ensuring ratepayers understand the reasons behind the adjustment in their tax bills.

Benefits:

- Prioritizes transparency and accountability by explaining the reasons behind the tax rate adjustment to ratepayers.
- Addresses the funding shortfall promptly.



Disadvantages:

- Could lead to public dissatisfaction or resistance due to the sudden increase in tax bills.
- Requires effective communication to ensure ratepayers understand and accept the necessity of the adjustment.

Alberta School Fund

The under-levy from what was levied for the Alberta School Fund in 2023 and what was collected by the province is \$640,286; in addition, the requisition for 2024 is set to increase by \$343,003. The estimated impact to ratepayers related to the collection of the 2023 under-levy and the requisition itself is:

Ratepayer Type	2023 Requisition	2024 Requisition	Total Increase	Increase Related to 2023 Under-Levy
Average Acreage - \$350,000 assessment	\$812.68	\$1,097.28	\$284.60	\$113.08
Average Hamlet Home - \$150,000 assessment	\$348.29	\$470.26	\$121.97	\$48.46
Average Farmland Quarter Section - \$30,000 assessment	\$69.66	\$94.05	\$24.39	\$9.69
Non-Residential per \$100,000 of assessment	\$293.55	\$396.35	\$102.80	\$40.84

Options

In relation to the shortfall for the Alberta School Fund requisition, there are three options for Council's consideration:

1. Gradually collect the under-levy over two years:

Council can opt to spread the impact of the under-levy over two years. This approach aims to soften the financial burden on taxpayers and allocate it over two years rather than in one. By implementing a phased approach, Council demonstrates sensitivity to the economic constraints residents face while addressing the under-levy effectively. This option promotes fiscal responsibility and fairness by distributing the burden of the under-levy across multiple fiscal periods.

Benefits:

- Softens the financial burden on taxpayers by spreading the impact of the under-levy over two years.
- Promotes fiscal responsibility and fairness by distributing the under-levy burden across multiple fiscal periods.

Disadvantages:

- Results in a delay in collecting the amount previously remitted to the Alberta School Fund.
- Could result in increased administrative costs associated with implementing and managing the phased tax increase.

2. Utilize reserves to cover the under-levy:

Council has the option to waive the additional bill and cover all, or a portion of, the under-levy from existing reserves. This approach alleviates immediate financial pressure on taxpayers, as they would not bear the burden of the funding shortfall.



Benefits:

- Alleviates immediate financial pressure on taxpayers by covering the shortfall from existing reserves.

Disadvantages:

- May deplete reserves, impacting the municipality's financial stability in the long term.
- Could potentially limit the availability of reserves for future emergencies or unforeseen expenses.

3. Immediate adjustment to tax rate with explanation to ratepayers:

Council can add the entire under-levy to this year's tax rate and explain the changes clearly to ratepayers. This option prioritizes transparency and accountability, ensuring taxpayers understand the reasons behind the adjustment in their tax bills.

Benefits:

- Prioritizes transparency and accountability by explaining the reasons behind the tax rate adjustment to ratepayers.
- Addresses the under-levy promptly.

Disadvantages:

- Could lead to public dissatisfaction or resistance due to the sudden increase in taxes.
- Requires effective communication to ensure ratepayers understand and accept the necessity of the adjustment.

Each option offers a distinct approach to addressing the under-levy, balancing the need for financial stability with considerations for taxpayer impact and transparency.

FINANCIAL & STAFFING IMPLICATIONS:

Administration will implement the necessary communications and processes with existing internal resources.

If Council chooses options to mitigate the impact on ratepayers for the current taxation year, there are a few potential financial impacts:

- Levy requisitions as listed with no mitigation options – no financial impact.
- Defer a portion of the under-requisition for the Alberta School Fund – loss of investment revenues on the amounts deferred.
- Fund a portion of the increased requisitions through reserves – decreased reserve balances.

RECOMMENDED ENGAGEMENT:

Directive Decision (Information Sharing, One-Way Communication)

Tools:	Public Notification	Other:	
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ATTACHMENTS:

- Kneehill Housing Letter
- Kneehill Housing Requisition
- 2023 Statement of Intent
- 2023 Requisition Withdrawals
- Municipal Affairs E-mail



COUNCIL OPTIONS:

Kneehill Housing

- That Council approves a draw of \$XXX from the XXXX Reserve to go towards the 2024 Kneehill Housing Corporation requisition.
- That Council accepts the 2024 Requisitions and Ratepayer Impacts report for information.

Alberta School Fund

- That Council approves the 2023 under-levy related to the Alberta School Fund requisition be collected over a period of two years, split between the 2024 and 2025 taxation years.
- That Council approves a draw of \$XXX from the XXXX Reserve to go towards the 2024 Kneehill Housing Corporation requisition.
- That Council accepts the 2024 Requisitions and Ratepayer Impacts report for information.

FOLLOW-UP ACTIONS:

Draft the 2024 Tax Rate Bylaw in accordance with Council direction from this report.

Draft communication to ratepayers regarding increases in requisitions in the form of the annual tax insert as well as social media communications.

APPROVAL(S):

Mike Haugen, Chief Administrative Officer

Approved-

