

BEAVER COUNTY
2020 MUNICIPAL BUDGET

On May 6, 2020, Beaver County Council approved the 2020 municipal budget. This budget was an extremely difficult one due to economic challenges in the region, our inability to collect taxes from the oil/gas sector, and the unknown impact of COVID-19 on operations and various services.

The municipal budget expenditures total \$25,701,413 with off-setting revenue of \$12,054,309 from user fees, reserves, and grants. The difference of \$13,647,104 must be raised by taxes. This amount is \$416,179 higher than in 2019, however Council worked hard to reduce expenditures so that the general municipal mill rate did not increase. For details and highlights of the 2020 budget, go to www.beaver.ab.ca/council/financials.

WHAT MEASURES DID COUNCIL TAKE TO LIMIT THE MILL RATE INCREASE?

1. For the last few years, the County has seen an increase in the amount of taxes that remain unpaid each year. For the most part, these taxes are owed by oil and gas industries. Unfortunately, Provincial legislation is ineffective in enforcing the collection of taxes, although rural municipalities are actively lobbying the Provincial Government to enact legislation that will encourage payment.

In 2019, the amount of uncollectible taxes was \$1.6 million. In 2020, due to the plummeting oil prices and the impact of COVID-19, Council is predicting a 25% non-collection rate (\$3.4 million).

There is no doubt that taxpayers cannot afford to foot this bill, therefore Council funded the allowance for uncollectible taxes from the BMS grant, reserves, and a small portion from taxes.

The amount of BMS grant allocated to the allowance is \$1,960,188, which is \$862,717 more than the annual amount the County receives. This additional grant came from unspent BMS grant from 2019.

\$586,970 from reserves was allocated to the allowance. This amount came from the Contingency Reserve which is now depleted.

Until the economy improves, the County will continue to face high levels of uncollectible taxes. The level of funding needed each year for the foreseeable future is not sustainable and depletes the County's resources (grants and reserves) that have traditionally funded other services, such as road construction, bridge work, equipment replacement, grants to community organizations, etc.

2. The County's dust control program is not widely used throughout the County. Council reviewed the service and the cost associated with providing the service and has increased the charge to the users to more closely align with the cost of the work. This reduces the subsidy required from the balance of taxpayers in the County.
3. Money earned on the County's investments is being used to fund general expenses. Although County policy directs this source of revenue into reserve for future expenditures, in order to maintain the mill rate at 2019 levels, it was necessary to include this money in the 2020 budget.

HOW DID COVID-19 IMPACT THE MUNICIPAL BUDGET?

By far, the most significant impact of COVID-19 is one that has the potential to extend beyond 2020 and affect the County's financial position for years to come. This issue is the rate of uncollectible taxes (see above).

Other impacts include the following:

- a) a reduction in interest on the County's investments,
- b) various cancellations of conferences, partnership events (e.g. volunteer appreciation), and agricultural programs (e.g. grazing school, toxic round-up),
- c) additional costs for the purchase of PPE and sanitation products,
- d) adjustments to agricultural services (e.g. brushing, roadside spraying, weed inspections) to accommodate physical distancing requirements,
- e) delayed opening of campgrounds.

HOW ARE MUNICIPAL SERVICES AFFECTED IN 2020?

Council worked hard to maintain municipal services to the standard expected by residents and taxpayers and for the most part, you will see little difference from 2019.

The road construction program remains the same at \$1.5 million. However, since this work is funded by a Provincial grant, and the grant is expected to decrease in the future, some reductions may be necessary in the years to come.

Beaver control will continue to focus only on areas where County infrastructure is affected.

Some programs however, required adjustments in 2020, as follows:

- a) Reduction in the County's grant program to community organizations. Funding was reduced from \$250,000 to \$75,000.
- b) Deferral of capital equipment expenditures to future years.
- c) The Provincial Government reduced the Agricultural Services grant by 33% (\$61,500 less) so adjustments were made throughout various agricultural programs to absorb this loss in revenue.
- d) The Provincial Government is requiring municipalities to pay 30% of the cost of policing (RCMP), phased in over 5 years. This program began in April of 2020 and will cost the County \$104,429. By the end of the phase-in period (2024), the cost will be \$418,016. To put this into perspective, on a per capita basis, the cost of policing will begin at \$17.68 and increase to \$70.79 per resident by 2024. At the same time, the portion of revenue retained by the County through fines issued by the County's Community Peace Officers will decrease to 60% (previously the County retained 73%).

LOOKING TO THE FUTURE

In December, Council reviewed a Five-Year Financial Plan. This Plan includes administration's best estimate of revenue and expenditures, and includes Council's pre-approved five-year capital plan.

The Five-Year Financial Plan paints a challenging picture for the future. The combination of a declining assessment base and a reduction in Provincial grants suggests that without serious adjustments, taxes may have to increase in the future. Note that this Plan was developed prior to the current oil price crisis and COVID-19, which will create additional challenges. For more information about the Five-Year Financial Plan, go to www.beaver.ab.ca/council/financials.

To prepare for the future, Council will be reviewing all service levels to find efficiencies or adjustments in future budgets. It has also shifted its approach to budgeting. In October 2019, Council adopted a new vision – *Beaver County: We are an innovative leader in food, energy, and housing* – and embarked on a path towards priority-based budgeting. This method of budgeting targets revenue and expenses towards Council’s highest priorities and will provide a clearer picture of the costs of individual services to County residents. For more information about the priority-based budgeting project, go to www.beaver.ab.ca/council/financials/priority-based-budgeting.

WHAT MAKES UP MY TAXES?

There are three components to the municipal mill rate, as follows:

Beaver Emergency Services Commission

The Beaver Emergency Services Commission (BESC) provides fire protection and emergency management services throughout the region. The County pays a grant to the Commission for its share of the expenses. In 2020, the grant did not change, and because the assessment base increased a small amount, the mill rate will decrease by 1%.

Policing (RCMP)

The policing cost is new in 2020 (see above). The mill rate is 0.0847 for all assessment classes.

General Municipal

The general municipal mill rate funds all municipal services other than the BESC and Policing mill rates. Council did not increase the general municipal mill rate in 2020.

In addition to taxes for municipal purposes, the County is required to collect taxes on behalf of other requisitioning bodies. The County has no control over the amount of the requisitions and it is still required to pay the requisitions even if it hasn’t collected the taxes.

These requisitions are as follows:

Beaver Foundation

The Beaver Foundation manages all the seniors housing in the region. The Foundation Board sets the budget and the County must contribute its share. In 2020, the requisition increased 5.2% which, when applied to the County’s assessment base, resulted in an increase of 4.1% to the mill rate.

Education

Alberta Education requisitions each municipality for school taxes. There are separate mill rates for residential/farmland property and non-residential property, and school taxes are due regardless whether a taxpayer has children in the school system or, in the case of COVID-19, the schools are closed.

In 2019, the Provincial Government was delayed in setting the requisition amount, so the County took the advice of Provincial officials and estimated the amount required. This amount proved to be inaccurate and the County did not raise enough taxes last year to pay the requisition. The County is now required to make up the difference, therefore the school mill rate will increase by 6.5% for residential and farmland properties. In contrast, the estimate for the non-residential taxes was more accurate and with an increase in the non-residential assessment base, the 2020 school mill rate will decrease by 6.1%.

Soon after the COVID-19 outbreak, the Premier of Alberta announced a school tax deferral for non-residential property. Taxes are to be deferred for 6 months from the date of the announcement (April), therefore they are due by September 30. The County's tax payment deadline is October 31st, therefore the tax deferral period is a total of 7 months. To view the Provincial Government tax deferral directive, go to www.beaver.ab.ca/departments/assessment&taxation.

Designated Industrial Property

The Provincial Government provides assessment services for specific industrial properties. These properties must pay for the cost of this service, therefore are levied a special mill rate.

The impact of the changes in mill rates as noted above will vary depending on an individual's property assessment – whether it increased, decreased, or stayed the same as 2019.

HOW CAN I DISCUSS MY ASSESSMENT/PAY MY TAXES DURING COVID-19?

Inquiries regarding property assessment should be directed to the County's assessor, Orest Golinowski, at 780-663-3730 or orest@beaver.ab.ca. Due to COVID-19 physical distancing restrictions, taxpayers are strongly encouraged to contact staff at the County Services Centre by phone or e-mail. Personal visits are discouraged and will be permitted by appointment only.

Likewise, County taxpayers are strongly encouraged to take advantage of the many options for tax payment in lieu of a personal visit to the Services Centre. Payments may be made by mail (post-dated cheques are accepted), EFT via your financial institution, credit card (via County's website), or the drop box outside the Services Centre main door. A monthly tax payment plan is also available (eligibility requirements apply).

County Council recognizes the financial pressures that COVID-19 may have on taxpayers and has reduced the late payment penalties to 6% on current taxes outstanding as of November 3, 2020, and 3% on all arrears outstanding as of January 16, 2021. This represents a 50% reduction in each rate. The reduction is effective for the 2020 tax year only.

Beaver County Councillors are happy to answer any questions or concerns regarding the 2020 budget. Contact information is as follows:

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