

**CITY COUNCIL INQUIRY
AND ADMINISTRATIVE RESPONSE**



Submitted By: Rajko Dodic, Acting Mayor

Date Submitted: December 2, 2021

Subject: Tax Implication for Third River Crossing

Respondent: Darrell Mathews, City Treasurer

Meeting Date: December 14, 2021

Council Inquiry:	<p>Assuming a third river bridge is constructed, what would be the property tax implications for the average residential property tax payer over a period of 10 years based on each of the following projected costs of construction:</p> <ol style="list-style-type: none"> 1. \$200 Million; 2. \$250 Million; 3. \$300 Million
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Administrative Response:	<p>The construction of a Third River Crossing funded through external borrowings and based on a 10-year loan and an interest rate of 3%, would result in the loan payments and the municipal portion of the tax rate increase as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Construction Costs of Third River Crossing</th> <th>Loan Payments (10 year loan @ 3% interest rate)*</th> <th>Tax Rate Increase**</th> </tr> </thead> <tbody> <tr> <td>\$200 Million</td> <td>\$23 million</td> <td>14.5%</td> </tr> <tr> <td>\$250 Million</td> <td>\$29 million</td> <td>18.3%</td> </tr> <tr> <td>\$300 Million</td> <td>\$35 million</td> <td>22.1%</td> </tr> </tbody> </table> <p>* Based on the most recent approximate interest rate from the Government of Alberta. If loan rates increase, that may increase cost of borrowing. **The tax rate could be increased over a four year period instead of all in one year (for example the 14.5% tax rate increase could be 3.6% per year for four years)</p> <p>Based on the current tax rate structure on the average assessed value of a single family residence, the property tax increase due to incurring a 10 year loan for The Third River Crossing would be as follows:</p>	Construction Costs of Third River Crossing	Loan Payments (10 year loan @ 3% interest rate)*	Tax Rate Increase**	\$200 Million	\$23 million	14.5%	\$250 Million	\$29 million	18.3%	\$300 Million	\$35 million	22.1%
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Construction Costs of third bridge	2021 Municipal Portion of Property Tax*	Municipal Portion of Property Tax including the 10yr loan	Property Tax Change
\$200 Million	\$2,358	\$2,701	\$343
\$250 Million	\$2,358	\$2,791	\$433
\$300 Million	\$2,358	\$2,880	\$522

*Based on an average single family assessment of \$269,500 and the 2021 Single Family Residence Mill Rate of 8.7505.

Options for other funding sources:

If Council decided to approve the construction a Third River Crossing, the City of Lethbridge will maximize the use of any external grants available at that time. The Government of Alberta has indicated that the Municipal Sustainability Initiative (MSI) grant program will end in 2024 and the future Local Government Fiscal Framework (LGFF) grant details are unknown at this time.

There could be other opportunities to fund this project through Public-Private Partnerships (P3), toll rates, or other funding structures.

Note: this does not include any ongoing operating maintenance costs.