

PROVINCE OF ALBERTA ASSESSMENT MODEL REVIEW

Issue

Proposed changes to the Provincial assessment model will have potential negative impacts on the Town of Okotoks.

Motion Proposed by Administration

That the attached letter to the Minister of Municipal Affairs and MLA Sigurdson be endorsed as the official position of the Town of Okotoks.

Report, Analysis and Financial Implications

The Government of Alberta states that the goal of the review is to modernize the assessment model for oil and gas properties to enhance industry competitiveness while ensuring municipal viability. To-date the review has focused on the following properties: Oil and gas wells and pipelines; Machinery and equipment (M&E) associated with well sites and facilities.

Some property in Alberta is assessed using regulated rates (versus a market-based system) because the property: Seldom sells in the open market; Crosses one or more municipal boundaries; or is of a unique nature. Regulated property includes farmland, machinery and equipment, and designated industrial property. Designated industrial property includes oil and gas wells, pipelines, railways, telecommunications, electric power systems, major industrial plants, and other similar property.

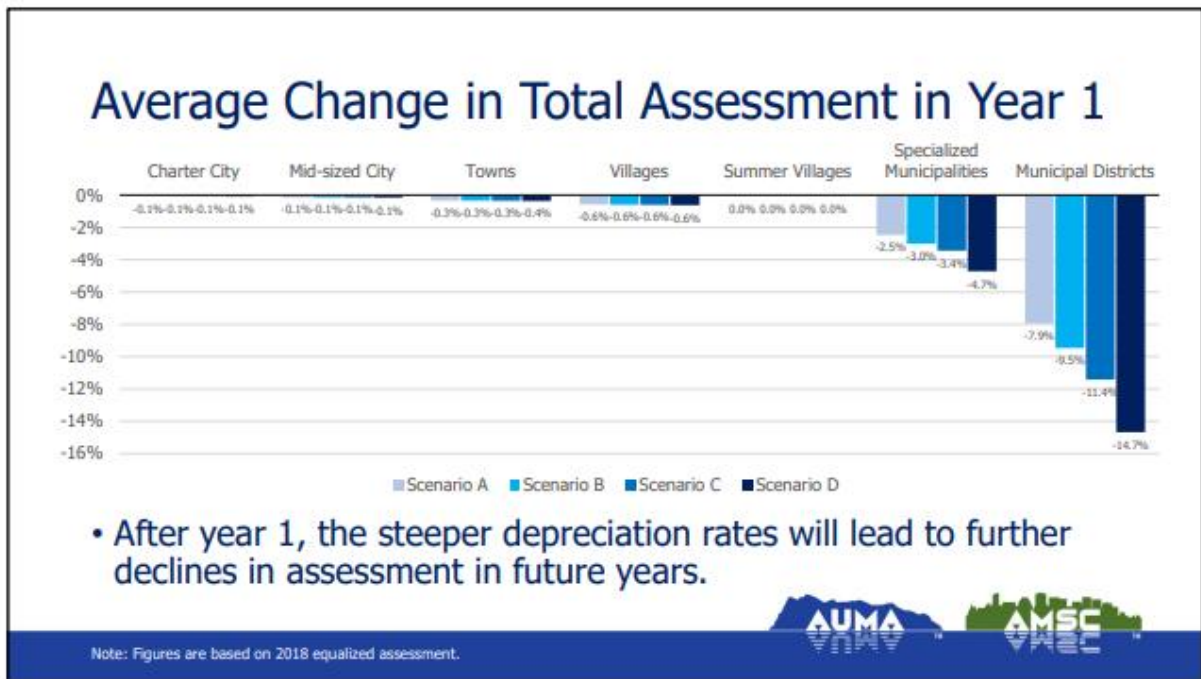
During this review process, the province developed four scenarios. The 4 scenarios developed, were labeled as Scenario A, B, C and D. Each scenario proposed various technical changes to the assessment model with the underlying goal of reducing the amount of property tax that the oil and gas industry pays for its property.

The scenarios propose a mix of changes including:

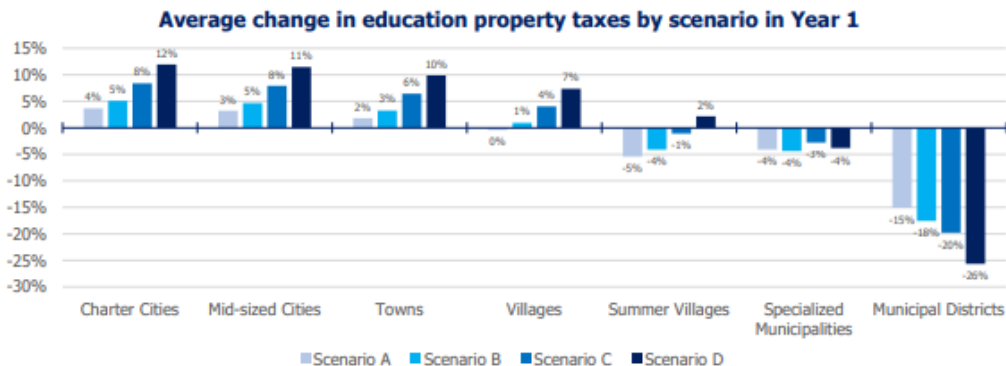
1. Changing what types of costs are assessed,
2. Changing the depreciation rates to reduce the value of assessment,
3. Introducing adjustment factors for specific types of property such as deep horizontal wells, pipes that are over 10 inches in diameter, and steam assisted gravity drainage wells, or more commonly known as SAGD [SAG-D] wells; and
4. Changing the land assessment value based on the property's age and where it stands on the depreciation schedule.

Overall, if any of these scenarios were to be implemented, the total province-wide estimated loss in municipal tax revenue in just the first year would be between \$117 million and \$301 million. The majority of the loss in assessment would be in rural municipalities, but there are impacts on urban municipalities. At the heart of the matter is why the principles of assessment were being ignored to achieve specific taxation policy goals.

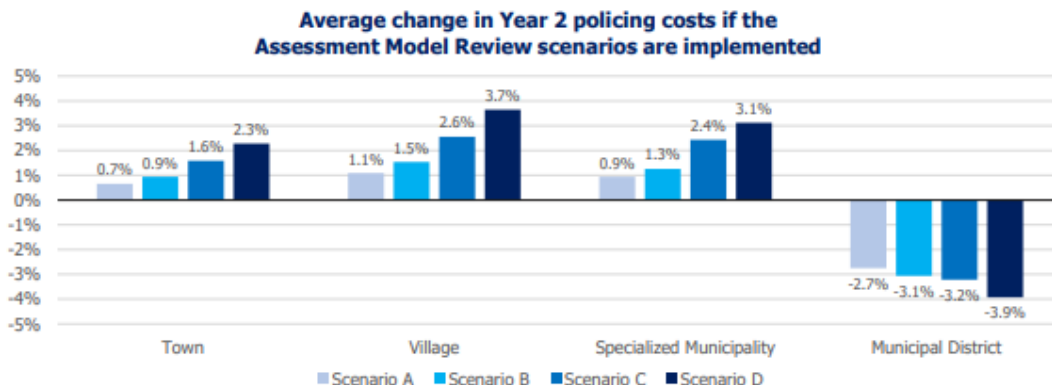
The far bigger issues for urban municipalities are the indirect outcomes for programs that are linked to assessment. Since education property taxes are based on assessment, the reduction in assessment in rural municipalities could mean that urban municipalities become responsible for a greater portion of provincial education property taxes. The new police-costing model is also linked to assessment values so the reduction in rural assessment would result in a slight cost increase in police costs for towns and villages that are under 5,000 in population. For some municipalities there is a risk to the sustainability of cost-sharing agreements however this is not an issue locally due to the limited DIP assessment in the foothills region.



Education property tax will shift from rural to urban municipalities



Policing costs will shift from rural to urban municipalities



On September 9, 2020, the Town received its preliminary equalized assessment notification. The findings from the Province's Preliminary Equalized Assessment indicate that Okotoks' residential and non-residential total \$5,310,039,457 for 2021 is 0.62% of the \$862,387,104,517 Provincial total. That compares to 0.61% last year (\$5,303,987,882 / \$865,149,814,246). Therefore, Okotoks' share of Provincial assessment is increasing.

Okotoks' increasing share of the total Provincial assessment means that even if next year the Province decides on the same education budget as this year, the Okotoks Education Tax requisition will increase. The intent of the Preliminary Equalized Assessment is to convey expected changes to the Education Requisition. The education requisition could be further impacted based upon these proposed changes to the DIP model.

Strategic Plan Goals

<input type="checkbox"/>	Manage Community Growth	<input checked="" type="checkbox"/>	Provide Strong Governance
<input type="checkbox"/>	Provide Quality Community Infrastructure	<input type="checkbox"/>	Healthy and Safe Community
<input type="checkbox"/>	Enhance Organizational Excellence	<input checked="" type="checkbox"/>	Foster Economic Vitality
		<input type="checkbox"/>	Promote Environmental Excellence

Governing Policies/Bylaws/Legislation or Agreements

n/a

Public Participation Strategy

n/a

Alternatives for Consideration

n/a

CAO Comments

I support the letter to the Minister and MLA to share perspectives and perhaps unintended consequences of the proposed policy changes. This again highlights the inappropriate role of the municipality acting as the provincial education tax collector and why this needs to be changed in the future.

Attachment(s)

1. Assessment Model Review Key Messages
2. Assessment Model Review Two-page Summary
3. AUMA Assessment Model Review Report – August 21, 2020
4. Draft letter to Minister of Municipal Affairs and Highwood MLA

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 September 10, 2020