

September 10, 2020

Honourable Tracy Allard
Minister of Municipal Affairs
132 Legislature Building
10800 – 97 Avenue NW
Edmonton, AB T5K 2B6

Mr. R.J. Sigurdson
MLA for Highwood
503E Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Email: highwood@assembly.ab.ca

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Dear Minister Allard and Mr. Sigurdson:

Re: Opposition to Proposed Assessment Model Changes for Calculating DIP Type Assessments

The Town of Okotoks is expressing extreme concern and opposition to the recently announced proposed changes to the assessment model for calculating assessed values on regulated designated industrial properties (DIP) such as oil wells, pipelines, and equipment at well sites. The government's objective of the changes are intended to enhance oil and gas industry competitiveness, but will have serious impacts on taxes levied on residents and businesses in Okotoks. Your awareness of the negative impact the proposed changes would have on Okotoks is imperative.

The Town of Okotoks is trying its best to adapt to the current, extremely volatile economic times. A message of increased tax bills for our property owners does not work well in conjunction with the Town's desire for a 0% tax increase next year.

The revised valuation system is projected to significantly reduce the assessment of municipalities with DIP type properties. Non-DIP jurisdictions such as towns, cities, and villages will not have their assessment systems changed to have their municipal assessments drop in unison.

The proposed assessment reductions in the DIP for municipalities will result in Okotoks paying more to the Province for the Education Requisition. The amount of education tax Okotoks collects from owners, which the entire amount is sent to the Province, amounts to over 30% on each non-residential tax bill. The Town has no control over this portion of each property's tax bill.

The education tax levied by the Province on the Town is based on the Town's sliver share of the total Provincial assessment pie. If the assessment of the DIP for municipalities drops, the Okotoks share of the total Provincial assessment will increase. The Okotoks share of the total Provincial assessment would thereby increase its share of the education cost requisition levied by the Province.

Whereas most properties in the Province are assessed by calculating values on a market value standard, DIP properties are not. DIP's are currently assessed on a provincially regulated process basis which industry and others find arbitrary, and fundamentally unfair to market value jurisdictions. The DIP valuation process is divorced from economic market value reality. The energy industry does not like the current arbitrary variables so want to amend regulated DIP valuation calculations to better favour them. The energy industry proposes altering the arbitrary variables to result in substantially more favourable assessments for them.

Rather than perpetuate and expand the currently unfair arbitrary valuation system, the Province should look at ways of implementing market value principles on the DIP sector. It would bring DIP assessments in line with the rest of the Province assessed on a market value standard.

The proposed changes seem to be a knee jerk reaction. It does not address the fundamental issue of arbitrary DIP assessments not being linked to economic activity, market value concepts, or ability to pay. The majority of the Provincial assessment corrected this deficiency in the mid 1990's when the *Municipal Government Act* was passed providing that most properties in the Province be assessed at a market value standard.

Municipal Affairs and the energy industry need to expand the scope of reviewing DIP assessments to incorporate market value principles. At a minimum, changing the DIP assessment system needs to be deferred until more study can be completed and any material changes need to be phased-in over several years.

The Town of Okotoks agrees with the positions of the Alberta Urban Municipalities Association (AUMA) who represents over 85% of Albertans, and the Rural Municipalities of Alberta, as follows:

1. Province should abandon the proposed changes to the assessment model.
2. It is not equitable for the Province to manipulate the assessment system to advance tax privilege.
3. Tax incentives should be addressed through taxation tools and not the assessment system.
4. Tax exemption policies should remain external to all assessment systems.
5. The proposed targeted support of specific industries and properties will have unintended impacts on others, including serious fiscal impacts on municipalities.
6. Government should create other non-assessment based incentives for advancing economic goals.
7. Province should reduce their Education Tax Requisitions levied on municipalities.
8. Subject matter, and valuation, experts should be involved in developing a market based equitable DIP assessment system.



As the Minister of Municipal Affairs and MLA for Highwood, we rely on you to champion our municipal interests, those of area residents, and businesses. Okotoks' wants and needs support in urging your government colleagues, particularly the Minister of Energy, as well as the Associate Minister of Natural Gas and Electricity, to reconsider the proposed assessment model changes and work with municipalities to develop a better solution and possibly reduce assessment regulations around DIP valuations.

Okotoks and many other peers across Alberta are solid supporters of the energy industry and deserve to be part of a mutually beneficial solution to industry competitiveness. We cannot be forced to absorb serious consequences from arbitrary changes to the assessment model. Administrative teams throughout the province stand ready to help explain or provide further insight into this substantive concern.

Attached is a summary prepared by the AUMA for further information on this issue.

Sincerely,

Wm. (Bill) B. Robertson
Mayor

