



July 13, 2020

Reeve Donald Kroetch
Flagstaff County

Via email to dkroetch@flagstaff.ab.ca & sarmstrong@flagstaff.ab.ca

Dear Reeve Kroetch,

Re: Impacts of Assessment Model Changes in Flagstaff County

As you are aware, the Government of Alberta is currently considering changes to the assessment model for regulated properties such as oil and gas wells and pipelines. RMA was involved in the review that led to these changes, and vocally opposed the focus of the review and outcomes. According to the stakeholder engagement plan, the intent of the review was to “enhance industry competitiveness while concurrently ensuring the ongoing viability of municipalities.” After engaging in the review and being apprised of the recommended changes currently being considered by provincial decision-makers, RMA is extremely concerned that the review outcomes will achieve neither of the above intents. RMA repeatedly voiced their opposition to the models proposed and to the use of the assessment model to enhance industry competitiveness, but this concern did not impact the final proposed changes to the model.

Although the Government of Alberta has not yet finalized changes, RMA is aware of four options currently being considered. Depending on the option selected, the changes will reduce the overall assessed value of oil and gas property in rural Alberta by between \$8.9 billion and \$26.7 billion and result in rural municipalities losing a combined total of between \$108.7 million and \$291.2 million in property tax revenue in the first year in which the changes are implemented.

The impacts of the changes vary widely in different regions of the province with some municipalities projected to lose as much as 49% of their current non-residential assessment value and 40% of their overall revenue in the first year of implementation under the most extreme scenario. For some municipalities, this loss in revenue may impact their ongoing viability. RMA expects impacts to worsen following the first year of implementation but was not provided access to the detailed assessment information necessary to conduct a multi-year impact assessment.

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In terms of industry competitiveness, the proposed changes will mean that as a whole, the oil and gas industry will save the same amount that municipalities will not be collecting in tax revenue. Presumably, this will enhance industry competitiveness by reducing operating costs. However, RMA's analysis of the data provided by the Government of Alberta indicates that the competitiveness benefits will disproportionately favor Alberta's largest oil and gas companies, while on average, Alberta's smallest

companies will see little impact, and some will see a significant increase in assessment. Additionally, the review has included no analysis or data on how reduced assessment will translate to increased competitiveness given other factors impacting the oil and gas industry, such as market access and low commodity prices. The changes will also hinder broader economic development efforts by simply shifting the property taxes from the oil and gas industry to other small businesses and residents.

While the specific changes to the assessment model are highly concerning, RMA is opposed to the overall concept of manipulating the assessment system to support industry competitiveness. **This approach includes no incentives or requirements that industry use property tax savings to invest in Alberta or create jobs.** As most of the savings will go to large companies with holdings around the world, it is likely that such savings will not be used in Alberta. While the change in the assessment model may make large oil and gas companies more profitable, **there has been absolutely no link established between the assessment model changes and making Alberta's oil and gas industry more competitive.**

Due to strict confidentiality requirements, RMA was not able to share updates of the review process with members as it was occurring. As the recommended changes currently under consideration by ministers and provincial decision-makers are now publicly available, RMA is requesting the assistance of members in informing government of the significant impacts these changes will have on rural municipalities.

Please find attached to this letter information highlighting the province-wide municipal and industry impacts of the proposed assessment changes, as well as an outline of how the changes impact your municipality. All figures are based on data provided by the Government of Alberta, either through the assessment model review or through general municipal reporting. The "municipal response options" are hypothetical scenarios based on public municipal financial information. If, after reviewing the assessment changes with your staff and council, you have additional information related to how the changes will impact your municipality, we strongly encourage you to share this with your MLA and with RMA. Also please note that the same information (about your municipality and others in the relevant riding) has been sent directly from RMA to the MLAs representing the riding (or ridings) in which your municipality is located.

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Please complete and submit to your local MLA the letter template provided by RMA. We encourage you to modify the language in the template to suit your local position and reflect the voices of your council. RMA would also encourage you to share your concerns with the changes with the Minister of Municipal Affairs and Premier.

The implementation of these changes has the potential to cause irreparable harm to many rural municipalities. Regardless of the extent to which your municipality is impacted by the changes, we urge you to use the attached information and other resources provided by RMA to advocate to your local MLA that the Government of Alberta not use the assessment system as an industry competitiveness tool, and not support industry on the backs of municipalities. This solution is unfair, ineffective, and unsustainable.

Please feel free to contact me by phone (403-507-3345) or email (akemmere@RMAAlberta.com) to discuss this issue further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Al Kemmere', written over a white background.

Al Kemmere, President

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