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County Council expresses concerns with new oil and gas assessment models proposed by Province

On July 23, 2020, the County of Grande Prairie was notified by the Rural Municipalities of Alberta (RMA) about the Province's plans to introduce changes in the way that oil and gas facilities, and wells, pipelines and equipment will be assessed in the future that would result in a reduction on the amount of revenue municipalities can collect from assessments.

"The proposed municipal assessment models will have a major negative impact on our communities and could lead to tax increases, reductions in service, or both, and without assurance that there will be an increase in jobs and investment in the region," said Reeve Leanne Beaupre.

The proposed changes could result in the need to increase residential tax rates in the County by as much as 52 per cent, or 15 per cent for non-residential. The County currently spends over 45 per cent of its annual budget on roads and road related infrastructure. The roads infrastructure is the County's asset majorly used by oil and gas companies.

"While we are strong advocates for the oil and gas sector and are proud of the many companies that call the County of Grande Prairie home, we are concerned that these options will put deep financial burden on County residents and businesses," added Beaupre.

Rural municipalities across Alberta could lose between $108.7 and $291.2 million dollars in the first year depending on the option selected by the Province. Based on RMAs analysis and reports, the preferred option by the oil and gas sector would likely result in the County of Grande Prairie losing up to seven per cent of its revenues in the first year, with revenue potentially decreasing every year after that. Data needed to analyse the impact of the proposed changes on future years yet to be provided by the Province.

The RMA has put forward several alternative options to explore by the Province that would be better suited to addressing industry competitiveness.

According to the RMA analysis and reports, smaller, locally owned companies will benefit least from the changes, and many will actually face significant assessment increases, putting them at a competitive disadvantage with larger companies who will have no obligation to reinvest those savings into Alberta.

"We are optimistic that the Province will hear our concerns and work to find solutions for industry that share in the cost and rewards of public investment, are sustainable, transparent, and most importantly, guarantees results in terms of jobs and investment," said Beaupre.

The County is reaching out to MLAs representing the region and applicable ministers to discuss the proposed changes and the impacts to the County. If residents and businesses have questions or concerns about the proposed changes, they are advised to contact their local MLA by mid to late August.

MLA Tracy Allard – Grande Prairie Constituency
Phone: 780-538-1800
Email: grandeprairie@assembly.ab.ca

Honourable Travis Toews – Minister of Finance, and MLA for Grande Prairie-Wapiti Constituency
Phone: 825-412-2050
Email: grandeprairie.wapiti@assembly.ab.ca

Background:

The province is proposing four different new assessment scenarios, all with varying impacts to industry and municipalities. While a decision has yet to be made about which scenario may be adopted, the Rural Municipalities of Alberta (RMA) suggests representatives from the oil and gas industry are favouring Scenario D.

The following outlines the financial impacts to residents and businesses for all four scenarios:

Potential Municipal Impacts	**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
Residential Mill Rate Increase	15.6%	20.9%	40.4%	52.2%
OR:				
Non-Residential Mill Rate Increase	4.1%	5.5%	11.3%	15.1%
OR:				
Workforce Reductions	7.9% (19.91)	10.7% (26.73)	20.6% (51.72)	26.6% (66.88)

Property assessment is regulated by provincial legislation and is intended to provide a means for all properties in the province to be assigned an objective annual value for property taxation. While most properties are assessed based on their market values, the assessment of designated industrial properties such as wells and pipelines are based on other regulated factors including depreciation, size, and materials.

Under the current assessment model, wells and pipelines are assessed at 67 per cent of their value, regardless of age. The new model proposes an asset life depending on the asset type and the scenario along with new depreciation ranges from between 16 and 26 years. Some of the proposed changes also include setting land values to zero rather than market value.

More information on the proposed changes along with the impacts can be found in the attached Assessment Model Review Impacts Report – Grande Prairie and the Rural Municipalities of Alberta Assessment Model Review – Outcomes Summary.

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