Starland County Assessment Change Impacts

OVERVIEW

The proposed changes to the assessment of oil and gas properties in Alberta will have massive effect on rural taxes and rural services and the estimated impacts are shown below. Like many other Rural Municipalities, Starland County has already cut services to the bone while also running a massive infrastructure deficit. Service sustainability will be threatened with these changes and rural residents will pay for this industry tax break. Under these changes much higher taxes for other businesses, rural residents and farmers are **unavoidable**.

WHAT ARE THE FINANCIAL IMPACTS?

Starland County stands to lose nearly 40% of its remaining operating revenue. This comes on top of years of revenue declines and matching expenditure cuts. Below is the Municipal Operating budget for the 2016-2020 period. For those individuals saying that this is just a matter of cutting expenses or staff it should be known that the total staff bill including pension and benefits for 2020 is $4.4 Million. In order to fill the gap proposed by the new assessment model through cuts alone over 80% of remaining staff would have to fired. This is significant as Starland County has already reduced full-time staff by 10% and seasonal staff over 50%. This would leave us with a staff compliment of approximately 6 individuals.

Starland County Municipal Operating Budget 2019-2020 (including allowance for doubtful accounts).

2016	2017	2018	2019	2020
$12,337,950.00	$12,328,221.00	$12,038,850.00	$11,477,700.00	$8,437,295.00

Starland County Municipal Taxation Revenues 2016-2020 (removing uncollectable taxes)

2016	2017	2018	2019	2020
$10,987,935.00	$10,102,641.49	$10,699,651.00	$9,047,465.00	$6,465,400.00

WHAT ARE THE IMPACTS ON OUR INFRASTRUCTURE?

Currently because of reductions in assessment and uncollectable taxes from the oil and gas sector, the capital budget has been severely reduced aside from what can be paid for through federal and provincial grant programs. What this means is that Starland County's bridges, roads, water infrastructure and equipment stock will be degrading over time. Starland County needs approximately $3 million a year to maintain its infrastructure, current capital grant programs amount to $1.25 million a year.

Bridges

- 122 Bridges and Bridge Sized Culverts with an estimated replacement cost of over $50 million.
- Vast majority of inventory built in the 1950's and 1960's and reaching the end of its life, engineers recommend replacing two bridge structures a year.

Roads

- 1,750 Km of maintained roads built over the last 100 years.
- Maintenance, without any reconstruction, costs over $3 million a year.

WHAT ARE THE TAXATION IMPACTS?

Estimates from the province on the impact to Starland County produced four scenarios for revenue reduction shown below using 2020 Assessment rather than 2019 which includes the 2019 shallow gas reduction. The following example shows what would need to happen to the taxes on a mixed-use farm with 17 quarters (some leased grazing) and a residence with total assessment of $615,000. Under current taxation this farmer would pay $5,843.34. Under the scenarios listed by the province this farmer would be paying anywhere between $10,000 and $7,000 more per year.

	Scenario D	Scenario C	Scenario B	Scenario A
Estimated Revenue Reduction	$3,198,243.40	$2,645,630.99	$2,590,369.75	$2,258,802.30
Required increase to farm/residential taxes to make up shortfall	266.48%	237.72%	234.84%	217.58%
Farm example taxes under each scenario	$15,571.35	$13,890.49	$13,722.40	$12,713.88