

PRESS RELEASE:

PROVINCIAL ANNOUNCEMENT OF DECISION ON OIL AND GAS ASSESSMENT REVIEW

On Monday, October 19th, 2020, the Minister of Municipal Affairs, Tracy Allard, announced the Province's decision regarding the Oil and Gas Assessment Model Review. For more than a year government has been working on a review of the regulated assessment models for wells, pipelines, and wellsite machinery and equipment. This review was well overdue and the intention was to update the valuations of these properties in line with current circumstances, while promoting Alberta's competitiveness and preserving the ability of municipalities to deliver necessary services and infrastructure.

In August, four recommendations were proposed, however, any of the four recommendations would have resulted in significant tax revenue loss, drastic cuts in services and extreme tax increases in the County. This would have had an extreme direct impact on Starland County as well as the majority of the other M.D.'s and Counties in Alberta. Not only to the rural municipalities, but the trickle-down effect would also adversely affect the towns and villages that rely on rural municipal funding and collaboration. We reacted to this announcement by garnering the support of our local MLA's, forwarding letters of concerns, issuing press releases to educate our public on what was proposed and participating in townhall meetings with Minister Madu (the former Minister of Municipal Affairs) and the present Minister of Municipal Affairs Tracy Allard, to have the rural voices heard and express our concerns on the anticipated devastation the proposed changes would bring to rural Alberta.

Minister Allard promised to review all the information received and her announcement on Monday declared that all four recommendations were off the table and a full, extensive 3-year review would commence to find a reasonable balance between the interests of municipal viability and industry competitiveness.

The announcement also included the following government decisions:

- A 3-year property tax holiday for all new well and pipeline assets, in order to encourage new investment;
- Elimination of the Well Drilling Equipment Tax, also stimulating new drilling activity;
- Additional depreciation adjustments for lower-producing wells;
- Continuation of the shallow gas assessment reduction of 35 per cent will be maintained over the next three years.

Starland County supports the oil and gas industries however, we are very relieved that the original four recommendations are now off the table. These recommendations would have helped a few large oil and gas producers immensely, however, they would have even caused hardship to many of the smaller oil and gas operations.

The new decisions will still certainly have a negative impact on Starland County:

- The shallow gas assessment reduction which was implemented two years ago, saw a reduction in revenue equaling approximately \$800,000 annually.
- The additional depreciation adjustments for lower-producing wells is estimated to be approximately 4% of our tax revenues, so approximately another \$450,000.00 annually.
- These two reductions amount to a loss of approximately 10% of our total tax revenue.

Rural municipalities are still advocating for legislation to be put in place to address the issue of unpaid property taxes from oil and gas producers. Presently there is no legislation requiring them to pay, and no recourse for the municipalities to take when they do not pay. We are an uninsured creditor, basically last on the list for recovery if they do go bankrupt. At present, we have seven oil and gas companies not paying taxes. Three are bankrupt, but the assessment remains active on our rolls, with requisitions for school and senior's facilities based on this assessment.

- In 2018 over \$4.5M was left unpaid out of a total tax levy of \$13M, a large portion due to Trident's bankruptcy.
- In 2019 another \$3.7M was left in unpaid taxes from a total tax levy of \$13.8M.
- 2020 wasn't much different, there is \$5.4M unpaid from oil and gas. Starland County has been in discussions with three large oil and gas companies who expressed concerns about making their tax payments in one lump sum. We have entered into *Tax Repayment Agreements* with these companies for full payment of their 2020 taxes totaling \$2.8M, still leaving \$2.6M unpaid and unlikely to collect.
- Keep in mind these uncollected taxes also include the Alberta School Requisition which is paid to the Province of Alberta and the Senior's Housing Requisition. This shortfall of money collected comes out of the general funds (everyone else's taxes) to pay our requisitioned amounts.
- There are four companies still actively operating, just not paying their property taxes, some have not paid for the past 2 or 3 years. Minister Allard has acknowledged this concern from our rural forums and we are hopeful she will address and make changes in the very near future.

On behalf of Council, we would like to thank our neighbouring municipalities and residents who got involved in voicing concerns and sending letters of opposition to the proposed changes. Thank you to our local MLA Nate Horner and the other MLA's who supported our advocation in this issue; and thank you to Minister Allard for the level of engagement that we experienced with the Province. Starland County will continue to engage the Province and Minister Allard on behalf of our residents to ensure that we have a fair and equitable solution going forward.