TO: Mayor and Councillors
FROM: Administration

NOTICE OF

COMMITTEE OF THE WHOLE COUNCIL MEETING C-9

LOCATION: City Hall Council Chambers

DATE: Tuesday, September 8, 2020

TIME: 3:30 PM

A. ADOPTION OF AGENDA:
   1. Adoption of Agenda.

B. AGENDA ITEMS:
   1. Province of Alberta Assessment Model Review. 3 - 25
   2. Separation of Assessment and Taxation Notices - 2021. 26 - 36
   4. Advocacy Topics Update. 40 - 47
   6. Council Committee Updates from Council Members (Verbal).

C. CLOSED SESSION:
Committee of the Whole - Tuesday September 8, 2020

D. ADJOURNMENT:
   1. Adjournment of Committee of the Whole Council C-9 held September 8, 2020.
RECOMMENDATION:

THAT Council receives this report for information.

BACKGROUND:

The Ministry of Municipal Affairs and the Associate Ministry of Natural Gas and Electricity have been jointly leading a confidential stakeholder engagement process on assessment model changes for wells and pipelines since January 2020. The review was intended to modernize the assessment model for oil and gas properties to enhance industry competitiveness while ensuring municipal viability.

Stakeholders involved include:
- Alberta Urban Municipalities Association
- Rural Municipalities Association
- Canadian Association of Petroleum Producers
- Canadian Energy Pipeline Association
- Explorers and Producers Association of Canada
- Canadian Property Taxpayers Association

The process was embargoed until late July, at which time AUMA and RMA, and their members, started speaking out about their concerns with the proposed changes.

The review concluded with four scenarios (labeled A, B, C and D in attached materials) proposing a mix of changes to the assessment of oil and gas wells, pipelines, and associated machinery and equipment. All scenarios reduce the overall assessment of the property types impacted by the review. The impacts of the proposed changes vary among municipalities and property owners.

Depending on the scenario, province wide total municipal loss of tax revenue could range between $117 million and $301 million in the first year alone. Rural municipalities will be impacted dramatically if any of the four scenarios are implemented. Urban municipalities will also be impacted but not to the same extent.

The City of Camrose has a total assessment of approximately $2.8 billion. Of that $2.8 billion, $66 million is linear property and designated industrial property assessed by the province with regulated rates. In all four scenarios it is estimated the City of Camrose will see its linear assessment decrease by around $3,400,000. The decrease applies specifically to pipelines.
City currently has around $5,000,000 of pipeline assessment and would see that total reduced to around $1,600,000.

1. **Potential Tax Loss** - Assuming tax rates in 2021 were set at the identical level as 2020 the City of Camrose would stand to lose approximately $45,000 of tax revenue in all four scenarios. It is unlikely that 2021 tax rates will be set at the identical level as fluctuations in assessment value impact the tax rate.

2. **Potential Non-residential Tax Increase to Offset Tax Loss** – To offset the lost $45,000 on linear taxation the City may need to increase non-residential tax rates by approximately 0.5%. This increase would result in non-residential property owners paying an additional $7 per $100,000 of assessment.

3. **Potential Residential Tax Increase to Offset Tax Loss** – As an alternative to increasing the non-residential, the City could make up the loss by increasing the residential tax rates by approximately 0.3%. This increase would result in typical home owners paying an additional $7 per year.

4. **Shift of School Tax from Rural to Urban Municipalities** – Under the various scenarios the City of Camrose would be required to collect an additional 3%-11% of education property taxes from our non-residential properties. The tax increase would range between $11 and $40 per $100,000 of assessment value. It is unknown for certain at this time how the province would handle the shifting education property tax. It is possible this could impact residential property owners as well.

In 2020 the City collected approximately $26 million through property tax for municipal purposes. Of that $26 million, $856,000 is generated through assessment of regulated properties like those under review. The estimated impact of $45,000 represents 0.2% of our total levy and 5% of our levy from regulated properties.

**MUNICIPAL DIRECTIVES:**

- None

**IMPLICATIONS OF RECOMMENDATION:**

None

**ATTACHMENTS:**

- AUMA Assessment Model Review – Wells & Pipelines
- AUMA Camrose – Assessment Model Review Impacts Report
- RMA Assessment Model Review – Outcomes Summary

**SUBMITTED BY:**

Travis Lantz, AMAA
Manager of Assessment
Background

The Ministry of Municipal Affairs and the Associate Ministry of Natural Gas and Electricity have been jointly leading a confidential stakeholder engagement process on assessment model changes for wells and pipelines since January 2020.

Stakeholders involved, in addition to AUMA, include:
- Rural Municipalities Association
- Canadian Association of Petroleum Producers
- Canadian Energy Pipeline Association
- Explorers and Producers Association of Canada
- Canadian Property Taxpayers Association

The process was embargoed until late July, at which time AUMA and RMA, and their members, started speaking out about their concerns with the proposed changes.

The provincial government has stated that the goal of the review is to modernize the assessment model for oil and gas properties to enhance industry competitiveness, while ensuring municipal viability.

Four scenarios (labeled A, B, C and D) propose a mix of changes to the assessment of oil and gas wells, pipelines, and associated M&E including:

- Increased depreciation rates
  - Scenario D, which has the greatest negative impacts for municipalities, proposes:
    - to reduce the assessed value of a well by 85% after 16 years; and
    - an overall 85% reduction in assessed value of pipelines when fully depreciated.
- Introducing adjustment factors applied to deep horizontal wells, SAGD wells, and/or pipes greater than 10 inches.
- Changing what types of construction costs are assessed.
- Changing the land assessment value based on the property’s state of depreciation.

Impacts to Municipalities

Depending on the scenario, total loss of municipal tax revenues in the first year will range from $117 million to $301 million. After year 1, the steeper depreciation rates will lead to further declines in assessment in future years. The greatest losses in tax revenues will be in rural municipalities. Many municipalities will be forced to increase residential and/or non-residential taxes; and/or reduce service levels and staff. Some may also have to review their viability and consider amalgamation.
If the province were to implement Scenario D, municipal districts would collect approximately $70 million less in education property taxes in year 1, and this tax burden would then shift to residences and businesses in urban municipalities.

### Shortcomings of the Proposed Models

- Mainly benefits large oil and gas companies.
- No guarantee that the tax savings will be reinvested in Alberta through new jobs or capital investment.
- Tax reductions are permanent even if commodity prices change.
- Uses assessment methodology to meet tax policy goals, which violates the principles of property assessment.
- Puts the sustainability of cost-sharing agreements and viability of small communities at risk.
- Shifts a greater share of provincial education property tax onto other residences and businesses.
- Shifts a greater share of the new police costing model onto towns and villages with under 5,000 population.
- Province has not shared a forecast of the long-term impacts.

### Potential Solutions

- Abandon changes to the assessment model in favour of incentive-based tax reductions for companies investing in Alberta.
- Alberta Energy develop programs and incentives for oil and gas companies.
- Province shares in any tax reductions by reducing education property taxes.

### Who we are

The Alberta Urban Municipalities Association represents urban municipalities including cities, towns, villages, summer villages and specialized municipalities and more than 85% of Albertans. It is a dynamic and evolving association, advocating the interests of members to the provincial and federal orders of government and other stakeholders.
CAMROSE - ASSESSMENT MODEL REVIEW
IMPACTS REPORT

**Municipal Impacts**

Based on the data provided by Municipal Affairs and your reported financial data from the MFIS database, our models make the following predictions for your municipality. Please keep in mind that due to the limits of data provided, we are unable to project past the first year of implementation. Because of the significant changes to the depreciation curves under most of the models, we suspect that there will be further negative impacts in the future.

<table>
<thead>
<tr>
<th>Scenario Tax Impacts</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assessment Base Loss</td>
<td>$-3,378,881 (-0%)</td>
<td>$-3,400,097 (-0%)</td>
<td>$-3,400,097 (-0%)</td>
<td>$-3,400,148 (-0%)</td>
</tr>
<tr>
<td>M&amp;E Assessment Base Loss (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>LP Assessment Base Loss (%)</td>
<td>-12%</td>
<td>-12%</td>
<td>-12%</td>
<td>-12%</td>
</tr>
<tr>
<td>M&amp;E Tax $ Loss (2019 Mill Rate)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Linear Tax $ Loss (2019 Mill Rate)</td>
<td>$-44,940</td>
<td>$-45,222</td>
<td>$-45,222</td>
<td>$-45,223</td>
</tr>
<tr>
<td>Percent Loss of Total Revenue</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
</tr>
</tbody>
</table>

**Municipal Response Options**

We recognize that members with dramatic changes in revenue will have very few opportunities to respond. We have provided some general statistics to illustrate the context that these changes may have on operations. These should not be seen as recommendations only provided for context.

<table>
<thead>
<tr>
<th>Potential Rural Municipality Response Impacts</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Mill Rate Increase</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Residential Mill Rate Increase (Excluding 5:1 limits)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax capacity shortfall due to 5:1 ratio (includes tax capacity loss still required to achieve 5:1)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce Cuts to cover losses (% of total FTE’s)</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTE’s at risk</td>
<td>0.41</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expense Reduction % (including capital infrastructure investment)</td>
<td>0.10%</td>
<td>0.10%</td>
<td>0.10%</td>
<td>0.10%</td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time shortfall can be covered by Unallocated Reserves (months)</td>
<td>1528</td>
<td>1519</td>
<td>1519</td>
<td>1519</td>
</tr>
</tbody>
</table>
Rural Municipalities of Alberta

Assessment Model Review – Outcomes Summary

AGENDA ITEM B.1.
Over the past several months, RMA has participated in a Government of Alberta-led review of the assessment model for oil and gas properties such as wells and pipelines. In addition to RMA, the following organizations participated in the review:

- Alberta Urban Municipalities Association
- Canadian Association of Petroleum Producers
- Explorers and Producers Association of Canada
- Canadian Energy Pipeline Association
- Canadian Property Taxpayers Association

According to the Government of Alberta, the review was intended to “modernize” the assessment model for oil and gas properties to enhance industry competitiveness while ensuring municipal viability.

Due to strict confidentiality requirements, RMA has been unable to provide members with an update on the review process. At this point, the Government of Alberta has finalized recommended changes to the model and have briefed relevant provincial ministers and decision-makers on the recommendations. RMA (and the other organizations involved in the review) now have an opportunity to advocate to those same ministers and decision-makers on the impacts of the recommended changes.

The review concluded with four scenarios to be presented to provincial decision-makers, each of which represents different changes to the assessment model and different impacts on municipalities and industry. All scenarios reduce overall assessment values of the property impacted by the review, with province-wide reductions ranging from 7% in scenario A to 20% in scenario D. However, the impacts of the changes vary among municipalities and companies. Some municipalities will lose significant assessment value, while others will see their assessment increase. Similarly, some companies will benefit greatly from each scenario in the form of reduced assessments, while others (mainly small companies) will see massive increases in assessment. This document shows the province-wide impacts of each scenario. RMA is not aware of whether the Government of Alberta favors a specific scenario. Industry representatives have vocally supported scenario D, which most drastically reduces assessment.

Unfortunately, no multi-year impact analysis has been shared for the scenarios. All data focuses only on the first year of implementation, though due to steeper depreciation curves and other changes, municipal impacts will become more severe as assets age. It is important to note that even municipalities that are minimally impacted in year one may face much more serious impacts in year five or ten.

As will be evident in this document and other information shared with members, RMA is strongly opposed to the recommended changes to the assessment model and their impacts on both municipal viability and industry competitiveness. The remainder of this document will summarize key points from various RMA input during the review process that demonstrates the impacts of the recommended changes on municipalities and industry and proposes alternative approaches to enhancing industry competitiveness that are more transparent, targeted and effective than the proposed assessment model changes. This information was provided to the Government of Alberta during the review process and has been submitted formally to the Minister of Municipal Affairs in advance of the internal provincial minister and decision-maker briefings.
Technical Summary of Proposed Changes

The Government of Alberta has based the review process around four scenarios for changes to various aspects of the assessment model, with each resulting in a different level of impact to municipalities and industry in the form of overall assessment reductions. The review process was focused primarily on discussing the impacts of the various scenarios rather than the technical details. However, the Government of Alberta revised the scenarios repeatedly throughout the review process based mainly on ongoing data, information and suggestions received from industry. Unfortunately, RMA was not provided this data or detailed information on why the scenarios were continually changed.

As RMA was not involved in the year-long technical reviews that preceded the current review, it is unknown the extent to which the changes in each scenario are informed by the work of the technical reviews. Specific technical questions about the rationale behind the changes in each scenario should be direct to Alberta Municipal Affairs.

The technical changes in each scenario are summarized below (based on summary information provided to RMA by the Government of Alberta):

Current

Wells
- Base costs - Follows CCRG
- Depreciation - A set factor of 0.67 (67% asset value applied)
- Additional Depreciation - Production
- Land Assessment - 1766 to 12,792
- Statutory Level or Adjustment Factor - None

Pipelines
- Base Costs - Follows CCRG
- Depreciation - A straight factor of 0.67 (67% asset value applied for all pipe types [less than 10 inches or greater than 10 inches])
- Multi line adjustment - Not applicable
- Additional Depreciation - Production
- Land Assessment - Not applicable
- Statutory Level or Adjustment Factor - Not applicable
- Age - Not applicable

Scenario A – 7% overall assessment decrease

Wells
- Base costs - All costs designated by the CCRG are removed, and stimulation costs are removed.
• Depreciation - Begins at 10% and ends at 90%, dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years.
• Additional Depreciation - None applied.
• Land Assessment - No changes to the current land assessment listed in the Minister’s Guidelines.
• Statutory Level or Adjustment Factor - A factor of 0.65 is applied to deep horizontal wells.

Pipelines
• Base Costs - All costs designated by the CCRG are removed, and a straight cut is used for crossings.
• Depreciation - For all pipe types less than 10 inches, depreciation begins at 10% and ends at 90%, dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years. For all pipe types greater than 10 inches, depreciation begins at 10% and ends at 90%, dropping 3% per year until maximum depreciation (factor of 0.10) is reached in 26 years.
• Multi line adjustment - A factor of 0.80 is applied to all pipe greater than 10 inches.
• Additional Depreciation - 0.95 for CFB Suffield.
• Land Assessment - Not applicable.
• Statutory Level or Adjustment Factor - Not applied.
• Age - Updated to reflect new information.

Machinery and Equipment – Well Sites
• Base Costs - All costs designated by the CCRG are removed.
• Depreciation - Depreciation begins at 25% and ends at 90%, holding 25% for the first four years, and dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years.
• Additional Depreciation - Loss in value from site-specific causes.
• Land Assessment - Included in the well assessment.
• Statutory Level or Adjustment Factor - Legislated 77%.

Machinery and Equipment – Facilities
• No change from the current
• Statutory Level or Adjustment Factor - Legislated 77%.

Scenario B – 9% overall assessment decrease
Wells
• Base Costs - All costs designated by the CCRG are removed, and stimulation costs are removed.
• Depreciation - Begins at 25% and ends at 90%, holding at 25% for the first four years, and dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years.
• Additional Depreciation - None applied.
• Land Assessment - Maintain current land assessment listed in the Minister’s Guidelines, except the land assessment is reduced to zero when maximum depreciation is achieved.
• Statutory Level or Adjustment Factor - A factor of 0.80 is applied to SAGD wells. A factor of 0.65 is applied to deep horizontal wells.
Pipelines
- Base Costs - All costs designated by the CCRG are removed, and a straight cut is used for crossings.
- Depreciation - For all pipe sizes less than 10 inches, depreciation begins at 25% and ends at 90%, dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years. For sizes greater than 10 inches, depreciation begins at 25% for the first four years and ends at 90%, dropping 3% per year until maximum depreciation (factor of 0.10) is reached in 26 years.
- Multi line adjustment - A factor of 0.80 is applied to all pipe greater than 10 inches.
- Additional Depreciation - 0.95 for CFB Suffield.
- Land Assessment - Not applicable.
- Statutory Level or Adjustment Factor - Not applied.
- Age - Updated to reflect new information.

Machinery and Equipment – Well Sites
- As described in Scenario A.

Machinery and Equipment – Facilities
- No change from the current.

Scenario C – 14% overall assessment decrease
Wells
- Base Costs - All costs designated by the CCRG are removed, and stimulation costs are removed.
- Depreciation - Begins at 25% and ends at 90%, holding at 25% for the first 4 years, and dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years.
- Additional Depreciation - None applied.
- Land Assessment – Maintain current land assessment listed in the Minister’s Guidelines, except the land assessment is reduced to zero when maximum depreciation is achieved.
- Statutory Level or Adjustment Factor - A factor of 0.65 is applied to SAGD wells.

Pipelines
- Base Costs - All costs designated by the CCRG are removed, and a straight cut is used for crossings.
- Depreciation - For all pipe types less than 10 inches, depreciation begins at 10% and ends at 90%, dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years. For all pipe greater than 10 inches, depreciation begins at 10% and ends at 90%, dropping 3% per year until maximum depreciation (factor of 0.10) is reached in 26 years.
- Multi line adjustment - A factor of 0.80 is applied to all pipe greater than 10 inches.
- Additional Depreciation - 0.95 for CFB Suffield.
- Land Assessment - Not applicable.
- Statutory Level or Adjustment Factor - Not applied.
- Age - Updated to reflect new information.
**Machinery and Equipment – Well Sites**
- As described in Scenario A.

**Machinery and Equipment – Facilities**
- No change from the current.

**Scenario D – 20% overall assessment decrease**

**Wells**
- Base Costs - All costs designated by the CCRG are removed, and stimulation costs are removed.
- Depreciation - Begins at 25% and ends at 90%, and dropping 8% between year zero and year one, and by 4% per year thereafter until maximum depreciation (factor of 0.10) is reached in 16 years.
- Additional Depreciation - 0.10 for zero production. Maximum depreciation is 0.10.
- Land Assessment - The land assessments are as follows:

<table>
<thead>
<tr>
<th>Zone</th>
<th>Land Value – Single Pad</th>
<th>Land Value – Multi Pad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>3,838</td>
<td>512</td>
</tr>
<tr>
<td>NE</td>
<td>2,164</td>
<td>288</td>
</tr>
<tr>
<td>NW</td>
<td>1,589</td>
<td>212</td>
</tr>
<tr>
<td>SE</td>
<td>2,781</td>
<td>371</td>
</tr>
<tr>
<td>SW</td>
<td>2,424</td>
<td>323</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

- Statutory Level or Adjustment Factor - SAGD receives a 0.65 factor

**Pipelines**
- Base Costs - All the costs designated by the CCRG are removed, and a straight cut is used for crossings.
- Depreciation - For all pipe sizes less than 10 inches, depreciation begins at 25% for the first four years and ends at 90%, dropping 5% per year until maximum depreciation (factor of 0.10) is reached in 16 years. For sizes greater than 10 inches, depreciation begins at 25% for the first four years and ends at 90%, dropping 3% per year until maximum depreciation (factor of 0.10) is reached in 26 years.
- Multi line adjustment - A factor of 0.70 is applied to all pipe greater than 10 inches.
- Additional Depreciation - 0.95 for CFB Suffield.
- Land Assessment - Not applicable.
- Statutory Level or Adjustment Factor - Not applied.
- Age - Updated to reflect new information.
Machinery and Equipment – Well Sites
• As described in Scenario A.

Machinery and Equipment – Facilities
• No change from the current.

RMA’s Response to Proposed Technical Changes

As noted, RMA was not involved or provided any information from the technical review processes that informed the development of the scenarios. Notably, every iteration of each scenario focused on increased tax relief to industry. Given the lack of available technical information, detailed data or methodology for the calculations used it is difficult to form an opinion on the scenarios outside of the reality that they will all negatively impact rural municipalities and will only become worse as assets continue to age. The proposed scenarios read as a wish list of industry and will cause significant harm to rural municipalities who have been strong partners to industry development for decades.

Further, these scenarios add even more tax policy items into the assessment model, which already includes many existing issues and challenges, including:

• Some of the excluded costs under the CCRG would not be excluded under the cost approach to value, and have been excluded under the CCRG to reflect historic negotiated decisions.
• The yearly setting of the assessment year modifier in Schedule B is not transparent and is not data driven based on changes to construction costs.
• The setting of the assessment year modifier is subject to ministerial discretion as impacted by the advocacy of industry groups.
• The age lives of machinery and equipment are set between 15 – 20 years at which time the equipment is fully depreciated; these artificially shortened age lives contrast with the actual life of a facility at 40 – 60 or more years.
• During the first five years equipment is assessed it receives an immediate 25% depreciation (the purpose of this tax policy was to provide an incentive to construct new machinery and equipment, however, there is no data to track whether this policy achieved this goal).
• The depreciation in Schedule C for machinery and equipment reaches a floor of 40% remaining; the purpose of this policy dating from the mid 1980s was to provide consistency and stability for municipalities.
• The statutory factor contained in the Matters Relating to Assessment and Taxation Regulation, further reducing the M&E assessment by a factor of 23%; the statutory factor represents a historical policy which should be reconsidered to see if it is still relevant.

As shown, many existing tax policies within the assessment model are still in existence despite their original intent (often investment incentive programs) having long since passed. This highlights the danger of the ‘permanence’ and lack of transparency of using the assessment model to engage in obvious tax policy initiatives, which is the primary intent of the current review.
Despite the “unknowns” in the proposed scenarios and lack of detail in the review process, there are a number of observations RMA has made about the suitability of the proposed changes:

Major Concerns

- **Base Costs Exclusions**
  
The rates in the *Minister’s Guidelines* should reflect the typical cost to construct, or in this case drill, the well. Construction costs include both labour and equipment. The only costs which can be excluded are those under the *Construction Cost Reporting Guide (CCRG)*.

  Absent any additional information from the technical reviews, it is impossible to evaluate specific changes to base costs in these scenarios. However, they appear to be a departure from the intended value of reflecting accurate costs of construction, appear to arbitrarily exclude costs, and are potentially an embedded tax policy for industry.

- **Depreciation**
  
The scenarios include the introduction of depreciation of wells and pipelines, where the current assessment model uses a fixed rate of 0.67 (67%) asset value at all asset ages. The new scenarios add an age table for depreciation for pipelines and wells. The depreciation ranges from a high of 90% asset value or 75% asset value when new (depending on the scenario), to a floor of 10% asset value once fully depreciated. The asset life of depreciation is either 16 or 26 years depending the asset type and the scenario.

  In the absence of technical review information, and based on conversations during the review process, it appears that this new depreciation approach is based on the economic profitability of the assets. This represents a marked departure from the current regulated valuation approach, which focuses on typical wear and tear (physical depreciation) and typical technological changes over time (functional depreciation) rather than market value.

  These new scenarios are contrary to the principles underlying regulated assessment, and imports market value principles into the regulated assessment process. Depreciating wells and pipelines on the premise of profitability solely for the purpose of reducing assessment is one-sided, as the proposed scenarios do not include a mechanism to increase the assessment during healthy economic times.

- **Land Assessment**
  
  Scenarios B and C set the land component at zero to when a well has reached maximum depreciation. Scenario D introduces set land value rates based on the region and well characteristics, though the proposed values are well below the current land value ranges, which are already nominal and do not reflect market value.

  Land typically does not depreciate and should reflect market values, so this can only be considered an additional tax policy to benefit industry.

- **Other Adjustments, Statutory Factors and Depreciations**
The scenarios include a range of additional adjustments, statutory factors and depreciations. This includes a 0.75 factor for SAGD wells, a 0.70 factor for a multi-line adjustment, a 0.10 factor for zero production, among others. Again, without technical review information provided, it appears that these adjustments are actually very specific tax reduction policy initiatives to support particular asset types, that are being embedded into the assessment model. RMA is concerned that if the additional tax policy incentives are embedded in the assessment model then there will be no mechanism to know whether the policies have achieved their objectives and no mechanism to remove them after the objectives have been achieved. This phenomenon can be seen in the large amount of historical tax initiatives that are currently embedded in the assessment model. If history repeats itself, these adjustments (which are a clear response to current market factors) will remain in the assessment model for decades, with no ability to dial them back when market conditions correct.

**Areas of Support**

- **Base Costs - Updating**

As noted above, the base cost rates should reflect the typical cost to construct, or in this case drill, a well. In this spirit, RMA supports the need to regularly review and update base costs to accurately reflect changes in construction costs, technological advances, and other necessary changes.

RMA would support a meaningful review process, undertaken by objective experts, and using detailed data. While RMA is hopeful this accurately describes the work conducted in the technical reviews, the work of the technical review has not been shared, so it is impossible to know what process was followed.

- **Changes to the Assessment Year Modifier**

It appears that the review will include a move to an open, transparent, specified formula and data sources for the Schedule B Assessment Year Modifier being set out in the *Minister’s Guidelines*. In the past, this modifier has not been transparent on how it was calculated. The inclusion of the formula, with reference to the public data sources, would increase transparency, predictability and consistency for all stakeholders.
Municipal Impacts of Proposed Changes

Each of the four scenarios proposed by the Government of Alberta would significantly reduce the overall rural municipal assessment base. This section will provide an overview of municipal fiscal impacts and potential municipal response mechanisms to the changes. It is important to note that the impacts of the scenarios vary significantly by region: a few municipalities actually benefit from the changes in some scenarios, while many lose huge amounts of assessment value and associated tax revenue. The analysis below shows average impacts as well as impact range to provide further support to the unpredictable and drastically different impacts that the changes produce across the province.

Due to limitations on the data provided during the review, RMA is only able to accurately model the impacts of the change in 2021. Due to changes to asset depreciation curves, it is likely that reductions will become more severe in each year beyond 2021. The lack of a long-term impact analysis is an extremely serious flaw of the review process. Due to the more aggressive depreciation curves inserted into all models, even municipalities who are relatively unaffected by the scenarios in 2021, will see the value of assessed value of existing property decrease much more rapidly than under the current model. Unfortunately, due to the lack of data provided during the review process, it is impossible to know how significant long-term impacts will be, as this is dependent on the age and type of each municipality’s asset base.
What is known is that proceeding with such significant change with no knowledge of the long-term impacts it will have on the assessment base is highly concerning, which is why RMA has repeatedly called for a long-term impact analysis of the changes on both municipalities and industries prior to implementation.

It is important to continue to note that the data below is for 2021 only.

**Overall municipal assessment base change ($) – RMA members**

<table>
<thead>
<tr>
<th>Scenario Tax Impacts</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average among all rural municipalities</td>
<td>-126,863,993</td>
<td>-174,416,214</td>
<td>-277,155,495</td>
<td>-382,073,334</td>
</tr>
<tr>
<td>Least impacted municipality</td>
<td>+1,844,854,368</td>
<td>+1,510,074,086</td>
<td>+38,816,782</td>
<td>-5,088,160</td>
</tr>
<tr>
<td>Most impacted municipality</td>
<td>-1,059,619,509</td>
<td>-1,258,803,514</td>
<td>-1,495,636,950</td>
<td>-2,175,007,683</td>
</tr>
</tbody>
</table>

While average assessment base losses worsen somewhat consistently across the four scenarios, the actual individual municipal impacts of each scenario vary significantly. While many rural municipalities may be able to adapt to an assessment base loss between $100 - $400 million, for the several in each scenario that would face losses near or exceeding $1 billion in assessment, the consequences may be much more extreme.

While the dollar amount losses paint a concerning picture, an even more impactful way to consider the scenarios is by looking at the percentage of assessment lost.

**Overall municipal assessment base change (%) – RMA members**

<table>
<thead>
<tr>
<th>Scenario Tax Impacts</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average among all rural municipalities</td>
<td>-14</td>
<td>-16</td>
<td>-19</td>
<td>-24</td>
</tr>
<tr>
<td>Least impacted municipality</td>
<td>+16</td>
<td>+13</td>
<td>+1</td>
<td>-1</td>
</tr>
<tr>
<td>Most impacted municipality</td>
<td>-52</td>
<td>-52</td>
<td>-53</td>
<td>-56</td>
</tr>
</tbody>
</table>

A major weakness of using the assessment model to support industry competitiveness is that its complexity results in widely different regional impacts of any changes. The scenarios proposed by the Government of Alberta are no different. The chart below looks at the percentage of municipalities that will experience assessment base losses in excess of 10% under each scenario, divided by RMA district.

**Percentage of municipalities with assessment base loss above 10% - by RMA district**

<table>
<thead>
<tr>
<th>District</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Foothills-Little Bow</td>
<td>92%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
While rural municipalities across the province are severely impacted by the proposed changes, large reductions in revenue are most widespread across all scenarios in RMA’s district one, which consists of thirteen municipalities in the far south of the province. Many of these municipalities are already suffering from unpaid taxes on oil and gas properties. The disproportionate regional impacts, and lack of mitigation strategies on the part of the Government of Alberta demonstrate the inequities built into the review process and proposed changes.

The information above speaks to the severe and inequitable impacts that the proposed scenarios have on the assessment bases of rural municipalities. While this is important, to adequately understand the consequences of these reductions, it is important to consider how they will impact municipal revenues and service delivery. Because each municipality will be impacted to different extents and select different responses, the information below provides hypothetical “average” rural municipal responses based on the impacts of the various scenarios and publicly available municipal data.

### Potential Response Options – Average Rural Municipality

<table>
<thead>
<tr>
<th></th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential mill rate increase</td>
<td>85.78%</td>
<td>106.63%</td>
<td>148.23%</td>
<td>199.43%</td>
</tr>
<tr>
<td>or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-residential mill rate increase (excluding 5:1 limits)</td>
<td>15.63%</td>
<td>19.33%</td>
<td>22.76%</td>
<td>31.89%</td>
</tr>
<tr>
<td>Tax capacity shortfall due to 5:1 ratio (includes tax capacity loss still required to achieve 5:1)</td>
<td>$4,806,050</td>
<td>$4,952,061</td>
<td>$5,093,415</td>
<td>$5,608,241</td>
</tr>
<tr>
<td>or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce cuts to cover losses (% of total FTEs)</td>
<td>11.52%</td>
<td>14.82%</td>
<td>21.59%</td>
<td>28.82%</td>
</tr>
<tr>
<td>Total rural municipal FTEs at risk</td>
<td>957</td>
<td>1,231</td>
<td>1,793</td>
<td>2,394</td>
</tr>
<tr>
<td>or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average total expense reduction % (including capital infrastructure investment)</td>
<td>9.28%</td>
<td>10.78%</td>
<td>12.82%</td>
<td>16.24%</td>
</tr>
<tr>
<td>or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In reality, most municipalities will react to the loss in revenue through a combination of tax rate increases, service level reductions, and debt. However, the examples above show how significant the reductions in assessment will be for rural municipalities.

More importantly, it shows the likelihood that other commercial property owners and residents will “pay the price” in subsidizing a property tax break to the oil and gas industry in the form of increased non-residential and residential tax rates or reduced services. The assessment approach for other commercial and residential properties is not being reviewed to give property owners “a break” during these challenging economic times; this manipulation of the assessment model is only being offered to the oil and gas industry. All other properties will be assessed in the same manner, and either receive a lower level of service or pay higher taxes to subsidize the municipal revenue lost from the oil and gas industry. In other words, the tax burden will simply be shifted away from the oil and gas industry and on to all other businesses and residents. Most municipalities will simply have no other choice.

<table>
<thead>
<tr>
<th></th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
<th>Scenario D</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of rural municipalities that could not cover shortfall for one year with unrestricted reserves</td>
<td>44.9%</td>
<td>40.6%</td>
<td>42.0%</td>
<td>50.7%</td>
</tr>
<tr>
<td>% of rural municipalities that could not cover shortfall for two years with unrestricted reserves</td>
<td>60.8%</td>
<td>57.9%</td>
<td>63.7%</td>
<td>73.9%</td>
</tr>
</tbody>
</table>
Industry Impacts of Proposed Changes

***Please note – The Government of Alberta has indicated that the data used to determine tax impacts of each scenario on specific companies may not be fully accurate. As RMA must rely on the Government of Alberta to provide this level of detailed information, the conclusions below are reflective of the data provided during the review, and any inaccuracies are the result of the information provided.

Both RMA and its members have a long history of supporting and collaborating with Alberta’s oil and gas industry. The final section of the report will propose an array of options to support industry competitiveness that are both fairer and more effective than manipulating the assessment model. This section will focus on evaluating the Government of Alberta’s claim that the assessment model review is intended to enhance industry competitiveness and consider the extent to which it meets this priority.

“Industry competitiveness” was never defined during the review process, and the industry stakeholder representatives involved in the review (Canadian Association of Petroleum Producers [CAPP], Canadian Energy Pipelines Association [CEPA] and the Explorers and Producers Association of Canada [EPAC]) provided no evidence as to how reduced property assessments would enhance competitiveness in comparison to other industry cost drivers. There was also no consideration or respect afforded by industry to the important role that municipal infrastructure and services play in supporting oil and gas industry competitiveness by providing safe and reliable access to natural resources.

In addition to a lack of evidence as to the link between assessment and competitiveness, the recommended scenarios result in shockingly different outcomes for different oil and gas companies. While the overall oil and gas industry would see assessment reductions under each model, those benefits are not distributed equitably.

RMA has divided the 750 oil and gas companies that own property impacted by the review into the following categories based on the overall value of their assessed assets:

- Tier 1 (assessed asset value over $500 million) – 27 companies
- Tier 2 (assessed asset value $100 million - $500 million) – 63 companies
- Tier 3 (assessed asset value $20 million - $100 million) – 98 companies
- Tier 4 (assessed asset value ($1 million - $20 million) – 227 companies
- Tier 5 (assessed asset value under $1 million) – 335 companies

The table below shows how companies of different sizes would be impacted by assessment scenario D, which is favored by industry.
Industry Assessment Impacts – by Company Size – Scenario D

<table>
<thead>
<tr>
<th>Tier</th>
<th>Percent of Total firms</th>
<th>Percent of Total Assessment Base</th>
<th>Average Savings</th>
<th>Percent of total savings</th>
<th>Percent of firms with tax increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>3.60</td>
<td>62.14</td>
<td>-$7,184,488</td>
<td>71.72</td>
<td>0</td>
</tr>
<tr>
<td>Tier 2</td>
<td>8.40</td>
<td>26.55</td>
<td>-$868,011</td>
<td>20.22</td>
<td>6</td>
</tr>
<tr>
<td>Tier 3</td>
<td>13.07</td>
<td>8.83</td>
<td>-$176,215</td>
<td>6.38</td>
<td>8</td>
</tr>
<tr>
<td>Tier 4</td>
<td>30.27</td>
<td>2.32</td>
<td>-$18,828</td>
<td>1.58</td>
<td>16</td>
</tr>
<tr>
<td>Tier 5</td>
<td>44.67</td>
<td>0.16</td>
<td>-$819</td>
<td>0.10</td>
<td>29</td>
</tr>
</tbody>
</table>

For comparison purposes, the impacts in the table below are for scenario B, which still has major revenue implications for municipalities but has been dismissed by industry as not meaningful in enhancing competitiveness.

Industry Assessment Impacts – by Company Size – Scenario B

<table>
<thead>
<tr>
<th>Tier</th>
<th>Percent of Total firms</th>
<th>Percent of Total Assessment Base</th>
<th>Average Savings</th>
<th>Percent of total savings</th>
<th>Percent of firms with tax increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>3.60</td>
<td>62.14</td>
<td>-$4,358,795</td>
<td>108.88</td>
<td>19</td>
</tr>
<tr>
<td>Tier 2</td>
<td>8.40</td>
<td>26.55</td>
<td>+$51,529</td>
<td>-3.00</td>
<td>46</td>
</tr>
<tr>
<td>Tier 3</td>
<td>13.07</td>
<td>8.83</td>
<td>+$49,230</td>
<td>-4.46</td>
<td>47</td>
</tr>
<tr>
<td>Tier 4</td>
<td>30.27</td>
<td>2.32</td>
<td>+$5,380</td>
<td>-1.13</td>
<td>40</td>
</tr>
<tr>
<td>Tier 5</td>
<td>44.67</td>
<td>0.16</td>
<td>+$928</td>
<td>-0.29</td>
<td>41</td>
</tr>
</tbody>
</table>

What is significant about both scenarios is the disproportionate benefit that the largest oil and gas companies in the province receive. In each scenario, Tier 1 is the only group of companies who receive benefits that exceed their share of the actual assessment base. In scenario D, which has the most extreme negative impacts on municipal viability, all tiers benefit, though the extent of benefits decrease as company size decreases. In scenario B, tiers 2-5, which comprise 723 of 750 companies impacted by the review, collectively face increased costs, while the 27 tier 1 companies receive huge assessment and tax relief. Additionally, in both scenarios, many of the smallest companies (tiers 4 and 5) would face assessment increases.

What does this mean? Industry is arguing that scenario D is the only option to truly enhance competitiveness, and that may be true given the options developed. Scenarios A, B and C would hurt municipalities and hurt most oil and gas companies, while scenario D would decimate municipalities and provide at least modest relief to all company tiers (though again, even under scenario D, 145 companies would face assessment increases). The only groups that win in every scenario are the...
largest oil and gas companies operating in Alberta, many of which have holdings worldwide and would be under no obligation to reinvest savings in the province.

What this industry analysis shows is that the assessment model review is not meeting its mandate of enhancing competitiveness and supporting municipal viability. It is reducing assessments for the largest and most well-connected companies on the backs of small oil and gas producers and municipalities.

RMA supports an assessment model review, but this analysis proves that the current process is inequitable. A review should focus on updating data and methodology to maintain an objective assessment system, and industry competitiveness should be addressed using the alternatives on the following page.
Alternative Approaches to Enhancing Industry Competitiveness

Although not part of the review process, RMA conducted an analysis of alternative approaches to enhancing industry competitiveness and evaluated them based on the following five principles:

<table>
<thead>
<tr>
<th>Equitable in Cost Sharing</th>
<th>Equitable in Benefits Sharing</th>
<th>Tangibility</th>
<th>Sustainability</th>
<th>Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>All activities enacted to support oil and gas competitiveness should be equitably born through a partnership between the Government of Alberta and Alberta municipalities and reflect the relative powers and financial tools available to each level of government to support industry.</td>
<td>All activities enacted to support oil and gas competitiveness should equitably benefit companies in the oil and gas sector and not be focused on large companies to the detriment of smaller entities.</td>
<td>Financial contributions to industry either through direct investment or tax reduction should be designed to elicit direct, observable action by industry in the form of capital investment or employment creation.</td>
<td>Solutions cannot be solely focused on short-term gains or impacts but should put in place mechanisms that consider the potential for times of greater prosperity. Sustainability to municipalities means that revenue over the taxable life of the asset justifies infrastructure investments to support industrial development.</td>
<td>The goals, contributions, benefits and mechanisms put in place to support industry must be reported in a manner that is understandable to provincial taxpayers and municipal ratepayers. Mechanisms have built-in means for regular review and potential revision to maintain equitability and fairness.</td>
</tr>
</tbody>
</table>

Based on these principles, RMA analyzed 13 options (including manipulation of the assessment model) to support industry competitiveness and assigned each a score out of five – a high score indicates a strong option based on RMA’s principles. Options and scoring were as follows:

<table>
<thead>
<tr>
<th>Policy Alternatives</th>
<th>Scoring Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost Sharing</td>
</tr>
<tr>
<td>Tax and Royalty Forgiveness</td>
<td></td>
</tr>
<tr>
<td>Assessment Manipulation (Current Review)</td>
<td>1</td>
</tr>
<tr>
<td>Municipal Tax Rebate Policy</td>
<td>1</td>
</tr>
<tr>
<td>Tax Rebate Policy on New Investment</td>
<td>3</td>
</tr>
<tr>
<td>Education Property Tax Requisition Adjustments</td>
<td>5</td>
</tr>
<tr>
<td>Oil &amp; Gas Royalties Reduction</td>
<td>5</td>
</tr>
<tr>
<td>Additional Mill Rate Categories</td>
<td>3</td>
</tr>
<tr>
<td>Property Tax Incentives Expansion</td>
<td>2</td>
</tr>
</tbody>
</table>
What this analysis shows is that making changes to the assessment model to support industry competitiveness during a difficult economic time is a poor option by all measures, and there are many other approaches the province could take that would better support competitiveness. Changing the assessment model is inequitable, as it places the entire burden for industry savings onto municipalities. It is also inequitable in how the benefits are distributed, as the section above demonstrates that large companies receive significant assessment reductions, while assessment will increase for many small companies. The approach lacks tangibility in that there is no link between any cost savings provided to industry and capital investment or job creation in Alberta. The approach is also not sustainable as the aggressive depreciation curves proposed will have long-term impacts on municipalities that are even more serious than the immediate impacts summarized above. Finally, the approach is not transparent as any industry incentives are “baked” into the assessment model in a way that is not easily visible, and very difficult to change or remove when they are no longer required.

On the other hand, many alternatives in the table above score much higher in all principle categories. For example, incentive based grants/shared investments (in which government provides financial support based on a company meeting specific targets or committing to particular levels of investment) score highly in all categories, as it fairly shared the cost burden and benefits, provides a direct link between the incentive given and measurable actions taken on the part of the company, is sustainable in the sense that the incentive would not be provided if the company’s action did not lead to a long-term benefit to the province, and is highly transparent as the incentive is only provided based on the company undertaking a specific action.

RMA’s full submission to the Government of Alberta includes a complete analysis of all the options above. **What is important for members to consider is that the province’s stated goal of using the assessment system for industry competitiveness fails in meeting every principle identified by RMA as characteristic of an effective industry competitiveness enhancement tool.** RMA can provide members with more detailed information on the tools and analysis upon request.
To: Committee of the Whole Council  
Date: September 8, 2020

From: General Manager – Financial Services

Re: Separation of Assessment and Taxation Notices - 2021

RECOMMENDATION:

That Council receive this report for information and provide direction to Administration.

BACKGROUND:

On March 2, 2020 Administration provided the Committee of the Whole Council with a report that recommended changing the current process from a combined notice of assessment and taxation to a process whereby a separate Assessment Notice, followed by a later mail out of a separate Tax Notice would be implemented. A copy of the report is attached for reference.

Administration has implemented a project plan to ensure that the City has the ability to proceed with the proposed change in 2021. Operational changes have been made which will allow valuations to be completed during 2020 even during the COVID-19 pandemic.

The following information is in addition to that which was previously provided.

Administration recommends that the change be implemented in 2021 with an Assessment Notice sent in early January, 2021 and a Tax Notice to be sent in mid May, 2021 with a June 30, 2021 due date.

Communication

The most significant challenge in implementing the proposed change is ensuring that property owners of Camrose understand that the change is taking place and the impact that the change has on them as property owners.

A Communications Plan for the remainder of 2020 and the first few months of 2021 is attached for reference. In addition, some draft versions of certain elements of the communications plan are also attached for reference. The plan leverages numerous channels to try to reach all property owners including newspaper, advertisements in City facilities, social media and inserts sent along with utility billings. Extensive efforts will be made to provide property owners with the necessary information.

Implementation / Annual Costs

Based upon current estimates, it will cost the City approximately $20,000 to implement this change for the first year in 2021. The annual cost increase compared to the combined notice of
assessment for the following years is estimated to be about $15,000. This amount could decrease in the future if notices are sent electronically.

By implementing the change, the timing of appeals, assessment changes and potential tax revenue losses allow the City of Camrose to take into consideration any assessment losses at the time the tax rate bylaw is created.

Currently, the tax rate bylaw is passed in April or May and notices of assessment and taxation are sent out in mid-May. During May through July the City assessors may make changes to assessed values, hear complaints from property owners and appeals may be filed against the assessed value anytime up to 67 days after the notices have been mailed. The appeals and adjustments to the assessed value are generally not completed until sometime between August and October.

As such, under the current process, the City is unable to take into consideration any agreed upon actual adjustments to assessed values or estimated potential adjustments based upon the perceived risk of ongoing appeals when setting tax rates. Therefore, any adjustments as a result of agreed upon adjustments or appeals impact the current year operating results.

Under the recommended separation approach, the City assessors would be responding to concerns about assessed values in January and through to March. Assuming that the Assessment Notice is sent out on January 10th, the appeals would have to be received by March 18th. As such, the City would be aware of the extent of appeals and have completed the majority of assessment changes at the time the tax rates are generally calculated in April and May.

For example, if a significant amount of appeals were received under the current system, and the appeals were successful and the result decreased the assessed value by $10 million the City would effectively be running a deficit of $130,000. Under the proposed approach, under the same circumstances, the City could effectively estimate the $10 million loss in assessed value, change the taxation rates slightly, and no operational deficit would occur.

Summary of Changes to Annual Process *(dates are approximate)*:

<table>
<thead>
<tr>
<th>Current Approach</th>
<th>Proposed Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Notice</td>
<td>January 10</td>
</tr>
<tr>
<td>Assessment Adjustments</td>
<td>March 10</td>
</tr>
<tr>
<td>Appeals Deadline</td>
<td>March 18</td>
</tr>
<tr>
<td>Tax Rate Bylaw</td>
<td>April 30</td>
</tr>
<tr>
<td>Assessment Notice</td>
<td>May 20</td>
</tr>
<tr>
<td>Tax Notice</td>
<td>May 20</td>
</tr>
<tr>
<td>Assessment Adjustments</td>
<td>July 20</td>
</tr>
<tr>
<td>Appeals Deadline</td>
<td>July 27</td>
</tr>
</tbody>
</table>

**ATTACHMENTS:**

- March 2, 2020 Report to Committee of the Whole Council – Separation of Assessment and Taxation Notices
- Communications Plan – Separation of Assessment and Taxation Notices
City of Camrose
Administrative Report

To: Committee of the Whole Council 
Date: March 2, 2020

From: General Manager – Financial Services

Re: Separation of Assessment and Taxation Notices - 2021

RECOMMENDATION:

That Council receive this report for information and provide direction to Administration.

BACKGROUND:

The City of Camrose currently mails out an annual combined Assessment & Tax Notice to all property owners (approximately 8,500 notices) in May of each year.

Municipalities in Alberta have the option of mailing out a combined notice, or splitting the two, and mailing out a separate Assessment Notice, followed by a later mail out of a separate Tax Notice. Under the Municipal Government Act, both approaches are possible and permissible.

Administration recommends that the City of Camrose change the assessment and taxation notice process currently in effect from a combined notice to a separate notice. Administration recommends that this change be implemented in 2021.

Current process

The City of Camrose sends out a “combined notice” in the middle of May every year which includes, among other information, the following:

- Assessed value of the property
- Taxes due on the assessed property

The property owner receives the notification and knows exactly what amount they owe on the property. They have the ability to make an appeal on the value of their assessment for up to 67 days from the date the notice is sent. The discussions and appeals are often a result of the property owner being concerned about the amount of tax that they are required to pay.

Any changes in the assessed value as a result of appeals or corrections based upon discussions with property owners (often referred to as a section 305 corrections) result in the City of Camrose collecting less revenues than budgeted since tax rates are generally determined in April.

Recommended process

Administration has been considering separating the assessment and taxation notices. Property owners would receive the following notices (“separate notices”):

- January – assessed value
The property owner receives the notice of assessed value in January. The property owner has the same time restrictions to discuss and/or appeal the assessed value of their property.

Any changes to the assessed value as a result of the appeals or adjustments may be able to be taken into consideration when determining the tax rates to ensure that the budgeted taxation revenues are levied upon property owners. The timing of the appeals process may prevent the City from having some outstanding complaints completely resolved when setting tax rates but the City would be aware of the potential risk.

Why change the process?

The main rationale for Administration to consider the separation of the assessment and taxation notice can be summarized as follows:

- Separates the assessment value and the taxes due and makes it clear that the property owner can appeal the assessed value of their property; not the taxes due
- Enables the City to take into consideration any significant changes due to appeals and corrections when determining the tax rate
- Provides earlier receipt of assessment by property owner in the calendar year

What do other municipalities do?

Administration surveyed 19 other urban municipalities to gain an understanding of common practice within Alberta. The results were as follows:

- 79% (15 of 19) currently send separate notices for all property types
- 16% (3 of 19) currently send a combined notice for all property types; 2 of these are planning for separate notices to be sent in 2021
- 5% (1 of 19) currently send a combined notice for residential property types and separate notices for non-residential property types

What are the risks?

There is some concern with respect to moving to a separate notice for assessment and taxation. The main concern relates to property owners and their right to appeal the assessed value of their property. Often, it is the amount of the taxes due that trigger a property owner to contact the City and begin discussions which may end in an appeal. Under the separate notice process, property owners that do not appeal their assessed value prior to receiving their taxation notice will not be able to appeal the value of their property. This may result in some unsatisfied property owners within Camrose.

In addition, there are the additional administrative costs for preparation, printing and postage associated with two notices being mailed as opposed to one. The additional costs are estimated to be approximately $12,000 - $15,000 on an annual basis.

How do other municipalities address the risks?

In addition to the survey of the process each municipality utilizes, Administration asked the municipalities surveyed to provide additional information with respect to managing the change from combined notice to separate notices along with any other information they would like to share.
Administration received informal comments from 9 of these municipalities. In all instances the municipalities responded that they would not change back and that the change was well worth the effort and the additional costs incurred. Most mentioned the importance of communication during the first year to ensure that property owners understand the impact of the change on timing of appeals.

**Tax estimate on the assessment notice if separate from taxation notice?**

Administration considered the possibility of providing property owners with an estimated property tax amount in conjunction with the January assessment notice in order to provide them with an indication of what their tax notice may be in May.

Of those municipalities surveyed, none provide their property owners with this information due to the confusion it would create when the amount of the actual tax notice varies from the estimate on the assessment notice.

Based upon the above, Administration recommends changing from a combined notice process to a separate notice process starting in 2021. A decision with respect to this change would need to be made during March, 2020 to ensure the following:

- the work performed by the Assessment department can be rescheduled to ensure that valuation activities are completed prior to December, 2020
- a communications plan can be drafted and worked on in a timely fashion to ensure information regarding the change is provided to all property owners prior to January, 2021
- system changes and upgrades can be completed in a timely fashion to ensure the process change is managed in an efficient and effective manner

**ATTACHMENT:**

- None

**SUBMITTED BY:**

Travis Bouck
General Manager, Financial Services
In order to support the Assessment Team in the communications regarding the Taxation and Assessment notice split, Communications is proposing the following process, in alignment with the timeline released by Assessment:

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Message</th>
<th>Vehicle</th>
<th>Responsibility/Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2020</td>
<td>The change is coming for splitting of tax and assessment notices. Basic info on difference between the two and positive impacts for ratepayers</td>
<td>Media Release</td>
<td>Communications/Assessment</td>
</tr>
<tr>
<td>November 2020</td>
<td>Notice to ratepayers and basic information of difference</td>
<td>Utility Insert (attached)</td>
<td>Communications to develop, Finance to insert</td>
</tr>
<tr>
<td>November 2020</td>
<td>FAQs:</td>
<td>Website</td>
<td>Communications</td>
</tr>
<tr>
<td></td>
<td>- Assessment 101</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Taxation 101</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Why split the notices?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- How do I appeal my assessment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- How do I pay my taxes?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November 2020</td>
<td>Notice that changes are coming. Graphic heavy with lead to website</td>
<td>Posters at City Locations</td>
<td>Communications to create</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Rec Centre</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Pool</td>
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<tr>
<td></td>
<td></td>
<td>- Library</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- City hall</td>
<td></td>
</tr>
<tr>
<td>November 2020</td>
<td>Split info – Drive to Website</td>
<td>Social Media (attached)</td>
<td>Communications</td>
</tr>
<tr>
<td>December 2020</td>
<td>IMPORTANT INFORMATION ENCLOSED/ASSESSMENT NOTICE</td>
<td>Branded Envelopes</td>
<td>Assessment/Finance</td>
</tr>
<tr>
<td>January 2021</td>
<td>Assessment 101 – basic information about assessment processes, regulations, appeal process, advantage to advance notice</td>
<td>Assessment Notice Insert</td>
<td>Communications to develop, Assessment to insert</td>
</tr>
<tr>
<td>January 2021</td>
<td>Assessment 101 – Drive to Website</td>
<td>Social Media Post Booster Ad</td>
<td>Communications</td>
</tr>
<tr>
<td>End of February &amp; March 10, 2021</td>
<td>Assessment Appeal Deadline and Process – Drive to Website</td>
<td>Social Media Booster Ad</td>
<td>Communications</td>
</tr>
<tr>
<td>May 2021</td>
<td>Property Tax 101 – Basic information Education and property tax, combined rates, ties to assessment</td>
<td>Property Tax Notice Insert</td>
<td>Communications to develop, Assessment to insert</td>
</tr>
<tr>
<td>May &amp; June 2021</td>
<td>Taxation 101 &amp; Payment Options– Drive to Website</td>
<td>Social Media Booster Ad</td>
<td>Communications</td>
</tr>
</tbody>
</table>
CHANGES ARE COMING

ASSESSMENT & PROPERTY TAX NOTICES

CITY OF Camrose

Starting in 2021, property owners will receive Assessment Notices in advance of Property Tax Notices.

Property assessments will still be able to be appealed but will be mailed in January. Tax rates are not appealable and will be mailed in May.

For more information see Camrose.ca or call (780) 672-4426
Assessment

Assessment of a property is the assigning of a market value to a property. This is regulated under the Municipal Government Act. Assessment Notices provide property owners with the assessed value of their property on July 31 the year prior. Assessed values of properties can be appealed through the Assessment Appeal Board.

Taxation

Taxation of a property is the assigning of a tax rate to a property to determine the amount of tax owed by a property owner, based on the assessed value of their property. Municipal tax rates are set by the municipality based off the revenue required divided by the total assessment values in the municipality. Education tax rates are set by the Province, collected by the municipality, and forwarded to the Province. Municipal tax rate + the education tax rate equals the combined tax rate.

Property Tax Notice

Property Tax Notices are the total taxes owed on a property, determined by combining the municipal and education tax rates.

\[
\text{combined tax rate} \times \text{property assessment} = \text{taxes payable}
\]
Starting in 2021, property owners will receive Assessment Notices in advance of Property Tax Notices.

For more information see Camrose.ca or call (780) 672-4426
City of Camrose
Administrative Report

To: Committee of the Whole Council
From: Deputy City Manager
Re: 2020 Alberta Urban Municipalities Association (AUMA) Resolutions

RECOMMENDATION:

That Council confirm conference attendees and provide direction on speaking notes for applicable resolutions.

BACKGROUND:

The 2020 AUMA convention will be held virtually from September 23-25, 2020. This year the City of Camrose seconded a resolution put forward by the City of Grande Prairie on “Fair Increase for Wireless Device 911 Levy to Modernize 911 Call Centres”. During the virtual conference, each Council member will be provided with an opportunity to cast an individual vote for each resolution. Administration has reviewed the list of resolutions that will be considered at the convention in relation to the impact that each resolution would have on the City. The tables below identify the resolutions that would have a positive impact on the City and ones that would not. Resolutions marked with (*) are ones that Administration have identified that Council may want to speak to during the session. The AUMA Resolutions Book that was previously distributed to Council provides complete background information for each resolution. Note that the rationale used for Administration's classification included equity / ensuring that municipalities pay for their fair share and secondly the affordability of requests that do not affect all Alberta municipalities.

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Resolution Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Framework</td>
<td>This resolution addresses the need for municipalities to have enhanced fiscal powers to meet their operating and capital budget.</td>
</tr>
<tr>
<td>Continuation of Municipal Bonds in Alberta</td>
<td>This resolution advocates for Alberta Municipal Bonds to be used as tax-exempt investment income instrument.</td>
</tr>
<tr>
<td>*Education Property Tax Collection</td>
<td>This resolution advocates for the Provincial Government to take over the collection of the education tax.</td>
</tr>
<tr>
<td>Permanent Transit Funding</td>
<td>This resolution advocates for the Province to reinstate permanent long term transit funding that would allow municipalities to maximize investments and contributions from other levels of government.</td>
</tr>
<tr>
<td>Provincial Support for Addressing Affordable Housing and Homelessness</td>
<td>This resolution advocates for the Government of Alberta to invest in the development of affordable housing to create jobs and stimulate the economy, invest in cost effective health and support services for the vulnerable populations</td>
</tr>
</tbody>
</table>
and for the introduction of mandatory operating guidelines for emergency shelters.

**Integration of Nurse Practitioners into the Alberta Health Care System**

This resolution advocates for the Government of Alberta to remove the barriers for the integration of nurse practitioners into the Alberta healthcare system.

**Providing a long-term source of financial relief for Albertans**

This resolution advocates for the Province if successful in adopting the Extended Producer Responsibility legislation that member municipalities will be encouraged to pass any and all savings back to taxpaying and rate paying Albertans.

**Sustainable Funding for Water and Wastewater Infrastructure**

This resolution advocates for the Government of Alberta to establish long-term funding for water and wastewater service providers which considers the rising costs of providing services due to provincial and federal regulations.

**Support for Alberta Film Industry and Economic Diversification**

This resolution advocates for the enhancement of the Film and Television Tax Credit (FTTC) to be more competitive with other jurisdictions such as Ontario and British Columbia.

**Fair Increase to Wireless Device 911 Levy to Modernize 911 Call Centres**

This resolution has been seconded by the City of Camrose and advocates for the Government of Alberta to increase the levy payable outlined in the Emergency 911 Levy Regulation to assist with the applicable costs for the modernization of 911 call centers in the Province.

**Review of Libraries Act**

This resolution advocates for the Government of Alberta to review the Libraries Act and Regulations through a comprehensive public consultation process.

**Current Population Funding for Alberta’s Municipal Public Libraries**

This resolution advocates for the Government of Alberta to ensure that Municipal Affairs uses current population data in calculating provincial operating grants for municipal public libraries serving populations over 3,000.

**NEGATIVE IMPACT**

<table>
<thead>
<tr>
<th>Resolution Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Peace Officer/Police Costing Model</td>
</tr>
<tr>
<td>This resolution advocates that the Government of Alberta reconsider the new police funding regulations to take into account the fact that other municipalities are already funding Community Peace Officers.</td>
</tr>
<tr>
<td>Increase Provincial Flood Mitigation and Mapping Standards</td>
</tr>
<tr>
<td>This resolution advocates for Government of Alberta to revise provincial standards for flood mitigation measures for all new developments.</td>
</tr>
</tbody>
</table>

Administration does not put forward a position on the following resolutions.

1. Provincial Sales Tax for Municipal Capital Project Support
2. Education Tax Rebate
3. Resolution Against Quebec’s Bill 21
4. Alberta Structure Protection
5. Blue Lights for Tow Trucks
MUNICIPAL DIRECTIVES:

As part of Council Strategic Plan, advocacy was identified as one of Council’s strategic objectives.

IMPLICATIONS OF RECOMMENDATION:

If Council wishes to proceed with speaking to the identified resolutions or other resolutions, Administration can assist with the development of the key messages for the applicable resolution.

ATTACHMENTS:

None

SUBMITTED BY:

Kim Isaak
Deputy City Manager
City of Camrose
Administrative Report

To: Committee of the Whole Council Date: September 8, 2020
From: Deputy City Manager
Re: Advocacy Topics Update

RECOMMENDATION:

That Council receive this report for information and consider the addition of a new advocacy topic to replace the Public Transit Grant Funding as confirmation has been received on the request for service extension.

BACKGROUND:

At the July 20, 2020 Committee of the Whole Council Meeting Council reviewed a list of Advocacy Topics and prioritized them. Based on this the following five were identified as being the most important and worthy of Council attention in the short term. An update on the status of the advocacy topic has also been included below the item.

1. Wastewater Treatment Plant - Funding
   Senior Financial Officer Dale Fung with the Ministry of Transportation advised that it was his understanding that there was no remaining funding left in the Federal ICIP Grant. Mayor Mayer contacted the Ministry of Infrastructure to inquire if there was any additional provincial funds that could be utilized. At this point the City has not yet heard back from the Ministry.

2. Public Works Building – Funding
   Due to the recent cabinet shuffle Mayor Mayer contacted the office of the new Minister of Municipal Affairs, Tracy Allard to inquire on the status of the City’s request to utilize the 2.2 million dollars of funding that the City is eligible for towards the Public Works Building. Mayor Mayer was directed to send a copy of the original package to the Minister Allard.

3. Public Transit Grant – Funding
   Confirmation has been received that the funding for the Camrose Connector has been extended until March 2021 and that remaining funds within the carpool program can be merged into the Camrose Connector Funding.

4. Sustain and Protect the Augustana Campus
   An initial meeting was held with representatives from Augustana and a subsequent meeting is set to be scheduled once the Dean has provided a suitable date at which time he will provide an update and the group will identify where advocacy efforts can best be targeted. Additionally, Councillors Hoveland and Lindstrand met with student
representatives from the Augustana Student Association who are also keen on assisting with advocacy efforts as well.

5. Advocate and Collaborate with Augustana for the Creation of a Centre of Excellence in Rural Health

An adhoc working group consisting of representatives from Alberta Health Services, Covenant Health, Augustana and the City of Camrose was established at the August 17, 2020 stakeholders meeting. Additional data is being sought from the St. Mary’s Site Administrator and PCN regarding the rural impact of the RN and Rehab Med Programs. Once this data has been received the adhoc working group will meet with UA Administration.

ATTACHMENTS:

1. List of Advocacy Topics – Updated August 31, 2020

SUBMITTED BY:

Kim Isaak
Deputy City Manager
Advocacy Topics

PROVINCIAL/FEDERAL ADVOCACY

Infrastructure Services

1. Wastewater Treatment Plant – funding

**Issue Statement**
Due to changes to provincial regulations the City is required to upgrade the Wastewater Treatment Plant at a significant cost. Financial support for this project is critical.

**Actions to Date**
Received 26.2% of funding from AMWWP (Provincial Grant) to apply for the Federal ICIP grant the City would need to have received 33% of the project funding from the Province. Request has been made to the Province to ask if a portion of the City’s MSI Grant could be put towards the province’s portion so that the City would be eligible to apply for the Federal ICIP Grant. We have been advised that there is no funding left at the federal level to apply for the ICIP Grant. Mayor Mayer has been in discussions with the Ministry of Infrastructure to inquire if there are any other additional funds. To date the City has not heard back from the Ministry.

2. Water security / regional water (Capital Region Water Commission)

**Issue Statement**
The City does not have a secure water source in the event of a multi-year drought. Current licensing can provide water for a population equivalent of 30,000 people. This limits the City’s ability for both economic and community growth.

**Actions to Date**
Council appointed City representation to the Capital Region Southwest Water Services Commission.

3. Public Works Building – funding

**Issue Statement**
Due to the age of the building and needs of the services the existing Public Works building is no longer meeting the needs of the City of Camrose.

**Actions to Date**
Since the application was submitted this program has changed and the City would only be eligible for 2.2 million dollars of funding. The City has inquired on whether or not this funding can be utilized for the public works building. As a result of a recent cabinet shuffle Mayor Mayer forwarded a copy of the original proposal for the public works building to the new Minister of Municipal Affairs.

Health Services
4. Advocate for enhanced and expanded outpatient services at St Mary’s Hospital.

Issue Statement
The more services that can be provided to our residents at our local hospital eases the burden of residents having to travel outside of the community for certain health care needs.

Actions to Date
No formal Council action to date.

Social Services
5. Public transit grant funding

Issue Statement
The need for continued public transit is essential for residents without transportation to ensure basic needs are met from getting to work, shopping and medical appointments. Prior to the launch of public transit, surveys identified the strong need for some form of public transportation.

Actions to Date
Letter sent to Ministry with plan to extend the Camrose Connector to March 2021. A response was received last week advising that our request for the extension of the service to March 2021 has been approved.

6. Advocate for sustainable resources and capacity to build a team with a collaborative and multi sectorial approach for immediate and repeated interventions addressing mental health, addictions, and violence issues.

Issue Statement
With the Camrose Police Service being the only service that can be reached 24 hours it has been identified that they are the first call for intervention regardless of whether they are the appropriate support for the intervention. It would be much more effective and cost efficient to have a program in place that would allow for the transfer of the individual into the appropriate support in a timely manner as opposed to having to wait until the support service is open for business.
**Actions to Date**
No formal Council action to date.

7. **The continuation of a subsidized affordable day care program.**

**Issue Statement**
Surveys completed by Camrose and District Support Services identified that some of the factors around the low income population in Camrose was a result of the difficulty in finding affordable day care.

**Actions to Date**
No formal Council action to date.

8. **The continuation of affordable housing in Camrose.**

**Issue Statement**
Surveys completed by Camrose and District Support Service identified that some of the factors around the low income population in Camrose was a result of the difficulty in finding affordable housing.

**Actions to Date**
No formal Council action to date.

9. **Advocate for a new Camrose Public Library Building to address much needed space needs but also to develop an expanded focus on supporting a centre of experiential learning.**

**Issue Statement**
The Public Library is in need of repairs and the building has aged out. A new facility is being considered in the City’s long term Capital Plans. Libraries are now being used for many different purposes from learning environments to community rentals for items such as jogging strollers to camping equipment.

**Actions to Date**
No formal Council action to date.

10. **Advocate for funding for the Integrated Youth Hub Program and other areas as Needed**

**Issue Statement**
The Camrose Open Door requested Council’s advocacy in the continued funding for the Integrated Youth Hub program based on the ongoing needs of the Region. Additionally a second request was made to advocate for other areas as needed.

**Actions to Date**
Members of Council have visited the Open Door but no formal Council action to date.

**Protective Services**

11. **Police funding**

**Issue Statement**
Next Generation 911 requires the City to undertake significant upgrades to maintain a primary call centre status and ongoing cuts to various social service programs puts the Camrose Police Service front and center for these calls which puts an economic strain on the service.

**Actions to Date**
Council seconded a resolution that was initiated by the City of Grande Prairie for the AUMA Convention that calls for an increase in the cell phone levy amounts being directed back to the Municipalities to assist with the increased costs of the 911 upgrades. The AUMA membership will vote on this resolution during the AUMA Convention later this month.

12. **Regional fire training grant**

**Issue Statement**
The Province has eliminated the Regional Fire Services Training Grant that the City received and administered for the fire departments within our region. Without this grant it will make it very difficult for the smaller departments to be able to afford the training and will also affect the City of Camrose being able to train volunteers in an efficient and effective manner.

**Actions to Date**
No formal Council action to date.

**Education**

13. **To sustain and protect the Augustana Campus within our community.**

**Issue Statement**
Recent cuts to the provincial budgets for post-secondary institutions has resulted in various program cuts to the Augustana Campus. Maintaining the presence and programming that Augustana has provided for many years is essential to the Community.
**Actions to Date**
Letter sent to the Ministry of Advanced Education citing Council’s concerns around the cuts to various programs. To date no response has been received. Additional advocacy efforts have been initiated which includes having the students write up statements on “What Augustana Means to Them” and a meeting is to be scheduled with the Dean to discuss other efforts. Additionally a grass roots initiative was held on Saturday August 24, 2020 which was a gathering in support of Augustana and post-secondary education in Alberta.

14. **Advocate and collaborate with Augustana regarding continued exploration leading towards the creation of a Centre of Excellence in Rural Health.**

**Issue Statement**
Through the identification of the City’s strengths and areas that can be expanded upon in terms of economic diversification the presence of Augustana in the City was listed as a strength and area to expand upon. With some of the existing programs and services that Augustana and St. Mary’s Hospital offer it was identified that a “Centre of Excellence in Rural Health” would be a good fit for Augustana.

**Actions to Date**
Councillors Hoveland and Lindstrand along with the General Manager of Community Development met with stakeholders on this initiative. Additional data has been requested from St. Mary’s Hospital and the PCN.

**LOCAL ADVOCACY**

Arts

15. **Advocate for and explore opportunities to further build on the excellence in the arts that already exists in the community envisioning becoming an arts destination and a ‘festival city’.**

**Issue Statement**
Through the identification of the City’s strengths and areas that can be expanded upon in terms of economic diversification the existence of the unique Arts and Culture opportunities that exist within the City as well as the numerous festivals that occur throughout the year would be a great marketing tool to bring visitors into our community.

**Actions to Date**
No formal Council actions to date.
Social Services

16. Advocate for and explore opportunities to partner with churches and school divisions to utilize underused spaces to augment and enhance social infrastructure needs.

Issue Statement
Work with school divisions and churches to utilize underused spaces for social service needs such as shelters and food banks etc.

Actions to Date
No formal Council actions to date.