MACKENZIE COUNTY

COMMITTEE OF THE WHOLE MEETING

AUGUST 18, 2020
10:00 AM

FORT VERMILION COUNCIL CHAMBERS

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Mackenzie County

MACKENZIE COUNTY
COMMITTEE OF THE WHOLE MEETING

Tuesday, August 18, 2020
10:00 a.m.

Fort Vermilion Council Chambers

Fort Vermilion, Alberta

AGENDA

				Page
CALL TO ORDER:	1.	a)	Call to Order	
AGENDA:	2.	a)	Adoption of Agenda	
ADOPTION OF PREVIOUS MINUTES:	3.	a)	Minutes of the July 14, 2020 Committee of the Whole Meeting	5
DELEGATIONS:	4.	a)	Fort Vermilion RCMP – Crime Statistics (10:00 a.m.)	11
		b)	Henry Enns – 5G Follow-up Presentation (10:30 a.m.)	19
		c)	Aaron Steblyk, Compass Assessment Consultants Inc. – Assessment Model Review (11:00 a.m.)	23
BUSINESS:	5.	a)		
		b)		
		c)		
CLOSED MEETING:	*Freedom of Information and Protection of Privacy Act* Division 2, Part 1 Exceptions to Disclosure			
	6.	a)		
		b)		
NEXT MEETING DATE:	7.	a)	Committee of the Whole Meeting November 24, 2020 10:00 a.m. Fort Vermilion Council Chambers	

ADJOURNMENT: 8. a) Adjournment

Mackenzie County

REQUEST FOR DECISION

Meeting:	**Committee of the Whole Meeting**
Meeting Date:	**August 18, 2020**
Presented By:	**Carol Gabriel, Deputy Chief Administrative Officer** (Legislative & Support Services)
Title:	**Minutes of the July 14, 2020 Committee of the Whole Meeting**

BACKGROUND / PROPOSAL:

Minutes of the July 14, 2020, Committee of the Whole Meeting are attached.

OPTIONS & BENEFITS:

COSTS & SOURCE OF FUNDING:

SUSTAINABILITY PLAN:

COMMUNICATION / PUBLIC PARTICIPATION:

Approved Council Meeting minutes are posted on the County website.

POLICY REFERENCES:

Author: C. Gabriel **Reviewed by:** ____________ **CAO:** ____________

RECOMMENDED ACTION:

☑ Simple Majority ☐ Requires 2/3 ☐ Requires Unanimous

That the minutes of the July 14, 2020 Committee of the Whole Meeting be adopted as presented.

Author: C. Gabriel **Reviewed by:** ____________________ **CAO:** ______________

MACKENZIE COUNTY
COMMITTEE OF THE WHOLE MEETING

July 14, 2020
10:00 a.m.

Fort Vermilion Council Chambers
Fort Vermilion, AB

PRESENT:	Josh Knelsen	Reeve
	Walter Sarapuk	Deputy Reeve
	Jacquie Bateman	Councillor
	Peter F. Braun	Councillor
	Cameron Cardinal	Councillor
	David Driedger	Councillor (left the meeting at 2:55 p.m.)
	Eric Jorgensen	Councillor (arrived at 10:01 a.m.)
	Anthony Peters	Councillor
	Ernest Peters	Councillor
	Lisa Wardley	Councillor
REGRETS:		
ADMINISTRATION:	Len Racher	Chief Administrative Officer
	Carol Gabriel	Deputy Chief Administrative Officer/ Recording Secretary
	Jennifer Batt	Director of Finance
	Byron Peters	Director of Planning & Development
	Fred Wiebe	Director of Utilities
	Don Roberts	Director of Community Services
ALSO PRESENT:	NATIONAL Public Relations Ltd.	

Minutes of the Committee of the Whole Meeting for Mackenzie County held on July 14, 2020 in the Council Chambers at the Fort Vermilion County Office.

CALL TO ORDER: **1. a) Call to Order**

Reeve Knelsen called the meeting to order at 10:00 a.m.

AGENDA: **2. a) Adoption of Agenda**

MOTION COW-20-06-008 **MOVED** by Councillor Braun

That the agenda be approved as presented.

CARRIED

MINUTES FROM PREVIOUS MEETING:

3. a) Minutes of the June 23, 2020 Committee of the Whole Meeting

MOTION COW-20-06-009

MOVED by Councillor Wardley

That the minutes of the June 23, 2020 Committee of the Whole Meeting be adopted as presented.

CARRIED

DELEGATIONS:

4. a) None

BUSINESS:

5. a) Disaster Recovery Update (verbal report)

Councillor Jorgensen arrived at 10:01 a.m.

MOTION COW-20-06-010

MOVED by Councillor Cardinal

That the disaster recovery update be received for information.

CARRIED

CLOSED MEETING:

6. a) Closed Meeting

MOTION COW-20-06-011

MOVED by Deputy Reeve Sarapuk

That Committee move into a closed meeting at 10:03 a.m. to discuss the following:

5. a) Disaster Recovery Update *(FOIP, Div. 2, Part 1, s. 23, 24, 25)*
6. a) Regional Service Sharing Agreement – Town of High Level *(FOIP, Div. 2, Part 1, s. 21, 24, 25)*

CARRIED

The following individuals were present during the closed meeting discussion (MGA Section 602.08 (1)(6))

- All Councillors Present
- Len Racher, Chief Administrative Officer
- Carol Gabriel, Deputy Chief Administrative Officer
- Jennifer Batt, Director of Finance
- Byron Peters, Director of Planning & Development
- Fred Wiebe, Director of Utilities

- Don Roberts, Director of Community Services
- David Klug, National Public Relations *(left the meeting at 2:03 p.m.)*

Reeve Knelsen recessed the meeting at 10:55 a.m. and reconvened the meeting at 11:07 a.m.

Reeve Knelsen recessed the meeting at 12:06 p.m. and reconvened the meeting at 12:47 p.m.

Reeve Knelsen recessed the meeting at 1:45 p.m. and reconvened the meeting at 2:03 p.m.

Councillor Driedger left the meeting at 2:55 pm.

MOTION COW-20-06-012

MOVED by Councillor Bateman

That the Committee move out of a closed meeting at 3:14 p.m.

CARRIED

MOTION COW-20-06-013

MOVED by Councillor Braun

That the disaster recovery discussion be received for information.

CARRIED

MOTION COW-20-06-014

MOVED by Councillor Wardley

That administration proceed with review of the Regional Service Sharing Agreement with the Town of High Level and bring recommendations forward to Council.

CARRIED

NEXT MEETING DATE:

7. a) Committee of the Whole Meeting
August 18, 2020
10:00 a.m.
Fort Vermilion Council Chambers

ADJOURNMENT:

8. a) Adjournment

MOTION COW-20-06-015

MOVED by Deputy Reeve Sarapuk

That the Committee of the Whole meeting be adjourned at 3:14 p.m.

CARRIED

These minutes will be presented for approval on August 18, 2020.

Joshua Knelsen Reeve	Lenard Racher Chief Administrative Officer

Mackenzie County

REQUEST FOR DIRECTION

Meeting:	**Committee of the Whole Meeting**
Meeting Date:	**August 18, 2020**
Presented By:	**Len Racher, Chief Administrative Officer**
Title:	**DELEGATION** **Fort Vermilion RCMP – Crime Statistics**

BACKGROUND / PROPOSAL:

Members of the Fort Vermilion RCMP will be present to discuss crime statistics for Fort Vermilion and Mackenzie County.

A copy of the crime statistics are attached for information.

OPTIONS & BENEFITS:

The Committee of the Whole has the following procedural options:

1. Receive the presentation for information.
2. Refer to administration for further review.
3. Make a recommendation to Council for further action.

COSTS & SOURCE OF FUNDING:

N/A

SUSTAINABILITY PLAN:

N/A

COMMUNICATION / PUBLIC PARTICIPATION:

N/A

Author: C. Gabriel **Reviewed by:** CG **CAO:** ____________

POLICY REFERENCES:

RECOMMENDED ACTION:

☑ Simple Majority ☐ Requires 2/3 ☐ Requires Unanimous

That the RCMP crime statistic reports be received for information.

Author: C. Gabriel **Reviewed by:** CG **CAO:** ______________

Hamlet of Fort Vermilion - Fort Vermilion Detachment

Crime Data - June 2020

CATEGORY	Reported	Actual	ClrChg	ClrOth	Total Clr	% Clr
Homicides & Offences Related to Death	0	0	0	0	0	0.0%
Robbery	0	0	0	0	0	0.0%
Sexual Assaults	0	0	0	0	0	0.0%
Other Sexual Offences	0	0	0	0	0	0.0%
Assault	6	5	4	0	4	80.0%
Kidnapping/Hostage/Abduction	0	0	0	0	0	0.0%
Extortion	0	0	0	0	0	0.0%
Criminal Harassment	0	0	0	0	0	0.0%
Uttering Threats	0	0	0	0	0	0.0%
TOTAL PERSONS	**6**	**5**	**4**	**0**	**4**	**80.0%**
Break & Enter	2	1	1	0	1	100.0%
Theft of Motor Vehicle	2	1	0	1	1	100.0%
Theft Over $5,000	0	0	0	0	0	0.0%
Theft Under $5,000	2	2	0	0	0	0.0%
Possn Stn Goods	0	0	0	0	0	0.0%
Fraud	0	0	0	0	0	0.0%
Arson	0	0	0	0	0	0.0%
Mischief To Property	10	10	1	5	6	60.0%
TOTAL PROPERTY	**16**	**14**	**2**	**6**	**8**	**57.1%**
Offensive Weapons	2	2	2	0	2	100.0%
Disturbing the Peace	1	1	0	0	0	0.0%
Fail to Comply & Breaches	1	1	1	0	1	100.0%
OTHER CRIMINAL CODE	**0**	**0**	**0**	**0**	**0**	**0.0%**
TOTAL OTHER CRIMINAL CODE	**4**	**4**	**3**	**0**	**3**	**75.0%**
TOTAL CRIMINAL CODE	26	23	9	6	15	65.2%
Drug Enforcement - Production	0	0	0	0	0	0.0%
Drug Enforcement - Possession	0	0	0	0	0	0.0%
Drug Enforcement - Trafficking	0	0	0	0	0	0.0%
Drug Enforcement - Other	0	0	0	0	0	0.0%
Total Drugs	**0**	**0**	**0**	**0**	**0**	**0.0%**
Cannabis Enforcement	0	0	0	0	0	0.0%
Federal - General	0	0	0	0	0	0.0%
TOTAL FEDERAL	**0**	**0**	**0**	**0**	**0**	**0.0%**
Liquor Act	0	0	0	0	0	0.0%
Cannabis Act	0	0	0	0	0	0.0%
Mental Health Act	0	0	0	0	0	0.0%
Other Provincial Stats	1	1	0	0	0	0.0%
Total Provincial Stats	**1**	**1**	**0**	**0**	**0**	**0.0%**
Municipal By-laws Traffic	0	0	0	0	0	0.0%
Municipal By-laws	0	0	0	0	0	0.0%
Total Municipal	**0**	**0**	**0**	**0**	**0**	**0.0%**
Fatals	0	0	0	0	0	0.0%
Injury MVAS	0	0	0	0	0	0.0%
Property Damage MVAS (Reportable)	0	0	0	0	0	0.0%
Property Damage MVAS (Non Reportable)	0	0	0	0	0	0.0%
TOTAL MVAS	**0**	**0**	**0**	**0**	**0**	**0.0%**
Provincial Traffic	**3**	**3**	**0**	**3**	**3**	**100.0%**
Other Traffic	**0**	**0**	**0**	**0**	**0**	**0.0%**
Criminal Code Traffic	**1**	**1**	**1**	**0**	**1**	**100.0%**
Common Police Activities						
False Alarms	0	Suspicious Person/Vehicle	0			
False/Abandoned 911 Call and 911 Act	3	VSU Accepted	0			
Persons Reported Missing	0	VSU Declined	0			
Request to Locate	0	VSU Offered - Not Available	0			
Abandoned Vehicles	0	VSU Proactive Referral	0			

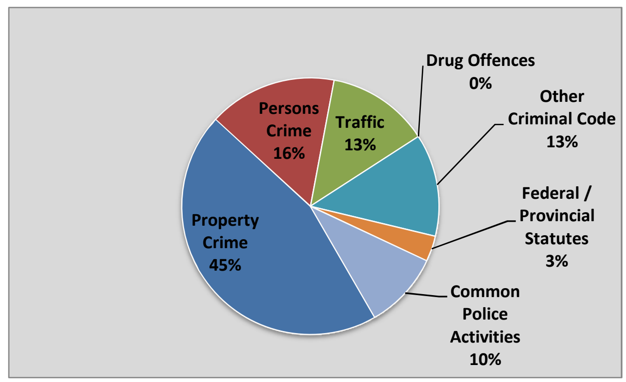
This Report contains information extracted from PROS. Any data (i.e. ZONE or ATOM) not correctly entered in PROS will NOT show up on this Report.

Hamlet of Fort Vermilion - Fort Vermilion Detachment

Crime Data - June 2020

Property Crime	Break & Enter	1
	Theft of Motor Vehicle	1
	Theft Over $5,000	0
	Theft Under $5,000	2
	Possn Stn Goods	0
	Fraud	0
	Arson	0
	Mischief To Property	10
	Total	**14**
Persons Crime	Assault	5
	Robbery/Extortion/Harassment/Threats	0
	Sexual Offences	0
	Kidnapping/Hostage/Abduction	0
	Homicides & Offences Related to Death	0
	Total	**5**
Traffic	Motor Vehicle Collisions	0
	Impaired Related Offences	0
	Provincial Traffic Offences	3
	Other Traffic Related Offences	1
	Total	**4**
Drug Offences	Drug Enforcement - Production	0
	Drug Enforcement - Possession	0
	Drug Enforcement - Trafficking	0
	Drug Enforcement - Other	0
	Total	**0**
Other Criminal Code Offence	Breach of Peace	0
	Disturbing the Peace	1
	Fail to Comply & Breaches	1
	Offensive Weapons	2
	Other Offence	0
	Total	**4**

Federal / Provincial Statutes	Liquor Act	0
	Cannabis Act & Enforcement	0
	Mental Health Act	0
	Coroner's Act - Sudden Death	0
	Child Welfare Act	0
	Other Provincial Statute	1
	Other Federal Statute	0
	Total	**1**
Common Police Activities	False Alarms	0
	False/Abandoned 911 Call	3
	Abandoned Vehicles	0
	Persons Reported Missing	0
	Request to Locate	0
	Suspicious Person/Vehicle/Property	0
	Total	**3**



July-07-20

Hamlet of La Crete - Fort Vermilion Detachment

Crime Data - June 2020

CATEGORY	Reported	Actual	ClrChg	ClrOth	Total Clr	% Clr
Homicides & Offences Related to Death	0	0	0	0	0	0.0%
Robbery	0	0	0	0	0	0.0%
Sexual Assaults	0	0	0	0	0	0.0%
Other Sexual Offences	0	0	0	0	0	0.0%
Assault	2	2	1	0	1	50.0%
Kidnapping/Hostage/Abduction	0	0	0	0	0	0.0%
Extortion	0	0	0	0	0	0.0%
Criminal Harassment	0	0	0	0	0	0.0%
Uttering Threats	1	1	0	1	1	100.0%
TOTAL PERSONS	**3**	**3**	**1**	**1**	**2**	**66.7%**
Break & Enter	0	0	0	0	0	0.0%
Theft of Motor Vehicle	1	1	0	0	0	0.0%
Theft Over $5,000	0	0	0	0	0	0.0%
Theft Under $5,000	0	0	0	0	0	0.0%
Possn Stn Goods	0	0	0	0	0	0.0%
Fraud	2	2	0	0	0	0.0%
Arson	0	0	0	0	0	0.0%
Mischief To Property	5	5	0	0	0	0.0%
TOTAL PROPERTY	**8**	**8**	**0**	**0**	**0**	**0.0%**
Offensive Weapons	0	0	0	0	0	0.0%
Disturbing the Peace	1	1	0	0	0	0.0%
Fail to Comply & Breaches	0	0	0	0	0	0.0%
OTHER CRIMINAL CODE	**0**	**0**	**0**	**0**	**0**	**0.0%**
TOTAL OTHER CRIMINAL CODE	**1**	**1**	**0**	**0**	**0**	**0.0%**
TOTAL CRIMINAL CODE	12	12	1	1	2	16.7%
Drug Enforcement - Production	0	0	0	0	0	0.0%
Drug Enforcement - Possession	0	0	0	0	0	0.0%
Drug Enforcement - Trafficking	0	0	0	0	0	0.0%
Drug Enforcement - Other	0	0	0	0	0	0.0%
Total Drugs	**0**	**0**	**0**	**0**	**0**	**0.0%**
Cannabis Enforcement	0	0	0	0	0	0.0%
Federal - General	0	0	0	0	0	0.0%
TOTAL FEDERAL	**0**	**0**	**0**	**0**	**0**	**0.0%**
Liquor Act	0	0	0	0	0	0.0%
Cannabis Act	0	0	0	0	0	0.0%
Mental Health Act	1	1	0	0	0	0.0%
Other Provincial Stats	2	2	1	0	1	50.0%
Total Provincial Stats	**3**	**3**	**1**	**0**	**1**	**33.3%**
Municipal By-laws Traffic	0	0	0	0	0	0.0%
Municipal By-laws	0	0	0	0	0	0.0%
Total Municipal	**0**	**0**	**0**	**0**	**0**	**0.0%**
Fatals	0	0	0	0	0	0.0%
Injury MVAS	0	0	0	0	0	0.0%
Property Damage MVAS (Reportable)	1	1	0	1	1	100.0%
Property Damage MVAS (Non Reportable)	0	0	0	0	0	0.0%
TOTAL MVAS	**1**	**1**	**0**	**1**	**1**	**100.0%**
Provincial Traffic	**19**	**19**	**8**	**5**	**13**	**68.4%**
Other Traffic	**0**	**0**	**0**	**0**	**0**	**0.0%**
Criminal Code Traffic	**1**	**1**	**0**	**0**	**0**	**0.0%**
Common Police Activities						
False Alarms	4	Suspicious Person/Vehicle	3			
False/Abandoned 911 Call and 911 Act	2	VSU Accepted	0			
Persons Reported Missing	1	VSU Declined	0			
Request to Locate	0	VSU Offered - Not Available	0			
Abandoned Vehicles	0	VSU Proactive Referral	0			

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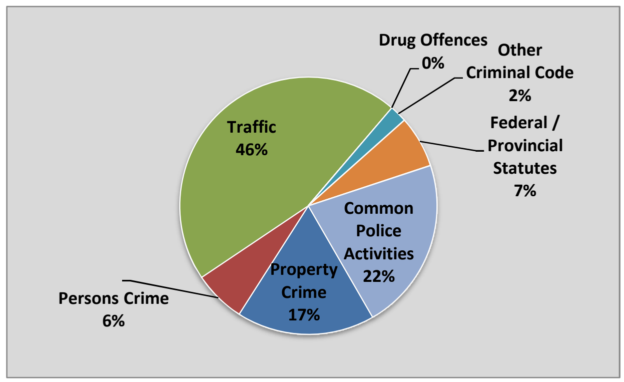
July-07-20

Hamlet of La Crete - Fort Vermilion Detachment

Crime Data - June 2020

Property Crime	Break & Enter	0	Federal / Provincial Statutes	Liquor Act	0
	Theft of Motor Vehicle	1		Cannabis Act & Enforcement	0
	Theft Over $5,000	0		Mental Health Act	1
	Theft Under $5,000	0		Coroner's Act - Sudden Death	0
	Possn Stn Goods	0		Child Welfare Act	0
	Fraud	2		Other Provincial Statute	2
	Arson	0		Other Federal Statute	0
	Mischief To Property	5		**Total**	**3**
	Total	**8**	Common Police Activities	False Alarms	4
Persons Crime	Assault	2		False/Abandoned 911 Call	2
	Robbery/Extortion/Harassment/Threats	1		Abandoned Vehicles	0
	Sexual Offences	0		Persons Reported Missing	1
	Kidnapping/Hostage/Abduction	0		Request to Locate	0
	Homicides & Offences Related to Death	0		Suspicious Person/Vehicle/Property	3
	Total	**3**		**Total**	**10**
Traffic	Motor Vehicle Collisions	1			
	Impaired Related Offences	0			
	Provincial Traffic Offences	19			
	Other Traffic Related Offences	1			
	Total	**21**			
Drug Offences	Drug Enforcement - Production	0			
	Drug Enforcement - Possession	0			
	Drug Enforcement - Trafficking	0			
	Drug Enforcement - Other	0			
	Total	**0**			
Other Criminal Code Offence	Breach of Peace	0			
	Disturbing the Peace	1			
	Fail to Comply & Breaches	0			
	Offensive Weapons	0			
	Other Offence	0			
	Total	**1**			



July-07-20

Mackenzie County - Fort Vermilion Detachment

Crime Data - June 2020

CATEGORY	Reported	Actual	ClrChg	ClrOth	Total Clr	% Clr
Homicides & Offences Related to Death	0	0	0	0	0	0.0%
Robbery	0	0	0	0	0	0.0%
Sexual Assaults	0	0	0	0	0	0.0%
Other Sexual Offences	0	0	0	0	0	0.0%
Assault	8	7	5	0	5	71.4%
Kidnapping/Hostage/Abduction	0	0	0	0	0	0.0%
Extortion	0	0	0	0	0	0.0%
Criminal Harassment	0	0	0	0	0	0.0%
Uttering Threats	1	1	0	1	1	100.0%
TOTAL PERSONS	**9**	**8**	**5**	**1**	**6**	**75.0%**
Break & Enter	2	1	1	0	1	100.0%
Theft of Motor Vehicle	3	2	0	1	1	50.0%
Theft Over $5,000	0	0	0	0	0	0.0%
Theft Under $5,000	2	2	0	0	0	0.0%
Possn Stn Goods	0	0	0	0	0	0.0%
Fraud	2	2	0	0	0	0.0%
Arson	1	1	0	0	0	0.0%
Mischief To Property	17	17	1	5	6	35.3%
TOTAL PROPERTY	**27**	**25**	**2**	**6**	**8**	**32.0%**
Offensive Weapons	2	2	2	0	2	100.0%
Disturbing the Peace	3	3	0	0	0	0.0%
Fail to Comply & Breaches	1	1	1	0	1	100.0%
OTHER CRIMINAL CODE	**0**	**0**	**0**	**0**	**0**	**0.0%**
TOTAL OTHER CRIMINAL CODE	**6**	**6**	**3**	**0**	**3**	**50.0%**
TOTAL CRIMINAL CODE	42	39	10	7	17	43.6%
Drug Enforcement - Production	0	0	0	0	0	0.0%
Drug Enforcement - Possession	0	0	0	0	0	0.0%
Drug Enforcement - Trafficking	0	0	0	0	0	0.0%
Drug Enforcement - Other	0	0	0	0	0	0.0%
Total Drugs	**0**	**0**	**0**	**0**	**0**	**0.0%**
Cannabis Enforcement	0	0	0	0	0	0.0%
Federal - General	0	0	0	0	0	0.0%
TOTAL FEDERAL	**0**	**0**	**0**	**0**	**0**	**0.0%**
Liquor Act	0	0	0	0	0	0.0%
Cannabis Act	0	0	0	0	0	0.0%
Mental Health Act	1	1	0	0	0	0.0%
Other Provincial Stats	5	5	1	0	1	20.0%
Total Provincial Stats	**6**	**6**	**1**	**0**	**1**	**16.7%**
Municipal By-laws Traffic	0	0	0	0	0	0.0%
Municipal By-laws	0	0	0	0	0	0.0%
Total Municipal	**0**	**0**	**0**	**0**	**0**	**0.0%**
Fatals	0	0	0	0	0	0.0%
Injury MVAS	1	1	0	0	0	0.0%
Property Damage MVAS (Reportable)	12	12	0	1	1	8.3%
Property Damage MVAS (Non Reportable)	0	0	0	0	0	0.0%
TOTAL MVAS	**13**	**13**	**0**	**1**	**1**	**7.7%**
Provincial Traffic	**52**	**52**	**30**	**11**	**41**	**78.8%**
Other Traffic	**1**	**1**	**0**	**0**	**0**	**0.0%**
Criminal Code Traffic	**3**	**3**	**1**	**0**	**1**	**33.3%**
Common Police Activities						
False Alarms	4	Suspicious Person/Vehicle	6			
False/Abandoned 911 Call and 911 Act	8	VSU Accepted	0			
Persons Reported Missing	1	VSU Declined	0			
Request to Locate	0	VSU Offered - Not Available	0			
Abandoned Vehicles	0	VSU Proactive Referral	0			

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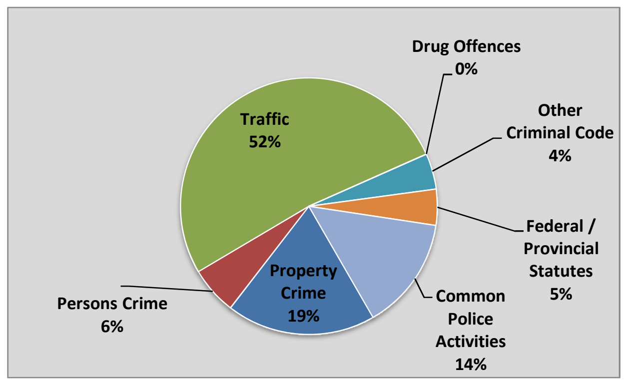
Mackenzie County - Fort Vermilion Detachment

Crime Data - June 2020

Property Crime	Break & Enter	1	Federal / Provincial Statutes	Liquor Act	0
	Theft of Motor Vehicle	2		Cannabis Act & Enforcement	0
	Theft Over $5,000	0		Mental Health Act	1
	Theft Under $5,000	2		Coroner's Act - Sudden Death	0
	Possn Stn Goods	0		Child Welfare Act	0
	Fraud	2		Other Provincial Statute	5
	Arson	1		Other Federal Statute	0
	Mischief To Property	17		**Total**	**6**
	Total	**25**	Common Police Activities	False Alarms	4
Persons Crime	Assault	7		False/Abandoned 911 Call	8
	Robbery/Extortion/Harassment/Threats	1		Abandoned Vehicles	0
	Sexual Offences	0		Persons Reported Missing	1
	Kidnapping/Hostage/Abduction	0		Request to Locate	0
	Homicides & Offences Related to Death	0		Suspicious Person/Vehicle/Property	6
	Total	**8**		**Total**	**19**
Traffic	Motor Vehicle Collisions	13			
	Impaired Related Offences	1			
	Provincial Traffic Offences	52			
	Other Traffic Related Offences	3			
	Total	**69**			
Drug Offences	Drug Enforcement - Production	0			
	Drug Enforcement - Possession	0			
	Drug Enforcement - Trafficking	0			
	Drug Enforcement - Other	0			
	Total	**0**			
Other Criminal Code Offence	Breach of Peace	0			
	Disturbing the Peace	3			
	Fail to Comply & Breaches	1			
	Offensive Weapons	2			
	Other Offence	0			
	Total	**6**			



Mackenzie County

REQUEST FOR DIRECTION

Meeting:	**Committee of the Whole Meeting**
Meeting Date:	**August 18, 2020**
Presented By:	**Len Racher, Chief Administrative Officer**
Title:	**DELEGATION** **Henry Enns – 5G Follow-up Presentation**

BACKGROUND / PROPOSAL:

Please see attached letter from Mr. Henry Enns regarding 5G.

OPTIONS & BENEFITS:

The Committee of the Whole has the following procedural options:

1. Receive the presentation for information.
2. Refer to administration for further review.
3. Make a recommendation to Council for further action.

COSTS & SOURCE OF FUNDING:

N/A

SUSTAINABILITY PLAN:

N/A

COMMUNICATION / PUBLIC PARTICIPATION:

N/A

Author: C. Gabriel **Reviewed by:** ____________ **CAO:** ____________

POLICY REFERENCES:

RECOMMENDED ACTION:

☑ Simple Majority ☐ Requires 2/3 ☐ Requires Unanimous

That the presentation by Mr. Enns regarding 5G be received for information.

Author: C. Gabriel **Reviewed by:** ____________ **CAO:** ____________

La Crete, AB
Aug.13, 2020

Att. Mackenzie County Council:
I have been requested to submit a position paper. It will be brief.

Council is aware that I have been presenting the community of La Crete with an opportunity to sign a petition which indicates that we are at variance with the stated purpose of a service provider (Telus) to install a 5G service in this area.

I wish to give Council an update at this meeting as to the community's response to our petition.

Then I wish to elicit from Council a reaction as to how this matter should be taken forward.

My personal opinion is that the larger community of La Crete should be given the freedom to reject 5G with its devastating prognosis and implications. Why should influencial people, far removed from the realities of our little utopia, with political clout and financial capability, foist upon our community aggravated physical problems and likely shortened lives? Who needs it, especially when the project brings with it the promise of surveillance capabilities of unheard of prowess?

If the remainder of our County wish to follow a similar course, they should be granted that freedom. Is such a choice not our democratic right?

With due respect,
H.J.Enns

Mackenzie County

REQUEST FOR DIRECTION

Meeting:	**Committee of the Whole Meeting**
Meeting Date:	**August 18, 2020**
Presented By:	**Jennifer Batt, Director of Finance**
Title:	**DELEGATION** **Aaron Steblyk, Compass Assessment Consultants Inc. – Assessment Model Review**

BACKGROUND / PROPOSAL:

Mr. Steblyk will be present at the meeting to discuss the impacts to Mackenzie County as a result of the assessment model review.

Background information prepared by the Rural Municipalities of Alberta is attached.

OPTIONS & BENEFITS:

The Committee of the Whole has the following procedural options:

1. Receive the presentation for information.
2. Refer to administration for further review.
3. Make a recommendation to Council for further action.

COSTS & SOURCE OF FUNDING:

SUSTAINABILITY PLAN:

COMMUNICATION / PUBLIC PARTICIPATION:

Author: C. Gabriel **Reviewed by:** ________ **CAO:** ________

POLICY REFERENCES:

RECOMMENDED ACTION:

☑ Simple Majority ☐ Requires 2/3 ☐ Requires Unanimous

For discussion.

Author: C. Gabriel **Reviewed by:** ____________________ **CAO:** _______________

Assessment Model Review
Mackenzie County

REPORT NAME

Municipal impact due to the Government of Alberta's Assessment Model Review for Wells, Pipeline and Machinery and Equipment

RECOMMENDATION

Advocate to Provincial Elected Officials, as identified in the report, that the Government of Alberta support municipal sustainability and not implement a well, pipeline and machinery and equipment assessment model that drastically reduces the oil and gas industry assessment.

BACKGROUND

Purpose of Review
At the urging of the oil and gas sector, the Government of Alberta undertook a review of the model for regulated assessment of wells, pipelines, and machinery and equipment. The goal was to "modernize the model to enhance industry competitiveness while ensuring municipal viability".

Time Frame

- 3 stakeholder engagement sessions February to May of 2020
- Report briefing presented to Premier, Specific Ministers and Caucus first 3 weeks of July
- 30 day feedback/advocacy period July 24 to August 24
- Final Provincial Government decision to be made last week of August to the first week in September

Outcome of the Review Process
The final report prepared by Municipal Affairs outlines 4 scenarios for provincial decision makers to consider. All of these scenarios see a reduction in assessment of these property types.

Provincial Impacts:

- Total Provincial Assessment Reduction — $8.9 billion to $26.7 billion (-7% to -20%)
- Total Provincial Property Tax Revenue Reduction — $108.7 million to $291.2 million

Mackenzie County Impact

- Assessment Base Loss
  - Scenario A - $-273,247,156
  - Scenario B - $-301,342,309
  - Scenario C - $-318,178,208
  - Scenario D - $-367,343,173
- Municipal Tax Loss
  - Scenario A - $-3,482,535
  - Scenario B - $-3,840,608
  - Scenario C - $-4,055,182
  - Scenario D - $-4,681,789

Date: August 17, 2020

Municipal Implications
In order to compensate for the loss of this oil and gas industry assessment and the corresponding tax revenue, Mackenzie County may need to consider a combination various options;

- **Increase** Residential Mill Rate
- **Increase** Farm Rate
- **Increas**e Non-Residential Mill Rate
- **Reduce** Level of Service(s)

Other Considerations:

- Reduction in education requisition revenue of approximately $30 million. How will this reduction be recovered?
- There is significant impact potential for other assessment classes to make up the difference. Other ratepayers may be faced with increases to education requisition to compensate for the reduction that the oil and gas sector is being given
- Potential impacts to our ability to continue with cost share agreements and other urban/rural partnerships.

Regional Snapshot:

Area Municipalities	Scenario D Assessment % loss of total revenue
Mackenzie County	-12%
RM Wood Buffalo	-1%
Northern Lights County	-12%
MD of Opportunity	-29%
Northern Sunrise County	-17%
Clear Hills County	-24%

Industry Impacts:
Analysis of 750 oil and gas companies shows:

Tier	# of Companies	Assessed Asset Value	Scenario D Average Tax Savings/Company
1	27	Over $500 million	$7,184,488
2	63	$100 million to $500 million	$868,011
3	98	$20 million to $100 million	$176,215
4	227	$1million to $20 million	$18,828
5	335	Under $1million	$819

In Scenario D (the most aggressive assessment reduction) 27 companies receive an average tax savings of $7,184,488. 00 per company while 335 companies receive an average tax savings of $819.00.

Rural Municipalities of Alberta Position Statement
Alberta's assessment model is intended to provide a means for all properties in the province to be assigned an objective annual value for the purposes of property taxation and to inform municipal grants and requisitions. While most properties are assessed based on their market values, designated industrial

properties such as wells and pipelines are assessed based on several regulated factors linked to depreciation, size, materials, etc.
By attempting to use the assessment system to enhance industry competitiveness, the 2020 review and subsequent changes to how these regulated properties are assessed has compromised the objectivity of the regulated assessment model, and will result in **serious fiscal impacts to municipalities, while actually compromising the competitiveness of many small oil and gas companies.**

Summary

Clearly, the purpose of the review has not been realized. Municipal sustainability is greatly compromised and the viability and competitiveness of small oil and gas companies is put at further risk. Reducing assessments for the largest and most well-connected companies is on the backs of small oil and gas producers and municipalities.

Many of the companies that will benefit most from the model review have holdings worldwide and are under no obligation to re-invest any realized tax savings back in Alberta in the form of job creation and/or capital reinvestment.

There are a wide variety of tax and policy tools alternatives available to enhance oil and gas industry competitiveness. As indicated in the RMA Position Statement, any tool to enhance industry competitiveness should be evaluated on five principles:

- Equitable in cost-sharing – are the costs of supporting industry shared equitably among different levels of government?
- Equitable in benefits-sharing – are the benefits of an incentive or support distributed equitably within industry and do they reach the sub-sets of industry that need it the most?
- Tangibility - Do the benefits of the tool lead to direct, observable action by industry that provides an overall provincial benefit (capital investment, job creation, etc.)?
- Sustainability – Does the tool prioritize long-term growth and investment for industry and is it adjustable or cancellable if it is on longer needed?
- Transparency – Is the tool understandable to taxpayers? Are the province-wide benefits easily observable? Does the tool have a built-in means for regular review and modification?

Rural Municipalities of Alberta has provided a comprehensive analysis to its membership and is advocating on your behalf. RMA is also requesting that each municipality engage in the advocacy process as well.

The Premier, appropriate Ministers and the Provincial Caucus have been briefed on this model review and now need your input to fully understand the dire impact this will have on both rural and urban communities and the electorate at large.

Proposed Advocacy Approaches:

- Letters to Provincial Elected Officials
- Direct Contact by Council with Provincial Colleagues
- Media Release
- Public Education Campaign

Date: August 17, 2020

POSITION STATEMENT

Assessment Model Review

Alberta's assessment model is intended to provide a means for all properties in the province to be assigned an objective annual value for the purposes of property taxation and to inform municipal grants and requisitions. While most properties are assessed based on their market values, designated industrial properties such as wells and pipelines are assessed based on several regulated factors linked to depreciation, size, materials, etc. By attempting to use the assessment system to enhance industry competitiveness, the 2020 review and subsequent changes to how these regulated properties are assessed has compromised the objectivity of the regulated assessment model, and will result in serious fiscal impacts to municipalities, while actually compromising the competitiveness of many small oil and gas companies.

What is RMA's position on the role of Alberta's assessment system?

- Alberta's assessment model is intended to provide an objective and data-driven method to valuing properties in the province.
- Any changes to the regulated assessment models should be based on new information, new methodology, and accurately assessing new technology and equipment.
- Alberta's assessment system should not be modified or amended to address short-term challenges of a specific industry or property type.
- Tax exemption policies should not be built into the assessment system. Such policies should be implemented in a transparent and targeted manner.

What are the risks and challenges associated with using the regulated assessment system to enhance industry competitiveness?

- The regulated assessment model is highly complex and not designed to be used to provide targeted support to specific industries or property types. As such, any attempts at targeted industry support through assessment manipulation will have unintended impacts on both property owners and municipalities.
- "Ability to pay" is not a factor in the assessment process for any regulated and non-regulated property in Alberta, and should not be built into the model for wells, pipelines, and other oil and gas equipment. This should be addressed through other provincial policy tools.

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POSITION STATEMENT

- Manipulating the assessment system to support industry competitiveness will have a wide range of impacts on municipal assessment values, which affect municipal revenues, grant distribution, requisition calculations, and will have both local and regional impacts across Alberta.

- A reduction in assessment will force municipalities to make a range of revenue-generation and spending changes, including some combination of raising tax rates on residential and non-residential property classes, reducing service levels, revising or cancelling intermunicipal agreements, or potentially facing non-viability. The actual impacts of the proposed changes will vary widely by municipality.

- There is no mechanism to require the oil and gas industry re-invest any cost savings received through changes to the assessment model in Alberta in the form of job creation and/or capital investment.

What is RMA's position on the outcomes of the 2020 assessment model review for regulated oil and gas properties?

- The final scenarios recommended to provincial ministers based on the review process will have severe negative impacts on rural municipalities in the form of reduced assessment values and taxation revenues.

- The final scenarios recommended to provincial ministers based on the review process have not been adequately evaluated in relation to enhancing industry competitiveness and supporting municipal viability, which the Government of Alberta identified as the two review priorities.

- The final scenarios recommended to provincial ministers based on the review process will have widely different impacts on municipalities in different regions of the province. Municipalities that primarily host older oil and gas infrastructure will be much more negatively impacted than municipalities that host newer oil and gas infrastructure.

- The data used to develop the final scenarios recommended to provincial decision-makers is incomplete, as it is based on only one year of impacts. Due to the significant changes to depreciation curves used in each scenario, the multi-year impacts of the changes will be much more impactful and must be considered in a final decision on changes to the assessment model.

- The final scenarios recommended to provincial ministers based on the review process will have significantly different impacts on oil and gas companies of different sizes. The largest oil and gas companies operating in Alberta will benefit significantly, while the smallest oil and gas companies will, in many cases, face significantly higher assessments.

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POSITION STATEMENT

How will the outcomes of the 2020 assessment model review impact municipal sustainability?

- Municipalities rely on fair, objective and consistent property assessment system to adequately plan and budget.

- Under the four scenarios proposed by the Government of Alberta, Alberta municipalities will lose between $109 million and $291 million in tax revenue in 2021, with likely increases each year as assessable property depreciates.

- Under the scenario favored by the oil and gas industry, the average rural municipality will lose over 12% of its revenues in 2021, and 10 municipalities will lose over 20% of their revenues.

- Municipalities have limited tools to generate revenue. Significantly reducing property assessments will force municipalities to increase non-residential and residential tax rates, reduce service levels, eliminate staff positions, and/or consider dissolution. A rural dissolution would have significant cost and service implications, as the average rural municipality manages 1955 kilometres of road over 120 bridges, most of which exist to provide industry access to natural resources and markets.

- Industry has formally requested that municipal tax rates be frozen for non-residential properties. This, along with the changes to the assessment model favored by industry, would require municipalities to raise their residential tax rate by an average of 199% to offset revenue losses.

- Including capital and infrastructure investment, the average municipality would be required to reduce expenses by over 16% to offset revenue losses in the oil and gas industry's preferred scenario.

- When combined with increased policing costs, reduced grant funding, and COVID-19-related property tax deferrals, many rural municipalities will lack the ability to adapt to the revenue reductions that will be the result of the scenarios proposed by the Government of Alberta.

How will the outcomes of the 2020 assessment model review impact oil and gas industry competitiveness?

- Throughout the review process, no data or information linking assessment reductions to competitiveness enhancements was provided by industry stakeholders or the Government of Alberta.

- Although the oil and gas industry as a whole will receive modest cost reductions through the reduction of

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property assessment, there is absolutely no requirement or incentive that will ensure any savings benefit Alberta in the form of increased industry investment and job creation.

- Based on the Government of Alberta's proposed scenarios, the largest oil and gas companies operating in the province will receive a disproportionate share of benefits from changes to the assessment model. Small and locally-owned companies will, on average, receive significantly less benefit, and in many cases will face significant assessment increases.

- Many of the companies that will benefit most from the assessment model review have holdings worldwide and are under no obligation to reinvest savings in Alberta.

- Under the proposed changes to the assessment model favored by industry, over one-third of all oil and gas companies would face assessment increases, while the largest oil and gas companies would receive benefits that greatly exceed their share of the assessment base.

What alternatives would better enhance oil and gas industry competitiveness while supporting municipal sustainability?

- There are a wide variety of tax and policy tools available to enhance oil and gas industry competitiveness.

- Any tool to enhance industry competitiveness should be evaluated on five principles:
    - Equitable in cost-sharing – are the costs of supporting industry shared equitably among different levels of government?
    - Equitable in benefits-sharing – are the benefits of an incentive or support distributed equitably within industry and do they reach the sub-sets of industry that need it the most?
    - Tangibility - Do the benefits of the tool lead to direct, observable action by industry that provides an overall provincial benefit (capital investment, job creation, etc.)?
    - Sustainability – Does the tool prioritize long-term growth and investment for industry and is it adjustable or cancellable if it is on longer needed?
    - Transparency – Is the tool understandable to taxpayers? Are the province-wide benefits easily observable? Does the tool have a built-in means for regular review and modification?

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RMA
RURAL MUNICIPALITIES of ALBERTA

POSITION STATEMENT

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RMA
RURAL MUNICIPALITIES of ALBERTA

Assessment Model Review
IMPACTS REPORT

MACKENZIE COUNTY

The Government of Alberta is proposing assessment model changes, which could affect your municipality's revenue.

TOTAL REVENUE MAY CHANGE BY AS MUCH AS

↓12%

For more context and scenarios, please review the back.

To compensate, you may need to adjust:

RESIDENTIAL MILL RATE BY AS MUCH AS

↑69%

OR

FULL-TIME STAFF BY AS MUCH AS 49.3%

For more context and scenarios, please review the back.

MUNICIPAL IMPACTS

Based on the assessment model review scenarios provided by the Government of Alberta and financial data from the MFIS database, RMA's models make the following municipal predictions. 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, there will be increased impacts in the future as assets age.

SCENARIO TAX IMPACTS	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
Total Assessment Base Loss	$-273,247,156 (-11%)	$-301,342,309 (-12%)	$-318,178,208 (-13%)	$-367,343,173 (-15%)
M&E Assessment Base Loss (%)	-7%	-7%	-7%	-7%
LP Assessment Base Loss (%)	-31%	-34%	-36%	-42%
M&E Tax $ Loss (2019 Mill Rate)	$-320,969	$-320,969	$-320,969	$-320,969
Linear Tax $ Loss (2019 Mill Rate)	$-3,161,566	$-3,519,639	$-3,734,213	$-4,360,820
Percent Loss of Total Revenue	-9%	-10%	-11%	-12%

MUNICIPAL RESPONSE OPTIONS

The response options below demonstrate how significant non-residential assessment and taxation is for rural municipalities. Even a modest reduction in oil and gas assessment may require municipalities to drastically increase tax rates or reduce expenses. In other words, changes to assessment have significant domino effects on rural municipalities. These illustrate hypothetical impacts that the changes may have on operations based on available data. These should not be seen as recommendations, as they are only provided for context.

POTENTIAL RURAL MUNICIPALITY RESPONSE IMPACTS	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
Residential Mill Rate Increase	51.3%	56.6%	59.8%	69.0%
OR				
Non-Residential Mill Rate Increase (Excluding 5:1 limits)	22.9%	25.8%	27.7%	33.4%
Tax capacity shortfall due to 5:1 ratio (includes tax capacity loss still required to achieve 5:1)	$0	$0	$0	$0
OR				
Workforce cuts to cover losses (% of total FTE's)	36.7%	40.5%	42.7%	49.3%
FTE's at risk	29.36	32.38	34.18	39.47
OR				
Total Expense Reduction % (including capital infrastructure investment)	9.12%	10.06%	10.62%	12.26%
OR				
Time shortfall can be covered by Unallocated Reserves (Months)	16	15	14	12

From: Wyatt Skovron
To: blair.painter@crowsnestpass.com; omer.moghrabi@laclabichecounty.com; Josh Knelsen; rod.frank@strathcona.ca; mayor@rmwb.ca; councillor.rafa@mdacadia.ab.ca; larmfelt@athabascacounty.com; info@countybarrhead.ab.ca; jkallal@beaver.ab.ca; ward6@biglakescounty.ca; dene.cooper@mdbighorn.ca; geraldm@birchhillscounty.com; gsawchuk@md.bonnyville.ab.ca; bguyon@brazeau.ab.ca; ctrautman@county.camrose.ab.ca; randy.bullock@cardstoncounty.com; mironcroy@gmail.com; divisionsix@clearwatercounty.ca; Dan.Hamilton@cypress.ab.ca; peggyward4@mdfairview.ab.ca; dkroetch@flagstaff.ab.ca; Suzanne.Oel@FoothillsCountyAB.ca; sswinks@shockware.com; lbeaupre@countygp.ab.ca; dale.smith@mdgreenview.ab.ca; jerry.wittstock@kneehillcounty.com; jblakeman@lsac.ca; plaw@lacombecounty.com; david.d@lamontcounty.ca; tanni@leduc-county.com; murray.kerik@mdlsr.ca; lhickey@lethcounty.ca; info@minburncounty.ab.ca; bbeattie@mvcounty.com; douglassm@newellmail.ca; UngarianT@countyofnorthernlights.com; ckolebaba@northernsunrise.net; marcel.auger@mdopportunity.ab.ca; sschulmeister@countypaintearth.ca; Rod.Shaigec@parklandcounty.com; rwilling@mdpeace.com; CouncilDiv4@mdpinchercreek.ab.ca; paulmclauchlin@ponokacounty.com; mdprovost@mdprovost.ca; cao@ranchland66.com; mayor@rdcounty.ca; gboehlke@rockyview.ca; ahubert@saddlehills.ab.ca; clukinuk@smokylakecounty.ab.ca; rbrochu@mdsmokyriver.com; tvanrootselaar@mdspiritriver.ab.ca; supham@county.stpaul.ab.ca; swannstrom@starlandcounty.com; lclarke@stettlercounty.ca; ahnatiw@sturgeoncounty.ca; mharris@mdtaber.ab.ca; Kevin.Grumetza@thorhildcounty.com; dgulayec@thcounty.ab.ca; div2@county24.com; jason.schneider@vulcan.ca; bbarss@mdwainwright.ca; rtaylor@warnercounty.ca; lhall@westlockcounty.com; tvandekraats@county.wetaskiwin.ab.ca; amber.link@wheatlandcounty.ca; maryanne.sandberg@mdwillowcreek.com; john.burrows@woodlands.ab.ca; jeglinski@yellowheadcounty.ab.ca; Jordon.christianson@specialareas.ab.ca; patrick.thomas@crowsnestpass.com; Ken.vanbuul@laclabichecounty.com; CAO; darrell.reid@strathcona.ca; jamie.doyle@rmwb.ca; margo.firman@rmwb.ca; j.wallsmith@mdacadia.ab.ca; cao@athabascacounty.com; doyarzun@countybarrhead.ab.ca; bbeck@beaver.ab.ca; jpanasiuk@biglakescounty.ca; robert.ellis@mdbighorn.ca; cao@birchhillscounty.com; lmercier@md.bonnyville.ab.ca; jwhaley@brazeau.ab.ca; pking@county.camrose.ab.ca; murray@cardstoncounty.com; allan@clearhillscounty.ab.ca; remmons@clearwatercounty.ca; Tarolyn.Aaserud@cypress.ab.ca; sandra.fox@mdfairview.ab.ca; sarmstrong@flagstaff.ab.ca; HarryRiva.Cambrin@FoothillsCountyAB.ca; keith.bodin@fortymile.ab.ca; jwhittleton@countygp.ab.ca; Denise.Thompson@mdgreenview.ab.ca; mike.haugen@kneehillcounty.com; mprimeau@lsac.ca; ttimmons@lacombecounty.com; stephen.h@lamontcounty.ca; duanec@leduc-county.com; allan.winarski@mdlsr.ca; amitchell@lethcounty.ca; Bwilliams@minburncounty.ab.ca; jholmes@mvcounty.com; stephensonk@newellmail.ca; cao@countyofnorthernlights.com; cmillar@northernsunrise.net; cao@mdopportunity.ab.ca; msimpson@countypaintearth.ca; Mike.Heck@parklandcounty.com; bjohnson@mdpeace.com; CAO@mdpinchercreek.ab.ca; charliecutforth@ponokacounty.com; tlawrason@mdprovost.ca; cao@ranchland66.com; cao@rdcounty.ca; ahoggan@rockyview.ca; cmerritt@saddlehills.ab.ca; collikka@smokylakecounty.ab.ca; rtherriault@mdsmokyriver.com; ddibbelt@mdspiritriver.ab.ca; skitz@county.stpaul.ab.ca; Shirley@starlandcounty.com; ycassidy@stettlercounty.ca; rmccullough@sturgeoncounty.ca; acrofts@mdtaber.ab.ca; cao@thorhildcounty.com; sdary@thcounty.ab.ca; hnorthcott@county24.com; cao@vulcancounty.ab.ca; admin@mdwainwright.ca; shathaway@warnercounty.ca; cao@westlockcounty.com; rhawken@county.wetaskiwin.ab.ca; brian.henderson@wheatlandcounty.ca; derrick@mdwillowcreek.com; gordon.frank@woodlands.ab.ca; jramme@yellowheadcounty.ab.ca; Darcy.Ferguson@specialareas.ab.ca
Cc: RMA Board Dist; Tasha Blumenthal; Warren Noga; Alex Mochid
Subject: Additional member resources - assessment model advocacy
Date: August 11, 2020 4:16:18 PM
Attachments: image001.png
RMA Assessement Model Review Depreciation Summary.pdf
RMA Alternative Industry Incentive Approaches - summary.pdf
Municipal Ratepayer Resource Document.pdf

Hello RMA Mayors/Reeves and CAOs,
As RMA and rural municipalities continue to advocate on the impacts that the assessment model changes being considered by the province will have on rural Alberta, we have heard from members about various resources and information that would assist them in advocating to their local MLAs and in working with their residents, business communities, and municipal neighbours on this issue. Based on this member input, I have attached three additional resources to this email:

1. Municipal ratepayer resource document – this is a short document with three suggested high-level areas of focus a municipality can use to engage on this issue with residents and businesses, as well as possible examples and statistics that the municipality may wish to use to put the issue into perspective for those unfamiliar with the details of the assessment system.
2. Alternative industry incentive summary – several RMA members have reported pushback from government officials and stakeholders on municipal claims that these changes would be

damaging, as they argue that the changes are needed to help industry. This document summarizes RMA's comparative analysis of the use of the assessment model along with twelve other potential approaches to support the oil and gas industry based on five key principles. This is a condensed version the same information RMA provided to government during the review process. This may help members shift towards a more "solutions-based" advocacy approach and provide those who see the assessment model as the only way to help industry with multiple alternatives.

3. Depreciation summary – as you all know, RMA has limited information on the technical details behind the assessment changes. However, we do have information on how the depreciation models will change for each main property type impacted by the review. As this is the area that could produce the greatest long-term impacts on municipalities, we thought it was worth providing a more detailed overview of how the depreciation models will change.

You are free to share each of these resources publicly as you see fit. We would recommend that you use the information to inform your local advocacy work as well.

We hope to provide some additional resources either later this week or early next week.

Let me know if you have any questions.

Thanks

Wyatt Skovron

Senior Policy Advisor

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RMA Assessment Model Review Ratepayer Resource Document

August 2020

Since releasing information related to the assessment model review and the potential changes that the Government of Alberta is considering to the model, RMA has received several member requests for how to best frame the issue to municipal ratepayers, including residents and non-oil and gas business owners.

As municipalities may approach communication with ratepayers in a variety of ways (formal letters, webpages, casual conversations, individual information requests, etc.) RMA has not provided a template for municipalities to follow. Rather, this document provides possible areas of focus that municipalities may wish to incorporate in their communication with ratepayers, as well as suggested local information or statistics that municipalities should consider sharing with ratepayers when addressing this issue.

Area of Focus 1: The municipality has a long history of working with the oil and gas industry, and plans to continue to do so

Speaking points:

- The oil and gas industry is critical to rural Alberta, as they are a major source of economic activity, jobs, and municipal tax revenue. However, this is not a one-way street, as municipalities play an important role in supporting the industry.
- Alberta's rural municipalities manage over 75% of Alberta's roads, many of which provide the industry with access to natural resources. Taxes paid by industry go towards maintaining this infrastructure and other services provided by the municipality.
- Our municipality wants to continue to work with the provincial government and industry to support struggling oil and gas companies. This could take the form of tax incentives for industry investments in Alberta, partnerships between the province and industry to encourage investment, and other forms.

Local examples:

- Kilometres of roads managed
- Previous tax breaks, incentives, etc. provided to industry

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Area of Focus 2: Impacts of the proposed assessment model changes to the municipality and ratepayers

Speaking points:

- Municipalities set tax rates based on the funds needed to provide services and build and maintain infrastructure each year.
- A major reduction in the assessment value of oil and gas property will require our municipality to either lower costs through reductions in service levels, or generate the revenue needed through higher tax rates for other classes, such as residential, to offset the lower value of oil and gas property under the proposed changes to the assessment model.
- Although we all want the oil and gas industry in Alberta to be strong, our municipality does not believe it is fair for the government to give a property tax break to one industry and force all other taxpayers to either receive lower levels of service or pay more in taxes to offset their tax break.
- Rural municipalities are already struggling to recover unpaid property taxes from oil and gas companies. While municipalities have tools to require most property owners to pay taxes or face penalties or property seizures, these tools do not apply to most oil and gas property, meaning that many companies can choose to not pay their taxes with no consequences.
- When residents or local businesses struggle, the province does not artificially change the assessed value of their property to provide tax relief. It is not fair for the province to do this for the oil and gas industry, especially since assessments did not increase during good economic times.

Local examples:

- Possible residential and non-residential tax rate increases required to offset oil and gas savings based on potential assessment model changes.
- Possible service eliminations or reductions due to assessment model changes.
- Amount of unpaid property taxes from oil and gas companies owed to municipalities.
- Possible impacts on intermunicipal collaboration and service delivery.

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Area of Focus 3: Intermunicipal/regional impacts

Speaking Points:

- Although rural municipalities will be most directly impacted by the changes being proposed because they host most of the province's oil and gas properties, our municipality works closely with our urban neighbours to deliver services which may be impacted for everyone in the region.
- Over the past several years, we have been working with urban neighbours on intermunicipal collaboration frameworks (ICFs) which establish how we work together to deliver services such as recreation and waste collection. These agreements were based on current tax revenue for each municipality. If our municipality loses significant tax revenue due to the assessment changes, we may have no choice but to change or back out of these agreements, which will impact services for both rural and urban residents.
- In addition to shared services, the province collects requisitions from municipalities for costs related to education, seniors housing and policing. The amount each municipality must contribute is based partially on their assessment. If assessment levels drop for our municipality and other rural municipalities, many small urban municipalities will be required to pay more of these costs as a result. For some villages and towns in our region, this could be a major challenge and impact the services they deliver, and potentially their viability.

Local examples:

- Intermunicipal agreements that could be impacted by a loss in assessment
- Joint advocacy/messaging with urban neighbours as to impacts of loss in assessment
- Quantification of portion of property taxes collected that are sent to province (potentially comparison of status quo and impacts of assessment reduction)

As a reminder, the points above are general ideas that may help municipalities to communicate this issue to local ratepayers. For more information or assistance in developing local communication materials, contact RMA.

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Rural Municipalities of Alberta

Summary of Alternative Industry Support Approaches

Assessment Model Review

August 2020

According to the Government of Alberta, the changes currently being recommended to the assessment model for regulated oil and gas properties are intended to enhance industry competitiveness while maintaining municipal sustainability.

RMA and its members have focused on the severe impacts that the proposed changes will have on municipal operations and viability due to reduced tax revenues, and the domino effects that the changes will have on other taxpayers within rural municipalities in the form of increased taxes or reduced services, and on neighbouring towns and villages in the form of reduced intermunicipal collaboration and increased provincial requisition or invoice amounts related to education, seniors housing, and policing.

This document shifts from the focus on municipal impacts to examine a variety of alternative approaches that would enhance industry competitiveness. The document shows that not only is manipulating the assessment model harmful for municipalities, the extent to which it supports industry is also unclear. More importantly, there is no evidence available to indicate that any benefits industry does receive will be reinvested in the province in the form of jobs or capital investment. This document will show that other support approaches are much more effective in ensuring industry and the province as a whole benefit, and municipalities are not unfairly targeted.

RMA and its members fully endorse supporting Alberta's oil and gas industry, but the assessment model is simply the wrong tool to do so.

Analysis Principles

To evaluate how effective various options are in balancing industry support with province-wide value, while not unfairly targeting municipalities, RMA has developed five principles that reflect an effective industry incentive, and that are used throughout the analysis:

Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency
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 provincial and municipal levels of government to support industry.	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.	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 project investment or employment creation.	Solutions cannot be only focused on short-term gains or impacts but rather should put in place mechanisms that will consider the potential for times of greater prosperity. Sustainability to municipalities means that the revenue over the taxable life of the asset justifies local infrastructure investments to support industrial development.	The goals, contributions, benefits and mechanisms 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 review and revision to maintain alignment with overall objectives of equitability and fairness.

Option Evaluation

Each option explored below includes:

- an explanation of the option (what is it?),
- a qualitative assessment of the option's alignment with the principles stated above (how does it align with principles?),[1] and
- a narrative outlining the scoring (rationale).

The options below include approaches such as direct financial support to industry, tax policy to encourage industry growth, direct investment into industry by the Government of Alberta, and other approaches. Most options are already in practice in some form in other jurisdictions.

Also note that RMA is not in support of all options presented below but believe that all possible alternatives to manipulating the assessment model should at least be considered.

[1] The scoring provided is on a 1 to 5 scale for each principle with detailed descriptions of the scales provided on page 21. A higher score indicates a greater alignment with the principle.

Option 1: Assessment Manipulation (Current Process)

What is it?

The assessment model review is intended to modernize the assessment model to better support industry competitiveness without impacting municipal sustainability. This occurs through changes to how asset values are determined to support assessment reductions for industry.

In the proposed scenarios, reductions have predominantly occurred by implementing aggressive depreciation curves to linear property, removing some base costs from wells, adjusting land assessment values (primarily for older well sites), introducing assessment depreciation factors on deep horizontal wells and SAGD sites, and other changes to how assets are assessed, most of which reduce asset values.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score[2]	1	2	1	1	1	1.2

Rationale

The primary intent of the assessment model changes is to reduce tax burden on industry. The rushed engagement process, lack of transparency of information, lack of detailed technical review information provided, and substantially skewed municipal and corporate impacts clearly point to a process that prioritizes a reduction of industry's tax burden over all other factors, including municipal sustainability.

The scoring is based on the following conclusions:

- The process places the cost burden only on municipalities. There are no changes to education property tax requisitions to off-set decreased municipal revenues.
- The process does not effectively distribute benefits, as large companies benefit much more than smaller firms under all scenarios.
- The process will lead to no assurances of tangible economy-wide benefits, as there is no mandate for firms to invest savings in capital projects or increased employment.
- The aggressive depreciation curves do not provide a stable, predictable tax base for municipalities and will require those with room to sharply increase mill rates or reduce services.
- 'Baking' reductions into the assessment base through arbitrary depreciation, land value reductions and statutory factors is not transparent and such reductions are not likely to be removed during more prosperous times

Option 2: Municipal Tax Rebate Policy

What is it?

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[2] Scoring scale explained in Appendix 1 – Principle Scoring Scales

Instead of adjusting assessments to reduce taxes on wells and conventional oil and gas, the Government of Alberta could apply a targeted tax reduction policy to specific asset classes, companies, etc. to encourage investment decisions that are beneficial for industry and broader economic development.

The Government of Alberta would implement a tax reduction policy on certain asset classes for a prescribed amount of time. This could be addressed in the *Matters Relating to Assessment and Taxation Regulation* through the inclusion of a new Part, which would set the specific incentives for a designated time period.

This option has recent precedent as it is comparable to the shallow gas tax relief granted in 2019 in anticipation of reduced schedule A rates for shallow gas wells.

- ***How does it align with principles?***

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	**1**	**3**	**1**	**2**	**3**	**2.0**

- ***Rationale***

The scoring is based on the following conclusions:

- Cost and benefit sharing scoring is dependent on targeted reductions for at-risk asset types but can be equitable if implemented properly.
- This option is a more transparent approach than using the assessment function.
- This alternative lacks the ability to target specific investment activity.
- There are no mechanisms to limit companies from using savings for non-investment activity, such as stock buybacks or executive bonuses, or investment into projects in other jurisdictions.
- This option would place a disproportionate burden on municipalities, resulting in a lack of equitable cost sharing.
- Depending on the targeting of the tax policy, there may be similar regional disparity issues between municipalities that are present in the assessment model review scenarios.
- The cost sharing score could be improved if the province provided a full or partial rebate on education property tax requisitions to proportionately offset losses in municipal revenue.

Option 3: Tax Rebate Policy on New Investment

- ***What is it?***

This option is similar to the option above, though it would specifically apply to new linear property and M&E assessment growth based on company investment. The new assessment would be provided a full or partial tax rebate for designated period to encourage investment.

This policy would provide similar incentives to the *Municipal Government (Property Tax Incentives) Amendment Act* and *Municipal Government (Machinery and Equipment Tax Incentives) Amendment Act* but would be implemented for a set period of time, could be targeted to specific asset classes or project types to enhance tangibility, and would apply province-wide, rather than at a local level.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	3	3	4	2	3	3.0

Rationale

The scoring is based on the following conclusions:

- This alternative scores similarly to the previous option.
- The difference is that the tangibility score is increased, as rebates focus on new development.
- The establishment of a specific timeframe on the initiative further enhances its transparency and sustainability ensuring that it is implemented only for the period required for necessary support.
- The cost sharing score could be improved if the province was to provide a full or partial rebate on education property tax requisitions to proportionately offset municipal revenue reductions.

Option 4: Education Property Tax Requisition Adjustments

What is it?

The province has an opportunity to reduce its education property tax requisition to share the burden of supporting industry competitiveness through reduced tax levels. The province already excludes M&E assessment from the education property tax requisition and could expand this to linear property or implement more targeted exclusions.

It is important that an actual reduction, not a shift, of the education property tax burden occurs. The proposed assessment base reductions will substantially shift the education property tax burden onto urban municipalities. Any reductions applied under this option would need to include a province-wide reduction of the education property tax burden, instead of simply passing it on to other municipal types.

It is further critical to ensure a designated timeframe and review period for such a shift. There are multiple examples of M&E and power-generation linear property exemptions that were implemented to spur investment and were never revoked when investment was achieved. The tangibility of this alternative could be improved by outlining specific capital investments, or industry performance targets to achieve, and establishing set timelines for the program to end or require review and renewal

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	5	3	1	3	3	3.0

Rationale

The scoring is based on the following conclusions:

- This option has similar strengths and challenges to the tax rebate policy above, but scores higher on equitable cost sharing, as long as the province reduces (not shifts) the education tax burden.
- If shifted, this will have a substantial impact on municipalities and the remaining provincial tax base, including potentially compromising the viability of many small urban municipalities not directly impacted by this review.
- The overarching nature of the policy will make it less tangible to stakeholders, but this can be mitigated somewhat if a more targeted approach is developed.
- The set timeframe component significantly enhances the sustainability and transparency scoring.

Option 5: Oil & Gas Royalties Reduction

What is it?

Royalties are paid across a wide range of producing conventional oil and gas projects, as well as oil sands facilities in the province. Royalty payments make up a substantial amount of industry's tax burden, and are a much more substantial component of marginal effective tax rate (METR) than local property taxes. Royalty rates are largely market driven, and each project pays an individual rate based on production factors. A royalty reduction program could target specific projects and asset classes that most require competitiveness improvements.

Royalty rates for projects under the Oil Sands Royalty Framework, and for crude oil and gas projects under the Crude Oil and Gas Royalty Framework include reduced royalty structures for projects that have not paid off their initial investment, before increasing once those investments have been realized. This structure has been important for spurring investment, with the trade-off of long-term government revenue.

Note: The *2019 Royalty Guarantee Act*, which specified no major changes to the current oil and gas royalty structure would be made for at least 10 years, was conducted in the spirit of ensuring royalties would not increase, but certainly temporary, emergency exemptions could be made within the Act. Further to this point, the Act amended the *Mines and Minerals Act* to allow government to provide incentives related to royalties.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	**5**	**3**	**2**	**3**	**4**	**3.4**

Rationale

The scoring is based on the following conclusions:

- This option balances cost sharing by having the province take on a higher burden more in line with METR calculations.
- It scores highly on transparency, with clear review cycles in place.
- It still suffers from a low tangibility score, as it is difficult to target royalty reductions to increased investment outside of a few larger industry targets for capital investment (i.e. royalty reductions could be put in place for X number of years, or until X amount of capital investment occurs).

Option 6: Additional Mill Rate Categories

What is it?

This option would require MGA changes, but would introduce new tax tools and flexibility to municipalities to absorb some of the proposed assessment base loss, or to reduce taxes for some assessment classes if they have been hesitant to utilize the *Municipal Government (Property Tax Incentives) Amendment Act* or *Municipal Government (Machinery and Equipment Tax Incentives) Amendment Act* measures. Introducing more mill rate categories is a similar approach to that in British Columbia, which has nine categories, and would provide additional non-residential tax classes to balance the tax burden. For example, BC has non-residential classes for utilities, major industry, light industry, and business/other.

Additional mill rate categories would allow municipalities greater flexibility to increase, or decrease, mill rates on certain asset classes and to more fairly distribute their local tax burden to different tax classes.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	3	4	1	3	3	2.8

Rationale

The scoring is based on the following conclusions:

- Equitability in cost sharing is enhanced through a mitigation factor to provide additional tax flexibility for municipalities needing to deal with revenue shortfalls.
- Conversely, this option does not provide any tangible incentives for municipal participation.
- Equitability in benefits sharing is also enhanced by providing further tax flexibility to industry.
- This option has scores high in transparency, though it is difficult to provide specific outcomes from different tax classes.
- The tangibility factor is low, as it is difficult to tie mill rate changes to direct investment.

Option 7: Property Tax Incentives Expansion

What is it?

The *Municipal Government (Property Tax Incentives) Amendment Act* and the *Municipal Government (Machinery and Equipment Tax Incentives) Amendment Act* have been implemented by the province to provide additional tax reduction flexibility to municipalities when attracting new investment.

The acts allow for municipalities to decide if, and how, to implement the tax incentives by passing a single bylaw that will offer incentives to reduce, exempt or defer the collection of property taxes for non-residential and machinery and equipment properties for up to 15 years, with the option for renewal.

This approach could be expanded to introduce additional legislation to allow for property tax incentives on linear property, or for targeted sites and assets classes, with similar terms and mechanisms included in the previous acts.[3]

- ***How does it align with principles?***

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	2	2	4	1	4	2.6

- ***Rationale***

The scoring is based on the following conclusions:

- This policy places pressure on municipalities to bear the burden of tax reduction to incent development.
- This option scores low on equitable benefits sharing as there is a substantial risk that larger companies will benefit more by having more leverage in property tax incentive negotiations with municipalities.
- It provides a greater tangibility than previous alternatives, as it is directly tied to new investment.
- The option contains requirements for municipal council decision on each instance of use, providing significant transparency.
- It scores low on sustainability as it will have a long-term impacts on municipal financial well-being and could exacerbate existing regional disparities, as large municipalities will be able to leverage their sizeable assessment base to offer greater incentives compared to municipalities with limited fiscal capacities.

Option 8: Mill Rate Ratio Adjustment

- ***What is it?***

Currently, the province has mandated a 5:1 maximum ratio of non-residential mill rates to residential mill rates for municipalities. A number of municipalities (several of which have large industrial tax bases)

[3] Though the measures have been introduced as voluntary tools, many municipalities, and both associations, have expressed concern about the Acts as potential 'races to the bottom,' by fostering unhealthy and unsustainable competition between municipalities over the long-term. Expanding these tools to include LP could have additional serious, long-term implications to municipal sustainability and poses a real threat to municipal collaboration efforts.

are in the process of reducing their ratio to comply with the 5:1 requirement. The province could implement additional mill rate adjustment tools to ensure more balance between classes.

One option would be to adopt a sliding scale ratio that is weighted based on the size of a municipality's equalized M&E and linear property assessment base. Municipalities with large assessment bases would have additional mill rate restrictions, while not imposing harsh inflexibility on municipalities that require additional tax tools to remain viable. For example, this model could mandate a sliding scale of ratios between 4:1 for the largest assessment bases, to 6:1 for smaller ones. There is a risk that any reductions to the mill rate ratio could further limit municipalities' tax flexibility; a sliding scale ratio provides a balance between industry competitiveness and municipal flexibility. Any other changes outside of the proposed model could limit municipalities' ability to absorb other competitiveness initiatives.

Another mechanism to achieve this policy is to adopt a model similar to Ontario, which provides average mill rate levels and acceptable ranges above and below those averages that municipalities can fall into. However, this model depends on introducing additional tax classes (see policy option *Additional Mill Rate Categories* above). Ontario has multiple non-residential assessment tax rate classes for commercial, industrial, and pipelines, and municipalities have the ability to introduce additional classes, and each have acceptable ranges provided to guide municipal rate setting.

- ***How does it align with principles?***

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	2	3	1	2	3	2.2

- ***Rationale***

The scoring is based on the following conclusions:

- This policy will place a substantial burden on municipalities but is specifically designed to place it on those that should be able to best absorb the impact.
- This option has a relatively high benefits equity score, as it ensures all firm sizes receive benefits from the changes.
- As with other broad class-based policy alternatives, it is impossible to target for investment benefit, reflecting the low tangibility score.
- Sustainability scoring is deemed lower as it would take a conscious council decision to adjust, though transparency would be elevated due to the public nature of these decisions.

Option 9: Downtime and Production Consideration Tax Rebates

- ***What is it?***

This option would introduce a downtime allocation for under-utilized properties due to market factors. This tool is used in Saskatchewan, where it provides an assessment reduction for "oil and gas well resource production equipment to account for loss in value due to under-utilization of the resource production equipment." The downtime allowance is relatively minor (10% plus additional considerations for depreciation). Saskatchewan also has a Production Adjustment Factor which applies an additional 0.75 factor for qualifying properties due to under-utilization.

In the proposed changes found within the current review, underutilized end of life wells are addressed with additional depreciation and reduced land value. This would artificially depreciate properties and land without a clear understanding of what is "typical" and how the subject property compares to the typical property.[4] Wells with low production volumes may also receive additional depreciation under Schedule D of the *Linear Property Minister's Guidelines*.

It is difficult to understand why pipelines would receive additional depreciation related to productivity when there is currently a shortage of pipeline capacity in the province. One of the core principles of regulated assessment for wells and pipelines is that the data used to prepare assessments is obtained from the records of the Alberta Energy Regulator (AER). It is our understanding that the AER does not have a data element which would record pipeline through put.

Before considering <u>any type</u> of productivity factor for M&E located in facilities, considerable research is required to gather information on the following:

- The historic production levels for various types of facilities
- The change in production levels as the facility ages and the reservoir depletes
- Typical production levels and how a particular facility compares to the typical facility
- If individual facilities gone through a de-bottlenecking process
- The impact of lower commodity prices on the level of production of a facility (is the lower productivity related to aging equipment or are there business reasons)?

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	2	2	2	2	1	1.8

Rationale

The scoring is based on the following conclusions:

- This option places substantial burden on municipalities and will disproportionately impact already-struggling areas of the province based on its focus on gas and conventional oil well sites.

[4] The existing Alberta legislation already contains many provisions which recognize productivity concerns. In determining the Schedule A Base Cost, the CCRG allows for excluded costs due to lower than typical labour productivity issues. For M&E that is disconnected, it no longer meets the definition of machinery and equipment (i.e. it is no longer used or intended to be used and may no longer be an integral part of the operational unit). When this occurs the assessment of the machinery and equipment in question is reduced to zero. Take for example the equipment on the surface at a well site, if the equipment is disconnected, the assessment of the equipment goes to zero. If there is a compressor site with 6 compressors and 2 of them are out of service, then the assessment of those two compressors goes to zero.

- There is concern with the equity of benefits sharing, as anecdotal observations have noted many larger, mature producers have high concentrations of these types of assets and have advocated for these types of reductions in the past.
- It also scores very low on transparency, as the calculations and baselines used are highly complex and difficult to understand and would require significant additional study to determine.
- This complexity also leaves room for manipulation. As noted above, the assessment would have to be based on technical research to determine fair productivity factors.
- The option ranks low on tangibility as it is difficult to tie to direct investment. As with other alternatives above, the cost sharing score could be improved if the province provided a full or partial rebate on education property tax requisitions to offset losses in municipal revenue.
- Overall, this alternative would not be preferred. Even cost sharing measures from the province would not lift this alternative to a viable option moving forward.

Option 10: Income Tax Reduction / Tax Credits

What is it?

Corporate income tax relief has already been provided by the current government through a reduction in the corporate tax rate by 1% per year, from 12% (spring 2019) to 8% (originally by January 2022, since accelerated to 2020). In total, there are an estimated savings of $4.3 billion over the course of the reduction.[5] While these measures are substantial, further adjustments (or targeted reductions in the form of tax credits) could have a more substantial impact on industry competitiveness.

In a comparison of income tax reductions versus tax credits, the latter is far more tangible and can be tied directly to investment, employment or other valued economic outcomes. A hybrid model of a universal reduction, with more targeted tax credit policies, could provide general cost relief to industry as well as more targeted economic benefits. Further, recent analysis by the Parkland Institute shows the criticality of ensuring savings are not passed through to shareholders through buybacks, dividend increases, or arbitrary debt reduction. Again, tax credits are a more useful tool to ensure savings are only realized by firms actively investing in the province.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	5	4	5	3	4	4.2

Rationale

The scoring is based on the following conclusions:

- This option is a strong alternative that scores highly across most categories.

[5] "The Future of Alberta's Oils Sands Industry", Ian Hussey, Parkland Institute, March 2020, pg. 3.

- It reasonably balances the provincial burden with municipalities.
- It provides tax credits that can be specifically targeted to firms in distress.
- It directly encourages capital investment.
- It results in strong transparency and tangibility scores.

Option 11: Environmental Remediation

What is it?

This option would increase the amount of direct investment into environmental remediation, particularly for end-of-life sites. This is already in place through the Orphan Well Association (OWA) for bankrupt companies, which has received substantial additional investment through a $100 million loan from the Government of Alberta to the OWA, and Bill 12: *Liabilities Management Statutes Amendment Act*, which increases the jurisdiction of the OWA to work with active firms on remediation efforts.

An expansion of this approach would utilize the new authorities outlined in Bill 12 and add additional funding, encouraging the OWA to work with active firms. Alternatively, the province could provide additional direct funding or tax credits for remediation work outside of the OWA mandate. A more dramatic version of this option would be for the province to assume partial or full environmental liabilities and clean-up costs for certain asset classes and sites to increase industry competitiveness.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	**5**	**2**	**4**	**4**	**3**	**3.6**

Rationale

The scoring is based on the following conclusions:

- This is a strong alternative in terms of cost sharing and tangibility, as it can be directly tied to remediation projects.
- It works to resolve a tangible risk issue for the province and municipalities.
- The benefit to industry could be skewed towards larger firms who are in a strong financial position to deal with environmental liabilities, unless the program was directly targeting smaller, financially stressed firms.
- Being tied directly to measurable projects enhances the option's transparency, though limited to broad public understanding of the issue.

Option 12: Incentive Based Grants / Shared Investment

What is it?

A program of direct government investment into capital projects through shared investments, or project-specific grants to encourage new capital development and job creation. This would likely entail shared grants and/or supporting infrastructure investments for new potential projects between the province and the hosting municipality to ensure proportional investment for shared benefits. A recent example of this process is the Inter Pipeline Heartland Petrochemical Complex, where Inter Pipeline quotes approximately $250 million in funding support from the federal and provincial governments.[6]

These types of direct investments can be made with specific job or investment targets, ensuring benefits can be realized for the province, and municipalities, for the money invested.

- ***How does it align with principles?***

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	**4**	**4**	**5**	**4**	**4**	**4.2**

- ***Rationale***

The scoring is based on the following conclusions:

- A very strong option that scores highly across the board.
- This option provides a proportional cost sharing burden between the province and municipalities.
- It has extremely strong linkages to direct investment outcomes
- The projects could continue to be targeted to benefit those in industry with need.
- Results in higher scoring than any other alternative.

Option 13: Direct Infrastructure Investment Program

- ***What is it?***

This option is similar to that above but involves the development of an infrastructure investment program targeted to industrial development focused infrastructure programs. Municipalities in Alberta, and particularly rural municipalities, have a long and successful history of making public infrastructure investments to support industrial development. This program would provide matching capital grants to municipalities looking to support industry through infrastructure development. Similarly, these funds could be used for larger provincial infrastructure projects for highways, bridges, etc. to support industry.

A critical element required for this program's success is the selection of funded projects through collaboration by the Government of Alberta, industry and municipalities to priority areas to ensure equity in project funding disbursement.

[6] http://www.interpipeline.com/files/pdf/fact-sheets/q4_2019/IPL_-_Heartland_Complex_-_Fact_Sheet_-_Q4_2019_-_FINAL.pdf

Both this policy, and the incentive-based grants/shared investment policy above, will reduce the overall cost of development, improving industry's METR calculations.

Tying approvals of infrastructure funding to new "shovel ready" projects would support better tangibility of this alternative, and more closely link funding to direct capital investment.

How does it align with principles?

	Equitable in Cost Sharing	Equitable in Benefits Sharing	Tangibility	Sustainability	Transparency	Avg Score
Score	**5**	**3**	**4**	**4**	**4**	**4.0**

Rationale

The scoring is based on the following conclusions:

- Another strong scoring option that scores highly in all criteria.
- The option is less directly tied investment and job creation outcomes, so it scores lower on the tangibility factor.
- Industry benefits, though equitable, are not as closely linked to investment.
- The matching nature of the grants could provide a proportional cost sharing burden between the province and municipalities.

Other Policy Areas for Consideration

Removal of Production Quotas

The province has implemented, continued and extended oil production limits through 2020, though with possible earlier termination. The limits are carefully monitored and updated monthly. Some exemptions are in place for new conventional wells and for operators with approved monthly special exemptions. While there are concerns about lifting the production limits including reduced pricing from additional supply and transport capacity, there may be an opportunity to increase quotas to allow for more production.

Industry Promotion

The Government of Alberta implemented the Canadian Energy Centre, as a provincial corporation partly funded by industry, to promote the oil and gas industry. An expansion of this program could include additional funding and promotion, and focused coordination with municipal economic development efforts to promote the industry and show the benefits of local industry investment.

Technology Development

Continued improvements in technology to enhance industry efficiency and cost avoidance support long-term industry competitiveness. Alberta has history of supporting various industry clusters though expert advice, training, skill development and innovation programs that have secured advantages for industries as diverse as nanotechnology and oil sands extraction. In the early 2000s, TR Labs was an ICT research consortium that fuelled the growth of Telus and Shaw Communications through shared research investments with the Government of Alberta. The province could use a similar approach to support innovation in the energy sector.

Supplemental Policy Areas for Consideration

There several other policy areas and initiatives that should be considered and potentially implemented in addition to the policy alternatives above. We have not evaluated these based on the high degree of 'unknowns' involved at this time. These areas are:

- Consideration and implementation of industry-related red tape reduction initiatives.
- The ongoing Alberta Energy Regulator review process, with a focus on streamlining the regulatory system. Potential for reduced compliance and reporting requirements for companies with a strong history of adherence to environmental and operational requirements.
- Legislative changes to allow higher priority on municipal tax collection, and MGA adjustments to introduce additional tax collection tools

Scoring Overview

The following table shows an overview of the policy alternative scoring, including a view of overall total, average scores for each alternative.

Option #	Policy Alternative	Scoring Factors					
		Cost Sharing	Benefits Sharing	Tangibility	Sustainability	Transparency	Total Score
1	Assessment Manipulation (Current Process)	1	2	1	1	1	**1.2**
2	Municipal Tax Rebate Policy	1	3	1	2	3	**2.0**
3	Tax Rebate Policy on New Investment	3	3	4	2	3	**3.0**
4	Education Property Tax Requisition Adjustments	5	3	1	3	3	**3.0**
5	Oil & Gas Royalties Reduction	5	3	2	3	4	**3.2**
6	Additional Mill Rate Categories	3	4	1	3	3	**2.8**
7	Property Tax Incentives Expansion	2	2	4	1	4	**2.6**
8	Mill Rate Ratio Adjustment	2	3	1	2	3	**2.2**
9	Downtime and Production Tax Rebates	2	2	2	2	1	**1.8**
10	Income Tax Reduction / Tax Credits	5	4	5	3	4	**4.2**
11	Environmental Remediation	5	2	4	4	3	**3.6**
12	Incentive Based Grants / Shared Investment	4	4	5	4	4	**4.2**
13	Direct Infrastructure Investment Program	5	3	4	4	4	**4.0**

Ranked Scoring

The ranked scoring of all alternatives is included below. Based on their alignment with the principles summarized earlier in the report, the ranking shows the preferred order of alternatives to RMA.

Note: Any alternative that has individual scoring factors at a "1" or "2" (red font below) should be considered to have significant challenges that would require substantial mitigation efforts to address their respective weaknesses.

Rank	Alternative	Average Score
1 (tie)	Incentive Based Grants / Shared Investment	**4.2**
1 (tie)	Income Tax Reduction / Tax Credits	**4.2**
3	Direct Infrastructure Investment Program	**4.0**
4	Environmental Remediation	**3.6**
5	Oil & Gas Royalties Reduction	**3.2**
6 (tie)	Education Property Tax Requisition Adjustments	**3.0**
6 (tie)	Tax Rebate Policy on New Investment	**3.0**
8	Additional Mill Rate Categories	**2.8**
9	Property Tax Incentives (Municipal Government (Property Tax Incentives) Amendment Act and Municipal Government (Machinery and Equipment Tax Incentives) Amendment Act) Expansion	**2.6**
10	Mill Rate Ratio Adjustment	**2.2**
11	Municipal Tax Rebate Policy	**2.0**
12	Downtime and Production Tax Rebates	**1.6**
13	Assessment Manipulation (Current State)	**1.2**

Conclusions

Conclusion 1: Municipal participation in a competitiveness enhancement program will provide limited impact to industry with catastrophic impact to municipalities.

There are significant impacts on the first year of implementation of any of the proposed scenarios presented in the assessment model review. The data cannot identify an option that would provide competitive enhancement to industry and not present disastrous impacts to rural municipalities.[7]

Under all scenarios, the average rural municipality may be required to shift revenue requirements onto other taxpayers. Another alternative would be substantial reductions in service levels to residents to allow for dramatic cuts in municipal workforce. Similar impacts would likely result from other municipally focused approaches in this report, including tax rebates, and property tax incentive expansions, although these approaches are more targeted and transparent that the assessment model manipulation.

Conclusion 2: Policy options utilizing assessment base reductions are not targeted and are too complex to be transparent.

One of the most significant challenges of basing industry support on changing the assessment value of M&E and linear property is the inability to address specific changes in the oil and gas sector. Inflated construction-based cost estimates may be a useful proxy for value when the cost of construction increases over time, but there are many instances of technology, innovation or market forces disjointing the construction costs from the actual value of many assets. The attempt to reconcile this disparity through broad asset grouping produces less accurate assessments and unintended impacts to municipalities and industry. As well, such exercises - at a time when the public is demanding more transparency from all orders of government – exacerbates the lack of understanding of the assessment process and confounds government's ability to explain the equitability of tax systems.

Conclusion 3: Targeted competitive measures are required to support junior firms who are particularly in need.

The analysis of the scenarios has led RMA to question the extent to which they will support the oil and gas companies that are most struggling. Notably, all scenarios disproportionately drive tax savings to large companies at the expense of the smaller players in the industry who anecdotally seem to be the hardest hit by recent economic trends.

In fact, smaller companies are negatively impacted in most of these scenarios and may face significant business risk as a result of the proposed scenarios due to property tax increases. Even the most

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[7] Scenario A does provide the most manageable impact but based on our analysis would require most industry participants to pay more in non-residential tax, defeating the purpose of the changes. Scenario A is not considered in the statement of Conclusions.

aggressive, Scenario D, has relatively minimal positive impact on junior companies, especially in comparison to the relative harm to the municipalities they are operating in.

This pattern is more concerning based on recent research showing the relative financial well-being of large oil and gas producers, and their recent pattern of passing savings along to shareholders at the expense of capital investment and job creation. These proposed changes may have substantial negative impact on competitiveness and employment in Alberta, and potentially exacerbate the already critical issues related to unpaid property taxes and orphan wells.

Conclusion 4: Many tax/assessment incentive programs have a risk of making regional disparities between municipalities worse.

Similar to the impact on industry, not all municipalities have been impacted by the current economic downturn in the same way. Some rural municipalities, mostly larger centres with a high degree of oilsands and refining activity, have seen continued industrial development and a healthy, expanding tax base. Others who rely on older, largely conventional oil and natural gas industrial bases have seen contraction, unpaid property taxes and a lack of new development. These factors have already created substantial regional disparities between the ‘have’ and the ‘have-not’ rural municipalities. The proposed assessment model changes will certainly exacerbate these impacts, and many of the other potential tax/assessment incentive policy options explored in this analysis could as well. It is important to craft any changes to industrial competitiveness in a way that does not unduly burden already struggling municipalities any further.

Principle Scoring Scales

- **Equitable in Cost Sharing**

1	2	3	4	5
Municipalities are mandated to solely support industry in an arbitrary manner that places unrealistic or unsustainable risk to their survival.	Municipalities solely support industry incentives, but the program is designed to target specific industry areas and asset types to limit the impact on municipalities.	Municipalities solely support industry incentives, but the program is designed to scale contributions to municipalities who are best financially able to absorb it to reduce regional disparities.	Industrial tax relief is jointly funded by the GOA and municipalities, but reductions are not calculated base on relative industry tax payment. Municipalities forego a substantially greater proportion of industry tax payments.	Industrial tax relief is proportionally balanced between the GOA and municipalities to reflect the relative tax payments of industry to represent a fair partnership.

- **Equitable in Benefits Sharing**

1	2	3	4	5
Only the largest industrial players benefit under this program.	The large industry players receive a disproportionately higher share of relief/benefit than smaller industry players.	There is an equitable division of benefit across all sizes of industry firms.	The program is structured in a 'needs-based' fashion to ensure that the most challenged industry participants receive the majority of the benefits.	Programs create substantial economic growth that industry, all levels of government and communities benefit from in a fair manner.

- **Tangibility**

1	2	3	4	5
A pure 'trickle down' approach is employed. Tax reduction or benefit with only a hope that companies will use the resources to invest in Alberta-based projects and/or jobs.	Benefits and/or reductions are provided 'up front' but accompanied by a formal agreement as to an understanding of activities that will be undertaken by industry members.	All benefits and/or reductions are put in place before investment or job creation are undertaken but are tied to contractual understanding that they will be forfeited if specific activities are not	Some benefits and/or reductions are put in place before investment or job creation activities commence. Some are delayed until evidence is provided. Concessions are governed by formal agreements that allow for	Tax reductions or benefits are tied to investment or job creation in Alberta. Payments or benefits are only enjoyed after concrete proof of company action is provided.

		undertaken under an agreed upon timeframe.	government repatriation if they do not occur over an agreed upon timeframe.	

- **Sustainability**

1	2	3	4	5
Solutions only address the immediate crisis in oil pricing by providing financial relief to companies. They do not consider impacts to industry or municipalities in subsequent years of operation or incentivize long-term growth or economic development.	Concerns and potential implications of decision for the mid-term are captured and incorporated through anecdotal discussion and applied in a cursory manner when designing and delivering solutions.	Evidence-based analysis is conducted to determine the ramifications of reductions and benefits over a complete business cycle to ensure there is a clear, shared projection of mid-term results.	Impacts of decisions are viewed in a timeframe beyond the current business cycle. Long-term impacts should be projected with the best available evidence to mitigate unintended consequences.	Long term analyses of program impacts are considered through not just a financial lens but through a view of environmental and social impacts as well to provide a holistic assessment of impacts.

- **Transparency**

1	2	3	4	5
Proposals are undertaken with limited public discourse or documentation. Albertans may understand the programs at a high-level but do not have ready access to the details or analysis that shaped them.	Documentation of initiatives are available to the general public, but limited efforts are put in place to support Albertans' understanding of the reasons or projected consequences of these courses of action.	Programs are announced with full details and reasons for action provided but lack publication of projected outcomes. Transparency plans do not account for formal review or reporting of project progress.	Programs are announced with full details, reasons for action and projected outcomes. Transparency plans account for formal review and reporting of project progress.	Measurable actions are planned to ensure Albertans understand the scope, rationale and implications of the solution. Mechanisms are in place to gather and apply public sentiment to adjust the benefit and/or reduction programs, if conditions change in the future.

Rural Municipalities of Alberta

Summary of Changes to Depreciation

Assessment Model Review

August 2020

To date, most of the information RMA has provided to members related to the assessment model review has focused on the impacts of the proposed changes on municipal revenue in the first year of implementation. This information is based on the estimates of changes in the value of (and corresponding changes in tax revenue from) non-residential properties prepared based on data provided by the Government of Alberta.

For most municipalities, these projections are daunting. Even more concerning is that the changes specific to asset depreciation will have even more significant impacts beyond the first year of implementation. During the review process, RMA requested the detailed models forming the basis of each scenario, as well as the assessment data sets used to calculate the first-year impacts in an attempt to better understand the long-term ramifications of the proposed changes. To this point, the province has declined to provide this data.

Historically, many of the assets impacted by the review have been valued using a proxy for original construction cost set in 2005 through the *Construction Cost Reporting Guide* (CCRG) multiplied by cost adjustment factors in a table based on year of construction. The values are then further lowered based on either a set depreciation factor or a schedule of depreciation based on age of the asset.[1] Without the detailed assessment data required to model these changes (particularly the age of specific assets), RMA can only make general comments on the long-term effects of the proposed changes.

In an effort to offset this lack of data and assist members in better understanding how they may be impacted in the long-term, this brief focuses on explaining what RMA views as one of the most concerning aspects of the proposed changes: artificially reducing the value of M&E and linear assets through accelerated depreciation.

Below is a summary of the Government of Alberta's proposed changes to depreciation for three components of the assessment model:

- Linear assessment of wells
- Linear assessment of pipelines
- Machinery & equipment on well sites.[2]

Note that the document reflects changes proposed in scenario D, but all scenarios have similar or in some cases identical depreciation approaches.

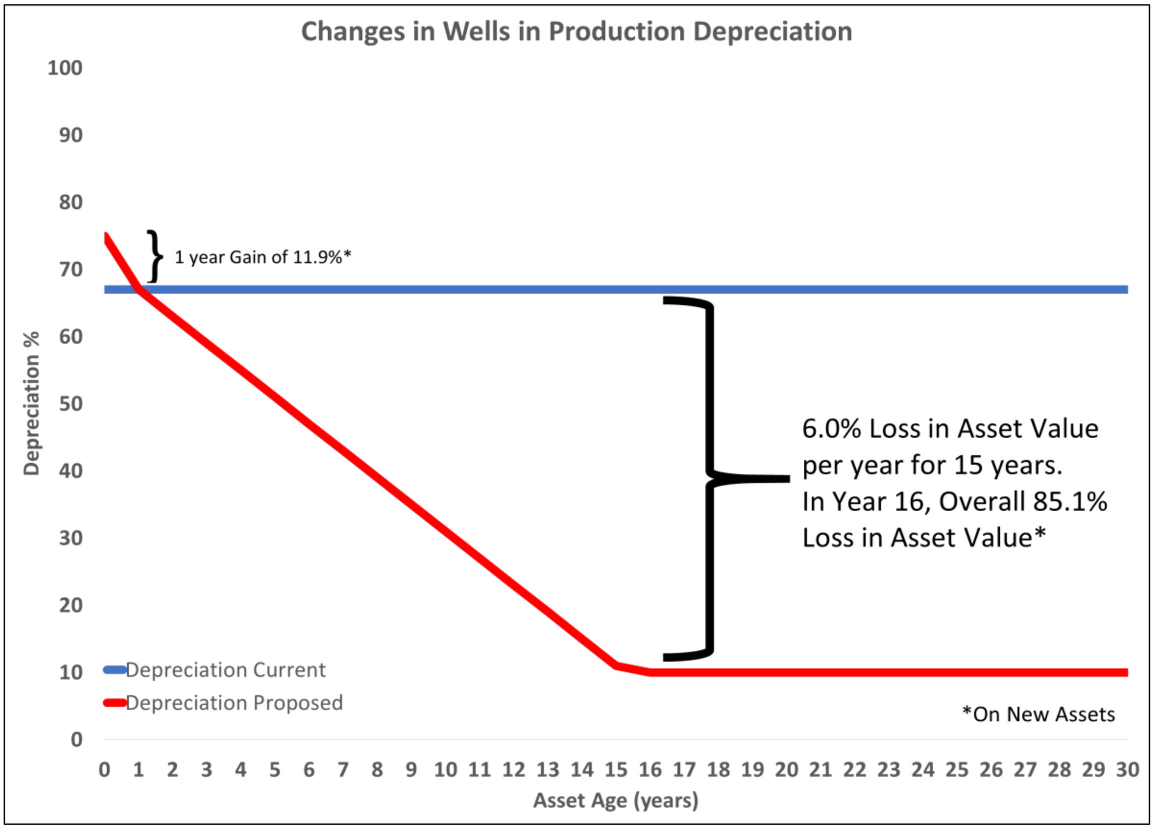
[1] Depreciation is calculated based on effective age of an asset, rather than its chronological age. Maintenance investment in the asset should increase or maintain an asset's effective life. Additional changes to assessment practices, including changes to reporting, or a reduction of in-person inspections could also have significant impacts on the depreciation of assets.

[2] It should be noted that all charts and examples provided are based on the proposed changes under Scenario D provided by MA. This is the most extreme alternative, in terms of impact in Year 1, but it is also the option being most strongly supported by industry advocates. In fact, the Canadian Association of Petroleum Producers (CAPP) has endorsed Scenario D, stating publicly that "no other option is acceptable."

Linear Assessment of Wells

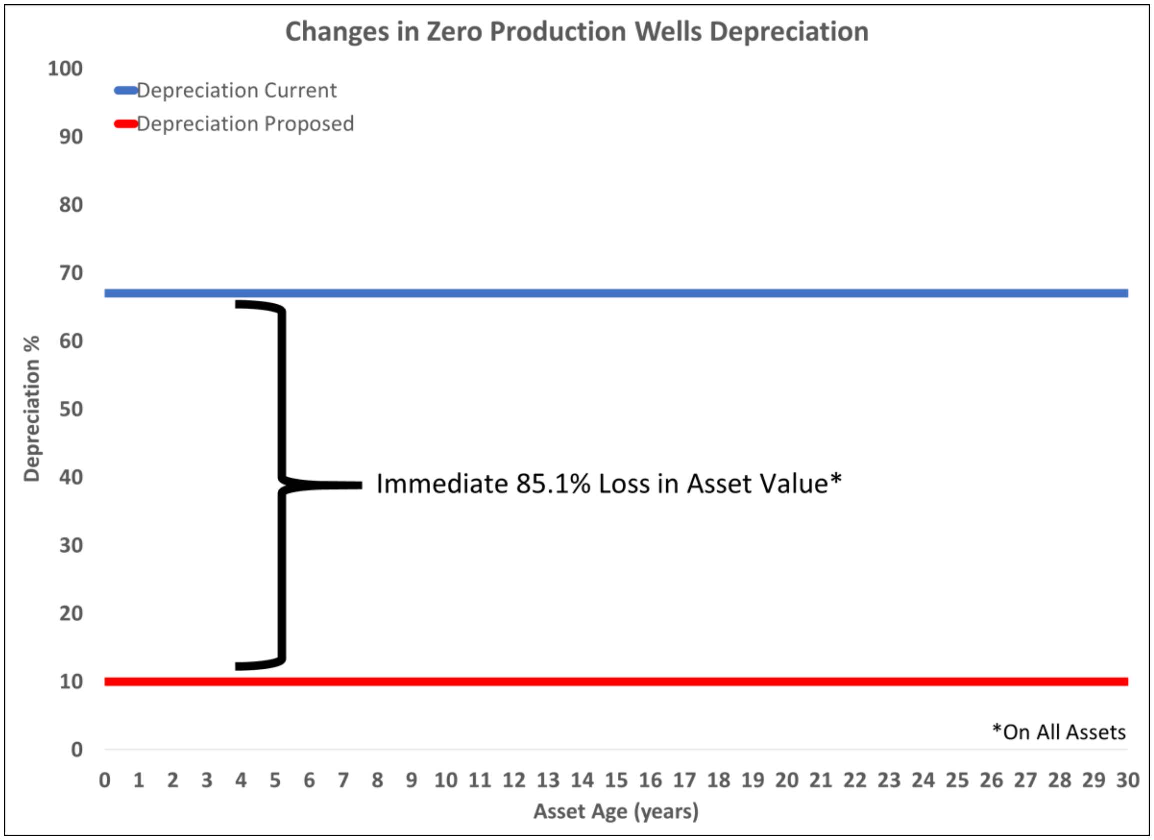
Overview

All of the proposed scenarios introduce a straight-line model for depreciation of wells to replace the existing statutory factor of 0.67. The result is that rather than assessing a well based on a worth that is 67% of its construction cost (further adjusted with other factors) and maintaining that level for its life, depreciation will now be treated using a much more aggressive approach, which eventually results in the well being assessed at a value of 10% of its construction cost in 16 years.



After a brief assessment increase in the first year, the impact of this change is staggering, as the well would lose 85.1% of its asset value (compared to the current model) in 16 years.

An even more dramatic approach is proposed if the well goes out of production. It would immediately shift to 10% of its construction cost regardless of asset age.



Change Summary

	Current Model	Scenario D
Depreciation	A set factor of 0.67 (67% asset value applied)	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	Production	0.10 for zero production. Maximum depreciation is 0.10.
Statutory Level or Adjustment Factor		SAGD receives a 0.65 factor

Example

A company has an operating five-year old well that after costing, assessment year modifier (AYM) and any special depreciation (ministerial prerogative) has a remaining value of $30,000.

Under the current model, a standard 0.67 depreciation factor would be applied, allowing a municipality to apply their mill rate on $20,100 of value. Under the new model, the straight-line depreciation would apply. This change would result in a factor of 0.51 for a five-year old well, making the value for taxation purposes $15,300; a significant but somewhat manageable drop in tax revenue of 23.5% ($264 to $201 in tax)[3] compared to a five-year old well under the current model.

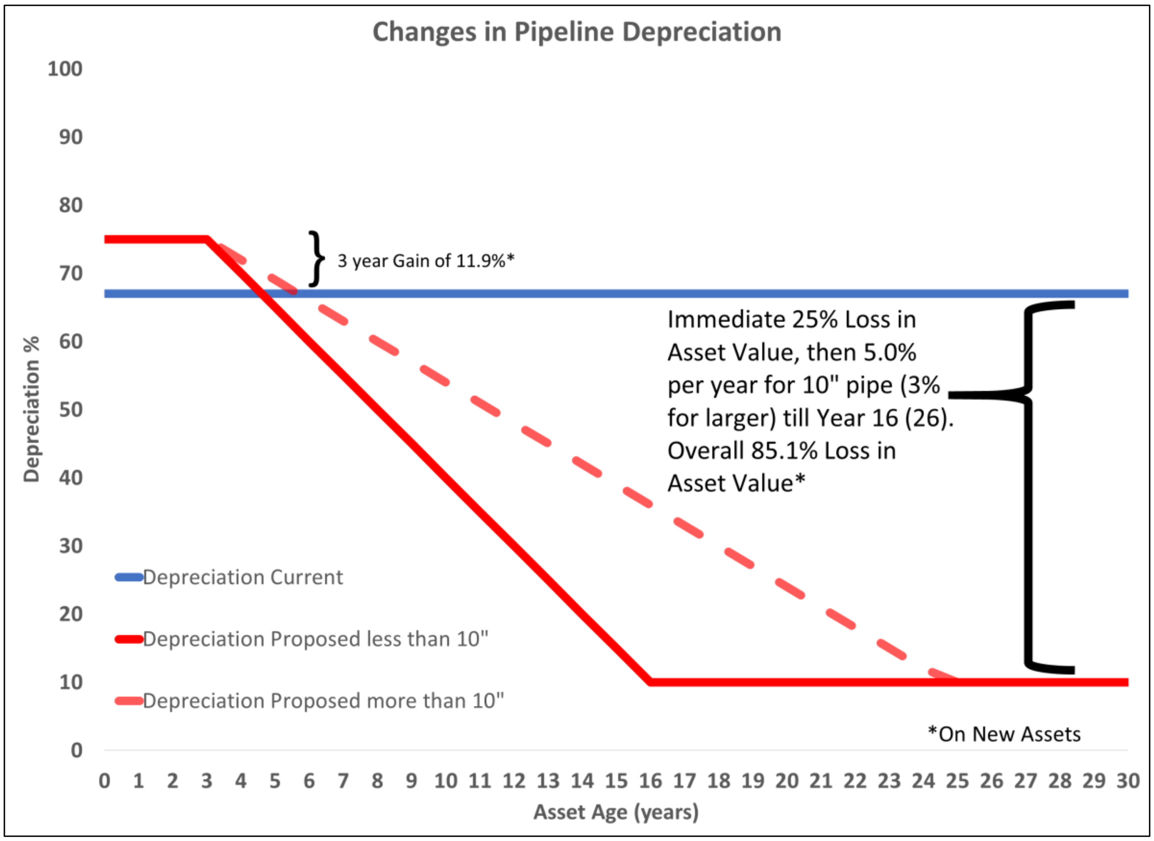
However, if this new depreciation model is applied to a 16-year old well, the depreciation factor would be 0.10, reducing the taxable value to $3000, resulting in a reduction in tax revenue of 85% ($264 to $39) compared to the current model.

[3] Assumes a non-residential mill rate of 0.01311659 which is the average of RMA members.

Linear Assessment of Pipelines

Overview

Depreciation of pipeline assets would be treated similarly to wells, moving from a set factor of 0.67 to a straight-line depreciation model. Again, this would result in a brief (three-year) assessment increase compared to the status quo followed by a sharp decrease in value (the extent dependent on whether it is larger or smaller than 10-inch pipe) resulting in the 85.1% loss compared to current at 16 or 26 years of life.



Change Summary

	Current Model	Scenario D
Depreciation	A set factor of 0.67 (67% asset value applied)	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.

Additional Depreciation	n/a	0.95 for CFB Suffield.

Example

A company installs a new 8" pipeline that after costing, assessment year modifier (AYM) and any special depreciation (ministerial prerogative) had a remaining value of $30,000.

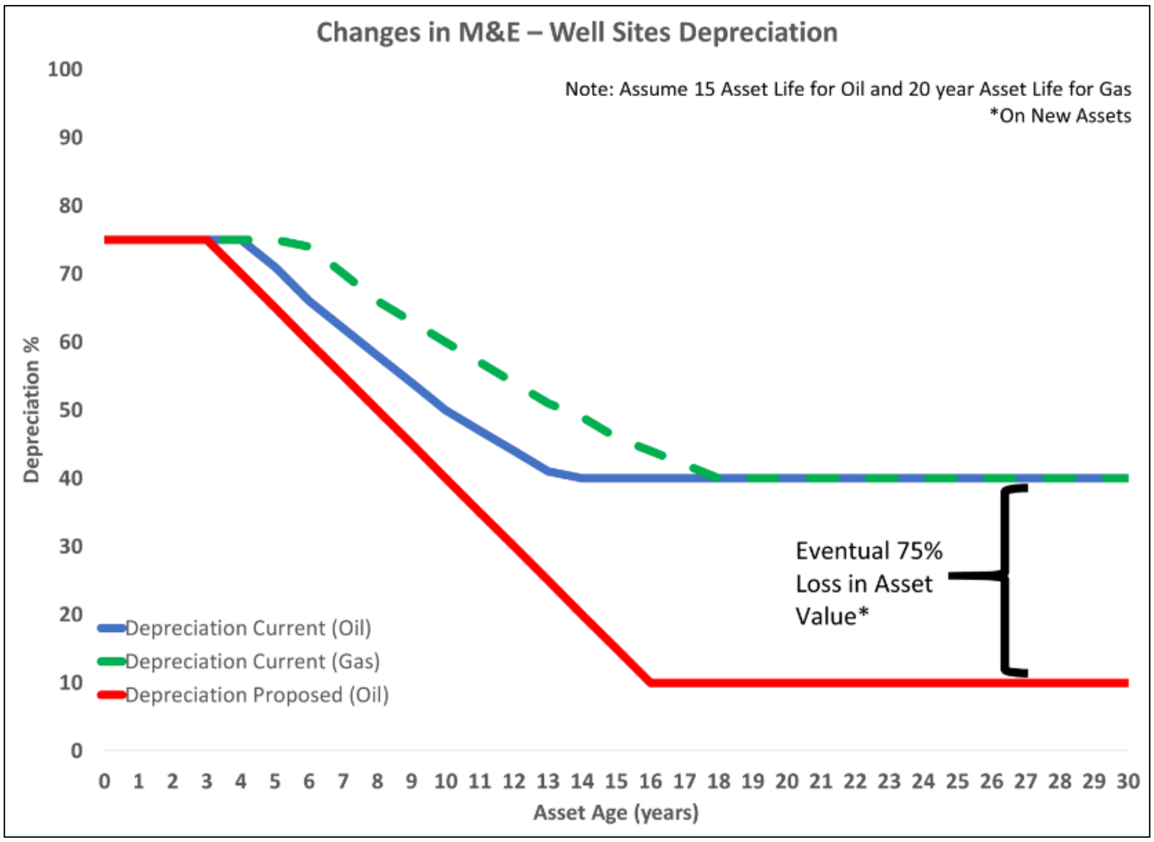
Under the current model, a standard 0.67 depreciation factor would be applied to the pipeline, allowing a municipality to apply their mill rate on $20,100 of value. Under the new model, straight-line depreciation would be applied and the initial (three-year) factor of 0.75 would provide a modest improvement in valuation allowing the municipality to tax a value of $22,500, an increase in tax revenue of 12.5% ($295 instead of $264) for the first three years of the pipeline's life.

However, when the pipeline is 10 years old, the depreciation factor would be 0.40, reducing the taxable value to $12,000, a drop in tax revenue of 40%. The corresponding calculation for a 16-year old pipeline would result in the use of 0.10 as a factor resulting in a taxable value of $3000 and an 85% drop in tax revenue ($264 to $39) from the a 16-year old pipeline under the current model.

Machinery & Equipment (M&E) on Well Sites

Overview

M&E on well sites is currently assessed using a series of schedules based on the expected life of the asset from 10 years to 60 years. All tables provide an immediate 25% reduction in adjusted construction cost, then decrease over the estimated life of the asset (not actual production) until reaching 40% of adjusted value, where depreciation remains until the asset is decommissioned. The proposed changes would maintain 25% depreciation for the first four years of an asset's life but would then drop dramatically over the next 12 years before reaching a floor of 10% of adjusted cost regardless of productivity or value.



Change Summary

	Current Model	Proposed Scenario D
Depreciation	Depreciation schedules are set for assets based on their expected life from 10 years to 60 years. All eventually have a maximum depreciation of 40%.	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	n/a	Loss in value from site-specific causes.
Statutory Level or Adjustment Factor		Legislated 77%.

For older assets, the changes may appear to result in a 30% drop in assessment value (from 40% to 10%). However, this actually would immediately remove 75% of the asset's assessed value (and associated tax revenue).

Conclusion

This brief has focused on only the depreciation aspects of the Government of Alberta's proposed changes to the assessment model of regulated oil and gas properties. Depreciation was highlighted to provide insight into the likely long-term impacts of the adoption of any of the proposed scenarios. However, even with the limited information that has been shared, RMA is confident that the long-term impacts of the depreciation model changes alone will be very detrimental to members, regardless of which scenario is selected for implementation. RMA is also confident that due to the proposed changes to depreciation, the long-term impacts of the changes will impact nearly all rural municipalities even more substantially than the single-year snapshots that have been developed based on available data.

It must be stressed that the analysis above applies to only one of the four schedules attached to the Minister's Guidelines. Without access to actual municipal assessment data, RMA has no way to project the full impacts of these complex adjustments. This complexity and confusion not only reflects the lack of transparency of the current review process, but reinforces the rationale for RMA's opposition to the use of assessment valuation as a means to implement tax policy.