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July 28, 2020

Re: Impacts of Assessment Model Changes on the MD of Pincher Creek No. 9 (MD)

Attn : MLA Roger Reid, Livingstone-MacLeod

Dear MLA Reid,

Our MD is extremely concerned with and oppose the changes to the assessment model for regulated properties such as wells and pipelines that was announced recently. The changes are intended to enhance oil and gas industry competitiveness, but will have serious impacts on municipalities across Alberta. As your riding includes our MD, it is critical that you are aware of the impacts these changes will have on our ability to provide services and maintain infrastructure, as well as the burden such changes may place on other property owners in the municipality.

Based on the various potential changes presented by the province, our MD would be required to:

- increase the residential tax rate between 32% and 35%, or
- increase the non-residential tax rate between 13% and 15%, or
- reduce full-time employment between 24% and 27%

Raising tax rates to off-set the impacts of the assessment model change will have the effect of simply transferring taxes from the oil and gas industry to other businesses and residents.

In reality, we may be forced to enact a combination of all three changes, as well as reduce service levels and intermunicipal collaboration agreements to remain viable. These changes will impact not only our municipality and the services we provide to our residents and businesses, but the entire region. Please find attached to this letter a short summary of how the changes will impact us locally.

As MLA for Livingstone-MacLeod, we rely on you to serve as a provincial government champion for our municipality, our municipal neighbours, and area residents and businesses. Right now, we badly need your support in urging your government colleagues (particularly the ministers of Municipal Affairs and Energy and the Associate Minister of Natural Gas and Electricity) to reconsider these changes and work with municipalities to better understand their impacts. The MD, and many others across Alberta, are proud supporters and partners of the oil and gas industry, and deserve to be part of the solution to industry competitiveness, rather than have be forced to absorb crippling changes to the assessment model.

We would be pleased to provide you with further information on this issue. We would also encourage you to contact the Rural Municipalities of Alberta for more information on the province-wide impacts of the changes.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian C. Hammond". The signature is fluid and cursive, with a long horizontal stroke at the end.

Reeve Brian C. Hammond
MD of Pincher Creek No. 9

cc: Al Kemmere,
President, Rural Municipalities of Alberta

MD OF PINCHER CREEK - ASSESSMENT MODEL REVIEW

IMPACTS REPORT

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	\$-108,443,209 (-7%)	\$-109,758,588 (-7%)	\$-113,587,184 (-7%)	\$-117,153,625 (-8%)
M&E Assessment Base Loss (%)	-6%	-6%	-6%	-6%
LP Assessment Base Loss (%)	-15%	-15%	-15%	-16%
M&E Tax \$ Loss (2019 Mill Rate)	\$-93,433	\$-93,433	\$-93,433	\$-93,433
Linear Tax \$ Loss (2019 Mill Rate)	\$-919,426	\$-931,712	\$-967,471	\$-1,000,782
Percent Loss of Total Revenue	-6%	-6%	-6%	-6%

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	32.4%	32.8%	33.9%	35.0%
OR				
Non-Residential Mill Rate Increase (Excluding 5:1 limits)	13.5%	13.7%	14.3%	14.8%
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)	24.2%	24.5%	25.4%	26.2%
FTE's at risk	8.48	8.58	8.88	9.16
OR				
Total Expense Reduction % (including capital infrastructure investment)	7.21%	7.30%	7.55%	7.79%
OR				
Time shortfall can be covered by Unallocated Reserves (months)	15	15	14	14