



## AGENDA ITEM

### Cancellation of Outstanding Property Taxes

November 7, 2019

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#### **BACKGROUND**

Over the past several years, the County has seen firsthand the struggles of the oil and gas industry in Alberta. This firsthand experience is most evident in the County's balance of unpaid taxes related to oil and gas wells, pipelines, and other facilities. Despite ongoing measures to collect outstanding taxes, events outside of the control of the County mean that collection of these taxes cannot be achieved. In some instances, the bankruptcy process for some of these assessment sites started over three years ago and is now just nearing completion.

The number of oil-based bankruptcies encountered by the County over the past 12 months has slowed as companies have shed a number of unproductive and costly wells. As Council has seen most recently, the natural gas industry is also going through a prolonged period of low commodity prices. Even with the Province's Shallow Gas Tax Relief Initiative, the County may see further consolidation in this industry.

Bankruptcies, receiverships and outright abandonment of well licenses means there is no longer a capacity on the part of the County to collect taxes from these properties. Since these taxes are not levied on the land on which these improvements are located, the recourse provided to the County is limited. This recourse has been further restricted due to a number of court cases which have established environmental costs as a priority claim over all other liabilities. As a result, municipalities have a much lower position in the bankruptcy process.

The proposed list of write-offs reflects those where bankruptcy, receivership or other proceedings have been completed and balances remain outstanding and uncollectable, or it has become clear that the secured creditor claims far exceed the assets of the company.

Administration is seeking Council's approval to cancel the subject taxes.

#### **ANALYSIS**

The last time Council cancelled taxes related to oil and gas tax accounts was in December of 2018 as part of the process related to the Province's Provincial Education Requisition Credit Program. In order to apply for the provincial education requisition credit, the balances must be cancelled, and the credits



applied to the tax accounts before the end of year. The amount to be claimed is the school portion related to the years 2015 to 2019 and will apply only to the school tax levy portion. Penalty balances are not eligible.

Administration is bringing forward a list assessment roll accounts for write-off as attached in Schedule 1. The total amount of write-offs on this list is \$599,842.

The County still has an additional \$505,147 (before December penalty) in outstanding taxes related to oil and gas improvement taxes that are at risk of nonpayment. Approximately, \$94,000 involves companies already insolvent. The County continues to work with the receivership and bankruptcy processes to collect additional payments towards these balances. Additions to the County's allowance for uncollectable taxes will have to be made in 2019 to help offset this risk.

These balances do not reflect the amounts Council cancelled as part of the Province's Shallow Gas Tax Relief Initiative

## **ALTERNATIVES**

1. Cancel the outstanding property taxes and late payment penalties.
2. Do not cancel the outstanding property taxes and late payment penalties.
3. Provide further direction to Administration regarding this matter.

## **BUDGET IMPLICATIONS**

Lacombe County has an "Allowance for Uncollectable Taxes" account that is used to fund the cancellation of taxes deemed to be uncollectable. The rationale in establishing and maintaining this account is to eliminate any impact to the County's operating budget in the respective year that a significant tax cancellation is made. The current balance in this account is \$662,201 and already included an allowance for 2018 uncollectable amounts. The allowance will be updated based on forecasts for 2019 taxes.

Of the \$599,842 to be written off, \$504,014 will be taken from the allowance account and the remaining \$95,828 will be applied against the 2019 tax levy and penalty accounts (the year in which these taxes were levied).

## **LEGISLATIVE RESPONSIBILITIES**

The Municipal Government Act (MGA) provides Council with the authority to cancel property taxes. Section 347(1) of the MGA states that "if a Council considers it equitable to do so, it may, generally or with respect to a particular



taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions 1) cancel or reduce tax arrears, 2) cancel or refund all or any part of a tax, or 3) defer the collection of a tax”.

Section 248(1)(a) of the MGA states that a municipality may only make an expenditure that is included in an operating budget, interim operating budget or capital budget unless otherwise authorized by Council.

## STRATEGIC PLAN

- Core Strategy– “Finance”,
  - Strategic Priority Manage the financial assets of the County in order to obtain maximum value.

## RECOMMENDATION

That Council pass the following resolution:

*That the outstanding property taxes and late payment penalties charged to the roll numbers identified in Schedule 1 be cancelled, and further, that \$504,014 of the balance be funded from the “Allowance for Uncollectable Taxes” account and the remaining \$95,828 be funded from the 2019 operating budget.*

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**PREPARED BY:** Michael Minchin, Manager of Corporate Services

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**REVIEWED BY:** Tim Timmons, County Manager

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**Schedule 1  
Lacombe County  
2019 Oil & Gas Property Tax Write-off List**

<u>Roll #</u>	<u>Name</u>	<u>Total</u>
554203	GLENCOE RESOURCES LTD.	\$112,573.58
4025276151	GLENCOE RESOURCES LTD.	\$2,168.51
4025346062	GLENCOE RESOURCES LTD.	\$1,118.06
4124026161	GLENCOE RESOURCES LTD.	\$602.75
4124116012	GLENCOE RESOURCES LTD.	\$754.61
4124186021	GLENCOE RESOURCES LTD.	\$2,112.27
4124206151	GLENCOE RESOURCES LTD.	\$2,359.27
4124206161	GLENCOE RESOURCES LTD.	\$681.32
4124216161	GLENCOE RESOURCES LTD.	\$2,204.64
4124286082	GLENCOE RESOURCES LTD.	\$13,314.78
4125026061	GLENCOE RESOURCES LTD.	\$1,688.55
4125026112	GLENCOE RESOURCES LTD.	\$18,409.50
4125026121	GLENCOE RESOURCES LTD.	\$742.69
4125046031	GLENCOE RESOURCES LTD.	\$874.46
4125046041	GLENCOE RESOURCES LTD.	\$6,268.13
4125116131	GLENCOE RESOURCES LTD.	\$1,492.99
4125166041	GLENCOE RESOURCES LTD.	\$1,914.07
4125226051	GLENCOE RESOURCES LTD.	\$15,963.94
4125256011	GLENCOE RESOURCES LTD.	\$24,215.95
4125366061	GLENCOE RESOURCES LTD.	\$2,295.05
550104	HORSESHOE BAY RESOURCES LI	\$259.40
550214	MANITOK ENERGY LTD.	\$12,491.34
4103016051	MANITOK ENERGY LTD.	\$772.39
4103016091	MANITOK ENERGY LTD.	\$1,672.55
4103016092	MANITOK ENERGY LTD.	\$421.49
4103016101	MANITOK ENERGY LTD.	\$4,114.61
4103106101	MANITOK ENERGY LTD.	\$13,382.56
4103106121	MANITOK ENERGY LTD.	\$498.41
4103116021	MANITOK ENERGY LTD.	\$818.29
4103116061	MANITOK ENERGY LTD.	\$3,322.67
4103116111	MANITOK ENERGY LTD.	\$1,345.64
4103326071	MANITOK ENERGY LTD.	\$3,146.92
550203	QUATTRO EXPLORATION & PROD	\$169,175.45
3823196161	QUATTRO EXPLORATION & PROD	\$5,723.23
4122296041	QUATTRO EXPLORATION & PROD	\$7,414.54
4122316161	QUATTRO EXPLORATION & PROD	\$8,514.07
4122336121	QUATTRO EXPLORATION & PROD	\$7,062.61



<u>Roll #</u>	<u>Name</u>	<u>Total</u>
550204	QUESTFIRE ENERGY CORP.	\$29,606.28
3925136051	QUESTFIRE ENERGY CORP.	\$678.58
3925176051	QUESTFIRE ENERGY CORP.	\$1,215.56
4021076071	QUESTFIRE ENERGY CORP.	\$13,259.19
4021076131	QUESTFIRE ENERGY CORP.	\$1,152.87
4025016111	QUESTFIRE ENERGY CORP.	\$677.30
4028026141	QUESTFIRE ENERGY CORP.	\$2,654.52
4125346101	QUESTFIRE ENERGY CORP.	\$1,786.28
4128116111	QUESTFIRE ENERGY CORP.	\$3,128.90
3824096141	REGENT RESOURCES LTD.	\$1,852.99
3825176051	REGENT RESOURCES LTD.	\$2,237.34
3825176061	REGENT RESOURCES LTD.	\$982.44
3825236011	REGENT RESOURCES LTD.	\$2,161.80
3825236051	REGENT RESOURCES LTD.	\$2,680.51
550175	SCOLLARD ENERGY LTD.	\$52,927.20
3928246081	SCOLLARD ENERGY LTD.	\$1,441.76
3928256021	SCOLLARD ENERGY LTD.	\$1,497.42
3928256141	SCOLLARD ENERGY LTD.	\$1,976.06
3928346081	SCOLLARD ENERGY LTD.	\$2,061.58
4001056071	SCOLLARD ENERGY LTD.	\$1,257.28
4001256121	SCOLLARD ENERGY LTD.	\$1,416.67
4001366041	SCOLLARD ENERGY LTD.	\$1,545.76
4002356061	SCOLLARD ENERGY LTD.	\$1,777.94
4027186161	SCOLLARD ENERGY LTD.	\$1,552.32
4028136031	SCOLLARD ENERGY LTD.	\$3,346.98
4028136041	SCOLLARD ENERGY LTD.	\$1,479.63
4028206032	SCOLLARD ENERGY LTD.	\$1,544.73
4101106072	SCOLLARD ENERGY LTD.	\$1,017.76
4101156101	SCOLLARD ENERGY LTD.	\$1,016.65
4102046022	SCOLLARD ENERGY LTD.	\$1,138.94
4103316151	SCOLLARD ENERGY LTD.	\$1,413.74
3901166051	SUMMERFIELD ENERGY INC.	\$4,666.98
4124286081	TERRA ENERGY CORP	\$797.10
		\$599,842.35