



## AGENDA ITEM

### Rally Canada Resources Ltd. Tax Payment Plan

September 23, 2021

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#### **BACKGROUND**

Rally Canada Resources Ltd. has oil and gas wells and pipelines as well as other assessed oil and gas properties in the County. The 2021 property taxes for these assets amounted to \$112,075, which remain unpaid. In addition to 2021, 2020 taxes and penalties are also outstanding. The total outstanding is \$253,922.

To address this outstanding balance Rally has submitted a request seeking to establish a payment plan for the 2020 and 2021 property taxes.

A copy of the letter is attached.

#### **ANALYSIS**

The proposal from Rally Canada, dated September 1, 2021, is to make 6 equal monthly payments of \$38,954 per month starting September 2021 and concluding in February 2022. In exchange, the County would agree to cancel any 2021 penalties (which have not yet been levied) as well the 2020 penalties. The 2020 penalties amount to \$20,194.83

The proposal is likely a reflection of the financial state of the oil and gas sector and the company itself earlier this year. However, oil and gas prices have rebounded significantly over the summer.

The letter from Rally points out specific circumstances related to their operations. These circumstances do raise the issue of Rally's ability to meet its obligations under this proposal. Insolvency has been a risk for many oil and gas companies during the pandemic and Rally would be no different. With no production currently taking place this risk remains whether the County agrees to the payment arrangement or not.

Council has repeatedly said no to any payment arrangements that involve penalty or tax forgiveness. Administratively it is difficult to support a request when others have been denied.

Unlike other requests, the Company is proposing to make payments that would cover all accounts. However, there is no guarantee that the Company will be able to follow through on this commitment.



If the County does say no and Rally is not able to resume operations, then the County will have forgone any payments.

The County has identified these tax accounts as “at risk” and has established allowances in the event the 2020 taxes and penalties are not recovered. The 2021 taxes would affect the 2021 financial position of the County.

## **ALTERNATIVES**

1. Approve the request as presented.
2. Deny the request.
3. Direct Administration on another course of action.

## **BUDGET IMPLICATIONS**

The County has established allowances to cover the 2020 levies and penalties owed by Rally. There will be risk that the 2021 and penalties are not paid. Whether Rally makes payment or not, the County will continue to deem the company “at risk” and will establish allowances accordingly for 2021.

There is no budget established for these allowances. Allowances are allocated as part of the year end process and applied against the current year operating surplus.

## **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.

## **PUBLIC PARTICIPATION**

The County’s public engagement will be limited to informing the public of Council’s decision on this matter as well as communicating Council’s decision to Rally Canada Resources Ltd.



**STRATEGIC PLAN**

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

**RECOMMENDATION**

That Council defeat the following resolution:

*That Council approve the payment plan proposed by Rally Canada Resources Ltd, dated September 1, 2021, for the 2020 and 2021 property taxes related to the following property assessment numbers:*

- 0000550064
- 4024346011
- 4025356031
- 4025366161
- 4123016061
- 4123096021
- 4123126051
- 4123236061

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