



## Council Meeting

Jubilee Centre Council Chamber  
9909 Franklin Avenue, Fort McMurray

Tuesday, April 26, 2011  
6:00 p.m.

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### Agenda

#### Call to Order

#### Opening Prayer

#### Adoption of Agenda

#### Minutes of Previous Meetings

1. Regular Meeting – April 12, 2011

#### Delegations

2. Billy Graham, Penhorwood Condo owner, re: Evacuation of Penhorwood Condos

*Those individuals in attendance at the meeting will be provided with an opportunity to address Council regarding an item on the agenda, with the exception of those items for which a Public Hearing is required or has been held. Consistent with all delegations, each presentation will be allowed a maximum of five minutes.*

#### Public Hearings and Related Reports

3. Bylaw No. 11/008 – Land Use Bylaw Amendment – Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663 (Waterfront Towers)
  - Public Hearing
  - Consideration of 2<sup>nd</sup> and 3<sup>rd</sup> readings

**Reports**

4. 2011 – 2014 Fiscal Management Strategy
5. Fiscal Responsibility Policy
6. Uncommitted Emerging Issues Reserve Transfers

**Bylaws**

7. Bylaw No. 11/012 – 2011 Property Tax Rate Bylaw (1<sup>st</sup> reading)

**New and Unfinished Business**

**Reporting - Boards and Committees**

**Adjournment**

**Unapproved Minutes of a Meeting of the Council of the Regional Municipality of Wood Buffalo held in the Council Chambers at the Municipal Offices in Fort McMurray, AB, on Tuesday, April 12, 2011, commencing at 6:00 p.m.**

**Present:** P. Meagher, Deputy Mayor  
M. Allen, Councillor  
D. Blair, Councillor  
L. Flett, Councillor  
S. Germain, Councillor  
D. Kirschner, Councillor  
D. Scott, Councillor  
J. Stroud, Councillor  
R. Thomas, Councillor  
A. Vinni, Councillor

**Absent:** M. Blake, Mayor

**Administration:** K. Kloss, Acting Chief Administrative Officer  
S. Kanzig, Chief Legislative Officer  
A. Rogers, Senior Legislative Officer  
M. Laing, Legislative Assistant

**Call to Order**

Deputy Mayor Meagher called the meeting to order at 6:03 p.m.

**Opening Prayer**

Deputy Mayor Meagher invited those so inclined to join him in Prayer.

**Agenda**

11-096 Moved by Councillor Thomas that the agenda be adopted as presented.

CARRIED UNANIMOUSLY

**Minutes**

**1. Council Meeting – March 22, 2011**

11-097 Moved by Councillor Allen that the minutes of the regular meeting held on March 22, 2011 be approved as presented.

CARRIED UNANIMOUSLY

**Delegations**

Mr. Jim Rogers, resident, spoke to River Break-up 2011, making specific reference to the need for further flood abatement measures in Waterways.

11-098 Moved by Councillor Allen that the presentation made by Mr. Jim Rogers be received as information.

CARRIED UNANIMOUSLY

### **Presentations**

**2. Rene Wells, Director, Emergency Management, Rebecca Wade, Deputy Director, Emergency Management and Andun Jevne, Alberta Environment re: River Break-up 2011 Update**

Rene Wells, Rebecca Wade and Andun Jevne were in attendance and spoke to the conditions and factors of River Break 2011. They explained the risk of flooding and expressed the importance of preparedness and what people should do in case of an emergency.

11-099 Moved by Councillor Thomas that the presentation made by Mr. Rene Wells, Director, Emergency Management re: River Break-up 2011 be received as information.

CARRIED UNANIMOUSLY

### **Bylaws**

**3. Bylaw No. 11/008 – Land Use Bylaw Amendment – Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663**

11-100 Moved by Councillor Thomas that Bylaw No. 11/008, being a Land Use Bylaw amendment specific to Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663 (located adjacent to River Pointe Shops), be read a first time.

CARRIED UNANIMOUSLY

### **Reports**

**4. Appointments to Council Committees**

11-101 Moved by Councillor Kirschner that the following appointments be approved, effective April 12, 2011:

**Communities in Bloom Committee** - Francis Glover to December 31, 2011; and

**Regional Advisory Committee on Inclusion, Diversity and Equality** - Nisha Muchalla to December 31, 2011

CARRIED UNANIMOUSLY

**5. Events Wood Buffalo**

11-102 Moved by Councillor Allen that funding, to a maximum of \$250,000 be accessed from the 2011 Community Services Operating Budget for the purpose of providing loss protection to Events Wood Buffalo for the 2011 Canada Rocks celebration; and

THAT in the event the entire amount required cannot be accommodated within the 2011 Community Services Operating Budget, the balance be funded from the 2011 Operating Budget corporate surplus; and

THAT in the event the 2011 Operating Budget corporate surplus is insufficient or non-existent, the funds be accessed from the 2011 Emerging Issues Reserve; and

THAT Administration be authorized to enter into an agreement with Events Wood Buffalo regarding the use of the \$250,000 funding.

CARRIED UNANIMOUSLY

**New and Unfinished Business**

**Reports on Boards and Committees**

There were no updates on Boards and Committees

**Adjournment**

11-103 Moved by Councillor Thomas that the meeting be adjourned.

CARRIED UNANIMOUSLY

The meeting adjourned at 7:01 p.m.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Legislative Officer



## Council Meeting Presentation Request

Completed requests to make a public presentation must be received by 12:00 noon on the Wednesday immediately prior to the scheduled meeting. Presentations are a maximum of 5 minutes in duration.

<b>Presentation Information</b>	
<b>Preferred Date of Presentation</b>	Tuesday, April 12, 2011
<b>Name of Presenter(s)</b>	Billy Graham and/or other Penhorwood condo owner
<b>Organization Represented</b>	Penhorwood Condo Owners
<b>Topic</b>	Evacuation of Penhorwood Condos
<b>Please List Specific Points/Concerns</b>	<p>On March 11, 2011 the Building Safety codes Officer for the Regional Municipality of Wood buffalo issues an order to vacate the seven condo buildings which comprise Penhorwood Place due to structural failures. Residents were given 15 minutes notice just before midnight on a Friday evening to leave their homes. Residents were allowed an additional 15 minutes notice just before midnight on a Friday evening to leave their homes. Residents were allowed an additional 15 minutes some days later to collect their personal effects, leaving most of their possessions behind. Due to the rapidly deteriorating condition of the buildings and failure of structural geotechnical and other systems, residents have not been permitted to return to their homes. They may never be able to return to their homes again. Over 300 residents lost their homes and 168 owners lost their investment. Many lost both. The condo owners believe this tragedy was caused by poor and/or negligent construction and a substandard municipal permitting and inspection process.</p>
<b>Action Being Requested of Council</b>	<ol style="list-style-type: none"> <li>1. Financial relief for Penhorwood condo owners by waiving their obligation to pay municipal property taxes and municipal utility charges until such a time the owners are able to re-occupy their homes, and</li> <li>2. Work with Wood Buffalo Housing to implement both short and long-term housing strategies for Penhorwood residents in dire need, and</li> <li>3. Ensure the Penhorwood Task Force has the mandate, resources and authority to provide ongoing, timely and effective assistance to Penhorwood residents in dire need, and</li> <li>4. Undertake an immediate review of the municipal permitting and inspection processes for the purpose of guaranteeing a process that enforces all safety and construction codes, that protects the physical safety of residents and that ensures the sound construction of all buildings in the region.</li> </ol>

**Subject: Bylaw No. 11/008 – Land Use Bylaw Amendment –  
Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan  
1025663 (Waterfront Towers)**

**APPROVALS:**

Glen Laubenstein, Chief Administrative Officer  
Samuel Alatorre, Director

**Administrative Recommendation:**

THAT Bylaw No. 11/008, being a Land Use Bylaw amendment specific to Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663 (located adjacent to River Pointe Shops), be read a second time.

THAT Bylaw No. 11/008, be read a third and final time.

**Summary:**

An application has been received to amend the Land Use Bylaw specific to Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663 to redesignate the land from Direct Control District (DC) to High Density Residential District (R4).

The authority to amend the Land Use Bylaw is vested with Council under the Municipal Government Act.

**Background:**

This application is the result of a proposal to develop high-rise residential buildings in the Lower Townsite along the proposed Prairie Loop Boulevard alignment (Attachment 2).

On August 12, 2008, an application was made to redesignate one lot owned by the applicant from Direct Control District (DC) to High Density Residential District (R4). To facilitate both the Municipality and the applicant's plans for the area, the amendment application was put on hold by the Planning and Development Department in early 2009 to allow for a land exchange process to be negotiated between the parties.

On June 8, 2010, the land exchange between the applicant and the Municipality was approved by Council, allowing Administration to proceed with the Land Use Bylaw amendment application.

**Rationale for Recommendation:**

Administration supports this amendment application as it is in line with the recommendations of the Lower Townsite Area Redevelopment Plan. In the Plan the subject area is designated

Medium High Density Residential “given its proximity to work and retail opportunities and accessibility to the riverfront park system.”

By amending the Land Use Bylaw, the resulting increase in residential density will promote a more efficient use of land and contribute to improving the residential character of the area, and support the vision of the Lower Townsite Area Redevelopment Plan.

Administration has noted that the proposed development is in the flood plain area; however, plans for the proposal indicate that the elevation of the development is above the flood risk contour (250.0m) and aligns with the Land Use Bylaw (Section 60). Plans for the proposal also include an underground parkade, but any flooding concerns would be addressed during the development permit application process.

Other flood mitigation strategies include the proposed Prairie Loop Boulevard alignment, which is located between the subject properties and the Clearwater River. Prairie Loop Boulevard will be built at an elevation of 248.5m, and studies by Administration indicate that the road would act as a flood barrier in this area of the Lower Townsite.

Administration supports the proposed amendment and recommends that Bylaw No. 11/008 be given first reading to allow for the scheduling of a public hearing.

**Attachments:**

1. Bylaw No. 11/008
2. Subject Area Map



**BYLAW NO. 11/008**

**BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO AMEND LAND USE BYLAW NO. 99/059.**

**WHEREAS** Section 639 of the *Municipal Government Act*, R.S.A., 2000, c.M-26 and amendments thereto requires Council to enact a Land Use Bylaw;

**AND WHEREAS** Section 191(1) of the *Municipal Government Act*, R.S.A., 2000, c.M-26 and amendments thereto authorizes Council to adopt a bylaw to amend a Land Use Bylaw;

**NOW THEREFORE**, the Council of the Regional Municipality of Wood Buffalo, in the Province of Alberta, in open meeting hereby enacts as follows:

1. THAT Bylaw No. 99/059 is hereby amended by redesignating Lot 5, Block 2, Plan 1025664 and Lot 7, Block 2, Plan 1025663 from Direct Control District (DC) to High Density Residential District (R4).
2. THAT the Chief Administrative Officer be authorized to consolidate this bylaw.
3. THAT this bylaw shall be passed and become effective when it receives third reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this 12<sup>th</sup> day of April, A.D. 2011.

READ a second time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

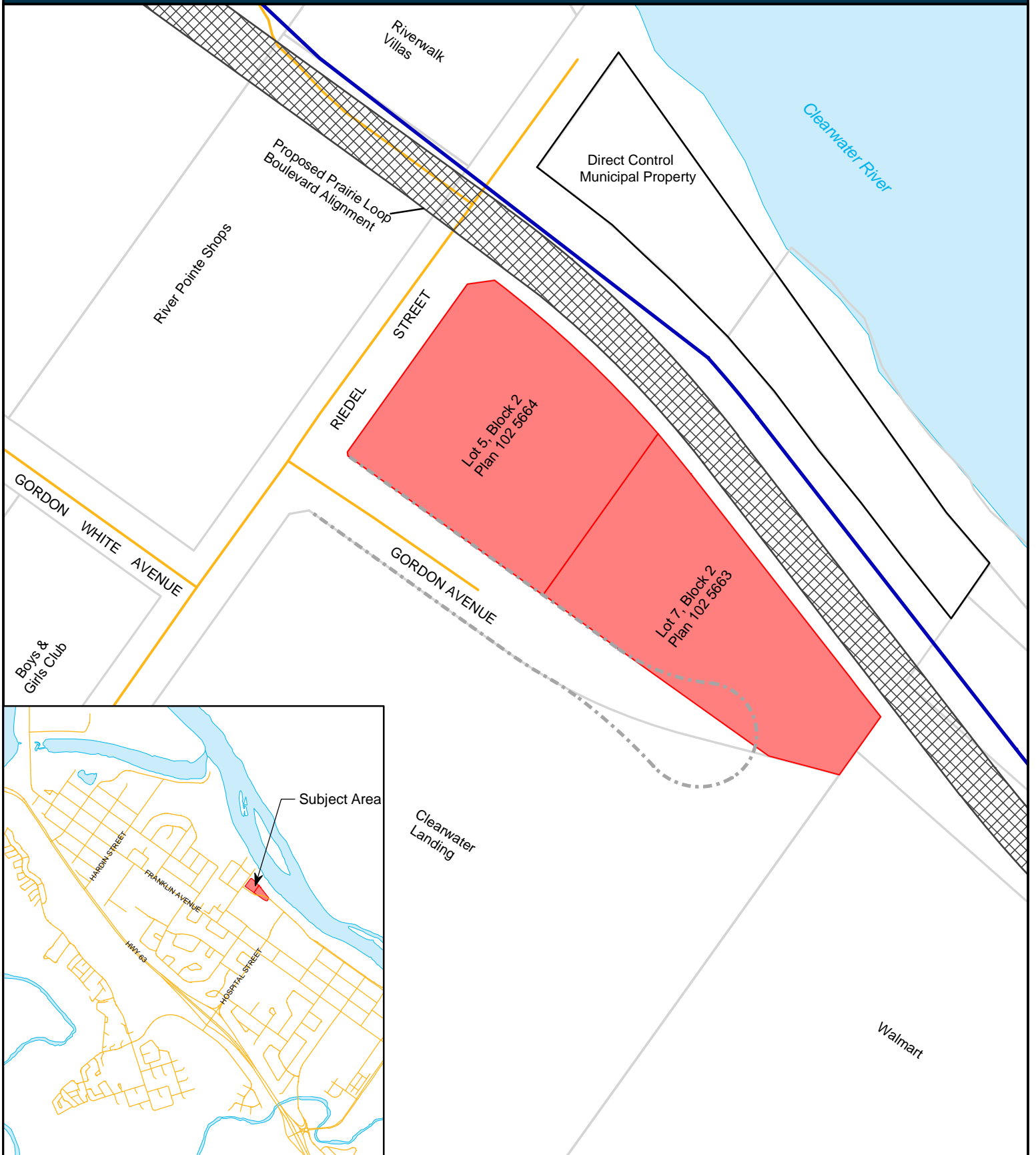
READ a third and final time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

SIGNED and PASSED this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

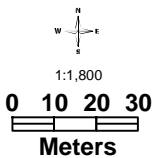
\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Legislative Officer

# Attachment 2: Subject Area Map



- Roads
- Proposed Force Main Alignment
- Proposed Cul de Sac
- Proposed Roads Alignment
- Subject Area
- Survey Parcels
- Water



Map updated by the Geographic Information Systems Branch on Feb 16, 2011

## **Subject: 2011 – 2014 Fiscal Management Strategy**

### **APPROVALS:**

Glen Laubenstein, Chief Administrative Officer  
Patty King, Acting Chief Financial Officer

### **Administrative Recommendation(s):**

THAT the 2011 – 2013 Fiscal Management Strategy be replaced with the 2011 – 2014 Fiscal Management Strategy.

### **Summary:**

The 2011 – 2014 Fiscal Management Strategy (Strategy) continues to build on the principles of predictability, stability and transparency used by the Municipality in managing and planning its financial resources. This Strategy sets out a number of assumptions that will act as a guide for setting property tax rates, prepare capital and operating budgets and plans. In general, the Strategy which is included as Attachment 1, sets out the following:

- Continue with the property tax ‘revenue neutral’ plus construction growth philosophy in setting 2011 property tax rates;
- Assume property tax ‘revenue neutral’ plus construction growth philosophy for all property classes in preparing 2012 – 2014 budgets;
- Establish a maximum balance in the Emerging Issues Reserve of 15% of prior year’s audited net property taxes subject to a minimum uncommitted balance of \$50M to mitigate property tax revenue risks;
- Transfer any funds in excess of the maximum balance in Emerging Issues Reserve at each year end to the Capital Infrastructure Reserve and/or other reserves based on Administration recommendation to Council;
- Continue the philosophy of maintaining a minimum uncommitted balance in the Capital Infrastructure Reserve of \$50M;
- Maintain debt and debt service limits at 75% of *Municipal Government Act* (MGA) limits.

### **Background:**

On July 13, 2010 Council adopted the 2011 – 2013 Fiscal Management Strategy and as such there is need to replace it with the new Strategy. Each year Administration conducts an analysis of financial performance and position. Results of this analysis are used to project future desirable financial conditions over a period of six years relative to prevailing economic environment and outlook.

Administration has completed a forecast analysis of 2011 – 2014 covering the 2012 – 2017 Capital Plan on debt and debt service limits, Capital Infrastructure Reserve, Emerging Issues Reserve and property tax assumptions. Additional targeted review covered the Municipality's property tax revenue risk index. Two property tax scenarios were projected based on low and high risk. The timing of projected assessment growth differentiated the two scenarios. Both scenarios incorporated a revenue neutral plus construction growth approach.

Based on the results of the forecast, the municipality would:

- Not exceed the 75% of MGA limit as set by Council for both debt and debt service;
- Continue to maintain a minimum uncommitted balance of \$50M in the Capital Infrastructure Reserve;
- Be able to fund an equivalent of 15% of each prior year's audited net property tax in the Emerging Issues Reserve subject to a minimum uncommitted balance of \$50M.

The major difference between the 2011 – 2013 Fiscal Management Strategy and this Strategy is that the 2011 – 2013 Fiscal Management Strategy assumed a revenue neutral plus 2% inflation plus construction growth assumption while the Strategy does not.

**Alternatives:**

1. Do not support property taxation, debt and reserve assumptions presented.
2. Support property taxation, debt and reserve assumptions as presented.
3. Propose alternative assumptions.

**Budget/Financial Implications:**

The budget assumptions identified will provide the initial basis for budget development. In the event funding sources are insufficient to meet anticipated future municipal expenditures, Administration will propose alternatives for Council approval.

**Rationale for Recommendation(s):**

Adopting this Strategy will provide for a sustainable financial process to meet short and mid-term needs of the Municipality while reducing the likelihood of major taxation increases.

**Attachments:**

1. 2011 – 2014 Fiscal Management Strategy



# **FISCAL MANAGEMENT STRATEGY**

**2011 - 2014**

Prepared by: Financial Planning  
Release Date: April 2011

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## 1.0 INTRODUCTION AND ASSUMPTIONS

### 1.1 Introduction

As part of long-term financial planning, the Regional Municipality of Wood Buffalo (Municipality) undertakes an annual in depth review of its current financial position through a process of systematic forecast of future financial needs. The resultant findings provide context for setting the current year's property tax rates and guidelines for future budget development in light of existing Council mandates regarding: debt, operating and capital reserves, user fees and investments.

The 2011 – 2014 Fiscal Management Strategy assumes two likely exclusive futures under two scenarios:

- **PROPERTY TAX REVENUE NEUTRAL Plus CONSTRUCTION Growth 'LOW RISK'** – *conservative* outlook on projected property assessment growth, supporting operating costs other than debt service growing at 3% per annum and the 2011 - 2017 capital budget and plan,
- **PROPERTY TAX REVENUE NEUTRAL Plus CONSTRUCTION Growth 'HIGH RISK'** – *optimistic* outlook on projected property assessment growth, supporting operating costs other than debt service growing at 3% per annum and the 2011 - 2017 capital budget and plan.

Property tax revenue accounts for at least 80% of total revenue for the Municipality. As such, financial planning for the municipality, to a large extent, requires proper understanding of this revenue source and associated variables; opportunities and risks associated thereof.

### 1.2 Analysis Limitations

The forecast analysis is limited to the following:

- Maintain a minimum balance of \$50M in the Capital Infrastructure Reserve (CIR),
- Maintain a maximum balance of 15% of prior year's net audited property taxes subject to a minimum uncommitted balance of \$50M in the Emerging Issues Reserve (EIR),
- Debt limit of 75% of MGA limit,
- Debt service limit of 75% of MGA limit,
- Approved 2011 Operating and Capital Budgets
- Adjusted 2012 – 2013 Operating Plan
- Adjusted 2012 – 2017 Capital Plan

The following assumptions are specific to the Adjusted Capital Budget and Plan: (2011 – 2017)

- \$1B to be completed in 2011 (representing 2011 and prior approved capital projects in progress)
- \$373M to be completed in 2012
- \$411M to be completed in 2013
- \$385M to be completed in 2014
- \$364M to be completed in 2015
- \$280M to be completed in 2016
- \$320M to be completed in 2017

The following assumptions relate to the Adjusted Operating Budget and Plan: (2011 – 2014)

- Property tax revenue neutral plus construction growth;
- No increases to user fees pending completion of user fees study in 2012;
- Operating costs growth of 3% per annum exclusive of debt service;
- Undrawn debt of \$206M at the end of 2010 will be drawn in 2013 and thereafter all debt is drawn three years after commitment or approval;
- An interest rate of 4% has been assumed for future debt draws.

In addition to the above assumptions, other items such as the update of the Municipal Development Plan (MDP) and labor negotiations with the Municipality's unions may impact the budget. Recommendations for appropriate budget adjustments, if needed, will be brought forward as details come available.

### **1.3 Economic Outlook**

The world economy has slowly climbed out of the worst recession since the great depression. The just ended recession was characterized by significant declines in demand for energy. The gradual increase in demand for energy coupled with political instability in some oil producing countries has seen price for oil increase to just over \$100 per barrel. The increase in the price of oil has direct impact on the levels of investments within the Municipality's jurisdiction. Increases in investments in the region result in increased demand for municipal services, programs and infrastructure.



## 2.0 PROPERTY TAX REVENUE & STRATEGY

### 2.1 Taxation Principles

The Municipality's taxation strategy is guided by three underlying principles;

- Predictability
- Stability
- Transparency

The taxation strategy seeks to achieve the following:

- The Urban Residential Taxation Class – this class will have one of the lowest total tax burdens per square foot as compared to major Alberta cities,
- The Rural Residential Taxation Class – this class will have an equal or lower tax burden per square foot as Urban Residential Taxation Class,
- The Urban Non-Residential Taxation Class - this class will have one of the lowest total tax burdens per square foot as compared to major Alberta cities, and
- Rural Non-Residential Taxation Class – this class will have a tax burden that provides the Municipality with a balanced budget while taking into account other Taxation Classes.

The property taxation strategy contributes to the affordability of living and working in the region while supporting long term capital infrastructure needs. The strategy also takes into account the growth facing the region and the underlying growth drivers.

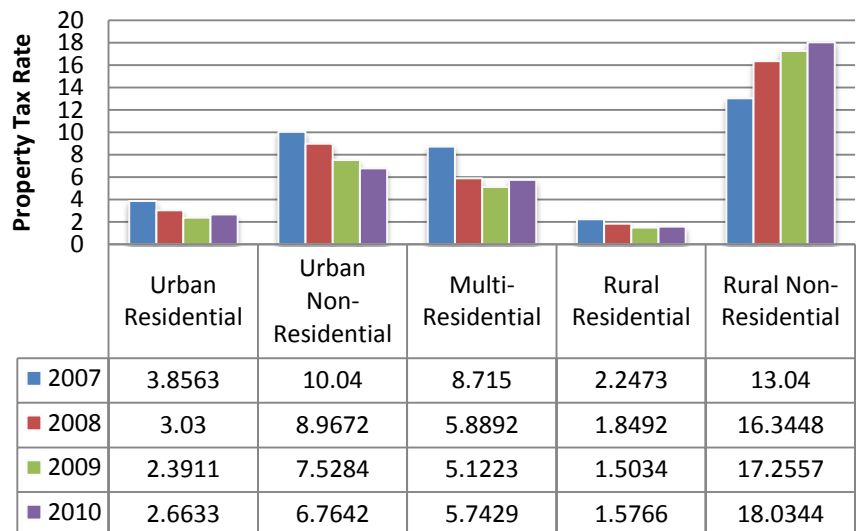
Based on the principles and property taxation strategy outlined above, urban residential property tax rates have declined from 3.9% in 2007 to 2.7% in 2010. A 1.2 basis point decrease over 4 years.

Comparatively, the rural residential property tax rate has declined by .6 basis points since 2007. In concert with the principles, the rural residential property tax rate is lower than the urban residential property tax rate.

The multi-residential property tax rate also declined 3 basis point from 8.7% in 2007 to 5.7% in 2010.

The urban non-residential rate also decreased by 3 basis points between 2007 and 2010.

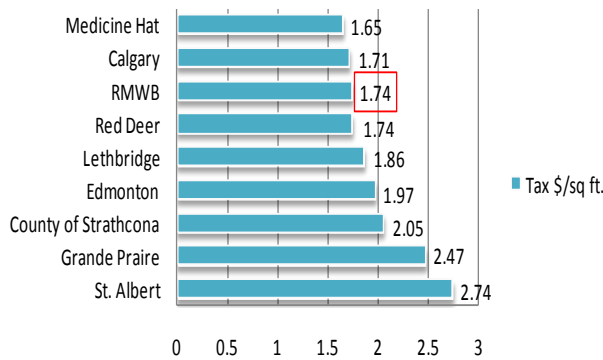
### Municipal Tax Rates 2007 - 2010



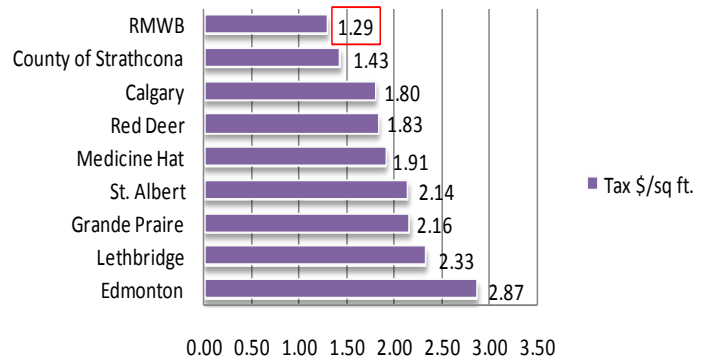
However, during the same period, the rural non-residential property tax rate increased 5 basis points from 13% in 2007 to 18% in 2010. Growth in the oil sands industry is primarily responsible for the unprecedented demand for municipal infrastructure and services. The current property taxation strategy places greater reliance for municipal revenue generation on this class of property tax.

Consequentially, the Regional Municipality of Wood Buffalo, property tax costs per square foot in 2010 were competitive compared to other major Alberta cities;

### Urban Residential Property Tax Cost Comparison per sq. ft. - 2010



### Urban Non-Res. Property Tax Cost Comparison per sq. ft. - 2010

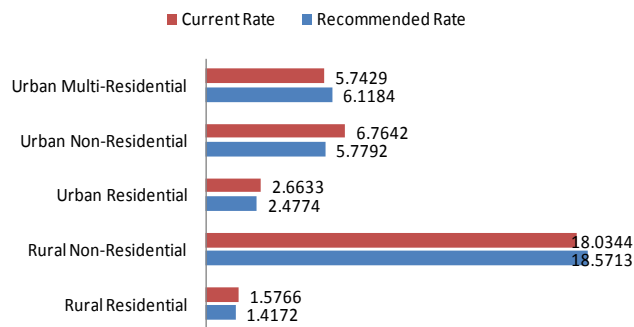


## 2.2 Property Tax Revenue Projections

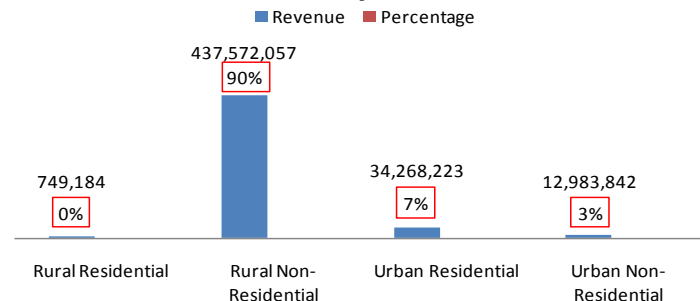
At finalization of the 2010 property assessment, additional growth translating to \$38.5M in additional property tax revenue in 2011 was identified. Much of this additional growth had been originally projected for 2012 fiscal year. The estimated property tax revenue for 2011 is now projected at \$485.6M based on 2010 tax rates.

Property tax revenue contribution and recommended municipal property tax rates for 2011 are as follows:

### Municipal Property Tax Rates - 2011



### Property Tax Revenue Contribution by Source - 2011



In projecting property tax revenue, two scenarios; LOW RISK and HIGH RISK are used. Low Risk scenario assumes a conservative outlook on future tax base growth while the High Risk assumes an optimistic outlook based on development timing.

The following chart indicates projected property tax revenue for 2011 through 2014;

<b>Property Tax Revenue Projection</b>					
<b>2011 - 2014</b>					
		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Low Risk</b>	<i>Rural Residential</i>	749,184	752,908	758,237	764,032
	<i>Rural Non-Residential</i>	437,572,057	469,720,190	473,366,664	481,859,320
	<i>Urban Residential</i>	34,268,223	35,200,215	36,138,840	37,876,913
	<i>Urban Non-Residential</i>	12,983,842	13,235,237	13,235,237	13,235,237
	<b>Total</b>	<b>485,573,306</b>	<b>518,908,550</b>	<b>523,498,978</b>	<b>533,735,502</b>
<b>High Risk</b>	<i>Rural Residential</i>	749,184	756,936	760,484	764,032
	<i>Rural Non-Residential</i>	437,572,057	473,366,664	481,859,320	528,837,280
	<i>Urban Residential</i>	34,268,223	35,914,553	36,895,733	37,876,913
	<i>Urban Non-Residential</i>	12,983,842	13,235,237	13,235,237	13,738,026
	<b>Total</b>	<b>485,573,306</b>	<b>523,273,390</b>	<b>532,750,774</b>	<b>581,216,251</b>

With early realization of growth in the rural non-residential property tax class, growth is now projected to be flat between 2012 and 2014 in the low-risk scenario. The projected additional revenue expected to be realized in 2011 presents an opportunity for the municipality to address its revenue risk by designating funding towards a fiscal stability reserve.

## 3.0 DEBT AND DEBT SERVICE

### 3.1 Total Debt and Debt Service Limits

In July 2010, Council amended the municipality's debt policy (Policy No.: FIN-120) setting new debt and debt service as follows:

- 'Total municipal debt limit percentage shall not exceed 75% of the debt limit per Municipal Government Act and regulations',
- 'Total debt service shall not exceed 75% of the debt service limit per Municipal Government Act and regulations'.

In 2006, the Province of Alberta, through Alberta Regulation 255/2000, increased the debt and debt service limit for the Municipality:

- Debt limit originally calculated at 1.5 times revenue was changed to 2.0 times revenue.
- Debt service limit originally calculated at 0.25 times revenue was changed to 0.35 times revenue.

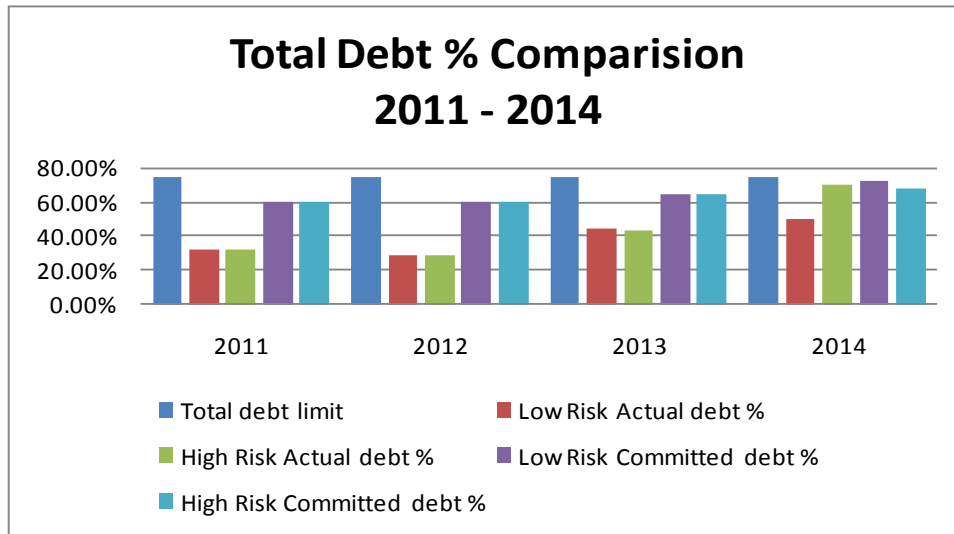
The revised debt and debt service limit are also applicable to Calgary, Edmonton and Medicine Hat. Alberta Regulation 255/2000 is due for review in December 2015.

The Municipality's debt and debt service limits of 75% of the Municipal Government Act coincide with limits set by Alberta Capital Finance Authority (ACFA) as a threshold to require additional due diligence.

### 3.2 Forecast Total Debt

The debt and debt service forecast for 2011 through 2014 indicates that both low risk and high risk outlook debt percentages are below the limits set by Council and below the ACFA 'red-flag' limit.

	2011	2012	2013	2014
Total debt limit	75.00%	75.00%	75.00%	75.00%
Low Risk Actual debt %	31.59%	28.52%	43.91%	50.05%
High Risk Actual debt %	31.59%	28.31%	43.25%	69.73%
Low Risk Committed debt %	60.01%	60.37%	65.08%	72.50%
High Risk Committed debt %	60.01%	59.94%	65.08%	67.41%



The Municipality uses debt to fund capital projects based on two principles:

- Use debt to fund capital projects that have a long useful life,
- Use debt finance as a revenue source of 'last resort'.

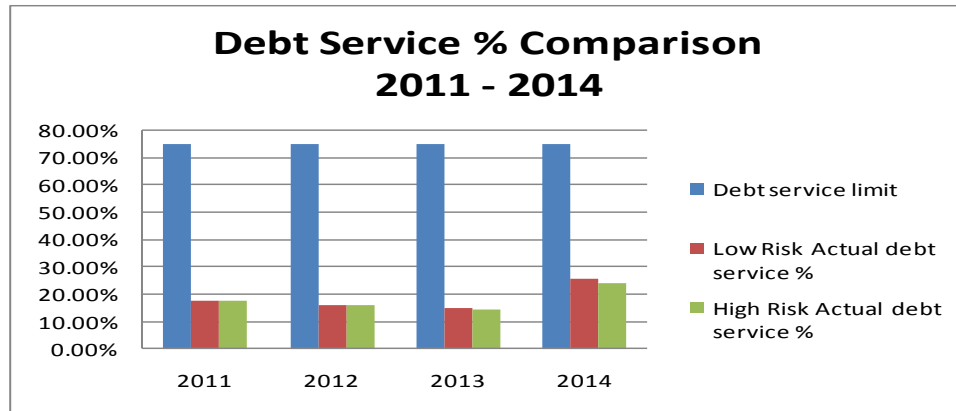
The first principle respects the 'inter-generational equity' philosophy that dictates that each generation that benefits from an amenity, must bear their fair share of financial burden and the second principle indicates a conservative approach to debt use.

For a municipality facing rapid population growth and the associated demand for new infrastructure and infrastructure rehabilitation, use of debt is a reality as general revenue growth normally lags infrastructure demand.

### 3.3 Forecast Debt Service

The forecast results indicate that both low risk and high risk outlook debt service percentages are below the 75% of MGA limit as set by Council.

	2011	2012	2013	2014
Debt service limit	75.00%	75.00%	75.00%	75.00%
Low Risk Actual debt service %	17.31%	16.07%	14.62%	25.81%
High Risk Actual debt service %	17.31%	15.96%	14.41%	23.99%



The debt service ratio is a critical variable in financial management. It is a measure of financial resource demand on annual revenues that, if not, managed would divert significant resources from current services and programs.

While total committed debt is being tracked, committed debt service remains elusive as such would be tied to predictable capital projects delivery. With current capital project delivery backlog, it is difficult to predict when the undrawn debt would be drawn. For planning purposes, debt is assumed to be drawn three years after approval.

Debt service is variable based on timing and interest rates prevalent at the time debt is secured. Debt service represents interest and principal payments, therefore the greater the debt service payments, less is available for service/program provision.

## 4.0 FISCAL STABILITY RESERVES

### 4.1 Fiscal Stability Reserves

Central to best practices in public financial management is maintenance of adequate reserves to mitigate current and future risks such as:

- Revenue shortfalls,
- Unanticipated expenditures,
- To ensure stable property tax rates.

A number of considerations come into play in setting and funding fiscal stability reserves:

- Predictability, diversity and underlying risk associated with revenue sources,
- Disaster index,
- Liquidity or working capital requirements to cover disparity between financial resources available.

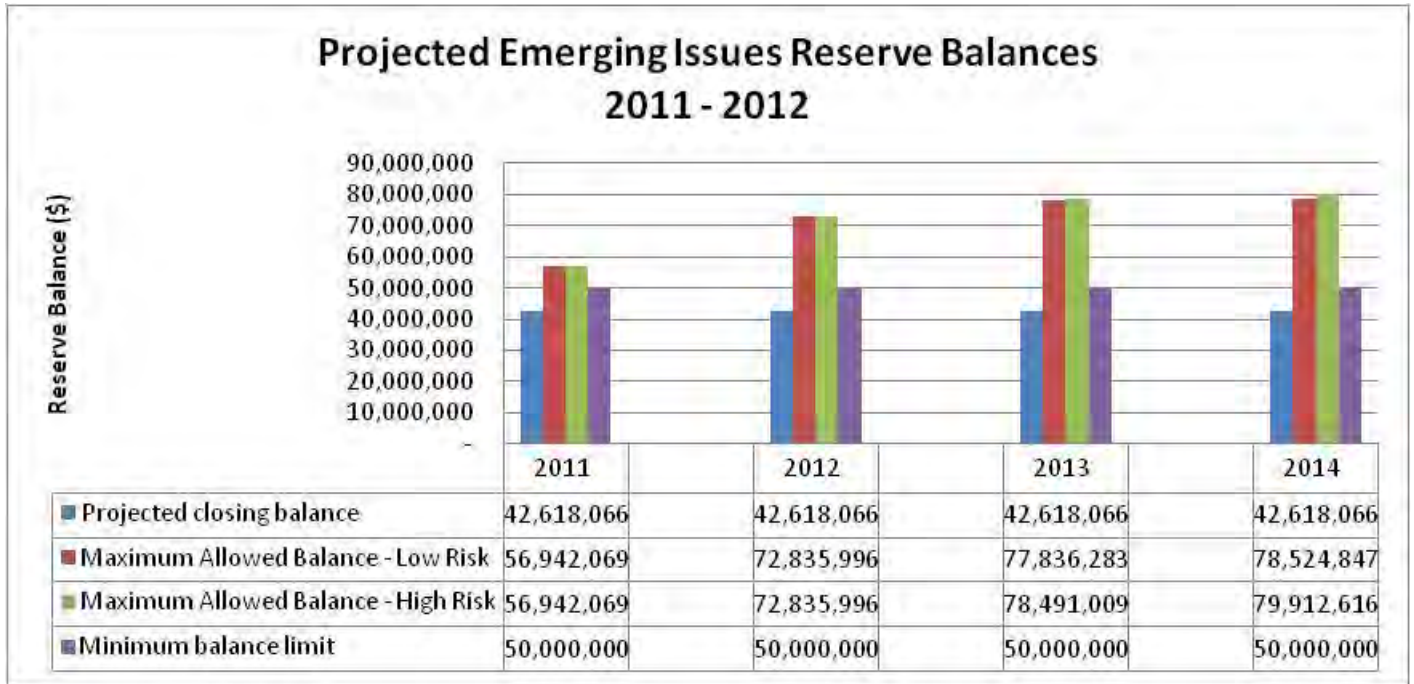
Through policy, the Municipality has created two fiscal stability reserves; Emerging Issues Reserve (EIR) and Capital Infrastructure Reserve (CIR).

### 4.2 Emerging Issues Reserve

Past policy has required that each year \$1.1M is budgeted plus the prior year's surplus to cover any unanticipated operating spending. The uncommitted balance at the end of each year is normally transferred to the Capital Infrastructure Reserve. The 2011 – 2014 Fiscal Management Strategy enhances the Emerging Issues Reserve as follows:

- Based on a comprehensive review of the Municipality's operating revenue risk index, set a maximum EIR balance equivalent to 15% of audited prior year's net property tax revenue and is subject to an uncommitted minimum balance of \$50M,
- Discontinue the \$1.1M annual funding beginning 2012,
- Transfer funds in excess of the minimum EIR balance at each year end based on Council direction.

The following graph indicates projected balances in the EIR for the years 2011 – 2014.

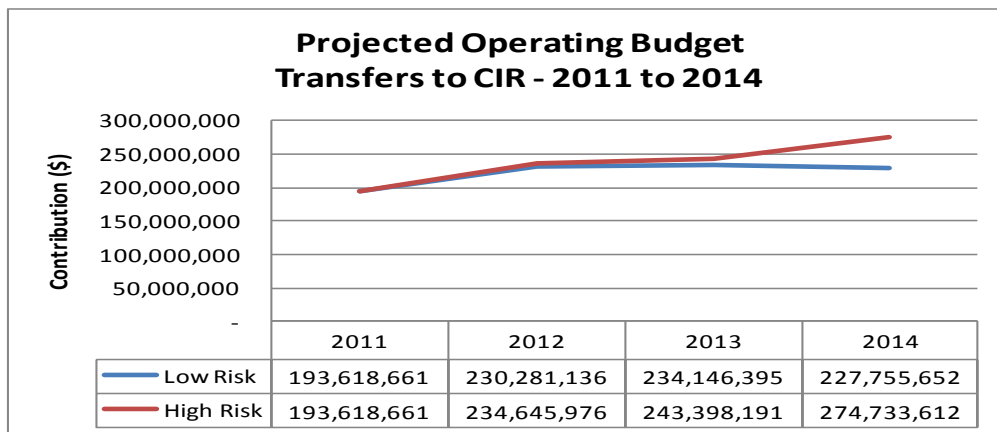


Initial funding for the enhanced EIR will come from projected 2010 corporate surplus. Governance of the EIR is provided in the Fiscal Responsibility Policy.

### 4.3 Capital Infrastructure Reserve

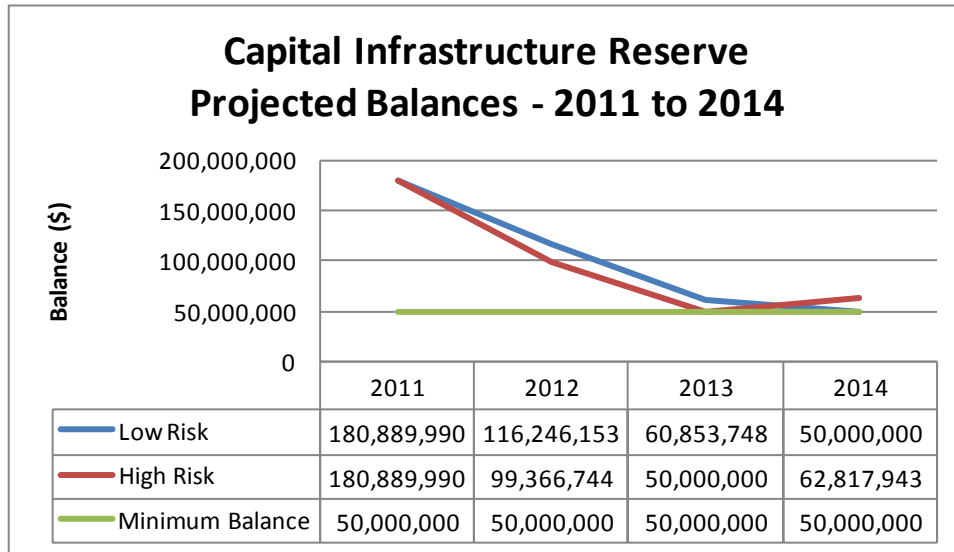
A Capital Infrastructure Reserve (CIR) has been established to provide a source for capital project funding with a minimum uncommitted balance of \$50M being maintained.

The forecasted CIR contributions from operating budget are as follows:





Of interest to capital budget long-term financial planning, is how each of the forecast scenarios panes out in terms of ending balances relative to the minimum uncommitted balance of \$50M requirement.



The preceding graph indicates that both forecast scenarios will meet the \$50M uncommitted minimum balance requirement. The high risk scenario is projected to have \$13M in excess of minimum uncommitted balance by the end of 2014 while the low risk will be right on the mark.

The projected CIR balances will provide flexibility to respond to future capital project funding requirements.

## 5.0 FINANCIAL CONDITION INDICATORS

### 5.1 Financial Condition Measures

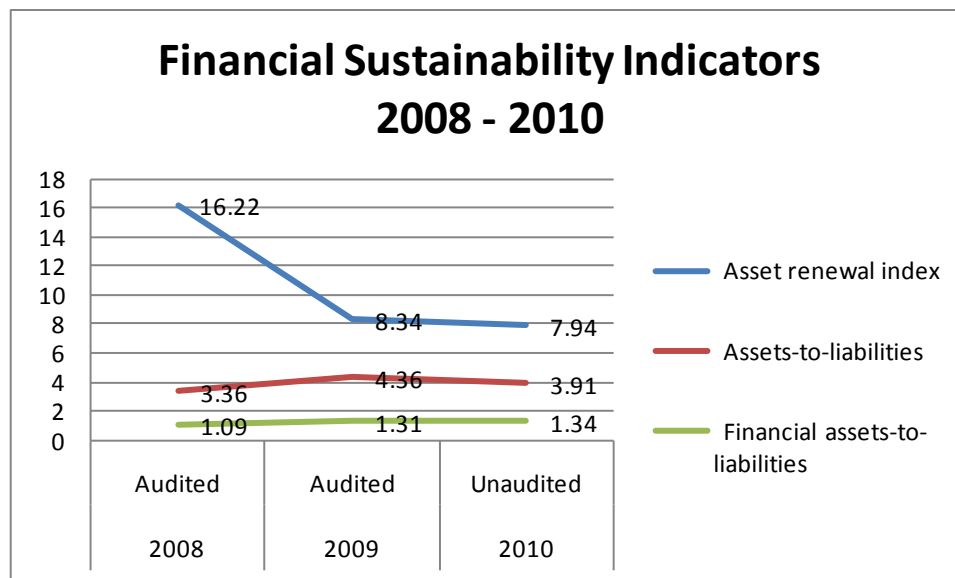
The Municipality uses three sets of financial condition measures:

- **SUSTAINABILITY** – the degree to which the Municipality can maintain existing programs, infrastructure and meet existing creditor requirements without increasing debt.
- **FLEXIBILITY** – the degree to which the Municipality can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.
- **VULNERABILITY** – the degree to which the Municipality becomes dependent on, and therefore, vulnerable to, sources of funding outside its control or influence.

### 5.2 Sustainability Indicators

Three indicators are used:

- *Assets-to-liabilities* – this is the degree to which total assets cover total liabilities. A ratio of 2:1 is desirable.
- *Financial assets-to-liabilities* – this is the degree of cover provided by cash and ‘near’ cash assets over total liabilities. A ratio of 2:1 is desirable.
- *Asset renewal index* – this is the measure of how much an organization is expending in asset renewal relative to depreciation expense.



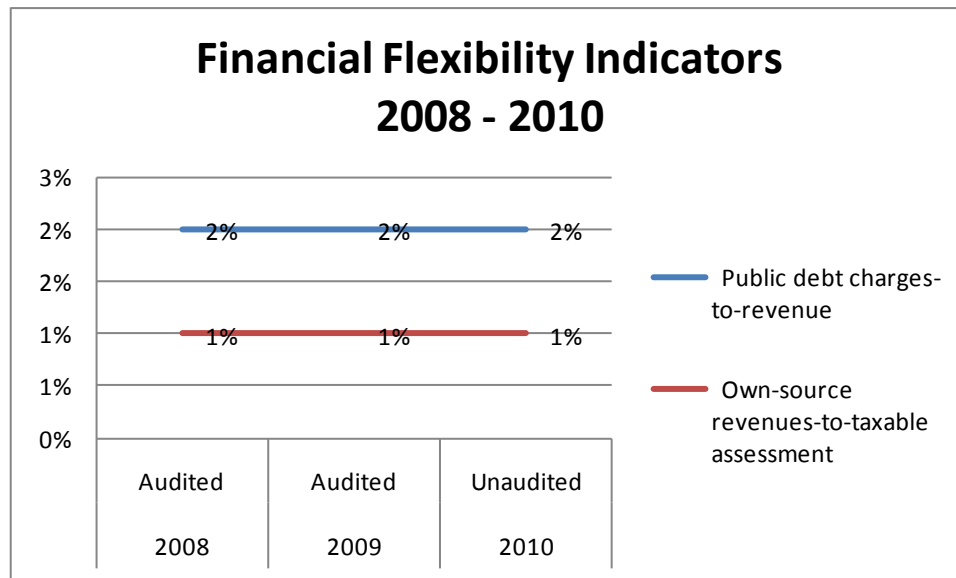
In general, the municipality is in a strong financial position. In terms of future pressure to spend on asset rehabilitation, such appears to be contained as the municipality is spending \$8 in asset renewal for every \$1 of depreciation in 2010. This indicates a high level of investment to keep infrastructure available. The municipality has financial and non-financial asset base to meet total liabilities. However, some degree of risk exists when comparing financial assets as a

cover for liabilities of 1.34:1 in 2010 in comparison to a desired ration of 2:1. Upon further review, a large component of the liabilities recorded impacting this ratio are attributed to grant funding received but not expended according to terms of grant agreements. For most part, this represents a timing difference.

### 5.3 Flexibility Indicators

Two indicators are used:

- *Public debt charges-to-revenue* – this is a measure of how much resources or revenues are dedicated to debt service or payment of interest.
- *Own-source revenues-to-taxable assessment* – this is a measure of non-property tax revenue against taxable assessment.



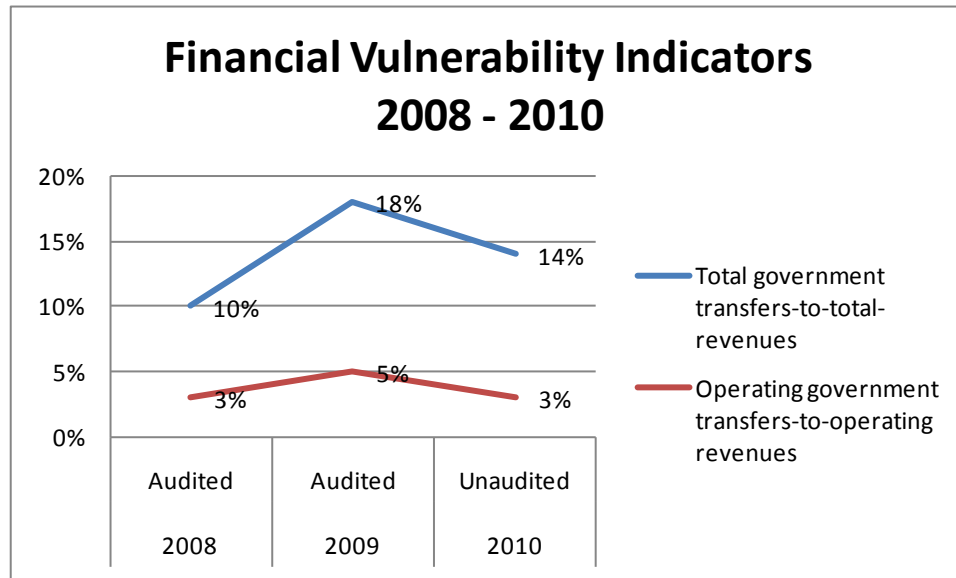
The Municipality has very a low debt service burden. This indicates that debt service levels are not negatively impacting delivery of programs and infrastructure or no significant amounts of revenues are being diverted to pay for debt. The own-source revenue ratio indicates heavy dependence on property tax revenue. However, a better context for this measure for the Municipality is that in reality the taxable assessment base is significant.

### 5.4 Vulnerability Indicators

Two indicators are used:

- *Operating government transfers-to-operating revenue* – this is a measure of how much the municipality is dependent on provincial and federal transfers to fund operating budget programs.
- *Total government transfers-to-total revenues* – this is a measure of level of provincial and federal transfers to support both operating and capital programs at the municipality.





Operating transfers from Alberta and Federal governments are limited. The bulk of the transfers support community or not-for-profit organizations and the Municipality acts as a distributing agency. Total government transfers are a combination of operating and capital transfers. Most government transfers relate to capital grants. More transfers for this purpose are desirable.

Alberta Municipal Affairs has developed a voluntary self-assessment toolkit for municipalities. This toolkit, which is still in draft form, awaiting ministerial approval incorporates some of the measures that the Municipality is already using to manage financial resources. Results from this assessment tool indicate that the Municipality has a sound financial management framework in place.

## 6.0 SUMMARY

The Municipality is in a strong financial position to address known operating and capital needs for the next three years. There is a need to provide adequate operating reserve coverage to protect the organization from property tax revenue losses or general downturn.

This strategy provides a prudent fiscal approach that aligns with current and projected financial position relative to prevailing and projected economic outlook. In summary, this Strategy is based on the following principles.

### 6.1 Property Tax

In each of the forecast scenarios, no tax increases are required. The optimistic outlook or high risk scenario would yield an estimated \$13M of uncommitted funds in the Capital Infrastructure Reserve by the end of 2014 while the less optimistic outlook or low risk scenario will be right on the mark.

#### Principles:

1. Property taxation based on 'revenue neutral' plus construction growth strategy for 2011.
2. 2012 – 2014 budgets assume 'Low Risk' revenue neutral plus construction growth plus inflation revenue strategy for planning purposes.

### 6.2 Debt & Debt Service

Projected debt and debt service percentages for both scenarios are below the 75% of MGA limit set by Council:

#### Principle:

1. Debt and debt service limits are set at 75% of MGA limits.

### 6.3 Fiscal Stability Reserves

The Municipality has two major fiscal stability reserves: Emerging Issues Reserve (EIR) and Capital Infrastructure Reserve (CIR). At the time of the adoption of this strategy, both fiscal stability reserves are fully funded.

#### Principles:

1. Emerging Issues Reserve
  - a. A maximum balance equivalent to 15% of prior year's net property tax revenue is set subject to a minimum uncommitted balance of \$50M.
  - b. Transfer any excess funds in the EIR at each year end based on Council direction.
  - c. Commencing for the 2012 Budget, the \$1.1M annual funding is discontinued.
2. Capital Infrastructure Reserve
  - a. An uncommitted minimum balance of \$50M will be maintained.

**Subject: Fiscal Responsibility Policy****APPROVALS:**

Glen Laubenstein, Chief Administrative Officer  
Patty King, Acting Chief Financial Officer

**Administrative Recommendation(s):**

1. THAT Bylaw No. 11/013 be read a first time.
2. THAT Bylaw No. 11/013 be read a second time.
3. THAT Bylaw No. 11/013 be considered for third and final reading.
4. THAT Bylaw No. 11/013 be read a third and final time.
5. THAT Fiscal Responsibility Policy – FIN-160, dated April 26, 2011, be approved.

**Summary:**

A fiscal responsibility policy provides a governance framework to ensure financial sustainability. The policy proposed supports managing budgets according to certain criteria and within an envelop of funding. Existing bylaws in place for the Emerging Issues Reserve and Capital Infrastructure Reserve are recommended to be repealed under Bylaw 11/013 to allow for the governance of these reserves to take place within one policy, Fiscal Responsibility Policy.

**Background:**

A fiscal responsibility policy provides a framework for financial sustainability and stability. The policy also establishes fiscal stability reserves. Such reserves provide financial flexibility for the Municipality to respond to emerging issues as well as fund unplanned and infrastructure requirements.

This policy provides an effective framework that will provide flexibility for the Municipality to respond to expenditure requirements. This flexibility is achieved by managing increases and decreases within Council-approved overall budgets.

In the past, fiscal stability reserves were established and managed through separate bylaws. This proposed policy consolidates existing provisions in the two reserve bylaws; Emerging Issues Reserve bylaw – 04/038 and Capital Infrastructure Reserve Bylaw – 02/053. This policy will provide a single point of reference. Bylaws 04/038 and 02/053 need to be repealed. The bylaw repeal is achieved by approving Bylaw 11/013.

In 2001 Council adopted budget management principles which have been in practice since that time. The Management Principles allowed Administration greater flexibility in managing the operating budget as an envelop of funding as opposed to line by line. Administration is limited to Council approved initiatives and does not have the authority to approve new services/initiatives or change service levels. This policy incorporates these budget management principles.

The flexibility that has been provided within the operating budget since 2001 would benefit application in the capital budget as the Municipality responds to changing conditions. The proposed policy provides a criteria within which Administration would operate and identifies that Council approval is still required for new or cancelled capital projects, scope changes and requests for additional funding where funding from existing approved projects cannot be identified.

The proposed Fiscal Responsibility Policy provides for a minimum uncommitted balances in the Emerging Issues Reserve and the Capital Infrastructure Reserve. Previously, only the Capital Infrastructure Reserve had a defined uncommitted minimum balance of \$50M. The proposed policy provides for \$50M uncommitted minimum balances based on the assessment of the risks of funding sources that prevail. The details of the analysis are included in the 2011 - 2014 Fiscal Management Strategy document.

**Budget/Financial Implications:**

This policy will support a fiscal framework that will result in a predictable and stable taxation strategy that supports a revenue neutral plus construction growth methodology. The establishment of the Emerging Issues Reserve uncommitted minimum balance and maintenance of the existing Capital Infrastructure Reserve conditions provides for access to funding for future initiatives without the need to increase property taxes. Initial funding of the Emerging Issues Reserve will come from unallocated balances currently in existence.

**Rationale for Recommendation(s):**

This proposed policy is meant to clarify and provide a governance framework for the Chief Administrative Officer to make administrative decisions regarding efficient management of the operations of the Municipality within Council approved budgets. This is consistent with the CAO Bylaw where the CAO is directed to monitor and control spending of the Municipality within the budgets established by Council.

Approval of this policy supports the **fiscal management strategy** embodied in the 2011 – 2014 Fiscal Management Strategy.

**Attachments:**

1. Fiscal Responsibility Policy – FIN-160
2. Bylaw No. 11/013

# Council Policy



Policy Name: Fiscal Responsibility Policy  
Policy No. FIN-160  
Effective Date:

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## **STATEMENT:**

Council approves operating and capital budgets annually to ensure fiscal responsibility.

## **PURPOSE AND OBJECTIVE:**

The purpose of this policy is to:

- Establish governance parameters regarding management of financial resources,
- Establish operating and capital stability reserves, and
- Provide a framework that supports long-term financial planning and stability.

### **01 Responsibilities**

- (a) Council to approve this policy.
- (b) Chief Administrative Officer (CAO) to implement this policy.

### **02. Budget Control and Accountability**

- 2.1 **Spending Authority:** In approving the annual budget, Council sets an overall spending limit for the Municipality.
- 2.2 **Operating Budget Re-allocations:** The CAO or designate is authorized to re-allocate operating funds provided that:
  - i) the changes will result in efficient administrative and service delivery process,
  - ii) service levels or standards are not altered or compromised,
  - iii) no new services, programs or projects are undertaken, and
  - iv) Council set total spending limit is not exceeded.
- 2.3 **Capital Budget Re-allocations:** The CAO or designate is authorized to re-allocate capital budget funds provided that:
  - i) the change will result in efficient administrative and project delivery process,



- ii) the change will not result in addition or cancellation of a capital project,
- iii) the underlying scope change does not alter the nature and type of capital project,
- v) where additional funding is required, funds available from a combination of savings from fully tendered projects, other uncommitted sources such as grants and offsite levies, and cash flow management with other capital projects will be utilized, and
- vi) Council set debt and debt service limits are not exceeded.

### **03. Operating Reserves**

- 3.1 **Emerging Issues Reserve:** An emerging issues reserve shall be established to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to emergencies, unplanned events, and significant price changes.
- 3.1.1 **Reserve Balance Limitation:** The balance of the Emerging Issues Reserve shall not exceed 15% of prior year's audited net property tax revenue subject to a minimum uncommitted balance of \$50,000,000.
  - 3.1.2 In the event that Council approves spending that will result in a balance lower than the uncommitted minimum balance, the CAO or designate will recommend a strategy to replenish the Emerging Issues Reserve to its uncommitted minimum balance.
  - 3.1.3 **Balance Allocation:** Council approval is required to utilize funding from the Emerging Issues Reserve.

### **04. Capital Reserves**

- 4.1 **Capital Infrastructure Reserves:** A Capital Infrastructure Reserve shall be established to fund construction or acquisition of tangible capital assets.
- 4.1.1 **Reserve Balance Limitation:** The balance of the Capital Infrastructure Reserve shall be an uncommitted minimum of \$50,000,000
  - 4.1.2 In the event that Council approves spending that will result in a balance lower than the uncommitted minimum balance, the CAO or designate will recommend a strategy to replenish the Capital Infrastructure Reserve to its uncommitted minimum balance.
  - 4.1.3 **Balance Allocation:** Council approval is required to utilize funding from the Capital Infrastructure Reserve.

**APPROVAL, MANAGEMENT AND REFERENCES:**

This policy shall be accessed 4 years from its effective date to determine its effectiveness and appropriateness. This policy may be accessed before that time as necessary to reflect organizational change.

Approving Authority: Council  
Approval Date:

Revision Approval Dates:  
Review Due: 2015

Policy Manager: Chief Financial Officer  
Department Contact: Chief Financial Officer

Legal References:  
Cross References:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Legislative Officer

\_\_\_\_\_  
Date

**BYLAW NO. 11/013**

**BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO REPEAL BYLAW 02/053, BEING THE CAPITAL INFRASTRUCTURE RESERVE AND BYLAW 04/038, BEING THE EMERGING ISSUES RESERVE.**

WHEREAS pursuant to the Municipal Government Act, c.M-26, RSA 2000, the Council of the Regional Municipality of Wood Buffalo may pass a bylaw to amend or repeal a bylaw;

AND WHEREAS the Council of the Regional Municipality of Wood Buffalo wishes to repeal Bylaw No. 02/053, being the Capital Infrastructure Reserve Bylaw and Bylaw No. 04/038, being the Emerging Issues Reserve Bylaw;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, in the Province of Alberta, duly assembled, hereby enacts as follows:

1. Bylaw No. 02/053, being the Capital Infrastructure Reserve Bylaw, is repealed.
2. Bylaw No. 04/038, being the Emerging Issues Reserve Bylaw, is repealed.
3. This bylaw shall be passed and become effective when it receives third and final reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2011

READ a second time this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2011

READ a third and final time this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2011

Signed and passed this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2011

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Legislative Officer

**Subject: Uncommitted Emerging Issues Reserve Transfers****APPROVALS:**Kelly Kloss, Acting Chief Administrative Officer  
Elsie Hutton, Chief Financial Officer**Administrative Recommendation(s):**

1. THAT \$57,326,931 representing the uncommitted balance in the 2009 Emerging Issues Reserve as at December 31, 2009, be transferred to the Capital Infrastructure Reserve.
2. THAT \$37,760,877 representing the uncommitted balance in the 2010 Emerging Issues Reserve as at December 31, 2010, be transferred to the Capital Infrastructure Reserve.

**Summary:**

Council approval is required to transfer funding to and from financial reserves. The 2011 Fiscal Management Strategy identifies the use of the funds identified for transfer as an integral part of funding future capital projects while maintaining a taxation strategy of revenue neutral plus construction growth.

**Background:**

In 2002, Council approved the Emerging Issues Reserve bylaw. The purpose of the Reserve is to provide a funding source for unanticipated/unbudgeted issues. The establishment of the Reserve provides flexibility to address a variety of unanticipated issues without the need to rework existing approved budgets, thereby streamlining the approval process. The Reserve balance is comprised of the prior year's operating surplus in addition to a budgeted transfer approved by Council annually. Emerging Issues Reserve Bylaw No. 02/078 includes the following criteria:

- Council, by resolution, is the final approving authority for allocation of funds from the reserve.
- Year end operating surpluses shall be transferred to the Emerging Issues Reserve.
- At the conclusion of each budget year, Administration will review existing financial reserves and bring forward a report recommending the transfer of any uncommitted balance from the Emerging Issues Reserve to other reserves as deemed appropriate by Council.

The new Fiscal Responsibility Policy will recommend the bylaw be rescinded with the conditions for the reserve falling under policy. Although the purpose of the reserve will remain unchanged, a minimum and maximum funding formula will be identified.

During 2009, a number of emerging issues were approved for funding from the Reserve in the event a corporate surplus was not realized. No funding was required during 2009 for these since a

year end surplus was realized. The issues were therefore funded within the existing approved 2009 budget. The 2009 Uncommitted Emerging Issues Reserve transfer is calculated as follows:

Emerging Issues Reserve balance, December 31, 2009	\$59,085,059
Less: Initiatives previously approved by Council	<u>(1,758,128)</u>
2009 Uncommitted Emerging Issues Reserve Transfer	<u><b>\$57,326,931</b></u>

During 2010, a number of emerging issues were approved for funding from the Reserve in the event a corporate surplus was not realized. No funding was required during 2010 for these since a year end surplus is to be reported. The issues were funded within the existing approved 2010 budget. The 2010 Uncommitted Emerging Issues Reserve transfer is calculated as follows:

Emerging Issues Reserve balance, December 31, 2010(after 2009 transfers)	\$39,039,256
Less: Initiatives previously approved by Council	<u>(1,278,379)</u>
2010 Uncommitted Emerging Issues Reserve Transfer	<u><b>\$37,760,877</b></u>

**Alternatives:**

1. Allow the 2009 and 2010 uncommitted balance to remain in the Emerging Issues Reserve to fund emerging issues in 2010 and 2011.
2. Transfer the uncommitted balance in the Emerging Issues Reserve to the Capital Infrastructure Reserve.

**Budget/Financial Implications:**

The transfer of the uncommitted balances in the 2009 and 2010 Emerging Issues Reserve to the Capital Infrastructure Reserve will allow future funding for capital projects. This will further reduce debt required to fund capital projects. In addition, the Fiscal Management Strategy incorporated the uncommitted balance as an assumption in order to support taxation and debt limit assumptions for 2011-2014 budget development. Funding allocations from the Capital Infrastructure Reserve will be reviewed during capital budget deliberations with Council as the final approval authority.

## **Subject: Bylaw No. 11/012 – 2011 Property Tax Rate Bylaw**

### **APPROVALS:**

Glen Laubenstein, Chief Administrative Officer  
Patty King, Acting Chief Financial Officer

### **Administrative Recommendation(s):**

1. THAT the 2011 Operating Budget be amended by allocating new construction growth revenue of \$38,513,686 to the Capital Infrastructure Reserve.
2. THAT Bylaw No. 11/012, being the 2011 Property Tax Rate Bylaw, be read a first time.

### **Summary:**

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required, annually, to pass a Property Tax Rate Bylaw for the purpose of completing the work set out in the approved Operating and Capital budgets.

### **Background:**

A Tax Rate Bylaw establishes the rates at which various property classes are to be taxed and is calculated based on the total assessment value of all properties within each of the property classes throughout the Municipality (Urban and Rural Service Areas).

Assessment valuation methods are prescribed by the Provincial Government and vary between property types. The tax levied on all residential and commercial properties is calculated by applying the tax rate against the individual property's market value assessment as of July 1st of the previous year. Machinery and equipment and linear property are assessed based on a regulated cost approach.

Property taxes are levied to raise revenue to fund municipal expenditures and external requisitions from Alberta Education, and seniors' housing (Ayabaskaw and Rotary House). With respect to requisitions for provincial education and seniors' housing, the requisitioning authority's tax rates are calculated based on the amounts they request. In imposing this necessary tax levy, it is important to note that the Municipality simply acts as a collector of the funds and has no authority to refuse or change the amount requested by external requisitions.

A typical residential property tax notice will consist of three components: a municipal levy, an Alberta Education requisition levy, and a levy for seniors' housing. The total amount of property taxes paid will vary based on the actual assessment value, and the respective tax rate applied against the various property classes.

In order to assist with the understanding of the following 2011 Property Tax Rate recommendations, the following clarifications are provided:

- Property tax remaining tax revenue neutral simply means that the Municipality will collect the same municipal tax revenue for the 2011 tax year as it did in the 2010 tax year on properties which existed in 2010.
- The residential property tax class has experienced differing market value increases due to factors such as location influences, size, and as such, individual properties may experience differing increases or decreases in taxes.
- The other-residential property class has experienced differing market values decreases due to factors such as vacancy, rents and as such, individual properties may experience differing increases or decreases in taxes.
- Market values in the non-residential property class experienced increases and decreases due to factors such as vacancy, availability, rents and as such, individual properties may experience differing increases or decreases in taxes.
- The overall total tax revenue collected for the residential, other residential and non-residential property classes will increase as a result of new properties being taxed for the first time in the 2011 taxation year. New properties are referred to as “new construction growth”.

In establishing tax rates for the 2011 Property Tax Bylaw, Administration has used the “tax revenue neutral plus new construction growth” approach for all property classes.

Since Council approval of the 2011 Operating Budget in late 2010, taxation revenue estimates for the 2011 taxation year based on tax revenue neutral plus new construction growth have been exceeded. It is recommended that this additional revenue be allocated to the Capital Infrastructure Reserve.

For more information see Attachment 2 – 2011 Property Tax Rate Bylaw Questions and Answers

**Budget/Financial Implications:**

The 2011 property tax revenue budget was determined based on property tax revenue neutral methodology for all property classes (properties existing in 2010), with additional tax revenue budgeted for estimated new construction growth. The finalized assessment roll will generate approximately \$38.5M more than the estimated 2011 property tax revenue budget. The additional property tax revenue represents more construction growth than originally budgeted, not a property tax increase. This additional revenue has been incorporated into the fiscal management strategy and will aid in maintaining the “revenue neutral plus new construction growth” strategy for the years 2012 – 2014.

Assessment notices were sent out on March 1<sup>st</sup>, 2011 and the deadline for assessment complaints is May 2<sup>nd</sup>, 2011. In the event that any assessment complaints are successful and exceed the budgeted provision, the transfer to Capital Infrastructure Reserve will be reduced accordingly.

**Rationale:**

The proposed property tax rates represent a change from the strategy proposed in the original fiscal management strategy. The previously adopted strategy included a 2% inflation increase which, based on current conditions and assumptions is no longer required because it would lead to uncommitted fiscal reserves in excess of recommended levels.

The new 2011 – 2014 fiscal management strategy has also validated that the best course of action is to proceed with the “property tax revenue neutral plus new construction growth” approach.

**Attachments:**

1. Bylaw No. 11/012 – 2011 Property Tax Rate Bylaw
2. 2011 Property Tax Rate Bylaw Questions and Answers.



**BYLAW NO. 11/012**

**BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO AUTHORIZE THE SEVERAL RATES OF TAXATION TO BE IMPOSED FOR THE RURAL AND URBAN SERVICE AREAS FOR THE 2011 FISCAL YEAR.**

WHEREAS sections 353 and 354 of the *Municipal Government Act*, c.M-26, RSA 2000, requires that a municipality adopt a property tax bylaw annually and establishes guidelines for the setting of tax rates;

WHEREAS operating expenditures for the Regional Municipality of Wood Buffalo as approved in the 2011 Operating Budget total \$528,974,848;

WHEREAS Local Improvement Program levies total \$200,000;

WHEREAS operating revenues for the Regional Municipality of Wood Buffalo from sources other than taxation levies total \$85,985,578;

WHEREAS Section 357 (1) of the *Municipal Government Act* provides that the Municipal Tax Bylaw: “may specify a minimum amount payable as property tax ...” and the Regional Municipality of Wood Buffalo has resolved to establish a minimum tax;

WHEREAS the Alberta School Foundation has issued the following requisitions to the Regional Municipality of Wood Buffalo, namely:

- |      |                               |                  |
|------|-------------------------------|------------------|
| (i)  | for residential and farm land | \$ 17,040,896.22 |
| (ii) | for non-residential           | \$ 19,500,039.04 |

WHEREAS the Fort McMurray R.C.S.S.D. #32 has made the following requisitions to the Regional Municipality of Wood Buffalo, namely:

- |      |                              |               |
|------|------------------------------|---------------|
| (i)  | for residential and farmland | \$ 805,919.74 |
| (ii) | for non-residential          | \$ 131,368.20 |

WHEREAS the Ayabaskaw House has made the following requisition to the Regional Municipality of Wood Buffalo, namely:

- |     |                        |         |
|-----|------------------------|---------|
| (i) | for all property types | \$ 0.00 |
|-----|------------------------|---------|

WHEREAS the Rotary House Senior Lodge has made the following requisition to the Regional Municipality of Wood Buffalo, namely:

- |     |                        |                 |
|-----|------------------------|-----------------|
| (i) | for all property types | \$ 1,642,000.00 |
|-----|------------------------|-----------------|

WHEREAS Section 10 of the Order in Council No. 817-94 regarding the amalgamation of Improvement District 143 and the City of Fort McMurray, which became effective on the 1<sup>st</sup> day of April, 1995, allows the Municipality, by Bylaw, to establish different rates of taxation for the Fort McMurray Urban Service Area and the Rural Service Area for each assessment class or sub-class referred to in Section 297 of the Municipal Government Act;

WHEREAS the net annual tax levy requirements of the Regional Municipality of Wood Buffalo for 2011 are estimated to be:

MUNICIPAL PURPOSES	\$485,573,306
--------------------	---------------

WHEREAS the total Regional Municipality of Wood Buffalo Rural Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised totals \$24,090,372,242;

WHEREAS the total Regional Municipality of Wood Buffalo Urban Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised totals \$14,773,020,567;

AND WHEREAS it is deemed necessary to impose several rates of taxation for the 2011, as hereinafter set out, against those properties from which the tax levy requirements may be raised;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, in the Province of Alberta, duly assembled, hereby enacts, as follows:

1. THAT the Director of Assessment and Taxation shall be authorized and required to levy the rates of taxation as shown following against the assessed value of all lands, buildings, and improvements as shown upon the Municipal Assessment Roll.

EDUCATION

- Alberta School Foundation Fund	
Rural and Urban Service Area	
- Residential and Farmland	0.0013735
- Non-Residential	0.0029169
- Fort McMurray R.C.S.S.D. # 32	
- Residential and Farmland	0.0013735
- Non-Residential	0.0029169

SENIORS' FACILITIES

- Ayabaskaw Home	0
- Rotary House	0.0000422

MUNICIPAL PURPOSES - RURAL SERVICE AREA

- Residential and Farmland	0.0014172
- Non-Residential	0.0185713

MUNICIPAL PURPOSES - URBAN SERVICE AREA

- Residential and Farmland	0.0024774
- Other Residential	0.0061184
- Non-Residential	0.0057792

2. All properties not otherwise exempt from taxation subject to assessment shall be subject to a minimum tax of \$50.00. Where the application of the tax rates established by this Bylaw to the assessment of any taxable property would result in a total tax payable of less than \$50.00, the total tax shall be assessed at \$50.00, with the tax allocated to pay firstly the amount of Education, the Rotary House tax payable, and the balance paid and deemed to be the municipal tax payable.
3. This Bylaw shall be passed and become effective when it receives third reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

READ a second time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

READ a third and final time this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

SIGNED and PASSED this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 2011.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Legislative Officer

## 2011 Property Tax Rate Bylaw Questions and Answers

### What do we mean by “Tax Revenue Neutral”?

Property taxes’ remaining tax revenue neutral simply means that the Municipality will collect the same tax revenue for the 2011 tax year as it did in the 2010 tax year on properties which existed in 2010. In context to the recommended 2011 Tax Rate Bylaw, residential, other residential and non-residential properties are recommended to remain tax revenue neutral. Market values in the residential property tax classes experienced differing market value decreases due to market influences. Although the Municipality is collecting the same tax revenue in 2011 from all classes of properties “which existed in 2010”, there will be both tax increases and decreases within the property classes. The overall total tax revenue collected for all property classes will increase as a result of new properties (new construction) being taxed for the first time in the 2011 taxation year.

### How do property taxes in Fort McMurray compare to municipal residential taxes in other urban centers with a population of 50,000 or greater?

As of 2010 the Municipality has the 3<sup>rd</sup> lowest residential property taxes in comparison to 9 Alberta urban centers with a population of 50,000 or greater.

### How do property taxes in Fort McMurray compare to municipal non-residential taxes in other urban centers with a population of 50,000 or greater?

As of 2010 the Municipality has the lowest non-residential property taxes in comparison to urban centers with a population of 50,000 or greater.

### Has the Provincial Education Requisition levy (school taxes) changed?

The 2011 Provincial Education property requisition and resulting school taxes for both non-residential and residential properties has increased. For the average residential home, the 2011 school tax increase is 7.5% which translates into a \$59 increase.

### Is the potential \$38.5M additional tax revenue enough to address future capital requirements?

The municipality currently has a strong financial position. The 2011 – 2014 Fiscal Management Strategy outlines short and mid-term operating and capital funding requirements. The \$38.5M additional tax revenue will allow the Municipality to proceed with funding short and mid-term operating and capital budgets without increasing property taxes.