

SPECIAL AREAS BOARD



Report to the Ratepayer—Spring 2021

Message from the Chair

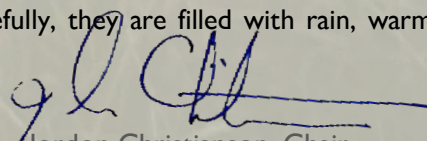
2020 was defined by uncertainty and unknowns, and required us to adapt on a day-by-day, sometimes even hour-by-hour, basis. At the Special Areas, we grounded our decisions in protecting the critical services you rely on us to provide.

Last spring, the emerging pandemic and historically low commodity prices raised significant concerns about the ability of industrial ratepayers to pay tax obligations in November, our tax deadline. In response to this uncertainty the Board dramatically reduced planned expenditures. This allowed the Board to focus on core services while preparing for potentially high levels of uncollected taxes. By being proactive, Special Areas was in a strong financial position when municipal tax collection rates were better than expected in November. Although we have successfully weathered the storms of this past year, we continue to see significant challenges ahead: from declining industrial assessment levels to municipal grant funding cuts to increasing costs downloaded from the Province.

This year we are returning to a more traditional level of operations. The 2021 road program includes full road construction, surfacing, and recrowning programs. We have picked up projects deferred last year, and it will be a very busy season for our crews as they deliver these ambitious programs. Our economic development work is focused on making sure regional infrastructure and services meets current and future needs of our communities. One example of our work is the new assisted-living/dementia care facility being constructed in Oyen. Acadia Foundation, with the support of the Special Areas, is partnering with the Province to bring critical care services to the region. This project will help residents who need these services stay closer to family and friends as their needs change over time. Another exciting project we are working on this year is the irrigation investigation project with the M.D. of Acadia, Alberta Agriculture and Forestry, and the Canada Infrastructure Bank. This partnership is investigating irrigation feasibility for our entire region, and we look forward to sharing more this fall once the initial feasibility work is complete.

October 18 will be the first municipal general election held in conjunction with a Senate Election and Referendum Vote in Alberta. The role of locally elected Advisory Councillors is critical in making sure ratepayers - and the issues and concerns you care about - are represented in municipal decision making. Nominations for Advisory Council are being accepted until noon on September 20, and I encourage you to reach out to Darcy Ferguson, Returning Officer for the Special Areas, if you would like to learn more.

I wish you all the best during the busy months ahead; hopefully, they are filled with rain, warm temperatures, and lots of sunshine.


Jordon Christianson, Chair

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Cover photo
"Pots of Purple" by
K. Dedora

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Special Area No.4 District Office	(403) 577-3523	4916-50th St. Box 220, Consort, AB T0C 1B0

2021 RATEPAYER MEETING INFORMATION NOW ONLINE!



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Share your thoughts at

<https://www.surveymonkey.com/r/Ratepayer2021>

2021 annual reports & presentations available at
www.specialareas.ab.ca/ratepayer-meetings/

2020 - FINANCIAL YEAR IN REVIEW

Special Areas funds operations through revenues generated from taxation, leasing of public lands, and other sources including grants. In early 2020, the Board modified the approved budget in response to anticipated shortfalls in municipal tax revenues from some industrial ratepayers.

The Special Areas tax deadline is November 15, so the Advisory Council and Board recommended a proactive approach to controlling expenses in case municipal tax revenues were significantly lower in 2020. Industrial ratepayers, including oil & gas producers in the region, were being negatively affected by historic declines in commodity prices. Their ability to pay taxes and rental fees was being threatened. Other municipalities in the region with comparable industrial tax bases were experiencing significant shortfalls in tax collections, with collection rates ranging from 65% to 75%. As industrial taxes represent over 84% of Special Areas tax revenues, unpaid taxes from this ratepayer group would significantly impact overall revenues for the Special Areas.

2020 REVENUES

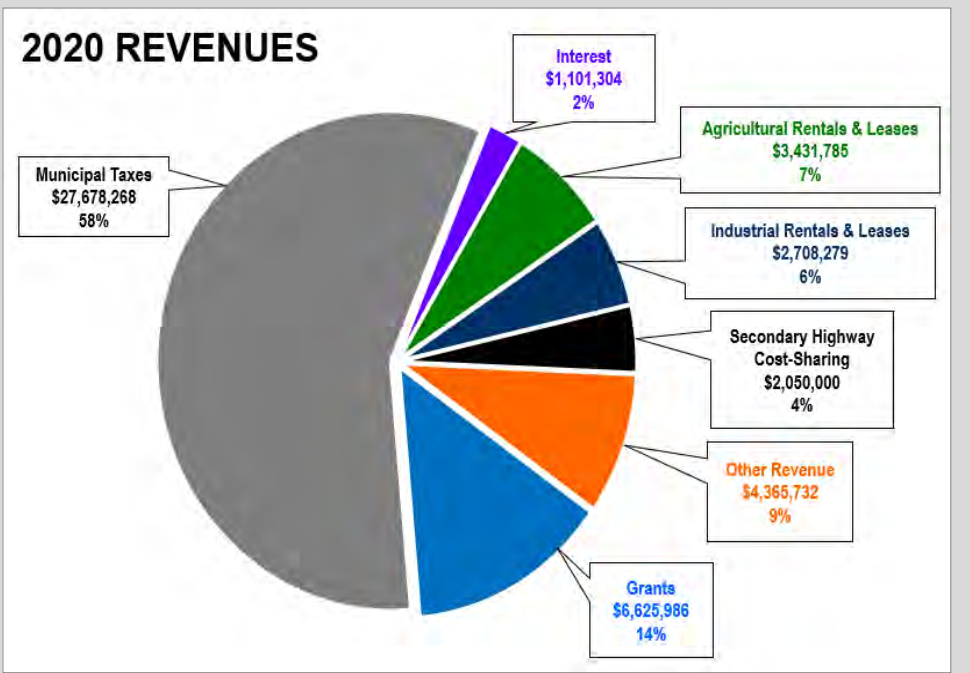
Total Revenues - \$47.9M

This means total revenue was \$5.58M less or 10% lower compared to the original budgeted amount.

This shortfall is a result of declines in municipal tax revenue and reductions in other revenue sources like government grants.

Significant revenue challenges included:

- \$3.6M in unpaid municipal taxes
- \$1.4M decline in grant revenues, including decreases in provincial funding
- \$0.94M shortfall in lease revenues due to a one-time reduction in MSL rates



2021 - FINANCIAL UPDATE

	2021 Budget*	2020 Budget*
Total Revenues	\$48.7M	\$53.5M
Total Expenses	\$48.9M	\$53.5M**
Total (Deficit)	(\$0.2M)	\$0

**Calculated using a modified cash basis*

***Due to the pandemic & economic downturn, the 2020 budget was modified to reduce spending by deferring non-essential capital expenditures and programs.*

Special Areas is planning a deficit of \$163,000 for the 2021 fiscal year. This will be funded out of the accumulated operational surplus.

The focus in 2021 is:

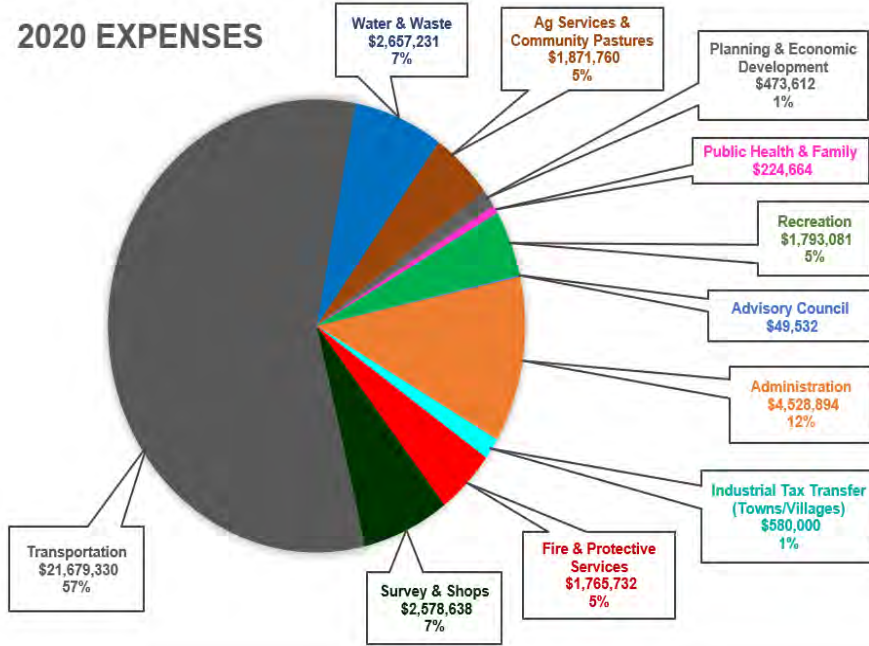
- Returning to a full-employment budget and road program
- Completing deferred capital projects and expenditures from 2020
- Capital expenditures supporting the long-term capital replacement program

In the spring of 2020, the Board modified the approved budget by decreasing planned expenses \$10.8M, representing almost 20% reductions in total expenses.

These reductions were achieved through deferring major capital projects and purchases into future years, reducing the 2020 road program, shortening the construction season, cancelling road recrowning work, and reducing seasonal staffing levels. The 2020 season for parks and campgrounds was shortened, primarily due to public health restrictions due to the pandemic. Many of last year's deferred capital projects have been included in 2021, including the Homestead Coulee Fire Hall, the regional waterline extension from Pemukan, and a full employment road program including recrowning, construction, surfacing, and repair work.

As a result of the proactive decision to reduce expenses in 2020, total actual expenses were \$38.2M, approximately \$15.0M less than original budgeted amounts.

2020 EXPENSES



2020 EXPENSES

Total Actual Expenses - \$38.2M

This means total expenses were \$15.0M less or 28% lower compared to the original budgeted amount.

This was a result of operational changes made in spring 2020 in response to historic declines in commodity prices and the potential for significant municipal tax revenue shortfalls.

Expenses were reduced by:

- 65% in Advisory Council (reduced meetings/travel)
- 53% in Water & Waste (waterline project deferral)
- 35% in Fire & Protective Services (capital deferrals)
- 28% in Transportation (capital & program deferrals)
- 29% in Recreation (seasonal staffing reduction)

FUTURE FINANCIAL TRENDS

As a result of declining municipal revenues expected over the next three years, Special Areas will be focusing on identifying sustainable service levels, programming, and capital expenditures.

Some key factors impacting municipal revenues include:

- Declining assessment base due to increased oil & gas reclamation and abandonment work
- Declining municipal revenues including impacts from provincial oil & gas relief programs
- Declining provincial grants including a 25% MSI reduction over next three years

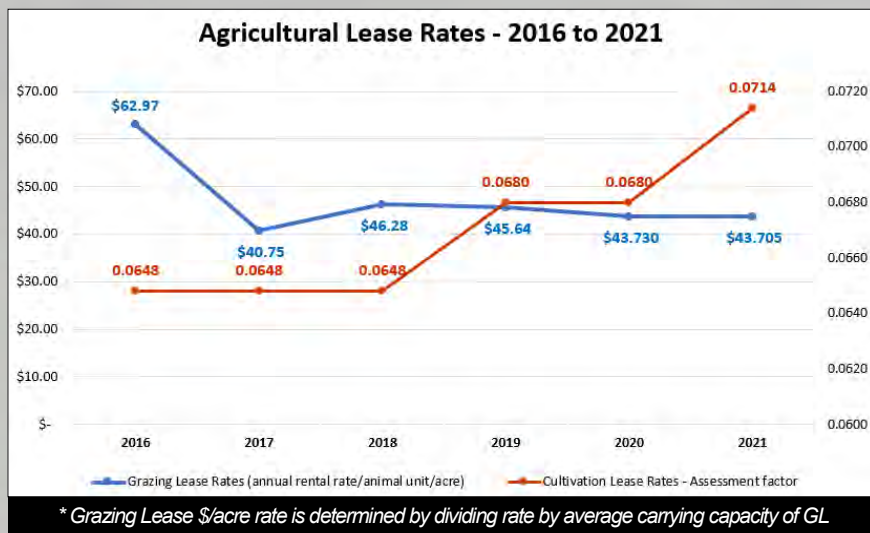
Special Areas will continue using strong financial tools like the long-term capital replacement program and three-year budget cycle to sustainably plan for long-term capital and program needs.

The Board and Advisory Council will continue looking at ways of balancing ratepayer priorities and program needs with long-term economic realities and financial pressures.

2021 AGRICULTURAL RATES

The Special Areas Board manages over 2.5 million acres of public lands located within our boundaries, comprised of both municipal tax recovery and provincial crown lands. Public lands are managed under the *Special Areas Act*, with uses including agricultural leases and community pastures. As the public land manager, Special Areas has a mandate to provide responsible long-term land and water management while supporting a diverse range of opportunities. The Board is committed to responsible public land policies which protect sensitive ecological areas and support the viability of agricultural operations in our region.

Public lands in the Special Areas are primarily managed through agricultural leases, including both grazing and cultivation. Approximately 83% of agricultural leases are held as grazing leases, with 11% being cultivation based. Lease rates are reviewed annually, with proposed rates recommended by the Advisory Council and Board.



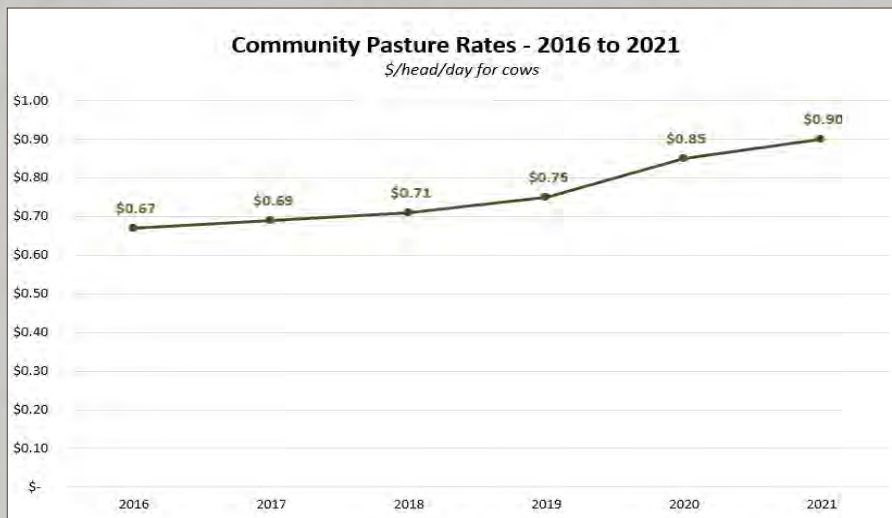
Grazing lease rates are determined using a formula that integrates average market prices, average weight gain and forage values to determine the annual per acre rental rate for producers. 2021's annual rental rate per animal unit is set at \$43.705, a 0.6% decrease from 2020 rates.

Cultivation lease rates are determined using a formula which integrates assessed land values and an assessment factor, with the overall formula changing in response to private land rental rates. For 2021, the annual cultivation rental rate increased 5.0%, with the assessment factor increasing to 0.0714.

The Board manages over 172,000 acres of community pastures which provide supplemental grazing for area producers. The five community pastures - Buffalo-Atlee, Bullpound, Remount, Sounding Creek and Richdale - support over 7200 cow-calf pairs each season. Grazing space is allocated based on several factors with allotments determined annually by allotment committees in accordance with the Special Areas Disposition Regulation and Community Pasture Policy.

Community pastures protect long-term ecological and economic health while ensuring native prairie is used effectively. Special Areas continues to move towards a cost-recovery position for community pastures through incremental increases to pasture rates. 2021 community pasture rates have been set at \$0.90/head/day (an increase of \$0.05/head/day), with rates for calves maintained at \$8/calf/season.

Community pasture allotment meetings were held in January, and demand for grazing opportunities in the community pastures remains strong with nearly all of grazing capacity allocated.



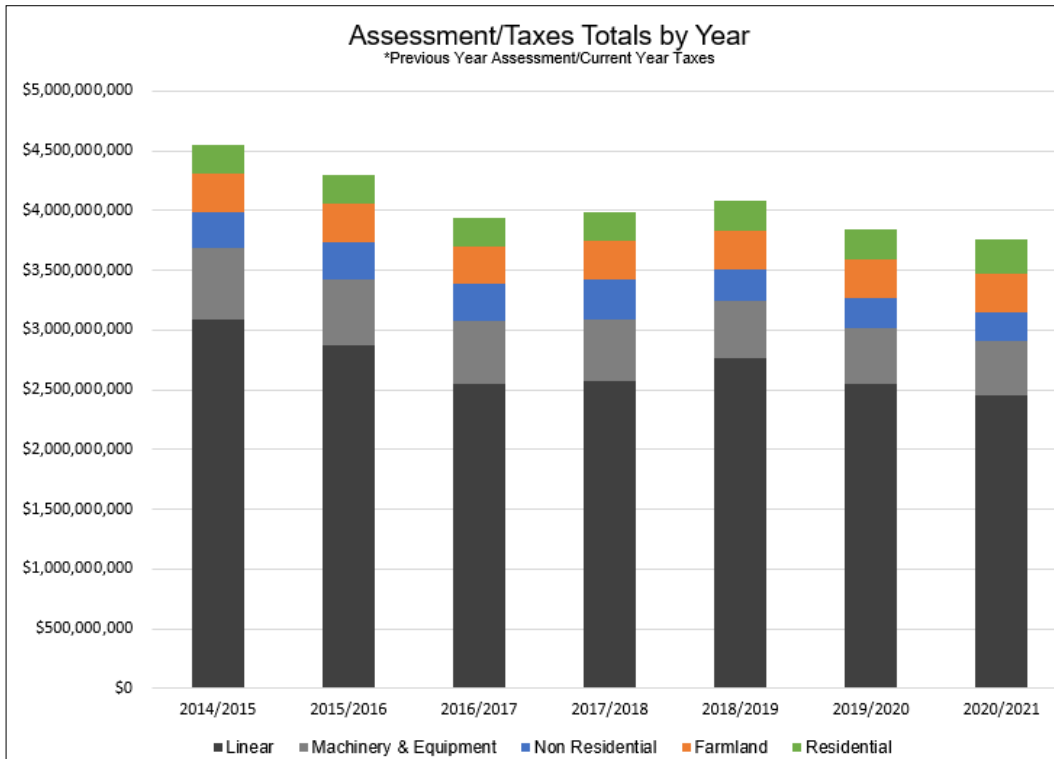
As a result of the 2017 Bindloss wildfire, approximately 10,000 acres of community pastures were not used for the 2018, 2019, and 2020 seasons so they could rest and recover. These pastures will be stocked as a part of the 2021 season as they have recovered from the wildfire damage.

To learn more about public land management in the Special Areas, specific rental or lease rates, or public land policies, please contact the Property Administration department at (403) 854-5600.

TRENDS IN ASSESSMENT

Property assessment is the process of assigning a dollar value to a property for the purposes of taxation. The *Municipal Government Act* defines property as a parcel of land, an improvement, or a parcel of land and an improvement to the land. Assessed values are based on either a market value approach or a regulated value approach. In the Special Areas, the regulated value approach is used for the majority of assessments, including farmland and designated industrial properties like wells, pipelines, and other linear assessment properties. The Province of Alberta is responsible for setting annual rates and assessments for regulated properties.

In the fall of 2020, the Province announced it was instituting a series of relief measures targeted to the oil & gas sector. These measures included: a three-year property tax holiday for all new well and pipeline assets, an assessment reduction on lower-producing wells, a three-year continuation of the 35% reduction to shallow gas assessments, and the elimination of the oil well drilling equipment tax. These relief measures, and the increased amount of reclamation activity in our region, means we are expecting a long-term decline in overall assessment levels moving forward.



The 2020 provincially regulated linear assessment (used for the 2021 taxation year) is starting to see impacts of these measures, with a 3.51% year-over-year decline for the Special Areas. This decline is almost three times greater than the provincial average. The impacts to shallow gas properties were particularly significant with a 12.75% year-over-year decline in wellsite assessments for the Special Areas, almost double the provincial average.

The declining trend in assessments will continue to negatively impact the municipal taxation base over the next three years, increasing pressure on municipal revenues.

PROVINCIAL SITE REHABILITATION PROGRAM



The Government of Alberta's Site Rehabilitation Program (SRP) provides grants to oil field service contractors to perform well, pipeline, and oil and gas closure and reclamation work. This program is intended to provide employment opportunities to oil and gas workers, accelerate site abandonment and reclamation efforts, and complete a high volume of environmentally sensitive work. To learn more about the Province's SRP program, visit <https://www.alberta.ca/site-rehabilitation-program-overview.aspx>.

The **Alberta Energy Regulator (AER)** is the governing body for the reclamation certification process. If you have any concerns about compliance with regulatory requirements for work being conducted on a particular site, you can contact the AER at 1-855-297-8311.

The **Special Areas Board** is considered to be the landowner by AER in their reclamation certification process for mineral surface leases located on public land in the Special Areas.

Special Areas Administration, including the Rangeland Department, is working closely with leaseholders and the AER to ensure Special Areas Board policies and reclamation expectations are satisfied as a part of this process. For more information, contact the Rangeland Department at (403) 854 - 5647.

Check us out at www.specialareas.ab.ca, on Facebook, Instagram and Twitter.



MUNICIPAL SERVICES

2020 HIGHLIGHTS

Roads & Transportation Services

We completed 32 km of road soil/surface stabilization work, 15 km of road construction, and critical backtrail repairs in 2020. The 2020 road program was reduced by approximately half in spring 2020 as a part of overall budget cuts. The road recrowning program was cancelled for the 2020 season, with critical projects deferred as priorities into 2021. Major projects included surfacing work on Hwy 862 (17 km) and Sedalia Road (15 km), along with construction on Preston Road and 9-4/9-2 Plant Roads.

Fire & Enforcement Services

2020 was a slower-than-normal year for emergency and fire services, with Special Areas fire departments responding to 165 calls. This is a decrease over past years, in part due to reduced travel and industrial activity in the region due to the pandemic. The electronic fire log program - developed in-house by Special Areas - provided fire departments with improved access to digital reporting. This was especially valuable during the pandemic. As a part of the Board's cost saving measures, the Homestead Coulee Fire Hall was deferred into 2021.

Water/Waste Water

We continued to upgrade water infrastructure while streamlining operations to capture cost efficiencies. Water infrastructure system mapping for hamlets was completed, supporting improved long-term infrastructure planning. We continued to support neighboring municipalities in the provision of water services, including Cereal, Empress, Oyen and Youngstown.

Aggregates (Gravel)

Project work focused on demand driven exploration, resulting in a significant find of gravel resources in Special Area No. 4 late in 2020. This find - approximately 1 million tonnes - will ensure gravel resources for this region for a decade or more. Reclamation work was completed on Special Areas gravel pits to help reduce overall long term liability. Work was completed throughout the fall/winter 2020 as it was ideally suited to the public health restrictions in place at that time.

2021 PROJECTS

FIRE & ENFORCEMENT PROJECTS

- Homestead Coulee Fire Hall
- Regional Emergency Management Plan

WATER PROJECTS

- Water Facility Improvements at SDS stations.

PARKS & RECREATION PROJECTS

- Prairie Oasis Park West Shower Building Addition
- Prairie Oasis Park Marina & Dock - Pilings & Repairs
- Blood Indian Park - AEP Prussian Carp Research Project
- Gooseberry & Little Fish Lake Provincial Parks - Operating Partnership with the Province for 2021 Season

FACILITIES & SHOPS PROJECTS

- Youngstown Service Center - Fuel Distribution System, Energy Efficiency Investigation
- Consort District Office - Engineering for Carport and Retaining Wall
- Hanna Board Office - HVAC (air) Control System Improvements

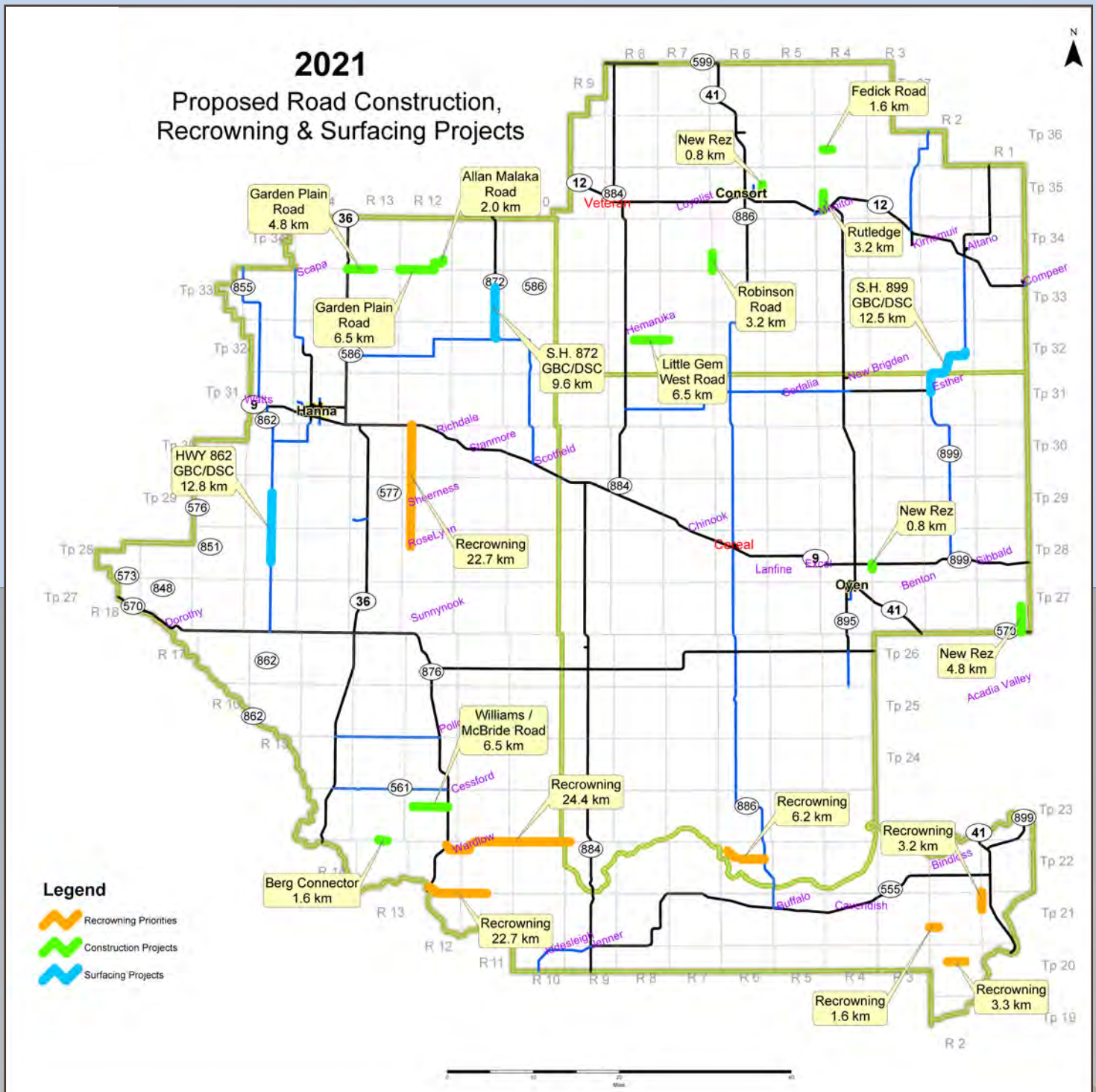
Municipal Parks

Municipal Parks had a challenging season, hosting a record number of visitors with a reduced level of seasonal staffing. Parks opened on a staged basis as per public health restrictions, with full public access to day use and camping areas permitted on June 12. Camping fees were increased in 2020. Playground installations at Prairie Oasis Park and Carolside were completed, and the Marina Fuel Station at Prairie Oasis was operational for the 2020 season.

Facilities

The creation of a online notification ticket system improved the efficiency of corrective and preventative maintenance work. Major projects included the Sounding Creek Community Pasture shop/barn as major damage to the facility was sustained during a severe windstorm.

2021 ROAD PROGRAM



2021 ROAD SURFACING

- Hwy 862 (GBC/DSC) - 12.8 km
- Hwy 872 (GBC/DSC) - 9.6 km
- Hwy 899 (GBC/DSC) - 12.5 km

*GBC/DSC refers to Granulated Base Course with a Double Seal Coat surface on top.

2021 ROAD CONSTRUCTION

Over 29 kms of construction including:

- Garden Plain Road (2 projects) - 11.3 km
- Little Gem West Road - 6.5 km
- Williams/McBride Road - 6.5 km
- 3 new residence roads - 6.4 km
- Other local roads - 8.4 km

2021 ROAD RECROWNING

Over 84 kms of recrowning work is planned for the 2021, projects ranging from 1.6 km to 22.7 km in length.

Road recrowning restores a road to the previously built design standard (crown/width) at a much lower cost than full road construction.

2021 MUNICIPAL ELECTION

The Special Areas Board will be holding a municipal election on Monday, October 18, 2021.

General municipal elections are held every four years in accordance with the *Local Authorities Election Act*. In the Special Areas, thirteen Advisory Councillors are elected (or acclaimed if there is only one nominee in a subdivision) to a four-year term. This group is referred to as the Special Areas Advisory Council.

To learn more about the 2021 municipal election, including candidate information and resources, go to <https://specialareas.ab.ca/municipal-elections/>

What is the role of the Advisory Council?

The role of the Advisory Council is to confer with and advise the Special Areas Board and the Minister of Municipal Affairs on matters impacting the Special Areas.

The Advisory Council meets quarterly throughout the Special Areas to provide advice to the Board on:

- Ratepayer and resident concerns
- Emerging and urgent issues
- Annual road program, including road construction and surfacing
- Budgeting and long-term capital planning
- Strategic priorities and overall programming direction
- Regional initiatives and partnerships
- Economic development and other community building initiatives
- Work with other (external) Boards and Committees

Advisory Councillors are provided remuneration and allowance as a part of their role as an elected official.

Current remuneration rates are set at \$169/day (for up to eight hours) and \$257/day (for over eight hours), in addition to mileage and other miscellaneous expenses.

Advisory Councillors are provided with a tablet and a portion of internet expenses are paid for, along with any required training. Advisory Councillors are given the opportunity to attend the Rural Municipalities of Alberta (RMA) spring and fall conferences in Edmonton, along with other relevant conferences as they relate to external Boards and Committees work.

What is the role of the Special Areas Board?

The Special Areas Board is responsible for providing oversight and strategic direction for the administration of the Special Areas, including the provision of municipal services and management of public lands in the Special Areas.

Three members from Advisory Council are appointed to the Board, with one representative for each Special Area (Special Area No. 2, 3, & 4). Board members are appointed for two, two-year terms. The Board meets twice a month throughout the Special Areas region and Board members are provided remuneration as a part of their role.

Current remuneration rates are set at \$115/day (for less than four hours), \$191/day (for over four but less than eight hours), and \$306/day (for over eight hours). Mileage and other miscellaneous expenses are also provided.

