

SPECIAL AREAS BOARD



Report to the Ratepayer - Spring 2022

Message from the Chair

With spring weather finally showing signs of appearing, we are busy here at Special Areas getting ready for the 2022 fieldwork and construction season. Our 2022 plans are ambitious, including over 130 kms of road work, new facility construction and repair projects, and an extensive weed control program. We continue to focus on delivering cost-effective, responsive, and innovative programs that meet your needs and support the sustainability of the whole region.

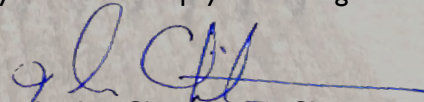
I am excited to share we are getting back to in-person ratepayer meetings this year. Annual ratepayer meetings are your meetings. They give you a chance to meet with us in your communities to share your concerns, talk about your priorities, and let us know how we are doing. I know Advisory Council and Administration are really looking forward to seeing everyone in-person again after what feels like an eternity of online meetings. I encourage everyone to come on out and meet with us this May and June.

Work on the first phase of the regional irrigation feasibility project is wrapping up this spring. We all understand the impacts prolonged droughts and water scarcity can have - after all, we do live in the Special Areas. Irrigation creates transformative economic opportunities for producers, families, communities, and entire regions. We understand what irrigation would mean for our region, and we will continue working with our project partners to move the project forward.

In this newsletter, you will find information about the many renewable energy (wind) projects being developed in the Special Areas. These projects together represent up to 1085 MW of renewable energy being added to the provincial electrical grid. By 2023, this is projected to represent more than 5% of all electrical capacity in Alberta. The Board and Advisory Council understand the sensitivities around these types of projects, both positive and negative. Although these projects may not be welcomed by all, the reality is that they are coming. The challenge we now face as a region is how we can take advantage of the opportunities these projects can create for our communities.

Finally, I want to thank you for your patience and understanding over the past few years. Finding new ways to connect and work together during the pandemic often meant making the best of difficult situations. Thank you for working with us as we navigated through what were often confusing and ever-changing rules and restrictions.

I wish you all the best during the busy months ahead; hopefully, they are filled with rain, warm temperatures, and lots of sunshine. I look forward to seeing you at our ratepayer meetings soon!


Jordon Christianson, Chair

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WIND ENERGY IN THE SPECIAL AREAS

Cover photo:
O. Sederberg

Special Area No.2 District Office	(403) 854-5625	212-2nd Ave. W, Box 820, Hanna, AB T0J 1P0
Special Area No.3 District Office	(403) 664-3618	319 Main St., Box 30, Oyen, AB T0J 2J0
Special Area No.4 District Office	(403) 577-3523	4916-50th St., Box 220, Consort, AB T0C 1B0



2022 ANNUAL RATEPAYER MEETINGS

SUBDIVISION (SD)	LOCATION	DATE/TIME	ADVISORY COUNCIL
SA2 - SD 7 & 8	BUFFALO HALL	MAY 17 @ 1:30 PM	DARYL SWENSON, BRAD OSADCCZUK
SA2 - SD 3 & 4	HARDGRASS HUB	MAY 26 @ 1:30 PM	BRAD SLORSTAD, JUSTIN GRIFFITH
SA2 - SD 2	HOMESTEAD COULEE HALL	JUNE 1 @ 1:30 PM	NEAL ROES
SA2 - SD 1 & 5	HANNA LEGION HALL	JUNE 2 @ 1:30 PM	KEVIN BOSSERT, MARK BLAIR
SA4 - SD 1, 2 & 3	CONSORT GEM CENTRE	JUNE 16 @ 1:30 PM	GRAHAM SCHETZLE, LAURIE FERENCE, DOUG NOBLE
SA3 - SD 4, 5 & 6	CJ PEACOCK CENTRE	JUNE 29 @ 1:30 PM	ERIKA TESSIER, JOHN KIMBER, KEVIN WILSON

2021 FINANCIAL YEAR IN REVIEW

Special Areas returned to a full - employment budget in 2021, including a full road construction program and related capital expenditures. Supply chain issues continued to impact procurement of equipment and other key materials because of limited supplies and extended delays. These challenges resulted in some of the planned capital purchases in 2021 being deferred into future years. As supply chain issues begin to resolve, these deferred capital purchases are expected to be completed on an operational priority basis.

Another significant impact to 2021 financial reporting was the dissolution of the Village of Cereal and the resulting transfer of village owned tangible capital assets to the Special Areas. Although these assets appear as a significant increase to tangible capital assets in 2021 financial reporting, the true financial impact of these assets will be reflected in future financial statements as they are transferred to community groups or otherwise managed using established Special Areas procurement processes.

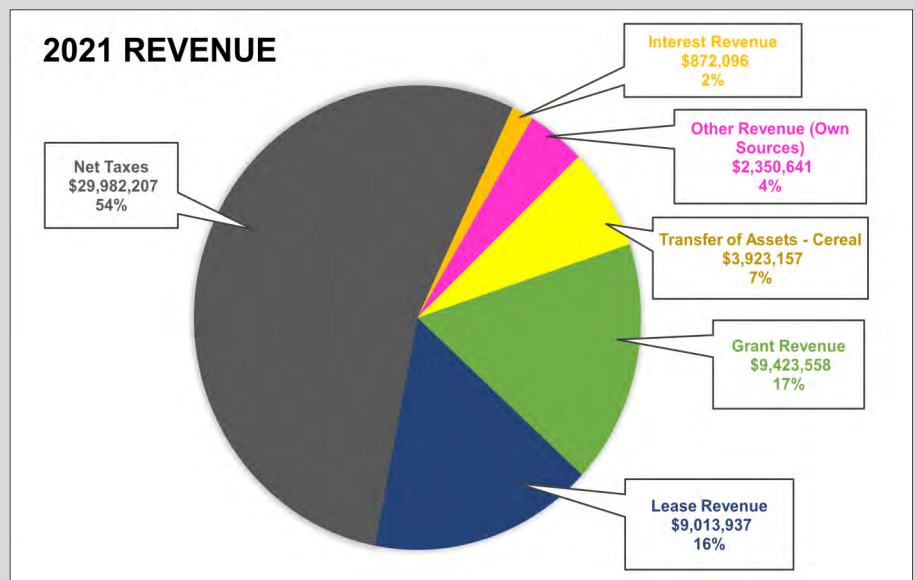
2021 REVENUES

Total Revenues - \$55.6M

Total revenue was \$6.8M higher or 14% more than the original budgeted amount.

This surplus is a result of a one-time increase in government grant revenue as the Province advanced \$1.7M in future year MSI funds. These funds were used to fund planned municipal infrastructure projects and capital purchases.

The transfer of assets from the Village of Cereal resulted in an increase of \$3.7M in tangible capital assets to the Special Areas.



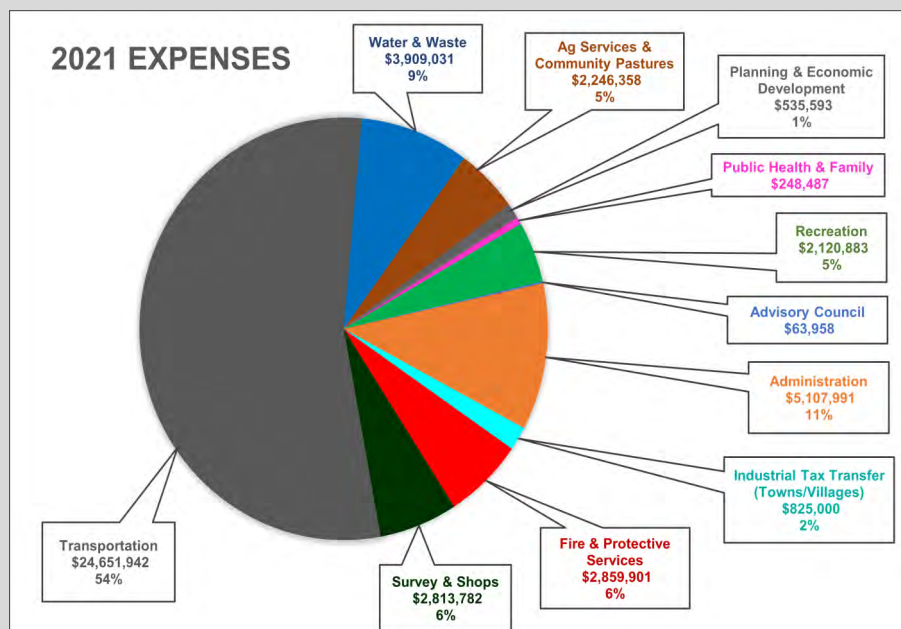
2021 EXPENSES

Total Actual Expenses - \$45.4M

Total expenses were \$3.5M less or 7% lower than original budgeted amount.

Expenses were slightly below budgeted amounts in most operational areas due to deferred capital spending. The regional potable waterline to Altario was deferred in part due to a lack of funding from other levels of government.

Significant 2021 partnership work included the regional irrigation feasibility project which was funded with the MD of Acadia, CIB, and the Province. The initial phase of this work is expected to wrap up in 2022.



2022 BUDGET HIGHLIGHTS

Special Areas funds operations through revenues generated from taxation, leasing of public lands, and other sources including grants. As a part of the budgeting process, Advisory Council recommends long-term capital, operational, and strategic priorities to the Board. The Board uses these recommendations to provide direction to Administration on developing the proposed budget. This proposed budget is first reviewed by the Board, then shared with the Advisory Council at the fall Advisory Council meeting. Advisory Council finalizes the proposed budget which is then taken to the Board for approval. The Board focuses on ensuring the budget meets ratepayer needs, is affordable, and supports Special Areas long-term financial strategies.

The 2022 budget has been approved and includes total planned expenditures of \$52.8M. Overall, this represents a 8% increase from 2021's budgeted expenditures. Total revenue is projected to decrease \$1.1M (or 2%) due in part to a decrease in grant revenue. The Board remains in a strong financial position with sufficient financial resources to fund future operational and capital requirements. The Board has an accumulated unrestricted operational surplus available for funding future expenditures.

	2022 Budget*	2021 Budget*
Total Revenues	\$47.7M	\$48.8M
Total Expenses	\$52.8M	\$48.9M
Total (Deficit)	(\$5.1M)	(\$0.1M)
*Calculated using a modified cash basis		

Special Areas is planning a deficit of \$5.1M for the 2022 fiscal year. This will be funded out of the accumulated unrestricted operational surplus.

The focus in 2022 is:

- Continuing with a full-employment budget and road program
- Completing deferred capital projects and expenditures from prior years
- Prioritizing capital expenditures based on operational priority, cost, and availability

FUTURE FINANCIAL TRENDS

Special Areas will focus on delivering sustainable program levels and prioritizing key capital expenditures. Inflationary pressures, including the effect of the carbon tax, are expected to negatively impact planned capital expenditures and program costs. Scarcity of resources, from staffing to equipment to parts, will continue to create operational challenges in 2022 and beyond.

Municipal revenues are expected to continue declining over the next three years due to:

- Declining assessment base from oil & gas reclamation and abandonment work
- Impacts of provincially mandated oil & gas relief programs, including a three-year tax holiday for new wells and pipelines (in effect for the 2022 taxation year)
- Elimination of the oil well drilling equipment tax (effective in 2021)
- Declining provincial grants including reductions to MSI

Special Areas will continue partnering with municipalities in the region through programs like the municipal industrial tax transfer and recreational board funding. These programs are intended to help manage the cost of regional services and to support community programs and amenities.

2022 AGRICULTURAL RATES

The Special Areas Board manages over 2.5 million acres of public lands located within our boundaries, made up 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. To learn more about public land management in the Special Areas, specific rental or lease rates, or public land policies, contact the Property Administration team at (403) 854-5600.

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 the 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. **2022's annual rental rate per animal unit is proposed at \$45.17, a 3.34% increase from 2021 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 2022, the proposed annual cultivation rental rate increased 5.0%, with the assessment factor increasing to 0.075.**

The Board manages over 172,000 acres of community pastures which provide supplemental grazing in the region. Community pastures support over 7200 cow-calf pairs each season, although allotments may be reduced due to drought, water scarcity, and other environmental conditions. Allotments are set each year by the Special Areas Board based on recommendations from allotment committees, and in accordance with the Special Areas Disposition Regulation and Community Pasture Policy. Special Areas continues to move towards a cost-recovery position for community pastures through incremental increases to pasture rates. **2022 community pasture rates have been set at \$0.95/head/day (an increase of \$0.05/head/day), with rates for calves kept at \$8/calf/season.**

2022 RATES

Grazing Lease Rental Rate*	\$45.17 per animal unit
Cultivation Lease Rate*	Assessment x 0.0750
Community Pasture Rate	Cattle - \$0.95/head/day Calves - \$8/calf/season

* proposed rates



DID YOU KNOW?

Restrictions on the cultivation of native prairie may be registered on land purchased through Tax Recovery Land Sales. These are sometimes called "Breaking Restriction Agreements".

It is the responsibility of the title holder to be aware of all caveats registered on title, including any restrictions on use.

To check if your land has caveats registered on title, you can do a search through any Alberta Registries Office or the Alberta Land Titles Database. Learn more at <https://alta.registries.gov.ab.ca>

SUBLETTING IN THE SPECIAL AREAS

Subletting is when a disposition holder makes an agreement with another party to allow them to use the disposition holder's leased land. Special Areas manages subletting with the *Optional Uses of Grazing Leases* policy.

Subletting outside immediate family requires Special Areas Board approval PRIOR to allowing livestock from the third party to enter the lease.

When subletting is approved, the livestock owner is required to pay current Community Pasture rates prior to entry of any stock. This payment is then applied towards the lessee's rental and taxes.

For more information on subletting, contact your local District Office.

BUILDING RESILIENCY IN DROUGHT

Managing through drought is always a daunting experience, especially when so many factors can be out of your control.

Range management tools are one way producers can make a positive impact on the resiliency of pastures and help mitigate some effects of drought. One important thing producers can control is how they change their range management plans to protect and repair the water cycle of their pastures. By making a few simple changes, producers will be able to maximize forage production and build resiliency.

We don't know how severe a drought will be, when it might end, or when the next drought will come. What we do know is by taking a proactive approach to managing through a drought, producers are better able to protect the productivity of their land and build resiliency.

For more information on range management tools you can use, contact the Range Management team at (403) 854-5600.



Pictured
above
right
Nolan Ball, R.T. (Ag)
Rangeland Agrologist

What is the water cycle?

The water cycle is the movement of water from clouds to soil to plants and back to clouds again. The cycle begins when precipitation strikes the land and ends when the water leaves either through runoff or evapotranspiration.

How can producers protect and repair the water cycle?

Light to moderate utilization of grasses will build litter on the soil surface and help retain moisture in the soil. Severely grazing plants leaves less litter which can start to expose soil. Bare soil loses moisture to the atmosphere through evaporation of water moving up through the soil profile. Moisture drawn out of the soil by evapotranspiration travels through the plants which produces forage growth. When planning for drought, leaving behind adequate amounts of residual plant growth is more important than the amount of grazed forage.

What happens to productivity during a drought?

Healthy pasture yields can be reduced proportionately by the reduction in rainfall received. Therefore, if precipitation is 25% below normal, yield reduction will be approximately 25%. Pastures that have been severely grazed prior to drought may experience 25% to 50% yield reduction. Severely grazing pastures prior to and during a drought may result in yield reductions ranging from 50% to 75%.

What causes this disproportionate yield reduction?

Pastures that are severely grazed have reduced root growth, poor soil structure, slower infiltration rate, less capacity to store water and higher runoff. It is important to provide a longer rest period for these pastures to recover.

How long is an adequate recovery period?

Recovery periods are not predictable using length of time alone. Monitoring leaf stage provides a good indication when plants can be grazed following a recovery period. Grazing once the plants reach the three leaf stage is recommended. Around the three leaf stage, grasses produce new growth from photosynthesis and restore energy back into their root systems.

What are some strategies to help drought resiliency of pastures?

- Leaving ample post-grazing residual plant growth
- Allow appropriate recovery
- Optimize photosynthesis
- Build the soil water holding capacity



MUNICIPAL SERVICES

2021 HIGHLIGHTS

Roads & Transportation Services

In 2021, Special Areas completed 34.7 km of road soil/surface stabilization work, 35.0 km of road construction, 29.7 km of road recrowning, and critical backtrail repairs.

Secondary highway projects included Hwy 899 (15.5 km), Hwy 862 (13.3 km), and Hwy 872 (9.7 km). Local road projects included Garden Plain Road (17.6 km), Sedalia Road (5.4 km), Rutledge Road (3.9 km), and Fedick Road (1.6 km). Over 6 km of new residence roads were constructed in 2021.

Fire & Enforcement Services

Special Areas fire departments responded to 248 calls in 2021, a 50% increase compared to 2020. COVID-19, and the additional protocols it required, continued to add complexity to calls. Work was completed on the combined Homestead Coulee Fire Hall & Grader Shop.

Enforcement services focused on high activity areas and emphasized education over enforcement whenever possible. A significant increase in commercial vehicle traffic in the region meant increased patrolling and enforcement activity. Almost 2300 over-dimensional permits were issued in 2021.

Water/Waste Water

Ongoing training for certified operators supported the preventative maintenance program and the safe delivery of water services, including the lead management program. Integrating Cereal's water systems into Special Areas operations was completed.

Municipal Parks

A record number of visitors in 2021 meant significant pressure on operations and staffing. Mitigation work for Prussian Carp at Blood Indian Park continued, including a netting and seining program. Special Areas managed Gooseberry and Little Fish Lake Provincial Parks as a part of our long-term operational agreement with Alberta Environment & Parks.

2022 PROJECTS

FIRE & ENFORCEMENT PROJECTS

- Big Stone Fire Hall Construction
- Tanker Replacement - Youngstown

WATER PROJECTS

- System Improvements - SDS Water Station
- Preliminary Engineering - Cereal Sewer
- Irrigation Pumps & Hose Reel for Producer Pumping

PARKS & RECREATION PROJECTS

- Carolside Campground - Dock Expansion
- Blood Indian Park - AEP Prussian Carp Research Project
- Prairie Oasis Park - Online Reservations & Front Registration Booth
- Gooseberry & Little Fish Lake Provincial Parks - Operating Partnership with the Province for 2022 Season

FACILITIES & SHOPS PROJECTS

- Consort District Office - New Roof
- SDS Truck Fill Addition Construction
- Sounding Creek Community Pasture - Seasonal Employee Accommodation
- Maintenance Shops - Overhead Doors

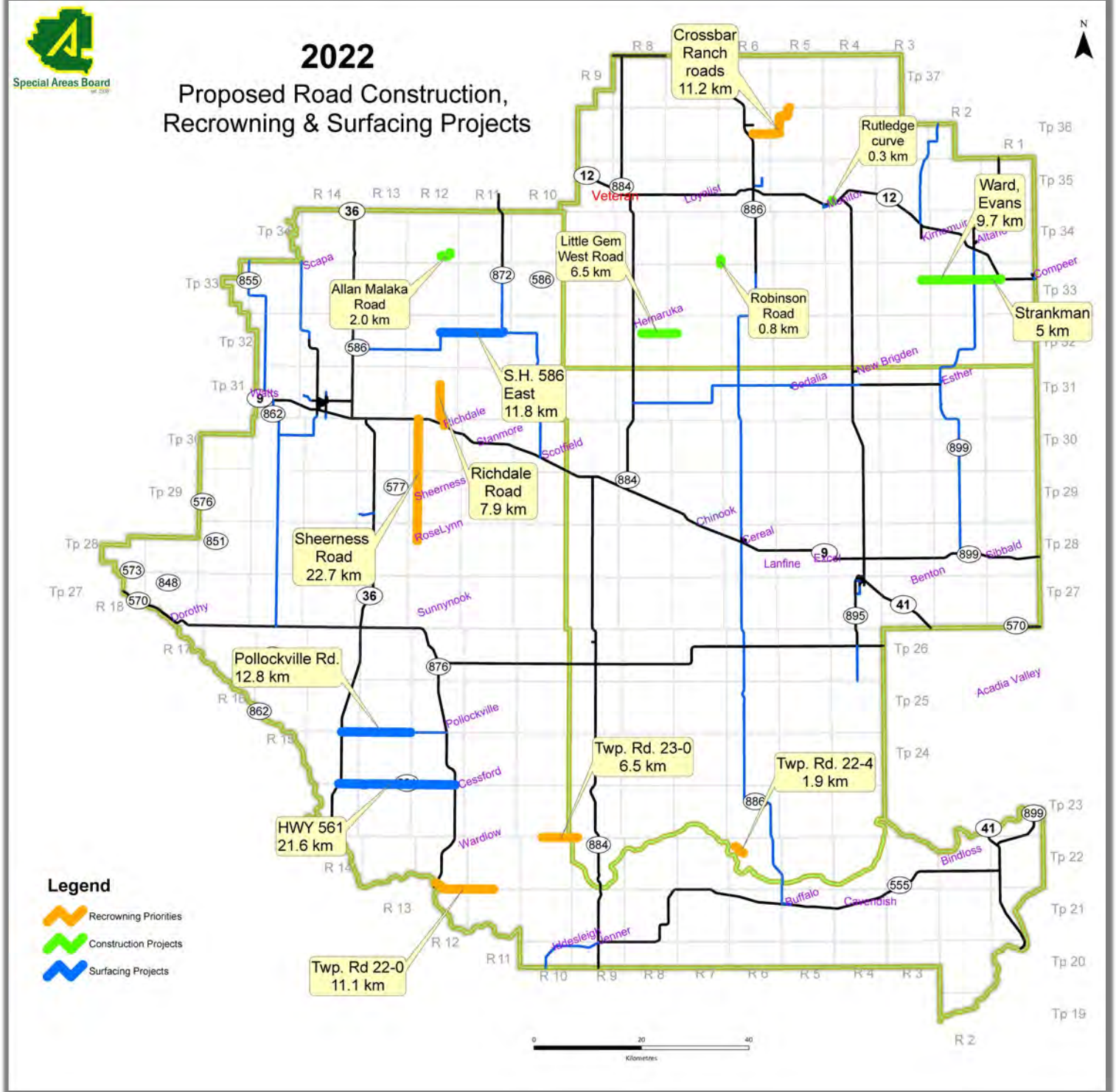
Aggregates (Gravel)

Gravel crushing was completed with very competitive pricing at the Simkin, Finnegan, Ross, and Rutledge pits. Work in the Pollockville pit will be completed early 2022. Additional crushing should not be required until 2024, helping reduce Special Areas exposure to significant cost increases being seen in the market.

Facilities

Facilities projects focused on safety improvements including installation of permanent fall arrest anchors. Major projects included the Homestead Coulee Fire Hall/Shop, Chinook Truck Fill and the Energy Efficiency Study at the Youngstown Shop. These projects will be finished in 2022 with the completion of landscaping and final utility tie-ins.

2022 ROAD PROGRAM



2022 SURFACING

- Hwy 561 (GBC/DSC) - 21.6 km
- Hwy 586 (GBC/DSC) - 11.8 km
- Pollockville Road (GBC/DSC) - 12.8 km

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

2022 CONSTRUCTION

24 kms of construction including:

- Ward/Evans Road - 9.7 km
- Little Gem West Road - 6.5 km
- Strankman Road - 5.0 km
- Malaka Road - 2.0 km
- Robinson Road - 0.8 km

2022 RECROWNING

Over 61 kms of recrowning work is planned for 2022, with projects from 1.9 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.

WIND ENERGY IN THE SPECIAL AREAS

The Special Areas region will be busy throughout 2022 with the construction of several wind energy projects.

These projects, which were approved by the Alberta Utilities Commission (AUC), are expected to result in up to 1085 MW of renewable energy being added to the provincial electrical grid. These projects are being constructed on private (deeded) land as there is no policy which allows renewable energy to be developed on public land.

Ratepayers can expect to see construction work related to these projects this summer including access roads, turbine installation, and other project work. Work related to each project is managed by the project proponent shown on the map below. For more information on these projects, please visit project information websites.

The approval process for these projects includes approval from the AUC. AUC is responsible for the regulatory process related to large-scale (larger than 5 MW) wind energy facilities in Alberta. More information on the mandate, role, and processes of the AUC can be found at www.auc.ab.ca.

TransAlta - Garden Plain Wind Project

- <https://transalta.com/plants-operation/garden-plain/>
- 130 MW wind project near Scapa, AB
- Construction to complete in 2022

BluEarth Renewables - Hand Hills Wind Project

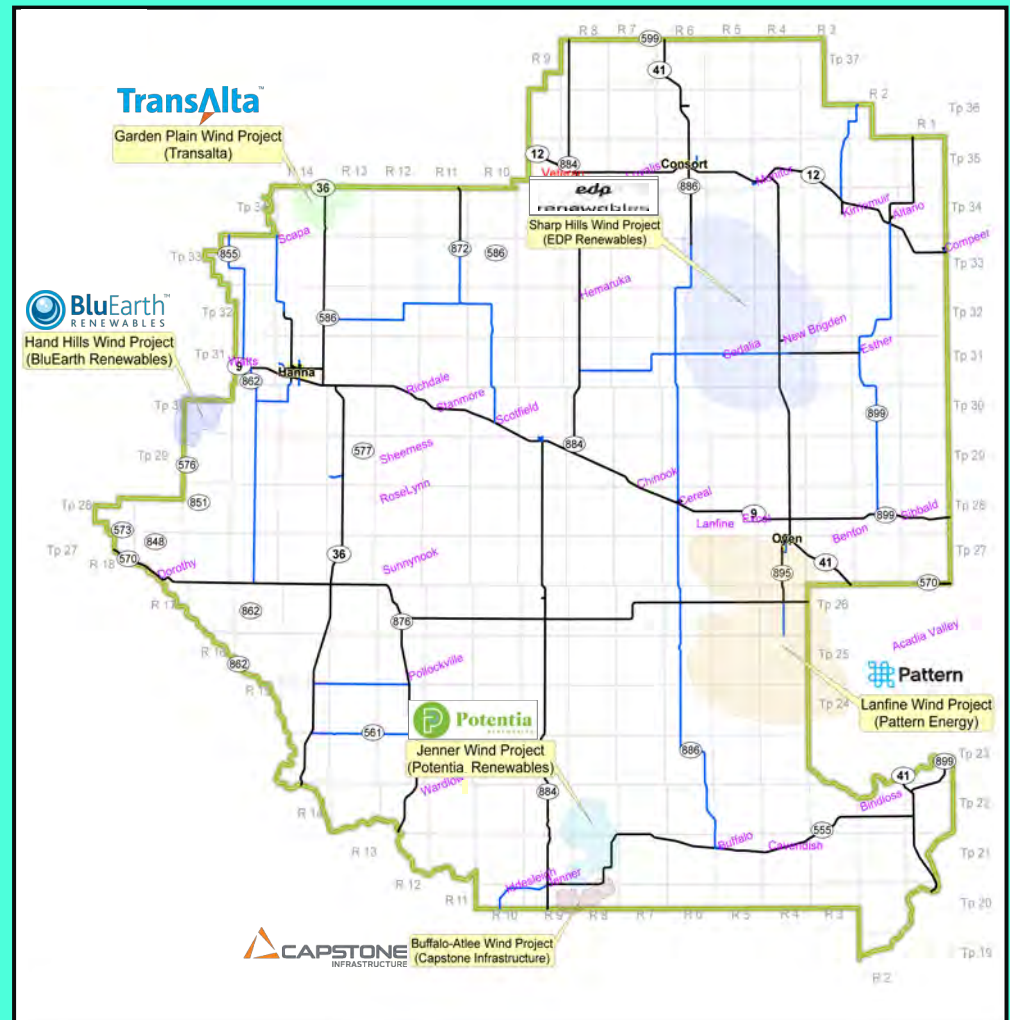
- <https://blueearthrenewables.com/projects/handhills>
- 145 MW wind project near Delia, AB
- Construction to complete in early 2023

EDP Renewables - Sharp Hills Wind Project

- <https://www.edpr.com/north-america/sharp-hills-wind-farm>
- Up to 300 MW wind project near Sedalia, AB
- Construction to complete in 2023

Potentia Renewables - Jenner Wind Projects

- <https://jennerwind.com>
- 302 MW wind projects near Jenner, AB
- Construction to complete in 2022



Capstone Infrastructure - Buffalo Atlee Wind Project

- <https://buffaloatlee.com>
- 58 MW wind project near Jenner, AB
- Construction to complete in 2022

Pattern Energy - Lanfine Wind Project

- <https://patternenergy.com/projects/lanfine-wind/>
- 150 MW wind project near Oyen, AB
- Construction to complete in 2022