

SPECIAL AREAS BOARD



Report to the Ratepayer—Spring 2020

Message from the Chair

This spring, you may have heard about some changes on Advisory Council and the Board. Brent Horner stepped down as Advisory Councillor for Special Area No. 2 - Subdivision 4 (SA2-SD4) triggering a byelection. Brent's public service at the Special Areas spanned over 25 years, including his time on Advisory Council and the Board. He brought strong leadership and a well-informed perspective to issues, and was dedicated to making sure decisions made by Advisory Council and the Board considered the impacts to everyone. We were certainly sad to see Brent go and wish him all the best in his well-earned retirement. In April, Lee Fryberger joined Advisory Council as the acclaimed representative for SA2-SD4. In May, Brad Slorstad - Advisory Councillor for SA2-SD3 - was appointed to the Board.

There were other major changes this spring as we transformed how we work and live in response to COVID-19. The changes made to operations were grounded in protecting the health and safety of employees and the public. Advisory Council and the Board continued to meet over the last three months as we responded to disruptions from COVID-19 and historically low commodity prices in the oil and gas sector. The potential for shortfalls in municipal revenues triggered significant adjustments in our planned work for the year, and we made some hard choices to reduce the impact of municipal taxes and rentals on oil and gas in the region. We have reduced 2020 planned expenditures by \$10.8 million - almost 20%. We have closely looked at operations and focused on delivering critical and core services. Some of these changes are discussed inside, including changes to the 2020 Road Program. I encourage you to look at this information, and to reach out if you would like more information about our response.

Normally this June we would be meeting with you at annual ratepayer meetings; however, in light of public health restrictions we have deferred these meetings until fall. We look forward to seeing you in-person later this year, but would like to hear your feedback this summer on how we are doing. The presentations and reports normally shared at these meetings will be available online and at District Offices. We also have created a quick survey which asks for your thoughts on how we are doing. Your feedback will be critical in helping us address the right issues and report on what matters to you this fall.

I want to sincerely thank you for your patience, your flexibility, and your understanding over the past three months. How we accomplish our work and deliver programs has changed significantly, and your support has made this shift possible. We hope these changes are short-lived, and that we can all start returning to a more familiar way of life soon. Until then, the consideration you continue to show makes all the difference in our day-to-day work.

Thank you.

Jordon Christianson, Chair

IN THIS EDITION

2020 BUDGET UPDATE

- Revenues & Expenditures

PUBLIC LANDS SPECIAL AREAS

2020 Rates for:

- Grazing Leases
- Cultivation Leases
- Community Pastures

MUNICIPAL SERVICES

- 2020 Road Construction & Surfacing Projects

Background photo:
Kayla Dedora

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

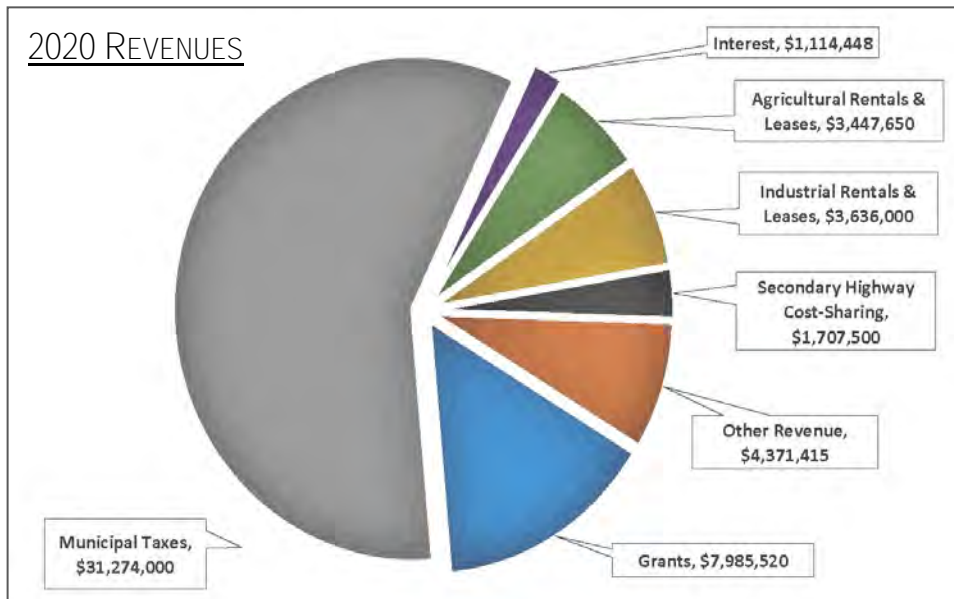
Special Areas Annual Ratepayer Meetings have been deferred until fall due to public health restrictions

How are we doing? We want to hear from you, including your questions for Advisory Council and Administration. Share your thoughts at www.surveymonkey.com/r/2020ratepayermtg

Copies of annual reporting and presentations are available online at www.specialareas.ab.ca/ratepayer-meetings/

2020 BUDGET UPDATE

The Special Areas Board funds operations through revenues generated from taxation, leasing of public lands, and other sources including grants. Each fall, a proposed annual budget is drafted by Administration which outlines projects, capital purchases, operational expenses, and projected revenues for the coming year. The long-term capital plan and operational priorities - recommended by the locally-elected Advisory Council - is used to develop the proposed budget. The proposed budget is then reviewed by Advisory Council and the Board to ensure it is affordable, meets the needs of ratepayers and the region, and is in accordance with long-term financial strategies.



The 2020 Budget has been approved, with total expenditures of \$53.2M planned.

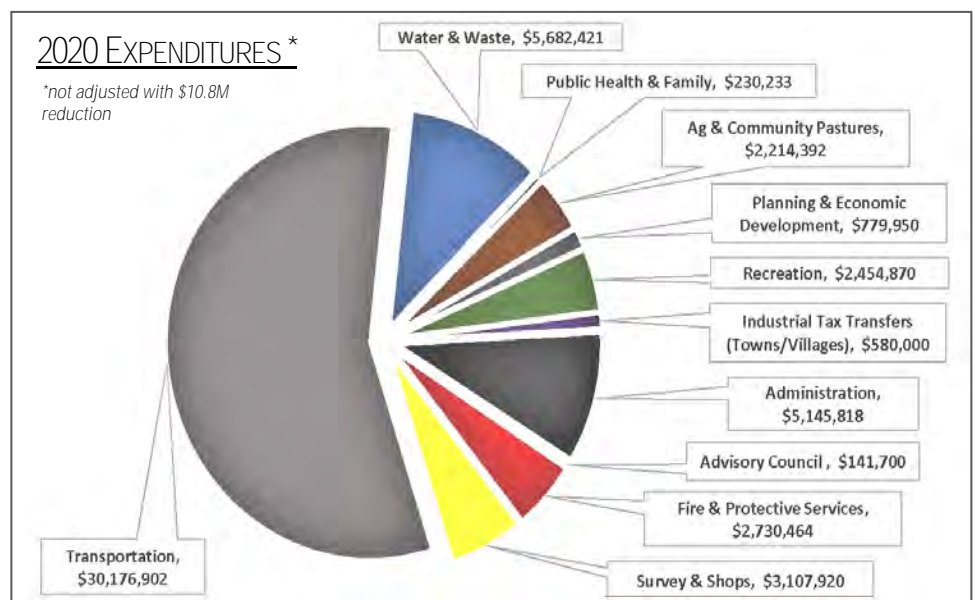
Overall, this represents a 1% decrease from 2019's budgeted expenditures. The Board remains in a strong financial position with sufficient financial resources to fund future operational and capital requirements. The Board has an accumulated unrestricted operational surplus available for funding future expenditures. Total revenue is projected to decline in 2020 due to decreases in shallow gas assessments and increases in well abandonments.

Earlier this year, disruptions from COVID-19 and the collapse in world oil prices seriously impacted oil and gas. This industry plays a significant role in the assessment base for the Special Areas, and is a major contributor to the Board's overall tax revenue. Impacts from COVID-19 and the historic decline in commodity prices have the potential to significantly affect the oil and gas industry's ability to meet their cashflow needs and pay tax and rental obligations. The magnitude of these impacts on the Board's taxation and rental revenues will remain unknown until late November.

In recognition of potential shortfalls in projected 2020 revenues, Advisory Council and the Board have reduced 2020 expenditures by \$10.8M, approximately 20% of approved expenditures.

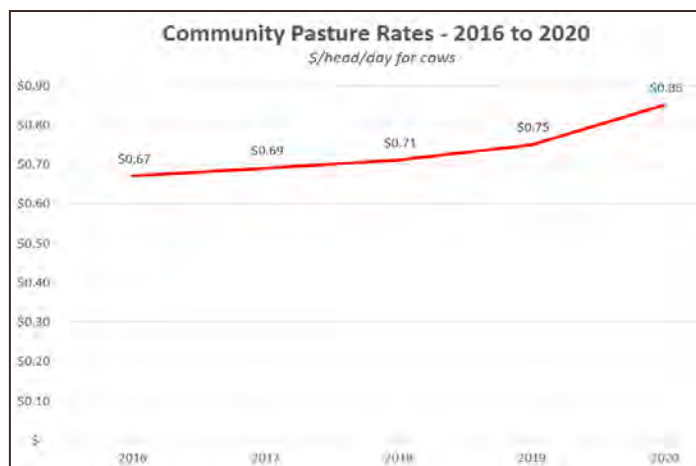
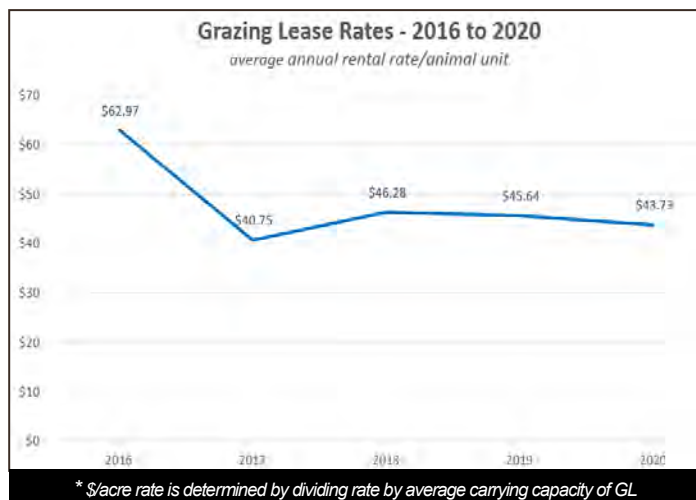
This was achieved by deferring (or cancelling) capital purchases when possible and reducing (or cancelling) some seasonal programs. Some seasonal programs changes include shortening the road construction season to start on June 15 and cancelling the road recrowning program for the year. COVID-19 has impacted how work camps can operate, resulting in some changes to the 2020 Road Program.

By proactively making adjustments to planned spending, Advisory Council and the Board have reduced the potential impact of constrained oil and gas cashflows on municipal revenues.



PUBLIC LANDS IN THE SPECIAL AREAS

The Special Areas Board manages over 2.5 million acres of public lands in the Special Areas, including 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 diverse opportunities. Developing policies for effective long-term land management often means having to balance private needs with the public good. The Board is committed to responsible policies which protect sensitive ecological areas while supporting the viability of agricultural operations in the region.

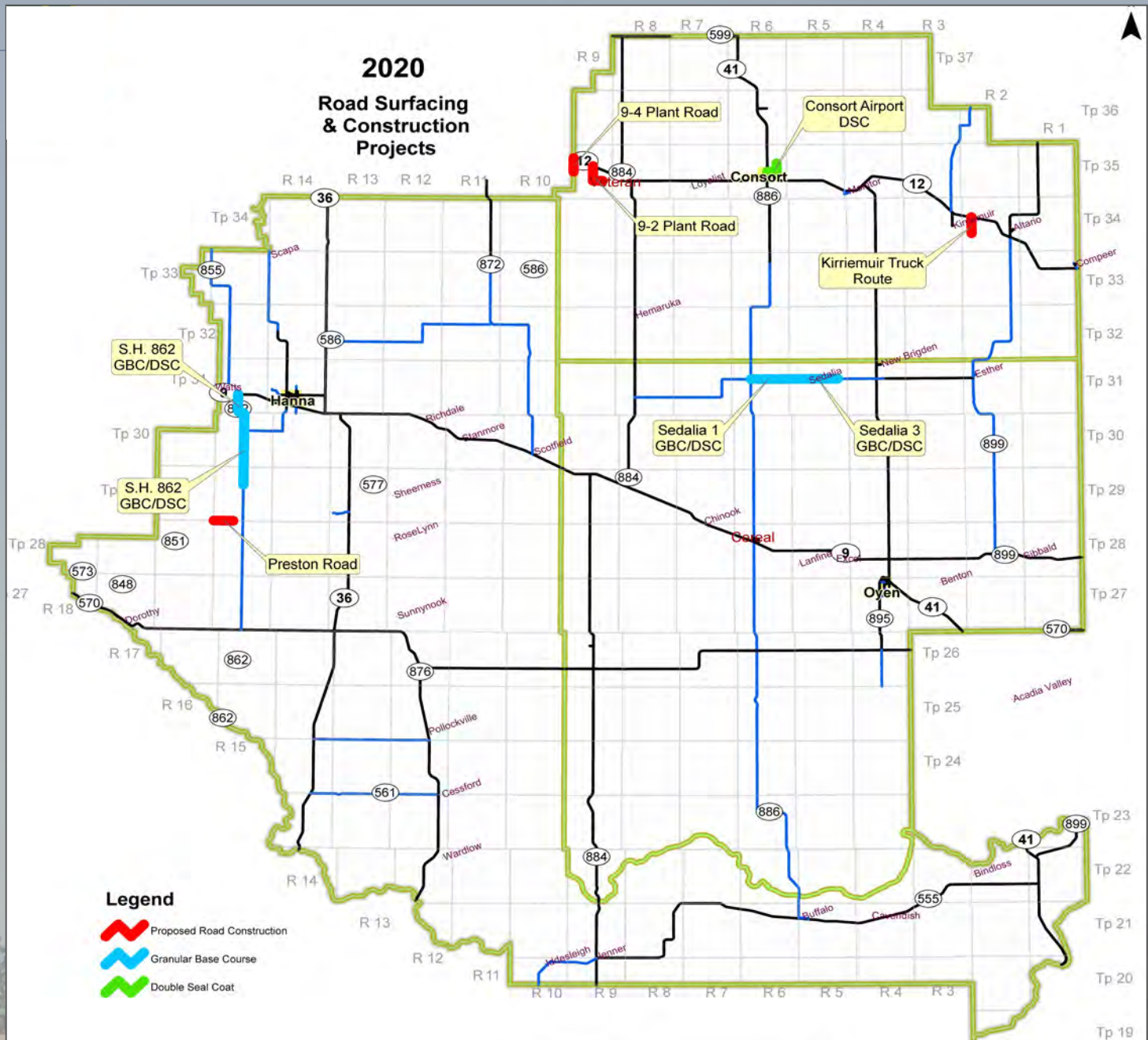


Public lands in the Special Areas are primarily managed through agricultural leases, including grazing and cultivation leases. Approximately 83% of agricultural leases are held as grazing leases, with 11% cultivation based. Agricultural lease rates are reviewed annually, with proposed rates recommended by Advisory Council and the Board. Grazing lease rates are set under the Special Areas Disposition Regulation, with the formula approved via Ministerial Order. This formula integrates average market prices, average weight gain and forage values to determine the annual per acre rental rate for producers. 2020's annual rental rate per animal unit was set at \$43.73, a 4.2% decrease from 2019. 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 2020, the annual cultivation rental rate remained the same compared to 2019 rates, with the assessment factor set at 0.0680.

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 7,200 cow-calf pairs each season. Grazing space is allocated based on several factors, with allotments determined annually by the allotment committee in accordance with the Special Areas Disposition Regulation and the 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 rates. 2020 rates were set at \$0.85/head/day - an increase of \$0.10/head/day from 2019 - with rates for calves maintained at \$8/calf/season. To ensure community pastures continue to meet ratepayer and patron needs, the Community Pasture Policy was revised and approved in 2019. A copy of the revised policy can be found online or at any District Office.

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.

2020 REVISED ROAD PROGRAM



Road Surfacing Projects

Consort Airport Road	3.0 kms
Sedalia Road (1)	3.2 kms
Sedalia Road (3)	11.2 kms
Hwy 862 (north)	7.2 kms
Hwy 862 (south)	9.6 kms

Road Construction Projects

Preston Road	4.0 kms
9-2 Plant Road	4.2 kms
9-4 Plant Road	2.4 kms
Kirriemuir Truck Route	2.8 kms