BOARD ORDER NO. MGB 123/06

FILE: AN04/STAL/C-01

IN THE MATTER OF THE *Municipal Government Act* being Chapter M-26 of the Revised Statutes of Alberta 2000 (Act).

AND IN THE MATTER OF an application by the City of St. Albert, in the Province of Alberta, to annex certain territory lying immediately adjacent thereto and thereby its separation from Sturgeon County.

BEFORE:

Members:

R. Scotnicki, Presiding Officer
D. Thomas, Member
B. Ardiel, Member
A. Savage, Member
G. Leadbeater, Member

After careful examination of the submissions from the City of St. Albert (City), Sturgeon County (County), affected landowners and other interested parties, the Municipal Government Board (MGB) makes the following recommendation for the reasons set out in the MGB's report, shown as Appendix D of this Board Order.

Recommendation

That the annexation be approved in accordance with the following:

The Lieutenant Governor in Council orders that

(a) effective January 1, 2007, the land described in Appendix A and shown on the sketch in Appendix B is separated from Sturgeon County and annexed to the City of St. Albert,

(b) any taxes owing to Sturgeon County at the end of December, 2006 in respect of the annexed land are transferred to and become payable to the City of St. Albert together with any lawful penalties and costs levied in respect of the those taxes, and the City of St. Albert upon collecting those taxes, penalties and costs must pay them to Sturgeon County, and

(c) the assessor for the City of St. Albert must assess, for the purpose of taxation in 2007 and subsequent years, the annexed land and the assessable improvements to it, and makes the Order in Appendix C.

Dated at the City of Edmonton, in the Province of Alberta, this 29th day of November 2006.

MUNICIPAL GOVERNMENT BOARD

(SGD.) R. Scotnicki, Presiding Officer

APPENDIX A

DETAILED DESCRIPTION OF THE LANDS SEPARATED FROM STURGEON COUNTY AND ANNEXED TO THE CITY OF ST. ALBERT

ALL THAT PORTION OF SECTION SIXTEEN (16), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN, LYING OUTSIDE THE BOUNDARY OF THE CITY OF ST. ALBERT.

THE ROAD ALLOWANCE LYING EAST OF ALL THAT PORTION OF SECTION SIXTEEN (16), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN, LYING OUTSIDE THE BOUNDARY OF THE CITY OF ST. ALBERT.

THE SOUTH HALF OF SECTION TWENTY-ONE (21), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN.

THE ROAD ALLOWANCE LYING EAST OF THE SOUTH HALF OF SECTION TWENTY-ONE (21), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN.

ALL THAT PORTION OF THE EAST HALF OF SECTION TWENTY (20), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN LYING SOUTHWEST OF THE SOUTH-WESTERLY LIMIT OF THE DRAINAGE DITCH AS SHOWN ON ROAD PLAN 629NY, AND LYING WEST OF THE WEST LIMIT OF THE ROAD AS SHOWN ON PLAN 6467LZ.

THE NORTHEAST QUARTER AND THE SOUTH HALF OF SECTION SEVENTEEN (17), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN.

ALL THAT PORTION OF THE SOUTH HALF OF SECTION EIGHTEEN (18), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN LYING SOUTH AND EAST OF THE RIGHT BANK OF CARROT CREEK.

THE WEST HALF OF SECTION SEVEN (7), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN.

LEGAL SUBDIVISIONS THIRTEEN (13) AND FOURTEEN (14) AND ALL THOSE PORTIONS OF LEGAL SUBDIVISIONS ELEVEN (11) AND TWELVE (12) LYING NORTH

OF THE ROAD ALLOWANCE SEPARATING THE ST. ALBERT SETTLEMENT FROM THE SAID LAND, ALL WITHIN SECTION SIX (6), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN.

ALL THAT PORTION OF THE NORTH HALF OF SECTION ONE (1), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-SIX (26) WEST OF THE FOURTH MERIDIAN, LYING EAST OF THE RIGHT BANK OF CARROT CREEK.

ALL THAT PORTION OF THE EAST HALF OF SECTION TWELVE (12), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-SIX (26) WEST OF THE FOURTH MERIDIAN, LYING EAST OF THE RIGHT BANK OF CARROT CREEK.

ALL THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION THIRTEEN (13), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-SIX (26) WEST OF THE FOURTH MERIDIAN, LYING EAST OF THE RIGHT BANK OF CARROT CREEK.

ALL THOSE PORTIONS OF RIVER LOTS SEVEN (7), EIGHT (8), NINE (9), TWELVE (12) AND THIRTEEN (13), ST. ALBERT SETTLEMENT, LYING EAST OF THE RIGHT BANK OF CARROT CREEK.

RIVER LOTS FOURTEEN (14), FIFTEEN (15), SIXTEEN (16) AND TWENTY-SEVEN (27), ST. ALBERT SETTLEMENT.

RIVER LOTS FIFTEEN-A (15A) AND SIXTEEN-A (16A), ST. ALBERT SETTLEMENT.

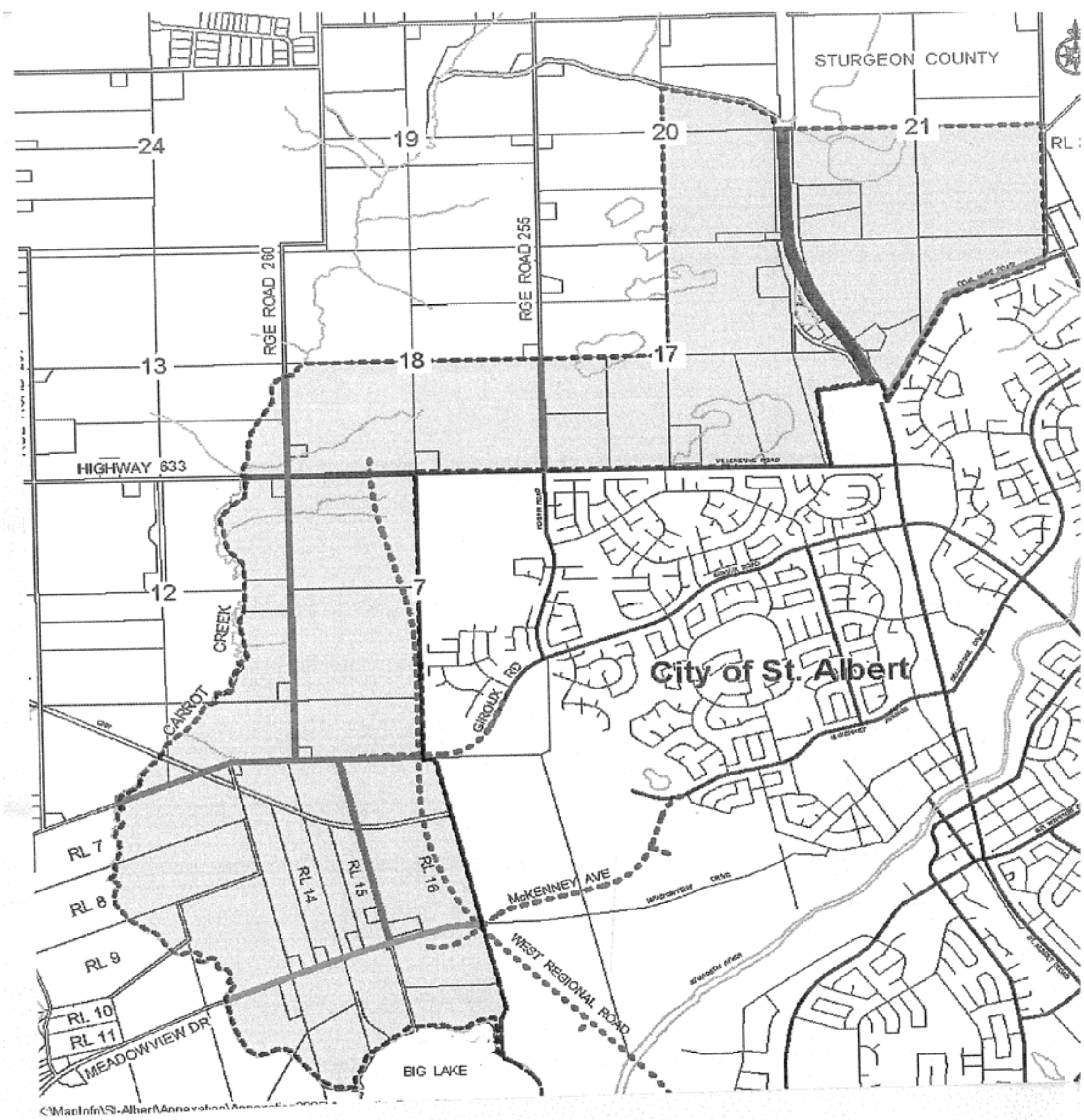
ALL THOSE PORTIONS OF RIVER LOTS THIRTEEN-A (13A) AND FOURTEEN-A (14A) LYING EAST OF THE RIGHT BANK OF CARROT CREEK.

THOSE PORTIONS OF ROAD PLANS 882-1682 AND 6467LZ WITHIN THE NORTHEAST QUARTER OF SECTION TWENTY (20) AND THE NORTHWEST QUARTER OF SECTION TWENTY-ONE (21), TOWNSHIP FIFTY-FOUR (54), RANGE TWENTY-FIVE (25) WEST OF THE FOURTH MERIDIAN, AND THE ADJOINING GOVERNMENT ROAD ALLOWANCE, WHICH LIE SOUTH OF A LINE DRAWN EASTERLY FROM THE INTERSECTION OF THE WEST LIMIT OF ROAD PLAN 882-1682 WITH THE NORTHEAST LIMIT OF THE DRAINAGE DITCH AS SHOWN ON ROAD PLAN 629NY AND PERPENDICULAR TO THE EAST BOUNDARY OF ROAD PLAN 6467LZ.

ALL INTERVENING ROAD ALLOWANCES, REGISTERED ROAD PLANS, REGISTERED HIGHWAY PLANS, ALL INTERSECTIONS AND ALL INTERVENING RAILWAY RIGHT-OF-WAY PLANS.

APPENDIX B

A SKETCH SHOWING THE GENERAL LOCATION OF THE AREAS ANNEXED TO THE CITY OF ST. ALBERT



Annexation Areas

APPENDIX C

ORDER

1 In this Order, “annexed land” means the land described in Appendix A and shown on the sketch in Appendix B.

2 For taxation purposes in 2007 and subsequent years up to and including 2021, the annexed land and the assessable improvements to it

(a) must be assessed by the City of St. Albert on the same basis as if they had remained in Sturgeon County, and

(b) must be taxed by the City of St. Albert in respect of each assessment class that applies to the annexed land and the assessable improvements to it using the municipal tax rate established by Sturgeon County.

3(1) Section 2 ceases to apply to a portion of the annexed land and the assessable improvements to it in the taxation year immediately following the taxation year in which

(a) the portion becomes a new parcel of land of 16 hectares or less created as a result of subdivision or separation of title by registered plan of subdivision or by instrument or any other method that occurs at the request of, or on behalf of, the landowner,

(b) becomes a residual portion of 16 hectares or less after a new parcel referred to in clause (a) has been created,

(c) is redesignated at the request of, or on behalf of the landowner under the City of St. Albert Land Use Bylaw to another designation other than Urban Reserve,

(d) the portion receives a development permit for a commercial or industrial development,

(e) the portion is the subject of a local improvement project described in a local improvement by-law initiated by or on behalf of or with the support of the landowner pursuant to which the City of St. Albert water and sewer services are made available to it, or

(f) the portion is connected to the water or sanitary sewer services provided by the City of St. Albert.

4 After section 2 ceases to apply to a portion of the annexed land in a taxation year, that portion of the annexed land and the assessable improvements to it must be assessed and taxed for the purposes of property taxes in the same manner as other property of the same assessment class in the City of St. Albert is assessed and taxed.

5(1) In this section, “compensation amount” means the amount of municipal property taxes payable to the City of St. Albert under Part 10 of the Municipal Government Act in respect of the annexed land for a taxation year.

5(2) The City of St. Albert must pay to Sturgeon County

(a) 100% of the compensation amount on or before December 31, 2007
(b) 80% of the compensation amount on or before December 31, 2008
(c) 60% of the compensation amount on or before December 31, 2009
(d) 40% of the compensation amount on or before December 31, 2010
(e) 20% of the compensation amount on or before December 31, 2011.

6 In 2009 and later years up to and including 2018, the City of St. Albert must, on December 31 of each year, pay to Sturgeon County $80,000 as revenue sharing.

7 Notwithstanding the effective date of this Order, for the period January 1, 2007 to March 31, 2007 inclusive, Sturgeon County is responsible for

(a) the direction, control and management of all roads within the annexed land,
(b) providing municipal services within the annexed land, and
(c) any liability that arises from
  (i) the direction, control and management of all roads within the annexed land, and
  (ii) the provision of any municipal services within the annexed land.

APPENDIX D

MUNICIPAL GOVERNMENT BOARD REPORT TO THE MINISTER OF MUNICIPAL AFFAIRS RESPECTING

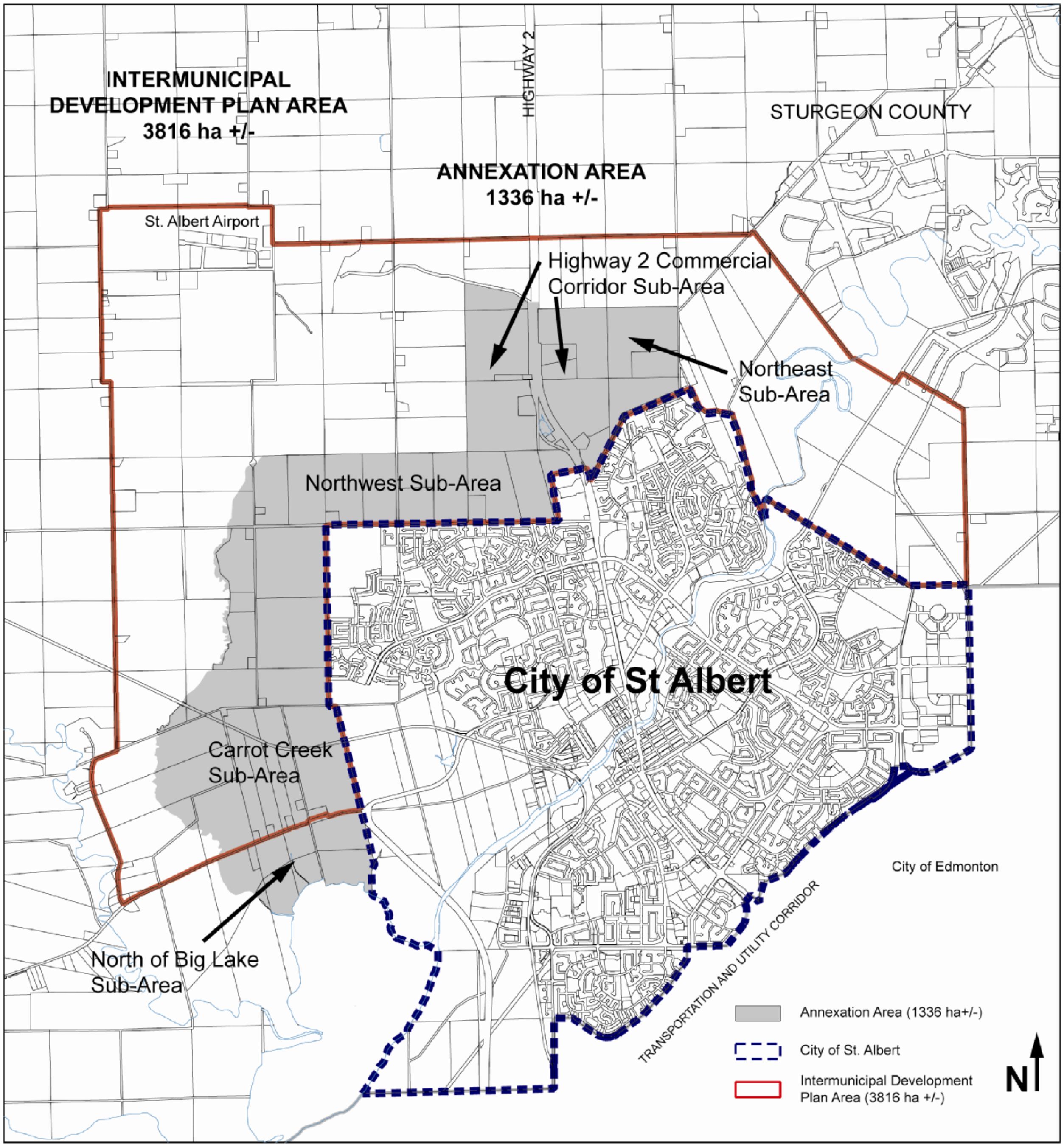
THE CITY OF ST. ALBERT PROPOSED ANNEXATION OF TERRITORY FROM STURGEON COUNTY

Table of Contents

BOARD ORDER NO. MGB 123/06

FILE: AN04/STAL/C-01

Map showing the City's existing boundary, the boundary of the Intermunicipal Development Plan Area, the annexation area boundary with geographic sub-areas and the location of other relevant features.



Executive Summary

Introduction

The City of St. Albert has submitted a 1,336 hectare (3,300 acres) annexation application involving lands to the west and north of the current City boundaries. The western expansion is bounded by Carrot Creek on the west, whereas the northerly expansion is along Highway 2. Generally, this proposed annexation is supported by the neighbouring municipality Sturgeon County. In fact, with the exception of one major issue, the annexation has come forward with the support of Sturgeon. Otherwise, both municipalities illustrated exceptional goodwill and intermunicipal cooperation in all other facets of the annexation proposal. The major issue that the initiating municipality, St. Albert and the responding municipality, Sturgeon could not agree to is what type of compensation and how large the compensation should be from St. Albert to Sturgeon.

As a result of this focused financial issue the MGB directed St. Albert and Sturgeon to prepare and submit considerable financial and related information on each municipality and a financial impact analysis of the proposed annexation. St. Albert and Sturgeon and the affected land owners and interveners were then given full opportunity to respond to these financial impact statements.

General Annexation Area

Overall, during the annexation proceedings the MGB heard support for the annexation. As well, the documentation from the St. Albert public consultation process contained support for the annexation. After hearing from all the parties and reviewing the extensive documentation, the MGB concluded that the annexation as proposed warranted a positive recommendation to the Minister and the Lieutenant Governor in Council.

Although there was some criticism that the population projections utilized by Sturgeon may be optimistic there was no extensive disagreement with the proposed annexation area. As a result, the MGB concluded that the proposed area represented a rational approach to managing growth in the region. The annexation proposal and the supporting local plans of St. Albert and Sturgeon provide each municipality with the opportunity to achieve their growth objectives. Without this annexation Sturgeon would likely have to take on a significantly different regional role than that currently described in its statutory plans.

St. Albert, through the annexation, is able to facilitate regional residential growth and expand its non-residential tax base, whereas, Sturgeon is able to expand its residential and non-residential growth in a variety of other locations. Most important for St. Albert, because of its historical confined role as a residential community, is the ability to have additional lands to accommodate non-residential growth along the Highway 2 Commercial corridor. The evidence clearly outlined the limited commercial area remaining in St. Albert and the particular lack of large parcels available within the current boundaries to accommodate any big box retail outlets. Thus, this annexation assists St. Albert in achieving this significant need.

The proposed annexation area is consistent with all the local planning documents, servicing and transportation plans and, more importantly, meets the objectives set out in the St. Albert/ Sturgeon Intermunicipal Development Plan (IDP). Although the St. Albert/Sturgeon IDP envisaged incremental annexations, the two municipalities agree a more comprehensive annexation should be considered.

The evidence illustrates that the annexation areas are the most practical growth directions for St. Albert, are logical extensions of existing land use patterns and current servicing, and allow for the best utilization of spare capacity in any of the utility systems and trunk services. As well, sufficient planning tools are in place in St. Albert to address any impact on key environmental features in the annexation area, the management of agricultural lands and the appropriate density to be achieved.

The lands being annexed are generally undeveloped and unsubdivided, and thus can be converted relatively easily and without significant cost to more intensive development. This further illustrated the logical and practical nature of this annexation proposal.

St. Albert provided an impact analysis on the local School authorities and the conclusion was that there would be only a minor impact on any of the authorities as the annexation would result in a transfer of jurisdiction for a relatively small number of students.

Both municipalities have agreed that the taxpayers within the annexation area should be given the benefits of Sturgeon's assessment and tax rates for a period of 15 years. This type of condition is a common condition to annexations and provides the taxpayers of the newly annexed area with the benefits of Sturgeon's assessment and tax policies for a reasonable period of time. The MGB was not convinced that it should recommend extending this 15 year period at this time as both municipalities agreed this was a reasonable timeframe and this timeframe conforms to the time periods used in other historical annexations.

One intervener, Mr. Blais requested the MGB include his lands in the annexation. These lands were not part of the annexation application and the MGB has no authority under the Act to include lands not filed in the annexation application by St. Albert. Although the Lieutenant Governor in Council may include other lands pursuant to Section 126 of the Act, the MGB would not recommend the lands be included since neither St. Albert nor Sturgeon have had the opportunity to examine the advantages or disadvantages of including these lands or what conditions of annexation might be altered or added as a result of the inclusion of these lands.

Financial Compensation

The main issue in this annexation was what financial compensation should be paid by St. Albert to Sturgeon. The St. Albert/Sturgeon IDP contains policies and directions related to cost and property tax sharing but does not contain a prescribed formula. Both municipalities fundamentally disagree on how the policies related to cost and revenue sharing in the IDP should be interpreted.

St. Albert proposes that it will pay to Sturgeon

1. *The City will pay to the County a total of $1.018 million over 10 years, made up as follows:*
   (a) $518,000-which equals the net present value of the current taxes derived from the annexation area (approximately $35,000) for 25 years applying a 5% discount rate, plus
   (b) $500,000-shared revenue from commercial development in the annexation area.

2. *The amount to be paid by the City to the County will be paid in equal annual instalments of $101,800 for a period of 10 years commencing with commercial development in the commercial corridor.*

{*MGB Note: During the hearing, the County clarified that current taxes from the annexation area are $73,674.64 rather than the $35,000 referenced by the City. The primary difference is that the linear revenue was not originally included. The City did not dispute this figure**.}**

In contrast, Sturgeon offered St. Albert a proposal containing no tax compensation but rather a proposal solely based on a revenue sharing formula.

The County shall receive 37% of the municipal tax revenues from future commercial development on portions of the Highway Commercial Area identified below, in accordance with the following conditions:

a. *The width of the Highway Commercial Area shall be 1/3 of a mile adjacent to and on each side of Highway 2;*
b. *The tax revenue sharing period shall commence from occupancy authorization on a parcel by parcel basis within the Highway Commercial Area and continue for 10 years thereafter;*
c. *Municipal tax sharing shall apply to all non-residential assessment within the Highway Commercial Area, including but not limited to, highway commercial, serviced commercial and light industrial uses. The City shall not be required to share any tax levies collected for the Recreation Centre nor any other amounts collected pursuant to requisitions by third parties;*

d. The County's share of the municipal tax revenues from the Highway Commercial Area and all improvements thereon shall be received by the County on the first business day after June 30 in each year of the tax sharing period; and
e. All amounts payable by the City to the County shall be paid in cash and are recoverable by the County by action in debt.

The figure of 37% is based on the assumption that 26% of the revenue will be required to pay for the costs related to the servicing of the commercial area thereby leaving revenues of 74% to be shared equally between Sturgeon and St. Albert.

As a result of this proposal, Sturgeon would expect to receive approximately $15,000,000 in current dollars from the Highway 2 Commercial Corridor developments located in St. Albert over the build out and revenue sharing period of the commercial area, which they estimate will extend approximately 63 years.

The dispute largely stems from the directive in the St. Albert/Sturgeon IDP which incorporates principles related to revenue sharing from the Highway 2 Commercial Corridor which will be annexed into St. Albert.

A number of landowners and interveners questioned the logic of St. Albert providing any revenue sharing and suggested that the traditional approach of five years of declining tax compensation was sufficient to recognize and mitigate the annexation impact on Sturgeon. A few residents of St. Albert even questioned St. Albert's financial capability to absorb the proposed annexation because of the current relatively high taxes in St. Albert.

Analysis

The MGB rejects the arguments that no annexation should occur as the financial information presented illustrated that St. Albert needs to be able to achieve greater economies of scale with a larger population to provide services in a cost effective manner. In addition, the inability for St. Albert to expand its non-residential tax base without annexation would place even further financial stress on the existing taxpayers. Therefore, the MGB rejects the option of recommending no annexation.

The MGB, in preparing a reasoned recommendation for the Minister and eventually for the consideration of the Lieutenant Governor in Council, requested both municipalities provide extensive data on the financial status of each municipality and the financial impact of each proposal. The MGB examined this financial information in light of the purposes of a municipality outlined in section 3 of the Act "to develop safe and viable municipalities". The 2006 Municipal Affairs Business Plan, which identifies the goal "financial sustainable and accountable municipalities", and the historical principle that the financial impact on either the initiating or responding municipality must be reasonable and allow each municipality after annexation to carry out their municipal mandate. In addition the MGB analyzed the proposed annexation and the financial arrangements with the full knowledge of the Provincial Land Use Policies which recognize the ability of all municipalities to pursue growth.

The financial data illustrated that Sturgeon is in a strong financial situation in contrast to St. Albert, which is facing a number of financial challenges as a result of having a lower than average proportion of non-residential assessment. The financial impact analysis illustrated that St. Albert would be financially worse off with annexation if the Sturgeon proposal was implemented and that the St. Albert proposal would have a manageable financial impact and provide Sturgeon with direct financial benefits (10 years of revenue sharing from the Highway 2 Commercial Corridor) and a reasonable transition period for lost property taxes in the annexation area. As a result, the MGB cannot recommend the Sturgeon proposal as the condition to be attached to the annexation approval.

Although most annexations of this nature would only result in transition tax compensation for a five year term, the MGB recommends that the principles of revenue sharing embedded in the St. Albert/Sturgeon IDP be acknowledged and recognized. The IDP is a significant intermunicipal initiative which meets the provincial objectives of intermunicipal cooperation. Thus, the recommended annexation conditions contain revenue sharing for a fixed 10 year period within the context of the costs and benefits of the total annexation and not the costs and revenue sharing as proposed by Sturgeon.

The St. Albert/Sturgeon IDP sets out broad principles for revenue sharing between St. Albert and Sturgeon but does not contain a specific formula. Sturgeon argued that the revenue sharing should be based on the same rationale as the previous financial arrangements associated with the annexation of a parcel of land accommodating the recent Wal-Mart development. This agreement resulted in each municipality equally sharing the net taxes after 26% of the revenue was allocated to St. Albert for any servicing costs. The MGB cannot accept that this one time financial arrangement for a small parcel of commercial land can be used to develop a precedent for a revenue sharing formula for a major annexation. In contrast to the small Wal-Mart annexation, this large annexation has associated with it significant costs to serve the major portion of the annexation that is residential. As well, considerable dispute arose after the Wal-Mart annexation and even arbitration did not satisfactorily conclude what the net costs should have been. The MGB also found that there was limited evidence to support the use of 26% as an estimated cost associated with the total annexation area and that it was not acceptable to attempt to isolate the costs just to the commercial corridor. Division 6, of the Act related to annexations requires an annexation to be evaluated in its broad context. As well, the MGB was not convinced that the St. Albert/Sturgeon IDP stood for such a narrow view. The IDP requires that any revenue sharing must be of mutual benefit and the MGB has concluded that the Sturgeon proposal would result in a financial hardship on St. Albert.

The MGB was also not convinced that Sturgeon was going to experience or had experienced the same type of direct costs that occurred in the Leduc International Airport Annexation or in the historical Fort Saskatchewan/Strathcona annexation resulting in the need for substantial revenue sharing. Sturgeon was unable to illustrate any intensive expenditures to service the Highway 2 Commercial Corridor, or for that matter, quantify its net costs related to mutually beneficial transportation and infrastructure projects in the area. Although the MGB concludes that revenue sharing should be included in the annexation conditions, that revenue sharing should be altered to fit the financial constraints experienced by St. Albert. The revenue included in the MGB's proposed revenue sharing can still go towards mutually beneficial transportation and infrastructure projects.

The revenue sharing recommended in this annexation is based on the principles in the St. Albert/Sturgeon IDP and the financial constraints and realities facing St. Albert. A pay out of $80,000 per year for 10 years starting at a fixed time confirmed by both parties as being a reasonable time for the start up of development of the commercial corridor, being 2008.

The 10 year time frame is also based on the agreed to timeframe in the IDP. The MGB does not recommend using "occupancy authorization" as suggested by the municipalities because of the practical interpretation difficulties that may well arise. A fixed start date, a fixed term and a fixed end date, as recommended by the MGB, provides certainty and predictability. St. Albert and Sturgeon have already spent a considerable amount of time and resources on dispute resolution. Thus, the conditions for annexation need to be certain.

Although the Sturgeon formula is not recommended, Sturgeon still attains positive results with the recommendation put forward by the MGB. Firstly, it receives five years of direct transitional tax compensation and secondly, it receives $80,000 of revenue-sharing for a period of ten years. These are clear benefits to Sturgeon. Sturgeon can still pursue its growth strategies and is not faced with the burden of accommodating high density regional residential growth. This compensation recognizes the principle of revenue sharing imbedded in the IDP, recognizes Sturgeon for its efforts in intermunicipal cooperation as pronounced in the IDP, recognizes its stewardship of the IDP lands subject to annexation and paves the way for a continued working relationship with its neighbour. These revenue sharing benefits would not have been recommended had it not been for the initiatives in the IDP.

Recommendation

In conclusion the MGB recommends the annexation be approved in accordance with the following:

1. The annexation area agreed to by St. Albert and Sturgeon and described in the appropriate schedules be annexed from Sturgeon to St. Albert.

2. That the annexation be effective January 1, 2007.

3. That any taxes owing to Sturgeon at the end of December 31, 2006 be transferred and payable to St. Albert with any lawful penalties and costs. That upon collecting these taxes, penalties and costs St. Albert will pay them to Sturgeon.

4. That in 2007 the assessor for St. Albert will assess all properties in the annexation area.

5. That assessment and taxation protection be provided to properties in the annexed area for a period of 15 years or until such events occur which result in the property no longer being eligible for this assessment and tax condition.

6. That St. Albert pay to Sturgeon the amount of municipal taxes which would have been payable to Sturgeon under Part 10 of the Municipal Government Act in respect of the annexed land in the 2007 tax year based on the following schedule

   (a) 100% of the tax compensation amount on or before December 31, 2007
   (b) 80% of the tax compensation amount on or before December 31, 2008
   (c) 60% of the tax compensation amount on or before December 31, 2009
   (d) 40% of the tax compensation amount on or before December 31, 2010
   (e) 20% of the tax compensation amount on or before December 31, 2011.

7. That St. Albert pay to Sturgeon a revenue sharing amount of $80,000 each year on or before December 31 of each year for 10 years beginning at the end of 2009.

Should subsequent required decisions not be able to facilitate a January 1, 2007 date, all dates within this recommendation may have to be adjusted.

In addition, the MGB recommends that the Ministry of Municipal Affairs monitor the various financial indicators in the region to determine if at some point in time more innovative solutions to managing regional growth are required.

PART 1 - INTRODUCTION

1.1 Organization of Report

Sturgeon and St. Albert have agreed to the proposed annexation boundaries and a number of conditions to implement the annexation. However, the municipalities were unable to agree on the issue of compensation and revenue sharing associated with the annexation. As a result, this report is organized into distinctive parts. Part 1 describes the impacted municipalities, the proposed annexation area, the preliminary hearing activities and the MGB hearing. Part 2 outlines the relevant parts of the Act and the Provincial Land Use policies referenced by the MGB in reviewing the annexation proposal. Part 3 describes the principles utilized by the MGB to evaluate the annexation and the submissions by the various parties. Part 4 references the key elements of the Sturgeon/St. Albert Intermunicipal Development Plan (IDP) that were relevant to the issues raised. Part 5 of the report examines the proposed annexation boundaries and conditions agreed to by the two municipalities. Part 5 also includes the positions of the various landowners and interest groups who spoke either in favour or against the annexation, or raised concerns about certain proposed conditions of annexation. Part 6 specifically focuses on the dispute between the two municipalities regarding the compensation and revenue sharing condition. The views of the respective landowners and the various interest groups on this issue are also presented. Part 6 also includes the key sub-issues required to be addressed by the MGB and the key findings and reasons. Part 7 provides the recommendations.

Throughout this document and recommendations the City of St. Albert will be referred to as St. Albert and Sturgeon County will be referred to as Sturgeon. The Lieutenant Governor in Council will be referred to as the LGC and the Municipal Government Board will be referred to as the MGB. The Municipal Government Act will be referred to as the Act and the St. Albert/Sturgeon IDP will be referred to as the IDP.

1.2 Description of the General Annexation Process

A municipality seeking annexation must first initiate, pursuant to section 116 of the Act, the process by giving written notice of the proposal to the municipal authority from which the land is to be annexed, to the MGB, and any local authority considered to be affected by the proposal. The notice must describe the land proposed for annexation, set out the reasons for annexation and include proposals for consulting with the public and meeting with the landowners. Once notice has been given to the other municipality, the municipalities must negotiate in good faith and if agreement cannot be reached the municipalities must attempt mediation to resolve the outstanding matters.

At the conclusion of the negotiations, the initiating municipality must prepare a report describing the results of the negotiations. The report must include a list of agreed matters, as well as a list of matters in which there is no agreement. If no agreement, the report must state what mediation attempts were undertaken or if no mediation, give reasons why there were none. The report must also include a description of the public consultation process and the views expressed during this process. The report is then signed by both municipalities and if not, the municipality that did not sign must provide their reasons for not signing.

The report is then submitted to the MGB and it becomes the application for annexation pursuant to section 119. If the MGB is satisfied that the affected municipalities and public are generally in agreement, the MGB notifies the parties of their findings and unless there are objections to the annexation filed with the MGB by a specific date, the MGB will make their recommendation to the Minister without holding a public hearing.

If the MGB finds that there is no general agreement, the MGB must notify the parties of their finding and conduct one or more public hearings. The MGB only has authority to hear from parties to an annexation, make findings and recommendations to the Minister and the LGC. The Minister and the LGC have the authority to accept in whole or in part or completely reject the findings and recommendations of this report.

1.3 Description of St. Albert and Sturgeon

With a 2005 population of approximately 56,310, St. Albert is the fifth largest city in Alberta. St. Albert is bounded by Edmonton on the south and east and by Sturgeon on the north and west. St. Albert is bisected in an east/west configuration by Highway 2 and in a north/south configuration by the Sturgeon River.

With a 2001 census population of 18,864, Sturgeon encompasses a land area of approximately 209,405 hectares. Sturgeon surrounds the towns of Gibbons, Legal, Morinville and Redwater. Sturgeon is bounded by the North Saskatchewan River and Strathcona County on the east, the Counties of Thorhild and Westlock on the north, Lac St. Anne and Parkland Counties on the west and the City of Edmonton and St. Albert on the south. Highway 2 extends north out of St. Albert into and through Sturgeon. Highway 2 along with many other secondary and provincial highways provides access to the many resource regions in Northern Alberta.

1.4 Description of the St. Albert/Sturgeon Pre-Hearing Process

In October 2003, St. Albert notified Sturgeon, the MGB and all other affected agencies of its intent to apply for annexation. The notice included a description of the land proposed to be annexed, the reasons for proposing annexation based on historical growth rates and the vibrant economy, and a plan to consult the public as well as meet with the landowners directly affected by the annexation.

Prior to St. Albert’s October 2003 notice of intent to annex, St. Albert and Sturgeon embarked on the preparation of an IDP to address land use planning and other issues of mutual concern to both municipalities. Following an intense round of negotiations and public hearings, both municipalities adopted the IDP in the spring of 2001. Among the multitude of objectives and policies arising in the IDP, principles were established recognizing the need to establish urban growth boundaries for St. Albert through an incremental annexation process. This approach to urban growth includes a principle related to cost and municipal property tax sharing agreements for lands to be developed along the Highway 2 commercial corridor.

For a period of 18 months during 2002/03, a joint IDP committee negotiated directly in an attempt to reach agreement on the details of St. Albert's annexation proposal to be put forward to Sturgeon. Even though the attempts were unsuccessful, St. Albert decided to proceed with its notification and approached Alberta Municipal Affairs to assist in enlisting the aid of a private mediator. Following two briefing sessions with each Council regarding mediation, fifteen mediation sessions were scheduled between March 15, 2004 and June 29, 2004. However, on June 10, 2004, the annexation mediation teams decided to discontinue the meetings and reported to the respective Councils that no progress was being made in advancing agreement or consensus on the annexation proposals. Later that same month, each Council ratified the report of the mediation teams and discontinued the mediation process.

In December 2003, St. Albert's annexation committee conducted three public meetings. On December 4 the meeting involved landowners in the annexation area, while on December 10, the meeting involved residents of St. Albert and on December 11, the meeting involved residents of Sturgeon. In January 2004, the Committee conducted meetings with the St. Albert Economic Development Advisory Committee, the St. Albert Chamber of Commerce and the City of Edmonton Senior Management Team. In February and July of 2004, the committee surveyed landowners in the annexation area requesting their position on the annexation proposal. On July 21, 2004, the committee conducted a public meeting in order to provide an update on negotiations with Sturgeon and present any changes made to the original annexation plan.

On August 17, 2004, St. Albert forwarded a copy of its report on annexation negotiations to Sturgeon, requesting Sturgeon review and sign the report. On September 15, 2004, Sturgeon Council replied to St. Albert refusing to sign the report for the following reasons:

- Sturgeon does not agree that the 2002/03 negotiations regarding the IDP constituted negotiations of the proposed annexation. The Act provides that negotiations begin after an annexation notice is submitted in accordance with the Act.
- Sturgeon declines to sign a report that does not set out clearly why the negotiations were unsuccessful.
- The negotiations were unsuccessful because the proposal did not set out the method for cost and property tax sharing in the Highway 2 commercial corridor.
- The negotiations were unsuccessful because the need for land is not supportable when analyzed in context of the historical average growth rates.

- St. Albert refused to consider any of the three options put forward by Sturgeon. Each option supported some form of annexation subject to certain conditions.

On September 20, 2004, St. Albert submitted its official annexation application to the MGB without the signature of Sturgeon on the negotiation report. St. Albert requested the MGB conduct public hearings to investigate, analyze and make findings respecting its annexation application.

In October 2004, municipal elections were held in Alberta. New mayors of St. Albert and Sturgeon emerged and along with their respective Councils, requested the MGB withhold processing the annexation application in order for further talks/negotiations to occur. In March of 2005, St. Albert and Sturgeon jointly announced agreement on the annexation proposal except for one outstanding item, being the matter of cost and property tax sharing in the proposed Highway 2 commercial corridor.

St. Albert established a communication program including media interviews in St. Albert, Sturgeon and Edmonton, with newspaper advertisements in the St. Albert and in Morinville area. In addition, direct mailings were sent to landowners in the annexation area, other known interested individuals, citizen and business groups and agencies, as well as interested land developers. Continuous updates were also placed on St. Albert's website. These communications provided details surrounding the proposed annexation and announced the date, time and place of upcoming public meetings.

In February and July of 2004, surveys were sent to the 88 landowners in the annexation area. Fifty-two people responded to the survey and of those, 40 people were in favour of the proposed annexation, eight people were opposed, three people had no position and one person was undecided.

Ninety-one individuals attended the public meetings held in December 2003 of which 55 indicated they were landowners in the proposed annexation area. Thirty-nine individuals representing specific agencies attended the January 2004 meeting sponsored by St. Albert. Of all the identified stakeholders, one person suggested that St. Albert should consider living within its existing boundaries; while three others indicated annexation should occur in smaller increments unless Sturgeon supported the present annexation proposal. Other concerns related to the patterns of future land use, the location of transportation routes, and the economical provision of infrastructure to new areas. Several stakeholders felt St. Albert must develop effective stewardship policies for the environmentally sensitive areas in the western and southwestern portions of the annexation area. Property assessment and taxation was of particular concern to many of the stakeholders in the annexation area. While St. Albert explained there would be a "tax relief" period, a number of individuals were concerned about the length of that period and what would happen after that period expired.

A final communication with the directly affected landowners and the general public took place after the annexation application was submitted to the MGB. St. Albert and Sturgeon requested that the MGB hold the application pending a final round of negotiations. The final negotiations resulted in agreement on certain matters and the details of the agreement were provided through media interviews in March 2005 and direct mailings to the landowners in April 2005. There was no further response to these communications other than one landowner making a request to have his land included within the annexation territory.

In March 2005, St. Albert and Sturgeon announced a settlement concerning various issues arising from St. Albert's annexation application. Both Councils accepted the following five-point agreement:

1. An agreement that the annexation area as outlined in St. Albert's annexation proposal be agreed upon, minus approximately 0.6 hectares on the west side of Carrot Creek.

2. St. Albert will provide municipal property tax protection for Sturgeon residents within the annexation area for a period of 15 years unless the owner exercises conditions associated with subdivision, change in use, or connects to municipal servicing provided by St. Albert.

3. St. Albert and Sturgeon agreed to reaffirm their commitment to the IDP.

4. St. Albert and Sturgeon agreed to the transfer of road maintenance and other municipal service provisions and the associated liability in the annexation area 90 days after the Order in Council for the annexation is approved.

5. St. Albert and Sturgeon request that the MGB resolve the interpretation of municipal property tax sharing for the agreed upon annexation area.

1.5 Description of MGB Preliminary Hearing

On May 2, 2005, St. Albert advised the MGB that both municipalities desired to proceed to public hearing. On May 18, 2005, the MGB mailed a notice to St. Albert, Sturgeon and the landowners in the annexation area, and all other known interested parties advising that a preliminary hearing would be held on June 21, 2005 for the purpose of identifying all those interested in making submissions to the MGB. The MGB also advised that it would establish a document exchange process and set dates for the merit hearing. In addition, the MGB published an advertisement in the St. Albert Gazette advising the general public of the upcoming preliminary hearing.

On June 21, 2005, the MGB convened the preliminary hearing and heard from both municipalities, as well as landowners in St. Albert and in the annexation area. At that time Dr. Richard Plain came forward as a citizen of St. Albert and advised he was representing the St.

Albert Annexation Committee (a group of concerned citizens) and would be preparing submissions respecting the outstanding issue between the municipalities. Mr. Walter Mis, a landowner in the annexation area, came forward and indicated he would be preparing a submission on the length of time landowners in the annexation area would be protected from St. Albert assessment values and taxation rates.

As a result of the preliminary hearing, the MGB issued a decision letter setting out the time and dates for the hearing and dates for exchanges of submissions. As well, due to the nature of the dispute between the St. Albert and Sturgeon regarding the annexation financial arrangements, the MGB issued extensive instructions for both municipalities to supply extensive financial information and financial impact analysis (Decision Letter DL 106/05 shown as Appendix E).

1.6 Description of the Proposed Annexation Area and the Sub-Areas

The annexation area comprises approximately 1,336 hectares (3,300 acres) of land located north, and west of the present city boundary, ranging in distances from 800 metres to 1.8 kilometres from the existing boundary.

The areas surrounding St. Albert are characterized by a number of natural and man-made features important to the residents of the region. The existing southern boundary of St. Albert coincides with the boundary of Edmonton where a wide strip of land has been set aside for the future ring road around Edmonton, also known as the Transportation and Utility Corridor. Along the southeast boundary of St. Albert is Big Lake, a large body of water dedicated as a bird sanctuary and recognized by the Province as an environmentally significant area. While Big Lake itself is not part of the annexation proposal, the protection of Big Lake is an important part of St. Albert's environmental and open space policy, referenced in its Municipal Development Plan (MDP). To the west of the present St. Albert limit is Carrot Creek which forms the westerly boundary of the annexation area and is also an environmentally significant feature to be incorporated into St. Albert's park and trail system. Approximately two miles northwest of the present St. Albert boundary is the St. Albert Airport and while it is subject to the provisions of the IDP, it is not part of the proposed annexation. Finally, there are several higher-density country residential subdivisions located in Sturgeon, just northeast of the IDP boundary.

In its annexation application to the MGB, St. Albert describes the boundaries of the proposed annexation by breaking down the proposed annexation into five sub-areas as follows:

North of Big Lake Sub-Area

This sub-area contains 113 hectares and is defined by Meadowview Drive to the north, Carrot Creek to the west, Big Lake to the south and the existing St. Albert boundary to the east. Meadowview Drive functions as an arterial road that connects St. Albert centre to acreage and rural developments located to the west, in Sturgeon. The area is currently used for agriculture, however more that half the area comprises the natural shoreline and floodplain of Big Lake. St. Albert will continue to recognize the area as a significant natural and environmental area to be integrated with St. Albert's park and trail system and to extend north along Carrot Creek as part of an intermunicipal greenway system. Lands outside the floodplain may be used for residential and recreational development.

Carrot Creek Sub-Area

This sub-area contains 553 hectares and is defined by Meadowview Drive to the south, Carrot Creek to the west, Highway 633 to the north, and St. Albert boundary to the east. This sub-area is unencumbered by any form of development other than a few farmsteads and a small natural resources operation. Some natural areas exist along Carrot Creek and these areas will provide a natural extension to the greenway park and trail system. This area is identified as part of the west residential expansion system intended to provide a wide range of housing types.

Northwest Sub-Area

This sub-area contains 357 hectares extending one-half mile north of the existing city limits and Highway 663. The west boundary of the area also follows Carrot Creek. This sub-area also extends further north containing an area that starts approximately one-half mile west of Highway 2. Due to its proximity to the Highway 2 Commercial Corridor, the plan calls for mixed uses providing commercial and business services as well as a variety of residential uses.

Highway 2 Commercial Corridor Sub-Area

This sub-area contains 157 hectares and extends north of St. Albert boundary along both sides of the Highway with a width of 0.5 miles (0.8 km) on the west side and one mile (1.6 km) on the east side. Existing development within this sub-area is limited to four country residential acreages and the seasonally operated Sunshine Nursery. The remaining lands in this area are used for extensive agricultural purposes and are not subdivided. The recent annexation by St. Albert of a site subdivided to accommodate Wal-Mart at the south end of the corridor illustrates the need for flexibility to subdivide and develop large sites to target specific businesses.

Northeast Sub-Area

This sub-area contains 156 hectares, located east of the Highway 2 Commercial Corridor Sub-Area. This area is intended for east side residential development and demonstrates a logical extension of east side residential development already located within the City.

St. Albert and Sturgeon have reached agreement on the location of boundaries for the proposed annexation based on the objectives enunciated in the IDP. There are, however, other objectives and principles in the IDP regarding property tax sharing (revenue sharing), on which the municipalities have not reached agreement.

1.7 Description of MGB Public Hearing

On October 24, 2005, the MGB mailed the notice of public hearing to the municipal authorities, landowners in the annexation area, and all other known parties that had requested notification. The MGB also provided details of the proposed annexation including the date, time and place of the public hearing through a series of newspaper advertisements in the St. Albert Gazette and the Saint City News. These advertisements appeared in the editions of November 2, 4, 9 and 10 of 2005.

The public hearing required nine days, occurring at various times between November 23, 2005 and January 31, 2006. During that time, the MGB heard from and/or received submissions from the following.

<u>For St. Albert</u>

William W. Shores, Counsel
Gwendolyn Stewart Palmer, Counsel
Curtis Cundy, Director, Planning and Development
Larry Galye, Director, Engineering Department
Todd Wyman, Infrastructure Manager
Guy Boston, Planning and Engineering Division
Darryl Howery, Applications Management Consulting (Fiscal)
Ellen Taylor, Applications Management Consulting (Fiscal)

<u>For Sturgeon</u>

Sheila McNaughtan, Counsel
Kelsey Becker-Brookes, Counsel
Larry Kirkpatrick, Sturgeon County Commissioner
Ted Duffy, Siemens Engineering Ltd.
Peter Nichols, Nichols Applied Management (Fiscal)
Gerry Fardoe, Nichols Applied Management (Fiscal)

<u>For the St. Albert Annexation Committee (Concerned Citizens)</u>

Dr. Richard Plain

For the St. Albert Chamber of Commerce

Irwin Lehnert, President

For the St. Albert Economic Development Advisory Committee

Ken Korchinski, Chair

Landowners in Annexation Area

Walter Mis
Ronald Dutchak for Badger Holdings Ltd.

Landowners in IDP area but not in Annexation Area

Vito Danniele
Marcel Blais

Interested Citizens of St. Albert

Elke Blodgett
William Tuchak
Stewart Loomis
Dave Burkhart
Mark and Linda John
Reta Thompson
Gerry Ives

PART 2 - PROVINCIAL LEGISLATION AND POLICIES

2.1 Legislative and Policy Context

In order to decide on this annexation proposal and, specifically the issue of compensation and revenue sharing, the MGB examined the following relevant portions of the Act, the Provincial Land Use Policies and any related provincial policy initiatives.

2.2 The Act

The words "share taxes", "revenue sharing", "compensation" and "provide any service" appear in different parts of the Act and therefore the terms cannot be interchanged with the words in the IDP as they describe different meanings throughout. The MGB, in considering the positions of the parties with respect to compensation and revenue sharing, examined the following relevant sections of the Act that outline the purpose of a municipality and a municipality's authority regarding service provision, tax sharing and revenue sharing.

3 The purposes of a municipality are

- *(a) to provide good government,*
- *(b) to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, and*
- *(c) to develop and maintain safe and viable communities.*

Municipalities have powers to supply services outside of their boundaries and have the ability to enter into tax agreements.

54 A municipality may provide any service or thing that it provides in all or part of the municipality

- *(a) in another municipal authority with the agreement of the other municipal authority, … .*

55(1) A municipality may enter into an agreement with

- *(a) another municipality, or …*

to share grants paid under section 366 or taxes.

(2) The agreement must include a means to settle disputes arising from the agreement.

Although the Minister has authority to establish annexation principles, standards and criteria, at this point in time, there are no such adopted principles or criteria.

76(1) The Minister may establish and publish principles, standards and criteria that are to be taken into account in considering the formation, change of status or dissolution of municipalities and the amalgamation of or annexation of land from municipal authorities.

The report of the Board to the Minister may consider revenue sharing.

124(1) A report by the Municipal Government Board to the Minister under this Division must set out

- *(a) a recommendation on whether land should be annexed to the initiating municipal authority or other municipal authority;*
- *(b) if it is recommending annexation, a description of the land, whether there should be* ***revenue sharing and any terms, conditions*** (MGB emphasis) *and other things the Board considers necessary or desirable to implement the annexation.*

The Lieutenant Governor in Council in the annexation order may set out the compensation to be paid from the initiating municipality to the responding municipality or may order arbitration.

127 An order to annex land to a municipal authority may

- *(a) require a municipal authority to* ***pay compensation***(MGB emphasis) *to another municipal authority in an amount set out in the order or to be determined by means specified in the order, including arbitration under the Arbitration Act ,*
- *(b) dissolve a municipal authority as a result of the annexation, and … .*

The Act provides the opportunity for two or more municipalities to prepare an inter-municipal development plan to deal with future growth in the area.

631(1) Two or more councils may, by each passing a bylaw in accordance with this Part or in accordance with sections 12 and 692, adopt an intermunicipal development plan to include those areas of land lying within the boundaries of the municipalities as they consider necessary.
(2) An intermunicipal development plan

- *(a) may provide for*
  - *(i) the future land use within the area,*
  - *(ii) the manner of and the proposals for future development in the area, and*
  - *(iii) any other matter relating to the physical, social or economic development of the area that the councils consider necessary,*

and

- *(b) must include*
  - *(i) a procedure to be used to resolve or attempt to resolve any conflict between the municipalities that have adopted the plan,*
  - *(ii) a procedure to be used, by one or more municipalities, to amend or repeal the plan, and*
  - *(iii) provisions relating to the administration of the plan.*

The MGB observes that the St. Albert/Sturgeon IDP included principles related to cost and revenue sharing, a subject area not mentioned in the terms of reference for an IDP in the Act.

2.3 2006 Alberta Municipal Affairs Business Plan

Although there are no provincial established annexation criteria pursuant to section 76 of the Act, the MGB did examine the current Business Plan of Alberta Municipal Affairs (2006-2009) and the Alberta Provincial Land Use Policies (APLUP) (Order in Council 522/96, dated November, 6, 1996) to determine if there were any guiding principles.

Firstly the MGB observes that the Act and the Land Use Policies place considerable emphasis on intermunicipal cooperation as does the current Business Plan. The 2006 Municipal Affairs Business Plan identifies a specific goal of "financial sustainable and accountable municipalities" including strategies to improve long-term municipal sustainability. Thus, the MGB should examine the financial compensation proposals of St. Albert and Sturgeon in light of achieving the goal of financial sustainability of each municipality.

2.4 Alberta Provincial Land Use Policies (APLUP)

Goal 3.0 of the APLUP fosters cooperation and coordination between neighbouring municipalities. The policies related to this goal emphasize the need to achieve cooperation and coordination. Goal 4 of the APLUP encourages municipalities to facilitate growth in an orderly and efficient manner. The MGB observes that there is no distinction between the types of growth that may occur in an urban or rural municipality. The MGB also observes that the definition of municipality in the Act refers to a town, city, a municipal district or a specialized municipality and that there is no distinction between urban and rural municipalities in the context of accommodating growth.

PART 3 - ANNEXATION PRINCIPLES

In the absence of criteria authorized by section 76 of the Act and in order to deal with the various issues raised by the affected parties, the landowners and the interest groups, the MGB has developed a series of annexation principles. The MGB has developed these principles from the examination of the annexation provisions in the Act, the Provincial Land Use Policies and previous annexation orders and recommendations. These principles are based on significant annexation decisions prior to 1995 and a total of nearly 170 annexations processed since the introduction of the 1995 Municipal Government Act. In summary, these principles include the following:

1. Annexations that provide for intermunicipal cooperation will be given considerable weight. Cooperative intermunicipal policies in an intermunicipal development plan will be given careful consideration, weight and support so long as they do not conflict with Provincial policies or interests.

2. Accommodation of growth by all municipalities (urban or rural) must be accomplished without encumbering the initiating municipality and the responding municipality's ability to achieve rational growth directions, cost effective utilization of resources, fiscal accountability and the attainment of the purposes of a municipality described in the Act.

3. An annexation or annexation conditions should not infringe on the local autonomy given to municipalities in the Act unless provisions of the Act have been breached or the public interest and individual rights have been unnecessarily impacted.

4. An annexation must be supported by growth projections, availability of lands within current boundaries, consideration of reasonable development densities, accommodation of a variety of land uses and reasonable growth options within each municipality (initiating and responding municipality).

5. An annexation must achieve a logical extension of growth patterns, transportation and infrastructure servicing for the affected municipalities.

6. Each annexation must illustrate a cost effective, efficient and coordinated approach to the administration of services.

7. Annexations that demonstrate sensitivity and respect for key environmental and natural features will be regarded as meeting provincial land use policies.

8. Coordination and cost effective use of resources will be demonstrated when annexations are aligned with and supported by intermunicipal development plans, municipal development

plans, economic development plans, transportation and utility servicing plans and other related infrastructure plans.

9. Annexation proposals must fully consider the financial impact on the initiating and responding municipality.

10. Inter-agency consultation, coordination and cooperation is demonstrated when annexations proposals fully consider the impacts on other institutions providing services to the area.

11. Annexation proposals that develop reasonable solutions to impacts on property owners and citizens with certainty and specific time horizons will be given careful consideration and weight.

12. Annexation proposals must be based on effective public consultation both prior to and during any annexation hearing or proceedings.

13. Revenue sharing may be warranted when the annexation proposal involves existing or future special properties that generate substantive and unique costs to the impacted municipality(s) as part of the annexation or as an alternative to annexation.

14. Annexation proposals must not simply be a tax initiative … . Each annexation proposal must have consideration of the full scope of costs and revenues related to the affected municipalities. The financial status of the initiating or the responding municipality(s) cannot be affected to such an extent that one or the other is unable to reasonably achieve the purposes of a municipality as outlined in section 3 of the Act. The financial impact should be reasonable and be able to be mitigated through reasonable conditions of annexation … .

15. Conditions of annexation must be certain, unambiguous, enforceable and be time specific.

PART 4 -ST. ALBERT/STURGEON INTER-MUNICIPAL DEVELOPMENT PLAN

The IDP represents a significant effort by both municipalities at inter-municipal cooperation and is the foundation for discussions between the municipalities with respect to cost and property tax sharing. Therefore the MGB examined the following key references in the IDP. Specific attention was given to the policies that dealt with cost and property tax sharing, as a result not all the policies, principles and criteria in the IDP are repeated in this document.

1.2 Goals of IDP

The overall goals of the Sturgeon County and the City of St. Albert IDP are to:

- *Develop and maintain mutually beneficial policies and relationships between Sturgeon County and the City of St. Albert.*
- *Provide for effective coordination of land uses, economic development, growth management, transportation systems and municipal infrastructure.*
- *Continue to develop and maintain open lines of communication to resolve problems and seize opportunities of mutual benefit.*

The St. Albert/Sturgeon IDP develops specific guiding principles. Guiding principle 1, 3, 4 and 13 are specifically relevant to the issue of cost and property tax sharing.

1.7 Guiding Principles

Sturgeon County and the City of St. Albert Councils agree to the following guiding principles which have been utilized in preparing the policies contained in this IDP.

1. *Maintain open, fair and honest communication between the two Municipalities and affected stakeholders.*

3. *Recognize the need for urban expansion of the City of St. Albert and the need for orderly, timely and agreed upon annexation.*

4. *Determine compatible and complementary land uses within the IDP plan area and adjacent lands while ensuring proposed land uses and development do not unduly interfere or conflict with future urban expansion.*

13. *Ensure that any cost and revenue sharing initiatives undertaken between Sturgeon County and the City of St. Albert are fair, equitable, and beneficial to both parties.*

The definition of “cost sharing” and “municipal property tax-sharing” in the IDP is specifically relevant to the disputed issues in this annexation.

1.9 Definitions

"cost sharing" means that municipal property tax generated within a designated geographic area would go to cover direct (and/or indirect) costs, after which any "net" municipal property tax would be shared between municipalities upon some mutually agreed-to basis.

"municipal property tax-sharing" means the sharing between municipalities of the municipal portion of municipal property tax on an agreed-upon formula for a specific geographic area.

Specific policies related to the commercial development along Highway 2 are specifically relevant to the disputed issue of cost and property tax sharing.

2.6 Commercial

Overview

Opportunities exist for highway-related commercial development along Highway 2 north of the City of St. Albert. Potential also exists for commercial and mixed use development at the intersections of major transportation arteries.

Objectives

Objectives relating to commercial development are to:

- *cooperate in promoting commercial development along the Highway 2 Corridor north of the City of St. Albert.*
- *allow for cost and municipal property tax sharing arrangements between Sturgeon County and the City of St. Albert.*

Policies

2.6.3	*Cost and Municipal Property Tax Sharing For Commercial Development*	*In order to facilitate mutually beneficial commercial development, cost and municipal property tax sharing agreements may be negotiated. Any agreement will be negotiated in a manner that is fair, equitable and beneficial to both Municipalities.*

The IDP describes how the funds from any cost and property tax sharing are to be utilized; therefore, the policies related to transportation are of particular interest in this context.

2.10 Transportation

Overview

The IDP provides the opportunity to better coordinate transportation networks and improvements between the two municipalities. Sturgeon County has been represented on the Steering Committee for St. Albert's Transportation Plan Update.

Key parts of the existing roadway network include:

- *Highway 2*
- *Highway 37*
- *Secondary Highway 633 (Villeneuve Road)*
- *Township Road 544*
- *Meadowview Drive*
- *Coal Mine Road*
- *McKenney Avenue*
- *Bellerose Drive*
- *Sturgeon Road*

Future planned roadways include:

- *Riel/West Boundary Arterial (Ray Gibbon Drive)*
- *East St. Albert Arterial*

The IDP outlines initiatives for intermunicipal cooperation regarding key municipal services.

2.12 Community and Emergency Services

Overview

Emergency services such as police, fire and ambulance are provided to the IDP area population on a cooperative basis between Sturgeon County, the City of St. Albert and other neighbouring municipalities. As more development takes place within the IDP area demands for increased services will occur. Also impacted are community services such as health, recreation, cultural, and social services, many of which are located within, or provided by, the City of St. Albert.

Objectives

Objectives related to community and emergency services are to:

- *continue cooperation between the two municipalities and the neighbouring municipalities, other agencies and non-governmental agencies to determine cost-effective ways of delivering community emergency services.*
- *where appropriate, enter into cost-sharing agreement for the provision of recreation and other community services.*
- *work together to ensure an optimal level of community and emergency services.*

Policies

	Key Phrases	*Policy Statements*
2.12.1	*Emergency and Protective Services*	*Sturgeon County and the City of St. Albert will continue to work together with other agencies to ensure the provision of emergency and protective services that are responsive to the continued growth and development of the IDP area.*
2.12.2	*Cooperative Delivery of Managed Services*	*Sturgeon County and the City of St. Albert will continue to cooperate between themselves and with neighbouring municipalities and other agencies to explore cost-effective ways of delivering municipal services, recreation services, and recreational facilities in ways that benefit both County and City of St. Albert residents.*

The IDP proposes that the Highway 2 Commercial Corridor should be annexed to St. Albert subject to negotiations. These lands form a part of this annexation proposal.

3.1 A. Highway 2 Commercial Corridor

Policies

3.1.2 The area shown for Commercial Corridor development on Map 4 - Proposed Future Land Use Concept is conceptual and the appropriate depth of lots for commercial development will be determined through the area structure plan process.

3.1.3 Sturgeon County and the City of St. Albert agree to continued commercial development at an urban standard along the Highway 2 Corridor in an orderly and staged manner. As the need for such commercial expansion occurs and municipal services (water, sewer, and storm) need to be extended an agreement to annex such lands to the City of St. Albert would be negotiated.

Premature multi-lot subdivisions are discouraged in various areas of the IDP.

3.4 D. West of Highway 2 Corridor Mixed Use

This is the area on the west side of Highway 2, west of the Commercial Corridor, north of Villeneuve Road to Township Road 544. The intent of the mixed-use designation is to provide for the flexibility of having these lands develop for a compatible mix of commercial, business land uses and residential neighbourhoods at urban densities with a range of housing choice and support amenities such as parks, open space, school sites and retail.

3.4.2 Multi-lot subdivisions will not be allowed within this area prior to annexation to the City of St. Albert and the orderly provision of municipal services.

The IDP provides for specific opportunities for non-residential growth in Sturgeon.

3.8 H. Rural Industrial - St. Albert Airport

This is the area developing as a dry industrial park around the St. Albert Airport. The intent is to have this area continue to develop as a dry or partially serviced industrial park to accommodate industrial uses on larger, partially serviced sites requiring yard storage. Any limitations on development posed by continued operations of the St. Albert Airport need to be considered.

The IDP provides for methods of dispute resolution but that dispute resolution is confined to matters within the MGB's jurisdiction only.

4.5 Intermunicipal Dispute Resolution

Overview

Both Sturgeon County and the City of St. Albert Municipal Councils have adopted by resolution "A Process for Resolving Intermunicipal Planning Issues". The principles contained in this document are supported by both Councils as operating procedures in resolving intermunicipal disputes. Further work is being done by the Appropriate Dispute Resolution Design Team in developing an implementation plan. As a consequence there may be the need to review and update the Dispute Resolution Process in the IDP as part of the 5 year review of the Plan.

It is important to note that this process only applies to those areas where the Municipal Government Board has jurisdiction. For the purposes of this Plan "Initiating Municipality" means the municipality in which the land that is the subject of a proposal is located. "Proposal" means a land use redesignation, an area structure plan, an area structure plan amendment or an Intermunicipal Development Plan amendment. "Responding Municipality" means the other

Municipality. Section 4.4 of this Plan outlines the circulation and referral process that would apply for such proposals.

The IDP contains specific policies related to growth, expansion, annexation, cost sharing and municipal property tax sharing.

4.6 Urban Growth Boundaries

Both Sturgeon County and the City of St. Albert agree that in order to meet the demand for commercial, industrial and residential growth beyond St. Albert's existing border, urban growth boundaries will have to be expanded. During discussions between the two Municipalities regarding future urban growth boundaries, the following principles were established:

1. *Sturgeon County is in the business of country residential development and the City of St. Albert is not.*

2. *The City of St. Albert is in the business of urban residential development, Sturgeon County is not.*

3. *Sturgeon County is in the business of agricultural development, the City of St. Albert is not.*

4. *Annexation is to take place in smaller incremental steps, when land is necessary for urban expansion rather than the establishment of a large 'urban land bank'.*

5. *Both Municipalities are in the business of commercial/industrial development.*

6. *Both Municipalities need the longer term financial security commercial/industrial assessment brings. Therefore, cost and municipal property tax sharing agreements should be entered into for lands to be developed along the Highway 2 Commercial Corridor.*

7. *Costs associated with servicing the IDP area are to be fully recovered capital (development levies) and operating costs (rate structure).*

8. *Collaborative marketing and economic development initiatives should be taken by Sturgeon County and the City of St. Albert.*

9. *This cooperative approach should strengthen the two Municipalities within the Capital Region.*

4.6.2 Incremental Annexation — *Incremental annexation as the City of St. Albert needs land for future urban development is preferred to large-scale land banking and agreed to by Sturgeon County and the City of St. Albert.*

Timing of annexations should take into account lead times necessary to have lands planned, serviced and available for development. The City of St. Albert wishes to have available a twenty (20) year supply of land to meet its future urban growth needs.

4.6.3	*Cost and Municipal Property Tax Sharing Agreements*	*Sturgeon County and City of St. Albert agree to enter into cost and property tax sharing agreements for future commercial development that may take place along the Highway 2 Commercial Corridor, commencing upon occupancy authorization for a ten (10) year period (see Policy 3.13). Sturgeon County will explore and use its best efforts to utilize their portion of the municipal property tax sharing to invest in transportation and infrastructure improvements in the vicinity of the Highway 2 Corridor and the regional transportation network that would be mutually beneficial to Sturgeon County and the City of St. Albert.* *Any costs and municipal property tax sharing agreements are subject to the lands on the commercial corridor being annexed by the City of St. Albert and the approval of each Council of the specific agreements.*
4.6.4	*Criteria For Annexation*	*In determining timing, size and location of lands to be annexed to the City of St. Albert, the following criteria are to be used:* *a) common agreed-to rate of growth for land needed to meet the future demands of residential, commercial, and industrial purposes within the City of St. Albert for a twenty (20) year time period* *b) logical and cost-effective extensions of municipal services (water, sanitary and storm) and roadway extensions and improvements and* *c) areas to be annexed should follow logical patterns of land ownership and proposed area structure plan boundaries.*
4.6.7	*Agricultural Mill Rates*	*Annexation should not drastically increase taxes collected from agricultural lands. The two Municipalities should look to harmonizing their agriculture mill rates to minimize the impact on affected rate payers.*

PART 5 - ST. ALBERT'S ANNEXATION PROPOSAL

5.1 Growth Factors

Over the period 1980 to 2004, St. Albert has experienced an average annual growth rate of 2.7% and expects to realize a build-out population of 75,250 within its current boundaries by the year 2014. In 2001, St. Albert and Sturgeon adopted an IDP that recognizes St. Albert's need to plan for future urban development through an incremental annexation process based on a 20-year land supply per increment. Considering the historical growth rate, St. Albert expects to achieve a population of 105,056 by the year 2027. The calculations for a 20-year land supply are based on the seven-year supply presently available within St. Albert's current boundaries and an additional 13-year supply within the proposed annexation area. In order to achieve control of sufficient land to meet the projected need, St. Albert has applied to annex approximately 1,336 hectares from Sturgeon, however the IDP boundary extends well beyond the proposed annexation area, thereby recognizing St. Albert's potential for additional growth beyond the year 2027.

St. Albert's primary land use base is residential and, to some degree, St. Albert functions as a bedroom community for Edmonton. Compared to other urban municipalities in the Edmonton region, St. Albert's assessable and taxable non-residential land base is very limited. St. Albert does not plan to compete for major industrial proposals and maintains that it has enough land to accommodate industrial uses until 2027. However, St. Albert recognizes the need to diversify its assessment base and has adopted an economic development master plan.

A significant component of the plan is to encourage intense commercial development throughout the Highway 2 Commercial Corridor already within St. Albert, as well as certain territory within the northern annexation area. Approximately 17 hectares of commercial land are available for development within St. Albert however. most of these commercial sites are small and will not accommodate large-format retailers. As a result, the commercial component of the proposed annexation area to the north has taken on significant importance because this part of the Highway 2 Corridor provides large retailers with super-size sites that are highly visible and are easily accessible from the highway. A recent annexation of approximately 19 hectares was completed for the development of a Wal-Mart, located adjacent to Highway 2 just south of the proposed annexation area.

5.2 Position of St. Albert

With respect to major annexation proposals, it is incumbent on the initiating municipality to show the need for annexation and how the municipality has prepared for the expected growth. It is also incumbent on the initiating municipality to take into account the effect on the residents and business owners within the annexation area, especially with relation to the changes in property assessment and taxation.

The terms of two statutory plans apply to the land use, servicing and transportation aspects of the annexation application: the Sturgeon/St. Albert Intermunicipal Development Plan and the St. Albert Municipal Development Plan.

Land Use Planning Strategy

The main thrust of the annexation proposal is based on St. Albert's historical average annual growth rate of 2.7% since 1980 and the 1999 St. Albert Land Use Study that determined by the year 2014, the population would reach approximately 75,230 residents based on an average gross density of 30 persons per gross hectare. Projecting the figures for an additional 13 years to the year 2027, the population would reach approximately 105,056 residents based on the same density factor. Using the growth rates and historical ratios for commercial development, the study determined that commercial floor space needs are approximately 7.7 square metres per capita. The amount of land needed to accommodate the commercial floor space requirements is approximately four times the commercial floor space requirement. As a result the amount of land needed outside the present St. Albert boundary is 994 hectares for residential and 130 hectares for commercial. Additional land in the annexation area was determined necessary to accommodate environmental protection areas and recreation areas.

Based on this basic information, St. Albert adopted its Municipal Development Plan in 2000. Section 5.1 of the Plan sets out a 6-point Economic Development Strategy as follows:

5.1	*Need for an Economic Development Strategy*	*The City of St. Albert shall develop an economic development strategy aimed at, among other things:* *(1) giving it unique competitive advantages in attracting specific industry clusters given its position in the Capital Region;* *(2) creating local employment opportunities;* *(3) exploring more innovative employment center options including business parks, high tech campuses, and urban village centers;* *(4) attracting high tech and clean industry;* *(5) encouraging local businesses to participate in and integrate into community life; and* *(6) ensuring long-term supply (20 years) of all of its land use categories.*

In order to achieve a successful economic development strategy, Section 14 of the Municipal Development Plan recognizes the need for development of intermunicipal planning and regional cooperation. Section 14 states:

14.1	*Communication and Collaboration with Neighbouring Municipalities*	*The City of St. Albert shall develop a strategy which will allow it to maintain a long-term supply (20 years) of all of its land use categories by protecting and managing its long-term growth options through intermunicipal development plans, participation in intermunicipal planning committees and ongoing consultation with neighbouring communities.*

Using these fundamental objectives in the Municipal Development Plan, St. Albert worked with Sturgeon resulting in the dual adoption of an IDP in 2001. Several policies in the IDP relate to the future growth of St. Albert as follows:

1. IDP Policy 4.6.1 (Future Growth Concept) states:

   Both Sturgeon County and the City of St. Albert agree that the generalized land use concepts presented on Map 4 – Proposed Future Land Use Concept, will be used as a framework for determining future land uses and the direction of growth.

2. IDP Policy 4.6.2 (Incremental Annexation) states:

   Incremental annexation as the City of St. Albert needs land for future urban development is preferred to large-scale land banking and agreed to by Sturgeon County and the City of St. Albert. Timing of annexations should take into account lead times necessary to have lands planned, serviced and available for development. The City of St. Albert wishes to have available a twenty (20) year supply of land to meet its future growth need.

3. Policy 4.6.4 (Criteria for Annexation) states:

   In determining timing, size and location of lands to be annexed to the City of St. Albert, the following criteria are to be used:

   (a) common agreed-to rate of growth for land needed to meet the future demands for residential, commercial, and industrial purposes within the City of St. Albert for a twenty (20) year time period
   (b) logical and cost-effective extensions of municipal services (water, sanitary and storm) and roadway extensions and improvements; and
   (c) areas to be annexed should follow logical patterns of land ownership and proposed area structure plan boundaries.

In developing the above policies for the future growth of St. Albert, both municipalities agreed to a set of nine principles for establishing urban growth boundaries. These nine principles are set out in Section 4.6 of the IDP as follows:

1. *Sturgeon County is in the business of country residential development and the City of St. Albert is not.*

2. *The City of St. Albert is in the business of urban residential development, Sturgeon County is not.*

3. *Sturgeon County is in the business of agricultural development, the City of St. Albert is not.*

4. *Annexation is to take place in smaller incremental steps, when land is necessary for urban expansion rather than the establishment of a large 'urban land bank'.*

5. *Both Municipalities are in the business of commercial/industrial development.*

6. *Both Municipalities need the longer term financial security commercial/industrial assessment brings. Therefore, cost and municipal property tax sharing agreements should be entered into for lands to be developed along the Highway 2 Commercial Corridor.*

7. *Costs associated with servicing the IDP area are to be fully recovered capital (development levies) and operating costs (rate structure).*

8. *Collaborative marketing and economic development initiatives should be taken by Sturgeon County and the City of St. Albert.*

9. *This cooperative approach should strengthen the two Municipalities within the Capital Region.*

St. Albert has a very high population density when compared to other selected Alberta cities and the Town of Cochrane. The high population density and limited land base is one indicator of effective planning. This population density is significantly impacted by the very small amount of non-residential and vacant land in St. Albert compared to other selected Alberta cities and the Town of Cochrane.

	Red Deer	**Calgary**	**Edmonton**	**Grande Prairie**	**Lethbridge**	**Medicine Hat**	**Airdrie**	**Town of Cochrane**	**St. Albert**
Land Area (sq. km)	62	722	699	61	127	120	22	17	**36**
Density (Pop. /sq.km)	1,138	1,253	952	606	572	427	999	710	**1,474**

In summary, St. Albert has proposed this annexation in order to make its population density and land area more comparable to other cities in Alberta and to ensure the efficient and economic provision of all municipal services within a well defined and structured land area. The amount of land sought in the annexation proposal is 1,336 hectares that substantially meets the growth objectives and principles and criteria outlined in the adopted statutory planning documents. With the agreement of Sturgeon, St. Albert has added additional land to the annexation area in order to recognize environmental land, landowner requests and logical boundary extensions according to land title descriptions. The land area breakdown is demonstrated in the following table.

Land Use	**Area Required (ha.)**	**Area Required (ac)**
Residential	994	2,456
Commercial	130	321
Industrial	0	0
Additional Land (boundary adjustment)	113	279
Additional Land (Environmental)	83	205
Additional Land (landowner request)	16	39
Total	**1,336**	**3,300**

In order to plan for development in the annexation area, St. Albert requires effective planning timeframes. The long-range land use master plan provides the framework for long-range master plans for water, sanitary, storm and transportation services and the need for development of a long-range financial strategy to ensure efficient construction and operation of the hard services. The infrastructure and financial plans are used as a basis for determining off-site levies to be charged to developers in order to recoup a portion of the municipal costs of installing the services and transportation routes. In order to establish security in planning, St. Albert needs control of, and jurisdiction over, the territory identified in the annexation application.

Municipal Servicing

St. Albert currently provides services that manage, operate and maintain over 288 kilometres of water mains, 239 kilometres of wastewater pipes, 200 kilometres of storm water pipes and all associated facilities for a combined asset value of approximately 655 million dollars. Each service is operated as a utility with user rates to fund the maintenance and renewal needs of the systems. Once annexation is approved, servicing master plans will be completed detailing the strategy and cost estimates for servicing the annexed land.

For water services, St. Albert’s primary source of water is through Epcor with a secondary source being the Morinville line from Edmonton. St. Albert has constructed three reservoirs and transmission of water into the annexation area can be partially accommodated from existing facilities, however, another two or three reservoirs are planned for location in the annexation areas. Each reservoir is designed for domestic and fire flow uses. For sanitary services, St. Albert’s collection system includes a number of pump/lift stations with all sewage being moved to the Alberta Capital Region Wastewater Commission facilities. A large portion of the annexation area can be served through gravity systems, without the need for additional and costly pump stations.

St. Albert’s storm water drainage concept plan identifies that all the land west of Highway 2 will drain to Big Lake, while the land east of Highway 2 will drain to the Sturgeon River. In order to manage the flow of storm water, St. Albert will divide the annexation area into sub-basins as development progresses. Management in each sub-basin will depend on the geography of the area and the design of development. St. Albert intends to use natural and man-made holding facilities to protect areas from flooding and to ensure contamination of natural water bodies is avoided.

St. Albert has developed a transportation concept plan based on the extension of existing arterial roadways. New major arterials will be required and plans are already underway for their construction, particularly the West Regional Road serving as a parallel route to Highway 2 (St. Albert Road). All collector roads and provision of shallow services will be constructed by developers as new communities are brought on line. St. Albert’s normal construction standards and street design considerations for arterial and collector roads have served St. Albert well.

Impact on School Authorities

Three school districts: Greater St. Albert Catholic Regional Division, Greater North Central Francophone Education Region, and Sturgeon School Division currently serve the students in the annexation area. Little or no impact will occur to the first two school districts. Sturgeon School Division No. 24 will have their area reduced and the annexation will only have a minimal impact resulting in the possibility of the loss of 16 to 18 students. It is not expected that the annexation will have any direct revenue impacts on the Sturgeon School District.

5.3 Position of Sturgeon

Sturgeon does not oppose the proposed annexation boundary. Sturgeon agrees that this annexation proposal is in keeping with good planning and engineering strategies to accommodate the expected urban growth. Sturgeon also agrees with St. Albert that the 15 year tax relief period represents a reasonable timeframe. All of the annexation issues between St. Albert and Sturgeon have been resolved through the adoption of the IDP and subsequent negotiations, except for the matter of cost and property tax sharing.

Any land use planning, municipal servicing, and tax consideration comments made by Sturgeon are in direct relation to the outstanding issue of property tax sharing and will be addressed later in this report. It is important to note that Sturgeon would not support the annexation as proposed, without a condition requiring property tax sharing.

5.4 Position of Landowners

Summary of the Submission of Walter Mis

The Mis land is a quarter section located in the annexation area east of Highway 2. Mr. Mis supports the proposed annexation, however he objects to the agreement between the municipalities regarding the time limitation of 15 years on the assessment and taxation condition. This condition requires St. Albert to assess and tax the annexed territory at Sturgeon values and rates for a maximum of 15 years unless, among other things, the land is redesignated or subdivided prior to the 15 year deadline.

In reviewing the Fiscal Analysis report prepared for St. Albert, Mr. Mis notes that the report concludes that only a limited amount of residential development within the annexation area will be developed by the year 2016 and 94% of the development in the annexation area is expected to occur by the year 2030. Mr. Mis concedes that the report also suggests that agricultural properties still existing after the 15 year period, would continue to receive the same benefit provided St. Albert extends the tax protection policy or establishes a new tax rate for agricultural properties in St. Albert. Mr. Mis maintains there is no guarantee this will happen and St. Albert's assertion is of little reassurance to residents.

To underline the point, Mr. Mis analyzed the longer term average growth rate of 2.7% per annum and noted that in the years 2001-2005 the growth rate declined to 1.49%. This most recent trend shows St. Albert's population projections to be optimistic even by the year 2030. Accordingly, the MGB should recommend that there be no time limit on the assessment and taxation condition.

Summary of the Submission of Vito Daniele

The Daniele lands are located near the St. Albert Airport within the IDP boundary but well outside the proposed annexation area. Mr. Daniele is developing an industrial park near the airport and has been involved in the preparation of the Northern Lights Area Structure Plan to accommodate his development. The Area Structure Plan was approved by Sturgeon and St. Albert lodged a dispute with the MGB in 2004. While the MGB did not hear the appeal, the ASP bylaw was struck by the Court of Queen's Bench for legal reasons. Mr. Daniele is opposed to this annexation because the dispute resolution mechanism in the IDP failed and St. Albert has not shown good faith in supporting his proposed development.

Summary of the Submissions of Dave Burkhart

Mr. Burkhart is a resident of St. Albert and is concerned about the excessive amount of land St. Albert is attempting to annex from Sturgeon. Mr. Burkhart bases his objection to the annexation on a 2004 report prepared for Sturgeon respecting a review of the St. Albert's land needs for annexation. According to the report, less than a section of land is required to accommodate St. Albert's needs for the next 25 years, while St. Albert is requesting over five sections of prime farmland. Mr. Burkhart contends that St. Albert did not include the vacant land already within its boundaries when considering future land needs. To underline the concern, Mr. Burkhart submits that rapid urban sprawl and financial responsibility do not go hand in hand. In May, 2004, an infrastructure report prepared for St. Albert by Stantec projected that St. Albert would need to spend $14,990,000 over the next five years and an additional $364,410,000 over the next 20 years for infrastructure maintenance, repair and growth. One issue identified by Stantec was the need for St. Albert to invest $47,000,000 immediately to carry out needed repairs to infrastructure. The report also points to an infrastructure funding gap of approximately $68,000,000 between what had been budgeted and what will be needed over the next 10 years.

Mr. Burkhart claims that St. Albert isn't alone in its dilemma of deteriorating infrastructure and its inability to find the funds to repair that infrastructure. Emphasis on unrestrained and unsustainable growth has put virtually every community in Alberta and Canada in the same boat. According to Mr. Burkhart, the state of St. Albert's current infrastructure debt does not bode well for the obvious infrastructure needs for the newly annexed areas. To underline the point, Mr. Burkhart states that due, in part, to borrowing needed for the new West Regional Roadway and the Multi-Purpose Leisure Centre, the per capita dept will be $1,760 compared to a per capita debt in Sturgeon of $381. In reviewing present tax rates, debt load and budgets for recreation, transit, library, police and fire protection, it is obvious St. Albert cannot afford to service the annexed land. Mr. Burkhart contends that Sturgeon is in a much better financial position to finance new commercial and industrial growth along the Highway 2 Commercial Corridor.

The submissions of Mr. Burkhart received the written support of Elke Blodgett, Mark and Linda John, Reta Thompson, Stuart Loomis and Gerry Ives, concerned citizens from the City.

Submission of Marcel Blais

Mr. Blais is a landowner of 108 acres being part of River Lot 37 immediately adjacent to the northeast annexation boundary. Mr. Blais supports the proposed annexation and requests that his 108 acre area be included in the annexation because it is suitable for urban residential development. Mr. Blais advised that he had not previously put forward his proposal to St. Albert or Sturgeon.

Submission of Ronald Dutchak, Badger Holdings Ltd.

Mr. Dutchak submitted that it is reprehensible that municipalities are allowed to trade in tax revenues with the exception of the reimbursement for fixed, verifiable out of pocket improvements (e.g. road paving) done in good faith which another municipality inherits. Therefore annexation should exclude any concept of revenue sharing and be restricted to the planning needs of the municipality.

5.5 Position of Interest Groups

Summary of the Submission of the City of St. Albert Chamber of Commerce

The Chamber of Commerce supports the proposed annexation noting the urgent need for commercial land. St. Albert has been turning away prospective businesses due to the lack of serviced land for commercial purposes. St. Albert needs commercial land to remain a sustainable and independent community. In a study of the residential to non-residential assessment ratio of other municipalities, the statistics show the challenge to St. Albert. St. Albert currently has a ratio of 89% to 11% residential to non-residential compared to other urban municipalities of 76% to 24% and Sturgeon ratio of 53% to 47%. These figures justify approval of the proposed annexation.

Summary of the Submission of the St. Albert Annexation Committee (SAC) represented by Richard Plain (Private Citizen Group)

The SAC supported the annexation, however, took a strong position on the proposals of St. Albert and Sturgeon with respect to the financial proposals. This position is outlined in more detail in Part 6.

5.6 Response of St. Albert to Landowners and Interest Groups

With respect to the tax relief time period issue raised by Mr. Mis, St. Albert points out that it would be inappropriate to set the tax condition for an indefinite period of time. Tax conditions must be subject to very specific and definite time periods to provide certainty to the transition of the area to more intensified development. A 15 year time period is a reasonable period used in many annexations. If required, it could be reviewed in 15 years.

5.7 Response of Sturgeon to Landowners and Interest Groups

In response to the position of Badger Holdings, that "… it is reprehensible that the Government of Alberta allows municipalities to trade in tax revenues", Sturgeon submits that the Act contemplates an overflow of services across neighbouring municipalities and permits inter-municipal tax sharing (see section 55 of the Act). Sturgeon is of the view that the IDP directs any tax benefits received by Sturgeon to be used in tangible improvements to roadways in the immediate vicinity. Revenue sharing is one incentive that can gain the co-operation of a neighbouring municipality. The IDP recognizes that growth in St. Albert will have spin off effects on Sturgeon and the need for intermunicipal cooperation and coordination.

5.8 General Findings

In conjunction with the legislation and general principles described in Section 1.8 of this report, the MGB makes the following findings with respect to the land use planning elements of the St. Albert annexation proposal.

1. The annexation, as proposed by St. Albert and supported by Sturgeon, represents a rational approach to managing growth in the region up to the year 2030.

2. Based on historical growth rates and St. Albert's assumed future growth rates, the proposed annexation area will be largely built out by the year 2030.

3. The annexation substantially conforms to the land use objectives in the IDP and the growth goals expressed by St. Albert in its MDP and the fringe area goals and objectives as stated by Sturgeon in its MDP.

4. Despite the IDP emphasis on an incremental approach to annexation, Sturgeon and St. Albert agree that for the year 2030 a larger annexation area is needed to meet St. Albert's planning needs to 2030. Conditions of annexation must then be evaluated within this context.

5. The annexation is a logical extension of boundaries considering existing land use patterns, the proposed future land use, future neighbourhoods, transportation and utility planning and the various physical features that impact future growth.

6. The annexation area is the most practical growth direction available to St. Albert.

7. St. Albert has existing infrastructure and other municipal services that can be extended and expanded, in a cost effective manner**,** to accommodate the annexation areas,

8. The annexation supports St. Albert's Economic Master Plan which sets as an objective, a better balance between residential and non-residential assessment.

9. Despite the fact that the proposed annexation area is generally in agricultural use and involves relatively good agricultural lands, the planning mechanisms used by St. Albert to phase development will mitigate against the premature loss of agricultural lands.

10. The proposed annexation area is largely undeveloped thereby reducing the logistics and costs of converting low density acreage subdivisions to urban development.

11. The lands in the annexation area, when developed, accommodate substantial commercial development along Highway 2 and are needed to marginally improve the residential to non-residential assessment ratio in St. Albert.

12. Very few residents of either St. Albert or Sturgeon raised concerns or objections to the proposed annexation. The vast majority of landowners surveyed in the public consultation process supported the annexation.

13. Planning mechanisms exist to mitigate and minimize any impacts on environmental features in the annexation area.

14. The conditions of annexation with respect to assessment and taxation conditions affecting property owners as proposed by St. Albert and supported by Sturgeon are clear and time specific. The time horizon of 15 years is reasonable.

15. The MGB cannot recommend inclusion of a property not included within an annexation application.

5.9 MGB Recommendations and Reasons

5.9.1 General

Recommendation

The proposed annexation area is in conformity with the annexation principles outlined in Part 3 of this report. Accordingly, a positive recommendation to the Minister and the Lieutenant Governor in Council is warranted based on the following.

Reasons

From a land use planning and servicing perspective the MGB is satisfied that the annexation is a rational approach to facilitating growth. Intermunicipal cooperation is clearly evident in the structure and policies of the IDP and the manner in which both municipalities brought this annexation forward. Both municipalities clearly outlined that they agree to the annexation area and are only in dispute with respect to the final financial arrangements. The MGB, after careful review of the IDP, is fully satisfied that with the exception of the dispute related to the financial arrangements between the two municipalities, the annexation is fully supported by the IDP.

The MGB accepts that both municipalities have agreed to modify the principle of incremental annexations in the IDP and support a larger more comprehensive annexation. The MGB accepts this approach as achieving the desired results of improved economies of scale and more long-term certainty for planning and implementation of necessary services.

Although the assumptions related to future population projections were challenged by a number of parties, the MGB is satisfied that for the purposes of land use planning and comprehensive infrastructure planning, the population projections applied by St. Albert are reasonable upon which to base the boundaries of the annexation area. St. Albert clearly functions as a primary residential community in the Edmonton Region and the MGB was convinced that role will continue into the planning horizon associated with this annexation. St. Albert has demonstrated to the MGB that it is prepared to accommodate urban growth within the Edmonton metropolitan region and this annexation will meet the medium-term and long-term land needs for residential development.

Thus, the annexation facilitates St. Albert’s goals and objectives as enunciated in its MDP as well as facilitates Sturgeons goals and objectives as stated in its MDP. Both municipalities are able to accommodate growth within the policy constraints set in each of their own plans. Without this annexation Sturgeon may be faced with significant growth pressures and taking on a significantly differently role within the region than that prescribed in its plans. Having stated that Sturgeon has every right to contemplate development in the commercial corridor, it is clear to the MGB that there is virtually no land available within the St. Albert city limits to accommodate commercial developments that require large parcels of land. By entering into the IDP, the municipalities have stated clearly that while both can accommodate growth, Sturgeon does not intend to impede the growth direction of St. Albert, and St. Albert does not intend to take actions that prevent certain development patterns in Sturgeon as described in the IDP.

Sturgeon is also experiencing limited but stable population growth and is accommodating new residential and commercial developments within existing hamlets and new country residential development within certain areas of the municipality that are not prime agricultural land. Sturgeon had given consideration to accommodating some highway commercial development along Highway 2 north of St. Albert, but through the IDP agreed that high density commercial development should be accommodated and serviced by St. Albert for the area immediately north of the present boundary. Through the action of adopting the IDP with specific references to the annexation plans of St. Albert, both municipalities have demonstrated cooperation in determining their respective future growth patterns in accordance with one of the fundamental principles for evaluating annexation applications, “intermunicipal cooperation”.

As stated earlier, the MGB found that the annexation proposal incorporated a rational growth direction to the west and north fully recognizing the constraints of other neighbouring municipalities to the south and intensive country residential development to the north-east. Servicing patterns facilitate this growth direction and the annexation maximizes the use of any spare capacity within the current infrastructure and allows for a logical expansion of that infrastructure. The result is the most practical growth direction for St. Albert.

Not only does the proposed annexation accommodate intensive residential growth, which both municipalities agree should be directed to within the boundaries of St. Albert, the annexation provides St. Albert with the opportunity to expand its non-residential land base. There is virtually no land currently in St. Albert available for commercial development to meet the commercial expansion needs envisaged by the various growth objectives. This opportunity is best met in the expansion and development of the Highway 2 Commercial Corridor. Various planning documents and servicing plans support this growth direction for the expansion of the non-residential land base. The MGB is satisfied that Sturgeon has opportunities to meet its commercial and industrial growth objectives at the St. Albert Airport, within existing hamlets, along areas of Highway 2 outside the IDP area and in the Heartland Industrial area. It should be noted the Heartland Industrial area is the proposed location of a number of heavy oil upgraders and related industrial activity.

The MGB also understands that a large residential component is required in this annexation in order to attract the large-scale commercial enterprises. It is also clear to the MGB that St. Albert must increase its non-residential to residential assessment ratio through the annexation of those areas scheduled for commercial development. Generally speaking, Alberta urban communities that enjoy stable fiscal circumstances have a non-residential to residential assessment ratio of at least 20%. St. Albert's ratio of 11% indicates an urgent need for improvement so that it does not rely so heavily on revenue from residential taxes.

The MGB was also satisfied that St. Albert utilizes and will utilize its planning tools such as Area Structure Plans and Land Use Bylaw to ensure that development may be phased in an orderly and economic pattern. Although the lands in the annexation area are primarily agricultural the use of these planning tools will reduce the premature loss of agricultural lands to urban development. As well, these planning tools, along with the policies in the St. Albert MDP, illustrate how the key environmental features in the annexation area are being recognized and planned for.

The feasibility of this area being annexed into St. Albert is enhanced by the fact that most of the area exists in an unsubdivided state thus reducing the difficulty and the ease and cost of converting the area to urban development. This further illustrates the logical and practical nature of this annexation proposal.

The MGB viewed all the documentation related to the public consultation process and observed that the majority of residents providing input and responding to the various surveys provided support to the annexation. St. Albert also considered all concerns about growth brought forward during a comprehensive public consultation process before the MGB's public hearing. As a result of that process, less than .01% of St. Albert citizens appeared before the MGB to oppose the annexation.

Some landowners have expressed that St. Albert should not expand and cannot afford to expand. The MGB understands this position but, is of the opinion that growth is inevitable and it is better to plan ahead for control over the direction and type of growth. Mr. Burkhart and those that support his position, claim that St. Albert has a poor track record for the fiscal management in developing its infrastructure and that St. Albert should not be placing its citizens in further debt through this annexation. In reviewing this matter, the MGB notes that the historical growth of St. Albert did not always enjoy the benefit of master plans for land use, servicing and economic development strategy. However, St. Albert has recently adopted plans in all these areas that set out a strategy to achieve balanced budgets and effective land uses in the long term. In addition, the fiscal analysis prepared by St. Albert's financial expert shows that St. Albert is managing its financial matters well and must embrace substantial growth in order to balance its investment in infrastructure. Therefore, the MGB must respectfully disagree with the few landowners that oppose annexation. The MGB notes that the planning documents setting out growth objectives have been adopted by the elected representatives of the whole community after considering any concerns expressed during public hearing processes on the MDP and the IDP.

5.9.2 Blais Property

Recommendation

The Blais property not be included in the annexation.

Reasons

A municipality is the only party that can make an application for annexation. If a property owner wishes to be included in an annexation the property owner must first approach the initiating municipality and get agreement to include the property in the application.

At the MGB hearing, Mr. Blais requested that the MGB consider including his property in the annexation decision. In past recommendations of the MGB, it has been made clear that the MGB has no authority or desire to include land in its recommendation that was not part of the annexation application, whether or not the annexation has been agreed between the affected municipalities. Mr. Blais did not present detailed arguments on technical merit and the municipalities had no opportunity to consider this request prior to the annexation application being submitted to the MGB. As a result, the MGB is not prepared to recommend that the Blais property be included in the annexation.

5.9.3 15 Year Time Limit on Assessment and Taxation Conditions

Recommendation

The 15 year time limit on the assessment and tax considerations be included as a condition of annexation.

Reasons

With regard to the 15 year assessment and taxation relief provision, agreed and requested by the municipalities, one landowner, Walter Mis, signalled concern that the benefit should apply without a deadline period but simply until the land is redesignated and subdivided. The MGB is of the opinion that the 15 year assessment and taxation relief provision is reasonable and consistent with other annexation approvals that have been issued throughout the Province over the past 11 years. If Mr. Mis' land is not developed within the 15 year timeframe, St. Albert has indicated that it would consider requesting an extension of time for operation of the provision. The MGB is satisfied with this response.

PART 6 - FINANCIAL CONSIDERATIONS

6.1 Introduction

Because the primary issue between the municipalities focused on cost and property tax sharing, the MGB requested that each municipality put forward its sharing proposal before the main arguments were submitted and requested responses to several relevant questions related to financial, operational matters and current cost sharing initiatives related to the financial proposal from each municipality.

The MGB reviewed all this information, the position of the parties, the landowners and the interest groups in light of the significant cooperative efforts by St. Albert and Sturgeon with respect to intermunicipal planning and the efforts in agreeing to the annexation in principle. Both parties approached the MGB in a very professional manner with significant respect for each others positions, however, both parties acknowledged the impasse with respect to the specific amount and type of financial arrangements needed to implement the annexation.

The Act, in sections 54, 124 and 127 refers to the terms tax sharing, revenue sharing and compensation separately and distinctly. The MGB accepts that the legislators would have intended that each of these words has a separate and distinct meaning. The Act defines tax as follows:

1(1) In this Act,
(aa) "tax" means
(i) a property tax,
(ii) a business tax,
(iii) a business revitalization zone tax,
(iii.1) a community revitalization levy,
(iv) a special tax,
(v) a well drilling equipment tax,
(vi) a local improvement tax, and
(vii) a community aggregate payment levy;

In the context of this annexation matter, tax sharing would mean the sharing of property taxes in contrast to revenue sharing which would involve the sharing of all municipal revenues inclusive of property tax.

On the other hand, compensation in the context of section 127 of the Act means financial compensation for the loss of taxes or the investment in infrastructure associated with one municipality annexing territory from another municipality.

The IDP refers to the terms “cost sharing” and “municipal property tax sharing”. The IDP defines these terms as follows:

“cost sharing” means that municipal property tax generated within a designated geographic area would go to cover the direct (and/or indirect) costs, after which any “net” municipal property tax would be shared between municipalities upon some mutually agreed-to basis.”

“municipal property tax-sharing” means the sharing between municipalities of the municipal portion of the municipal property tax on an agreed-upon formula for a specific geographic area.

The MGB finds the above terms used in the IDP to lack clarity and discusses the different meanings given to these terms by St. Albert and Sturgeon later in this annexation report.

6.2 Sturgeon and St. Albert Financial Proposals

A. Sturgeon’s Proposal on Cost and Property Tax Sharing

Sturgeon sets forth the following tax revenue sharing formula to calculate the non-residential tax revenues payable to Sturgeon by St. Albert pursuant to the IDP and offers to accept the following amounts in full settlement.

Sturgeon shall receive 37% of the municipal tax revenues from future commercial development on portions of the Highway Commercial Area identified below, in accordance with the following conditions:

a. *The width of the Highway Commercial Area shall be 1/3 of a mile adjacent to and on each side of Highway 2;*

b. *The tax revenue sharing period shall commence from occupancy authorization on a parcel by parcel basis within the Highway Commercial Area and continue for 10 years thereafter;*

c. *Municipal tax sharing shall apply to all non-residential assessment within the Highway Commercial Area, including but not limited to, highway commercial, serviced commercial and light industrial uses. St. Albert shall not be required to share any tax levies collected for the Recreation Centre nor any other amounts collected pursuant to requisitions by third parties;*

d. *Sturgeon’s share of the municipal tax revenues from the Highway Commercial Area and all improvements thereon shall be received by Sturgeon on the first business day after June 30 in each year of the tax sharing period; and*

e. *All amounts payable by St. Albert to Sturgeon shall be paid in cash and are recoverable by Sturgeon by action in debt.*

The figure of 37% is based on the assumption that 26% of the revenue will be required to pay for the costs related to the servicing of the commercial area thereby leaving revenues of 74% to be shared equally between Sturgeon and St. Albert.

As a result of this proposal, Sturgeon would expect to receive approximately $15,000,000 in current dollars from the Highway 2 Commercial Corridor developments located in St. Albert over the build out and revenue sharing period of the commercial area.

B. St. Albert's Proposal on Cost and Property Tax Sharing

The City is prepared to share revenue from municipal property taxes with the County as follows:

1. *The City will pay to the County a total of $1.018 million over 10 years, made up as follows:*

   (a) $518,000-which equals the net present value of the current taxes derived from the annexation area (approximately $35,000) for 25 years applying a 5% discount rate, plus
   (b) $500,000-shared revenue from commercial development in the annexation area.

2. *The amount to be paid by the City to the County will be paid in equal annual instalments of $101,800 for a period of 10 years commencing with commercial development in the commercial corridor.*

{*MGB Note: During the hearing, Sturgeon clarified that current taxes from the annexation area are 73,674.64 rather than the $35,000 referenced by St. Albert. The primary difference is that the linear revenue was not originally included. St. Albert did not dispute this figure.**}**

6.3 Financial Position of St. Albert and Sturgeon as Reported by the Municipalities

In order to resolve the substantive issue related to the financial conditions related to the annexation, the MGB requested the two municipalities to provide specific indicators on the financial status of each municipality.

Nichols Applied Management, the financial consultant for Sturgeon described Sturgeon as having a "relatively strong fiscal position, measured by the size, composition and growth of its assessment base and by County debt levels". Applications Management Consulting Ltd described the fiscal capacity of St. Albert as average to below average when compared to other Alberta cities. St. Albert has the lowest proportion of non-residential assessment of all cities in

Alberta. The non-residential tax rate is just below the provincial average, reflecting St. Albert's attempt to be competitive for non-residential development, while the residential tax rate is relatively high. Of the thirteen cities, only Wetaskiwin at 11.8 and Camrose at 9.8 have a higher live municipal tax rate than St. Albert at 9.7. St. Albert collects lower than average operating revenues per capita and has below average municipal reserve funds per capita when compared to other Alberta cities. In addition St. Albert is just below the average for other cities with respect to debt as a per cent of debt limit. Table 6.3.6 illustrates that municipal property taxes paid on a "standardized' dwelling with an assessment of $100,000 is over $950 which is $200 more than the provincial average for cities. This would be equivalent to an annual cost of $500 per year more on a home with an assessed value of $250,000.

Table 6.3.1
Primary Sources of Revenue - 2004

Revenue Source	Sturgeon	St. Albert
Taxes	46.7%	56.2%
Sales and User Fees	9.5%	28%
Grants	29%	4.3%
Other	14.9%	10.6%

Source: Submissions of St. Albert and Sturgeon

Table 6.3.2
Equalized Assessment Per Capita Comparisons

2005		2003	
5 Counties	5 Cities	8 Counties	13 Cities
$118,000 to $128,000	$$70,000 to $95,000	$55,000 to $158,000	$45,000 to $148,000
Sturgeon = $120,000	St. Albert = $80,000	Sturgeon = $111,000	St. Albert = $61,000

Source: Submissions of St. Albert and Sturgeon

The five county comparison made by Sturgeon includes Parkland County, Leduc County, Red Deer County, MD of Foothills and the MD of Rocky View. The five city comparison presented by Sturgeon includes Airdrie, Leduc, Spruce Grove, Cochrane, and Okotoks.

The eight county comparison made by St. Albert includes Leduc, Parkland, Strathcona, Lamont, Lac Ste. Anne, Thorhild, Westlock and Barrhead. The thirteen city comparison includes Cold Lake, Airdrie, Wetaskiwin, Medicine Hat, Spruce Grove, Calgary, Camrose, Leduc, Grande Prairie, Edmonton, Lethbridge, Fort Saskatchewan and Red Deer.

Table 6.3.3
Proportion of Non-Residential Assessment

2005		2003	
5 Counties	5 Cities	8 Counties	13 Cities
20.9% to 65.4%	14.1% to 23.2%	N/A	20% TO 70%
48.1%	St. Albert = 10.9%	N/A	St. Albert = 11%

Source: Submissions of St. Albert and Sturgeon

Table 6.3.4
2004 Per Capita Debt

5 Counties	5 Cities
$92 to $1086	$574 to $1,002
Sturgeon = $361	St. Albert = $335

Source: Submission of Sturgeon

The five counties include Parkland, Leduc, Red Deer, MD of Foothills and Grande Prairie. The five cities include Airdrie, Leduc, Spruce Grove, Cochrane and Okotoks.

Table 6.3.5
Live Municipal Tax Rate on Single Family Residential Comparisons -2003

Per Capita	Eight Counties *3	Sturgeon	13 Cities*2	St. Albert
Range	4.7-10.8	4.7	4.2-11.8	9.7
Average	6.1		7.6	

Source: Submission of St. Albert

Table 6.3.6
Municipal Taxes on $100,000 Residence

Per Capita	Eight Counties*3	Sturgeon	13 Cities*2	St. Albert
Range	$580-$1,090	$480	$410-$1,199	$960
Average	$625		$750	

Source: Submission of St. Albert

Table 6.3.7
Live Non-Residential Tax Rate -2003

Per Capita	Eight Counties*3	Sturgeon	13 Cities*2	St. Albert
Range	7.8-17.8	7.7	7.2-19.0	14.0
Average	9.25		14.0	

Source: Submission of St. Albert

Table 6.3.8
Operating Revenue Per Capita - 2003

Per Capita	Eight Counties*3	Sturgeon	13 Cities*2	St. Albert
Range	$900-$2,250	$1,000	$900-$1,750	$1,100
Average	$1900		$1300	

Source: Submission of St. Albert

Table 6.3.9
Municipal Reserves Per Capita - 2002

Per Capita	Eight Counties*3	Sturgeon	13 Cities*2	St. Albert
Range	$400-$2300		$160-$1200	$375
Average	$1300		$575	

Source: Submission of St. Albert

Table 6.3.10
Per Cent of Debt Limit

Per Capita	Eight Counties*3	Sturgeon	13 Cities*2	St. Albert
Range	1%-51%	21%	6%-44%	26%
Average	7%		27%	

Source: Submission of St. Albert

*1. The referenced five counties included are Parkland County, Leduc County, Red Deer County, Grande Prairie County and MD of Foothills.

*2. The referenced 13 Cities are Wetaskiwin, Camrose, Spruce Grove, Leduc, Grande Prairie, Lethbridge, Fort Saskatchewan, Edmonton, Airdrie, Red Deer, Cold Lake, Medicine Hat and Calgary.

*3. The referenced eight counties include Parkland County, Strathcona County, Leduc County, Lac. St. Anne County, Westlock County, County of Barrhead, Lamont County and County of Thorhild.

6.4 Financial Context (MGB Analysis)

In addition to the financial summaries and responses prepared by the financial consultants for each municipality, the MGB also undertook further independent analysis because of the significance of the financial issues in dispute. Section 120(3) of the Act permits the MGB, in addition to the arguments and evidence filed at a hearing, to conduct further analysis and investigation. The MGB analyzed the strengths and weaknesses of the financial positions of each municipality. Although each municipality, due to their character, will have differing revenue and expenditure patterns, a number of financial indicators illustrate the relative financial position of each municipality to each other and others in their group.

The urban comparison group for St. Albert consisted of Red Deer, Lethbridge, Medicine Hat and Grande Prairie with a range in population of 44,631 to 79,082 compared to St. Albert with a population of 56,310. The rural comparison group consisted of 19 municipalities ranging in equalized assessment of 1.3 trillion to 3.6 trillion with Sturgeon at 2.4 trillion.

Table 6.4.1
Growth Rates per Annum

		St. Albert	Sturgeon
Population	1988-2005	2.29%	1.76%
Equalized Assessments	2000-2005	10.19%	6.5%
Operating Revenues	2000-2004	8.7%	16.9%
Operating Expenditures	2000-2004	8.2%	19.3%

Source: Financial Advisory Services, Local Government Services Division, AMA

Table 6.4.2
Equalized Assessment Per Capita (in thousands)

Year	St. Albert	Sturgeon
2000	$54,206	$92,097
2001	$56,195	$96,315
2002	$60,418	$100,955
2003	$63.775	$104,350
2004	$71,704	$111,746
2005	$80,025	$119,743

Source: Financial Advisory Services, Local Government Services Division, AMA

Equalized assessment per capita provides an indicator of a municipality’s ability to generate property tax revenue in comparison to similar municipalities. St. Albert, in comparison to other urban centres with a population of 40,000 to 76,000, was at the high end of the comparison whereas Sturgeon was at the lower end of its comparable rural municipalities.

Table 6.4.3
Net Municipal Equalized Tax Rate

Year	St. Albert	Sturgeon
2000	10.3	5.3
2001	10.0	5.6
2002	10.2	5.9
2003	9.6	6.0
2004	9.5	6.1
2005	10.5	6.1

Source: Financial Advisory Services, Local Government Services Division, AMA

Net municipal tax rate is calculated based on total equalized assessment and net municipal property taxes. It provides an indicator of the extent to which a municipality is accessing the property tax base. St. Albert and Sturgeon are within the mid range of comparable municipalities in their group.

Table 6.4.4
Residential Equalized Tax Rate

Year	St. Albert	Sturgeon
2000	16.1	10.7
2001	14.6	9.4
2002	14.5	9.5
2003	13.5	9.1
2004	13.2	8.7
2005	14.3	8.3

Source: Financial Advisory Services, Local Government Services Division, AMA

The residential equalized tax rate is calculated based on gross residential property taxes and residential equalized assessment. According to this indicator, St. Albert is at the higher range of comparable urban municipalities and Sturgeon is in the mid range of similar rural municipalities.

Table 6.4.5
Non-Res Equalized Tax Rate

Year	St. Albert	Sturgeon
2000	19.6	11.2
2001	18.9	11.1
2002	19.1	11.1
2003	20.3	11.9
2004	20.1	12.2
2005	20.8	11.8

Source: Financial Advisory Services, Local Government Services Division, AMA

Non-residential equalized tax rate is calculated based on gross non-residential property taxes and non-residential equalized assessment. St. Albert and Sturgeon are in the upper range in comparison to similar municipalities in their group.

Table 6.4.6
% of Non-Residential Assessment

Year	St. Albert	Sturgeon
2000	11.8 %	53.4%
2001	11.7%	52.1%
2002	12.3%	51.4%
2003	12.4%	52.3%
2004	11.0%	49.9%
2005	10.9%	48.2%

Source: Financial Submissions of St. Albert and Sturgeon

Table 6.4.6 – A
% of Non-Residential Assessment Comparison - 2005

	Rural Municipalities	Sturgeon	13 Cities	St. Albert
Range	21% - 93%	48%	11%-64%	11%
Average	64%		24%	

Source: Financial Advisory Services, Local Government Services Division, AMA

There exists a marked difference in the proportion of non-residential assessment in St. Albert versus Sturgeon. St. Albert has a relatively low proportion of non-residential assessment compared to other similar urban communities. Sturgeon also has a lower proportion compared to other rural municipalities.

Table 6.4.7
% of Debt Limit Used

Year	St. Albert	Sturgeon
2000	33.0%	6.0%
2001	32.0%	5.0%
2002	27.0%	10.0%
2003	21.0%	22.0%
2004	16.0%	16.0%
2005	18.0%	17.0%

Source: Financial Advisory Services, Local Government Services Division, AMA

St. Albert's percent of debt limit has been steadily decreasing over the past five years and is within the mid-range of similar urban municipalities. Sturgeon's percent of debt limit has been rising and is also within the mid-range of similar rural municipalities.

Table 6.4.8
% of Debt Service Limit Used

Year	St. Albert	Sturgeon
2000	42.0%	8.0%
2001	39.0%	6.0%
2002	37.0%	8.0%
2003	34.0%	15.0%
2004	28.0%	12.0%
2005	23.0%	12.0%

Source: Financial Advisory Services, Local Government Services Division, AMA

Although St. Albert's percent of debt service limit has been decreasing steadily it is the highest amongst comparable urban municipalities whereas Sturgeon has been increasing but is within mid-range of similar rural municipalities.

Table 6.4.9
Net Municipal Taxes as a % of Total Revenue

Year	St. Albert	Sturgeon
2000	57%	57%
2001	56%	61%
2002	56%	62%
2003	56%	63%
2004	56%	47%
2005	57%	56%

Source: Financial Advisory Services, Local Government Services Division, AMA

Although St. Albert and Sturgeon experience a relatively similar indicator, St. Albert is near the top of the range of similar urban municipalities while Sturgeon is in the mid to low range of similar rural municipalities

Table 6.4.10
Sales & User Charges as a Percentage of Total Revenue

Year	St. Albert	Sturgeon
2000	27%	13%
2001	29%	13%
2002	29%	13%
2003	30%	13%
2004	29%	9%
2005	29%	10%

Source: Financial Advisory Services, Local Government Services Division, AMA

St. Albert is much more reliant on sales and user charges as a revenue choice and is within the mid-point of other similar urban municipalities whereas Sturgeon is less dependent on this source of revenue and is also within the mid-point of similar rural municipalities.

Table 6.4.11
Provincial and Federal Operating Grants as a % of Total Operating Revenue

Year	St. Albert	Sturgeon
2000	4.3%	18.8%
2001	4.0%	14.8%
2002	4.0%	7.7%
2003	3.8%	11.2%
2004	4.3%	29.0%
2005	5.0%	19.0%

Source: Financial Advisory Services, Local Government Services Division, AMA

St. Albert is more reliant on its tax base for revenue sources than Sturgeon that is more reliant on Provincial and Federal Operating Grants. St. Albert is at the bottom of the range of similar urban municipalities whereas Sturgeon is in the mid range of similar rural municipalities.

6.5 Current and Proposed Intermunicipal Agreements

In addition to the financial circumstances of each municipality, current and proposed intermunicipal cost sharing arrangements may impact the choice of the best compensation arrangement associated with this annexation. As a result the MGB requested St. Albert and Sturgeon to outline any existing and future cost sharing arrangements. These are briefly described below.

St. Albert and Sturgeon have a mutual aid agreement for fire protection and exchange road maintenance services. Sturgeon has permitted St. Albert to extend a water line through Sturgeon to serve Wal-Mart and provides a road right-of-way for sewer services to the same development.

Sturgeon notes the use of rural roads, natural areas and recreation facilities by St. Albert residents. Sturgeon does not intend to provide services to the annexed area but does undertake to use its share of revenue from the Highway 2 Commercial Corridor for road upgrading and maintenance in the vicinity.

St. Albert notes that citizens of Sturgeon use cultural and recreational services in St. Albert at no additional cost even though there is no cost sharing agreement. A cost sharing agreement with respect to the new multi-use recreation centre is still in discussion.

Sturgeon pays for ambulance service to St. Albert. The last known amount was $44,500 for the year 2000; however the agreement expired on March 31, 2006. St. Albert does not contemplate providing any additional services to Sturgeon.

St. Albert receives water and sewer treatment services through the Alberta Capital Regional Water and Sewer Services Commission. St. Albert provides the distribution and collection within St. Albert. Sturgeon is currently a member of the Alberta Capital Region Wastewater Commission and the Capital Region North East Water Services Commission.

The Sturgeon Regional Waste Management Authority provides services to Sturgeon, St. Albert and other area municipalities.

6.6 Sturgeon's General Position on Financial Proposals (Summary)

Sturgeon submits their proposed financial proposal, which consists of 26% of the revenue from the Highway 2 Commercial Corridor going to St. Albert and the balance of the revenue being shared equally is based on the principles of the IDP, represents the opportunity cost to Sturgeon for agreeing to the IDP and the annexation, provides for the long term financial stability of both municipalities and is fair to both municipalities. The stewardship of the lands prior to annexation is fully recognized in the Sturgeon proposal and is supported by regional trade area analysis and highway traffic movements. Sturgeon proposes that the pace of revenue sharing would be tied to the actual growth rate of the Highway 2 Commercial Corridor. The amounts offered by St. Albert are inconsistent with the principles of the IDP.

Sturgeon submits that their proposed financial arrangement represents a similar division of revenue sharing as occurred in the Wal-Mart annexation. This proportion of revenue sharing is supported by trade area and traffic movement analysis. Sturgeon argues that the proposed revenue sharing is also supported by similar principles used in the Edmonton International Airport annexation resolution between the City of Leduc and the County of Leduc and is supported by the arrangements approved between the City of Fort Saskatchewan and Strathcona County. As well, it is supported by the principles used in more recent annexation agreements.

In addition, Sturgeon agrees to utilize the funds, as directed in the IDP, for road improvements in the IDP area to the benefit of both municipalities.

Sturgeon argues that St. Albert's retention of 26% of the revenues from the commercial corridor allocated to servicing costs is reasonable. This proportion is supported by the tax sharing agreement between the City and Rural Municipality of Portage la Prairie in Manitoba, the tax sharing agreement between the Villages of Binacarth and Russell, and the Rural Municipalities of Russell, Shellmouth-Boultin and Silver Creek, Manitoba. In the latter case, 30% of the revenue is retained by the host municipality to cover the ongoing costs of servicing the new development. In addition Sturgeon submitted a study in southern New England, USA to support the use of the 26% servicing costs.

Sturgeon emphasizes that the typical model of annexation compensation does not reflect the revenue sharing principles in the IDP. The IDP represents something more than the typical compensation and provides each municipality with additional benefits and would exceed the compensation typically awarded. St. Albert's proposal represents a transitional agreement unrelated to the rate of commercial development. Sturgeon states that the IDP provides each party with substantial benefits from the Highway 2 Commercial Corridor and makes a commitment to a fair and equitable sharing which they believe is equal sharing of the net benefits.

Sturgeon's Growth Management Strategy / Forgone Economic Opportunity

Sturgeon does not visualize urbanization other than the growth of existing hamlets such as Cardiff, Riviere Qui Barre, Calahoo, Villeneuve, Namao and Alcomdale. Sturgeon is primarily agricultural with pockets of country residential and isolated commercial and industrial nodes. It is the position of Sturgeon that it has foregone economic development opportunities in the Highway 2 Commercial Corridor area in the proposed annexation area and IDP area and, as a result of this cooperation with St. Albert, Sturgeon's financial proposal is warranted and builds on this intermunicipal cooperative initiative.

Based on assumptions regarding access to the trunk lines for water and sewer services through the Alberta Capital Waste Water Commission, Sturgeon illustrated that it could have physically serviced the Highway 2 Commercial Corridor on its own, however, they concur the servicing of this area was more cost effective if serviced through and by St. Albert. As a result, this forgone economic opportunity should be recognized in the financial arrangements related to the annexation. The agreement to minimize premature development in the annexation area comprises a significant potential cost in terms of lost development and fiscal opportunity.

If permitted, Sturgeon could access water and sanitary services for the Highway 2 Commercial Corridor from St. Albert or through connections to existing water and sanitary sewer lines or could independently develop dedicated systems with systems from the Alberta Capital Region Waste Water Commission and EPCOR water. This is supported by the feasibility report completed by DCL Siemens Engineering Ltd.

Sturgeon estimates that if it developed the commercial corridor the estimated tax revenue from the area to Sturgeon would be $10.2 million over the period 2006 to 2030. Sturgeon submits that the tax revenue forgone by Sturgeon with annexation is $4.6 million over the same period.

Sturgeon's Fiscal Impact Analysis (Summary)

Sturgeon will forego annually $73,674.64 of municipal tax and linear revenues for the whole annexation area. This represents 0.5% of Sturgeon's total revenue from the 2005 budgeted municipal property tax total of $14,563.455 and 0.25% of the total 2005 budgeted revenues of $29,672,080. Sturgeon has projected net tax revenues (after costs) for the Highway 2 Commercial area accruing to Sturgeon, based on Sturgeon retaining municipal jurisdiction to be $10.2 million in 25 years, $40 million in 50 years and $124.2 million in 100 years at present tax rates. Sturgeon argues this is the cost of the foregone opportunity.

Sturgeon developed financial impact estimates based on the St. Albert financial analysis and expressed the alternative financial proposals as follows.

Figure 6.6.1 Tax Impacts of Annexation

Table 6 Tax Impacts of Annexation Under Alternative Revenue Sharing Proposals

Scenario	*Average Annual Percent Change in Municipal Mill Rates*	*Total Change in Municipal Taxes Over Projection Period*	*Average Annual Change in Municipal Taxes Paid on an Average House*
Annexation (No Revenue Sharing)	*-0.28%*	*-$6,443,873*	*-$5.84*
Annexation, with Revenue Sharing – City Proposal	*-.21%*	*-$5,498,516*	*-$4.4.1*
Annexation, with Revenue Sharing – County Proposal	*0.33%*	*$4,109,311*	*$6.93*

Source: Sturgeon Submission

Sturgeon estimated the relative significance of the Sturgeon proposal to each municipality and concluded that the Sturgeon proposal would be 5.4% of St. Albert's 2004 revenues and 1.0% of Sturgeons 2004 revenues. Over 25 years the share of revenues would be 1.0% and 0.8% of total revenues respectively. Over 50 years the share would be 2.2% and .9%, respectively and over 100 years the share would be 3.8% and 0.5%, respectively.

Sturgeon's plan to make up any difference in lost revenue from the annexation area is accommodated through Sturgeon's proposed revenue sharing formula. Sturgeon plans to utilize its portion of the revenue share to invest in transportation and infrastructure improvements in the vicinity of the Highway 2 Commercial Corridor and the regional transportation network.

6.7 St. Albert's General Position on Financial Proposal (Summary)

St. Albert's financial package made up of elements of tax compensation and revenue sharing ($1.018 million over 10 years) is based on the principle that the cost and revenues associated with annexation must consider the whole annexation area and not just the Highway 2 Commercial Corridor. St. Albert is of the view that its proposal is more consistent with the intent of the IDP and that the IDP does not spell out the specific formula to be used.

The revenue from the Highway 2 Commercial Corridor is required to fund the costs associated with the total annexation area and not just the commercial corridor. St. Albert asserts that its proposal better recognizes fiscal balance, is more practical and simple and provides for certainty to both municipalities. St. Albert submits that its proposal is within its fiscal capacity to manage after consideration of its obligations within the current boundaries and the annexed area. St. Albert points out that Sturgeon will provide no services to the annexed area of the Highway 2 Commercial Corridor.

In addition the annexation has a negligible fiscal impact on Sturgeon and the Wal-Mart agreement cannot be used as the basis for compensation in this annexation.

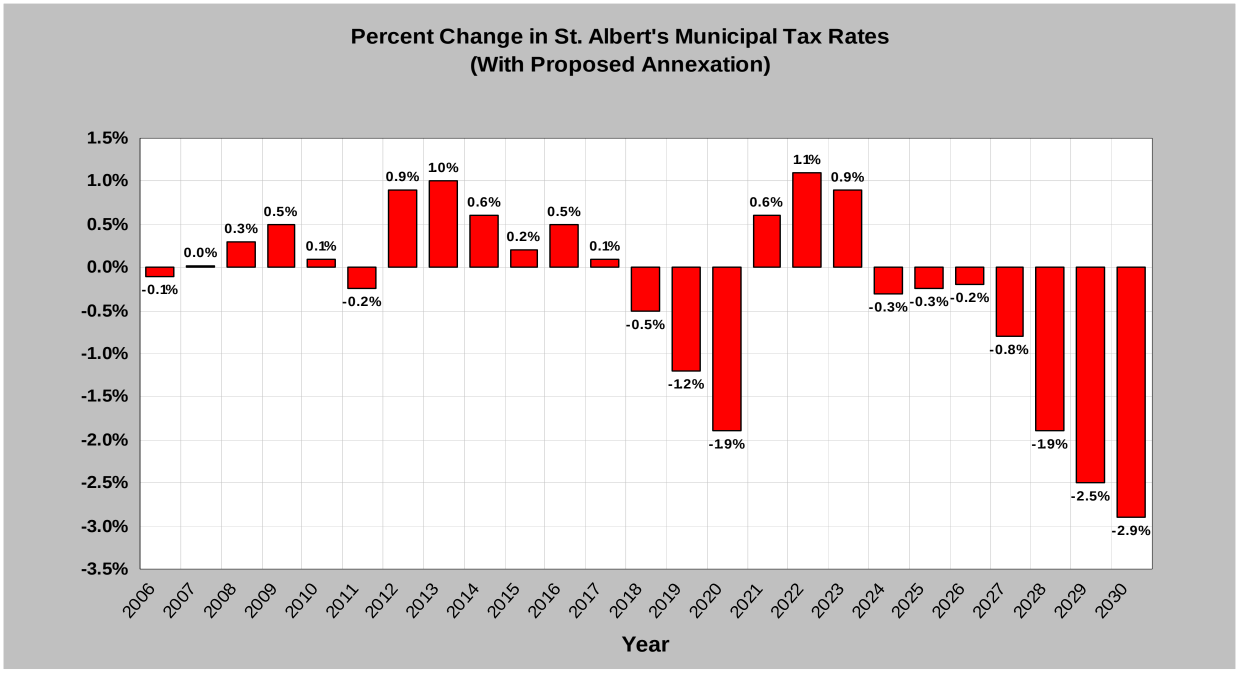
St. Albert's Growth Management Strategy

St. Albert through its various plans visualizes full urbanization including residential and non-residential development. As a result of recent studies associated with the plan, St. Albert adopted an Economic Development Master Plan in 2004 in order to achieve an improved ratio between residential and non-residential development.

St. Albert's Fiscal Impact Analysis (Summary)

Based on St. Albert's proposal for revenue sharing, the financial impact to St. Albert is essentially neutral over the long-term. In the near term, between 2006 and 2017 the St. Albert proposal would cause St. Albert's tax rate to increase moderately. In the mid-term between 2018 and 2023 the St. Albert proposal would result in relatively equal increases and decreases of the tax rate while in the long-term between 2024 and 2030, St. Albert's tax rate would decrease. This input is illustrated in the following chart.

Figure 6.6.2 - Impact of Annexation on Tax Rate



Source: St. Albert Submission

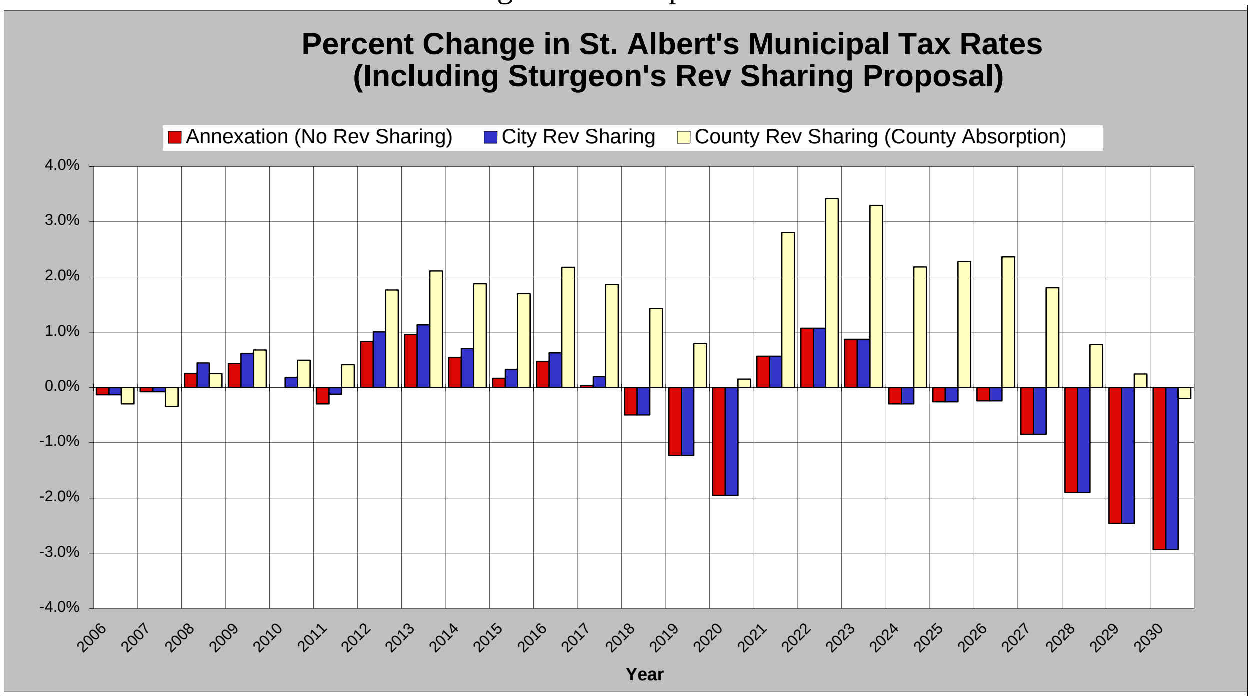
In addition, St. Albert illustrated how beneficial annexation within the confines of their financial proposal would be to the financing of the new regional multi-purpose leisure center. St. Albert submits that the annexation proposal, based on their proposed financial arrangement will result in appropriate economies of scale for the proposed new regional recreation facility reducing the financial burden from $72 per $100,000 of assessment to $42 per $100,000 of assessment by 2026.

St. Albert’s plan for revenue gained as a result of annexation, especially in the Highway 2 Commercial Corridor is to partially address the disparity between the residential and non-residential tax base. The revenue from taxes from commercial development will assist in funding the infrastructure and services required by the total annexation area.

St. Albert plans to make up any payments to Sturgeon from its annexation compensation proposal through St. Albert’s property tax base. St. Albert is of the view that their proposal can be reasonably absorbed without financial hardship to its taxpayers.

St. Albert cannot reasonably make up the revenue lost as a result of Sturgeon’s proposal through the property tax base without a significant impact on its taxpayers. St. Albert estimates Sturgeon’s proposal will cost St. Albert $11.6 million in 2005 dollars. It leaves St. Albert worse off than before annexation, increasing tax rates for taxpayers of St. Albert. It leaves Sturgeon substantially enriched. With the assistance of Figure 3 and 4 in Exhibit 5 Tab B 11, St. Albert illustrated that based on the two assumptions related to the absorption rate of the Highway 2 Commercial Corridor, St. Albert would be worse off if the Sturgeon proposal was accepted.

Figure 6.6.3
Sturgeon's Absorption Rate

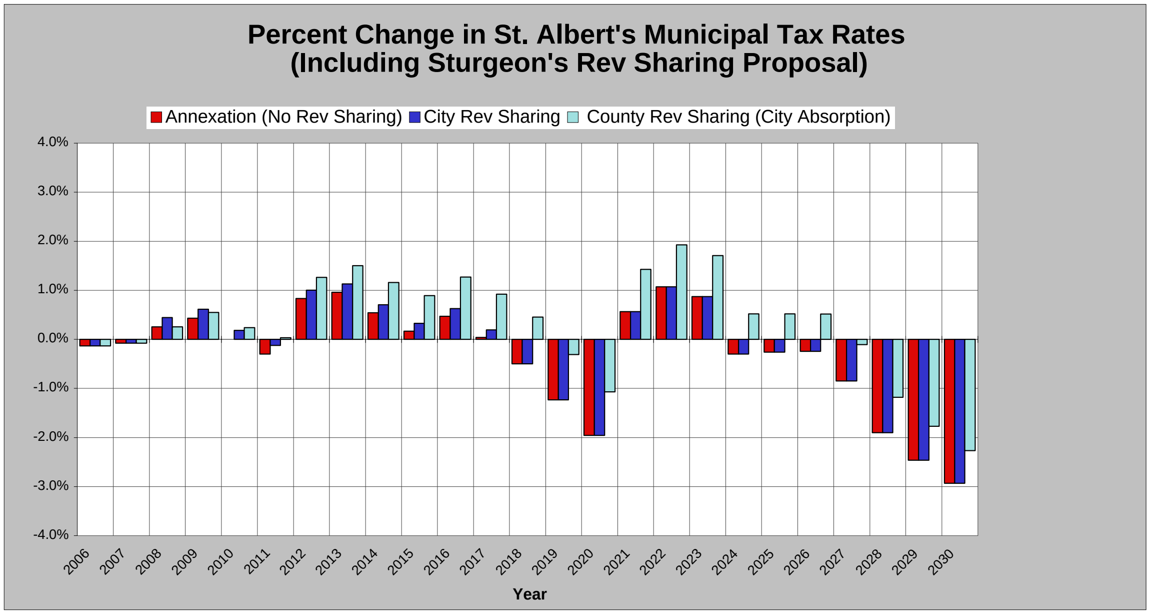


Source: St. Albert Submission

"The result of applying Sturgeon's revenue sharing proposal and assumptions regarding the timing of commercial development is to effectively eliminate all the municipal tax benefits of the annexation. Further, it results in the annexation having a negative impact on the City's municipal tax rate in all but three years of the analysis, and in these three years, the benefit of a reduced mill rate is less than 1/3 of one percent reduction.

Employing these assumptions, the impact of annexation and revenue sharing as proposed by Sturgeon would result in an average annual increase in St. Albert's mill rate of 1.45% per year over a no annexation scenario. When considering this result in light of Section 1.7 of the IDP, Sturgeon's revenue sharing proposal does not provide a municipal tax benefit to the City."

Figure 6.6.4
St. Albert Absorption Rate



Source: St. Albert Submission

"While advancing the rate of commercial development helps to reduce the negative impact of Sturgeon's revenue sharing proposal on the City's municipal tax rates, it still has a net negative impact in each year of the analysis from 2010 to 2030. On average, Sturgeon's revenue sharing proposal adds an additional 0.61% to the City's mill rate over the analysis period. This is also a 0.54% increase to St. Albert's mill rate as compared to the annexation with the City's revenue sharing proposal.

The net impact of Sturgeon's revenue sharing proposal is to turn the annexation with revenue sharing as proposed by the City from a net benefit equal to an average reduction in the City municipal mill rate of 0.21% per year, to a net cost by increasing the City's municipal tax rate by an average annual rate of 0.36%.

Thus, even when using the more optimistic commercial growth assumptions that were employed by the City, the County's revenues sharing proposal results in annexation having a net negative impact on municipal tax rates."

The impact of the St. Albert proposal on St. Albert represents .2% on the tax rate. The position of St. Albert is that this is a reasonable impact which can be absorbed by St. Albert.

St. Albert concludes that the impact of Sturgeon's revenue sharing proposal and assumptions is to effectively eliminate all the municipal tax benefits of the annexation. It results in the annexation having a negative impact on St. Albert's tax rate in all but three years. The Sturgeon proposal would result in an average annual tax rate increase of 1.4% compared to no annexation. This negative impact is reduced as St. Albert assumptions on commercial absorption are realized between 2010 and 2030. On average Sturgeon's revenue sharing proposal adds an additional 0.61% to St. Albert's tax rate. With St. Albert's proposal, the average annual reduction in St. Albert's tax rate will be 0.21 % compared to an increase of 0.33% as a result of the Sturgeon proposal.

6.8 Position of Landowners and Interest Groups on Financial Proposals

<u>Ron Dutchak (Badger Holdings)</u>

Mr. Dutchak owns land both inside and outside the annexation area. While Mr. Dutchak does not object to the proposed annexation, Mr. Dutchak is of the view that there are serious concerns about the proposed revenue sharing proposals. The idea of giving away taxes to another municipality is fundamentally wrong, whether or not it is a provision in the IDP. The IDP provisions are not binding on the Province. The MGB should not recommend compliance with the proposals of St. Albert or Sturgeon. Tax sharing is not a mandate of a municipality.

The proposed tax sharing idea is based on indirect costs that cannot be quantified in a realistic manner. Certainly compensation for direct costs can be quantified and are appropriate depending on the circumstances. For example, St. Albert should reimburse Sturgeon for any recent capital expenditure that is now coming under the jurisdiction of St. Albert. Sturgeon should not be left with a debt load for something for which it can no longer collect taxes. Compensation for indirect costs is not appropriate.

<u>The City of St. Albert Chamber of Commerce</u>

The Chamber supports the proposed annexation. However, the Chamber does not support the payment of tax revenues to Sturgeon. The Chamber takes the position that the stewardship of the land should flow, as needed, from one jurisdiction to another. The transfer of these lands from one municipal jurisdiction to another should not trigger the transfer of property tax revenues from one jurisdiction to another. St. Albert's commitment to freeze landowner taxes at Sturgeon rates for a period of years is adequate compensation, directed to those who are rightfully entitled to such consideration.

The right to collect property taxes is given to the municipalities by the Act. The Act does not provide for neighbouring municipalities to claim any portion of those property tax revenues. The Chamber asserts that Sturgeon has no right to claim any portion of the property taxes collected by St. Albert. The tax revenues are required by St. Albert to support the municipality and needed to present balanced budgets to its taxpayers. There is no "surplus" to be shared, nor should one be created through additional taxation.

Submissions of the St. Albert Economic Advisory Committee

This Committee is empowered by St. Albert Council to advise on matters that enhance economic development within St. Albert.

The Committee supports the proposed annexation as necessary for St. Albert's future economic health. St. Albert's tax base is currently heavily weighted towards residential taxpayers. It is the Committee's position that a greater proportion of the commercial tax base is desirable for the well being of St. Albert's citizens. St. Albert's tax base is comprised of 89% residential and 11% non-residential whereas Sturgeon has some of the lowest tax rates in the Province with a non-residential to residential assessment ratio approaching 50/50.

The goal within St. Albert's Economic Master Plan is to increase the non-residential tax assessment to 20% of the municipal tax assessment, while doubling local employment. St. Albert has already suffered lost commercial opportunities due to the lack of available suitable commercial land whereby businesses that had sought to establish a presence in St. Albert have had to locate elsewhere.

With respect to the property tax sharing, the Committee disagrees with both proposals. The Committee views Sturgeon's proposal as going well beyond what is considered fair and equitable. The Committee feels that annexation is only about the change in governing authority as envisioned in the Act. The Sturgeon tax proposal goes well beyond compensating for "out of pocket" expenses.

With respect to the Highway 2 Commercial Corridor, it is clear that the potential commercial value of that land exists because of the proximity to St. Albert. The Committee also understands that the agreement reached on the Wal-Mart site was unique and reached on an urgent basis without prejudice to any other proposal. That agreement should not be used by the MGB to evaluate the property tax sharing idea. The Committee also feels that the potential revenue from the Highway 2 corridor is a drop in the bucket compared to major industrial projects in Sturgeon already underway or imminent. St. Albert's offer is too generous; however the Committee would support a modest level to compensate Sturgeon for loss of revenue from the area.

St. Albert Annexation Committee (SAC) represented by Richard Plain (Private Citizen Group)

The SAC is a private citizen group and is not a designated committee of St. Albert Council.

SAC submits that the Sturgeon proposal is inadequate since it did not contain a complete fiscal impact analysis but rather only focused on the Highway 2 Commercial Area. The St. Albert annexation is beneficial provincially since it will provide housing accommodation for the rapidly growing labour force in the region. SAC agrees with St. Albert's financial analysis that annexation will result in a modest increase to mill rates in the short-term, a middle period of increased mill rates and in the long-term will see reduced mill rates. If the tax benefits of annexation do not occur until the latter period, then the only period in which a positive benefit could be shared is in the latter period of annexation. However, this is expected to be modest, if any.

The amount of tax revenue generated in the annexation area accruing to Sturgeon is relatively modest and would have little impact on Sturgeon if discontinued. The fiscal impact analysis of St. Albert does not justify the financial compensation proposal suggested by St. Albert. There is no rational economic basis for St. Albert to provide Sturgeon with a $500,000 tax sharing gift. The payment of $1.1 million over ten years will only add to the tax burden of St. Albert residents. If a one million dollar offer is being made as part of a good will gesture it should be left to the full discretion of the St. Albert Council to make.

The Sturgeon proposal very closely resembles the Wal-Mart agreement which should not be used as a precedent for a major annexation. Greater consideration must be given to the term of cost sharing in the IDP. Sturgeon's proposal ignores the cost side of the equation. The practical application of the determination of costs has been extremely difficult, controversial and nearly impossible to achieve. The practical application of the IDP policy has proven to be fraught with problems.

The tax surplus suggested by the Wal-Mart proposal is an illusion and since St Albert follows a balanced budget there are no surpluses to be shared. The Sturgeon proposal focuses on a specific property rather the whole of the area and all the costs related to serving a community.

The payment to Sturgeon for the opportunity for St. Albert to grow would be a historical precedent.

The Committee takes the fundamental position that St. Albert should not be required to share any revenue or pay any compensation to Sturgeon. However, the Committee suggests that if some form of compensation is warranted, the traditional compensation formula should be used showing 100% of the property tax revenue for the first year and declining by 20% each year for the following four years. These amounts are less any linear revenue and the calculation is determined using the base year. The Committee claims that Sturgeon does not presently generate any significant revenue from the annexation area and servicing the area may actually place St. Albert in a negative fiscal position for the subject territory.

The Committee stressed the sound financial position of Sturgeon relative to St. Albert and pointed out the bright financial future expected for Sturgeon as a result of the various heavy oil upgraders and industrial projects to be constructed in Sturgeon. St. Albert's growth is predicated on the expansion of the one key non-residential growth generator located in the Highway 2

Commercial Corridor. Sturgeon's opportunity for non-residential growth is far more expansive than that of St. Albert and is not limited by constrained boundaries.

6.9 Sub-Issues

In order to present a reasoned recommendation on the annexation application the MGB examined the following sub-issues raised by the parties at the hearing.

6.9.1 Financial Capability of St. Albert to Absorb Growth Associated with the Annexation

Mr. Burkart and a few others who attended the annexation hearing raised several concerns regarding the size of the proposed annexation and the ability of St. Albert to financially absorb the related costs associated with the annexation. These parties identified the significant amount of funds needed to fund the gap in existing infrastructure repairs within St. Albert as being a major limitation to St. Albert's ability to absorb new growth.

Findings

1. St. Albert faces additional financial challenges in relation to other similar municipalities and Sturgeon as a result of the relatively small non-residential tax base and the higher residential tax rate in St. Albert.

2. The MGB accepts
   a. In the short term (first 5 years) annexation will result in a modest increase (0.2%-5%) in municipal tax rates.
   b. In the medium term (5 -10 years) further modest increases (0.1%-1.0%) in municipal tax rates are expected.
   c. In the long term (10 to 15 years) municipal tax rates are expected to decrease (2.9%).

3. If the population growth rates and commercial growth rates are achieved, there will be a modest improvement in the financial status of St. Albert over the long term.

4. Any financial conditions attached to the annexation must recognize the financial challenges facing St. Albert and the possibilities that the assumptions related to population growth and commercial growth may be optimistic.

5. Although St. Albert faces additional financial challenges relative to other similar communities, the financial impact analysis illustrated that St. Albert could absorb the growth without significant impact to its ratepayers.

Reasons

The financial information illustrates that St. Albert faces additional financial challenges largely due to its relatively small non-residential tax base. In contrast, the financial analysis by Sturgeon's financial experts illustrated that Sturgeon is in a strong financial position. Considering the Alberta Municipal Affairs goal of "financially sustainable and accountable municipalities" the annexation and any financial considerations must be examined in this context.

The financial impact analysis prepared by St. Albert illustrated that the impact on tax rates in the short term would be relatively low and would fluctuate during the mid-term and would be lowered over the long term. The MGB accepts this conclusion on a basis for support of the annexation. In addition, the MGB was convinced that the annexation was well supported by a variety of planning and engineering reports. The MGB placed considerable weight on the financial impact models developed by St. Albert which were extensive and comprehensive. It should be noted that the financial impact models also illustrated that the financing of major regional projects like the multi-purpose leisure center would benefit from the economies of scale related to additional growth.

The MGB was concerned that the fiscal status of St. Albert could deteriorate in the absence of annexation since commercial expansion and achieving economies of scale are critical to its future. Any major improvements in St Albert's financial position would be difficult to achieve without annexation and would result in increased taxes to St. Albert ratepayers, who are already facing a higher burden than other similar centres.

St Albert and Sturgeon have jointly and separately developed policies, plans and practices to direct a substantial portion of the regional growth to St. Albert. This is evident by examination of the St. Albert MDP, associated plans, and the IDP. As well, the Sturgeon MDP supports this conclusion. Without annexation Sturgeon may be forced to undertake a significantly different role compared to the role outlined in their current planning documents. Currently Sturgeon lacks the fundamental infrastructure to accommodate such extensive and intensive urban growth.

A number of residents raised the concern that instead of pursuing annexation St. Albert should focus on upgrading its existing infrastructure. The MGB was satisfied that St. Albert now has a comprehensive model and scheduling system to replace existing infrastructure which is capable of managing the challenges associated with aging infrastructure. All municipalities face this gap to some degree or another. The MGB is not convinced that St. Albert should be singled out and not be permitted to facilitate future growth for this reason alone. The MGB is satisfied that St. Albert will diligently pursue all financial sources to address any gap.

In addition, St. Albert and Sturgeon have cooperatively developed a solution to accommodate regional growth, as evidenced by the policies in the IDP. The arguments of the parties at the hearing were insufficient to convince the MGB that this regional growth strategy should be undermined. If the St. Albert annexation did not proceed, Sturgeon would be faced with the significant challenge of accommodating all types of growth it has indicated that it is not prepared to undertake nor is equipped to do. This is confirmed by the policies in the IDP.

6.9.2 Wal-Mart Agreement

St. Albert and other parties to the annexation hearing pointed out how similar Sturgeon's compensation proposal was to the Wal-Mart agreement and why the principles and formula of the Wal-Mart Agreement should not be applied to the current annexation. Sturgeon identified a number of principles from the Wal-Mart agreement which should be applied to the current annexation proposal.

Findings

1. The Wal-Mart annexation agreement was specific to its unique conditions and circumstances and not a basis upon which to establish revenue sharing in this annexation proposal.
2. The annexation involves a substantial area not incremental as in the Wal-Mart annexation and carries a broader range of cost and revenue considerations.

Reasons

The MGB accepts that section 15 of the Wal-Mart agreement clearly states that the terms of that agreement cannot be used as precedent related to other annexation lands and the MGB also accepts Sturgeon's position that their current compensation proposal is not solely founded on the Wal-Mart agreement. The MGB also accepts the arguments of St. Albert and the other parties that a very special agreement designed to facilitate a one time situation on an isolated parcel of land cannot be used to develop the principles for a large annexation involving significant long term cost and revenue issues.

Even though the Wal-Mart agreement was signed and agreed to, St. Albert and Sturgeon had significant problems in determining how costs were to be calculated even after a process of arbitration. As a result, the MGB does not find the Wal-Mart agreement a useful tool for developing a formula for conditions of annexation that should be certain, unambiguous and time specific.

Annexation conditions are implemented by an order of the Lieutenant Governor in Council (LGC) and therefore the conditions of annexation must be certain, clear, specific and time certain. This will result in very few, if any, amendments to the Order in Council. An Order in Council based on similar conditions as the Wal-Mart agreement would not meet these standards.

6.9.3 Determination of Costs

Within its formula for revenue sharing, Sturgeon utilizes an estimate of 26% of taxes to cover the costs of providing services. Sturgeon submits this was the basis of the Wal-Mart agreement and various studies from Manitoba and the United States support this ratio. As mentioned previously, St. Albert indicates that the Wal-Mart agreement cannot be used to set precedent and was developed for a specific singular development on a confined small area of land. St. Albert argues that the annexation and its compensation proposal results in a balance between costs and revenues. St. Albert, in its fiscal impact analysis, indicates that the commercial area will not result in surplus revenue and will only help maintain a relatively neutral impact on the tax rate over the long term over the whole annexation area.

Sturgeon suggests that its proposed 37% revenue sharing is supported by the share of the trade area attributable to residents outside of St. Albert which amounts to an estimated 30 to 40 percent. As well, Sturgeon suggests that its proposed revenue sharing is supported by the share of business activity attributable by businesses in the Wal-Mart annexation area to residents/customers outside St. Albert, through personal contact with several of those businesses and is supported by the traffic movement north and south of St. Albert along Highway 2.

St. Albert counters this argument and evidence by suggesting that the trade area estimates used by Sturgeon are incorrect, utilizes population from other centres which are not sharing revenues, wrongly applies the trade area share to the gross revenues rather than the net revenues and if calculated with just the population of Sturgeon and St. Albert, would result in only 7% of the population being attributed to Sturgeon and not 37%.

St. Albert points out that the survey of business in relation to the Wal-Mart annexation area was limited and unsupported and, therefore, should be given very little weight. As well, the transportation movements are not well substantiated and thus also should be given very little weight.

Findings

1. The United States and Manitoba studies provided insufficient depth to determine how the ratio of servicing costs was determined.

2. The MGB does not find the United States and Manitoba studies useful in determining the appropriate financial arrangements applicable to the St. Albert/Sturgeon annexation.

3. The trade area analysis, business surveys and transportation models had limited statistical validity and were given little weight.

4. Trade area analysis, business surveys and transportation movements are not a reasonable basis on which to base annexation compensation or revenue sharing.

Reasons

Firstly, the MGB does not find the referenced studies have sufficient depth to explain how servicing costs were equated to the ratio of approximately 30% of revenues. The references simply stated that 30% was used and did not explain the derivation of the 30%, the types of services considered, the types of revenues considered, the relationship to senior levels of support and the methodology used. The MGB would find an Alberta based study far more convincing.

As well, the United States studies illustrated a wide variation in servicing costs without the ability to make comparison to the type and size of municipalities in this annexation proposal. The United States and Manitoba references involved smaller urban and rural centres. In addition, the context of the revenue sharing application in the United States and Manitoba references was very different than the subject case. These referenced cases evolved around a regional tax sharing scheme that implemented revenue sharing from all new growth in both the rural and urban centres. The current annexation is not based on this type of regional model. Although this type of regional revenue and cost sharing may have some potential it would require a considerable widening of the scope of the St. Albert/Sturgeon proposals.

The only significant fact that the MGB can observe from the referenced studies is that the costs of servicing residential development is considerably higher than the revenue generated from the residential development. This tends to support the St. Albert position but is not conclusive.

Although the MGB appreciates the counter argument of St. Albert with respect to not including the population of other urban centres within the trade area analysis for determination of revenue sharing, the MGB finds the use of these indicators as a support for revenue sharing formula to be of little help. Overall, the MGB is not convinced that trade area analysis, business surveys and traffic movements provide a foundation or support for compensation or revenue sharing The MGB looks to a more direct relationship between municipal service provision and the associated costs and revenues.

6.9.4 Incremental versus Larger Annexation

The IDP identifies a policy of incremental annexation and sets out a sequence for boundary adjustments. The proposed annexation combines three incremental phases into one. Sturgeon does not object to this larger boundary adjustment subject to satisfactory resolution of cost and revenue sharing. St. Albert suggests this larger approach allows for better short, medium and long term planning for land use, neighbourhood planning, cost effective transportation and infrastructure development and allows for more benefits from economies of scale.

Finding

1. Both municipalities agree on a larger annexation area rather than the incremental phases suggested in the IDP.

Reasons

Even though the IDP discusses incremental annexation applications, the MGB accepts, by joint municipal agreement, that a larger area should be considered. The current annexation proposal amalgamates three increments into one. The MGB accepts that examining a larger area can provide for a more comprehensive approach, better contribute to cost effective delivery of infrastructure and result in benefits of economies of scale. A large area provides for increased flexibility, predictability and certainty to implement measures to accommodate growth over a longer period of time. The accommodation of growth anticipated in this annexation requires considerable lead time and certainty. The MGB agrees with St. Albert and Sturgeon that combining three annexations phases into one provides for more long term predictability, more certainty, additional time to plan infrastructure and a greater ability to achieve economies of scale.

6.9.5 Determination of Net Municipal Property Tax and the Meaning of Designated versus Specified Geographic Areas

Sturgeon argues that the reference “designated geographic area” in the IDP is limited to the consideration of the Highway 2 Commercial Corridor whereas St. Albert argues a broader consideration of the costs and revenues of the total annexation area. Sturgeon emphasizes the IDP’s focus on revenue sharing generated from the Highway 2 Commercial Corridor area and the previous approach taken in the Wal-Mart annexation. St. Albert counters by pointing out that the costs of serving the future residential population must be balanced with the revenues from the commercial area and this must be examined within its objective to increase its non-residential tax base which is relative low contributing to higher than average tax burden on their residential taxpayers.

Findings

1. “Designated geographic area” and “specific geographic area” appears to be two distinct terms used in the IDP.

2. The “designated geographic area” is best understood in this proposed annexation if it is construed to be the total proposed area of the annexation.

3. The “specific geographic area” from which municipal property tax is to be shared according to the IDP is the Highway 2 Commercial corridor.

Reasons

The MGB gave a careful reading to the terms "specific geographic area" and "designated geographic" area in the St. Albert/Sturgeon IDP. Each term is used in a different context thus the MGB concludes that the intent of the IDP was to treat these terms differently**.**

"cost sharing" means that municipal property tax generated within a ***designated geographic area*** (MGB emphasis) *would go to cover the direct (and/or indirect) costs, after which any "net" municipal property tax would be shared between municipalities upon some mutually agreed to basis."*

"municipal property tax-sharing" means the sharing between municipalities of the municipal portion of the municipal property tax on an agreed-upon formula for a ***specific geographic area****.* (MGB emphasis)

The MGB concludes that the IDP is referring to two different areas. "Specific geographic area" is used in the term "municipal property tax sharing" whereas "designated geographic area" is used in the term "cost sharing".

The definition of "municipal property tax sharing" is relatively clear and straightforward and makes it relatively easy to provide a meaning to "specific geographic area". Within this definition the words mean the sharing of municipal property taxes from a specific defined area. In this annexation that defined area is the Highway 2 Commercial Corridor.

However, the term "specific geographic area" is not used in the definition of "cost sharing". The term "designated geographic area" is used in the definition of "cost sharing" in contrast to the term "specific geographic area". This gives rise to the significant difference in approach used by St. Albert and Sturgeon in interpreting these clauses and the meaning of designated and specific geographic area and ultimately how municipal property tax sharing should be applied in this specific annexation.

Although the MGB finds many of the planning concepts and directives in the IDP very clear and very positive to resolving disputes, the definition of "cost sharing" appears to lack clarity. It has context only in that both current councils must agree. Accepting the scale of this annexation, it is difficult to conceive that any Council of St. Albert would have agreed to revenue sharing without consideration of the total costs involved. It appears to be a definition of municipal property tax sharing and not a definition of cost sharing. In the absence of clarity in the definition, the MGB provides a practical meaning which best complements the clear definition of "municipal property tax sharing". As the definition of "municipal property tax sharing" adequately deals with the revenue side then the definition of cost sharing must deal with the cost side.

In the context of this annexation it is clear that taxes raised from residential property are not sufficient to cover all the costs associated with serving the residential property. This cost analysis is supported by Sturgeon's reference to various United States studies. Thus, servicing costs cannot be isolated to those costs needed to service the Highway 2 Commercial Corridor. In order to provide a realistic meaning to "municipal property tax sharing" the costs considered to be subtracted from the revenues generated from the specific geographic area the Highway 2 Commercial Corridor must be all the costs associated with the total annexation area, that is, the costs to service the residential and commercial properties.

The relatively weak non-residential tax base of St. Albert requires the need to examine any municipal property tax sharing within this context. Thus, the MGB concludes that designated geographic area referenced in the definition of "cost sharing" must take on a broader meaning and refer to the total annexation area.

In order to determine the total impact of the annexation and the appropriate compensation or revenue sharing formula the MGB is convinced that there must be a complete understanding of all the associated services to be provided to the total area, the associated costs, the revenue generated from the total area and the relationship of any part to the whole before it can be decided what compensation should be provided and what revenue sharing is appropriate if any is appropriate from the Highway 2 Commercial Corridor.

The MGB's recommendation on this annexation does not solely turn on this finding. This finding is only one of many indicators of a reasonable solution.

6.9.6 Previous Annexation Decisions

Sturgeon argues that equal revenue sharing of 74% of total property taxes after an accounting of 26% for costs is consistent with previous annexation decisions, especially the Leduc International Airport annexation and the annexation between Fort Saskatchewan and Strathcona. In the latter two the revenue sharing was approximately 33%. St. Albert points out that of the 177 annexations processed under the new Municipal Government Act that 163 contained no provisions for revenue sharing. Cases involving a percentage of taxes were focused on tax compensation decreasing over a three to five year timeframe or a payment for a specific investment in an improvement within the annexation area. A few annexations have involved a lump sum payment some involving consideration for the neighbouring municipality protecting the annexed lands from premature subdivision and other considerations.

Finding:

1. The Leduc and Fort Saskatchewan annexations involved existing revenue sources and not future revenue sources.

2. The Leduc International Airport and the Fort Saskatchewan/Strathcona annexation were undertaken under different provincial land use and growth management policies.

3. The Leduc International Airport involved a unique regional facility generating costs to service the residential needs of the employees at the airport for the affected neighbouring municipalities.

4. The Fort Saskatchewan/Strathcona annexation also involved a significant regional facility generating costs to house employees in the affected neighbouring municipalities.

5. More recent annexations have involved agreements between municipalities for considerations other than direct and indirect costs.

Reasons

The MGB observes that the circumstances in the Leduc and the Fort Saskatchewan annexations were substantially different from the St. Albert/Sturgeon annexation as described in the following.

City of Leduc and Leduc County

One of the issues raised in respect of the 1988 City of Leduc annexation proposal related to a sharing of the tax revenue generated by the International Airport. The County did not provide the Airport with any of the typical municipal services. The Airport provided its own water, sewer, fire protection, policing and solid waste removal. In addition, the Airport was responsible for the construction, maintenance and snow removal of roads within the boundaries of the Airport. At the same time, the Airport generated $1,282,639 in tax revenue for the County. The City sought annexation, arguing that as the City is responsible for the provision of municipal services for the airport workforce residing in the City, the City should be the beneficiary of the revenue.

Because of the fact that the Airport generated tax revenue for the County, but did not require the provision of County services, it was recommended that revenue sharing would be a reasonable alternative to the annexation of the Airport by the City. It was recommended that the revenue be shared based upon the percentage of the airport workforce residing in the City of Leduc. As for example, if 40% of the Airport workforce resided in the City, then the revenue would be split with 40% going to the City and 60% going to the County. The Province accepted this recommendation and the resulting agreement remains in force.

City of Fort Saskatchewan and Strathcona County

The City of Fort Saskatchewan sought annexation of the Dow Plant expansion in accordance with the Joint General Municipal Plan entered into between the City and Strathcona County. The

County objected and filed an application to annex all of the then existing heavy industrial development within the City. The County argued that competing interests for the tax revenue generated by heavy industry is counter productive to the region. The County argued that heavy industry required very little municipal infrastructure other than the housing and related services for the workforce. Therefore, as the workforce did not necessarily reside in the municipality in which is located the particular industrial development, the more reasonable approach is to annex all the City's industrial development to the County and the revenue generated be pooled with the revenue from the County's northeast industrial development and shared based on location of workforce. The formula suggested by the County was that the existing revenue is grandfathered and future revenue be allocated based on the total workforce of each municipality. That is the total workforce being 100 and each municipality's workforce being the percentage of the total. The City objected because if all the City's industry was to be pooled, the whole of the County's industry should also be pooled. Further, the concept ignores the fact that Sherwood Park serves mainly as a dormitory community for the City of Edmonton workforce.

The then Local Authorities Board (LAB) granted the City's application and refused the County's proposal. The reasons for annexation were based on the terms of the Joint General Municipal Plan and the fact that annexation was for a plant expansion. The LAB rejected the County's proposal as unworkable and unfair in regard to the division of revenues without regard for place of employment and type of employment of the total workforce of both municipalities. Following annexation, the Province directed the two municipalities to attempt negotiations to determine a reasonable and fair method of sharing future revenues generated by heavy industry in the area. The municipalities were unable to come to an agreement and the Province directed binding arbitration to resolve the issue. The results of the binding arbitration were not made public but it is assumed that an agreement is still in place.

Again, the St. Albert/Sturgeon IDP or the annexation impacts described by St. Albert and Sturgeon make no reference to the potential costs that may be experienced by Sturgeon to provide services to employees in the Highway 2 Commercial Area. None of the local planning documents reference by policy the need to accommodate any spin-off residential in Sturgeon. Although Sturgeon's local planning policies in the MDP recognize the need to accommodate country residential development little focus or any link of this residential development and the associated costs of servicing the Highway 2 Commercial Corridor has been made. Thus, the MGB assumes that this impact is relatively insignificant.

The annexation decisions in Leduc and Fort Saskatchewan confirm the facts in the United States studies which indicated that additional revenue is needed to service residential property other than the revenue generated just from the residential area. Substantial residential development requires substantial non-residential development to support the associated costs.

Neither the Leduc nor Fort Saskatchewan annexations deal with the sharing of revenue for general commercial areas. The sharing of revenue from a general commercial area is only being given consideration in this annexation as a result of the intent of the parties as described in the IDP. However, in the absence of the actual intent and the conflicting interpretation of the policies in the IDP by St. Albert and Sturgeon, insufficient justification has been provided to share revenue to the degree proposed by Sturgeon.

The only direct and indirect cost impact related with the Highway 2 Commercial Corridor area is a reference to direct and indirect costs associated with transportation projects in the area adjacent to the annexation area. The MGB deals with this impact as a separate issue.

More recent annexations have resulted in two municipalities agreeing to specific compensation for the adjacent municipality keeping the annexation area in a relatively undeveloped state. Although Sturgeon did argue that this concept is worthy of consideration in this case its primary case is not built on this logic nor does the IDP base the property tax sharing on this principle. The MGB examines this concept in more detail under the issue of forgone opportunity.

6.9.7 Conformity with IDP Cost/Revenue Sharing Framework

Both municipalities argue that each of their respective compensation or revenue sharing proposals meet the policy directives of the IDP. Sturgeon takes the position that their formula is grounded in the IDP and the IDP should be considered a binding agreement. On the contrary, St. Albert argues that their proposed formula better meets the policy objectives in the IDP and that the IDP is not a binding agreement for revenue sharing.

Findings

1. The St. Albert/Sturgeon IDP is a proven useful tool for land use planning in the region.

2. The St. Albert/Sturgeon IDP is an exemplary initiative in intermunicipal cooperation.

3. The St. Albert/Sturgeon IDP is not an agreement to share taxes pursuant to section 55 of the Act.

4. The St. Albert/Sturgeon IDP is an agreement to agree within a framework of general principles.

5. The IDP does not include a specific formula for tax sharing.

6. The IDP does not stand for equal sharing of taxes but rather an equitable sharing of taxes.

7. Neither the MGB, the Minister nor the Lieutenant Governor in Council are bound to the provisions of the IDP in the consideration of all the factors related to annexation.

8. Within the context of all the factors related to annexations the St. Albert/Sturgeon IDP will be given considerable weight in the MGB's analysis and recommendations.

Reasons:

In considering the IDP and its relationship to this annexation the MGB makes the following observations. IDP's generally have proven to be excellent tools for sound planning for those areas where municipal growth overlaps. The St. Albert/Sturgeon IDP, which goes beyond land use planning with proposals for cost and revenue sharing, is perhaps unique and certainly innovative. Conceivably this could be a valid instrument to assist in resolving overlapping growth and development issues. In this regard, the MGB notes the IDP advances, as far as possible, the Minister's reported wishes to resolve issues at a local level. However, the MGB further notes the operative sections of the IDP involving concepts of revenue sharing are of a general nature and lack specifics to ensure clarity of meaning. Moreover, the IDP has no directed dispute resolution process, beyond acceptability of any result by both councils, essentially a political solution.

The parties here have argued whether the IDP is a binding contract and ask the MGB to make a finding in that regard. The MGB however, is acting here in the context of an annexation application. Its role is not to make a decision, but to make a recommendation to the Minister and eventually have its recommendation considered by the Lieutenant Governor in Council giving consideration to all the relevant factors that bear upon it. The IDP, whether a contract or not, is at a minimum a mutual declaration of intent to cooperate and to share to some degree in the perceived benefits of commercial development in the Highway 2 Commercial Corridor. As such it is certainly a relevant factor to which the MGB will give weight, not in isolation, but in the context of the annexation principles set out in Part 3.

The MGB's extensive study of the St. Albert/Sturgeon IDP, leads the MGB to conclude that the IDP is an exemplary planning tool and both municipalities should be applauded for the considerable efforts in light of the various disputes related to major proposals in the area. The MGB does not take the IDP lightly. It is the foundation for a harmonious relationship between two neighbouring municipalities. The IDP also represents a significant achievement in relation to the provincial goal of intermunicipal cooperation. Thus, the MGB in this recommendation attempts to provide some reasonable meaning to the IDP and its policy directives related to annexation and cost and revenue sharing.

The MGB agrees with St. Albert that the IDP is not a binding agreement to share taxes executed pursuant to Section 55 of the Act. A binding agreement to share taxes under that section must include a means to settle disputes arising from the tax share agreement, which the IDP does not. Further, section 631 of the Act, dealing with authority for the preparation of an IDP, does not contemplate tax sharing as one of its provisions and an item that, in itself, is appealable to the MGB.

Accordingly, in the absence of a section 55 agreement, it is only within the context of an annexation application that a municipality may request tax sharing be included in an order. The IDP it does not set the agreement. This is supported by the clauses in section 2.6.3 and 4.6.3 of the IDP and the definition of cost sharing.

1.9 "cost sharing" means that municipal tax generated within a designated geographic area would go to cover the direct (and/or indirect) costs, after which any "net" municipal property would be shared between municipalities upon some mutually agreed basis.

2.6.3 "In order to facilitate mutually beneficial commercial development, cost and municipal property tax sharing agreements may be negotiated. Any agreement *will be negotiated in a manner that is fair, equitable and beneficial to both municipalities".*

4.6.3 "Any cost and municipal property tax sharing agreements are subject to *the lands on the commercial corridor being annexed by the City of St. Albert and* the approval of each Council of the specific agreements."

After careful reading of the IDP and the relevant policy sections related to the definition of cost sharing and the provisions related to cost and revenue sharing, the MGB concludes there is no specific formula for revenue sharing in the IDP, only broad principles. There is no specific formula that directs 26% of revenues will be subtracted to cover the host municipality's costs with the remaining revenue to be shared equally. Nor does the IDP set a formula that provides for tax compensation and revenue sharing in the distinct amounts as proposed by St. Albert. In fact the IDP has led to two distinct interpretations and two proposed formulas of which the parties have agreed should be placed before the MGB for resolution.

The MGB has also concluded that the IDP does not stand for the principle of equal sharing as argued by Sturgeon in its proposed formula because there is no reference in the IDP to equal sharing but rather equitable sharing. Equitable sharing is emphasized in the following directives in the IDP. The MGB makes specific reference to principle 13 in the IDP

1.7 Guiding Principles

*13. Ensure that any cost and revenue sharing initiatives undertaken between Sturgeon County and City of St. Albert are fair, **equitable and beneficial to both parties.*** (MGB emphasis)

As well section 2.6.3 references "***fair, equitable and beneficial***" (MGB emphasis) not equal.

A careful reading of Section 4.6.3 of the IDP does not convince the MGB that this policy directs equal sharing.

4.6.3	*Cost and Municipal Property Tax Sharing Agreements*	*Sturgeon County and City of St. Albert agree to enter into cost and property tax sharing agreements for future commercial development that may take place along the Highway 2 Commercial Corridor, commencing upon occupancy authorization for a ten (10) year period (see Policy 3.13). Sturgeon County will explore and use its best efforts to utilize their portion of the municipal property tax sharing to invest in transportation and infrastructure improvements in the vicinity of the Highway 2 Corridor and the regional transportation network that would be* ***mutually beneficial*** (MGB emphasis) *to Sturgeon County and the City of St. Albert.* *Any costs and municipal property tax sharing agreements are subject to the lands on the commercial corridor being annexed by the City of St. Albert and the approval of each Council of the specific agreements.*

The MGB concludes the following key principles from policy 4.6.3.

1. The area from which cost and revenue sharing is to be focused is the Highway 2 Commercial Corridor.

2. The sharing will commence from the time of occupancy authorization.

3. The period of sharing will be 10 years.

4. Any revenues going to Sturgeon will be used for regional transportation and infrastructure improvements beneficial to both municipalities.

5. Any agreement is subject to the approval of each Council.

The major uncertain element within this policy directive is the meaning of costs. The MGB deals with this matter under a separate sub-issue.

1.9.8 Projection and Discount Rates

Sturgeon proposes that the annexation impact should be analyzed based on 100 year projections and discount rates of 2% while St. Albert utilizes a 25 – 30 year time horizon and a 5% discount rate. Sturgeon argues that the long term financial impact and benefits to St. Albert should be recognized and that the Sturgeon proposal only results in a small insignificant and short term financial impact. St. Albert focuses its financial analysis around the time frame for build out of the proposed annexation area.

Findings

1. A 100 year impact analysis is too speculative.

2. A 25 to 30 year projection, the expected build out period of the annexation is an acceptable limit for the determination of the impacts.

3. The 100 year analysis was limited in its scope and did not consider all the related costs and revenues.

Reasons:

The MGB was convinced a 100 year impact analysis was far too speculative and required assumption that the status quo would exist for this substantial period of time. The MGB finds this unreasonable as historical events and economic growth change rapidly over much shorter periods of time. The MGB heard from intervenors of the possible significant growth generators that may occur in the region over the short term. This may have a dramatic impact on the dynamics of growth, the composition of growth, the revenue and costs experienced by St. Albert, Sturgeon and other municipalities in the vicinity.

In addition the 100 year financial impact analysis prepared by Sturgeon was prepared in a very narrow context with little consideration to other costs and revenues that may be incurred by St. Albert and Sturgeon over such a lengthy period of time. As a result, the MGB placed little weight on this analysis.

The MGB found the arguments related to discount rates and the need to convert future revenues into current dollars subject to considerable dispute. In addition, this analysis did not consider costs in the same context. Nothing in the IDP spoke to consideration of the conversion of future revenues to current dollars, as well, there is no precedent in previous annexations to give any consideration to convert the compensation into current dollars.

An attempt to introduce discount rates complicates the issues more than simplifies and inhibits focusing on a concrete solution. Thus, the MGB does not accept the need to consider discount rates and dollar conversion in this annexation.

The solution to this annexation does not rest on the sole determination of discount rates but rather on the ability of either municipality to absorb the associated impacts. Within this framework, the use of constant current dollars is sufficient to determine the impacts.

1.9.9 Transportation Costs In the Vicinity

Section 4.6.3 of the IDP contemplates that any revenue sharing accruing to Sturgeon would be directed toward transportation improvements in the IDP area to the benefit of both municipalities.

4.6.3	Cost and Municipal Property Tax Sharing Agreements	*Sturgeon County and City of St. Albert agree to enter into cost and property tax sharing agreements for future commercial development that may take place along the Highway 2 Commercial Corridor, commencing upon occupancy authorization for a ten (10) year period (see Policy 3.13)**. Sturgeon County will explore and use its best efforts to utilize their portion of the municipal property tax sharing to invest in transportation and infrastructure improvements in the vicinity of the Highway 2 Corridor and the regional transportation network that would be mutually beneficial to Sturgeon County and the City of St. Albert.*** (MGB emphasis) *Any costs and municipal property tax sharing agreements are subject to the lands on the commercial corridor being annexed by the City of St. Albert and the approval of each Council of the specific agreements.*

Sturgeon identified a large number of transportation projects and their associated budgeted expenditures to illustrate where the funds gained by Sturgeon through revenue sharing would be directed. St. Albert during the hearing questioned the location, status of these projects and the costs associated with these proposed projects. Sturgeon focused their discussion exclusively on transportation related projects.

Findings:

1. The IDP directs that any revenue gained by Sturgeon would be directed to mutually beneficial regional transportation and/or infrastructure project.

2. Sturgeon did not identify any current transportation and/or infrastructure expenditures directly in the Highway 2 Commercial Corridor.

3. A number of road projects were completed in the vicinity and planned for the regional transportation network as part of the Sturgeon Transportation Master Plan.

4. The determination of the direct costs to Sturgeon on these projects was vague and unclear.

Reasons

Policy 4.6.3 references regional transportation and infrastructure improvements. Because Sturgeon discussed this policy solely in the context of transportation facilities, the MGB also only examines this policy within the context of transportation.

In a more traditional approach to annexation, it is expected that the initiating municipality would compensate the respondent municipality for recent investments in the annexation area in which the respondent municipality has been unable to capture a return from taxation, developer contributions or the like in the proposed annexed area after consideration of grants.

The IDP appears to expand on this principle by Sturgeon targeting any funds gained from revenue sharing to roads in the vicinity of the Highway 2 Commercial Corridor and mutually beneficial transportation routes in the vicinity. The MGB agrees this provides a basis for inter-municipal cooperation.

The MGB found the transportation information from Sturgeon very generalized. It was therefore unable to rely on the cost estimates to determine the magnitude of net costs occurring to Sturgeon and the mutual benefits occurring to St. Albert and Sturgeon in a large number of the road projects.

Nonetheless, the determination of the appropriate annexation financial arrangement is not determined by the magnitude of the transportation costs alone and must be considered in light of the financial impact of the total annexation to both municipalities.

6.9.10 Payments Outside a Municipality

A number of intervening parties from St. Albert raised objection to any funds and tax dollars being transferred from St. Albert to Sturgeon. Others were of the opinion that it should be constrained to compensation for tax compensation in the annexed area and repayment of recent investments in infrastructure.

Finding

1. Sections 54 and 55 of the Act permit a municipality to provide services outside its boundaries and to share taxes.

2. As well Division 6 of the Act permits the consideration of compensation and revenue sharing within the context of an annexation.

3. Whether compensation and revenue sharing should be considered are a matter of facts and circumstances.

Reasons

Clearly the Act contemplates that services and taxes can be shared between municipalities either through direct agreements between municipalities or as a result of the impact of an annexation. Whether compensation and/or revenue sharing ought to occur is dependent on examination of the facts of the annexation. In the absence of an IDP, the MGB would look firstly to the more standard approach of compensation related to a transition over a set period of time for loss of taxes and investment in infrastructure.

However, in this specific case the IDP, a significant initiative in intermunicipal cooperation, establishes the fundamental principles for a framework for tax dollars being transferred from one municipality to another involving revenue sharing. The MGB accepts that the IDP was adopted by two autonomous local governments having authority to do so under the Act. The MGB is not convinced by the arguments of the interveners that it should simply ignore this intermunicipal initiative especially in light of the stated provincial goals and objectives favouring intermunicipal initiatives.

The question that was placed before the MGB by the two autonomous local governments was what amount of tax revenue should be transferred. The MGB addresses this specific question under the sub-issue titled financial impact.

6.9.11 Forgone Opportunities/Sturgeon's Growth Options

Sturgeon conceptualized that it could have developed an independent servicing system for the Highway 2 Commercial area and that it could have pursued this development strategy but decided to forgo this opportunity. As well, Sturgeon argues that it should be compensated for the stewardship of the annexed lands and the lands in the IDP as it gave up forgone opportunities to a variety of development in the area.

St. Albert argues that its proposed financial arrangement would provide Sturgeon with reasonable compensation for this stewardship. St. Albert pointed out that its offer was higher then some recent agreements reached between other municipalities involved in annexation. St. Albert also questioned the feasibility of Sturgeon developing its own independent servicing system.

Findings

1. Under current provincial policies and legislation Sturgeon does have the authority to pursue a variety of growth options.

2. The IDP and Sturgeon's MDP recognize a growth strategy that accommodates Sturgeon's growth objectives.

3. The proposed annexation does not inhibit Sturgeon from achieving its growth objectives.

4. The most economical and feasible means of servicing the Highway 2 Commercial area is through the servicing system in St. Albert.

5. The Highway 2 Commercial Corridor growth is tied to the residential growth associated with the annexation area.

6. The St. Albert financial arrangement does provide for recognition of stewardship and intermunicipal cooperation.

Reasons

In support of its argument that they receive an estimated equal "net" share of the tax revenue, Sturgeon asks the MGB to consider the lost opportunity revenue that would have been generated if the Highway 2 Commercial Corridor was developed under their jurisdiction. In attempting to quantify this amount Sturgeon advanced certain assumptions:

(a) that there would be an opportunity for a 50 year build out for this commercial corridor
(b) that servicing costs would approximate 26% of tax revenues
(c) cost considerations for the net tax revenues are restricted to the commercial corridor.

With this analysis Sturgeon estimated "net" tax revenues over the build out period at $40 million and more over a longer span.

The MGB, in attempting to assess this argument, must first note that costs of 26% set in the Wal-Mart area were not agreed to by the parties, even after arbitration and this figure was used to cement an agreement that would ensure Wal-Mart (who insisted on a St. Albert location) did not vacate this economic opportunity.

Further, the 26% did not attempt to incorporate any portion of the considerable costs to support the neighbouring residential development necessary to facilitate the build out of the commercial corridor. To accept Sturgeon's "lost opportunity" argument would appear to lead to either:

(a) Sturgeon retains the commercial corridor and St. Albert accepts the responsibility to do the residential build out to surround and sustain it or
(b) Sturgeon may have to deviate from its MDP and the IDP and perhaps enter into intensive residential development to ensure success of the commercial corridor.

In the first instance, such a pattern of growth could lead to a situation similar to that encountered in the Leduc or Fort Saskatchewan annexations where, as a condition of approval, the municipality absorbing the costs associated with the growth becomes entitled to a share of the taxes necessary to support those services.

Alternatively, if Sturgeon entered into intensive residential style development they would of necessity factor these costs into valuing the “net” worth of the commercial corridor.

In either event, it would appear that costs to Sturgeon would in some fashion include the servicing costs of the residential development that supports the development and success of the commercial corridor.

Finally, the MGB noted that with the 26% costs projections advanced by Sturgeon was a figure derived where St. Albert provided the services; however, no cost figure was advanced in this argument for Sturgeon providing these services. Sturgeon acknowledged that the provision of these services by themselves would be at a higher cost than what St. Albert could provide. Accordingly, the MGB could only give the financial estimate of “lost opportunity” limited weight as a factor in determining an equitable revenue sharing settlement.

The MGB recognizes that the Act and the Provincial Land Use Policies authorize both St. Albert and Sturgeon to pursue a variety of growth objectives within the context of intermunicipal cooperation. The MGB is satisfied that the growth objectives of St. Albert to expand residential and non-residential growth can be accommodated in the proposed annexation.

The MGB is also satisfied that the residential and non-residential growth objectives of Sturgeon can also be satisfied with the proposed annexation. The various plans recognize the ability of Sturgeon to develop non-residential growth at the St. Albert Airport, in the expansion of the various hamlets, commercial development along Highway 2 outside the IDP area and heavy industrial in the Heartland Industrial Area and in other locations outside the IDP area. There was no dispute during the annexation hearing that Sturgeon could not pursue its residential growth objectives outlined in its MDP.

Although Sturgeon demonstrated that it might be able to develop an independent system to service the Highway 2 Commercial Corridor it did admit that the most economical way to service the Corridor was through the existing spare servicing capacity available in St. Albert. Thus, Sturgeon did not pursue the alternative independent system nor did it pursue discussions with the existing regional service providers to gain approvals for such a system. The MGB concludes that there is a benefit to Sturgeon and the ultimate users of the Commercial Corridor by having the area serviced through St. Albert.

The MGB observes that Sturgeon also recognized in both the IDP and its MDP that it would not pursue the intensive residential growth being accommodated by the St. Albert annexation. As stated in the studies submitted by Sturgeon from the United States, residential growth does result in costs beyond the revenues gained from the residential growth. Thus, Sturgeon not only had forgone some commercial opportunities but it had forgone costs associated with the residential growth. On balance, the MGB finds the argument of Sturgeon regarding forgone opportunities as lacking sufficient depth to warrant any degree of weight.

Throughout the annexation hearing, the commercial growth projected for the Highway 2 Commercial Corridor was directly linked to the residential growth in the annexation area. All the projections tied the commercial growth to the residential growth. Although the MGB understands that the growth of the trade area outside the annexation area will contribute to the expansion of the commercial corridor, there was insufficient evidence to convince the MGB that the major impetus for the commercial corridor growth was the growth of the trade area outside the proposed annexation area. Thus, the MGB concludes that the commercial growth in the Highway 2 Commercial Corridor is linked closely to the growth of the residential area in the annexation area and the current St. Albert population.

However, the MGB accepts that some financial arrangement is necessary beyond the standard and historical tax compensation to provide:

- Acknowledgement to the revenue sharing principles imbedded in the IDP and the specific revenue sharing proposals submitted by each municipality; and
- Recognition for stewardship of the IDP lands, and the intermunicipal cooperation inherent in the IDP.

6.9.12 Financial Impact of St. Albert's Proposal vs. Sturgeon's Proposal

St. Albert submits that its financial proposal recognizes the need for Sturgeon to be compensated for any lost tax revenues over an extended period of time and best meets the intent of the IDP by providing a reasonable and affordable amount of tax sharing over the 10 year period identified in the IDP. More importantly, St. Albert, with the assistance of a financial impact model, stated that the Sturgeon financial proposal would result in making the annexation financially unreasonable and result in short, medium and long term negative financial impacts on the existing and future taxpayers of St. Albert. St. Albert, through its financial modeling, indicated that their proposed financial package created a reasonable and acceptable financial impact and in the long term would result in a moderately positive impact on St. Albert.

Some of the intervenors argued that the St. Albert financial proposal was excessive and should be limited to the standard approach of transition compensation over five years for lost taxes. Sturgeon emphasized that the IDP was based on principles and objectives that go beyond the traditional approach and forge a stronger longer term intermunicipal relationship in managing regional growth.

Findings

1. There are no significant existing cost sharing programs identified or future initiatives that would have a significant bearing on the conclusion leading to the most suitable financial arrangement to be considered in this annexation.

2. The choice between the St. Albert proposal and the Sturgeon proposal must be examined in light of the fiscal challenges facing St. Albert.

3. If the population and commercial growth projections result in being optimistic, St. Albert may not achieve their targeted position and may face additional financial challenges.

4. The impact of the St. Albert proposal would result in a minor increase in tax rates over the short term and moderate increases in the medium term and would result in moderate positive gains over the long term.

5. The Sturgeon proposal would result in a net negative financial impact to St. Albert.

6. The annexation of the Highway 2 Commercial Corridor marginally improves St. Albert’s ratio of non-residential to residential land base.

7. Sturgeon would still receive long term positive financial benefits from the St. Albert proposal to recognize the stewardship and intermunicipal cooperation evidence in the IDP. These benefits would extend beyond the traditional approach to tax compensation contained in historical annexations.

Reasons

The number and amount of any existing and future intermunicipal agreements described by St. Albert and Sturgeon was surprisingly minimal. Thus, the MGB concluded that these agreements would have little impact on the choice between the St. Albert and Sturgeon proposal. The MGB then moved on to determining if there was any direct or indirect guidance in the Act, provincial policies, historical annexation guidelines or the IDP to set the guide posts for choosing one or the other proposal or adopting a different approach in total.

Section 3 of the Act references “viable communities” and Division 6 of the Act dealing with annexations indirectly implies with its reference to the possibility of compensation and revenue sharing that an annexation must have a reasonable impact on the financial status of the initiating and responding municipality. This fundamental principle is echoed in the 2006-2009 Alberta

Municipal Affairs Business Plan which includes a goal related to "financial sustainable and accountable municipalities" including strategies to improve the long-term municipal sustainability. In addition, historical annexations have been viewed in light of having minimal impact on the financial status of the affected municipalities. These provincial directives coupled with the objectives of the IDP which stress "mutually beneficial policies", "ensuring that cost and revenue sharing initiatives undertaken …. Are fair, equitable and beneficial to both parties", "agreements that are negotiated in a manner that is fair, equitable and beneficial" direct the MGB to recommend a solution that is sensitive to the financial status of each municipality.

Within this context the MGB weights the St. Albert proposal, with minor adjustments, as best meeting these goals and objectives, especially in the context of the fiscal challenges facing St. Albert. This has been well documented in the financial data provided by the municipalities and the MGB's independent analysis. The financial impact analysis presented by St. Albert was most convincing and was developed based on a comprehensive financial impact model. This impact analysis indicated that anything moderately greater than the St. Albert proposal would result in the annexation having a negative financial impact.

6.10 Recommendations and Reasons Related to Financial Arrangements

6.10.1 Analysis

Several alternatives are available to the Minister and the Lieutenant Governor in Council in dealing with the issues of this annexation application. These alternatives include amalgamation, binding arbitration, rejection of the annexation in total, application of the historical standard tax compensation approach, application of the St. Albert financial proposal, application of the Sturgeon financial proposal and alternative financial proposals.

6.10.2 Amalgamation

Section 127 of the Act authorizes an annexation order, in addition to setting out the compensation from one municipality to another, to dissolve a municipality or provide for the formation of a specialized municipality pursuant to section 89 of the Act. As well, Division 5 of the Act sets out specific processes and procedures for the consideration of the amalgamation of two or more municipalities.

These alternatives were not placed before the MGB by any of the parties and interveners to the annexation and would require considerable more analysis, public consultation and consideration. Dissolution pursuant to Division 7 of the Act requires considerable due process and study, as does amalgamation pursuant to Division 5 of the Act. These associated studies and processes have not been completed and requires the consideration of the impact on any adjoining municipality.

The MGB does not recommend that these alternatives be given serious consideration at this point in time; however, due to the financial challenges facing St. Albert it is recommended that the Ministry monitor various regional indicators.

6.10.3 Arbitration

Section 127 of the Act authorizes the Lieutenant Governor in Council to send the municipalities to arbitration, the process used in the Ft. Saskatchewan/Strathcona annexation. This process forces the parties to seek an independent view and focuses the two municipalities to reconsider their initial positions. However, this alternative would further draw out this annexation process which has already been long and arduous for St. Albert and Sturgeon. From the MGB's perspective this is not the preferred option.

6.10.4 No Annexation

A few of the interveners alluded to this being the preferred option. The MGB rejects this as a viable option. In the view of the MGB, recommending denial of this annexation restricts St. Albert's ability to expand its non-residential assessment base. As a result, St. Albert would face additional financial challenges without annexation. As well, Sturgeon would face a significant challenge to change its growth management strategy in its local plans and operations to fundamentally change the nature of its municipality to accommodate the pressures of significant regional residential growth. The ability to utilize the existing spare capacity in the major trunk servicing in St. Albert would be jeopardized and the result would be increased costs to the ultimate new growth. St. Albert's ability to finance new infrastructure and facilities would become an ever increasing burden on the existing tax base without annexation. As a result, the MGB recommends that the annexation proceed.

6.10.5 Standard Tax Compensation Approach

The major dispute in this annexation is focused on the appropriate financial arrangement that should occur between the initiating municipalities - St. Albert and Sturgeon. Many of the interveners argued for the standard declining tax compensation over a fixed period of time and were in opposition to any tax transfers from St. Albert to Sturgeon. In the absence of an intermunicipal development plan the standard compensation for taxes lost by the recipient municipality over a fixed period of time provides for a reasonable starting point to mitigate any negative financial impact on the recipient municipality. As a minimum, Sturgeon should receive financial compensation in an amount which includes five years of declining tax compensation. This provides Sturgeon with a reasonable transition period to adjust to the loss of the tax revenue from the annexation area.

However, in this annexation the MGB cannot ignore the significant intermunicipal cooperation developed by the two municipalities in the St. Albert/Sturgeon IDP. The Act, the Provincial

Land Use Policies and other related provincial initiatives, place considerable emphasize on intermunicipal cooperation. The MGB gives considerable weight to the principles in the IDP in its ultimate recommendation.

This intermunicipal cooperation has resulted in a significant regional strategy to deal with regional growth in an orderly and economical fashion. It has established the basis for, and hopefully enhanced, intermunicipal cooperation in the future. As a result, the MGB recommends that the principles contained within the IDP be given reasonable meaning within the context of the total annexation proposal. Financial consideration beyond the standard financial compensation will provide recognition for this significant intermunicipal initiative.

6.10.6 Sturgeon's Financial Proposal

Sturgeon's financial proposal must be considered within the total context of the annexation proposal and within the financial capabilities and constraints of both municipalities. In this case St. Albert faces significant financial challenges and the fiscal impact analysis performed by St. Albert, largely unchallenged, illustrated that the Sturgeon financial proposal would result in the annexation having a negative financial impact on St. Albert. As well, the MGB has determined that the Sturgeon Proposal does not align with the principles outlined in the IDP since the IDP references "equitable benefits" not equal tax sharing. The Sturgeon proposal was based on equal sharing of taxes after net costs were eliminated. In the Sturgeon proposal net costs were examined in a narrow sense and did not consider the total annexation. The MGB interprets Division 6 of the Act to require a broader examination of annexation and thus interprets the IDP and its directives on tax sharing in this broader context. Based on the unsatisfactory financial impact of the Sturgeon proposal on St. Albert, the MGB cannot recommend that the Sturgeon proposal be implemented in the annexation order.

6.10.7 St. Albert Financial Proposal

In determining an appropriate revenue sharing recommendation, in addition to a consideration for tax compensation, the MGB noted that the recommendation could not rely on any specific formula contained in the IDP since no such specific formula existed. In determining a specific sum over a specified time period the MGB felt it could best meet its obligation for recommendations in the circumstances of this annexation by addressing the financial impact on each municipality.

The MGB accepted, in general, the position of St. Albert that an overall financial contribution much beyond $1 million in total may have a negative impact upon St. Albert and its ratepayers. A positive economic result from this annexation is essential for St. Albert given its very limited possibilities for non-residential growth. It is much less essential for Sturgeon because of its very sound financial status and the variety of non-residential growth options.

According to the fiscal impact analysis the St. Albert proposal meets the principles of "equitable "revenue sharing in the IDP and the fiscal challenges facing St. Albert. The fiscal impact analysis illustrated that the St. Albert proposal would still result in modest financial gains for St. Albert as a result of the annexation. Sturgeon will also still benefit from the financial proposal and will receive funds to compensate for any lost taxes in the annexation and will receive revenue sharing over a specified period of time. The MGB concludes that the nature of the St. Albert proposal better meets the principle of "equitable benefits" pronounced in the IDP and examines the impact of annexation in the broader context as required by Division 6 of the Act. The financial benefits to Sturgeon, after consideration of the tax compensation, can still be directed to regional transportation projects as directed in the IDP, albeit in much more modest amounts. This revenue sharing over a fixed period of time provides for the compensation referenced by Sturgeon related to stewardship of the IDP area and the principles contained in the IDP.

6.10.8 Alternative Financial Proposals

The MGB examined other financial proposals and determined that any modification marginally greater than the St. Albert proposal would result in the annexation having negative financial impacts on St. Albert. The objective is to mitigate the financial impacts on the initiating and responding municipalities. As a result, the MGB gave no further consideration to any alternative financial arrangements.

6.10.9 Recommended Modification to the St. Albert Proposal

Although the MGB finds the St. Albert proposal more acceptable overall there are a few adjustments that the MGB would recommend to the proposal.

1. Tax Compensation

St. Albert estimated the tax compensation to Sturgeon on the basis of only a part of the property taxes generated from the annexation area. St. Albert estimated the taxes generated in the annexation to be approximately $35,000 while Sturgeon rebutted this figure and indicated the taxes generated in the annexation area is approximately $74,000 (rounded). This discrepancy may be as a result of the lack of inclusion of revenue from all the non-residential assessment class. The MGB was not given a clear explanation from St. Albert as to the derivation of the $35,000 of taxes.

Section 354 of the Act requires that a tax must be applied to all assessment classes and Section 297 of the Act requires the creation of assessment classes. The non-residential assessment class includes machinery and equipment, linear property and other non-residential property. The taxes generated in the annexation area would include all existing assessment classes and any compensation should be based on the complete property tax base. The principle behind tax compensation is to provide the responding municipality with a reasonable period of time to adjust its budgetary process to the loss of all the property taxes from the annexation area.

As a result the tax compensation must consider the up to date property taxes in the area of the annexation and include all the revenue from property taxes based on the taxes generated from the area in the tax year.

Even after learning that the amount of the taxes in the annexation area was greater than $35,000, St. Albert did not alter their proposed $1.018 million offer. The MGB notes that if one interchanges the $35,000 with $73,674 in St. Albert's offer of tax compensation, over the ten year period the net present value of the twenty-five year stream of annual $73,674 payments would amount to $1,090,289 rather than the $518,000 based on $35,000 a year payments. Adding this to the $500,000 of shared revenue from the Highway 2 Commercial Corridor, the St. Albert financial offer would total $1,590,289.

However, the MGB notes St. Albert's emphasize in its financial impact analysis that anything moderately in excess of $1.018 million would result in the annexation having a negative impact. Accordingly, the MGB's previous observation regarding St. Albert's fragile non-residential tax base, coupled with the financial impact analysis, leads the MGB to conclude that any amount in excess of that offered by St. Albert would be detrimental to that municipality. The MGB therefore recommends a financial arrangement with an approximate total near the $1.018 million made up of tax compensation and revenue sharing. In addition the MGB rejects the approach of using net present value for calculating the transitional tax compensation amount.

Based on the 2006 tax estimate of $73,674, the five year declining tax compensation will result in a total transitional payment of approximately $226,023 leaving approximately $800,000 to be considered as revenue sharing from the Highway 2 Commercial Corridor. This $800,000 of revenue sharing is larger than that proposed by St. Albert and better meets the principles outlined by Sturgeon.

The base year for the calculation of the tax compensation amount will be the 2007 tax year and it is expected that there will be a slight difference in the actual amount of the tax compensation compared to the amount projected for 2006. In any case that amount is expected to be minimal and the MGB recommends the fixed amount of revenue sharing at $800,000 to be paid in equal installments over a 10 year period.

2. Time Horizon

St. Albert includes its proposed tax compensation over a ten year period. It is the view of the MGB that compensation for lost taxes in the annexation area is adequately covered by a five year time horizon rather than the St. Albert proposal of ten years. Considering the rather undeveloped nature of the annexation area, the minimal amount of taxes lost by Sturgeon relative to its large tax base, a period of greater than five years is not warranted. The majority of historical annexations focused on a five year time year horizon. Considering the emphasis of the IDP on revenue sharing, a shorter time horizon of five years of tax compensation focuses the financial solution on the agreed to principle of revenue sharing in the IDP as emphasized by Sturgeon. Assuming an implementation date of January 1, 2007 the base year for tax compensation would be 2007. Sturgeon would in 2007 receive 100% of the taxes collected in the base tax year 2007, 80% in the following year, 60% in the next year, 40% in the following years and conclude in the fifth year at 20% of the 2007 base year.

3. Net Present Value

St. Albert developed a complex formula for tax compensation based on estimating the net present value of the current taxes over a 25 year period assuming a discount rate of 5%. The MGB was not convinced that this method of tax transition is necessary and recommends the more traditional approach used in historical annexations to develop tax compensation on a simple formula of current dollars declining over time. Net present value analysis is an appropriate technique used to quantify a future stream of payments in terms of a single one time payment in current dollars. In this annexation, neither party addresses a single lump sum payment as being more appropriate than a stream of future payments.

4. Start Time for Revenue Sharing

The start date for revenue sharing must be established on a specific certain date and end on a specific date rather than on “occupancy authorization” to avoid any questions of interpretation requiring further dispute resolution and amendments to the Order in Council. Attaching the revenue sharing to individual “occupancy authorization” as suggested by Sturgeon is fraught with practical difficulties and interpretations. The MGB can foresee significant difficulties with the individual occupancy permit such as disputes related to phased developments, changes in development proposed in the Highway 2 Commercial Corridor, consideration of redevelopment, administration of a multitude of dates related to income and expense flows, impact of a longer absorption rate for commercial development and uncertainty of payments and revenue streams.

As well, the St. Albert proposal to commence revenue sharing at the time of “occupancy authorization” of the first development is also fraught with similar kinds of practical difficulties and interpretations. The MGB heard from both parties that development would begin in the Highway 2 Commercial Corridor between 2006 and 2008. The MGB accepts St. Albert’s and Sturgeon’s projected range of start up of the Highway 2 Commercial Corridor. Thus, the MGB recommends that the revenue sharing begin from a fixed date; that date being the tax year after the development has begun. For the purposes of this annexation this year would be 2009, assuming an effective annexation date of January 1, 2007. This allows time for approvals and servicing of the Highway 2 Commercial Corridor. The first revenue sharing payment would then be due by December 31, 2009.

5. Total Amount of Revenue Sharing

The MGB accepts that the St. Albert fiscal impact analysis supports a payout of compensation and revenue sharing to Sturgeon of approximately $1.02 million over 10 years. The inclusion of this amount will be adjusted as a result of an up to date calculation of the 2007 property taxes generated from the annexation area. Assuming the transition of these taxes is spread out over five years on an equal declining balance the remaining $800,000 would be revenue sharing spread out over 10 years.

This revenue sharing would take place in equal instalments of $80,000 per year for a period of ten years. The ten year period was established in the IDP and the MGB accepts this as a reasonable time period. Should the annexation become effective on another date other than January 1, 2007 then appropriate adjustments to the start date can be made.

PART 7 RECOMMENDATIONS

Preamble

The proposed annexation and the recommended conditions of annexation provide positive equitable benefits to St. Albert and Sturgeon. Firstly Sturgeon is able to achieve its chosen growth objectives as described in its MDP and in the IDP. This recognizes Sturgeon's ability to accommodate growth within its chosen pattern and growth strategy without being pressured to pursue a significantly different role in the region and experiencing the associated costs of that expanded role. As well, St. Albert is able to achieve its growth objectives by accommodating regional residential growth and expanding its non-residential land base. The proposed annexation and associated conditions support these complimentary growth strategies and enhances the interdependency between the two neighbouring municipalities.

Eventual occupants in the Highway 2 Commercial Corridor will receive the benefits of economical servicing through the spare capacity in St. Albert rather than a more expensive alternate system. Sturgeon also benefits both directly and indirectly from this regional growth strategy as does St. Albert. St. Albert receives a relatively "clean" annexation area reducing the direct and indirect costs of eventual development and servicing which also benefits eventual homeowners and businesses in reduced costs.

In return, Sturgeon receives a direct financial return for the cooperation displayed in the IDP in providing for a relatively "clean" annexation area and experiences relatively little direct or indirect costs to absorb this regional residential growth. This direct financial return can now be used to achieve the objectives set out in the IDP with respect to transportation projects in the vicinity which would benefit both municipalities. Although this financial return is not as large as requested by Sturgeon, it is within the financial ability of St. Albert to absorb. The more improved the financial health of St. Albert becomes and the more St. Albert is able to cope with its financial challenges through the development of the Highway 2 Commercial Corridor and reasonable revenue sharing, the stronger Sturgeon also becomes. As well, the possibility of the need for more dramatic alternate solutions to accommodating regional growth is reduced. In addition, Sturgeon is provided with a five year period of time to adjust to any loss in tax revenue from the annexation area.

St. Albert and Sturgeon are to be commended for the significant efforts and intermunicipal cooperation. The proposed annexation and associated conditions have grown out of the "equity" principles developed in the St. Albert/Sturgeon IDP. Although St. Albert and Sturgeon disputed the end specific financial formula these annexation conditions carry out the fundamental principles of the IDP in a more specific and certain manner. In the absence of this significant intermunicipal initiative, the annexation results and the regional growth strategy could have taken very significant different paths.

The annexation conditions provide reasonable protection to property owners in the annexed area and allow for a transition from the current low density nature of the area to the ultimate intensified development.

In conclusion the MGB recommends the annexation be approved in accordance with the following:

1. The annexation area agreed to by St. Albert and Sturgeon and described in the appropriate schedules be annexed from Sturgeon to St. Albert.

2. That the annexation be effective January 1, 2007.

3. That any taxes owing to Sturgeon at the end of December 31, 2006 be transferred and payable to St. Albert with any lawful penalties and costs. That upon collecting this taxes, penalties and costs St. Albert will pay them to Sturgeon.

4. That in 2007 the assessor for St. Albert will assess all properties in the annexation area.

5. That assessment and taxation protection be provided to properties in the annexed area for a period of 15 years until such events occur as agreed to by St. Albert and Sturgeon which result in the property no longer being eligible for this assessment and tax condition.

6. That St. Albert pay to Sturgeon the amount of municipal taxes which would have been payable to Sturgeon under Part 10 of the Municipal Government Act in respect of the annexed land in the 2007 tax year based on the following schedule

   (a) 100% of the tax compensation amount on or before December 31, 2007
   (b) 80% of the tax compensation amount on or before December 31, 2008
   (c) 60% of the tax compensation amount on or before December 31, 2009
   (d) 40% of the tax compensation amount on or before December 31, 2010
   (e) 20% of the tax compensation amount on or before December 31, 2011.

7. That St. Albert pay to Sturgeon a revenue sharing amount of $80,000 each year for 10 years beginning in 2009.

APPENDIX E

NOTICE OF DECISION **NO. DL 106/05**

Mr. Bill Holtby
City Manager
City of St. Albert
5 St. Anne Street
St. Albert, Alberta
T8N 3Z9

Mr. Larry Kirkpatrick
County Commissioner
Sturgeon County
9613 - 100 Street
Morinville, Alberta
T8R 1L9

This is written confirmation of the decision of the Municipal Government Board (MGB) following a preliminary hearing held June 21, 2005, respecting the City of St. Albert's (St. Albert) application to annex land currently located in Sturgeon County (Sturgeon).

Before: D. Scotnicki, Presiding Officer
A. Savage, Board Member
B. Ardiel, Board Member

Purpose of the Preliminary Hearing

The MGB convened a preliminary hearing for the following purposes:

- To determine the completeness of St. Albert's annexation application.
- To determine participation by the public for the official public hearing to be held by the MGB.
- To establish dates for commencement of the official public hearing.
- To establish deadline dates for the exchange of documents between the municipalities and the other parties demonstrating an interest in full participation at the public hearing.
- To outline the nature of additional information required by the MGB, to be provided by St. Albert and Sturgeon.

Background

St. Albert has initiated annexation of approximately 1300 hectares of land currently located in Sturgeon to be used for residential and commercial purposes. In accordance with sections 117 and 118 of the *Municipal Government Act*, RSA 2000, c. M-26 (Act) St. Albert and Sturgeon engaged in mediated negotiations to resolve the terms of the annexation, and St. Albert prepared a report on the negotiations, detailing, among other things, matters that could not be agreed upon. The report, which is also St. Albert's application to the MGB for annexation, indicated that the following matters had not been resolved:

1. rate of taxation for Sturgeon residents whose land will be annexed to St. Albert;
2. annexation tax sharing with Sturgeon for the annexed land;
3. transition of maintenance for roadways in the annexation area;
4. jurisdiction over roads;
5. revenue and cost sharing for commercial land along Highway 2 pursuant to the Intermunicipal Development Policy ("IDP") Policy 1.7, Principle 13 and Policy 2.6.3 and Policy 4.6.3; and
6. status of the IDP.

Since the preparation of the report on negotiations, St. Albert and Sturgeon have agreed on all matters but revenue and tax sharing (items 2 and 5). St. Albert and Sturgeon agree that the annexation should go forward with the only items in dispute being those related to revenue and tax sharing. St. Albert and Sturgeon ask the MGB to hear the positions of each party on these outstanding matters and present a recommendation to the Minister and Cabinet for consideration in the final Order in Council.

Public and Landowner Input

Some landowners in both St. Albert and Sturgeon have concerns about conditions of the annexation and have requested the right to speak at the merit hearing in this annexation matter.

Specifically, Richard Plain, a resident of St. Albert, submitted that the annexation application is incomplete because the public has not been given the opportunity to review the impact of cost and tax sharing resulting from the annexation.

Walter Mis, a resident of Sturgeon, submitted that the proposed annexation is not in complete agreement with the IDP between St. Albert and Sturgeon. He is also of the opinion that a proposal by St. Albert to tax land annexed from Sturgeon at the rates at which the land would be taxed if still within Sturgeon for a period of 15 years is an insufficient length of time to protect Sturgeon landowners.

Richard Haldane, the solicitor for Landrex Corp., a developer with an interest in land in the annexation area, reserves the right to speak in support of the annexation at the upcoming public hearing.

Decisions

Part A Completeness of the Application

St. Albert's application for annexation is complete.

Reasons

St. Albert's report on negotiations is its application to the MGB for annexation. Section 118 of the Act requires the report to include, among other things, "a description of the public consultation process involved in the negotiations" and "a summary of the views expressed during the public consultation processes". St. Albert has demonstrated that it engaged in public consultation and there is a description of its consultation process, with a summary of the public views, contained in a stakeholder report dated August 23, 2004 accompanying the full report on negotiations. For example, St. Albert held public meetings on December 3, 10, and 11, 2003 to consult with the public and sent a questionnaire to affected landowners to get feedback on whether landowners were in favour, opposed or undecided on the annexation proposal. A summary of the views is contained in sections 9 and 10 of the negotiation report.

Mr. Plain argues that the application is incomplete because St. Albert and Sturgeon did not release figures for cost and tax sharing for public review and input. While understandably a concern to Mr. Plain, this lack of information does not render the St. Albert annexation application incomplete. The MGB is satisfied that the notice of annexation proposal pursuant to section 116 of the Act did include proposals for public and landowner consultation. As well, the MGB was satisfied that St. Albert's report on annexation (the application) did meet the requirements of the Act by containing a description of the public consultation process and a summary of the views of the public.

The Act does not set specific standards as to the adequacy and detail which must be included within the required public consultation, however, the MGB is satisfied that the St. Albert public consultation process met normal municipal practices used in similar circumstances.

Section 120 of the Act requires the MGB to conduct one or more public hearings if there are objections to the annexation. As a result, Mr. Plain and others will have a chance to view all of the documents and submissions of St. Albert and Sturgeon in the MGB's hearing process and will have the opportunity to make submissions to the MGB regarding cost and tax sharing, or, in fact, any other matter.

Part B Participation by the Public in the MGB Hearing

An annexation hearing before the MGB is a public hearing.

Reasons

The MGB would like to affirm to all those in attendance at the preliminary hearing who expressed a desire to participate in the merit hearing that the merit hearing held by the MGB into the application for annexation is, as usual, open to the public. Section 120 of the Act requires that the MGB conduct one or more hearings and allow any affected person to appear before the

MGB. All documents and arguments submitted to the MGB are public documents and available to the public.

As several parties indicated a desire to make representations at the hearing, the MGB has instructed St. Albert and Sturgeon to make relevant documents, as set out below, available to the public and included timelines for written submission by interested parties below.

Part C Dates for the hearing and exchange of documents

The MGB establishes the following instructions and dates.

1. The merit hearing will commence at 10:00 am on November 23, 2005 and will be continued on November 24 and 25, and December 5 to 9, as required.

2. For the convenience of landowners and the public, the hearing will be held at the St. Albert Council Chambers.

3. St. Albert and Sturgeon shall provide their proposal*s* for cost and revenue sharing to each other, with 7 copies to the MGB, to be received by each other and the MGB no later than 4:30 pm on August 5, 2005.

4. St. Albert and Sturgeon shall exchange main argument and evidence respecting the cost and revenue sharing issue, with seven copies to the MGB, to be received by each other and the MGB no later than 4:30 pm on September 30, 2005.

5. St. Albert and Sturgeon shall each cause an advertisement be placed in the local newspaper one to two weeks before September 30, 2005, indicating that copies of the main municipal arguments and evidence on cost and revenue sharing will be available for collection or viewing by the general public at the respective municipal offices commencing on September 30, 2005 during regular office hours. A copy of St. Albert's documents shall be made available for viewing at Sturgeon's office and a copy of Sturgeon's documents shall be made available for viewing at St. Albert's office. The municipalities may assert that copies for collection will only be available at no cost if interested parties contact the municipal office at least three days prior to the anticipated collection day.

6. St. Albert and Sturgeon shall exchange rebuttals to the September 30, 2005 submissions, with seven copies to the MGB, to be received by each other and the MGB no later than 4:30 pm on October 21, 2005.

7. St. Albert and Sturgeon shall make their rebuttals available to the general public for viewing or collection during regular office hours on October 21, 2005. A copy of St. Albert's documents shall be made available for viewing at Sturgeon's office and a copy of

Sturgeon's documents shall be made available for viewing at St. Albert's office. The municipalities may assert that copies for collection will only be available at no cost if interested parties contact the municipal office at least three days prior to the anticipated collection day.

8. Submissions by other interested parties on the cost and revenue sharing issue or any other issue related to the proposed annexation, shall be submitted to St. Albert and Sturgeon County, with seven copies to the MGB, to be received by the municipalities and the MGB no later than 4:30 pm on October 31, 2005.

9. St. Albert and Sturgeon shall exchange final rebuttals to the submissions of interested parties, with copies to all parties (at their mailing or municipal addresses) that made submissions and seven copies to the MGB, to be received by each other, other interested parties and the MGB no later than 4:30 pm on November 14, 2005.

Part D Additional Information required of St. Albert and Sturgeon by the MGB

St. Albert and Sturgeon have indicated that the focus of the outstanding issue related to the annexation application is centred on cost and revenue sharing. Therefore, the municipalities are required to submit to the MGB a financial impact analysis of the respective cost and revenue sharing proposals. To assist the two municipalities in preparing their positions, the MGB has identified a number of fiscally related questions that will be of importance to the MGB in adjudicating this matter. The required fiscal impact analysis from both municipalities is not limited to the following questions and may contain other information determined by each municipality to be necessary in support of its position.

To assist the MGB on the issue of cost and revenue sharing as a condition of annexation approval, the MGB requires answers to the following questions from St. Albert and Sturgeon in their main evidence and argument on cost and revenue sharing. Evidence and argument should not be limited to these questions, as these questions, while in need of answer, are merely examples of the type of information the MGB requires to determine the issue.

1. Does the idea of cost and revenue sharing apply to the whole annexation area or just a portion of the area?

2. What portions can be described as costs and what portions can be described as purely revenue sharing? Is there any difference?

3. What amount or percentage of costs/revenue has St. Albert offered to Sturgeon?

4. What amount or percentage of costs/revenue has Sturgeon requested from St. Albert?

5. What services does Sturgeon now provide to St. Albert?

6. What services does Sturgeon intend to provide to the annexed territory?

7. What services does St. Albert now provide to Sturgeon?

8. What additional services does St. Albert intend to provide to Sturgeon?

9. What are the present items, formulas and amounts of shared costs between the municipalities, such as recreation, ambulance, fire, waste disposal and other similar services?

10. How much total and net revenue will Sturgeon forego as a result of the annexation? What portion of the total revenue of Sturgeon does this form? What are the revenue sources of Sturgeon? What is the fiscal status of Sturgeon? What are the recent fiscal trends over the last three to five years?

11. What is Sturgeon's potential loss of revenue as a result of lost opportunity for new development and taxation in the annexed territory?

12. What is the financial impact to St. Albert for the revenue sent to Sturgeon based on the revenue sharing proposed by St. Albert and by Sturgeon? What are the revenue sources of St. Albert? What is the fiscal status of St. Albert? What are the recent fiscal trends over the last three to five years?

13. What is St. Albert's/Sturgeon's plan to make up the difference or any revenue loss?

14. What is the Sturgeon's/St. Albert's plan for revenue gained as a result of annexation?

15. What is St. Albert's/Sturgeon's growth rate represented by population, assessment, taxation, tax rate, total revenue, total operating and capital expenditures? An historical trend analysis is requested.

16. What is the comparison between Sturgeon's and St. Albert's philosophical position on urbanization (Municipal Development Plans) and what is the status of the two studies identified in St. Albert's Municipal Development Plan regarding economic development and the ratio of residential to non-residential objectives?

17. Statistics comparing St. Albert to other similar municipalities in respect of population, per capita debt, total live assessment, linear assessment; ratio of residential to non-residential assessment. Statistics comparing Sturgeon to other similar municipalities in respect of population, per capita debt and the split between various classes of property such as

residential, farm residence, farm buildings, industrial, commercial, machinery and equipment, linear and any other land categories?

18. What plans, if any, does Sturgeon/St. Albert have on future sharing of services?

Pursuant to sections 123 and 124 of the *Municipal Government Act*, the MGB is required to provide the Minister and Cabinet with a report and recommendation on the complete annexation proposal including the cost and revenue sharing issue. In order to accomplish this in an effective, reasonable and responsible manner, the MGB requires the two municipalities to provide sufficiently comprehensive and detailed information that fully addresses the issue of cost and revenue sharing. Regardless of the information provided to the MGB may recommend, or the Lieutenant Governor in Council may, pursuant to section 127 of the Act, decide that the amount for cost/revenue sharing will be determined through arbitration under the *Arbitration Act*.

Dated at the City of Edmonton, in the Province of Alberta, this 12th day of July 2005.

MUNICIPAL GOVERNMENT BOARD

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(SGD.) A. Savage, Member

cc:
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