

# Council Policy

Policy Number: *[PLY\_FIN\_Significant\_Revenue\_Growth\_Policy\_2017]*

## Significant Tax Revenue Growth Policy

Date Approved by Council : November 27, 2018

County Commissioner: 

1. Purpose

This policy establishes priority areas and target ratios for significant growth in tax revenues from industrial development. This policy reflects priority areas established by Council to enhance accountability and transparency and to promote fiscal prudence and to guide strategic investments that improve quality of life for residents. It is intended this policy will be reviewed every five (5) years.

2. Revision History

| <i>Approval Date</i> | <i>Revision Number</i> | <i>Modification</i>      |
|----------------------|------------------------|--------------------------|
| <i>2017/03/28</i>    | <i>1.0</i>             | <i>New Document</i>      |
| <i>2018/11/27</i>    | <i>1.1</i>             | <i>New Priority Area</i> |

3. Persons/Areas Affected

Corporate Support  
Integrated Growth  
Municipal Services  
County Commissioner's Office  
Sturgeon County Council

4. Policy Statement

Sturgeon County recognizes that through financial transparency and fiscal prudence, the County can better manage the risk and volatility of significant one-time growth in property tax revenues while improving life for residents:

Sturgeon County is committed to facilitating meaningful and sustainable change in the County by investing in our communities through a collaborative approach.

The County recognizes supporting existing road infrastructure and investing in new infrastructure is essential and valuable assets to County residents.

The County will leverage on the inflow to stabilize taxes as a means of providing direct benefit to residents. Funds will be allocated to address concerns of residents likely to be impacted by industrial development.

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## 5. Definitions

*Priority Areas* – areas identified by Council on which significant new property tax revenue will be invested.

*Significant New Property Tax Revenue* – revenue is considered significant new property tax if it meets these criteria;

- It is generated from single source such as a tax payer, a resident, a business entity or from a single project and
- It is not less than 20% of the County's tax revenue, excluding any significant new property tax revenue and
- it is anticipated to be ongoing in nature.

Significant new property tax revenue is determined with reference to the growth in existing assessment base or new assessment for new tax source.

*Target Ratio* – The targeted percentage of growth revenue that will be invested on a priority area. Target ratios are based on net revenue after any other legal obligations are considered.

## 6. Responsibilities

The responsibilities of Council include:

- Setting priority areas and target ratios, considering the long-term vision, or plans of the County.
- A review of priority areas and target ratios in Schedule A and Schedule B, every five years or when it becomes necessary resulting from a change in County's vision or long-term plans.
- Approval of projects/initiatives recommended by Administration within priority areas.

The responsibilities of Administration include:

- Identification, and review of significant revenue to ensure it meets criteria set-out in the policy
- Identification of projects or initiatives within the priority areas for Council's approval
- Budgeting and Forecasting for significant revenue based on priority areas and target ratio set by Council
- Annual Financial reporting for significant revenue to Council.
- Annual progress report to Council on projects identified under each priority areas.

The County Commissioner will be responsible for implementation and compliance of this policy.

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7. Procedures

The County will adhere to priority areas and the respective annual target ratios outlined in Schedule A and Schedule B. Priorities and target ratios should align with Sturgeon County's long-term vision and plans.

The County will budget separately for significant revenue to minimize over-reliance on using such revenues to fund day to day operations of the County.

The County will adopt a conservative approach when budgeting for significant revenue considering the risk on these revenues.

Annual unspent amount in each priority area will be put into a related reserve to be used in subsequent years on the same priority area.

County Council will consider a five-year expenditure projection for each priority area before deciding to reallocate revenues from one priority area to another priority area.

Before making this determination, the 5 -year requirement of each priority area will be considered.

8. Cross Reference

Debt Management Policy      *(ply\_Debt\_Management\_Policy\_2015)*

Reserve Policy                      *(ply\_Reserve\_Policy\_2016)*

Strategic Plan Policy              *(ply\_Gov\_ELE\_Strategic\_Plan\_2014)*

Summary of Fiscal Principles, Practices and Policies

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## Schedule A – Priority Areas and Descriptions

| PRIORITY AREA                      | DESCRIPTION  |
|------------------------------------|--|
| 1 Reserve and Debt                 | <p>Funds will be set aside to meet targets set out in the reserve policy over a period not to exceed three years. Once maximum reserve targets are met, they will be re-evaluated each year as part of the budget process.</p> <p>The reserve balances are set aside to mitigate potential revenue loss should these projects cease to operate, providing a buffer to transition toward decreased budget revenues.</p> <p>Use fund to pay-off debt with more than 3% interest rate excluding debts related to projects that could be subject to future annexation.</p> |
| 2 Infrastructure Rehabilitation    | <p>Setting aside revenue to fund replacement and rehabilitation of existing assets including bridges. Maintaining existing roads is of high priority to County Council. These include bridges, drainage, and road rehabilitation.</p>  |
| 3 Infrastructure - New             | <p>Fund will be used for new capital projects and paving of roads that fit the definition of new infrastructure, gravel roads or paved roads. These include investment in road surfacing, local road reconstruction, and collector reconstruction.</p>   |
| 4 Community Building               | <p>This priority area will capture community enhancement projects and grants to community groups, and municipalities within the County. A reserve fund will be set for this priority, from which Council-approved projects will be funded. Any future <i>Municipal Government Act</i> (MGA) changes that impact industrial/linear tax revenue will be absorbed in this priority.</p>   |
| 5 Potential Service Level Increase | <p>Funds will be set aside to accommodate enhanced and new services to residents. Potential increases in service level from the implementation of the priority area would be as directed by Council.</p>   |
| 6 Heartland Mitigation Strategy    | <p>Funds will be set aside to mitigate any quality of life impacts of Heartland Area Residents, anticipated adverse outcome and other commitments tied to the revenue source or the location of the revenue source.</p>  |
| 7 Tax Stabilization Fund           | <p>Funds set-aside within this priority area will be used to support stabilized tax rates on an annual basis.</p>  |
| 8 Offsite Infrastructure           | <p>Funds allocated to finance the County's share of offsite infrastructure projects including road network, storm, water and wastewater projects. Projects within this priority area are subject to Council's approval.</p> <p>This priority area may also be used to front-end offsite infrastructure projects. Front-ended funds recovered on projects funded through this priority area will be placed in Priority Area 2 and 3 – Infrastructure.</p>   |

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## Schedule B – Five-Year Target Ratio

| Priority Areas                | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|------|------|------|------|------|
| Reserve and Debt              | 22%  | 17%  | 16%  | 10%  |      |
| Road Network Infrastructure   | 53%  | 54%  | 50%  | 57%  | 64%  |
| Community Building            | 8%   | 10%  | 15%  | 14%  | 14%  |
| Service Level Increase        | 5%   | 5%   | 8%   | 5%   | 7%   |
| Heartland Mitigation Strategy | 2%   | 3%   | 2%   | 2%   | 2%   |
| Tax Stabilization Fund        | 3%   | 4%   | 4%   | 4%   | 5%   |
| Offsite Infrastructure        | 7%   | 7%   | 5%   | 8%   | 8%   |
|                               |      |      |      |      |      |
|                               | 100% | 100% | 100% | 100% | 100% |