

Request for Decision

Title	Significant Tax Revenue Growth Policy
Proposed Motion	That Council approve the Significant Tax Revenue Growth Policy.
Administrative Recommendation	That Council continue to direct Administration toward enhanced accountability, transparency, and prudent financial management of future significant growth in tax revenues.
Previous Council Direction	<p>February 23, 2016 – Motion 304/16 That Council approve the Reserve Policy as presented.</p> <p>January 26, 2016 – Motion 023/16 That Council receives the results of the 2015 Resident Satisfaction Survey for information and refers the report to Administration for the purpose of corporate business planning, departmental operational planning, continued organizational effectiveness efforts and support to Council's decision making.</p> <p>October 13, 2015 – Motion 302/15 That Sturgeon County Council approves the Debt Management Policy and directs administration to revise the reference to Foundations to accurately reflect Senior Housing Foundations to the Debt Management Policy and accepts the Debt Management Procedure as information.</p> <p>August 27, 2013 – Motion 360/13 That County Council approves the document titled "Summary of Fiscal Principles, Practices, and Policies" as the working document used to guide Administration in the planning and execution of County affairs as directed by Council.</p>
Report	<p><u>Background Information</u></p> <ul style="list-style-type: none"> Since 2014, Council has been directing Administration to create a strategy to address the long-term need and immediate expectations of our residents by gathering feedback through resident satisfaction surveys, open houses, road open houses and strategic workshops with Council.

- Sturgeon County's fiscal framework has been enhanced through the development of the Summary of Fiscal Principles, Practices and Policies, and the foundational establishment of:
 - a Reserve Policy and
 - a Debt Management Policy.
- The Significant Tax Growth Policy takes these foundational documents and provides the blueprint to move Sturgeon County toward focused growth in infrastructure investments and enhanced service levels contributing to the quality of life of residents over the next five (5) years.
- Council has seen recent reports that depict that, like most Canadian Municipalities, there is a significant amount of work and funding required for the future rehabilitation and maintenance of infrastructure. This policy provides Sturgeon County the focus and resources to tackle the challenge.
- Tax revenue from the Sturgeon Refinery will account for as much as 40% of total tax revenue in 2018, and in the years beyond.
- Through various Council workshops, Council has identified and refined seven (7) priority areas where refinery revenue will be invested.
- Based on direction from Council, Administration further developed the plan to guide the allocation of the significant growth revenue to the seven priority areas.

- (1) **Reserve Contribution** and **Debt Mitigation** are important first steps to putting the County's "fiscal house in order".
- Allocations will be made to reserves over a three-year period to achieve reserve targets set in the Reserve Policy.
 - The County will also allocate funds to pay off debt with higher interest rates so that operating dollars are applied to municipal services and not debt servicing costs.

Statistics from Municipal Affairs show that Sturgeon County reserves are among the lowest per capita in our comparator group. With this plan our reserve levels will come in line with the targets established through Council's Reserve Policy and direction and International Standards set by the Government Finance Officers Association.

Reserves will also put Sturgeon County in a better position to deal with unanticipated or emergent challenges (Fire, Flood or Culvert Failure).

- (2) **Rehabilitating Existing Infrastructure** and (3) **Investing in New Infrastructure** remain a top priorities of Council.
- By year five, 67% of the refinery revenues will be allocated to infrastructure maintenance and investment.
- (4) Recognizing the importance of building strong communities for residents, the County will allocate approximately 14% of the revenue, from 2018 to 2020, to the **Community Building** Priority Area.
- (5) Between 3% to 10% will be set aside annually for increased levels of **Service to Residents**, resulting from the implementation of projects and

	<p>initiatives in the Corporate Business Plan approved by Council. Increases in services to customers will be implemented in a methodical manner to ensure maximum benefit from each additional dollar allocated to operations.</p> <p>(6) Another 3% will be committed to mitigate adverse outcomes of industrial development to improve the quality of life of residents in the Heartland Areas.</p> <p>(7) The policy will allocate funds to Stabilize Taxes annually and seek to maintain favourable (low) residential tax rates and ensure competitive non-residential tax rates.</p> <ul style="list-style-type: none"> Notwithstanding the pending refinery revenue, an expectation of similar significant tax revenue growth is anticipated in the future. The Policy will help guide staff recommendations and Council decision making regarding such revenues in a manner that enhances accountability and transparency, addresses infrastructure deficit and appropriate investments in service to residents. The Significant Tax Revenue Growth Policy documents Council's priority areas and annual target ratios for investment of significant growth in tax revenues from industrial development. A tax revenue from a single source will be managed under this policy if it exceeds 20 % of the County's tax revenue. The threshold is set to ensure the policy applies to revenues with relatively higher inherent risk. To minimize the risk of over-reliance on a significant single source revenue, the County will budget separately for these revenues and continue to adopt a conservative approach when budgeting for refinery tax revenues. <p><u>External Communication</u></p> <ul style="list-style-type: none"> The policy will be available on the County's website once approved. <p><u>Relevant Policy/Legislation/Practices:</u></p> <ul style="list-style-type: none"> Debt Management Policy Reserve Policy Sturgeon County's Strategic Plan Summary of Fiscal Principles, Practices and Policies
<p>Implication of Administrative Recommendation</p>	<p><u>Strategic Alignment:</u></p> <p><u>Examples:</u></p> <p>Strong Local Governance and Regional Leadership – The principles and approach outlined in the policy demonstrates the County's commitment to strong local governance.</p> <p>Planned Growth – The policy ensures significant inflows are invested in critical areas of the County to promote development and growth of the County.</p>

Maintain and Enhance Strong Communities – The proposed policy demonstrates Council commitment to building a strong community through a capital grant program and investing in community enhancement programs.

Operational Excellence – The policy will streamline and aid long-term planning for significant tax inflows.

Organizational:

There will be potential increase in service level expectation with the influx of the refinery revenue. Executing projects under the priorities areas like maintaining and investing in infrastructure and building communities will require additional work beyond the current capacity. The policy allocates dollars to offset the impact of potential service level increases on the plan.

Administration will use this policy as a guideline to develop and recommend future budgets for Council's approval on an annual basis.

Financial:

The expected tax revenue from the refinery revenue range from \$25 million to \$30 million. The net revenue after taking out any legal obligations and commitment will be allocated as follows:

Priority Area	2018	2019	2020	2021	2022
Reserve and Debt (Priority 1)	34%	18%	14%		
Road Network Infrastructure (Priority 2 & 3)	40%	60%	59%	65%	67%
Community Building (Priority 4)	16%	9%	11%	17%	17%
Potential Service Level Increase (Priority 5)	3%	7%	9%	10%	8%
Heartland Mitigation Strategy (Priority 6)	3%	3%	3%	3%	2%
Tax Stabilization Fund (Priority 7)	3%	3%	4%	5%	5%

Alternatives Considered

1. Receive the Policy as information, refer the Policy to a future meeting, allowing Councillors to seek feedback and consider potential adjustments.
2. Maintain status-quo – Do not put a policy in place for significant property tax revenue. Include such revenue in the normal annual planning and budget process.



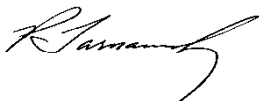
Implications of Alternatives

Strategic Alignment:

- These options do not align with Strong Local Governance and Regional Leadership and Planned Growth.

Organizational:

- Expected service level increase and additional work beyond existing staff capacity. Resulting in inefficiencies and contributes to poor planning.

	<p><u>Financial:</u></p> <ul style="list-style-type: none"> • A policy may not be in place prior to guide how the refinery revenue will be allocated in Budget 2018. • Considering the volatility of property taxes from industrial development, incorporating such revenues to the County's budget will expose the County to a huge financial risk in the future.
Follow up Action	<ol style="list-style-type: none"> 1. Finance to work with Assessment to firm up tax revenue estimate from the Sturgeon Refinery. 2. Administration to develop 2018 Budget for the refinery revenue.
Attachment(s)	<ol style="list-style-type: none"> 1. Significant Tax Revenue Growth Policy 2. Debt Management Policy 3. Reserve Policy 4. Summary of Fiscal Principles, Practices and Policies
Report Reviewed by:	<div>  <p>Manager, Financial Services</p> </div> <div>  <p>Rick Wojtkiw, GM Corporate Support</p> </div> <div>  <p>Peter Tarnawsky, County Commissioner – CAO</p> </div>

Strategic Alignment Checklist

Vision: Sturgeon County: a diverse, active community that pioneers opportunities and promotes initiative while embracing rural lifestyles.

Mission: Provide quality, cost effective services and infrastructure to meet the diverse needs of the Sturgeon County community, while improving competitiveness and sustainability.

Focus Areas	Not consistent	N/A	Consistent
Strong Local Governance and Regional Leadership			
<i>We promote consistent and accountable leadership through collaborative and transparent processes (Strategic Plan, pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Consistent with neighborhood role (see MDP), master plans,, policies 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Considers fiscal stability and sustainability 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Has a positive impact on regional and sub-regional cooperation 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Respect the Natural Environment			
<i>We acknowledge the importance of a healthy environment and will minimize and monitor our impact on ecosystems (Strategic Plan, pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Compliance with Provincial and Federal regulations and/or legislation 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Ensure effective environmental risk management 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Community Identity & Spirit			
<i>We will build upon our strengths, where together we will create an inclusive, caring community (Strategic Plan, (Strategic Plan, pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Promotes and/or enhances residents' identification with Sturgeon County 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Enhances service provision through community partnerships 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Supports Sturgeon County's cultural history 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Planned Growth and Prosperity			
<i>We encourage varied and integrated enterprises that enhance our strong economic base, while balancing the needs of the community and natural environment. (Strategic Plan, pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Does the proposal align with the Integrated Regional Growth Strategy (map/policies) pg. 26 MDP 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Considers cumulative costs and long-term funding implications 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Targets growth around current or planned infrastructure 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Maintain and Enhance Strong Communities			
<i>We are committed to a safe, secure community, where our residents are respected and provided with access to opportunities. (Strategic Plan, pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Positive impact on residents' quality of life 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Supports and promotes volunteer efforts 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Provides programs and services that are accessible to all residents 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Excellence			
<i>We have the organizational capability to deliver consistent and defined levels of service to all stakeholders in a professional, efficient, and cost effective manner</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Staff have the knowledge, skills and capability to perform their jobs 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Streamlines operational processes and policies 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Promotes engagement and professional interaction with stakeholders 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Considers a cost-structure which allows Sturgeon County to remain competitive within a regional, national and global context 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>