

Request for Decision

Title	Refinery Revenue Update
Proposed Motion	That Council direct Administration to adhere to the principles and target ratios as outlined in the approved Significant Tax Revenue Growth Policy when developing the four-stage road infrastructure capital plan.
Administrative Recommendation	Administration recommends that Council adhere to the Significant Tax Revenue Growth Policy to allocate the refinery revenue to the seven priority areas outlined in the policy.
Previous Council Direction	<p>March 28, 2017 – Motion 131/17 That Council approve the Significant Tax Revenue Growth Policy.</p> <p>February 14, 2017 – Motion 064/17 That Council give third reading to Bylaw 1386/17, Supplementary Assessment Bylaw.</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"> The Sturgeon Refinery was originally scheduled to begin production in the fourth quarter of 2017. This would have generated approximately




\$31.5 million in taxes from machinery and equipment taxes once the refinery becomes operational (Prior to the tax prepayment and Alberta Industrial Heartland Commitments).

- However, presentations from an NWR Executive and a recent press release from North West Refining indicate the refinery will be operational Q2 2018.
 - The Significant Tax Revenue Growth Policy set out priority areas and target ratios for allocation and expenditure of significant growth in tax revenues from Industrial development.
 - The policy was used to prepare the 5-year fiscal plan incorporating the refinery revenue.
 - The original net revenue estimate of \$29 million for 2018 is now reduced to \$15 million (after taking out North West tax prepayment and Alberta Heartland Commitments) due to the change in the project commission date from Q4 2017 to Q2 of 2018.
 - To stay within the target ratios in the policy, allocations to the seven (7) priorities has been adjusted to reflect the potential reduction in the original estimate:
- (1) **Reserve Contribution and Debt Mitigation** – About \$5.7 million will be allocated to this priority in 2018, instead of original \$10 million. With the revised plan, the County will achieve its reserve targets over a four-year period, instead of the original three-year target. Reserves will put Sturgeon County in a better position to deal with unanticipated or emergent challenges.
 - (2) **Rehabilitating Existing Infrastructure** – Revised from \$7 million to \$5.2 million. Some capital projects will have to be deferred by one year.
 - (3) **Investing in New Infrastructure** – In the original plan, \$4.4 million was advanced for engineering in 2018. The revised plan does not include the advance.
 - (4) **Community Building** Priority Area is now at \$2.5 million for 2018 versus the original \$4.6 million. The Sturgeon Building Fund (an item in this priority) was adjusted from \$3.5 million to \$2 million.
 - (5) Allocations to Potential Service Level Increase, Heartland Mitigation Strategy, and Tax Stabilization Priority areas has been prorated to reflect the downward revision in the estimate revenue.

Priority Area	2018 - Revised	2018 - Original
Reserve and Debt	\$ 5,742,381	\$ 10,011,472
Infrastructure Rehabilitation	\$ 5,202,128	\$ 7,042,499
Infrastructure New (Reserve)	\$ -	\$ 4,455,986
Community Building	\$ 2,453,083	\$ 4,579,000
Potential Service Level Increase	\$ 530,833	\$ 1,000,000
Heartland Mitigation Strategy	\$ 530,833	\$ 1,000,000
Tax Stabilization Fund	\$ 583,333	\$ 1,000,000
	\$ 15,042,592	\$ 29,088,957

- Administration will continue to monitor the refinery project and the economy at large to adjust revenue forecasts and allocations to the seven priority areas for development of the 2018 budget package.

	<ul style="list-style-type: none"> It is anticipated that 2019 will achieve a full year of revenue and funding targets will be consistent with the original plan. <p><u>External Communication</u></p> <ul style="list-style-type: none"> None. <p><u>Relevant Policy/Legislation/Practices:</u></p> <ul style="list-style-type: none"> Significant Tax Revenue Growth Policy Debt Management Policy Reserve Policy Sturgeon County's Strategic Plan Summary of Fiscal Principles, Practices and Policies
Implication of Administrative Recommendation	<p><u>Strategic Alignment:</u></p> <p>Strong Local Governance and Regional Leadership – The principles and approach outlined in the policy and how it being applied demonstrate the County's commitment to strong fiscal planning.</p> <p>Planned Growth – This RFD ensures significant inflows are invested in critical areas of the County to promote development and growth of the County.</p> <p>Maintain and Enhance Strong Communities – Adherence to the policy demonstrates Council commitment to building a strong community through a capital grant program and investing in community enhancement programs.</p> <p><u>Organizational:</u></p> <p>The allocations to the priorities will be included in the 2018 Capital and Operations Budget. Because of this new development, some capital projects will be deferred by a year.</p> <p><u>Financial:</u></p> <p>Anticipated revenue from the refinery project has dropped by more than 40% in 2018. The revenue plan allocated the bulk of the refinery money to capital projects or reserve funding leaving little impact on operations of Sturgeon County in 2018.</p>
Alternatives Considered	<ol style="list-style-type: none"> Council Directs Administration to allocate Refinery Revenue in a manner other than the Significant Tax Revenue Growth Policy.
Implications of Alternatives	<p><u>Strategic Alignment:</u></p> <ul style="list-style-type: none"> These options are inconsistent with the policy debated, delivered and approved by Council and may not align with Strong Local Governance and Regional Leadership and Planned Growth.

	<p><u>Organizational:</u></p> <ul style="list-style-type: none"> Refinery revenue allocation is mainly capital and financial for 2018 with minimal impact on staff resources or operations. <p><u>Financial:</u></p> <ul style="list-style-type: none"> The County may not be able to achieve its reserve target within the 4-year period. Community Building Priority area might be reduced to accommodate the Capital Plan The County might not be able to support a stable tax as provided in the policy.
Follow up Action	<ol style="list-style-type: none"> Continue to monitor recent developments and revise the plan accordingly. Use the allocations to Infrastructure to support the Capital Plan.
Attachment(s)	<ol style="list-style-type: none"> Significant Tax Revenue Growth Policy Debt Management Policy Reserve Policy Summary of Fiscal Principles, Practices and Policies
Report Reviewed by:	<div>  Ed Kaemingh, Manager Financial Services </div> <div>  Rick Wojtkiw, GM Corporate Support </div> <div>  Peter Tarnawsky, County Commissioner – CAO </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 checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input 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"/>