



Town of White City/RM of Edenwold Annexation:

Response to the RM's Reports

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Prepared by:

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1 INTRODUCTION

CORVUS Business Advisors Inc. (“CORVUS”) submitted its final report outlining the financial impact assessment of the proposed annexation May 2022 (“the CORVUS FIA” or “the FIA”). The FIA contains forecasts, underlying tables, and calculations as they pertain to the financial impact on: (1) the Town of White City (“the Town”), (2) the RM of Edenwold (“the RM”), and (3) landowners in the proposed annexation area.

The RM has submitted four reports to the Saskatchewan Municipal Board (“the SMB”), three of which speak to the financial impact of the proposed annexation:

1. A report by the RM of Edenwold titled *Response to Application for Alteration of Municipal Boundaries*. The report is not dated but was received October 14th, 2022 and is referred herein as “the RM Submission”.
2. A report by Virtus Group Chartered Professional Accountants & Business Advisors LLP (“Virtus”), dated September 23rd, 2022 (“the Virtus Submission”) is a limited critique report that speaks to the financial impact of the proposed annexation on the same three stakeholders outlined in the FIA.
3. *Written Submissions on Behalf of the Respondent, RM of Edenwold No. 158*, prepared by Olive Waller Zinkhan & Waller LLP, legal counsel for the RM. The submission is not dated but was received October 14th, 2022 (“the OWZW Submission”).

2 PRINCIPLES FOR FINANCIAL SETTLEMENTS BETWEEN MUNICIPALITIES FOR BOUNDARY ALTERATIONS

The RM’s three reports (the RM Submission, the Virtus Submission, and the OWZW Submission) each reference Saskatchewan’s 2015 Principles for Financial Settlements to backstop statements and claims within the reports. However, in our opinion many of the RM’s application of the Principles are misguided. As such, this section discusses how the Principles should be applied to annexation financial impact analyses and related compensation determination.

2.1 Why Were the Principles Adopted?

In 2015 the Province of Saskatchewan adopted the *Principles For Financial Settlements*

Between Municipalities For Boundary Alterations (“the Principles”) for guiding the determination of annexation financial compensation settlements and ensuring compensation frameworks are appropriate. For ease of reference, the 2015 Principles are reproduced in *Appendix A*.

Well before the adoption of the Principles in 2015, there were examples of boundary alteration in Saskatchewan where the municipality doing the annexing (the “initiating municipality”) was required to pay (via decision from the SMB) or agreed to pay (via negotiated settlement) significant financial compensation to the municipality whose lands were being annexed (the “responding municipality”). In many of these cases the compensation amount was determined using a simple multiple of taxes lost (e.g., 5X taxes lost or 15X taxes lost). However, over the past two decades the appropriateness of simple tax loss calculations has come under scrutiny, and municipalities involved in annexations and their Provincial review boards have gradually come to view these simple calculations as inherently inappropriate. The primary reason for this shift in thinking is underpinned by the idea of ‘net impact’. Namely, it has been recognized that to ensure equity in compensation a forecast of revenues lost must also be accompanied with a forecast of expenses shed. In other words, while it is true that annexation may result in the responding municipality losing taxes it is also true that the responding municipality will no longer need to provide services to the annexation area and, therefore, revenue loss will be offset by a reduction in expenses. Taken together, an examination of net impact ensures a more complete and accurate examination of the true financial impact. Moreover, in some annexations it was determined that annexation resulted in an overall net positive impact for the responding municipality; and accordingly, in these cases it was determined that no financial compensation was necessary.

A municipal corporation does not exist for its own sake. It exists primarily to provide services required by the area which, for the time being, is included within its boundaries. It has no claim on the lands in that area which is comparable to the interests of the landowners. If conditions in the area change such that lands are annexed into another municipality the only loss or gain are the costs and duty and responsibility of providing services, and the ability to tax such costs to area residents and businesses.

The shift in thinking that has taken place acknowledges that municipalities do not own the annexation lands and, therefore, land ownership is not changing but rather merely changing

jurisdiction of governance. The shift in thinking also acknowledges that financial compensation from the initiating municipality to the responding municipality need only occur in circumstances where the responding municipality suffers a net financial impact, and then only for a period necessary to mitigate the impact.¹ The Principles adopted by Saskatchewan in 2015 are consistent with this shift in thinking.

However, since 2015 there has been no decision where there was not substantial agreement on the annexation matter, and no case which required the SMB to engage the new Principles. As such, there has been no opportunity for the SMB to establish any precedent that ensures the Principles are utilized correctly during the development of compensation frameworks. The annexation application of the Town of White City, now before the SMB, essentially represents the first opportunity for the SMB in Saskatchewan to put the Principles into action. In this regard, the Town's annexation application is very important because the SMB's decision(s) in this case will "over-write" old precedent and set new precedent as it pertains to future annexations and correct use of the Principles.

2.2 The Principles as They Pertains to This Annexation

While each of the eight Principles is applicable to this annexation, there are three Principles (Principle 3, Principle 4, and Principle 2) which are particularly noteworthy as it pertains to the financial compensation discussion herein:

Principle #3: Determining the amount of a boundary alteration financial settlement should be evidence-based and done in good faith.

Across the entire Principles document, including within the title of Principle #3, the word 'evidence' or 'evidence-based' is mentioned fifteen times. In other words, the Principles make it very clear that any analysis of financial impact and any claim for financial compensation, whether it be for annual impacts or one-time impacts such as stranded assets and liabilities, must be accompanied by data and analyses that provide appropriate evidence to backstop the

¹ In recent years, annexation adjudicating Boards akin to the SMB have also acknowledged that responding municipalities have a responsibility to "alter course" as quickly as possible thereby mitigating impacts; these boards have also acknowledged that, depending on the size of the financial impact, responding municipalities can usually make these adjustments relatively quickly. Accordingly, annexation impact periods (when applicable) are often between 1 and 5 years. The appropriateness of this time period was validated recently during the COVID-19 pandemic when municipalities across Canada demonstrated their ability to react very quickly to adjust operations and budgets to mitigate impacts stemming from revenue losses.

claim.

As a result this Principle, we have been cognizant to take special care to not make statements and claims without backstopping these statements and claims with suitable data and analyses that can be examined by the reader. And, this requirement for evidence-based financial impact analyses has caused us to consider this matter when dealing with the compensation framework because it has also been reinforced in recent annexation decisions by annexation Boards akin to the SMB where they have clearly stated: they will not rely on claims that are unsubstantiated.² Unfortunately, as demonstrated in the sections below, there are several instances within each of the RM's three reports where statements and claims are asserted without any data or analyses to backstop them. We suggest these statements and claims do not meet the requirements of the Principles and should be disregarded.

Principle #4: A financial settlement should acknowledge the net financial benefits for both the municipalities, and infrastructure investments that have been made.

The terms 'net benefit' and 'net loss' refer to the requirement to examine both revenue and expenditures to determine overall impact. As the Principle states, "*the use of "net benefit" is appropriate because an annexation can benefit either municipality; for example, a rural [municipality] might be better off from annexation by giving up land where servicing costs are greater than the...tax levied in the area.*" Similarly, the Principles confirm the "*need to consider the impacts on the financial situation/position of both municipalities in terms of operating revenue and expenditure increases and/or decreases related to the existing rural services provided and the initial urban services required in the annexed area.*"

As discussed in the sections below, the RM's three reports assert that the methodology used in the CORVUS FIA to determine the annual impact of annexation on the RM (which is an examination of net benefit) is somehow inappropriate. We disagree with these assertions. The use of net benefit that underpins the CORVUS analysis is entirely aligned with the requirements of Principle #4. Instead, the RM Submission and the OWZW Submission suggest that a "multiplier of tax loss" should be used to determine annual financial impact on the RM. However, a "multiplier of tax loss" approach does not consider net impact (it only considers

² City of Lloydminster vs Vermilion River County, LPRT 2021/0768, page 77. City of St. Albert vs Sturgeon County, MGB 123-06, page 92. City of Grande Prairie vs Grande Prairie County, MGB 033-15, page 59.

revenues) and, therefore, is not compatible with the requirements of Principle #4.

Principle #4 also provides useful guidance as it pertains the valuation of assets transferred during annexation. It states, “*infrastructure compensation [where appropriate] should consider multiple factors, including: utility, condition, tangible capital asset register value, depreciation, engineering condition assessments, sources of original funding, outstanding debt and/or loans related to the annexed infrastructure, investment in other RM infrastructure in support of imminent development in the annexed area, etc.*” This description is particularly useful because it includes much of the same information that was requested from the RM starting in 2018, but which the RM has been unwilling to provide to the Town or the SMB. As discussed in the sections below, even to this date the RM’s three reports fail to provide even the most basic information that would enable an examination of the appropriateness of the statements and claims therein. To be clear, this is information that is readily at hand within all municipalities, but: (a) the RM has not provided any assessment of infrastructure conditions, (b) the RM has not provided any tangible capital asset records, (c) the RM has not provided any depreciation records, (d) the RM has not provided any sources of original funding, and (e) the RM has not provided a fulsome accounting of debts and/or loans pertaining to infrastructure that is being transferred to the Town. As underpinned in Principle #3, financial impact analyses and compensation frameworks must be evidence-based. Though the Town requested information to enable an analysis of potential infrastructure valuation, and though the RM had the opportunity to present this information within its reports, the RM considered it unnecessary to provide any information (as noted in their submissions) that supports or refutes the framework of compensation presented in the CORVUS FIA. Accordingly, in our opinion, the only compensation framework before the SMB is the one outlined in the CORVUS FIA.

Though information provided by responding municipalities may (potentially) support the payment of a higher compensation claim, there is often information that does not because: (a) the infrastructure may have been “contributed” to the municipality by way of grant or contribution thereby reducing the value of any claim to zero, and/or (b) the infrastructure may have depreciated beyond its economic life thereby reducing the value of any claim to zero, and/or (c) the condition of the infrastructure (though owned and maintained by the responding municipality) may be below the standards of the responding municipality thereby revealing a potential financial liability for the responding municipality. As noted above, the RM has not provided any information which would alter our opinion as to the compensation payable.

Principle #2: Municipal boundary alterations should be based on the substantiated need for land for growth and alignment with plans.

As discussed in the sections below, the RM's three reports allude to the notion that approval or dismissal of the Town's annexation application be undertaken by comparing the relative financial "strength" of the Town and RM. We disagree—Principle #2 makes it quite clear that determination of the appropriateness of an annexation application should be based on an evidence-based need for land.³ And conversely, any denial of an annexation application should likewise stem from an evidence-based determination of no need for land.

Once a need for land has been established, adjudicating boards such as the SMB turn their attention to the evidence-based analysis of financial impact and three important questions:

- i. Can the land transfer be accommodated without unreasonable tax or debt impacts on the initiating municipality?
- ii. What is the nature of financial impact on the responding municipality (positive or negative)? And what is the nature of financial compensation either to or from the responding municipality that is required to mitigate the impact?
- iii. Can the transfer of land be accommodated without unreasonable impacts on annexation area residents, particularly if not mitigated with measures such as tax rate guarantees etc.?

3 ANALYSIS OF THE RM SUBMISSION

This section examines the finance-related statements contained in the RM Submission titled "*Response to Application for Alteration of Municipal Boundaries*". For ease of review, the topics below are presented in the same order as they appear in the RM Submission.

3.1 Change in Assessment

The table on page 10 of the RM Submission claims that the RM's 2021 taxable assessment was **\$1.37 billion**, as shown in the picture below. This is inaccurate. The RM mistakenly includes exempt assessment in its totals (and percentages). In 2021, the RM's taxable

³ As noted in Principle #2, need can also stem from other plans, for example: cultural plans, economic plans, servicing plans, and broader strategic plans such as community unification.

assessment was **\$1.25 billion**, a difference of **\$122.43 million**.

Errors within the RM's Summary of 2021 Taxable Assessment

Tax Classes	2021 Taxable Assessment (RM)	Assessment Ratio (RM)	2021 Proposed Annexation Area	Annexation Assessment Ratio (WC)	% of 2021 Taxable Assessment (RM)	2021 Taxable Assessment (RM - Less Annexation Area)	Revised Assessment Ratio (RM)	Change in Assessment Ratio
Non-Arable	\$4,255,695	0.31%						
Other Agricultural	\$163,133,795	11.87%						
	\$167,389,490	12.18%	\$2,448,040	0.49%	0.18%	\$164,941,450	18.94%	6.75%
Residential	\$698,333,520	50.83%						
Multi-Unit Residential	\$8,799,040	0.64%						
Seasonal Residential	\$0	0.00%						
	\$707,132,560	51.47%	\$302,608,792	60.17%	22.03%	\$404,523,768	46.45%	-5.02%
Commercial and Industrial	\$377,563,115	27.48%						
Elevators	\$21,278,305	1.55%						
Railway R/W and Pipeline	\$100,538,510	7.32%						
	\$499,379,930	3.35%	\$197,890,039	39.35%	14.40%	\$301,489,891	34.62%	-1.73%
	\$1,373,901,980	100.00%	\$502,946,871	100.00%	36.61%	\$870,955,109	100.00%	

Post-annexation the RM's non-residential taxable assessment is estimated to decrease from approximately **\$452.8 million** to **\$274.3 million**^{4, 5}, resulting in a small change in its taxable assessment split from 64% Res / 36% Non-res to approximately 65% Res / 35% Non-res, as shown in the table below. Essentially, the RM's non-residential taxable assessment split post-annexation will remain about the same as it is today. And when compared to other cities, towns, villages, and northern villages in Saskatchewan, the RM's new assessment split will rank approximately 24 out of 421, well above the median which is 88% Res / 12% Non-res, and ahead of both the City of Regina and the City of Saskatoon. In other words, though the proposed annexation will result in a decrease in non-residential assessment in the RM, its assessment split will remain very strong. A strong assessment split, together with a net positive impact of **\$1.49 million** per year, and significant financial flexibility⁶ will, in our opinion, continue to position the RM well post-annexation. Discussions pertaining to the change in the Town's assessment split post-annexation are contained in *Section 4.4* herein.

⁴ Source of non-residential assessment: RM of Edenwold 2021 Financial Statement, Schedule 9, page 30.

⁵ This includes the loss of annexation area 2021 assessment as presented in the CORVUS FIA, May 2022, Page 44. Though the assessment will have changed in the RM and in the proposed annexation area by 2024 when annexation is assumed to occur, the relative assessment weighting is anticipated to be similar to 2021 values.

⁶ Virtus Report, September 23, 2022, page 7.

Estimate of Town and RM Assessment Split (Based on 2021 Assessment)

	Town		RM	
	Pre-Annex	Post-Annex	Pre-Annex	Post-Annex
Non-Residential	1%	18%	36%	35%
Residential	99%	82%	64%	65%

3.2 Cash-In-Lieu of Municipal Reserves

The RM Submission omits any substantive discussion pertaining to the transfer of cash-in-lieu funds collected by the RM from lands in the proposed annexation area. If the RM wished to refute the Town’s claim to transfer cash-in-lieu funds, it could have done so by providing accounting details and receipts associated with cash-in-lieu funds collected from individual developers, project expenditures, front-ending balances, etc. But no such information is included in the RM Submission nor is the claim disputed. The only mention of cash-in-lieu is in *Section 3.2* on page 13 of the RM Submission which states, “*The RM’s decision to take Cash-In-Lieu for the MR dedication, as per the Act, is an acceptable practice.*” This statement is not disputed. However, as noted by ISL, the practice of taking cash-in-lieu of municipal reserve at subdivision approval stages has resulted in an increased burden on the Town to provide recreational amenities for residents of the RM.⁷ Also, the CORVUS FIA points out on page 62 that cash-in-lieu funds are “designated use” funds⁸ that can only be used to construct certain infrastructure in the annexation area. As such, they should be transferred along with the lands so that the parks and related infrastructure (for which they have been collected) can be built for the benefit of residents and businesses in the proposed annexation area.

Update for the SMB: It should be noted, as of October 2022, it is the Town’s understanding that developments 6 through 9 reflected in *Table 28* of the CORVUS FIA (and reproduced in *Appendix B*, Item 12 herein) have not been approved.⁹ If these developments remain unapproved prior to the annexation transfer date, then the total cash-in-lieu that the RM should be required to transfer to the Town should be reduced to **\$876,680**, this being the total cash-in-lieu pertaining to developments 1 through 5 that were approved by the RM and collected to support construction of future parks and related infrastructure in the annexation area. This

⁷ ISL 2022 Growth Study, June 2022, Page 83.

⁸ Designated use funds are restricted funds that can only be used by the municipality for a specific purpose. These funds cannot be transferred to general revenues or used for any other purpose.

⁹ The compensation framework outlined in the CORVUS FIA considered approved developments as well as those developments that could potentially be approved prior to the annexation transfer date. To ensure the SMB has the most recent information, the status of these potential developments has been updated herein.

transfer does not impact the RM financially because these funds are “designated use” funds paid by developers that can only be used to construct infrastructure in the annexation area. For ease of review, a summary of all financial-related recommendations is provided in *Appendix B* herein.

3.3 Utilities and Utility Rates

Commentary throughout the RM Submission that pertains to its water and sewer utilities is inconsistent. In some sections of its report the RM suggests that transfer of its utility infrastructure and operations would be a detriment to the RM. For example, in *Section 3.5.2* on page 13 the RM claims, “[*transfer of the utilities would mean that*] *businesses and residents [in the RM] would be subject to the discretion of the Town regarding the availability of water.*” Similarly, in *Section 3.5.2* on page 13 the RM claims, “*if annexation were successful, the future of these [water utility] systems would be in jeopardy as White City (or SaskWater by proxy) would be in control of the treatment plant.*” In contrast, in other sections of its report the RM suggests the opposite...that ongoing possession of its utility infrastructure and operations would be a detriment to the RM. For example, in *Section 3.5.1* on page 12 the RM claims, “*The capacity of the RM to operate as a municipal utility provider would be reduced if the annexation application was approved and so it is likely that the RM would need to relinquish ownership of the water supply, treatment, and distribution system.*” As a result, it is not clear if it is the RM’s preference to transfer or maintain its utility infrastructure and operations.

In any event, the Town’s annexation application does not include transfer of the RM’s utilities. As noted in *Section 13.3* of the CORVUS FIA on pages 49-50, the transfer of utility infrastructure and operations (unlike other infrastructure such as roads and parks) is a complex undertaking that requires cooperation and commitment from both the initiating and responding municipalities. The RM is contesting this annexation and, as such, was unwilling to meet with the Town to plan any aspect of the annexation. Accordingly, there has been no opportunity to discuss or plan the transfer of utility infrastructure and operations. For this reason, the RM will continue to control and operate its utilities and provide water and sewer services to residents and businesses in existing developed lands in the annexation area and collect water and sewer revenues from those same ratepayers, just as it does today. In so doing, the RM will act as a third-party utility provider within certain annexation areas. Specifics pertaining to the RM’s utilities are described in *Section 13.3* of the CORVUS FIA. Examples of this approach can be

found in several municipal jurisdictions across Canada.¹⁰ If at any point in the future the RM prefers to transfer its water and sewer utilities to the Town, then the RM can initiate transfer discussions, but these potential discussions do not impact the Town’s annexation application before the SMB.

3.4 WCRM158 Wastewater Management Authority

On page 11, the RM Submission claims, “*if the annexation proposal is successful the RM will have a minor contribution to the [WCRM158] wastewater treatment facility.*” This statement is inaccurate. As noted above, the RM will continue to own and operate its utilities post-annexation and, accordingly, its membership in WCRM158 will not change.

On page 11, the RM Submission also claims, “*The current [WCRM158 wastewater treatment] facility will be upgraded to accommodate a population of approximately 15,000. This is below the population projected by ISL for the White City Emerald Park area (24,435). It is not contemplated whether the facility can be further upgraded to accommodate this population or if another treatment facility would be required. It does not appear that long-term infrastructure planning for the full population has been undertaken in any of the studies provided.*” This statement has the potential to mislead. While it is true that that WCRM158 has not yet undertaken planning beyond the ongoing current expansion, this situation impacts future development in the RM and the Town equally. Nonetheless, the Town’s capital plans do include costs for future wastewater treatment expansion, in whatever form it is undertaken, as well as a significant contingency—as noted in *Appendix B* on page 75 of the FIA, the Town earmarked **\$7.56 million** in 2035 for wastewater treatment expansion, and the FIA also contains a **\$78.38 million** contingency to manage emerging items (refer to *Section 4.5* herein).

3.5 Decommissioning Emerald Park Sewage Lagoons

On pages 13-14, the RM Submission discusses the Emerald Park lagoons. However, the RM Submission omits any discussion pertaining to the ongoing liability associated with the decommissioning of the Emerald Park sewage lagoons. Similarly, *Item 43* in the RM’s *2020 Municipal Action Plan* claims that decommissioning is complete: “*Emerald Park lagoon decommissioning (completed in 2019).*”¹¹

¹⁰ A few examples of third-party utility providers include: Intervalley Water Inc. (Martensville), Aquatera (Grande Prairie), EPCOR (Edmonton), SaskWater (Town of White City). Etc.

¹¹ RM’s Municipal Action Plan, November 2020, Page 5.

However, a recent aerial survey of the lagoons undertaken by the Town in 2022 found that while decommissioning on one of the four cells appeared to be complete, decommissioning on the second cell appeared to be incomplete, and the remaining 2 cells appeared to be devoid of any decommissioning work, as outlined in *Appendix C*. If the Town's proposed annexation application is approved by the SMB but the decommissioning of the Emerald Park lagoons is not complete prior to the date of annexation, then it should be made clear that this ongoing liability and cost will remain the sole responsibility of the RM. This requirement aligns with the approach put forward in the CORVUS FIA that sees the RM retain sewer infrastructure and operations post-annexation, including the Emerald Park lagoons.¹² For ease of review, a summary of all financial-related recommendations is provided in *Appendix B* herein.

3.6 Road Maintenance

On page 14, the RM Submission states, "*If annexation is successful, the ability of the municipality to secure funding amounts required to service the roadway networks that provide access to residents and businesses of the Emerald Park area would be reduced, resulting in a depreciation of the roadway assets*". We reviewed the RM Submission but cannot find any analysis pertaining to the Town's ongoing operations plans or costs. As highlighted in *Section 2* herein, Principle #3 requires that statements be evidence-based.¹³

In contrast, the CORVUS FIA contains an operating and maintenance plan which meets all road maintenance needs for the existing Town and the proposed annexation area. In *Section 8* on page 22 of the CORVUS FIA the total operating expenditures of the Town are forecast to increase from **\$11.09 million in 2024** to **\$76.37 million in 2047**. Included in these expenditures, and summarized in *Appendix D* on page 91, are engineering services that include maintenance and rehabilitation costs associated with roads. These engineering services expenditures are forecast to increase from **\$1.29 million in 2024** to **\$11.15 million**

¹² It should be noted that even if sewer assets such as the Emerald Park lagoons were included in the transfer of annexation lands, it would be appropriate for the RM to transfer to the Town funds equivalent to the remaining decommissioning costs.

¹³ On this basis alone, we suggest the RM's claim should be disregarded. Further, in past annexation decisions, annexation Boards akin to the SMB have been very clear—they will not rely on claims that are unsubstantiated. Examples of these other annexation decisions include: *City of Lloydminster vs Vermilion River County*, LPRT 2021/0768, page 77. *City of St. Albert vs Sturgeon County*, MGB 123-06, page 92. *City of Grande Prairie vs Grande Prairie County*, MGB 033-15, page 59.

in 2047.¹⁴

3.7 Fire Protection

On page 14, the RM Submission states, “*the RM is in the process of negotiating the new fire agreements. In 2021, the RM constructed its own fire hall in Emerald Park. With the new fire hall, the boundaries for the fire department’s service area will change.*” It is not clear what the relevance of this statement is. The construction of the RM fire hall was determined by the Town to be unnecessary for it to provide fire protection to the proposed annexation area. This is reiterated in the CORVUS FIA on page 49, “*the following assets in the annexation area should remain with the RM: RM owned buildings including ... the fire hall.*”

The CORVUS FIA also points out in *Footnote 51* on page 49, that fire services in Emerald Park are provided by the Town of White City via its existing fire hall and via a Fire Services Agreement with the RM. The cost of this service to the RM is ~\$127,000 in 2022. It is not clear why the RM is investing in a new fire hall, which appears to be redundant, or if the new fire hall is being constructed to urban standards. Nonetheless, post annexation the Town will provide fire services to Emerald Park (and other the annexation areas) from its existing facilities just as it is doing today. The RM will retain its new fire hall as a base from which to provide fire services to other lands beyond the annexation area.

Specifically, the operating funding for the provision of Fire Services, which is summarized in the CORVUS FIA in *Appendix D* on page 91, is adequate and is forecast to increase from **\$0.29 million in 2024 to \$1.93 million in 2047.**¹⁵

3.8 Community Safety Officers, Administration, and Public Works

On page 14, the RM Submission states, “*annexation would likely jeopardize the RM’s CSO program due to the reduction of tax funds available and the enforcement area being smaller.*” And on page 14, the RM Submission states, “*The Administration Department contains Communications, IT, Financial Officer, and Customer Relations Agents. Current staffing resources would be affected and would need to be reviewed and reduced.*” Also on page 14, the RM Submission states, “*By annexing the Great Plains Industrial Park and Emerald Park*

¹⁴ Operations forecasts in the CORVUS FIA were developed on the assumption that, while in some instances services delivered in the future may be enhanced, the vast majority of residents and business in the annexation area will enjoy services equivalent to those received today.

¹⁵ Ibid. Footnote 14, page 13.

commercial district, the Town would be removing a significant source of revenue that the RM uses to enhance its services across the entire municipality. This would result in a diminished Public works Department and lower levels of service delivered to the residents.”

However, as noted in the CORVUS FIA in *Section 13.5* on page 65, the transfer of lands in the annexation area (particularly the transfer of developed lands) will result in the RM shedding significant expenditures. The reduction in expenditures will likely be accompanied by a rationalization and optimization of equipment and staffing requirements. In this regard, we suggest the RM and the Town should work together during the transition period to identify and facilitate the transfer of equipment and/or staff from the RM to the Town that will enable the smooth transition of service delivery in the annexation area from one municipality to the other and mitigate the impact of annexation on employees of the RM.

To clarify, the operating forecast within the CORVUS FIA includes the addition of approximately 15 FTEs at time of annexation to account for the increase in population and developed lands, and further staff additions as the community grows.

Specifically, the operating funding for the provision of Bylaw Services, which is summarized in the CORVUS FIA in *Appendix D* on page 91, is adequate and is forecast to increase from **\$0.14 million in 2024** to **\$1.91 million in 2047**.¹⁶ And, the operating funding for the provision of Administrative Services, which is summarized in the FIA in *Appendix D* on page 91, is adequate and is forecast to increase from **\$2.14 million in 2024** to **\$8.95 million in 2047**.¹⁷

3.9 Recreation

On page 15, the RM Submission states, *“the RM’s recreation facilities are used by both communities, as the recreation facilities provided in each municipality differ. The level of maintenance and the frequency of improvements may be decreased due to the loss of tax base and the decrease of future development service agreement fees collected surrounding Emerald Park.”*

The statement above uses the expression *“may be decreased”* when referring to future use of RM facilities. We have reviewed the RM Submission but can find no information, data, analysis, or financial projection to support the claim. As highlighted in *Section 2* herein,

¹⁶ Ibid. Footnote 14, page 13.

¹⁷ Ibid. Footnote 14, page 13.

Principle #3 requires that statements be evidence-based.¹⁸

It should be noted that the Town’s recreation facilities are used by Town residents as well as RM residents. There is no reason to suggest that recreation facilities transferred with annexation will not continue to be open to or used by anyone wishing to use them.

3.10 Mill Rates and Assessments

On page 15, the RM Submission states, “*the impact of the annexation on the RM’s future mill rates and assessment composition would be detrimental to the RM and ratepayers. This is due to a loss of an estimated \$503M (36.6%) of the 2021 taxable assessment of \$1.25B ...and an estimated \$2.5M (40.3%) of 2022 municipal tax revenue of \$6.2M.*” This is inaccurate.

The RM’s estimated reduction in taxable assessment is **\$469.74 million** as noted in the CORVUS FIA on page 44, and which is based on 2021 SAMA reports—a difference of **\$33.20 million**. It is believed the RM included exempt assessments in its total, similar to the error in the table on page 10 of the RM Submission. More importantly, the RM fails to recognize the net annual impacts associated with annexation. According to the Principles, annual financial impacts must not be limited to a consideration of taxes lost. Rather, they must also consider operating expenses shed, other operating revenues lost, as well as capital expenditures shed. Each of these elements are outlined in *Section 13* of the CORVUS FIA on pages 41–48, with the overall net impact of annexation on the RM being an annual gain of approximately **\$1.49 million** in 2024.

3.11 Disposition Of Land Or Improvements That Is Owned By Or Leased To A Municipality, Local Board or Commission, and Disposition of Assets and Liabilities

On page 16, the RM states, “*If the annexation application was approved, negotiations surrounding the disposition of land or improvements owned and leased by the RM would need to occur. The RM currently has no land leased within the annexation application area, however there is the following properties with structures on them: Office: 100 Hutchence Road (Blk/Par MR1-Plan 82R55377 Ext 0), Water Treatment Plant (Blk/Par MR21-Plan 101964843 Ext 0) and Emerald Park Public Workshop (Blk/Par MR22-Plan 102100172 Ext 0). The RM also has multiple Municipal Reserve (MR) parcels with parks/playgrounds established, Municipal Buffer*

¹⁸ Ibid. Footnote 13, page 12.

(MB) parcels and Utility (U) parcels.”

Further, on page 16, the RM Submission states, *“To compile the Town’s list of requested financial information, including the value of assets and liabilities within the annexation area, it would require significant financial and staff commitment. Compilation of this information has not been deemed beneficial for the RM at this time based on the guidance of our legal team, council, and management.”*

In our experience, annexation applications approved by adjudicating boards are not followed by a subsequent round of negotiations. The compensation framework contained in the CORVUS FIA is presented in its entirety on the basis that the SMB will adjudicate on all matters.^{19, 20}

With respect to the parcels identified such as the RM’s office and public works shop, these are not being transferred to the Town. On page 49 of the CORVUS FIA it states, *“The following assets in the annexation area should remain with the RM: RM owned buildings including the municipal office, fire hall , WTP, Emerald Park lagoons, and public work yard...Water utility infrastructure...Sewer utility infrastructure...”*

With respect to municipal reserve parcels with parks / playgrounds, it should be noted that the lands were either provided by developers or developers paid cash-in-lieu to construct the parks. In such instances the park and associated park equipment are contributed assets. In other words, the land and equipment were provided to the RM at no cost. It would not be appropriate for the RM to financially benefit from assets given to it. And in situations where the RM paid out-of-pocket (i.e., not through land dedication or from cash-in-lieu funds) it should be noted that the taxpayers in the annexation area have already paid for these facilities via annual taxes levied against their properties. In these instances, to suggest that annexation area residents would have to pay again for such facilities would be equivalent to double charging the residents. In our view, it would not be appropriate for the RM to financially benefit from the annexation at the hands of annexation residents. In any event, we have reviewed the

¹⁹ It should be noted that the Town engaged the RM commencing in 2018 outlining its intent to annex RM lands and its accompanying request for information. Though the Town’s growth study was updated, essentially the targeted lands have not changed since 2018. As such, the RM has, in our view, had ample opportunity to undertake actions that would provide the Town and the SMB with information regarding infrastructure that will be subject to transfer with the annexation. As the RM states in its submission, *“they deemed it not beneficial to do so.”*

²⁰ Ibid. Footnote 13, page 12.

RM Submission and can find no data that clarifies the source of funding for individual parks. As highlighted in *Section 2 herein*, Principle #3 requires that statements be evidence-based.²¹

With respect to utility parcels and buffer parcels, these lands have been dedicated by developers to the RM in accordance with development agreements or subdivision approvals. The RM is not out-of-pocket for these land holdings and, therefore, it should not benefit from the transfer of these lands which only constitutes a change in municipal jurisdiction.

With respect to buildings and other facilities, on page 16 the RM states, “*There are several capital assets within the annexation area that may be acquired. The RM would require compensation for the replacement costs of these assets and/or compensation to repay outstanding debts for acquiring these assets: buildings (head office, water treatment plant, Emerald Park shop) ~\$2M; fire hall \$498K in WIP as of December 31, 2021, and \$1.5M spend in 2022 to date; fire trucks, equipment and supplies \$921K spend in 2022 to date; RM share of wastewater facility is 1/3 of \$19.5M budget ~\$6.5M and the pre-existing debenture Bylaw 2017-47 of \$2.9M...*” This statement is inaccurate. On page 49 of the CORVUS FIA it clearly outlines which buildings and facilities will remain with the RM, including RM owned buildings (the municipal office, fire hall, WTP, Emerald Park lagoons, and public work yard) and utility infrastructure. It is not appropriate for the RM to claim for buildings and facilities that will remain its possession.

With respect to the RM’s debenture of \$2.9M for the WCRM158 wastewater treatment facility, the RM’s claim is inaccurate. As outlined in the CORVUS FIA on pages 49-50, post-annexation the RM will retain its water and sewer utility infrastructure and operations. As such, the RM will continue to charge its existing utility ratepayers for debenture costs associated with the WCRM 158 wastewater treatment facility.

With respect to roads, on page 16 the RM states, “*roads would require consultant review.*” As noted above, the compensation framework outlined in the CORVUS FIA is presented in its entirety on the basis that the SMB will adjudicate on all matters.²²

On page 16, the RM Submission further states, “*as of December 31, 2021, the RM had debentures outstanding of \$3.8M all related to water and sewer projects... In June 2022, the*

²¹ Ibid. Footnote 13, page 12.

²² Ibid. Footnote 19, page 16.

RM acquired a \$6M loan from Scotiabank for the financing of Phase 1B & Phase 2 of the WCRM158 wastewater expansion project 50/50 cost share with the RM and Town.” However, as outlined in the CORVUS FIA on pages 49-50, post-annexation the RM will retain its water and sewer utility infrastructure and operations. As such, the RM will continue charge its existing utility ratepayers for debenture costs associated with water and sewer debentures.

On page 16, the RM Submission alludes to compensation associated with “an \$808K bank loan related to road projects within the annexation area.” However, we have reviewed the RM Submission and can find no information to validate the loan details, no information to verify which roads the loan pertains to, no information to validate the sources of funding for those roads, etc. As highlighted in Section 2 herein, Principle #3 requires that claims be evidence-based.^{23, 24}

On page 19, the RM Submission states, “Any pending litigation, claims, and appeals in the annexation area would be transferred to the Town, and the financial outcome (i.e. claim gains/losses) would be the Town’s responsibility.” However, as noted in the CORVUS FIA on pages 56-57, stranded liabilities represent future costs that will be incurred by the responding municipality to satisfy remediation, reclamation, and other rectification requirements stemming from “nuisance” lands/assets that are being transferred to the initiating municipality (e.g., reclamation of a land fill or gravel pit owned by the responding municipality and being transferred to the initiating municipality). In these circumstances, in our opinion the responding municipality must satisfy its obligations prior to the lands/assets being transferred. For ease of review, a summary of all financial-related recommendations is provided in Appendix B herein.

3.12 Grants or Other Assistance from the Governments of Saskatchewan or Canada

On page 17, the RM Submission states, “if the annexation application was approved, the RM may not have the financial ability to cover some financially significant projects upfront even if grant funding is to be expected in the future. Most notably, the Municipal Revenue Sharing Grant is based on population, therefore if RM loses ~1,980/4,466 population * 2022 MRS grant of \$684,050 = \$303K revenue lost. Additionally, the RCMP grant-in-lieu of taxes would be lost, which was \$17K in 2021.”

²³ Ibid. Footnote 13, page 12.

²⁴ Ibid. Footnote 19, page 16.

While it is true that population-based grants will be reduced in alignment with the reduced population in the RM post-annexation, this will be offset by a corresponding reduction in service delivery costs. Also, it should be noted that grant allocations are not a “right” held by the RM. Rather, grants are provided at the hands of the Governments of Saskatchewan and/or Canada and are made on the basis of population. Should the proposed annexation application be approved then all future population-based grants will be determined on the basis of the new populations of the Town and RM within the province.

3.13 Bylaws

On page 18, the RM Submission states, “*there are projects such as RM lagoon outlet, Emerald Park Drainage Works, Betteridge Road, and Emerald Park Lagoon Conversion that have been collecting fees over the years to go towards completion. These projects would no longer exist if the annexation application is successful and the policy would have to be recalculated by an engineer.*”

With respect to the Emerald Park lagoons, all related projects are remaining with the RM because the sewer utility infrastructure and operations is remaining with the RM and, as such, any funds collected for these projects via RM bylaws can be retained by the RM to help meet their outstanding liability.

With respect to funds the RM collected for Betteridge Road, it should be noted that the Town will be constructing Betteridge Road. As noted in *Appendix B* of the CORVUS FIA on page 73, the cost of the T1 project (Betteridge Road (Phase I) to Viterra Road) is **\$4.37 million in 2025**. The reader is invited to review the RM’s *Servicing Agreement Fees and Securities Policy*, which was approved effective May 22nd, 2018. Specifically, *Appendix B* of the RM’s policy contains the development levy portion applicable to Betteridge Road. All south roads / annexation area levy projects total \$2,807,500. The Betteridge road project was slated to cost \$1,982,500, or 70.6% of the levies charged for roads in the annexation area. The remaining roads making up the south / annexation area levy include HWY No. 1/Bypass Connection (\$175,000 or 6.2% of levy) and Percival Industrial Drive East – Upgrading (\$650,000 or 23.2% of levy). The policy further states, Multi-Parcel Development Within the Development Overlay Area, South of Highway No. 1 will pay \$2,840.00. And further within Section 4.6. (Method of Application/Fee Calculation) confirms that fees are based on the capital costs for infrastructure and services for one detached dwelling per residential lot. Therefore, it is correct for the RM to

transfer \$2,840 for each residential lot subdivided in the annexation area from May 22, 2018 up to the annexation transfer date.

3.14 Other Matters That the Minister Or The Board Considers Relevant

On page 18, the RM Submission states, “*There will likely be a loss of current staffing resources for the RM resulting in layoffs. The RM’s current employee to population ratio 2022: ~30 employees/4,466 population = 0.0067. Assuming the RM wishes to maintain an employee to population ratio of 0.0067 = $x/(4,466-1,980= 2,486) = \sim 17$ employees. Therefore, approximately 13 staff layoffs would occur.*”

All municipalities undertake continuous analysis and adjustment of their operations to ensure they are optimally structured to efficiently deliver services to citizens. This process of examination and adjustment is a core responsibility of all municipalities as stewards of the public purse. Similarly, because annexations inherently result in a decrease of assessment in the responding municipality, the responding municipality has a responsibility to “right-size” its operations and structures, thereby ensuring that it continues to deliver services to its remaining citizens post-annexation in the most efficient manner possible.

In this regard, the Town has indicated that is committed to assisting the RM in optimizing its operations in preparation for annexation. It should also be noted that, the operating forecast within the CORVUS FIA includes the addition of approximately 15 FTEs at time of annexation to account for the increase in population in developed lands, and further staff additions as the community grows. As summarized in the CORVUS FIA in *Section 8* on page 22, operating costs are forecast to increase immediately to **\$11.09 million in 2024** and grow to **\$76.37 million in 2047**.²⁵

4 ANALYSIS OF THE VIRTUS SUBMISSION

This section examines the statements contained in the Virtus Submission. Topics pertaining to the financial impact on the Town are addressed first, followed by topics pertaining to the financial impact on the RM.

4.1 Comparison of Annual Surpluses and Net Assets

On page 5, the Virtus Submission states, and we acknowledge, from 2017 to 2021 the annual

²⁵ Ibid. Footnote 14, page 13.

surplus of revenue over expenses was greater in the RM than it was the Town. However, the Virtus Submission also suggests that the annual surplus of revenue over expenses is a measure of the positive financial status of a municipality. This is inaccurate and it is irrelevant to the annexation application before the SMB. A surplus of revenues over expenses merely indicates that the municipality taxed residents more than what was required to fund operations. An overstatement of taxes can arise when major capital expenditures are deferred, when operating or capital expense budgets are overstated, when unanticipated sources of revenue arise such as grants, when assets that were intended to be financed by taxes are ultimately financed through debt, etc. Accordingly, the status of revenues versus expenses does not provide any indication that one municipality has performed better than another municipality; and it is not used to weigh annexation applications, as discussed in *Section 4.2* below.

On page 5, the Virtus Submission states, and we acknowledge, the net financial assets of the RM on December 31, 2021, was greater than the Town's net financial assets. However, the Virtus Submission also suggests that net financial assets are a measure of the financial status of a municipality. This is inaccurate and it is irrelevant to the annexation application before the SMB. A municipality's net financial assets are partly a function of its assessment base, its tax regime, its operating services, its capital infrastructure activities etc. The RM currently has a taxable assessment base of approximately \$1.25 billion and a population of approximately 4600, while the Town has a taxable assessment base of approximately \$0.56 billion and a population of approximately 4000. When one considers the residential assessment of the RM and the Town along with the population differential between the two municipalities (the RM has 15% greater population) their assessment base is quite similar. The primary elements that lead to the larger assessment in the RM relates to commercial and industrial assessment (26% of assessment), agriculture assessment (11% of assessment), and linear assessments such as railways and pipelines (8% of assessment). This larger assessment base results in the RM having greater net assets. Nonetheless, net financial assets do not provide any indication that one municipality has performed better than another municipality; and it is not used to weigh annexation applications, as discussed in *Section 4.2* below.

4.2 Comparison of Financial Positions

On page 5, the Virtus Submission states, "*a summary of the financial position of both the Town and the RM is necessary to establish a framework for evaluating the proposed annexation.*" In other words, Virtus suggests that a comparison of the financial positions of the Town and RM

should be used to determine if the Town's annexation application should be approved. Virtus is mistaken—annexation applications are not based on a financial comparison of the municipalities involved. This notion is contrary to annexation precedents across Canada and is inconsistent with the Principles in Saskatchewan. With respect to Principle 2, municipal boundary alterations are based on a substantiated need for land to support growth.²⁶ If it is determined that the initiating municipality has a substantiated need for land to support growth, then the accompanying financial impact assessment provides the annexation Board with: (a) assurance (or not) that the land transfer can be accommodated without unreasonable tax or debt impacts on the initiating municipality, (b) the nature of financial impact on the responding municipality whether it be positive or negative, as well as the nature of financial compensation, either to or from the responding municipality, that is required to mitigate the impact, and (c) assurance (or not) that the land transfer can be accommodated without unreasonable financial impacts on annexation area residents if not mitigated with measures such as tax rate guarantees etc.

4.3 Comparison of Long-term Debt

On page 6, the Virtus Submission claims, "*the Town is already exceeding its debt limit.*" This statement is inaccurate. All Saskatchewan municipalities governed by the Municipalities Act may utilize debt borrowing subject to debt limits. Debt limits are established using two mechanisms. First and foremost, the Act establishes debt limit as a function of the municipality's eligible source revenues for the preceding year.²⁷ Second, if there is necessity for a municipality to incur debt beyond the limit (and the municipality has suitable capacity to manage the debt), the municipality may apply to the SMB to incur the additional debt.

In 2018, the Town received approval from the SMB to incur debt totaling \$7.58 million, which extended the Town's debt limit beyond its eligible source revenues. As such, the Town's debt in 2021 was within debt limits. Further, the Town received approval from the SMB in March 2022 to enable a \$3.80 million loan and a \$5.00 million loan to back-stop advances to WCRM158 (the advances are being used by WCRM158 to increase the wastewater treatment capacity in the Town and RM).

In granting the approvals in 2018 and 2022, the SMB determined that the Town had sufficient

²⁶ Principles for Financial Settlements Between Municipalities for Boundary Alterations, 2015, Page 2.

²⁷ Municipalities Act, Division 5, Section 161.

financial capacity to manage the additional debt. The approvals from the SMB, together with the Town's other loans, total **\$16.49 million** of approved debt. As of October 2022, the Town has drawn on **\$11.18 million** of the total approved debt. In other words, the Town is currently utilizing **68%** of the total approved debt. And the CORVUS FIA provides a detailed forecast of the Town's debt limit going forward post-annexation. From 2024-2047 (the 24-year FIA review period), the Town's debt limit is anticipated to peak at approximately **89% in 2028** and decrease to approximately **24% in 2047**; and in year 8 of the 24-year review period, the Town's legislated debt limit (stemming from eligible source revenues) is forecast to surpass the \$16.49 million debt limit approved by the SMB. In any event, forecast debt remains within approved/acceptable levels during the 24-year review period.

4.4 Assessment Base in the Town and Annexation Area

On page 7, the Virtus Submission points out, and we acknowledge, that the Town's current assessment base is over 98% residential. However, while it is appropriate for initiating municipalities to strive toward improved assessment splits, assessment splits (in and of themselves) are not used to weigh the financial sustainability of the initiating municipality's annexation plan—the plan either works or it does not, regardless of assessment split.

Indeed, the Town's current assessment base is 99% residential and just 1% non-residential; and as noted in the ISL 2022 Growth Study²⁸, a review of the assessment data indicates that the Town's non-residential assessment split is among the worst in the province's 421 cities, towns, villages, and northern villages. By comparison, the median assessment split in Saskatchewan is approximately 88% Res / 12% Non-res.²⁹

Though the low proportion of non-residential assessment in the Town is less than ideal, it appears the Virtus Submission is suggesting that because the proposed annexation area is comprised of more non-residential assessment (approximately 39%) that somehow the annexation application is inappropriate. We disagree with this assertion—on the contrary, the Town's aspiration of improving its assessment split is well placed. And the disparity in the Town's current assessment split demonstrates how historical development in the RM that has surrounded the Town is contributing to reduced non-residential assessment in White City. Reduced non-residential assessment puts financial pressure on the Town that is more easily

²⁸ ISL 2022 Growth Study, June 2022, Page 18.

²⁹ ISL 2022 Growth Study, June 2022, Appendix D.

managed in other Saskatchewan municipalities whose assessment split is closer to the average. As noted in the ISL 2022 Growth Study, “the RM’s pattern of containment and interception of non-residential growth has significantly limited the opportunities for White City to expand its non-residential assessment base...”³⁰

Post-annexation, the Town’s non-residential taxable assessment will increase from approximately \$5.4 million to \$183.9 million³¹, resulting in a change in its taxable assessment split from 99% Res / 1% Non-res to approximately 82% Res / 18% Non-res, as shown in the table below. Post-annexation, this improvement will rank the Town approximately 126 out of 421 cities, towns, villages, and norther villages in Saskatchewan. Details pertaining to the change in the RM’s assessment split post-annexation are discussed in *Section 3.1*.

Estimate of Town and RM Assessment Split (Based on 2021 Assessment)

	Town		RM	
	Pre-Annex	Post-Annex	Pre-Annex	Post-Annex
Non-Residential	1%	18%	36%	35%
Residential	99%	82%	64%	65%

4.5 Forecast Taxes in White City

On page 8, the Virtus Submission claims that the forecast tax increases of 2.95% from 2033 to 2038 are “so close to exceeding the (3%) threshold that if any of the future results for the Town are worse than projected, it is likely that the threshold would be breached”.

The Virtus Submission uses the expression “it is likely” when referring to forecast tax rates from 2030 to 2038 and the potential for exceeding the 3% threshold. However, we have reviewed the Virtus Submission and cannot find any information, data, analysis, or financial projections to support the claim. As highlighted in *Section 2 herein*, Principle #3 requires that statements be evidence-based.³²

Also, it is likely that future tax increases will be lower than forecast, not higher as Virtus suggests. This is demonstrated on page 9 of the CORVUS FIA: “the analysis of financial

³⁰ ISL 2022 Growth Study, June 2022, Page 19.

³¹ This reflects 2021 assessment data presented in the CORVUS FIA, May 2022, Page 30. Though the assessment will have changed in the Town and in the proposed annexation area by 2024 when annexation is assumed to occur, the relative assessment weighting is anticipated to be similar to 2021 values.

³² Ibid. Footnote14, page 25.

impact on the Town uses conservative assumptions purposefully—in several instances costs are over-estimated and revenues are under-estimated. Overly conservative assumptions serve to “stress” the annexation plan thereby providing additional assurances to the SMB that the Town has a plan with suitable rigor to withstand changing circumstances.” These conservative assumptions include:

- Lower than average assessment market value increases. During the period 2030 to 2038 market value increases range from 3.00% to 3.25%, with an average of **2.97%** over the 24-year review period. This is significantly lower than the average annual assessment market value increase in White City from 2011 to 2020 which was **5.5%**. In other words, it is more likely that future assessment market value increases will be greater than those contained in the FIA, not less.
- A large general contingency growing from \$500,000 in Year 1 to \$3,000,000 in Year 24—\$38.3 million over the 24-year review period. In addition to general contingencies specifically created within in the FIA, it should be noted that the Town’s capital construction cost estimates contain further contingencies of \$24.56 million.³³ Also, the FIA contains unused grant funds totaling \$15.57 million that can be used to finance emergent capital costs.³⁴ When general contingencies, engineering project cost contingencies, and unused grant financing are tallied, the total contingency built into the CORVUS FIA is approximately **\$78.38 million** (\$38.25 million + \$24.56 million + \$15.57 million.) In other words, it is more likely that future costs will be much less than those contained in the FIA, not more.
- The base rate used to calculate municipal revenue sharing grants available to the Town is assumed to remain constant over the 24-year review period. In other words, it is more likely that available grant financing will be greater than depicted in the FIA, not less.
- Operating expenditures increase at a pace greater than revenues. Operating expenditures are forecast to increase 12.4 times while operating revenues are forecast

³³ The Town’s capital cost estimates contain engineering contingencies of 10-20%. This means that within the future capital costs contained in the CORVUS FIA there is a minimum of \$24.56 million (10%) of engineering cost contingency built into cost estimates.

³⁴ Unused grant funds total approximately \$15.57 million at the end of the review period (\$7.73 million MRSF + \$7.34 million CCBF/CCRF + \$0.50 million PayG).

- to increase 10.9 times. In other words, it is more likely that operating revenues will be greater than depicted in the FIA, not less.
- No third-party funding has been included in the capital financing plan. Though there are several projects in the Town’s capital plan that will benefit residents and/or lands beyond the proposed annexation area, whereby approximately **\$26.6 million**³⁵ in capital cost could be allocated to the RM, the capital financing plan within the CORVUS FIA does not rely on any RM contributions to finance capital expenditures over the 24-year review period. In other words, it is more likely that third-party financing will be greater than depicted in the FIA, not less.
 - No conditional grants have been included in the capital financing plan. Though there are several projects in the Town’s capital plan that may be eligible to access an estimated **\$18.5 million**³⁶ in ear-marked/conditional grant funding (e.g., Federal Infrastructure Investing in Canada Plan), the capital financing plan does not rely on any conditional grant funds unless already approved. In other words, it is more likely that future capital financing by way of conditional grants will be greater than depicted in the FIA, not less.

Taken together, it is evident that the inclusion of several conservative assumptions in the CORVUS analysis means that actual tax increases from 2030 to 2038 are more likely to be lower than depicted in the CORVUS FIA, not higher as Virtus suggests. Further, even though municipalities frequently implement tax increases greater than 3% for a single year or short periods of time, and even though the conservative provisions built into the CORVUS FIA mean that is likely that tax impacts will be less than those forecast, Town Council (like all municipalities) will have the ability to amend its operating and capital budgets to manage emergent issues if required. As stated on page 9 of the CORVUS FIA, the “*analysis reflects a*

³⁵ Of the ~250 projects contained in the Town’s post-annexation capital plan, there are at least 6 projects whose costs will benefit residents and businesses in the RM beyond the proposed annexation area and, therefore should be borne by the RM (e.g., arterial roads such a Betteridge Road and Viterra Road that abut the RM, and recreation facilities such as the indoor joint use facility and aquatics facility). Using road lengths and population to determine appropriate allocations results in \$26.6 million of additional financing from the RM not currently included within the CORVUS FIA.

³⁶ Of the ~250 projects contained in the Town’s post-annexation capital plan, there are at least 13 projects that are strong candidates to access conditional grant funding (e.g., TransCanada Trail Pathway in 2025, Treated Water Reservoir in 2030, etc.). Conditional grant funds provided to the Town have typically varied between 50% and 66% of total project cost. Assuming 50% grant funding for these 13 projects results in \$18.5 million of additional grant financing not currently included within the CORVUS FIA.

generic plan and is not a budget or a reflection of approved policy changes—as with all annexations, the capital and operating assumptions outlined in the FIA will ultimately require future budget and policy review/approval by the Council of the day.” In other words, however unlikely, should a situation arise that requires a tax rate increase beyond 3%, the Town can make prudent adjustments to lower tax impacts. For example, Town Council could choose to defer capital investments. Similarly, Town Council could choose to employ tax “smoothing” strategies.³⁷

4.6 Comparison of Future Financial Positions

On page 8, the Virtus Submission claims, *“given their current financial positions, it is believed that this additional analysis would suggest that the RM is projected to be in a stronger financial position (relative to the Town) in the future if the annexation does not proceed.”*

First, the Virtus Submission uses the expression *“it is believed”* when referring to forecast financial positions of each municipality. However, we have reviewed the Virtus Submission and cannot find any information, data, analysis, or financial projections to support the claim. As highlighted in *Section 2 herein*, Principle #3 requires that statements be evidence-based.³⁸

As noted earlier herein, annexation applications are not a “contest” of the financial positions of the 2 municipalities involved. Whether the initiating municipality (i.e., the Town) is in a stronger financial position than the responding municipality (i.e., the RM), or the responding municipality is in a stronger financial position than the initiating municipality, with or without annexation, is irrelevant to the annexation application. If it is determined that the Town’s need for land need and overall annexation application are valid, then as it pertains to the Town the key financial question before the SMB is...Does the Town have a reasonable financial plan post-annexation?—i.e., Are forecast tax increases reasonable? Are forecast debts within acceptable limits? Etc.

Also, on page 2 the Virtus Submission summarizes the documents it reviewed. Of note, Virtus

³⁷ Tax smoothing is a common and very useful tax strategy used by municipalities to minimize the impact of large tax fluctuations (increases or decreases) in a single year. Tax smoothing is enabled by creating reserves that can be used to support community re-investment in capital and one-time projects, fund fluctuations in operating expenses, and cope with unanticipated economic changes. Increasing reserve provisions enables a municipality to amass additional tax funds in a given taxation year (when rate increases are lower) and then use the amassed funds to lower tax rates in subsequent years (when rate increases are higher), thereby creating a smoothing effect.

³⁸ Ibid. Footnote 13, page 12.

did not examine any RM budgets, only RM financial statements. This is problematic because financial statements lack the degree of detail contained within a municipality's annual budgets. Examination of the RM's capital and operating budgets (as was undertaken in the CORVUS FIA) provides revenue and expenditure details that ensure rigor and validity in determining the allocation of revenues and expenditures to the proposed annexation area versus those allocated to the remainder of the RM, and hence determining financial impacts on the RM. In contrast, the RM's financial statements do not provide enough detail to discern the allocation of revenues and expenditures between the proposed annexation area and the remainder of the RM. Not having reviewed the RM's budget, which provides some detail of the costs attributable to the annexation area, in our opinion negates Virtus's ability to comment on the magnitude of financial impacts of a boundary change on the RM.

4.7 Offsite Levies and Servicing Agreement Fees

On pages 8-9, it appears the Virtus Submission attempts to question the capital financing plan depicted in the CORVUS FIA by claiming that future financing stemming from development levies and servicing agreement fees is overstated. The Virtus Submission attempts to substantiate this claim by pointing out that the Town's collection of development levies and servicing agreement fees in the past 5 years is substantially less than future levies and fees forecast in the CORVUS FIA.

It should be noted that commencing March 2019 new development in the Town was curtailed by a moratorium stemming from WCRM158 wastewater treatment capacity issues. During the moratorium, the Town collected very few development levies and servicing agreement fees. However, these capacity issues are being resolved by WCRM158 and the development moratorium was rescinded by Community Planning in June 2022. Moving forward, the collection of development levies and servicing agreement fees is set to resume and grow.

Virtus's comparison of future levy and fee revenue to levy and fee revenue collected over the past 5 years is also inconsistent with its commentary pertaining to the COVID-19 pandemic. On page 1, the Virtus Submission states (and is highlighted in bold), "**On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus, which has impacted market activity in many sectors, both locally and across the globe. As a result, we are faced with an unprecedented set of circumstances on which to base a judgement...**" We agree that, in addition to the development moratorium, the COVID-19

pandemic also curtailed development in the Town, thereby reducing its collection of development levies and servicing agreement fees. And yet despite its own acknowledgement of these unprecedented circumstances, the Virtus Submission suggests that the forecast of future levy and revenues is overstated because they are greater than levies and fees collected during the past 5 years. These two facts appear to be at odds.

On September 14, 2022, the WHO announced that an end to the COVID-19 pandemic is in sight.³⁹ And most local, provincial, and federal restrictions have been lifted. Accordingly, it appears much of the COVID-19 situation is now being managed; and with the development moratorium rescinded, development is set to return and grow as outlined in the ISL 2022 Growth Study.

Lastly, the claim in the Virtus Submission also fails to acknowledge that the forecast of future development levies and servicing fees is based on growth of the combined areas of the Town and developed areas in the RM such as Emerald Park. It is obvious that the level of development of the newly combined and much larger community will result in levy and fee collections that are greater than the Town's collections over the past 5 years.

4.8 Debt Costs

On page 9, the Virtus Submission points out, and we acknowledge, the prime rate is currently 5.45%.⁴⁰ However, because of recent prime rate increases the Virtus Submission claims that the 24-year lending rate assumption contained in the CORVUS FIA (which is 3.6%) is too low. We disagree—though central banks recently increased prime rates with the aim of curbing inflation, financial experts and institutions are already forecasting a decrease in rates as early as late 2023 or early 2024.^{41, 42} Over the past 15 years, municipal lending rates have averaged approximately 3.4%.⁴³ Accordingly, though rates may be greater than the average in some years and lower the average in some years, the use of a 3.6% borrowing rate assumption over the 24-year review period is reasonable.

³⁹ Source: US Newscom, September 14, 2022.

⁴⁰ By comparison, and more specifically, the Town's current borrowing rate as of Oct 2022 is 4.155%

⁴¹ The Governor of the Bank of Canada is forecasting inflation to return to 2% by 2024. By extension, this would mean a corresponding drop in interest rates. Source: Edmonton Journal, October 11th, 2022.

⁴² TD Economics is forecasting the Bank of Canada will lower the policy rate to 2.90% in 2024, 2.05% in 2025, 2% in 2026 and 2% in 2027. Source: Capital.com, September 7, 2022.

⁴³ Source: Alberta Municipal Affairs (formerly the Alberta Capital Finance Authority), September 2022.

It should also be noted, for borrowings of \$1,000,000 a rate increase of 1% in any given year results in additional debt cost of just \$10,000. Accordingly, in any given year where municipal borrowing rates are greater than 3.6% the additional borrowing costs are easily managed within the \$78.38 million contingency built into the financial projections contained in the CORVUS FIA.

4.9 Assessment Growth

On pages 10-11, the Virtus Submission claims that the Town would be incapable of developing non-residential lands in the proposed annexation area because to do so would be “*a deviation from historical activities and demonstrated capabilities*”. It is not certain what analysis Virtus has relied on to reach this conclusion. For the most part, residential and non-residential development is driven by private developers. And it is reasonable to infer that residential and non-residential development in the proposed annexation area will command interest from private developers whether the lands are administered by the Town or the RM. Indeed, it is reasonable to assume that interest from private developers will increase once unification of developed areas in the Town and RM is complete, and planning approvals “fall under one roof”.

Further, the municipal competencies needed to facilitate development (e.g., planning expertise for reviewing area structure plans, engineering expertise and servicing analysis, review and approval of subdivision and development permits, etc.) are common within most municipalities (either internally via municipal staff and/or externally via consulting advisors). Indeed, the Town possesses these competencies now and is more than capable of facilitating and administering development whether it be within the Town’s current boundaries or within the proposed annexation area.

4.10 Changes in the Pace of Development and Associated Assessment

On page 10, the Virtus Submission claims, “*if actual growth is less than forecasted, the consequences to the conclusions within the [CORVUS FIA] could be significantly different.*”

First, the Virtus Submission uses the expression “*could be significantly different*” when referring to forecast conclusions in the CORVUS FIA. However, we have reviewed the Virtus Submission and cannot find any information, data, analysis, or financial projections to support the claim, nor does Virtus state what the consequences could be. As highlighted in *Section 2*

herein, Principle #3 requires that statements be evidence-based.⁴⁴

In addition, municipal plans do not stay static. If future development occurs at a pace slower than anticipated then:

- From a planning perspective this simply means that the development period for the proposed annexation lands would be greater than 24 years and the need for future annexations would be pushed further out in time.
- From a financial perspective, the FIA aligns capital project construction with land development. If future development slows, then the Town would amend the capital plan and defer projects as needed.

Similarly, if future development occurs at a pace faster than anticipated then:

- From a planning perspective this simply means that the development period for the proposed annexation lands would be less than 24 years and the need for future annexations would occur sooner.
- From a financial perspective, the Town would amend the capital plan and move projects up in time as needed.

4.11 Impact on the Town

On page 12, the Virtus Submission claims that CORVUS’s conclusions are inconsistent because it is not possible for the RM to be financially better off with the proposed annexation area and at the same time for the proposed annexation to be financially accretive to the Town. But annexation applications do not require that the responding municipality be financially “better off” post-annexation. Indeed, in many annexations the financial impact on the responding municipality is negative. In these circumstances, when the annexation is approved, compensation is provided to the responding municipality to mitigate the impact.

Further, the CORVUS FIA draws no conclusion that the annexation is accretive to the Town. Such a conclusion would require a comparison of the financial position of the Town pre- and post-annexation. However, comparisons like these are problematic because they necessarily

⁴⁴ Ibid. Footnote 13, page 12.

rely on methodologies that utilize “with-without” analyses.⁴⁵ For example, a “with-without” comparison might determine that the average annual tax increase over 24 years without annexation is 10% and with annexation is 8%. By this measure annexation might be deemed accretive, even though long-term tax increases of 8% year-after-year are not sustainable. Further, analyses that rely on “with-without” comparisons are not realistic because the “without” scenario relies on an artificial splitting of capital infrastructure costs that are not possible (e.g., it is not possible to split a physical asset such as a building). Moreover, “without” scenarios fail to account for the eventuality that new residents stemming from population increases must be housed somewhere regardless of the methodology. In a recent annexation decision, an adjudicating Board akin to the SMB recognized the inherent weaknesses in with-without analyses.⁴⁶

4.12 Definition of Financial Impact

On page 3, the Virtus Submission claims that ‘Financial Compensation’ as defined in the CORVUS FIA “*does not have precedent in Saskatchewan.*”

As discussed in *Section 0* herein, though the Principles were first adopted in Saskatchewan in 2015, there has been limited opportunity for the SMB to employ the Principles. That said, there have been numerous opportunities to employ the same principles in other jurisdictions. As noted in the CORVUS FIA⁴⁷, “*though Alberta has yet to codify its principles, decisions in several contested annexations in Alberta over the past decade utilized many of the same principles now codified in Saskatchewan.*” CORVUS has participated in and been relied on to provide expert opinion in several annexations since 2009. The financial compensation frameworks presented by CORVUS in each annexation case heard by the annexation Board were approved and endorsed; and the compensation frameworks were derived from same Principles now codified in Saskatchewan and used as the basis for the CORVUS FIA for this annexation. In other words, the financial compensation framework presented in the CORVUS FIA is in alignment with the Principles developed by the Province of Saskatchewan; and the approach has been vetted and approved by several annexation Boards akin to the SMB.

On page 3, Virtus also claims that its report was prepared “*in consideration of historical*

⁴⁵ CORVUS FIA, May 2022, Page 8.

⁴⁶ City of Lloydminster vs Vermilion River County, LPRT 2021/0768, page 72.

⁴⁷ CORVUS FIA, May 2022, Page 43, Footnote 36.

precedent.” To examine this assertion, reference to the actual precedent is necessary, and absent of any of precedent we suggest that the assertion should be disregarded. Moreover, nowhere in its report does Virtus provide any framework for financial compensation, any calculation of financial impact, or a specific claim for compensation (either for the RM or for the Town).

4.13 Net Financial Impact on the RM

On pages 11-12, the Virtus Submission assumes that the annual capital expenditure contained in the CORVUS calculation of net annual financial impact **(\$1,750,790)**⁴⁸, (and which the RM would shed as a result of no longer having to provide, rehabilitate or replace infrastructure in the proposed annexation area), was created by multiplying the 2021 capital expenditures by the proposed annexation area population. Virtus’s assumption is inaccurate. Capital expenditures are, by their nature, discretionary. As such, capital expenditures change from year to year. To have based the analysis on historical data from a single year would risk over- or understatement. And yet, to have removed the expenditures altogether would have been inaccurate given the regular and ongoing nature of capital investments in the proposed annexation area. An approach was needed to determine the magnitude of capital investments in the annexation area during a “typical” year.

Examination of historical records can provide insight into what has occurred in the past and, therefore, what may occur in the future. In the CORVUS FIA, a three-year trailing average was used to determine the RM’s “typical” annual capital investments in the proposed annexation area. This was reasonable given the RM was unwilling to provide the Town with information suitable to support the FIA analysis. As it turns out, this approach resulted in determination of a typical average annual capital expenditure for the proposed annexation area similar to the RM’s 2021 total capital expenditure multiplied by the proposed annexation area population %. Interestingly, the similarity of results is further evidence of the appropriateness of the allocation methods used in *Section 13.2* of the CORVUS FIA and determination of the overall net financial impact on the RM.

The approach used in the CORVUS FIA is reasonable, but for the purposes of the discussion herein let us examine the RM’s capital budgets going back well beyond 3-years, to 2014. For core items excluding utilities (i.e., roads and walkway construction) the average annual

⁴⁸ CORVUS FIA, May 2022, Page 47, Table 24.

investment by the RM applicable to the proposed annexation from 2014 to 2022 was approximately **\$753,200**, as summarized in *Appendix D*. For non-core capital items, the average annual investment by the RM applicable to the proposed annexation area from 2014 to 2022 was approximately **\$909,500**, as summarized in *Appendix D*. For other discretionary capital items that were not specifically identified as being applicable to Emerald Park but for which the proposed annexation area would likely garner some portion thereof the total was approximately **\$176,400** per year as summarized in *Appendix D*.

In total, an examination of capital expenditures in the RM from 2014 to 2022 results in average annual expenditures in the proposed annexation area of approximately **\$1.84 million per year**, as summarized in the table below. The results depicted in the CORVUS FIA using a 3-year trailing average produced an average capital expenditure in the proposed annexation area slightly less at **\$1.75 million**. In any event, what is clear is that for the RM annexation will result in a capital expenditure savings between **\$1.75 million and \$1.84 million per year**, not **\$0.46 million** as suggested in the Virtus Submission.

Recent Other Capital Expenditures Applicable to the Proposed Annexation Area

Core Infrastructure (Excluding Water and Sewer Utilities)	\$753,222
Non-Core Infrastructure	\$909,544
Other Infrastructure (% of Population)	\$176,462
Total Per Year	\$1,839,228

In determining the financial impact of annexation on the RM, the CORVUS FIA assumes that the RM is making regular capital investments in the annexation area. The examination above of the RM's capital expenditure from 2014 to 2022 provides evidence that this assumption is reasonable and appropriate. And this assumption is further corroborated by confirmation of capital investments outlined in the RM's *2020 Municipal Action Plan* and *2022 Emerald Park Sector Plan* (refer to *Appendix E*). All of the above provide strong evidence that major capital investments in the proposed annexation area are regular and ongoing. Accordingly, in our opinion it is entirely appropriate to include typical capital expenditures in the calculation of expenses shed by the RM post-annexation; and it would be inaccurate to discount or remove these expenditures from the calculation of expenses shed by the RM post-annexation.

Lastly, let us assume that the Virtus Submission had provided information to substantiate its

claim on page 12 that the annual capital expenditure savings should be reduced from **\$1,750,790** to **\$459,380** (Virtus has not substantiated this claim, but let us assume that it has). If this claim were true, what would this mean for the overall conclusion as it pertains to the annual financial impact of annexation on the RM? The answer is... **the conclusion remains the same**. The annual net financial impact of the proposed annexation on the RM as depicted in *Table 24* of the CORVUS FIA remains positive even with a reduction in annual capital expenditures to **\$459,380**.

4.14 Stranded Assets

On page 12, the Virtus Submission claims that “*accounting net book value should only be utilized if no valuation or appraisal information is available or possible.*” While we acknowledge that valuations and appraisals are preferable, there are other contributing factors. This is acknowledged within the Principles which states, “*infrastructure compensation [where appropriate] should consider multiple factors, including: utility, condition, tangible capital asset register value, depreciation, engineering condition assessments, sources of original funding, outstanding debt and/or loans related to the annexed infrastructure, investment in other RM infrastructure in support of imminent development in the annexed area, etc.*” Indeed, in our experience most annexations utilize net book values when asset valuations are required because it is rare for responding municipalities to undertake supporting valuations and appraisals.⁴⁹ Regrettably, for the purposes of this annexation, the discussion of the use of book value is academic, as the RM has not provided any asset book valuation data or appraisals. There is no claim for infrastructure compensation, and even if there was, there is no basis on which to determine the validity of any claim.

Also, on page 12 the Virtus Submission states, “*it is unreasonable that the RM be required to pay for the cost to improve the condition of those assets to a higher standard.*” The CORVUS FIA makes no reference to costs to bring assets up to the Town's standard. What the CORVUS FIA refers to is the potential cost to bring annexation area assets up to the responding municipality's (i.e., the RM's) own urban standard. That said, this discussion is academic—the compensation framework outlined in the CORVUS FIA does not include any costs to bring transferred assets up to standard.

⁴⁹ From 2009-2022 CORVUS has been involved in 7 other annexations of this nature. We are not aware of any financial reports submitted to the annexation adjudicating Boards by the responding municipality that contained supporting valuations and appraisals. When required, net book values were utilized.

4.15 Utility Infrastructure

On page 12, the Virtus Submission makes several comments regarding potential negotiations between the Town and RM pertaining to the RM's utility infrastructure. These comments are irrelevant because neither the Town nor the RM has requested the utility infrastructure be transferred. As outlined in *Footnote 53* of the CORVUS FIA, the transfer of utility infrastructure and operations is a complex undertaking that requires cooperation and commitment from both the initiating and responding municipalities. The RM is contesting this annexation and, as such, was unwilling to meet with the Town to plan any aspect of the annexation. Accordingly, there has been no opportunity to discuss or plan the transfer of utility infrastructure and operations. For this reason, the Town's annexation application assumes the RM will maintain utility infrastructure and operations; and moving forward the RM will act as a third-party utility provider within certain annexation areas. If at any point in the future the RM prefers to transfer its water and sewer utilities to the Town, then the RM can initiate transfer discussions, but these potential discussions do not impact the Town's annexation application before the SMB.

4.16 Development Levies Collected By The RM

On page 13, the Virtus Submission disputes the Town's proposed transfer of an estimated **\$4.8 million** of designated use development levies and servicing fees collected by the RM from developers in the proposed annexation area. To substantiate its position, Virtus states, *"Based on discussions with Management of the RM, the Town's [proposed transfer] is incorrect. If there are no uninvested development levies held by the RM relating to the annexation area, this amount should be excluded from the calculation and conclusion."* It is not clear what Virtus means. Whether money was invested or uninvested by the RM is not the issue. The issue is whether it has been applied to the purposes for which it was collected. And, the RM has not provided any accounting information pertaining to the 9 developments outlined in *Table 27* in the CORVUS FIA. It could have been very easy for Virtus to verify assertions from the RM's management and refute the Town's claim by providing accounting details and receipts associated with levies collected from individual developers, offsite levy project expenditures, and front-ending balances. Instead, the Virtus Submission provides no information to backstop its position. As highlighted in *Section 2 herein*, Principle #3 requires that statements be evidence-based.⁵⁰ In contrast, the CORVUS FIA provides a detailed breakdown of individual developments and their associated levies and fees, and these were

⁵⁰ Ibid. Footnote 13, page 12.

based on publicly available development agreements, RM levy rates and policies, and the like.

On page 13, the Virtus Submission also states, “a review of the financial statements of the RM for the year ended December 31, 2021 show a total of \$50,880 in deferred revenue, most of which is pertaining to prepaid property taxes.” However, a review of Note 7 in the RM’s 2021 and 2020 financial statements suggests that deferred revenue accounts are not used to manage levy funds collected by the RM, nor are the accounts used to manage front-ending balances associated with offsite infrastructure constructed by the RM for the benefit of future (unpaid) development.

Update for the SMB: It should be noted, as of September 2022 it is the Town’s understanding that developments 6 through 9 reflected in *Table 27* of the CORVUS FIA (and reproduced in *Appendix B*, Item 10 herein) have not been approved.⁵¹ If these developments remain unapproved prior to the annexation transfer date, then the total development levies the RM should be required to transfer to the Town should be reduced to **\$2,254,995**, this being the total levies and fees pertaining to developments 1 through 5 that were approved by the RM and collected to support construction of offsite infrastructure in the annexation area. This transfer does not impact the RM financially because these funds are “designated use” funds⁵² paid by developers that can only be used to construct infrastructure in the annexation area that forms part of the development levy and servicing agreement rates.

4.17 Local Improvement Taxpayer Obligations

The Virtus Submission also omits any discussion pertaining to local improvement taxpayer obligations. *Item 47* of RM’s *2020 Municipal Action Plan* refers to the need to improve conditions of some local residential streets.⁵³ To meet this need, it is possible that some projects may be carried out as local improvements. For example, it is our understanding that a local improvement bylaw was recently struck for Great Plains Industrial Park (South) however the bylaw was defeated by owner petition. But given the general nature of *Item 47* there may be other local improvements levied or in the process of being levied. Should local improvements exist for the proposed annexation lands all documents related to the creation of

⁵¹ The compensation framework outlined in the CORVUS FIA considered approved developments as well as those developments that could potentially be approved prior to the annexation transfer date. To ensure the SMB has the most recent information, the status of these potential developments has been updated herein.

⁵² Designated use funds are restricted funds that can only be used by the municipality for a specific purpose. These funds cannot be transferred to general revenues or used for any other purpose.

⁵³ RM 2020 Municipal Action Plan, November 2020, Pages 9-10.

the local improvement bylaw should be transferred from the RM to the Town. Further, the RM should ensure that local improvement charges are posted appropriately to the assessment records of all properties impacted by the local improvement bylaws. For ease of review, a summary of all financial-related recommendations is provided in *Appendix B* herein.

4.18 Tax Guarantee

As it pertains to annexation area residents, on page 8, the Virtus Submission claims that “*unforeseen events might require the Town to change the (10-year guaranteed) tax protection plan*”. We disagree—it is our understanding that municipalities do not have the authority to arbitrarily alter the terms of an annexation ruling from the SMB.

Also, it should be noted that it is the Town (not the RM or any other organization) that is requesting the tax grandfathering provisions as described in *Appendix H* of the CORVUS FIA; and the FIA demonstrates that the Town remains financially sustainable post-annexation even with these tax provisions and other conservative assumptions included.

5 ANALYSIS OF THE OWZW SUBMISSION

Legal submissions from responding municipalities often limit technical-related commentary to key arguments stemming from its underlying technical reports. Accordingly, rebuttal reports like the one herein usually limit analysis and critique to the experts opposite and their specific reports. However, certain technical statements contained in the RM’s legal submission (titled *Written Submissions on Behalf of the Respondent, RM of Edenwold No. 158*), prepared by Olive Waller Zinkhan & Waller (OWZW) go beyond the analyses and findings contained in the RM Submission and/or the Virtus Submission. This additional technical commentary from OWZW is addressed in the sections below.

5.1 Assessment Stemming From Great Plains

In paragraph 59 on page 23, the OWZW Submission states, “*It is also notable that the Annexation Proposal and the 2022 Growth Study both emphasize that without the developed commercial/industrial area of Great Plains, the Town could not afford to service the remaining aspects of the proposed annexation area.*” We disagree. Nowhere in the any of the Town’s reports or RM Submission is it determined that the Town “cannot afford” to service the proposed annexation area without the inclusion of Great Plains. The CORVUS FIA states that, if the developed non-residential lands in Great Plains are excluded from the annexation, then

tax impacts will increase in years 1 and 2. To be clear, Great Plains and Emerald Park are both included in the Town's application to unify what has become a fragmented community in addition to the many other reasons outlined in ISL's 2022 Growth Study.

5.2 Impact of the RM

In paragraph 59 on page 23, the OWZW Submission states, "*A boundary alteration which would seek to remove forty percent of one municipality's tax base for the purposes of improving the financial position of another municipality clearly violates this principle as it does not show respect for the detrimental impact to the responding municipality.*"

We have fully examined the OWZW Submission—nowhere do we find any evidence to suggest that the proposed annexation will have a "detrimental impact" on the RM. On the contrary, and as described in *Section 13.2* of the CORVUS FIA (summarized on page 47), our conclusion is that the proposed annexation will result in an annual net gain for the RM of approximately **\$1.49 million**. Further, as noted in *Section 3.10* herein, when compared to other cities, towns, villages, and northern villages in Saskatchewan, the RM's new assessment split will rank approximately 24 out of 421.

5.3 Need for Annexation Lands

In paragraph 74 on page 29, the OWZW Submission states, "*The Annexation Proposal and growth studies advance the position that the "need" for this territory is financial and tax base related.*" This is inaccurate—neither the ISL 2022 Growth Study nor the CORVUS FIA state that the need for the annexation area is based on the Town's need to coopt an existing tax base. On the contrary, as presented in the ISL Growth Study this annexation is being pursued by the Town to facilitate its need for land (including accessible commercial and industrial land) that will enable growth and at the same time to unify a fragmented community. As it pertains to future development, the ISL Growth Study also points out, that it is the Town's desire to diversify its assessment base through the development of more commercial and industrial land in the future. This is a common desire for many communities and given that the Town's current assessment split is 99% residential and 1% non-residential (which ranks the Town near the bottom of over 400 communities in Saskatchewan), this desire is, in our opinion, well placed and appropriate.

5.4 Compensation Framework

In paragraph 80 on page 29, the OWZW Submission states, “*past decisions of the SMB require compensation based on what the responding municipality has expended to develop the territory.*” To backstop this claim, OWZW cites the decision *City of Swift Current v Rural Municipality of Swift Current No. 137, Application No. 02/2009*. In this decision, the Committee determined that a five times multiplier for the undeveloped residential and agricultural land was appropriate, and a fifteen times multiplier for non-residential lands (some of which included developed lands). OWZW goes on to claim that the compensation framework in this decision, “*align[s] with the Financial Principles, despite the Financial Principles coming into being after these decisions.*”

In undertaking our analysis we examined the *City of Swift Current v RM of Swift Current* decision to see what in the decision might impact our work. We found that the *City of Swift Current* was not required to compensate the *RM of Swift Current* based on what the *RM* had expended to develop the annexation lands, contrary to OWZW’s claim.⁵⁴ Nowhere in the submissions of either municipality was there a detailed and complete accounting of assets invested, sources of funding, depreciation, etc. Rather, the Committee based its compensation decision on a multiple of taxes lost, which was a common approach at that time. In our view, the multiple of taxes lost was intended to provide the *RM of Swift Current* with a suitable amount to time to absorb the financial impact and alter course, thereby mitigating the impact.

Further, the 2009 *City of Swift Current v RM of Swift Current* decision does not align with the Principles adopted in Saskatchewan in 2015. As discussed in *Section 2* herein, frameworks that utilize a multiple of taxes lost omit any consideration of expenses shed. In other words, they are not based on net impact. The Principles adopted in 2015, and Principle #4 more specifically, require compensation frameworks to be underpinned by analyses that consider net impact. The analysis of financial impact on the *RM* outlined in *Section 13* of the CORVUS FIA, and the accompanying compensation framework, is underpinned by an analysis of net

⁵⁴ The Committee stated, “*It is evident to the Committee that a payment to a municipality impacted by a boundary alteration is not intended to purchase an owner’s interest in the components contributing to the value of the annexed lands. In the Committee’s view, a payment to a municipality impacted by a boundary alteration is intended to mitigate any ensuing disruption in its day-to-day operations resulting from the boundary alteration.*” The committee’s approach was to then say that the value of those improvements is reflected in the assessed value of the property and to pay for the improvements and then pay tax loss compensation would be to double pay.

impact.

5.5 Information to Support Analyses

In paragraph 80 on page 29, the OWZW Submission states, “*The formula proposed in the CORVUS Report ...would require the RM to undertake a substantial analysis of all its debts, liabilities, and assets, as well as any revenue collected, and expenses incurred.*” To be clear the financial information referred to by OWZW does not require substantial analysis. Items such as tangible capital asset registers, depreciation tables, project expenditures, development levy receipts, etc. are standard documents, readily at hand within municipalities.

Also, it should be noted that the Town engaged the RM commencing in 2018 outlining its intent to annex RM lands and its accompanying request for information. In helping the Town to formulate the request for information, we did not think the request unreasonable because the information is specifically identified in Principles #3 and #4 as a requirement to support evidence-based compensation frameworks.⁵⁵

The RM has had ample opportunity to undertake actions that would provide the Town and the SMB with information to support the annexation application, particularly if the RM wished to refute the compensation framework.

5.6 Impact on the Town

In paragraph 80 on page 29, the OWZW Submission states, “*the annexation is financially sustainable because the Town will not be responsible for paying compensation.*” This statement is inaccurate. Let us assume that the RM undertook an evidence-based analysis that demonstrates the proposed annexation results in a negative impact on the RM and, therefore, compensation is warranted. Would this mean that the OWZW claim is correct?— that the annexation would not be financial sustainable for the Town? The answer is no. If the Town were required to pay compensation to the RM, it would have no impact on the results of

⁵⁵ Principle #3 states, “*examples of evidence-based documentation include: revenue and expenditure statements from both municipalities, Saskatchewan Assessment Management Agency’s (SAMA) property assessment of annexed area, the infrastructure’s net book value from the tangible capital asset register, engineering condition assessments of infrastructure, statements showing outstanding debt/loans/accounts payable and receivable related to the annexed land, etc.*” Principle #4 states, “*infrastructure compensation [where appropriate] should consider multiple factors, including: utility, condition, tangible capital asset register value, depreciation, engineering condition assessments, sources of original funding, outstanding debt and/or loans related to the annexed infrastructure, investment in other RM infrastructure in support of imminent development in the annexed area, etc.*”

the analysis presented in the CORVUS FIA because the analysis of impact on the Town includes several conservative assumptions, including a contingency of \$78.38 million (as discussed in Section 4.5 herein) that could absorb additional compensation costs. In any event, this discussion is academic because Section 13.2 of the CORVUS FIA provides a detailed analysis of impact on the RM—the proposed annexation will result in an annual net gain of approximately \$1.49 million and, therefore, compensation from the Town to the RM is not required.

5.7 Potential Transfer Costs of the RM’s Water and Sewer Utilities

In paragraph 87 on page 34, the OWZW Submission states, “*Given the Town’s current debt balance, the inflated off-site levy numbers, and the unrealistically low interest rates with respect to costs of borrowing, it does not appear that there are additional funds available to pay compensation to the RM for the transfer of water and sewer utilities.*” However, as demonstrated in Section 4.3 herein, the Town is currently utilizing 68% of the total debt approved by the SMB; and the Town’s debt limit remains within acceptable levels throughout the 24-year review period as forecast in the CORVUS FIA. As demonstrated in Section 4.7 herein, the forecast of future offsite levy collections reflected in the CORVUS FIA are not inflated. As demonstrated in Section 4.8 herein, the costs of borrowing reflected in the CORVUS FIA are reasonable. Further, as demonstrated in Section 4.5 herein, the analysis of impact on the Town includes a contingency of \$78.38 million.

Accordingly, we cannot agree with the assertion made by OWZW. In future, should the Town wish to accept transfer of the RM’s utility infrastructure and operations it has the financial flexibility to do so. That said, it is important to remember that: (1) the RM Submission includes several comments that indicate that the RM may prefer to retain its utilities, (2) it is not known if the RM’s utility assets have any inherent transfer value (e.g., any utility assets that were contributed to RM’s by way of grants or developer contributions would have a transfer value of zero), (3) the stranded liabilities attributable to the RM’s utilities (e.g., the decommissioning of the Emerald Park lagoons) may be greater than the transfer value of the utility’s assets, and (4) it appears the RM’s utilities are currently a draw on the RM’s tax base. As such, it may be beneficial for the RM to transfer the assets at no cost rather than incur continued losses.

5.8 Depreciation

In paragraph 89 on page 35, the OWZW Submission states, “*As noted in the Critique Report,*

the calculations used do not follow accounting practices with respect to calculating depreciation.” It is unclear what this statement means—depreciation calculations are not used in the analyses of impact on the Town or the RM. These calculations are not required for the analysis of impact on the initiating municipality (the Town). And within the analysis of impact on responding municipalities, calculations of depreciation would only be necessary if compensation for infrastructure was appropriate and required examination. In this annexation, the RM has not provided any infrastructure condition assessment or valuation data that would require the examination of depreciation and net book value.

5.9 Contributed Assets and Transfer Values

In paragraph 89 on page 35, the OWZW Submission states, “...*the CORVUS Report assumes that the assets were paid for by developers and grants even though there is no information available that would support this position.*” In making this claim, OWZW references page 53 of the CORVUS FIA. To be clear, on page 53, the CORVUS FIA states “*As it pertains to assets to be transferred during annexations (e.g., roads, utility systems, etc.), it is rare that they result in compensation because they are often funded by developers, grants, and the like (i.e., they are usually “contributed” assets). In any event, the RM has not provided a condition assessment, depreciation values, sources of funding, outstanding debts, or any other information as it pertains to assets transferred.*” Accordingly, the compensation framework outlined in the CORVUS FIA concludes that the net value of assets transferred is **\$0**. It was CORVUS's expectation that evidence of any amount to be claimed for contribution and asset value (if any) would be tendered by the RM. However, no such information was provided.

5.10 Tax Guarantees

In paragraph 91 on page 36, the OWZW Submission states, “[*The Town’s application includes the guarantee that residents in the proposed annexation area will continue to pay taxes based on whichever municipality’s mill rate is lower for a period of ten years. While an attractive proposal, it fails to consider the practical reality of such a statement. First, there are several factors that would bring the guarantee to an end, labelled ‘triggering events’. Second, this proposal does not recognize the administration costs and difficulties with being required to implement two sets of mill rates. Finally, there is no mechanism in place to ensure that the guarantee is properly administered or to ensure that the Town continues to honour its commitment to the guarantee.*”

With respect to triggering events, these are fair and equitable caveats that acknowledge, among other things, that tax rates will be grandfathered only so long as land use remains as it is today. If a landowner prefers to change the land use (e.g., develop the land) then tax rates will be converted to the Town's tax framework. Moreover, these sorts of caveats have been vetted and approved by several adjudicating Boards akin to the SMB.

With respect to administration of grandfathering provisions, it has been common in recent annexations for initiating municipalities to have 2 sets of mill rates for a period of time.⁵⁶ And these situations, in our experience, are easily managed by municipal assessors.

5.11 Debt Management

In paragraph 92 on page 36, the OWZW Submission states, "*The Town is currently in a financially challenging position as they are likely unable to service their current debt without the increased revenue... This is particularly the case in the first ten years while the existing debt is being serviced by the increase in revenue from the newly acquired fully developed commercial/industrial and residential areas.*" Note, OWZW uses the expression "*they are likely unable to service*" when referring to the Town's servicing of debt. However, we have reviewed the OWZW Submission (and the RM Submission and the Virtus Submission) but cannot find any evidence, data, analysis, or financial projections provided to support this claim. As highlighted in *Section 2* herein, Principle #3 requires that statements be evidence-based.⁵⁷

Also, in March 2022 the SMB, having satisfied itself of the Town's financial capacity, approved the Town's additional loans required to support the WCRM158 wastewater treatment capacity expansion project. In other words, should the annexation application before the SMB not be approved, the Town will continue to service these loans just as it is doing today. Changes in revenue stemming from the proposed annexation are not required for the Town to service its debt.

5.12 Methodology

In paragraph 92 on page 36, the OWZW Submission states, "*The CORVUS Report asserts that once financial sustainability (or the annexation is not sustainable) is determined, there is*

⁵⁶ Examples include: City of Lloydminster subsequent to annexation of lands in Vermilion River County in 2021 (LPRT2021/0768, page 2, paragraph 5); City of Grande Prairie subsequent to annexation of lands in Grande Prairie County in 2015 (MGB 033/15, page 23, paragraphs 22 and 23); City of St Albert subsequent to annexation of lands in Sturgeon County in 2006 (MGB123-06, page 106, paragraph 5).

⁵⁷ Ibid. Footnote 13, page 12.

no need to do any further analysis, including evaluating whether residents are better with or without annexation. This conclusion is in direct contradiction with Financial Principles #3, #4, and #5. Financial Principle #3 states that settlements must be evidence-based and in good faith. However, the RM respectfully submits that the ‘financial sustainability’ method of calculation is one-sided and ignores important evidence once the sustainability conclusion is reached.” We have reviewed Principles #3, #4, and #5 referenced by OWZW but cannot find any requirement to compare municipalities with and without annexation. Moreover, the methodology used by CORVUS to determine the impact of annexation on the Town and RM is underpinned by a forecast of revenues and expenditures (i.e., net benefit) and, therefore, is entirely in alignment with the Principles.

In paragraph 92 on page 36, the OWZW Submission also states, “...*once it was concluded that the annexation [for the Town] was viable, no further consideration of the needs of or impact on the RM was considered.*” With respect, we disagree—the analysis of impact on the Town was undertaken independently of the analysis of impact on the RM. The analysis of impact on the Town is summarized in *Sections 5-12* in the CORVUS FIA; and the analysis of impact on the RM is summarized in *Section 13* of the CORVUS FIA.

5.13 Determination of Impact

In paragraph 94 on page 37, the OWZW Submission states, “*Financial Principles #4 and #5 focus on the need for both municipalities to benefit so that both can continue to achieve the purposes of a municipality. The calculation methods and conclusion do not demonstrate a net benefit to the RM.*” Upon reviewing this assertion, we returned to a review of Principle #4 which does not require that both municipalities benefit from annexation. Rather, Principle #4 requires that the net benefit of annexation be assessed from the perspective of both municipalities. Similarly, it is not necessary for the annexation to result in a benefit to the RM. Indeed, in our experience many annexations result in a net loss for the responding municipality. However, in these situations the loss suffered by the responding municipality is mitigated by way of compensation, a matter addressed in great detail in our FIA. In any event, *Section 13.2* of the CORVUS FIA provides a detailed analysis of impact on the RM—the proposed annexation will result in an annual net gain of approximately **\$1.49 million**.

APPENDIX A: PRINCIPLES FOR FINANCIAL SETTLEMENTS BETWEEN MUNICIPALITIES FOR BOUNDARY ALTERATIONS

Each principle includes a set of related questions to give municipalities guidance in their use and to help explain how each principle should be interpreted by rural and urban municipalities. The Principles for Financial Settlements between Municipalities for Boundary Alterations can provide a policy framework for municipalities to try to reach voluntary agreements.

1. More regional planning by urbans and bordering RMs should be undertaken to determine locations for growth, the need for future boundary alterations and to inform about municipalities' respective plans.

a. What does this principle mean to municipalities? How should they interpret it?

- clear regional plans would give future direction for urban and rural development;
- regional planning needs to be an ongoing process;
- regional planning makes good business sense;
- look at future plans and opportunities for development; planning needs to be evidence-based, not speculative;
- there needs to be a willingness to share plans and information between municipalities;
- will result in fewer surprises about growth and boundary alteration plans between neighbouring municipalities;
- plans can guide land use and infrastructure investment decisions prior to boundary alterations (these have an impact on the financial settlement);
- evidence-based negotiations are required;
- creates trust and improves relationships and mutual respect;
- a focus on open communications, but not necessarily a push for a more formal planning commission.

b. How would municipalities use this principle in reaching a financial settlement?

- regional planning offers a way to share information, communicate better and build mutual trust;
- it provides a basis for substantiating the need for boundary alterations;
- good regional planning takes the surprises out of requests for boundary alterations and supports amicable financial settlements;
- having a better understanding of future development would assist in settlements;

- regional planning affects the financial settlement through infrastructure investment decisions, development standards used, compatibility of development, and impacts on assessment and taxation; each of these can have a bearing on reaching negotiated settlements;
- increased communication is needed between parties; building and maintaining relationships is required; regional planning contributes to this;
- look at development plans;
- rural plans may be less detailed than urban documents, but must be treated with equal respect.

2. Municipal boundary alterations should be based on the substantiated need for land for growth and alignment with plans.

a. What does this principle mean to municipalities? How should they interpret it?

- need is to be determined on a case-by-case approach; boundary alterations would proceed when applicant municipalities show they need the additional land to accommodate growth;
- the demonstration of need must be evidence-based (i.e. demographics, Official Community Plans [OCPs], infrastructure plans, land use plans, etc.);
- need could be based on the same types of evidence urbans would use to approve a new development;
- substantiating need is not “a plan on a napkin”; it shows a bonafide development interest, not a speculative proposal.

b. How would municipalities use this principle in reaching a financial settlement?

- the timing and magnitude of an annexation are driven by need, and this affects the financial settlement;
- information on need is time period specific;
- evidence should outline why and where growth will occur;
- evidence-based determination could include demographics, OCPs, infrastructure plans, land use plans, or other evidence the applicant municipality needs incremental lands;
- the interests of all parties need to be respected;
- determination of need and supporting documentation should be provided in good faith by both parties.

3. Determining the amount of a boundary alteration financial settlement should be evidence-based and done in good faith.

a. What does this principle mean to municipalities? How should they interpret it?

- a good faith process is demonstrated by: municipalities planning and working together; having an appropriate communication approach; looking for the potential for joint benefit of all parties; the proper timing of communications and engagement between parties (e.g. early discussions); annual meetings between parties; having regional plans; and showing an honest desire to come to an agreement;
- building relationships on a solid foundation of trust is vital to good faith negotiations;
- good faith has a legal meaning, encompassing: willingness to come to an amicable agreement, having an immediate symbolic benefit, honesty, no omissions, appropriate conduct of parties;
- evidenced-based means: actual and appropriate documentation of infrastructure investment/expenditures, an open book approach to sharing financial information on the impact of a boundary alteration on respective municipalities, amounts requested/offered for a financial settlement are not arbitrary;
- the financial impacts on both municipalities are considered.

b. How would municipalities use this principle in reaching a financial settlement?

- agreements and/or decisions should be made on a case-by-case basis;
- need to be able to quantify financial effects on both municipalities;
- examples of evidence-based documentation include: revenue and expenditure statements from both municipalities, Saskatchewan Assessment Management Agency's (SAMA) property assessment of annexed area, the infrastructure's net book value from the tangible capital asset register, engineering condition assessments of infrastructure, statements showing outstanding debt/loans/accounts payable and receivable related to the annexed land, etc.

4. A financial settlement should acknowledge the net financial benefits for both the municipalities, and infrastructure investments that have been made.

a. What does this principle mean to municipalities? How should they interpret it?

- there is a need to look at annexation impacts from the perspective of both rural and urban residents;
- the use of “net benefit” is appropriate because an annexation can benefit either municipality; for example, a rural might be better off from annexation by giving up land where servicing costs are greater than the Rural Municipality’s (RM) tax levied in the area;
- urbans may have a service-related need for the annexed area, but do not have a profit motive for annexation (i.e. there are no profits from providing municipal services);
- rurals are concerned the remaining rural ratepayers will bear extra cost due to lost revenues (not every tax dollar collected from a ratepayer goes directly to the level of services they receive);
- the focus should be on an evidence-based approach to support infrastructure value; (the settlement should include an accounting for past infrastructure investments by the municipality that had the property within its boundaries).

b. How would municipalities use this principle in reaching a financial settlement?

- infrastructure valuation should look at condition assessments, not just depreciated value (net book value);
- infrastructure compensation should consider multiple factors, including: utility, condition, tangible capital asset register value, depreciation, engineering condition assessments, sources of original funding, outstanding debt and/or loans related to the annexed infrastructure, investment in other RM infrastructure in support of imminent development in the annexed area, etc.;
- need to consider the impacts on the financial situation/position of both municipalities in terms of operating revenue and expenditure increases and/or decreases related to the existing rural services provided and the initial urban services required in the annexed area;
- the potential value/benefit of future development in the annexed area is not to be considered, except for “imminent lost opportunity.”

5. The boundary alteration financial settlement should not jeopardize the ability of either municipality to achieve the purposes of a municipality as provided for in legislation.

a. What does this principle mean to municipalities? How should they interpret it?

- each municipality has an obligation to meet the needs of residents and businesses for municipal services and infrastructure appropriate to their urban or rural context;
- the settlement should support the service needs and standards of residents in both municipalities;
- this Principle shows respect and demonstrates good faith by considering the impacts on each party;
- a settlement should not be detrimental to the functioning of either municipality.

b. How would municipalities use this principle in reaching a financial settlement?

- consideration by both parties of settlement terms and flexible compensation payments in terms of settlement amount and/or the time period for payment;
- the continuing ability of both municipalities to meet the service needs of all their residents and businesses may limit the settlement;
- an annexation should not impact the finances of the annexed municipality to the extent that existing levels of municipal services could not be provided to its remaining ratepayers;
- the financial and service impacts on respective taxpayers from each municipality need to be considered.

6. The purpose of property tax is to fund municipal services. Receipt of property tax from properties affected by a boundary alteration should be linked to the provision of municipal services to those properties.

a. What does this principle mean to municipalities? How should they interpret it?

- needs to be applied on a case-by-case basis;
- the property taxes in the annexed area should be used to finance services to those annexed properties;
- the settlement shouldn't impose a burden on other ratepayers of the annexing municipality to pay for the annexation settlement and the subsequent provision of municipal services to the annexed area;
- many residents in an annexed area expect immediate new services; however, the residents need to be aware of the implementation plans related to timing and level of service provision in the annexed area;
- different levels of service can require different types of service delivery (e.g. RCMP policing versus a dedicated municipal police force).

b. How would municipalities use this principle in reaching a financial settlement?

- the expectation of property owners needs to be considered;
- impacted property owners need to be aware of the plans/timing of new or enhanced service provision by the annexing municipality;
- existing ratepayers in an annexed area may want/expect the urban service immediately; however, they should be aware that urban service and property taxation levels will be incrementally added;
- services in the annexed area should be funded by its ratepayers;
- taxpayers outside of the annexed area should not be unduly financially burdened by municipal growth within or attributable to the annexed area;
- property tax from annexed areas needs to be available to fund services.

7. The financial settlement should be based on present land use and circumstances and not be influenced by what future development may occur in the annexing municipality.

a. What does this principle mean to municipalities? How should they interpret it?

- annexation compensation should not take into consideration the future development of the annexing municipality.

b. How would municipalities use this principle in reaching a financial settlement?

- a settlement needs to consider evidence, such as: land use plans, zoning, how far into the future development is, limited availability and suitability of land;
- the determination of need is to be an evidence-based collaborative process;
- the annexing municipality's future development cost would not be considered in determining the amount of the settlement;
- any financial considerations for the annexing municipality should reflect both the initial urban services required to support the annexed area in its undeveloped or present state, and any new assessment and property tax implications on the annexed area.

8. The financial settlement should only take future developments in the annexed municipality into consideration if the boundary alteration inhibits or transfers an imminent development.

a. What does this principle mean to municipalities? How should they interpret it?

- “imminent” means a development process that has been started and/or for which there has already been filed a development proposal, not just an intent to develop;
- it shows a bonafide development interest with some investments already made (not a speculative development proposal);
- imminent development needs to be evidenced-based with official and appropriate documentation of investment/expenditures, not “a plan on a napkin.”

b. How would municipalities use this principle in reaching a financial settlement?

- consideration needs to be given as to how imminent the project is in the area to be annexed;
- the annexed municipality needs to provide evidence of a bonafide development interest before expecting any compensation for a lost development opportunity.

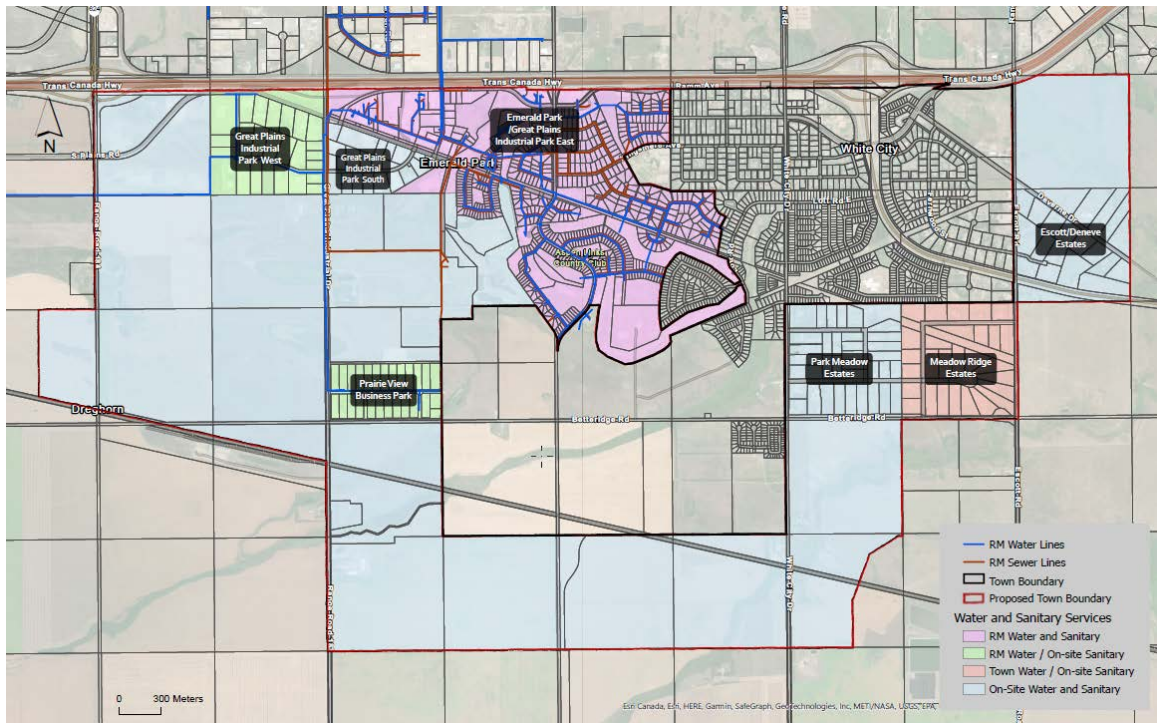
APPENDIX B: SUMMARY OF CORVUS RECOMMENDATIONS

A number of recommendations are contained throughout the CORVUS FIA. To enable the SMB to review these recommendations more easily, they are consolidated in one location herein:

1. It is recommended the SMB make clear that the proposed annexation results in an annual financial gain for the RM totaling of **\$1,491,917** per year. As such, no compensation is due from the Town to the RM. And given the annual financial gain to the RM, the SMB should determine if compensation from the RM to the Town is appropriate; and if so, for what amount and what period of time. For example, \$1,491,917 for 5 years for a total of **\$7,459,585**; or perhaps \$1,491,917 for 5 years on a declining basis for a total of **\$4,475,750**:
 - Year 1: \$1,491,917
 - Year 2: \$1,491,917 X 80% = \$1,193,533
 - Year 3: \$1,491,917 X 60% = \$895,150
 - Year 4: \$1,491,917 X 40% = \$596,767
 - Year 5: \$1,491,917 X 20% = \$298,383
 - Total: \$4,475,751
2. It is recommended the SMB direct the RM and Town to work together to affect the transfer of equipment and personnel from the RM to the Town that may be beneficial for the provision of services to residents and businesses in the proposed annexation area. And it should be made clear that any transfer of staff should be accompanied by a transfer of associated personnel information; and any transfer of equipment should be accompanied by a transfer of equipment warranty and service records.
3. It is recommended the SMB make clear that the only assets in the annexation area that will remain with the RM are:
 - RM owned buildings including the municipal office, fire hall, WTP, Emerald Park lagoons, and public work yard, as indicated on Map 3 in the CORVUS FIA.
 - Water utility infrastructure such as water treatment facilities, water transmission facilities, reservoirs, water distribution facilities, and water administration and

- billing infrastructure.
- Sewer utility infrastructure such as sewer collection facilities, sewer transmission facilities (to the Emerald Park lagoons), lift stations, and sewer administration and billing infrastructure.
4. It is recommended the SMB make clear that the RM will continue to provide water services to existing customers (and new customers) within existing serviced areas in Emerald Park, Great Plains Industrial Park (East), Great Plains Industrial Park (West), and Prairie View Business Park, as shown on Map 4 in the CORVUS FIA (and reproduced below). It should be made clear that water services for newly developed areas/customers in the remainder of annexation area will be provided by the Town unless the Town and RM agree that service delivery via the RM's existing water system makes more sense. And It should be made clear that the Town will continue to provide water to Jameson Estates (in the RM but outside the proposed annexation area) and Meadow Ridge Estates (inside the proposed annexation area).

Map 4 From CORVUS FIA (page 52)



5. It is recommended the SMB make clear that the RM will continue to provide sewer

- services to existing customers (and new customers) within existing serviced areas in Emerald Park, and Great Plains Industrial Park (East), as shown on Map 4 in the CORVUS FIA (and reproduced above). It should be made clear that sewer services for newly developed areas/customers in the annexation area will be provided by the Town unless the Town and RM agree that service delivery via the RM's existing sewer system makes more sense.
6. It is recommended the SMB make clear that the net value of assets transferred from the RM to the Town is **\$0**.
 7. It is recommended the SMB make clear that the value of stranded assets in the RM is **\$0**.
 8. It is recommended the SMB make clear, if it is determined that decommissioning of the Emerald Park sewage lagoons is not complete prior to annexation, that this ongoing liability/cost will remain the sole responsibility of the RM as sewer assets are remaining with the RM.
 9. It is recommended the SMB make clear that, if local improvements exist for the proposed annexation lands, all documents related to the creation of the local improvement bylaw, impacted properties etc. should be transferred from the RM to the Town. Further, the RM should be required to ensure that local improvement charges have been posted appropriately to assessment records of all properties impacted by the local improvement bylaws.
 10. It is recommended the SMB require the RM to transfer **\$2,254,995** to the Town to support construction of future offsite infrastructure in the annexation area. It should be made clear that this transfer does not impact the RM financially because these funds are "designated use" funds paid by developers (items 1-5 on page 59 of the CORVUS FIA) that can only be used to construct infrastructure in the annexation area that forms part of the development levy and servicing agreement rates. The RM should also be required to provide the Town with all supporting documents which identify what capital projects were included in the levy rates. And it should be made clear that if it is determined post-annexation that there were additional funds collected from developers in the annexation area, then these additional funds should also be transferred to the

Town.

Development Levies and Servicing Agreement Fees Collected by the RM (Table 27 in the CORVUS FIA)

	Description	Developer	Development Type	Number of Lots/Units	Road Fees (Per Lot)	Drainage Fees (Per Lot)	Servicing Agreement Fees (Per Lot)	Miscellaneous Fees (Per Lot)	Total Fees (Per Lot)
1	Prairie View Business Park	BC Lands	Mixed	25			\$ 8,000		\$ 8,000
2	Fairway Phase II	Great Plains Leaseholds	Residential	79	\$ 2,840	\$ 925	\$ 8,000	\$ 5,450	\$ 17,215
3	Goshen Home	Great Plains Leaseholds	Residential	80	\$ 1,420	\$ 463	\$ 4,000	\$ 2,725	\$ 8,608
4	Park Meadow Estates			3					\$ -
5	Blackbird Residential Area	Blackbird Ventures	Country Residential	1			\$ 6,410		\$ 6,410
6	Fairway Road South A	Great Plains Leaseholds	Residential	22	\$ 2,840	\$ 925	\$ 9,215	\$ 5,450	\$ 18,430
7	Fairway Road South B	Great Plains Leaseholds	Residential	138	\$ 2,840	\$ 925	\$ 9,215	\$ 5,450	\$ 18,430
8	SW ¼ 21-17-18-W2M	Tell Properties Ltd.	Commercial	1	\$ 2,840	\$ 925	\$ 9,215	\$ 5,450	\$ 18,430
9	Hunter Creek	Bergen	Residential	154	\$	\$	\$ 9,215	\$ 5,451	\$ 14,666

	Description	Developer	Total Fees
1	Prairie View Business Park	BC Lands	\$ 200,000
2	Fairway Phase II	Great Plains Leaseholds	\$ 1,359,985
3	Goshen Home	Great Plains Leaseholds	\$ 688,600
4	Park Meadow Estates		\$ -
5	Blackbird Residential Area	Blackbird Ventures	\$ 6,410
6	Fairway Road South A	Great Plains Leaseholds	\$ 405,460
7	Fairway Road South B	Great Plains Leaseholds	\$ 2,174,740
8	SW ¼ 21-17-18-W2M	Tell Properties Ltd.	\$ 18,430
9	Hunter Creek	Bergen	\$ 2,258,564
			\$ 4,853,625
			\$2,254,995

11. It is recommended the SMB make clear that prior to the date of annexation the RM will not have authority to grant subdivision and development approvals in the proposed annexation area without agreement from the Town. If other developments are approved (beyond items 1-5 on page 59 of the CORVUS FIA), it should be made clear that the RM must likewise transfer all associated development levies and servicing agreement fees to the Town to support construction of future offsite infrastructure in the annexation area.

12. It is recommended the SMB require the RM to transfer **\$876,680** to the Town to support construction of future parks and related infrastructure in the annexation area. It should

be made clear that this transfer does not impact the RM financially because these funds are “designated use” funds paid by developers (items 1-5 on page 62 of the CORVUS FIA) that can only be used to construct parks and related infrastructure in the annexation area. And if it is determined post-annexation that there was additional cash-in-lieu collected from developers in the annexation area, it should be made clear that these additional funds should also be transferred to the Town.

Recommended Adjustments to Cash-in-lieu Transfers (Table 28 in the CORVUS FIA)

	Description	Developer	Cash-in-Lieu of Municipal Reserve Dedication
1	Prairie View Business Park	BC Lands	\$ 27,680
2	Fairway Phase II	Great Plains Leaseholds	Exempt
3	Goshen Home	Great Plains Leaseholds	Exempt
4	Park Meadow Estates		\$ 839,000
5	Blackbird Residential Area	Blackbird Ventures	\$ 10,000
6	Fairway Road South A	Great Plains Leaseholds	Dedicated
7	Fairway Road South B	Great Plains Leaseholds	Dedicated
8	SW ¼ 21-17-18-W2M	Tell Properties Ltd.	\$ 138,739
9	Hunter Creek	Bergen	Dedicated
			\$ 1,015,419

\$876,680

13. It is recommended the SMB make clear that prior to the date of annexation if the RM and Town agree that a subdivision or developments should be approved (beyond items 1-5 on page 62 of the FIA) the RM must likewise transfer all associated cash-in-lieu to the Town to support construction of future parks and related infrastructure in the annexation area.

14. It is recommended the SMB require the RM to transfer/assign to the Town all development agreements, related commitments, letters of credit, etc. from the developers summarized in *Table 27* of the CORVUS FIA. And if it is determined post-annexation that there are other agreements in the annexation area, then it should be made clear that these should also be transferred to the Town.

15. It is recommended the SMB make clear that if it is determined post-annexation that the RM holds earmarked grants or donations for future assets in the annexation area then these should be transferred to the Town.
16. It is recommended the SMB make clear that if it is determined post-annexation that the RM holds rental agreements in the proposed annexation area then these should be transferred to the Town.
17. It is recommended the SMB confirm that, for a period of 10 years post-annexation, annexation area landowners will benefit by: (1) retaining their tax classification as they exist today (e.g., exempt will remain exempt), and (2) being taxed at the Town's effective mill rate or RM's effective mill rate, whichever is lower in a given tax year. It should be made clear that the comparison of effective mill rates will utilize the rules summarized in *Appendix H* in the CORVUS FIA. It should also be made clear that this guarantee will continue in the absence of a "triggering event" such as subdivision, development, etc. which are also defined in *Appendix H* in the CORVUS FIA.
18. It is recommended the SMB make clear that prior to the annexation date the RM should transfer all records pertaining to assessment and taxation related to residents and businesses in the proposed annexation area.
19. It is recommended the SMB require the RM to provide all infrastructure assessment information such as engineering studies, condition surveys and the like for assets transferred as a result of annexation.
20. It is recommended the SMB make clear that prior to the annexation date the Town should prepare notifications to annexation area residents regarding changes in services and service access points (if any).
21. It is recommended the SMB require the RM to provide all street name and addressing records within the proposed annexation area.

APPENDIX C: DECOMMISSIONING OF EMERALD PARK LAGOONS

Sample photos from a recent aerial survey undertaken by the Town are shown below. The RM has been unwilling to share any details pertaining to the decommissioning, but the Town estimates the decommissioning work completed to date is approximately 45%. Further, it is the Town's understanding that neither the Water Security Agency nor the Ministry of Environment have provided confirmation that the lagoon commissioning is complete.

Sample Photos From the 2022 Aerial Survey of the Emerald Park Lagoons



August 25, 2017 (Google Earth)



May 21, 2022 (Drone View looking from the west of lagoons)

APPENDIX D: ANNUAL CAPITAL EXPENDITURES IN ANNEXATION AREA 2014-2022

Core Capital Expenditures Applicable to the Proposed Annexation Area (2014 to 2022)⁵⁸

Aspen Village	2014 – 2017	\$1,005,000
Woods Crescent	2014 – 2016	\$545,000
Vittera	2014 – 2015	\$1,427,000
Jaxon	2016	\$50,000
St. Andrew Bay	2016	\$313,000
Gemstone	2016	\$50,000
Percieval	2016 – 2020	\$655,000
Betteridge Road	2017	\$12,000
Nicklaus Place	2017	\$105,000
Diamond	2017 – 2018	\$387,000
Walkways	2017 – 2019	\$125,200
Fairway	2018 – 2020	\$705,000
Palmer	2018 – 2019	\$530,300
Hogan	2019	\$257,000
Coral	2019	\$75,500
Emerald	2020	\$79,000
Topaz	2020	\$50,000
Sapphire	2020	\$39,000
Chrystal	2020	\$42,000
Garnet	2020	\$30,000
McLeod	2020	\$297,000
Total		\$6,779,000
Average Per Year	2014-2022	\$753,222

⁵⁸ Source: RM of Edenwold Website, 2014-2022 Budgets.

Recent Non-Core Capital Expenditures Applicable to the Proposed Annexation Area⁵⁹

Shop Building	2014	\$1,400,000
Fire Station & Equip	2020 – 2022	\$5,283,300
Pathway Lights	2012 – 2022	\$921,600
Dog Park	2021 – 2022	\$96,000
Pickle Ball	2021 – 2022	\$125,000
Equipment	2020 – 2021	\$360,000
Total		\$8,185,900
Average Per Year	2014-2022	\$909,544

Recent Other Capital Expenditures Applicable to the Proposed Annexation Area⁶⁰

Equipment	2014 – 2022	\$3,585,000
Total		\$3,585,000
Average Per Year	2014-2022	\$398,333
Average Per Year Applicable to Annexation Area (% of Pop)		\$176,462

⁵⁹ Ibid. Footnote 58, page 60.

⁶⁰ Ibid. Footnote 58, page 60.

APPENDIX E: RM CAPITAL PLANS FOR EMERALD PARK

The *2020 Municipal Action Plan* also demonstrates the regular and ongoing capital investments in the proposed annexation area, with several major capital projects contemplated/planned for Emerald Park⁶¹:

- *Item 39 - Future: possible development of indoor recreational facility (i.e., track, multi-use rooms, turf field, change rooms, gym). Multi-use indoor recreational facility project discussions continue. Consultation and preliminary designs to be continued in 2021.*
- *Item 60 - Continue to pursue connectivity of the Pilot Butte interchange to Great Plains Industrial Drive via a south connection (Highway 624/Betteridge Road).*
- *Item 63 - Submission of communications to the Ministry of Highways and Infrastructure requesting streetlights along Great Plains Road and South Plains Road (South Service Road), Request for quote for these lights submitted to SaskPower.*
- *Item 67 - Future: walkway extensions planned adjacent to new RM office, along Hutchence Road and adjacent to stormwater retention pond and water feature (former East lagoons site).*
- *Item 72 - Initial scoping meeting held with City of Regina to determine information required to work towards a future transit loop.*
- *Item 77 - Engage with the members of all local communities to identify cultural resources and develop a strategic plan for the management of these resources.*
- *Item 94 - Improve walkway connections through commercial areas. Possible Trans Canada Trail expansion into commercial developments.*

The RM's *2022 Emerald Park Sector Plan* “promotes the logical and cost-effective extension of land uses, utility services and transportation networks to provide a basis for municipal decisions concerning future development and investment in public infrastructure due to development demands.” The *2022 Emerald Park Sector Plan* also demonstrates the regular and ongoing capital investments in the proposed annexation area, with several major capital

⁶¹ RM 2020 Municipal Action Plan, November 2020, Page 8.

projects are contemplated/planned for Emerald Park⁶²:

- 7.4 (Page 7-30) *Growth within Emerald Park will require the continued enhancement of existing community service facilities and the construction of new facilities designed to meet the needs of a diverse population. Figure 6-1 identifies key areas intended to support new community service, and parks and recreation development, including educational institutions, community facilities, parks, and indoor and outdoor recreation facilities.*
- 7.6 (Page 7-32) *Designated arterial roadways within the plan area include Range Road 2185, which provides direct access to Highway No. 1 via the Pilot Butte Access, and the extension of Betteridge Road from the Town of White City to Range Road 2185.*
- 7.6 (Page 7-32) *Consideration is given to providing a direct route from Highway No. 1 to the agricultural industry business centre to the south for heavy truck traffic and to Betteridge Road.*
- 7.6 (Page 7-32) *Designated collector roadways include Great Plains Road, South Plains Road, Emerald Park Road, Hutchence Road, Great Plains Industrial Drive, the proposed roadway extending south from Industrial Drive, and the proposed residential boulevard extending from Royal Park west to Range Road 2185. This framework provides for the logical extensions of existing roadways to provide efficient and direct access to the provincial highway system while creating several options for movement within the plan area.*
- 7.6 (Page 7-32) *The multi-use trail network will extend throughout the plan area along collector roadways, powerline, and pipeline corridors, and between residential and commercial development areas to provide both connections and a transition between land uses.*

⁶² RM Emerald Park Sector Plan, March 2022, Pages 7-30, 7-31, and 7-32.

APPENDIX F: RESUME – GREG WEISS

Greg Weiss
MBA, BComm

1 Introduction

Greg is President and founder of **CORVUS Business Advisors** and provides a wide range of financial consulting services to municipalities including:

- Financial impact analyses
- Municipal financial sustainability
- Offsite levy rates and associated policies
- Utility rates



Greg has architected financial impact analyses, rate models, and supporting strategies for more than 50 municipalities. It's Greg's broad business background that gives him the ability to facilitate and align executive-level stakeholder input, customer requirements, and leading practices, to the business requirements and strategic direction of the organization. Moreover, it's Greg's people skills and ability to assess the big picture that has earned him a reputation for project success. Prior to launching CORVUS Business Advisors in 2003, Greg was a founding member and partner of TkMC Consulting (which later became Sierra Systems). Prior to launching TkMC, Greg was a senior consulting manager with Ernst & Young consulting. Greg began his career as an infantry officer in Princess Patricia's Canadian Light Infantry, earning his airborne "jump" wings and finishing 1st of 400 candidates at the elite US Army Ranger School.

2 Education & Related Qualifications

Master of Business Administration, Simon Fraser University
Bachelor of Commerce, University of Alberta
Project Management Institute, Ernst & Young
Business Process Re-engineering, Ernst & Young
Business Transformation, Ernst & Young
Supply Chain Management, Ernst & Young
JD Edward Level 1, Ernst & Young
Canadian Forces Airborne Jump Training
United States Army Ranger (Leadership) School

3 Career Chronology

Date	Position	Organization
2003 – Present	Founder / President	 CORVUS Business Advisors
1999 – 2003	Founder / Partner	 TkMC Consulting
1997 – 1999	Senior Consultant	 Ernst & Young Consulting
1989 – 1997	Officer	 Department of National Defence

4 Experience

4.1 Municipal Annexation & Financial Impact Analyses

Advised Council and Administration of several municipalities on their annexation strategy and financial plan including: development, configuration and implementation of a financial impact model; growth plan (annexation area strategy); capital and operating financing requirements and tax impacts; public consultations; staff and Council training; and subject matter testimony to the Municipal Government Board. Municipal clients include:

Municipality	25 Year Capital Plan	25 Year Tax Requirement	Successful Agreement and/or MGB Defence
Town of White City (2018-2022)	246 Million	\$477 Million	In progress
City of Lloydminster (2020)	1.45 Billion (*32 Yrs)	\$2.75 Billion (*32 Yrs)	✓ (MGB)
City of St Albert (2020)	3.06 Billion (*35 Yrs)	\$8.38 Billion (*35 Yrs)	✓
City of Fort Saskatchewan (2019)	\$594 Million	\$1.77 Billion	✓
City of Spruce Grove (2015)	\$638 Million	\$2.86 Billion	✓
City of Cold Lake (2013)	\$602 Million	\$1.11 Billion	✓
Town of Beaumont (2012)	\$467 Million	\$1.24 Billion	✓ (MGB)
Town of Drayton Valley (2008)	\$578 Million	\$624 Million	✓ (MGB)

4.2 Municipal Offsite Levy Models, Rates, and Policies

Advised Council and Administration for over 45 municipalities on creation/updating of their offsite levy bylaw including: development, configuration, implementation and ongoing maintenance of an offsite levy rate model, development of the municipality's offsite levy rates necessary to support its 25 year / multi-Million infrastructure plan, municipal staff training, facilitation of the community and public consultation process, preparation of a detailed offsite levy report in support of the new or amended bylaw, and development of the accompanying policy framework. This financing represents funding that would require tax support if not supported via levy. A sample of these municipal clients include:

Municipality	Infrastructure Costs	Offsite Levy Financing
City of Brooks (2021)	\$100 Million	\$21 Million
City of Chestermere (2014, 2017, 2018, 2022)	\$373 Million	\$201 Million
City of Cold Lake (2016)	\$499 Million	\$59 Million
City of Fort Saskatchewan (2016)	\$29 Million	\$28 Million
City of Lacombe (2015)	\$112 Million	\$42 Million
City of Leduc (2006)	\$118 Million	\$94 Million
City of Lloydminster (2014)	\$696 Million	\$311 Million
City of Medicine Hat (2012/2021)	\$404 Million	\$107 Million
City of Spruce Grove (201, 2022)	\$232 Million	\$176 Million
City of St. Albert (2008, 2011, 2013, 2021)	\$587 Million	\$326 Million
City of Wetaskiwin (2015)	\$97 Million	\$27 Million
Lac La Biche County (2009)	\$51 Million	\$15 Million
Parkland County (2012)	\$95 Million	\$51 Million
Strathcona County (2021)	\$808 Million	\$240 Million
Sturgeon County (2014, 2015, 2019, 2021)	\$386 Million	\$83 Million
Thorhild County (2021)	\$31 Million	\$21 Million
Town of Beaumont (2007, 2014)	\$93 Million	\$41 Million
Town of Calmar (2007, 2016, 2021)	\$24 Million	\$8 Million
Town of Canmore (2019)	\$144 Million	\$89 Million
Town of Devon (2014)	\$53 Million	\$18 Million
Town of Drayton Valley (2014, 2016, 2018)	\$97 Million	\$35 Million
Town of Edson (2013)	\$118 Million	\$48 Million

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Municipality	Infrastructure Costs	Offsite Levy Financing
Town of <u>Morinville</u> (2009, 2014)	\$69 Million	\$27 Million
Town of Peace River (2009)	\$46 Million	\$10 Million
Town of Redcliff (2015)	\$84 Million	\$30 Million
Town of Rocky Mountain House (2015)	\$107 Million	\$17 Million
Town of Stony Plain (2021)	\$261 Million	\$49 Million
Town of Sylvan Lake (2015, 2019, 2020, 2022)	\$161 Million	\$76 Million
Town of Vermilion (2012)	\$59 Million	\$8 Million
Town of Westlock (2016)	\$55 Million	\$39 Million
Town of White City (2018)	\$76 Million	\$54 Million

4.3 Municipal Financial Sustainability Models

Advised Council and Administration on the long-term financial sustainability of their community with an emphasis on tax increases and ability to meet debt covenants based on pace of growth, capital plans and associated financing, operating revenues, operating costs, debts, and tax assessment. Municipal clients include:

Municipality	Capital Plan	Tax Requirement	Financial Sustainability
Town of Beaumont (2017)	\$295 Million (50 yrs)	\$1.97 Billion (50 yrs)	✓
City of Lloydminster (2015)	\$336 Million (10 yrs)	\$366 Million (10 yrs)	✓

4.4 Municipal Water & Sanitary Utility Rates

Advised Council and Administration of several municipalities on creation/creating of their utility rate bylaw including development, configuration, implementation and ongoing maintenance of a utility rate model; development of the municipality's utility rate strategy and path toward full cost utility rates; municipal staff training; and preparation of a detailed utility rate report in support of the new or amended bylaw. Municipal clients include:

Municipality	Water Rate Revenues (10 yrs)	Sanitary Rate Revenues (10 yrs)
City of Spruce Grove (2022)	\$182 Million	\$69 Million
Town of Drayton Valley (2009, 2015, 2017)	\$33 Million	\$28 Million

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Town of High River (2016)	\$18 Million	\$31 Million
Lac La Biche County (2011)	\$16 Million	\$19 Million
Town of Grande Cache (2010)	\$15 Million	\$10 Million
Town of Peace River (2010)	\$34 Million	\$19 Million

4.5 Municipal Utility Corporation Viability Models & Assessments

Advised Alberta Municipal Affairs on the business viability of proposed municipal controlled corporations: development, configuration and implementation of a sustainability model; assessment of the corporation’s business plan; assessment of financial viability; capital and operating financing requirements and impact on citizens and third parties, etc. Municipal clients include:

Municipality	Utility Corporation
City of Cold Lake (2020)	Cold Lake Regional Utility Service Commission (Water)
Regional Municipality of Wood Buffalo (2013)	Wood Buffalo Utility Corporation (Water, Wastewater, Solid Waste)
City of Calgary (2011)	Calgary Regional Water & Wastewater Commission

4.6 Full Cost User Fee Models & Rate Strategies

Developed and implemented a full cost accounting model in support of an update and ongoing rate strategy of all of municipal user fees. Municipal clients include:

Municipality	User Fees
City of St. Albert (2009)	Planning, Development, Building Permits, Plumbing Permits, Gas Permits, Electrical Permits
Strathcona County (2010)	Planning, Development, Building Permits, Plumbing Permits, Gas Permits, Electrical Permits