



## *Facilitating Informed Decision-Making*

---

### **Flagstaff Intermunicipal Partnership (FIP) Operation and Transition Plan for Proposed Amalgamation**

**Report Prepared by:  
NEW WEST OPPORTUNITIES INC.**

**October 30, 2019**



## TABLE OF CONTENTS

	<u>Page</u>
<b>1. EXECUTIVE SUMMARY</b>	4
<b>2. REQUEST FOR DECISION (RFD) OPTIONS FOR EACH COUNCIL</b>	10
<b>3. BACKGROUND AND INTRODUCTION</b>	13
<b>4. PROJECT TERMS OF REFERENCE</b>	17
<b>5. PRINCIPLES OF AMALGAMATION</b>	18
<b>6. FISCAL CAPACITY AND MUNICIPAL COMPETITIVENESS</b>	21
<b>7. PROJECT METHODOLOGY AND APPROACH</b>	29
<b>8. AMALGAMATION BEST PRACTICES AND RECOMMENDED APPROACH</b>	32
<b>9. POTENTIALLY-VIABLE OPTIONS/APPROACHES</b>	35
<b>10. GOVERNANCE, HUMAN RESOURCES AND STAKEHOLDER CONSIDERATIONS</b>	53
<b>11. SERVICE DELIVERY AND SERVICE IMPLICATIONS</b>	55
<b>12. INFRASTRUCTURE, ASSETS AND EQUIPMENT RATIONALIZATION</b>	61
<b>13. ADMINISTRATION AND ORGANIZATION STRUCTURE</b>	65
<b>14. KEY POLICY AND FINANCIAL CONSIDERATIONS</b>	66
<b>15. COMMUNICATION AND PUBLIC ENGAGEMENT</b>	70
<b>16. FUTURE OF FLAGSTAFF INTERMUNICIPAL PARTNERSHIP (FIP)</b>	73

*...continued from previous page*

	<u>Page</u>
<b>17. CONCLUSIONS</b>	75
<b>18. APPENDICES</b>	77
<b>A. ALBERTA MUNICIPAL GOVERNMENT ACT,         RELEVANT SECTIONS</b>	77
<b>B. MUNICIPAL AFFAIRS (30) REQUIREMENTS FOR         AMALGAMATION</b>	83
<b>C. GUIDE TO AMALGAMATION (CHECKLIST)</b>	88

---

**Report Prepared by:**

**NEW WEST OPPORTUNITIES INC.**

7506 Gateway Boulevard  
 PO Box 4929 (South Edmonton)  
 Edmonton, Alberta CANADA T6E 5G8  
 Phone: (780) 758-7336  
 Email: Info@NWOpportunities.com  
 Web: NWOpportunities.com

Shane Pospisil, Senior Partner (Project Co-Lead)  
 and  
 Nolan Crouse, Senior Associate (Project Co-Lead)

---

# 1. EXECUTIVE SUMMARY

Like many rural areas across Western Canada, Flagstaff region is facing a future that will increasingly be defined by ever-present change, ongoing challenges to longer term community sustainability, and the imperative to adapt and reposition to take full advantage of future opportunities.

These challenges are not going away any time soon, and four related questions continue to be discussed within the Flagstaff Intermunicipal Partnership (FIP) and by a growing number of area residents and ratepayers.

- What's best for the region?
- What's best for each municipality?
- Should these questions be viewed as mutually exclusive?
- Does the 'status quo' really make sense for any of the FIP municipalities any more?

From its establishment in 2003, FIP has been focused on exploring and identifying areas and opportunities for increased inter-municipal collaboration, all aimed at one overriding goal:

- ***Providing effective and efficient delivery of the highest-quality municipal services and infrastructure across the region and delivering this standard of service at fair, reasonable and affordable levels of taxation.***

Since being formally launched in 2015, the FIP ***Regional Governance Project*** has remained focused on undertaking the necessary due diligence to identify, assess and evaluate opportunities for more effective and efficient (regionalized) municipal service delivery across Flagstaff region.

- ✓ Exploring, analyzing and understanding these potential opportunities.
- ✓ Listening, learning and fully engaging with subject matter experts and, most importantly, with residents and ratepayers.
- ✓ Identifying the range of potential pros and cons, performing the necessary technical and financial due diligence and, above all, ensuring prudent and informed municipal decision-making across the FIP region.
- This comprehensive amalgamation options and assessment review, the Operation and Transition Plan for Proposed Amalgamation, clearly reflects this focus on due diligence and providing a solid foundation for fully-informed decision-making across the region and within each FIP municipality.

Participants in the ***Regional Governance Project***, and specifically this objective, comprehensive and illustrative amalgamation options and assessment review, include the following eight (8) FIP municipalities.

### **Eight (8) Participating FIP Municipalities**

➡ Flagstaff County	➡ Village of Alliance
➡ Town of Daysland	➡ Village of Forestburg
➡ Town of Hardisty	➡ Village of Heisler
➡ Town of Killam	➡ Village of Lougheed



### **Regional Governance Project: Key Research and Analytical ‘Building Blocks’**

#### **□ 13 Ways Inc.**

- ✓ Research Successful (Best Practices) Inter-Municipal Cooperation and Collaboration
- ✓ Review/Development of Principles-Based Framework for Single-Tier Governance
- ✓ Community Viability Survey and Provincial Grant Review/Assessment
- ✓ Governance Options and Governance Structures Assessment
- ✓ Flagstaff Region Resident Survey on Municipal Services
  - Majority of respondents wanted FIP to explore regionally-based services delivery.
  - Majority of respondents want: 1) Fair Taxes; 2) Reasonable Services; 3) Service Enhancement (if possible); and 4) Good Governance.

#### **□ Urban Systems Inc. and FIP Committee**

- ✓ Regional Infrastructure and Asset Management Assessment
- ✓ Municipal Services Delivery and Service Levels Review
  - FIP reviewed levels of service, cost of services, risk assessment of services, life cycle considerations, budgetary and financial trade-offs, etc.
  - FIP representatives reviewed and discussed regional infrastructure and asset replacement assessments and the challenges of dealing with aging infrastructure.

## □ New West Opportunities Inc.

- ✓ Recent and Extensive Community/Stakeholder Engagement on the Single-Tier or Amalgamated Regional Government Model
  - While there is never really a right or wrong answer on these types of complex public policy and/or municipal governance issues, a fairly high level of agreement was expressed by a majority of respondents (both urban and rural) that it would be prudent to move forward with further – more detailed – operational and transitional consideration of the Single-Tier or Amalgamated Regional Government Model.
  - This was seen as the only way for individual Councils to be able to make fully-informed go/no-go decisions on any potential amalgamation scenario.

Building on a thorough understanding and knowledge of the extensive and detailed due diligence work that has already been undertaken, New West Opportunities Inc. was also recently retained to objectively research, facilitate and provide the following four (4) core project deliverables:

- 1) *Facilitation and development of FIP Operation and Transition Plan for Proposed Amalgamation.*
- 2) *Identification of any and all shared-services, regional service delivery and/or range of optimized municipal service alternatives, or sub-group alternatives, which may emerge.*
- 3) *Develop and recommend a follow-up public engagement and feedback component, utilizing and leveraging existing community-wide information distribution platforms.*
- 4) *And, above all, ensuring that all municipal partners have the information and data they require, across a range of potentially-viable options and alternatives, for fully-informed decision-making upon project completion.*

---

One of the common issues which typically comes up in most amalgamation work relates to the fact that nobody wants to see their taxes increase or services or service levels reduced as a result of a change in municipal structure or boundaries.

The financial modelling and analysis which follows is certainly sensitive to this ‘reality.’ As such, the range of potentially-viable amalgamation options and approaches which have been identified are all based on the assumption that Flagstaff County’s residential/farm mill rate structure will be the transitional target (either static or with various historical or other trend line linear increases).

Two key experience-based learnings with similar municipal amalgamation work have helped inform the financial modelling and analytical methodology used throughout this project.

### **Amalgamation should not be viewed as inherently ‘good’ or ‘bad.’**

- ❑ Past experience elsewhere in Canada has shown that amalgamation can provide an opportunity to reduce costs and therefore taxation, but only if there are workable fiscal and financial (taxation/assessment/services) synergies between potential amalgamating partners. Sometimes this is the case, sometimes it is not.
- In most situations, provincial transitional assistance will likely be required to maintain fairness and equity amongst the amalgamating (or dissolution) partners.

### **Amalgamation can provide an opportunity to reduce costs and therefore taxation.**

- ❑ Immediate savings are typically realized through a reduction in Council members and related administrative efficiencies. Other savings and cost avoidance can also be realized, over time, as the new Council identifies various service and cost efficiencies resulting from amalgamation.
- Maintaining fairness and equity among the amalgamating partners is essential.

### **What did we learn from identified best practices and those amalgamations elsewhere in Canada now seen as being ‘financially and operationally successful’?**

- ✓ Financial modelling and related assumptions must remain consistent with previously agreed upon ‘Principles of Amalgamation.’
- ✓ No ratepayers worse-off re: new mill rate structure/transitional services provision.
- ✓ Caution on going too fast!
- ✓ Establishment of local community advisory committees (Local Urban Districts, or LUDs, in Manitoba) has helped maintain and further develop the identity of local communities while, at the same time, facilitating ongoing community input and important local feedback for the regional municipality.
- ✓ Informed Council decision-making is the key to future operational and budgetary decision-making.
- ✓ Provincial transitional assistance will be required to maintain fairness and equity among the amalgamating (or dissolution) partners.
- ✓ Ongoing communication/engagement with staff, residents, community support groups, and other stakeholders is critical.

- *The proposed amalgamation plan will help ensure that residential/farm mill rates across the region will not increase over the historical inflation-adjusted trend line for any ratepayer. In fact, base residential rates will fall significantly for all seven (7) participating urban municipalities as regional mill rates are harmonized, again relative to the historical/inflation-adjusted trend line.*
- *The financial modelling also looked at one (illustrative) scenario where Alliance, Hardisty and Killam retained their lower non-residential mill rates over the eight (8) year transitional phase-in period (i.e., while all other non-residential mill rates are harmonized to the Flagstaff County rate). In this case, the newly-amalgamated municipality would only have to find another \$123,789 in annual amalgamation efficiencies and related savings – or a total initial savings of \$1,257,948.*

### Summary of Illustrative Revenue Analysis Scenarios

Scenario	Initial Savings Required for Balanced Transitional Amalgamation Plan	Percentage Shortfall Over 2018 Base Case Tax Revenue (\$24,321,104)	Percentage Shortfall Over 2018 Total Consolidated Operating Expenditures (\$35,651,871)	Percentage Reduction in Current Residential/Farm Mill Rates
Harmonization to Flagstaff County mill rate structure.	\$1,134,159	4.66%	3.18%	Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).  Illustrative base rate taxation impact on an average 1,200 sq. ft. bungalow (Daysland/Forestburg/Hardisty): \$520-\$720 annual eight (8) year 'lower than it otherwise would be' trend line reduction.
Harmonization to lowest regional mill rates (Flagstaff County residential and Killam non-residential mill rates).	\$3,836,534	15.77%	10.76%	Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).

...Continued

Harmonization to Flagstaff County mill rate structure, with the exception of Alliance, Hardisty and Killam retaining their lower non-residential mill rate trend line for full eight (8) year transition period.	\$1,257,948	5.17%	3.53%	<p>Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).</p> <p>Alliance, Hardisty and Killam retain lower non-residential mill rates and historical inflation-adjusted trend line for full eight (8) year transition period. Future non-residential mill rate harmonization decisions to be made by the new Council.</p>
--	-------------	-------	-------	--

**Note:** The financial modelling undertaken and assessed as part of the Operation and Transition Plan for Proposed Amalgamation project has been reviewed by an independent fairness monitor, Dr. B. Lernihan, Senior Econometrician at NE6 Analytics LLP. This review focused on the objectivity, fairness and analytical soundness of the modelling and the reasonableness of the assumptions inputted into the various financial models.

- Dr. Lernihan concluded that ‘the approach and modelling architecture utilized to meet the stated Project Terms of Reference are appropriate, prudent and methodologically unbiased.’
- Dr. Lernihan also concluded that ‘the financial models developed and reviewed also have the real time dynamism to assess and evaluate future external and internal changes, whether anticipated or not, to both revenue (such as provincial grants and transfer levels) and costs.’



## 2. REQUEST FOR DECISION (RFD) OPTIONS FOR EACH COUNCIL

Flagstaff Intermunicipal Partnership (FIP) is currently at a crossroads and requires clarity and direction as to its future.

FIP is credited with many successes over the years, yet challenges persist to the point that some municipalities are questioning the cost-benefit formula in these challenging economic times. Flagstaff County has provided notice to end their involvement with FIP in its current form and the Village of Forestburg has provided notice that they will no longer be providing the leadership role as FIP Managing Partner going forward.

Doing nothing is now truly not an option given the current state of FIP.

One of the roles that Councils have as members of FIP is to provide clarity as to their respective desires and intentions in the future.

It would therefore appear prudent and timely that each Council take a position on their plans and that each (including the Town of Sedgewick) be encouraged to vote in the affirmative on at least one of the options listed below (each Council, of course, may choose to vote on any number of these options).

The options identified below represent the full range and spectrum of options available for Councils' consideration.



**OPTION #1 - To receive this report and take no further action on amalgamation activities.**



**OPTION #2 - To request Alberta Municipal Affairs to complete a Viability Review for the Municipality of \_\_\_\_\_.**



**OPTION #3 - To begin the process to work with all other interested municipalities to form one amalgamated municipality.**



**OPTION #4 - To add a 'Question' to the 2021 Municipal Election ballot (plebiscite), with the precise wording yet to be determined, on whether or not to proceed with amalgamation.**



**OPTION #5 - To proceed immediately with planning a 2020 ballot question (plebiscite), with the timing and precise wording yet to be determined, on whether or not to proceed with amalgamation.**



**OPTION #6 - To begin the process to work with all other interested municipalities to explore Specialized Municipality status.**



**OPTION #7 - To begin the process to dissolve FIP and replace FIP with a Growth Management Board, newly permitted under the Municipal Government Act (MGA).**



**OPTION #8 - To maintain the nine (9)-member FIP status quo and work to expand FIP, while strengthening the current FIP model.**



**OPTION #9 - To give notice to withdraw from FIP and work on matters that arise from time to time as one-off, independent regional collaboration and cooperation opportunities, independent of FIP.**



**OPTION #10 - To begin the process to do only the required Intermunicipal Collaboration Framework (ICF) and Intermunicipal Development Plan (IDP) work required by the Province of Alberta, and undertake no further amalgamation work.**

For any municipality considering options 4) or 5) above, an illustrative ballot question recently administered by Alberta Municipal Affairs with respect to the Town of Grande Cache follows – in addition to the corresponding 'Declaration of Vote Results.'



### 3. BACKGROUND AND INTRODUCTION

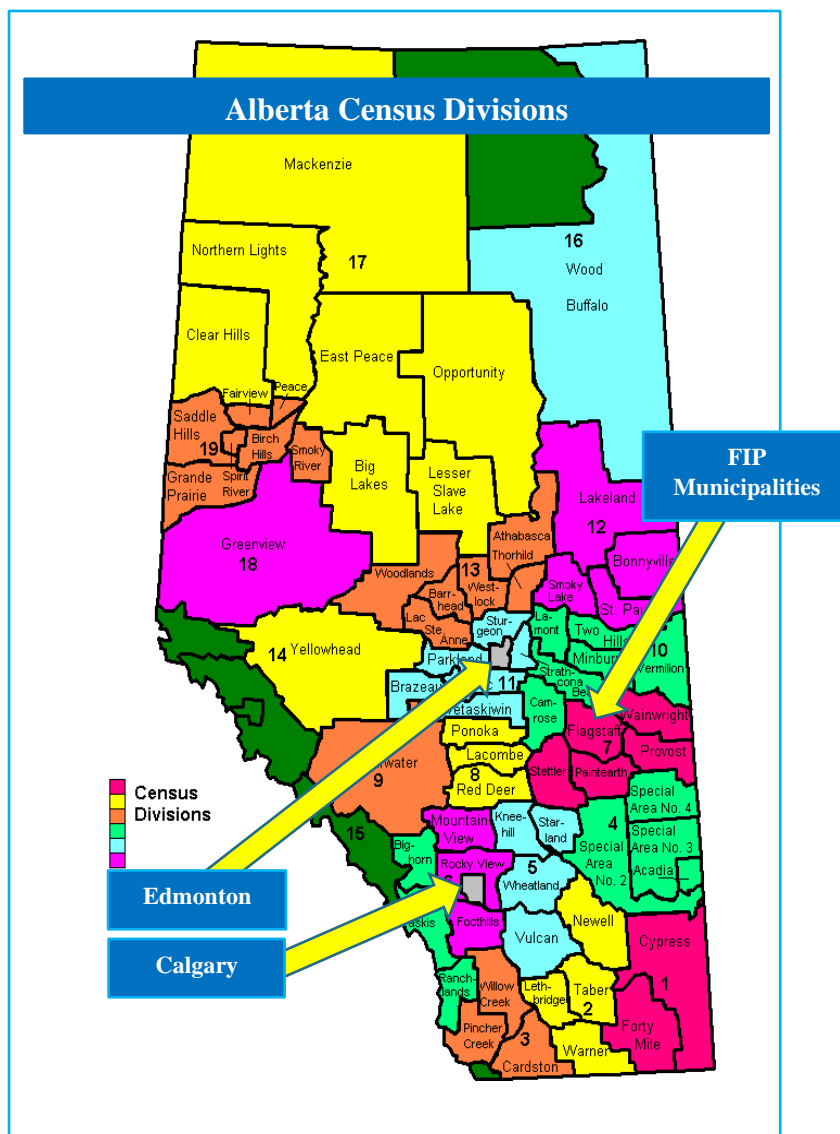
The Flagstaff Intermunicipal Partnership (FIP) consists of the following nine (9) municipalities located in East-Central Alberta:

- ❖ **Flagstaff County**
- ❖ **Town of Daysland**
- ❖ **Town of Hardisty**
- ❖ **Town of Killam**
- ❖ **Town of Sedgewick\***
- ❖ **Village of Alliance**
- ❖ **Village of Forestburg**
- ❖ **Village of Heisler**
- ❖ **Village of Lougheed**

---

Combined Overall  
Regional Population  
(All 9 FIP  
Municipalities):  
Approximately 8,500

---



*\*Note: The Town of Sedgewick is no longer a participant in the FIP Regional Governance Project, nor is it a participant in this comprehensive amalgamation options and assessment review with the other eight (8) neighbouring FIP communities.*

Regional collaboration and cooperation is far from new to Flagstaff region. Informally and now, increasingly on a more formal basis, inter-municipal collaboration has continued to evolve in response to new challenges and to take advantage of emerging opportunities.

From its establishment in 2003, FIP has been focused on exploring and identifying areas and opportunities for increased inter-municipal collaboration, all aimed at one overriding goal:

- **Providing effective and efficient delivery of the highest-quality municipal services and infrastructure across the region and delivering this standard of service at fair, reasonable and affordable levels of taxation.**

There are numerous examples of areas where FIP region municipalities have partnered and collaborated with each other on shared services delivery – many of which have proven to be very successful. These include:

- Regional Assessment Review Board
- Regional Subdivision and Development Appeal Board
- Regional Water Operators Consortium
- Regional SCADA System for Water Treatment Plants
- Regional Water/Wastewater Feasibility Study
- Regional Emergency Services Communications System
- Regional Emergency Services Coordinator
- Regional Fire Services Agreement
- Flagstaff Regional Waste Management
- Battle River Alliance for Economic Development
- Regional Family and Community Support Services (FCSS)
- Purchasing a Building for the Flagstaff Food Bank
- Flagstaff Initiative for Relationship and Spousal Trauma
- Regional Council Training
- Regional Administrative/Regulatory Compliance Training and Capacity-Building

While FIP has long been focused on identifying, evaluating and undertaking the required due diligence on potential shared services delivery opportunities, in 2014 the focus was broadened considerably. This reflected the emerging view that it would be prudent and timely to explore,

discuss and undertake the initial due diligence on any and all potential – or possible – regional governance options.

This initiative, known as the ***Regional Governance Project***, was facilitated in its early stages by 13 Ways, Inc. – a consulting firm specialized in working with municipalities as they explored these increasingly difficult, multi-faceted and often complex discussions.

The following three general options were considered, in addition to several specific models in each area.

- ❑ **Increased Inter-Municipal Cooperation and Collaboration** – increasing the number of formalized agreements, and developing even closer working relationships where formalized shared services delivery agreements exist.
- ❑ **Regionalization** – creating a governance model that allows regional decisions to be made, while allowing day-to-day operational decisions of each municipality to remain subject to existing governance structures and oversight and their locally-elected officials.
- ❑ **Moving to a Single-Tier or Amalgamated Regional Government** – combining all, or some of the participating FIP communities into a new municipality within a new and regionally-representative governance structure.

Since being formally launched in 2015, the ***Regional Governance Project*** has remained focused on undertaking the necessary due diligence to identify, assess and evaluate opportunities for more effective and efficient (regionalized) municipal service delivery across Flagstaff region.

- ✓ Exploring, analyzing and understanding these potential opportunities.
- ✓ Listening, learning and fully engaging with subject matter experts and, most importantly, with residents and ratepayers.
- ✓ Identifying the range of potential pros and cons, performing the necessary technical and financial due diligence and, above all, ensuring prudent and informed municipal decision-making across the FIP region.

---

***This comprehensive amalgamation options and assessment review, the Operation and Transition Plan for Proposed Amalgamation, clearly reflects this focus on due diligence and providing a solid foundation for fully-informed decision-making across the region and within each FIP municipality.***

## Summary of Previous Research and Analysis (*Regional Governance Project*)

### □ **13 Ways Inc.** (detailed research summaries available upon request)

- ✓ Research Successful (Best Practices) Inter-Municipal Cooperation and Collaboration
- ✓ Review/Development of Principles-Based Framework for Single-Tier Governance
- ✓ Community Viability Survey and Provincial Grant Review/Assessment
- ✓ Governance Options and Governance Structures Assessment
- ✓ Flagstaff Region Resident Survey on Municipal Services

### □ **Urban Systems Inc. and FIP Committee** (detailed research summaries available upon request)

- ✓ Regional Infrastructure and Asset Management Assessment
- ✓ Municipal Services Delivery and Service Levels Review

### □ **New West Opportunities Inc.** (detailed research summaries available upon request)

- ✓ Recent and Extensive Community/Stakeholder Engagement on the Single-Tier or Amalgamated Regional Government Model

#### **Community/Stakeholder Engagement on Single-Tier or Amalgamated Regional Government Model November 7, 2018 to January 20, 2019**

- ❖ *21 townhall and other information/Q&A sessions completed.*
- ❖ *1,000+ overview and background documents and/or Questionnaires distributed.*
- ❖ *198 calls to the MyFlagstaff information line.*
- ❖ *844 Questionnaire responses received from across the Flagstaff region.*



- The Operation and Transition Plan for Proposed Amalgamation which follows not only draws on these earlier research and analysis ‘building blocks,’ but represents the next and final analytical step in the *Regional Governance Project*.

## 4. PROJECT TERMS OF REFERENCE

Participants in the *Regional Governance Project*, and specifically this comprehensive amalgamation options and assessment review, include the following eight (8) FIP municipalities.

### **Eight (8) Participating FIP Municipalities**

➡ Flagstaff County	➡ Village of Alliance
➡ Town of Daysland	➡ Village of Forestburg
➡ Town of Hardisty	➡ Village of Heisler
➡ Town of Killam	➡ Village of Lougheed

**Note(1):** Once again, the Town of Sedgewick is no longer a participant in the FIP Regional Governance Project, nor is it a participant in this comprehensive amalgamation options and assessment review with the other eight (8) neighbouring FIP communities.

**Note(2):** All of the financial modelling and analysis which follows is based on scenarios and potentially-viable amalgamation options and approaches involving the eight (8) participating municipalities only, unless otherwise noted.

A great deal of care and attention has been taken to obtain and utilize the most accurate and reliable information available for the FIP amalgamation options and assessment review – the primary focus of this report.

While the information and data collected are believed to be true, correct and the best available, it should be reiterated that NWO has relied extensively (as per the Project Terms of Reference) on the following informational and data sources in its financial modelling and analysis:

- ☐ The previous third party subject matter experts.
- ☐ Alberta Municipal Affairs.

- ***2018 Alberta Municipal Affairs-sourced data used throughout this report.***

- ❑ The eight (8) FIP municipalities involved in the Operation and Transition Plan for Proposed Amalgamation project.
  - *2018 audited financial statements used for all municipalities, except the Village of Alliance where 2017 audited financial statements were used on an interim basis.*
- ❑ The more than 40 other Ontario and Manitoba-based third party subject matter experts and/or comparator jurisdictions interviewed or utilized in the course of our best practices-focused research.

## **Terms of Reference (Operation and Transition Plan for Proposed Amalgamation)**

Building on a thorough understanding and knowledge of the extensive and detailed due diligence work that has already been undertaken, New West Opportunities Inc. was retained to research, facilitate and provide four (4) core project deliverables:

- 1) *Facilitation and development of FIP Operation and Transition Plan for Proposed Amalgamation.*
- 2) *Identification of any and all shared-services, regional service delivery and/or range of optimized municipal service alternatives, or sub-group alternatives, which may emerge.*
- 3) *Develop and recommend a follow-up public engagement and feedback component, utilizing and leveraging existing community-wide information distribution platforms.*
- 4) *And, above all, ensuring that all municipal partners have the information and data they require, across a range of potentially-viable options and alternatives, for fully-informed decision-making upon project completion.*

## **5. PRINCIPLES OF AMALGAMATION**

As part of FIP's recent due diligence on the ***Regional Governance Project*** and guided by the facilitator, 13 Ways, Inc., the following Principles of Amalgamation for a new single-tier government – in effect, a new regional municipality – were identified (Summer/Fall 2018).

- ❖ **Governance (Structure and Accountability) Principles**
- ❖ **Taxation and Debt Principles**
- ❖ **Services Principles**
- ❖ **Identity Principles**

## ➤ **Governance (Structure and Accountability) Principles**

- ✓ Boundaries of the New Municipality and Ward System – Development of wards (divisions) must ensure that location representation is provided for and that protection is minimized.
- ✓ Council Size – Council size should allow for adequate representative for all residents within any new amalgamated municipality.
- ✓ Beginning with a Ward System allows security and comfort because it would ensure local representation, but it should not be designed to create new divisions or protectionism over the longer term.
- ✓ Local leaders should draw the Ward System boundaries with an independent, impartial facilitator to ensure balance, fairness and impartiality.
- ✓ Council size should focus on ensuring successful and constructive regional management and planning, as well as focusing on growth and new opportunities.
- ✓ The new governance structure must be independently reviewed for balance and effectiveness in Year 2 of implementation, and again in Year 6 of implementation.
- ✓ The proposed governance model is intended to be a tool. Periodic review and assessment will ensure that it continues to serve the region well.

## ➤ **Taxation and Debt Principles**

- ✓ Taxation levels should reflect the infrastructure and service levels provided.
- ✓ The focus must remain on getting the most constructive use of tax dollars and continuing to provide high-quality services to residents – within an affordable, efficient administrative and service delivery framework.
- ✓ Reserve funds and savings must remain in place for the same purpose they were raised and within the jurisdiction that they were originally raised.
- ✓ Outstanding community debt must remain the responsibility of the communities who incurred the debt; responsibility for future debt would be the decision of the newly-elected Council.
- ✓ Debt considerations should include all debt – financial and infrastructure.

### ➤ **Services Principles**

- ✓ Service and taxation levels must be balanced to ensure that those who receive the service are paying for the costs for that service.
- ✓ Volunteers have always been a critical part of the people services offered in the communities and will continue to play a critical role in each of the communities.
- ✓ Clearly, a new regional municipality would be able to provide increased and more coordinated support and services to further assist and help volunteer groups.

### ➤ **Identity Principles**

- ✓ Community names and histories need to be embraced and enhanced. Regions don't attract people, communities with a quality of life do.
- ✓ Regional initiatives on cooperation, collaboration and potentially amalgamation enhance the identity of communities, they don't remove or marginalize them.
- ✓ A focus on community history, names, heroes, traditions and events, and economic opportunity preserves and builds identity.
- ✓ Solutions to address identity should not only focus on internal emotions and history, but also on opportunities for more effective marketing, branding, business/industry attraction, and new residential development.

---

Several additional project considerations followed from the recent Community/Stakeholder Engagement on the Single-Tier or Amalgamated Regional Governance Model (Winter 2018-19).

- ✓ All options for amalgamation must acknowledge and address the core Principles of Amalgamation, as identified above.
- ✓ Detailed information, data and analytics needed for fully-informed and final decision-making.
- ✓ Consistency and compliance with the Municipal Government Act (MGA) and Alberta Municipal Affairs list of thirty (30) Amalgamation Requirements is essential.
- ✓ Many residents and ratepayers also expressed the view that – after almost five (5) years of review and study – the final phase of the ***Regional Governance Project***, the Operation and Transition Plan for Proposed Amalgamation, needed to be completed in 2019.

- ✓ This, in turn, would be followed by decisions taken by each of the respective Councils on a range of possible next steps, reflecting what each Council saw as being in the best interests of their individual communities and residents.

## 6. FISCAL CAPACITY AND MUNICIPAL COMPETITIVENESS

Like many rural areas across Western Canada, Flagstaff region is facing a future that will increasingly be defined by ever-present change, ongoing challenges to longer term rural community sustainability, and the imperative to adapt and reposition to take full advantage of future opportunities.

And, without doubt, there will be fierce competition as adjacent or other nearby economic regions, or surrounding trading and service catchment areas, compete for these opportunities.

### **Fiscal (Sustainability) Pressures Impacting Flagstaff Region**

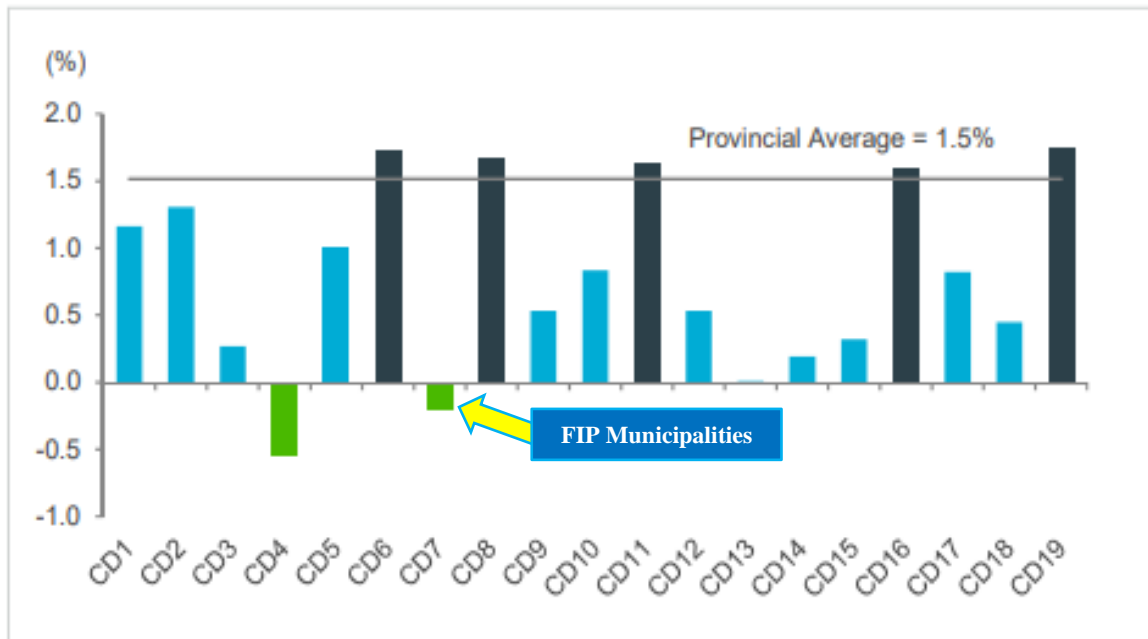
- ☐ Relatively Low Population Growth
- ☐ Relatively Low Growth in Regional Assessment
- ☐ Increasing Costs of Providing Municipal Services
- ☐ Increasing Service Expectations of Residents

### **What does this mean?**

- *Challenges not going away. Status quo not really a medium or longer term option for any of the participating FIP municipalities.*
- *Increasing taxation (fiscal) pressures and capacity constraints across the region.*
- *Emerging constraints on municipal competitiveness will impact the region's ability to compete on future business and residential attraction opportunities.*
- *What's best for the region?*
- *What's best for each municipality?*
- ❖ *The answers to these latter two questions will most likely be different depending on the individual municipality and/or municipalities one might be talking about and the primary fiduciary responsibility of the respective municipal Councils.*

## General Observations: Fiscal Capacity

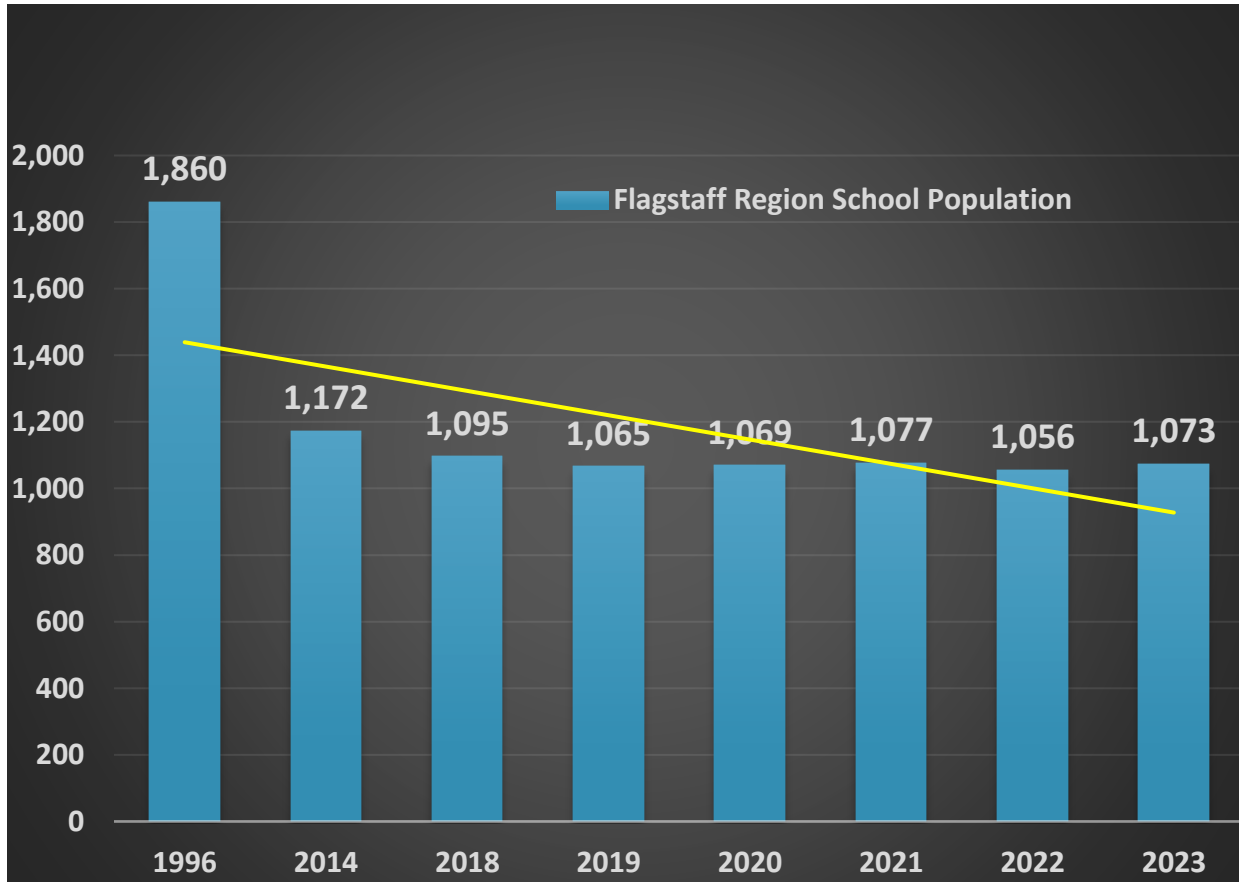
### Projected Average Annual Population Growth by Census Division (Alberta) 2018-2046



Sources: Statistics Canada and Alberta Treasury Board and Finance



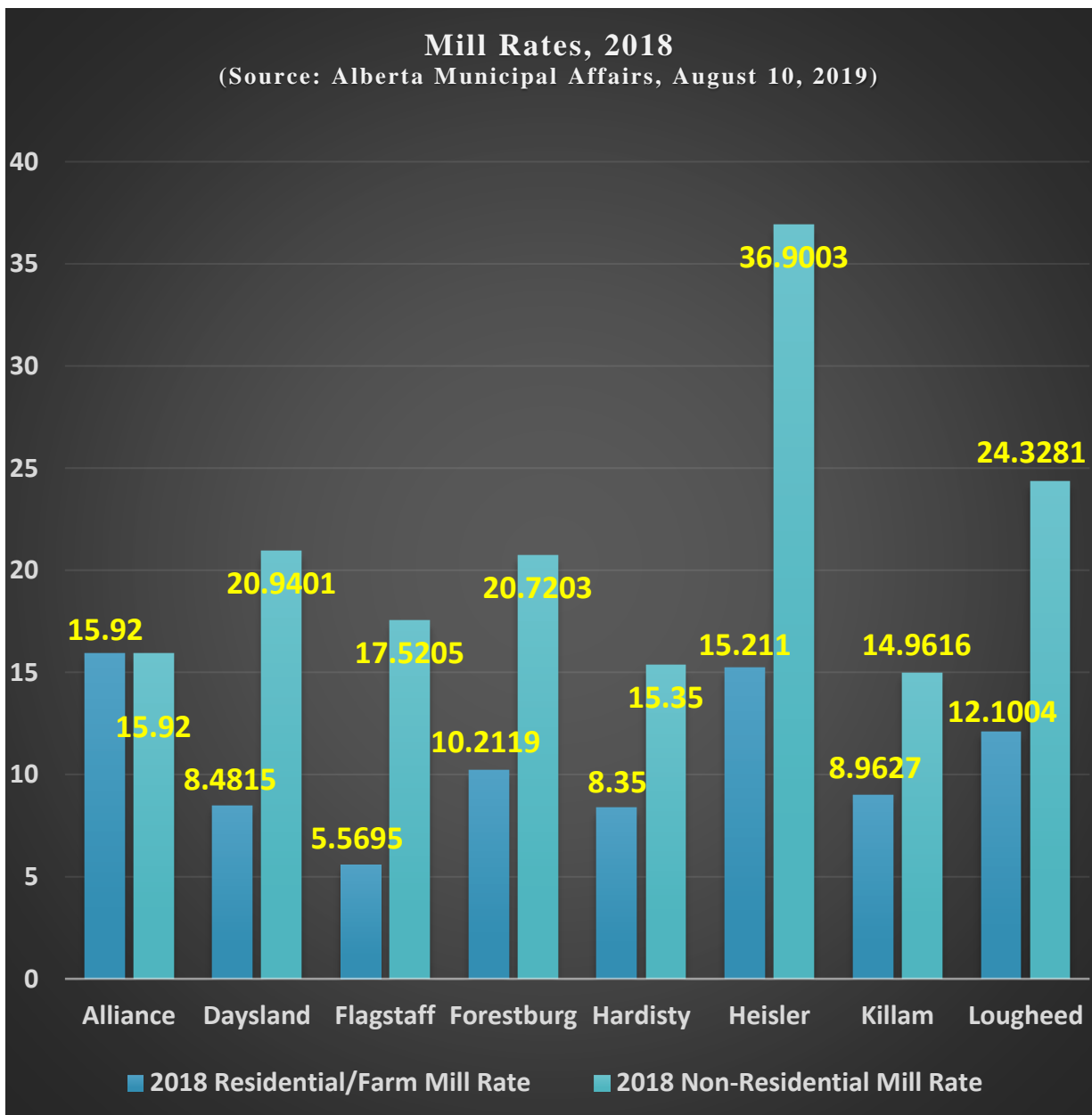
## Flagstaff Region School Population



Source: Battle River School Division No. 31, 2018-2019.



## General Observations: Municipal Competitiveness

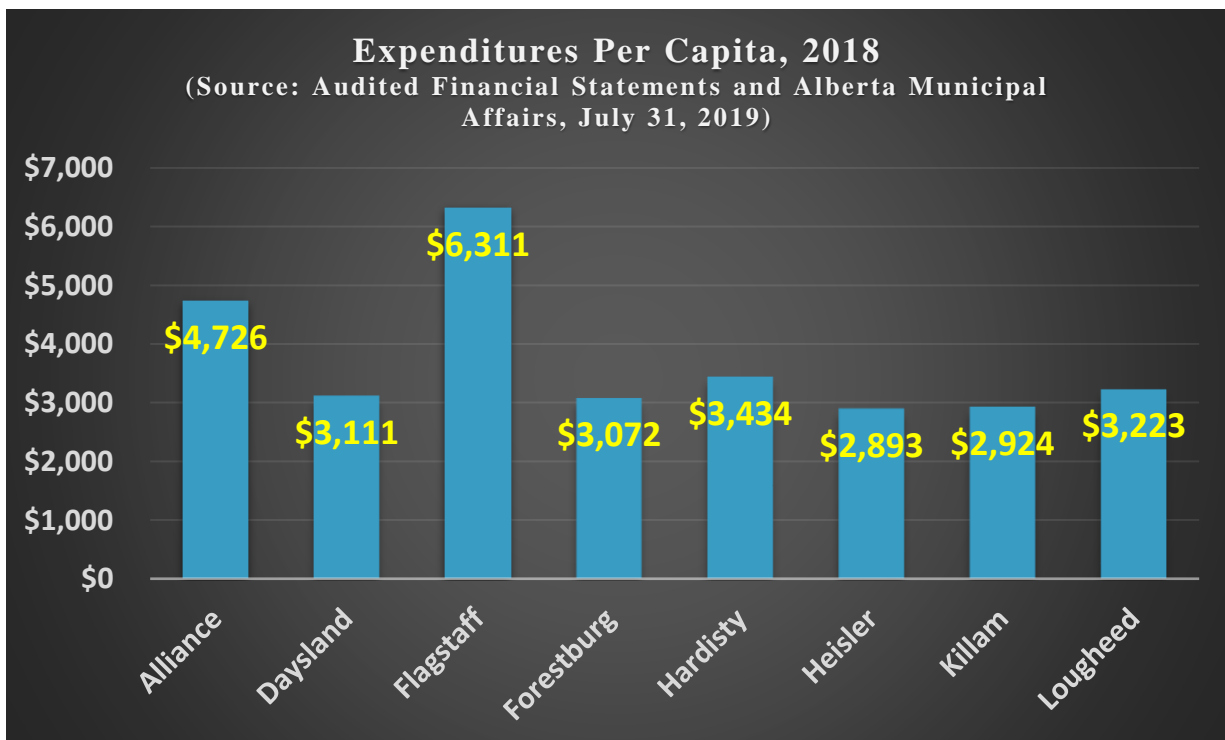
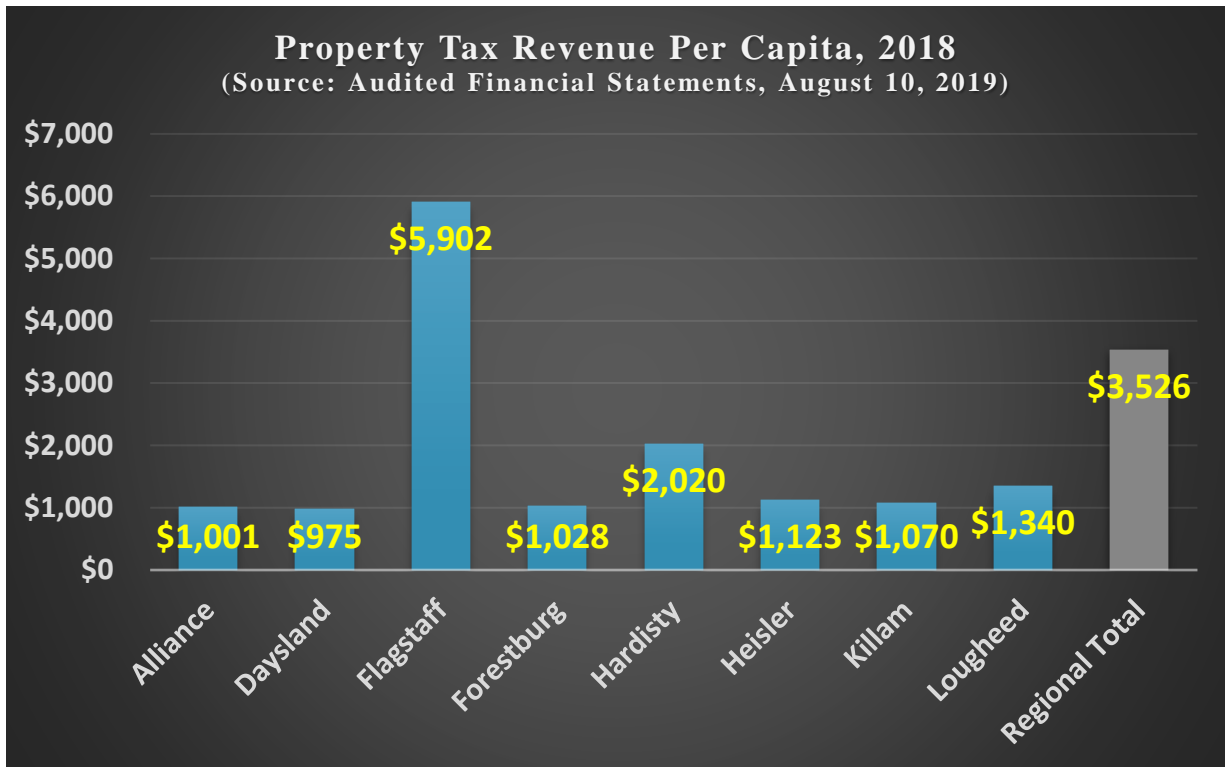


***Note:** Alberta Municipal Affairs reports the same residential and farm mill rates. NWO recognizes that these rates may differ but that the ‘combined’ residential/farm mill rate data nevertheless provides a reasonable basis for the directional analysis which follows.*

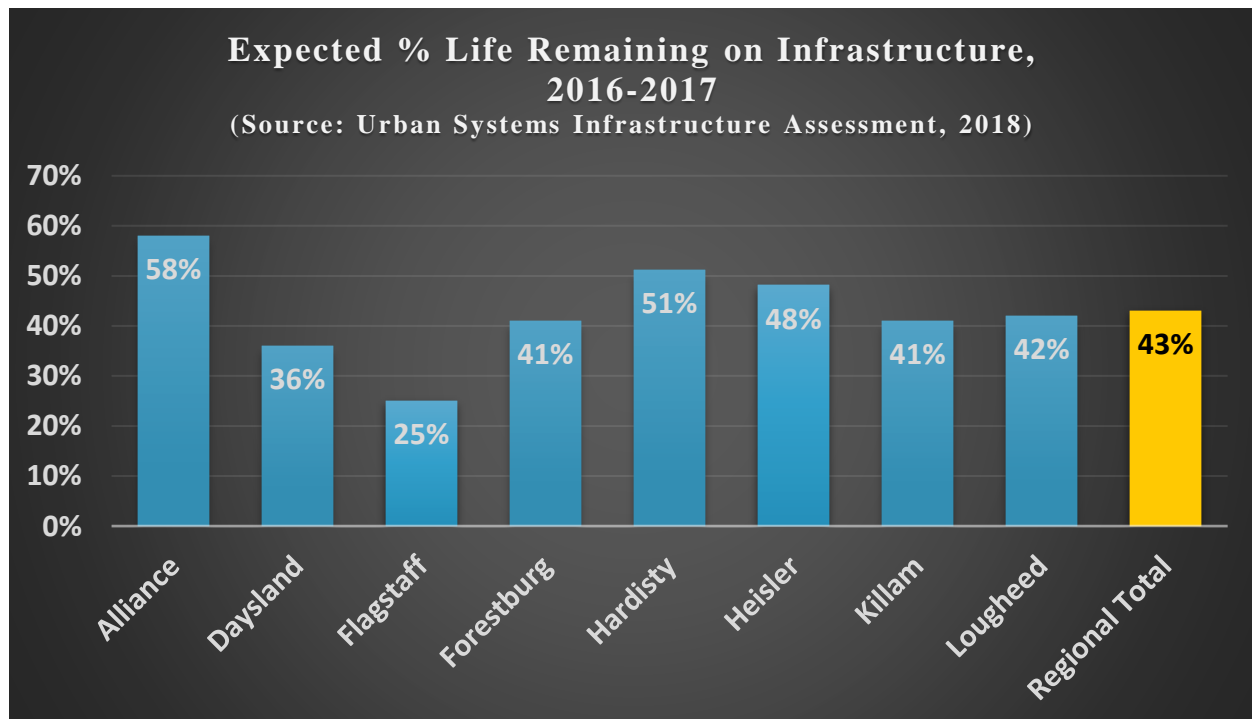
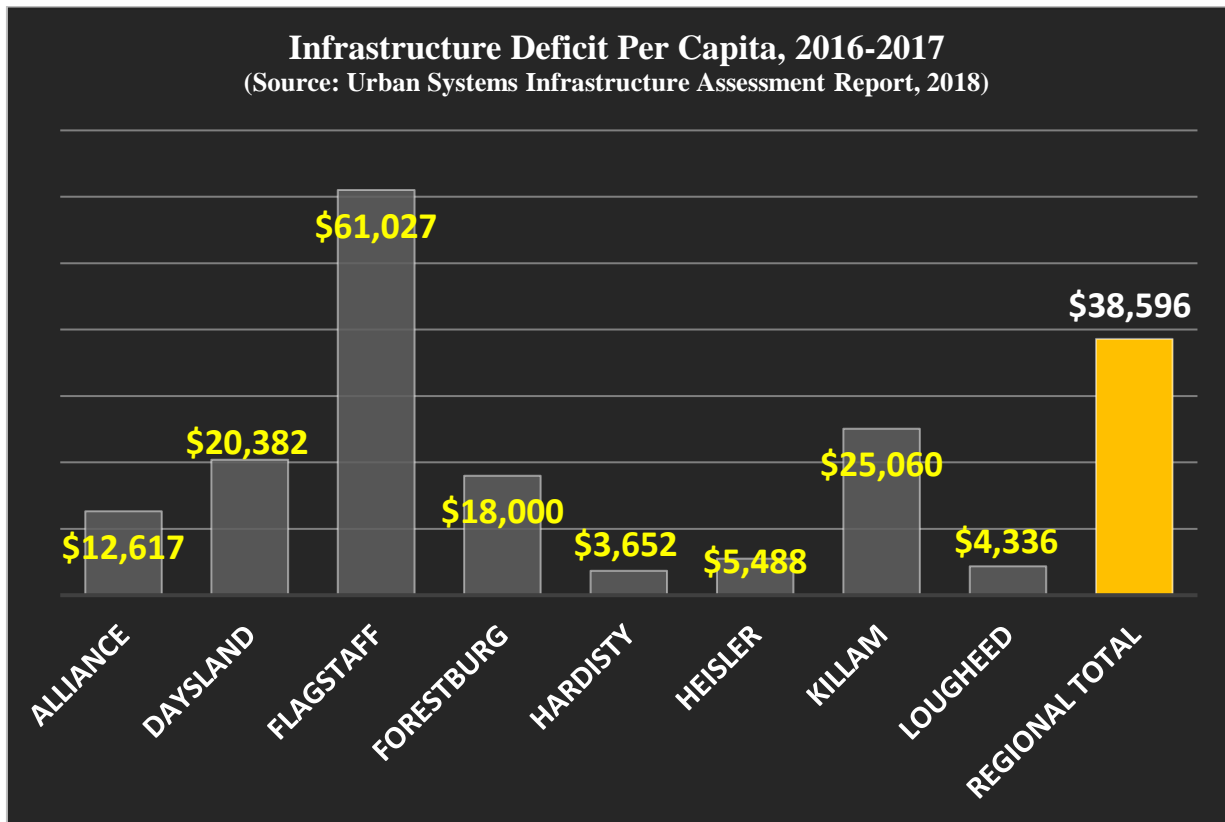
Relative to other comparator Alberta municipalities, Flagstaff region has some of the highest residential and non-residential mill rates – generally ranking in either the 3<sup>rd</sup> and 4<sup>th</sup> quartiles for overall tax competitiveness.

This positioning may also represent a potential or emerging constraint on future fiscal flexibility.

## General Observations: Municipal Competitiveness



## General Observations: Municipal Competitiveness



## General Observations: Municipal Competitiveness

### Tangible Capital Assets, 2018

(Source: Alberta Municipal Affairs, August 10, 2019)

<b>MUNICIPALITY</b>	<b>Tangible Capital Assets 2018</b>	<b>Population (Alberta Municipal Affairs, 2017)</b>	<b>Tangible Capital Assets Per Capita 2018</b>	<b>Tangible Capital Assets as % of Combined Tangible Capital Assets (8 Municipalities)</b>	<b>% of Combined Population (8 Municipalities)</b>
<b>Alliance</b>	\$ 4,649,065	154	\$ 30,189	3.33%	2.04%
<b>Daysland</b>	\$ 11,741,197	824	\$ 14,249	8.41%	10.91%
<b>Flagstaff</b>	\$ 88,133,229	3,738	\$ 23,578	63.16%	49.51%
<b>Forestburg</b>	\$ 14,439,880	875	\$ 16,503	10.35%	11.59%
<b>Hardisty</b>	\$ 7,677,891	554	\$ 13,859	5.50%	7.34%
<b>Heisler</b>	\$ 2,201,359	160	\$ 13,758	1.58%	2.12%
<b>Killam</b>	\$ 7,790,019	989	\$ 7,877	5.58%	13.10%
<b>Lougheed</b>	\$ 2,913,881	256	\$ 11,382	2.09%	3.39%
<b>TOTALS</b>	\$ 139,456,521	7,550	\$ 18,483	100%	100%

(Source: Alberta Municipal Affairs, Updated August 10, 2019)

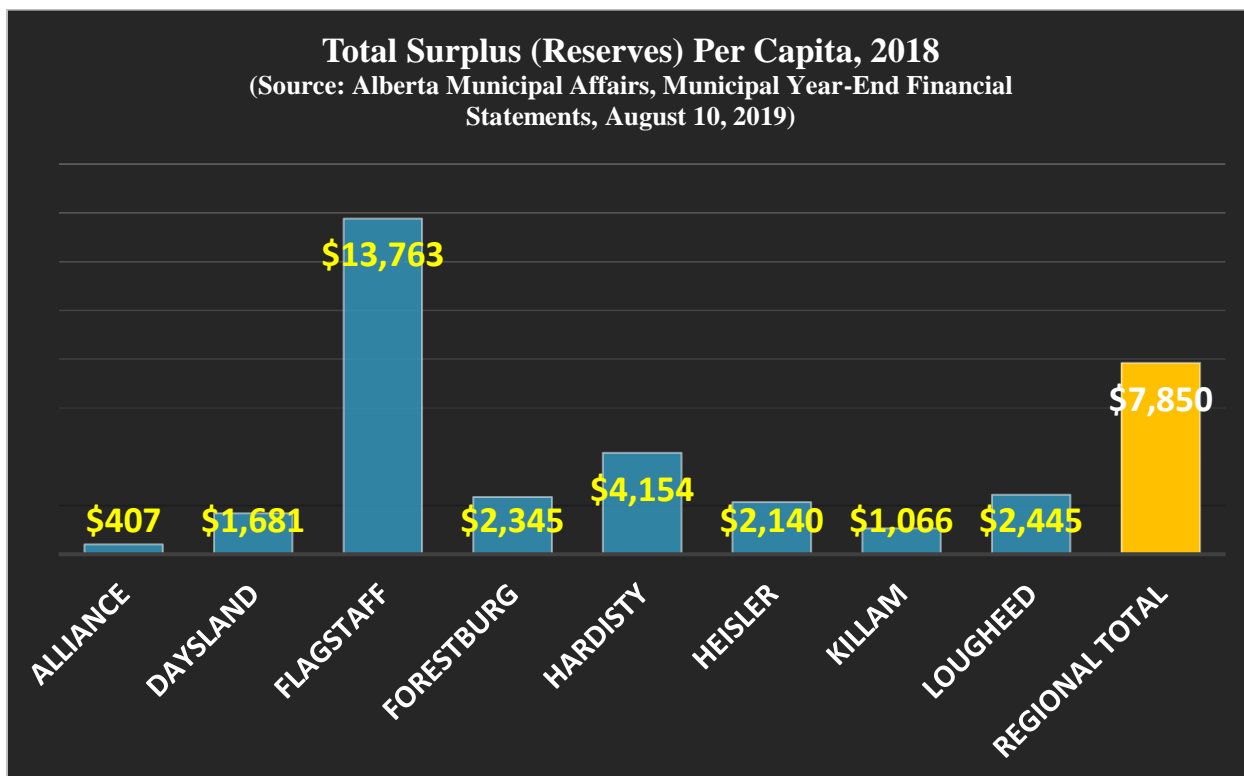
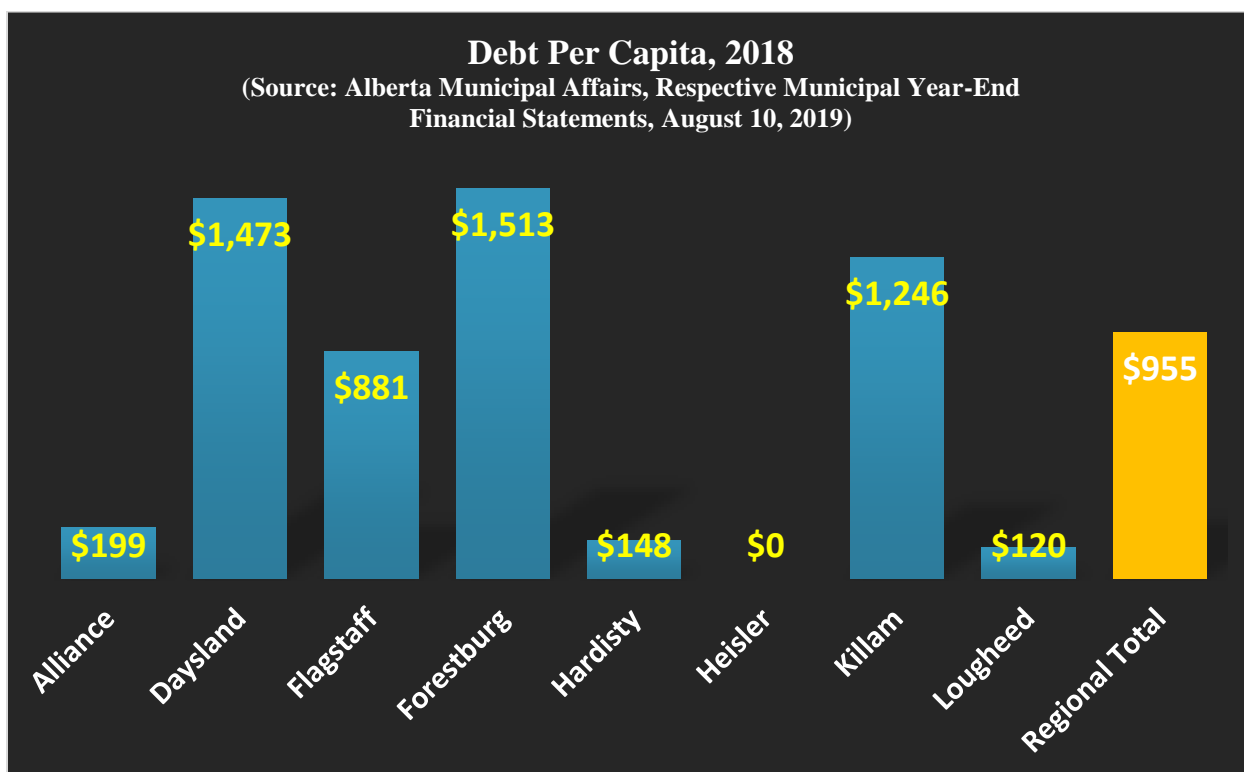
**NOTE: 2017 data for Alliance.**

With just under 50% of the combined regional population (excluding the Town of Sedgewick), Flagstaff County currently accounts for about 63% of total tangible capital assets across the region.

These figures reflect the rural nature of the County, a relatively large geographic land mass, and the County's comparatively strong fiscal position and municipal competitiveness ranking within the region.

They also reflect some of the challenges in amalgamating rural and urban municipalities, especially where vastly different taxation levels and overall fiscal capacities are present.

## General Observations: Debt and Reserves



## 7. PROJECT METHODOLOGY AND APPROACH

The community consultations confirmed that there was a fairly high degree of consensus among respondents that it would be prudent to undertake further, more detailed, operational and transitional consideration of the Single-Tier or Amalgamated Regional Government Model.

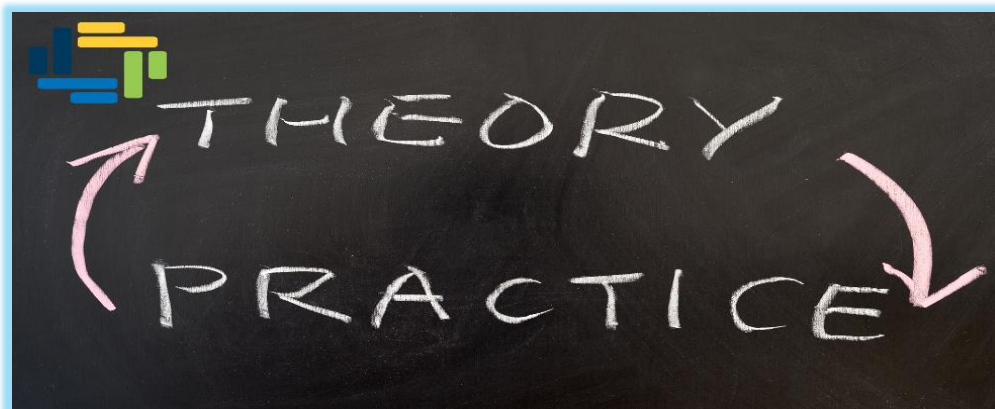
While it was generally acknowledged that much baseline research and analysis had already been completed, most respondents felt that ‘the devil is likely in the detail’ and that many of the important financial and integration-related impacts still remained to be considered and evaluated.

In fact, this was one of the highest-frequency responses received through the community-wide consultation process – from those supporting amalgamation, those opposed, and those who remained undecided.

Accordingly, the Councils of the eight (8) participating municipalities independently agreed to conduct a more fulsome review of amalgamation. The intent of this final phase of the **Regional Governance Project** is threefold:

1. To gather as much relevant operational and transitional information and data on this matter as possible.
2. To share and discuss these details and the corresponding amalgamation scenario impact analysis with each of the eight (8) participating municipalities.
3. To do this prior to any final decisions being made by any of these municipalities as to whether or not to move forward on amalgamation.

➤ *New West Opportunities Inc. (NWO), an Alberta-based consulting firm specializing in public sector finance, operations and local/regional governance, was contracted to undertake and facilitate this comprehensive amalgamation options and assessment review.*



Two key experience-based learnings with similar and/or comparable municipal amalgamation work have helped inform the financial modelling and analytical methodology used throughout this project.

**Amalgamation should not be viewed as inherently ‘good’ or ‘bad.’**

- ❑ Past experience elsewhere in Canada has shown that amalgamation can provide an opportunity to reduce costs and therefore taxation, but only if there are workable fiscal and financial (taxation/assessment/services) synergies between potential amalgamating partners. Sometimes this is the case, sometimes it is not.
- In most situations, provincial transitional assistance will likely be required to maintain fairness and equity amongst the amalgamating (or dissolution) partners.

**Amalgamation can provide an opportunity to reduce costs and therefore taxation.**

- ❑ Immediate savings are typically realized through a reduction in Council members and related administrative efficiencies. Other savings and cost avoidance can also be realized, over time, as the new Council identifies various service and cost efficiencies resulting from amalgamation.
- Maintaining fairness and equity among the amalgamating partners is essential.

One of the issues which typically comes up when discussing amalgamation relates to the fact that nobody wants to see their taxes increase or services or service levels reduced as a result of a change in municipal structure or boundaries.

The financial modelling and analysis which follows is certainly sensitive to this ‘reality.’ As such, the range of potentially-viable amalgamation options and approaches which have been identified are all based on the assumption that Flagstaff County’s mill rate structure will be the transitional target (either static or with various historical or other trend line linear increases).

## Key Modelling and Analytics Components

### ❖ Amalgamation Best Practices and Experiential Survey

- ✓ Canada-wide (primarily Ontario and Manitoba).
- ✓ Confidential (not for attribution) and non-confidential discussions with more than 40 subject matter experts and key comparator – recently amalgamated and rural-based – municipalities.

### ❖ **Regional and Municipality-Specific Fiscal Capacity Benchmarking**

- ✓ Mill rates, assessment, debt, reserves, infrastructure, utilities, etc.
- ✓ Overall fiscal assessment and evaluation of the 8 participating municipalities.
- ✓ Residential, commercial, industrial impacts and comparator/best practices jurisdictions assessment.

### ❖ **Consolidated (Transitional) Regional Budgets Modelling**

- ✓ Financial analysis of transitional consolidated budget (expenditures and revenues) and out-year base budgetary trend lines.

### ❖ **‘Optimized’ Consolidated (Transitional) Regional Budgets Modelling**

- ✓ Early identification of range of potentially-viable amalgamation options.

### ❖ **Sensitivity Analysis Modelling with Various Internal/External Assumptions and Constraints**

- ✓ Consolidated fiscal and financial impacts under various mill rate, expenditure reduction and other adjustment/transitional scenarios.
- ✓ 48 different modelling sensitivity runs undertaken and assessed relative to their ability to reduce the overall tax burden on ratepayers, improve overall regional municipal competitiveness, and maintain high-quality (core) front-line municipal services, programming and infrastructure.

### ❖ **Sensitivity Analysis Modelling Around Identified Best Practices Organizational Efficiency Decisions (Potentially) to be Taken by the New Council**

- ✓ Identification of both moderate and more aggressive best practices expenditure rationalization strategies.
- ✓ Identify relevant best practices post-amalgamation services delivery and infrastructure/asset management review(s) – once again, based on their ability to:
  - further reduce the overall tax burden on ratepayers; while
  - maintaining high-quality (core) front-line municipal services, programming and infrastructure.
- ✓ Identify cost increase/expenditure reduction mill rate impacts and related budgetary evaluation ratios.

### ❖ **Identification of Revenue Gaps to be Addressed Through Potential Alberta Government Transitional Assistance**

- ✓ Provincial transitional assistance will be required, primarily the result of:
  - vastly different municipal taxation levels and overall fiscal capacities,
  - the need to address one-time operating and capital costs (and identified transitional revenue gaps), and
  - the overall importance of ensuring transitional fairness and equity.

### ❖ **Four (4) Amalgamation Scenario ‘Baskets’ Identified, Considered and Evaluated**

- 1) Rapid Transition
- 2) Moderate Transition
- 3) Gradual Transition
- 4) Potentially-Viable Amalgamation Options

## **8. AMALGAMATION BEST PRACTICES AND RECOMMENDED APPROACH**

The Operation and Transition Plan for Proposed Amalgamation is primarily aimed at:

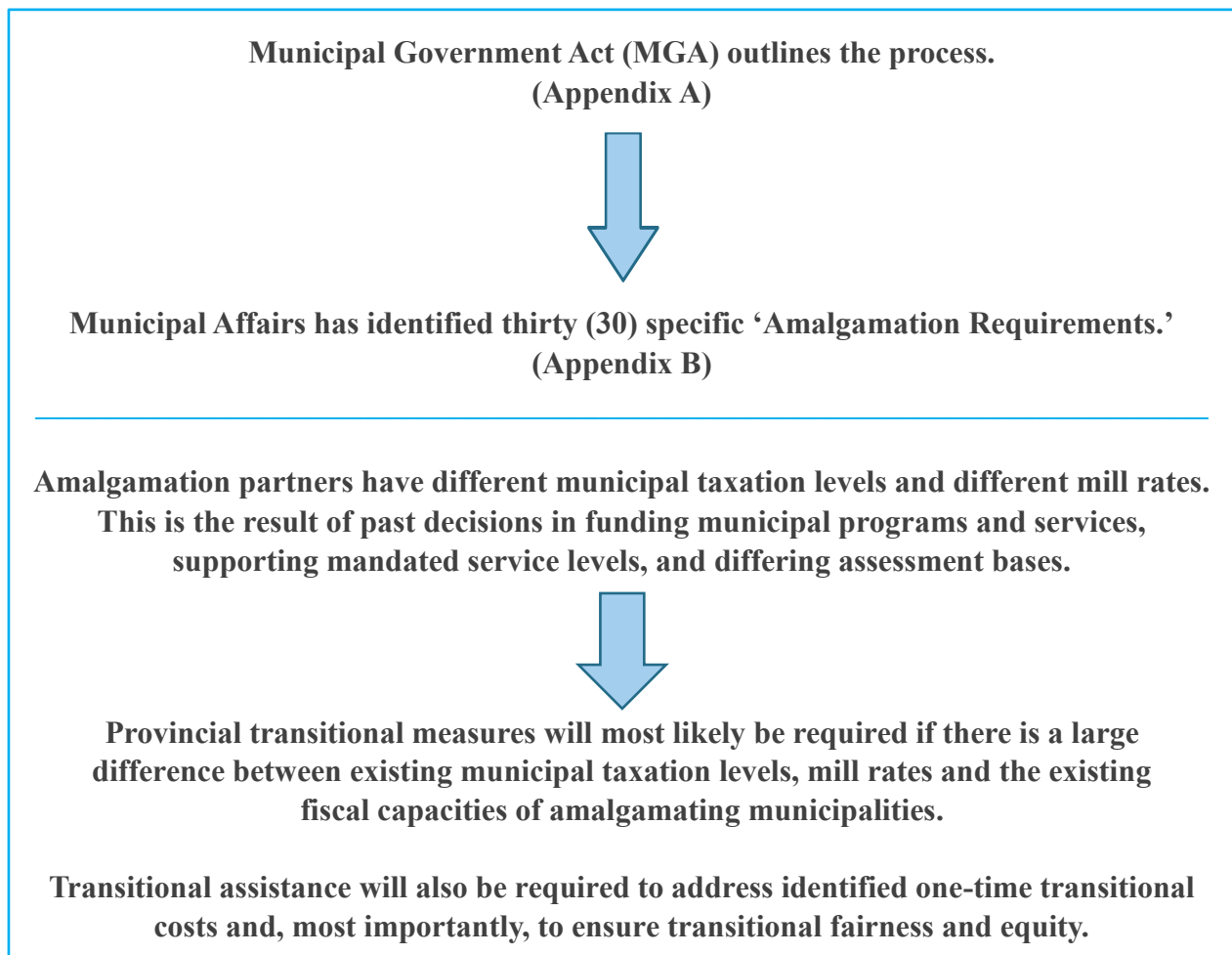
- ➡ providing a more detailed, independent analysis of the existing municipal fiscal and financial situation across the region;
- ➡ assessing the operational and transitional impacts of amalgamation on a consolidated financial and operational basis;
- ➡ identifying effective, efficient and potentially-viable amalgamation options that sustain fair, reasonable and affordable levels of taxation across the region; and (subsequently)
- ➡ helping facilitate informed ‘go-forward’ decision-making within each participating FIP municipality.

An in-depth analysis of government-mandated amalgamation requirements and processes, in addition to key comparator jurisdiction best practices, is critical to providing these important project deliverables.

Both have been undertaken as part of the Operation and Transition Plan for Proposed Amalgamation project – and both have been part of ongoing discussions with the CAO’s Working Group and the FIP Committee over the course of this project.

An overview of the amalgamation process for municipalities in the Province of Alberta is outlined below. As noted, the Municipal Government Act (MGA) outlines the process to be followed, with Alberta Municipal Affairs’ list of thirty (30) specific ‘Amalgamation Requirements’ providing additional detail.

More information on the various requirements which have been established by the Government of Alberta is provided in the Appendices to this report.



In addition, a number of key amalgamation best practices have been identified from the Canada-wide review and related discussions with various subject matter experts and key comparator municipalities (Appendix C).

**What did we learn from these identified best practices and those amalgamations elsewhere in Canada now seen as being ‘financially and operationally successful’?**

- ✓ Financial modelling and related assumptions must remain consistent with previously agreed upon 'Principles of Amalgamation.'
- ✓ No ratepayers worse-off re: new mill rate structure/transitional services provision.
- ✓ Caution on going too fast!
- ✓ Establishment of local community advisory committees (Local Urban Districts, or LUDs, in Manitoba) has helped maintain and further develop the identity of local communities while, at the same time, facilitating ongoing community input and important local feedback for the regional municipality.
- ✓ Informed Council decision-making is the key to future operational and budgetary decision-making.
- ✓ Provincial transitional assistance will be required to maintain fairness and equity among the amalgamating (or dissolution) partners.
- ✓ Ongoing communication/engagement with staff, residents, community support groups, and other stakeholders is critical.



## 9. POTENTIALLY-VIABLE OPTIONS/APPROACHES

This section of the report covers:



### Key Modelling and Analytics Components

Once again, the key modelling and analytics components involved in identifying a range of possible and potentially-viable options and approaches for amalgamation included:

- ❖ **‘Optimized’ Consolidated (Transitional) Regional Budgets Modelling**
  - ✓ Early identification of range of potentially-viable amalgamation options.
- ❖ **Sensitivity Analysis Modelling with Various Internal/External Assumptions and Constraints**
  - ✓ Consolidated fiscal and financial impacts under various mill rate, expenditure reduction and other adjustment/transitional scenarios.
  - ✓ 48 different modelling sensitivity runs undertaken and assessed relative to their ability to ease the overall tax burden on ratepayers, improve regional municipal

competitiveness, and maintain high-quality (core) front-line municipal services, programming and infrastructure.

**NOTE:** The transition plan to regional amalgamation, as modelled, is **not intended** to impact front line staffing, services and service delivery in any of the following areas:

- Protective and Emergency (Police, Fire) Services
- Utility Services
- Agricultural Services
- Recreation Facilities and Services
- Community Centres and Related Programming
- Libraries and Library Services
- Family and Community Support Services (FCSS)
- Seniors/Affordable Housing Programming
- Transportation, Roads/Sidewalks/Street Lighting

### Year 1-2 Transitional Adjustments

In this regard, the only Year 1-2 transitional adjustments that have been assumed are the following:

- 1) A Year 1 reduction in the number of elected officials from the current thirty-six (36) to seven (7), at the currently budgeted Flagstaff County compensation levels (i.e., no Year 1-2 increase over current remuneration).
  - Estimated Direct Annual Savings: \$172,000
- 2) A Year 1 reduction in the number of municipal Chief Administrative Officers (CAOs) from the current level of eight (8) to one (1), once again at the currently budgeted Flagstaff County compensation levels (i.e., no Year 1-2 increase over current remuneration).
  - Estimated Direct Annual Savings: \$665,000

**NOTE:** *The newly-elected Council may choose to restructure or re-assign staff as it deems appropriate to meet identified operational needs. In the modelling analysis which follows however, it is assumed that these early-on savings (either from this or other budget line item areas) are fully realized.*

*Where some amalgamations have fallen short of initial expectations regarding taxpayer savings, most appear to be where potential (and available) efficiency gains were not fully pursued or realized in the out-years. One might argue that this was where operational overlap, duplication and sub-optimal service delivery levels were not fully identified and addressed.*

*If ratepayers are to benefit from an easing in the overall municipal tax burden, and specifically a trend line in future mill rate growth that is lower than it would otherwise be, these and other identified (reasonable/prudent) savings opportunities simply cannot be overlooked.*

- 3) A 6% Year 1 reduction in the consolidated budgetary line item for transportation, consistent with observed (and moderate) best practices elsewhere.
  - Estimated Annual Savings: \$105,475
- 4) An estimated 5.825% in administration savings identified by the new regionally-representative Council in Year 2, also consistent with observed (and moderate) Year 2 best practices elsewhere.
  - Estimated Annual Savings: \$296,000
- 5) Another 3% savings in the consolidated budgetary line item for transportation in Year 2, as the new regionally-representative Council moves to further improve service delivery efficiencies and address rolling stock and equipment service/maintenance overlap and duplication post-amalgamation.
  - Estimated Annual Savings: \$53,000
- 6) No Year 1-2, or eight (8) year transitional period, adjustments in utility/waste rates or services.
  - It is assumed that utilities will (eventually) operate on a service area, full cost recovery basis.

➤ **Total Year 1-2 Estimated Annual Savings: \$1,291,475**

- ❖ This estimated annual savings total essentially keeps the proposed amalgamation plan in balance (small surplus) in Year 1-2, regardless of the pace of future mill rate harmonization.

❖ **Sensitivity Analysis Modelling Around Identified Best Practices Organizational Efficiency Decisions (Potentially) to be Taken by the New Council**

- ✓ Identification of both moderate and more aggressive best practices expenditure rationalization strategies.

*While the expectation is that future savings and cost avoidance can also be realized (i.e., as the new regionally-representative Council identifies various service and cost efficiencies resulting from amalgamation), no such assumptions of any further operational cost savings have been made in the financial analysis which follows.*

- ✓ Identify relevant best practices post-amalgamation services delivery and infrastructure/asset management review(s) – once again, based on their ability to further reduce the overall tax burden on ratepayers, while maintaining high-quality (core) front-line municipal services, programming and infrastructure.
- ✓ Identify cost increase/expenditure reduction mill rate impacts and related budgetary evaluation ratios.

❖ **Identification of Revenue Gaps to be Addressed Through Potential Alberta Government Transitional Assistance**

- ✓ Transitional assistance will be required, primarily the result of:
  - vastly different municipal taxation levels and overall fiscal capacities,
  - the need to address identified one-time transitional costs, and
  - the overall importance of ensuring transitional fairness and equity.

❖ **Four (4) Amalgamation Scenario ‘Baskets’ Identified, Considered and Evaluated (across the 48 modelling sensitivity runs which were undertaken and assessed)**

- 1) Rapid Transition
- 2) Moderate Transition

- 3) Gradual Transition
- 4) Potentially-Viable Amalgamation Options

**Regional Full Time Equivalent Positions, 2018** (Reported as of July 22, 2019)

<b>MUNICIPALITY</b>	<b>CAO-Provided Data (Current)</b>	<b>Alberta Municipal Affairs Data (2017)</b>	<b>Population (Alberta Municipal Affairs, 2017)</b>	<b>Population % of Combined Population (8 Municipalities)</b>
<b>Alliance</b>	2.25	3.00	154	2.04%
<b>Daysland</b>	8.00	8.00	824	10.91%
<b>Flagstaff</b>	63.00	63.00	3,738	49.51%
<b>Forestburg</b>	6.80	7.00	875	11.59%
<b>Hardisty</b>	6.50	3.00	554	7.34%
<b>Heisler</b>	2.00	2.00	160	2.12%
<b>Killam</b>	9.20	8.00	989	13.10%
<b>Lougheed</b>	3.00	2.00	256	3.39%
<b>TOTALS</b>	100.75	96.00	7,550	100%

- ☐ The transition plan to regional amalgamation, as modelled, is not intended to impact front line staffing, services and service delivery.
- ☐ Other than the reductions proposed to existing Elected Officials and Chief Administrative Officer (CAO) complements across the region, no other immediate transitional impacts to staffing and/or staff complements are contemplated.

- ☐ It is recognized that other savings and cost avoidance can also be realized, over time, as the new regionally-representative Council identifies various service and cost efficiencies resulting from amalgamation.

### Elected Officials Data, 2018

(Source: Alberta Municipal Affairs and Audited Financial Statements, July 31, 2019)

MUNICIPALITY	Mayor or Reeve	Councillors	Total Elected Officials	2018 Gross Remuneration as Reported in Audited Financial Statements
Alliance	1	2	3	\$ 22,500
Daysland	1	4	5	\$ 38,484
Flagstaff	1	6	7	\$ 306,966
Forestburg	1	4	5	\$ 47,923
Hardisty	1	4	5	\$ 37,229
Heisler	1	2	3	\$ 6,640
Killam	1	4	5	\$ 48,653
Lougheed	1	2	3	\$ 13,854
<b>TOTALS</b>	<b>8</b>	<b>28</b>	<b>36</b>	<b>\$ 522,249</b>

Note: Alliance data is 2017 + 2%.

- ☐ The transition plan to regional amalgamation proposes a Year 1 reduction in the number of elected officials from the current thirty-six (36) to seven (7), at the currently budgeted Flagstaff County compensation levels.

- Estimated Direct Annual Savings: \$172,000

### CAO Remuneration, 2018

(Source: Audited Financial Statements, Reported as of July 28, 2019)

MUNICIPALITY	2018 Gross CAO Remuneration as Reported in Audited Financial Statements
Alliance	\$ 48,910
Daysland	\$ 118,175
Flagstaff	\$ 228,585
Forestburg	\$ 127,679
Hardisty	\$ 97,918
Heisler	\$ 53,459
Killam	\$ 127,759
Lougheed	\$ 92,022
<b>TOTALS</b>	<b>\$ 894,507</b>

**Note:** Alliance data is 2017 + 2%.

- The transition plan to regional amalgamation proposes a Year 1 reduction in the number of municipal Chief Administrative Officers (CAOs) from the current level of eight (8) to one (1), once again at the currently budgeted Flagstaff County compensation levels.
  - Estimated Direct Annual Savings: \$665,000

**NOTE:** *Once again, the newly-elected Council may choose to restructure or re-assign staff as it deems appropriate to meet identified operational needs. In the modelling analysis which follows, however, it is assumed that these early-on savings (either from this or other budget line item areas) are fully realized.*

**Consolidated Revenue Base Case (Source: Alberta Municipal Affairs, June 30, 2019)**

MUNICIPALITY	2018 Revenue Collected from:  Residential/ Farmland Assessment	2018 Revenue Collected from:  Non-Residential Assessment	2018 Revenue Collected from:  Seniors Lodge Accommodation Assessment	TOTALS
Alliance	\$ 99,054	\$ 44,883	\$1,401	\$145,338
Daysland	\$ 578,885	\$ 164,344	\$ 10,928	\$ 754,157
Flagstaff	\$ 2,832,639	\$ 17,045,005	\$ 226,515	\$ 20,104,159
Forestburg	\$ 585,910	\$ 191,604	\$ 10,446	\$ 787,961
Hardisty	\$ 615,955	\$ 434,502	\$ 15,321	\$ 1,065,778
Heisler	\$ 105,615	\$ 50,068	\$ 1,278	\$ 156,961
Killam	\$ 689,094	\$ 338,216	\$ 15,431	\$ 1,042,741
Lougheed	\$ 154,792	\$ 106,742	\$ 2,476	\$ 264,009
<b>TOTALS</b>	<b>\$ 5,661,944</b>	<b>\$ 18,375,363</b>	<b>\$283,797</b>	<b>\$ 24,321,104</b>
			<b>Base Case Cost</b>	\$ 24,321,104
			<b>Base Case Revenue</b>	\$24,321,104
			<b>Base Case Surplus/ Shortfall</b>	<b>\$ 0</b>

***Note:** This chart is for illustrative purposes only and does not fully reflect current equalized assessment data. As above, Alberta Municipal Affairs reports the same residential and farm mill rates. NWO recognizes that these rates may differ but that the ‘combined’ residential/farm mill rate data nevertheless provides a reasonable basis for the directional analysis which follows.*

- ☐ This chart shows the current mill rate-balanced Base Case Cost and Base Case Revenue totals, resulting in a zero Base Case Surplus/Shortfall.

**Illustrative Revenue Analysis Scenarios**

- ☐ As various ‘unified’ mill rates are applied, a Base Case Revenue Surplus or Shortfall emerges.

- For example, applying the existing mill rates of each of the eight (8) participating municipalities to the current consolidated regional assessment base generates either a Base Case Revenue Surplus or Shortfall. These Surplus (Shortfall) totals – over the current consolidated Base Case are outlined below.

**Illustrative 2018 Base Case Revenue Surpluses or Shortfalls**

- **Alliance:** \$5,582,688 Surplus
- **Daysland:** \$4,798,329 Surplus
- **Flagstaff County:** \$1,134,159 Shortfall
- **Forestburg:** \$5,995,290 Surplus
- **Hardisty:** \$1,162,630 Shortfall
- **Heisler:** \$27,023,328 Surplus
- **Killam:** \$1,063,814 Shortfall
- **Lougheed:** \$11,289,066 Surplus

- This illustrative analysis is yet another indication of the vastly different municipal taxation levels and overall fiscal capacities that currently exist among the eight (8) participating municipalities in the Operation and Transition Plan for Proposed Amalgamation project.
- The financial modelling undertaken over the course of this project has certainly been sensitive to this dynamic. As such, the range of potentially-viable amalgamation options considered have focused primarily on the assumption that Flagstaff County's mill rate structure should be the transitional target.
  - *This would ensure that residential/farm mill rates across the region would not increase over the historical, inflation-adjusted trend line for any ratepayer. In fact, they would fall significantly for all seven (7) participating urban municipalities as regional mill rates are harmonized, again relative to the historical/inflation-adjusted trend line.*
  - *Furthermore, and to reiterate, the proposed amalgamation plan is not intended to impact front line staffing, services and service delivery in any of the following areas:*
    - *Protective and Emergency (Police, Fire) Services*
    - *Utility Services*

- *Agricultural Services*
- *Recreation Facilities and Services*
- *Community Centres and Related Programming*
- *Libraries and Library Services*
- *Family and Community Support Services (FCSS)*
- *Seniors/Affordable Housing Programming*
- *Transportation, Roads/Sidewalks/Street Lighting*

**Primary Financial Modelling Assumption: Transition to Flagstaff County's Mill Rate Structure**

**Revenue Analysis (Revenue Collected) Using 2018 Flagstaff County Mill Rates**

(Source: Alberta Municipal Affairs, Updated July 11, 2019)

MUNICIPALITY	Residential/ Farmland Mill Rate 2018	Non- Residential Mill Rate 2018	Seniors Lodge Accommodation Mill Rate 2018	Residential/ Farmland Revenue	Non-Residential Revenue	Seniors Lodge Accommodation Revenue	TOTAL REVENUE
Alliance	5.5695	17.5205	0.1529	\$ 34,653	\$ 49,395	\$ 1,382	
Daysland	5.5695	17.5205	0.1529	\$ 380,133	\$ 137,506	\$ 11,636	
Flagstaff	5.5695	17.5205	0.1529	\$ 2,832,639	\$ 17,045,005	\$ 226,515	
Forestburg	5.5695	17.5205	0.1529	\$ 319,552	\$ 162,015	\$ 10,187	
Hardisty	5.5695	17.5205	0.1529	\$ 410,846	\$ 495,941	\$ 15,607	
Heisler	5.5695	17.5205	0.1529	\$ 38,671	\$ 23,772	\$ 1,269	
Killam	5.5695	17.5205	0.1529	\$ 428,209	\$ 396,054	\$ 15,212	
Lougheed	5.5695	17.5205	0.1529	\$ 71,247	\$ 76,873	\$ 2,627	
TOTALS				\$ 4,515,950	\$ 18,386,560	\$ 284,435	\$ 23,186,945
						Shortfall Over 2018 Base Case Revenue	\$ 1,134,159 4.66%

- Applying Flagstaff County's current mill rate structure to the current consolidated regional assessment base results in a Base Case Revenue Shortfall of \$1,134,159. This Shortfall total is relative to the above-noted unadjusted consolidated Base Case Cost, in other words before any post-amalgamation expenditure savings measures.

- *The move to harmonized regional mill rates (2018 Flagstaff County mill rate structure) results in a \$1,134,159 Base Case Revenue Shortfall. This is offset by Year 1-2 estimated annual savings of \$1,291,475, as identified above.*
- *This one-time estimated annual savings essentially brings the transitional amalgamation plan into balance (small surplus) in Year 1-2, and with the modelling assumptions that follow maintains this surplus position through to Year 8 when mill rates are fully harmonized.*

### Alternative Financial Modelling Assumption: Transition to Lowest Regional Mill Rates

#### Revenue Analysis (Revenue Collected) Using Lowest Regional Mill Rates

(Source: Alberta Municipal Affairs, Updated June 3, 2019)

MUNICIPALITY	Revenue Collected Using 2018 Mill Rates:	Revenue Collected Using 2018 Mill Rates:	Revenue Collected Using 2018 Mill Rates:	TOTALS
	Residential/ Farmland Assessment	Non-Residential Assessment	Seniors Lodge Accommodation Assessment	
Alliance	\$ 99,054	\$ 44,883	\$ 1,401	
Daysland	\$ 578,885	\$ 164,344	\$ 10,928	
Flagstaff	\$ 2,832,639	\$ 17,045,005	\$ 226,515	
Forestburg	\$ 585,910	\$ 191,604	\$ 10,446	
Hardisty	\$ 615,955	\$ 434,502	\$ 15,321	
Heisler	\$ 105,615	\$ 50,068	\$ 1,278	
Killam	\$ 689,094	\$ 338,216	\$ 15,431	
Lougheed	\$ 154,792	\$ 106,742	\$ 2,476	
TOTALS	\$ 5,661,944	\$ 18,375,363	\$ 283,797	
			TOTAL	\$ 24,321,104
			Shortfall (\$)	\$ 3,836,534
			Shortfall (%)	15.77%

- Applying Flagstaff County's current residential/farm mill rate and Killam's non-residential mill rate to the current consolidated regional assessment base results in a Base Case Revenue Shortfall of \$3,836,534. Once again, this Shortfall total is relative to the above-noted unadjusted consolidated Base Case Cost, in other words before any post-amalgamation expenditure savings measures.
  - *Harmonizing to the lowest regional mill rates would generate a 15.77% Base Case Revenue Shortfall, significantly higher than the 4.66% Base Case Revenue Shortfall of harmonizing to the Flagstaff County mill rates.*
  - *This scenario identifies the amalgamation savings target that would have to be achieved to ensure that all mill rates across the region (residential/farm and non-residential) would not increase over the historical inflation-adjusted trend line for any ratepayer.*
  - *Another interesting variation on this scenario would be if Alliance, Hardisty and Killam were to retain their lower non-residential mill rates, while all other non-residential mill rates are harmonized to the Flagstaff County rate. In this case, the newly-amalgamated municipality would only have to find another \$123,789 in annual amalgamation efficiencies and related savings – or a total savings of \$1,257,948 (not \$3,836,534).*
  - *These alternative scenarios are intended only to demonstrate the various financial modelling sensitivities involved and to help identify the savings that would likely be required to ensure the proposed transitional amalgamation plan remains fully in balance.*

#### Modelling Assumptions for Possible and Potentially-Viable Amalgamation Option(s)

- **Flagstaff County mill rate structure the transitional target (with historical/inflation-adjusted linear out-year increases).**

- ✓ Year 1 mill rates frozen to base mill rate for all amalgamating municipalities.
- ✓ Regional mill rate harmonization complete by the end of Year 8.
- ✓ Utilities would move to and/or continue to operate on a service area/full cost recovery basis after eight (8) years (i.e., no impact/affect on the modelling analysis undertaken).
- ✓ Year 1-2 estimated annual (sustainable) savings of \$1,291,475.

- ✓ No further out-year savings assumed for modelling purposes (although it is likely that the new regionally-representative Council would, over time, identify additional service and cost efficiencies resulting from amalgamation).
- ✓ Year 1 assessment growth of 1.5%.
- ✓ Year 2 assessment growth of 1.5%.
- ✓ Years 3-8 assessment growth of 2.8% (5-year historical comparator benchmark).
- ✓ Costs rise at 2.0% a Year (based on CPI/MPI).
- ✓ Out-year tax increase trend line at 2.206% a year (previous 5-year average of 11 comparator rural benchmarks).
- ✓ Seniors facilities total revenue tracks linear over time.
- ✓ All other revenue increases at 2% a year.
- ✓ Reflects identified amalgamation principles.
- ✓ Local Community Advisory Committees (LCACs) provide ongoing local community.

### Benefits/Impacts of Possible and Potentially-Viable Option(s)

As previously discussed, a number of possible amalgamation scenarios were evaluated across each of the Rapid Transition, Moderate Transition, Gradual Transition, and Potentially-Viable Amalgamation Options ‘baskets’ considered.

The assumptions outlined above are those that would appear to best align with the various transitional metrics established for the Operation and Transition Plan for Proposed Amalgamation project.

More specifically, the amalgamation option(s) must:

- ✓ Acknowledge and address the core Principles of Amalgamation.
- ✓ Provide effective and efficient delivery of the highest-quality municipal services and infrastructure across the region.
- ✓ Deliver this standard of service at fair, reasonable and affordable levels of taxation.

- ***The proposed amalgamation plan will help ensure that residential/farm mill rates across the region will not increase over the historical inflation-adjusted trend line for any ratepayer.***

***In fact, base rates will fall significantly for all seven (7) participating urban municipalities as regional mill rates are harmonized, again relative to the historical/inflation-adjusted trend line.***

- *Alliance: 65.0% Reduction in Base Residential/Farm Mill Rate*
- *Daysland: 34.3% Reduction in Base Residential/Farm Mill Rate*
- *Flagstaff County: Residential/Farm Ratepayers Kept Whole*
- *Forestburg: 45.5% Reduction in Base Residential/Farm Mill Rate*
- *Hardisty: 33.3% Reduction in Base Residential/Farm Mill Rate*
- *Heisler: 63.4% Reduction in Base Residential/Farm Mill Rate*
- *Killam: 37.9% Reduction in Base Residential/Farm Mill Rate*
- *Lougheed: 54.0% Reduction in Base Residential/Farm Mill Rate*

- ***The proposed amalgamation plan would also impact non-residential mill rates across the region. The following base rate impacts are projected as non-residential mill rates are harmonized over the eight (8) year transitional phase-in period.***

- *Alliance: 10.5% Increase in Base Non-Residential Mill Rate*
- *Daysland: 16.3% Reduction in Base Non-Residential Mill Rate*
- *Flagstaff County: Non-Residential Ratepayers Kept Whole*
- *Forestburg: 15.4% Reduction in Base Non-Residential Mill Rate*
- *Hardisty: 14.1% Increase in Base Non-Residential Mill Rate*
- *Heisler: 52.5% Reduction in Base Non-Residential Mill Rate*
- *Killam: 17.1% Increase in Base Non-Residential Mill Rate*
- *Lougheed: 28.0% Reduction in Base Non-Residential Mill Rate*

- ✓ Ensure that utilities move to and/or continue to operate on a service area/full cost recovery basis and not impact or affect tax rates.
- ✓ Maintain high-quality (core) front-line municipal services, programming and infrastructure.
- ✓ Maintain fairness and equity amongst the amalgamating partners.
- ✓ Further enhance regional fiscal capacity and municipal competitiveness (i.e., enhance the region's ability to compete on future business and residential attraction opportunities)

**With Year 1-2 estimated annual (sustainable) savings of \$1,291,475, the proposed amalgamation plan is projected to generate average annual surpluses of \$212,987 over the eight (8) year forecast period.**

*Note: The financial modelling also looked at one (illustrative) scenario where Alliance, Hardisty and Killam retained their lower non-residential mill rates over the eight (8) year transitional phase-in period (i.e., while all other non-residential mill rates are harmonized to the Flagstaff County rate). In this case, the newly-amalgamated municipality would only have to find another \$123,789 in annual amalgamation efficiencies and related savings – or a total savings of \$1,257,948.*



## Summary of Illustrative Revenue Analysis Scenarios

Scenario	Initial Savings Required for Balanced Transitional Amalgamation Plan	Percentage Shortfall Over 2018 Base Case Tax Revenue (\$24,321,104)	Percentage Shortfall Over 2018 Total Consolidated Operating Expenditures (\$35,651,871)	Percentage Reduction in Current Residential/Farm Mill Rates
Harmonization to Flagstaff County mill rate structure.	\$1,134,159	4.66%	3.18%	<p>Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).</p> <p>Illustrative base rate taxation impact on an average 1,200 sq. ft. bungalow (Daysland/Forestburg/Hardisty): \$520-\$720 annual eight (8) year 'lower than it otherwise would be' trend line reduction.</p>
Harmonization to lowest regional mill rates (Flagstaff County residential and Killam non-residential mill rates).	\$3,836,534	15.77%	10.76%	<p>Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).</p>
Harmonization to Flagstaff County mill rate structure, with the exception of Alliance, Hardisty and Killam retaining their lower non-residential mill rate trend line for full eight (8) year transition period.	\$1,257,948	5.17%	3.53%	<p>Urban residential ratepayers see a 33.3% to 65.0% base rate reduction range (Page 48).</p> <p>Alliance, Hardisty and Killam retain lower non-residential mill rates and historical inflation-adjusted trend line for full eight (8) year transition period. Future non-residential mill rate harmonization decisions to be made by the new Council.</p>

- 1) vastly different municipal taxation levels and overall fiscal capacities, and
- 2) the need to address one-time operating and capital costs and identified transitional and/or sustainability-related revenue gaps.

## HISTORY OF RECENT ALBERTA DISSOLUTION COSTS AND GRANTS

**Sources: Alberta Municipal Affairs and Respective Municipality Email Data Confirmations, 2019.**

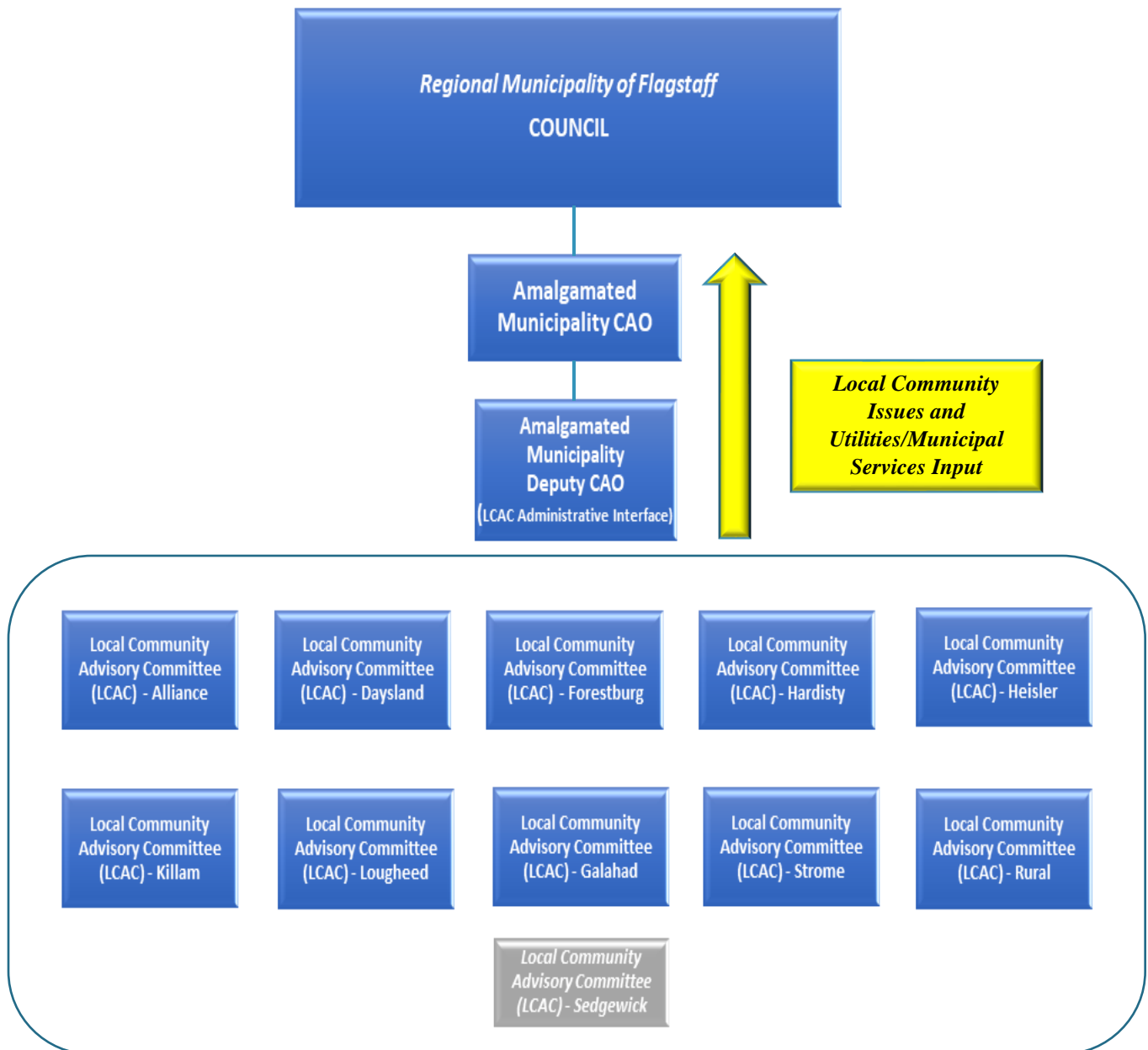
**Note:** Grande Cache reports that Capital remains unspent, but earmarked; Grande Cache also reports that Operating is a combination of projects completed and some in progress. Ferintosh dissolution data not yet available as this was only recently announced.

Last Five (5) Alberta Municipal Dissolutions	Provincial Operating Grant	Provincial Capital Grant	Actual Costs Reported by Municipality (Operating)	Actual Costs Reported by Municipality (Capital)
Tilley	\$ 0	\$ 1,550,000	\$ 331,096	\$ 2,278,435
Minburn	\$ 313,251	\$ 950,000	\$ 313,251	\$ 1,262,279
Galahad	\$ 259,999	\$ 950,000	\$ 259,999	\$ 950,000
Strome	\$ 150,000	\$ 950,000	\$ 150,000	\$ 950,000
Grande Cache	\$ 300,000	\$ 3,000,000	\$ 672,554	\$ 3,000,000
Average of Five (5)	\$ 204,650	\$ 1,480,000	\$ 345,380	\$ 1,688,143
Average of Five (5) Extrapolated to Eight (8)	>>>>>>>>>>>	>>>>>>>>>>>	\$ 2,763,040	\$ 13,505,142

**Total Operating + Capital One Time Estimate = \$ 16,268,182**

- ✓ Provide a mechanism that helps maintain and further develop the identity of local communities and, at the same time, facilitates ongoing local participation and input into the proposed amalgamated regional municipality.
- *The amalgamation plan proposes to establish ten (10) Local Community Advisory Committees (LCACs) to help sustain and strengthen local community engagement.*

## LCAC Structure Within the Proposed Amalgamated Regional Municipality



## **10. GOVERNANCE, HUMAN RESOURCES AND STAKEHOLDER CONSIDERATIONS**

There are numerous transitional matters that would affect the governing bodies, the people involved, as well as a wide range of other stakeholders who have a vested interest in the future of Flagstaff region. These matters are required to be addressed and cover five (5) key areas.

### **1. Resolution Options for Each Council**

- a) Only Municipal Councils, through resolution may initiate an amalgamation effort and only together with another willing, adjacent and contiguous municipality (there are some unique exceptions which include proximity to bodies of water which do not apply here).
- b) Options for resolutions by each Council to be considered are included in Section 2 of this report.

### **2. Government of Alberta Requirements**

- a) The Municipal Government Act contains explicit provincial requirements to be met relative to any amalgamation in the Province of Alberta and the relevant sections of that Act are found in Appendix A of this report.
- b) The Province of Alberta also requires thirty (30) Amalgamation Requirement matters be addressed and these are included in Appendix B of this report.
- c) The Minister may choose to direct anything deemed appropriate for the circumstances.

### **3. Council Representation and Restructuring**

- a) Many matters of governance, including council structure and representation must be recommended to the Minister as part of any amalgamation application and are outlined within the Act together with the 30 Amalgamation Requirements noted above.

### **4. Human Resources**

- a) There are numerous human resource matters which need to be addressed and this is an overview of some of these key matters.
  - i. Working with and communicating with all employees in each of the amalgamating municipalities is fundamental to the success of any transition. As such, a comprehensive strategy for such involvement and communication must be undertaken by the transitional team who would be in place to make it happen.

- ii. As per the 30 Amalgamation Requirements, the Minister of Municipal Affairs shall appoint an Interim Chief Administrative Officer (CAO).
- iii. The responsibility for right-sizing of personnel would be the responsibility of the new Interim CAO together with the new permanent Council representing the amalgamated municipalities. This may occur in any number of ways including through normal attrition or various retirements wherever possible.
- iv. The matter of ‘buy down’ of salary due to changes in job responsibilities or title is a viable option and is one possible approach to addressing personnel changes.

Retaining employees assists in maintaining a higher degree of corporate knowledge and history, together with assisting the managing of many localized urban and rural transitional matters.

- v. An allowance for training time plus related funds may need to be considered within the first budget approved by the new Council. Staff transition to new responsibilities by any employee of any municipality may require gaining knowledge and training that cannot be easily attained through normal day-to-day activities.
- vi. Career path counselling may be required and a time and financial allowance for such career planning may also be required to be considered within the first budget approved by the new Council.
- vii. Clarity of payroll and banking information is required immediately upon amalgamation so as to not induce undue hardship on any employee (or contractor) receiving moneys on a timely basis.
- viii. Employment agreements, employment contracts and remuneration will require clarification and transitional planning must take place immediately upon any amalgamation being undertaken. This includes the appropriate transfer of all personnel files to the new CAO.

## **5. Local Community Districts and Local Community Advisory Committees (LCACs)**

- a) While not required, it is certainly suggested that any amalgamation proposal should include a provision to establish Local Community Districts (LCDs) which would have the responsibility to assist with many local matters critical to long term success of any hamlet that emerges from any amalgamation effort.
- b) LCDs should be established for all urbans involved in any amalgamation and should be considered being established for Strome and Galahad as well. These Local Community Districts would be represented by a Local Community Advisory Committee (LCAC), as previously identified in Section 9.



## 11. SERVICE DELIVERY AND SERVICE IMPLICATIONS

As an over-arching service delivery philosophy and principle of transition, no service delivery should be interrupted whatsoever and no service should be changed without thoughtful consideration of the implications of a change.

Service changes in the short term must be driven by the desire to maintain the current level of service that residents have come to enjoy and pay for and any amalgamation should contemplate the impact on cost, be policy driven and with some level of harmonization in mind.

Service changes in the long term shall be driven by the Council duly elected to address service delivery into the future, unless determined otherwise by the Minister.

### Protective and Emergency Services

It is imperative that everything possible is done to ensure there are no interruptions to the Protective and Emergency Services provisions, even though there will be some eventual changes due to accountability restructuring.

Such matters of fire protection, police protection and all emergency planning provisions must remain intact until well-planned and well-communicated changes are actually made.

Examples of potential changes are matters such as phone numbers and emergency contact information and it is imperative that all these remain intact during any transition and must be clarified with residents and service providers.



While there will be advantages over the long term to having regional assets more available for fire protection and other emergency provisions, no change should be made without the entire system impacts being carefully contemplated.

Police services will require a full review, including an RCMP Agreement review and bylaw enforcement rationalization. The Emergency Response Plans currently in place will also need to eventually be reviewed, individuals trained and responsibilities clarified, but immediate short term change could be problematic and potentially have dire negative consequences.

### **Gas Services**

No changes to gas supply rates, or maintenance service should be planned or contemplated in the short term and any rationalization of assets, supply, governance thereof (Co-Ops), policy change or maintenance should not be undertaken in the first several months following any amalgamation.

### **Water Supply Distribution**

No changes to any water supply or rates should be planned or contemplated in the short term and any rationalization of assets, supply, governance thereof, policy change or maintenance should not be undertaken in the first several months following any amalgamation.

Water quality is paramount to the health and safety of any community and as such, it is unwise to contemplate any change that would impact water quality whatsoever.

### **Wastewater (Storm and Sanitary)**

No changes to any wastewater handling or rates should be planned or contemplated in the short term and any rationalization of assets, supply, governance thereof, policy change or maintenance should not be undertaken in the first several months following any amalgamation.

### **Waste Management**

No changes to any waste handling provision should be planned or contemplated in the short term and any rationalization of assets, supply, governance thereof, policy change or maintenance should not be undertaken in the first several months following any amalgamation.

### **Public Works**

Rationalizing Public Works is one of the more complex components of any amalgamation.

Needing review will be the ultimate location of mobile equipment, utilization of buildings, storage of assets, spare parts and equipment planning, supplies planning and more. It is contemplated that this will evolve over several years as the region evolves, service delivery is evaluated and cost-benefit analyses become an ongoing approach in the region.

Staff location, dispatching of assets, utilization of personnel and communication abilities are all examples of challenges that will face a more diverse and amalgamated municipality.

It is not contemplated that much Public Works service delivery change will occur within the first year of any amalgamation while management and Council takes stock of the potential improvements that may be necessary and/or available through amalgamation.

### **Roads, Streets, Walks, Lights**

While it is conceivable that due to some centralized and a more diverse Public Works department, there may be access to more diverse resources to address some of the challenges that face the communities within the region.

An amalgamated municipality would have access to a wider variety of rolling stock, materials and resources, while at the same time there may also be an opportunity to save costs due to such consolidation efforts.

Responsiveness may or may not be impacted but it is conceivable that the ability for a regional municipality to fund, prioritize and maintain such assets will be greater than smaller municipalities are able to do on their own.

### **Airports**

No changes should be planned or contemplated in the short term regarding airport matters.

### **Transportation**

Transportation assets and services are critical to the safety, local economy and overall success of any municipality and changes must be thoroughly thought through.

Rationalizing transportation activities and assets will be one of restructuring activities with the intent of maintaining the current level of service. Needing a thorough review includes location of transportation-related equipment, utilization of buildings, storage of assets and equipment just to name a few.

Staff location, dispatching of assets (snow, spraying, sanding, sweeping, grading, plowing), utilization of personnel and communication abilities are all examples of challenges that will face a more diverse and amalgamated municipality.

It is very possible that improved service delivery will result as a consequence of synergies, but any changes in this regard must be thoughtful and changes only made with the input of staff, residents and other stakeholders.

Eventually there may be transportation bylaw changes required, but in the early stages of any

transition, the communities should see the areas of transportation service delivery as ‘business as usual.’

### **Family and Community Support Services (FCSS)**

The importance of family and community support services cannot be overstated and, as such, all support services in a region must continue uninterrupted, regardless of any transition that may occur as a result of amalgamation.

There will be some advantages at some point to having a more regional view of FCSS services with more diverse personnel available to call upon and a wider variety of resources available for family and community support, but short term no changes should be contemplated to permit stability for the provision of these services.

It is anticipated that there will be no short term impact to the Seniors Lodges’ services; however, the Foundation’s articles of incorporation plus the roles of the Board of Directors will require a review as well as the appointment process of Directors which will also need to be reviewed at the time of any amalgamation.

### **Public Health/Welfare**

There will be advantages to having more of a regional view for public health/welfare and some rationalization may be beneficial, but this too needs careful consideration prior to any change.

### **Subdivision Land**

There will be advantages to having available a full spectrum of expertise (urban and rural) for all decisions which will enhance decision-making that enables improved sustainability.

It is possible that decisions may take a marginally extra amount of time to be made when there are more complex matters to be considered.

Subdivision and Development Appeal Board appointment processes may need to be considered immediately following any amalgamation, given the legal nature of such a body.

### **Planning and Development**

The area of planning and development will require substantial work in the long term but in the short term, all land use matters would normally follow current Intermunicipal Development Plans, current Municipal Development Plans, current Land Use Bylaws, and current Area Structure Plans (unless otherwise determined by the Minister).

Changes to each of these will need to occur over time but since these are statutory plans and related bylaws, all constituted through due process, there will be no changes necessary in the

short term, or any substantial impact in the short term. Harmonization of all these documents and bylaws will occur in due course, as priorities are established and a full review of all these will be necessary as updating becomes necessary. Public and landowner input will require added effort in this rationalization effort.

Growth will be easier to establish and disputes should be less common upon full rationalization.

### **Parks and Recreation**

There will be advantages to having additional region-wide personnel and various assets available for parks and recreation service delivery and, in fact, the matter of cost and revenue sharing challenges should be a relatively straight-forward political process.

Thought will need to be placed toward branding and planning such that the region may take full advantage of the potential that may exist for matters such as sports tourism and supporting various sports teams. While some long term rationalization may occur, it is contemplated that local autonomy can be enhanced through minimal, if any, impact on local sports teams.

Now, while local sports team identities may be well-entrenched, there may be advantages to having more diversity and drawing more participants into certain sporting or recreation activities. Once again, these are all areas to be considered and discussed by Council, the various stakeholders, as well as through the Local Community Advisory Committees (LCACs) and sports organizations.

### **Culture**

There will be advantages to having additional region-wide personnel and various assets available for cultural service delivery. As noted in recreation, there will be distinct advantages to having a wider variety of personnel and assets available for culture support.

Also similar to sport and recreation, thought will need to be placed toward branding and marketing such that the broader region may take better advantage of the potential that would exist for matters such as cultural events, arts programming, museums or heritage preservation, just to name a few cultural matters.

### **Libraries**

The future of library services should be determined by Library Boards and public input.

While consolidation of some assets, policy harmonization and Library Board changes may have some advantages in the long term, the library services in any community are critical to each community and interruption of library service or changes to service must not occur. Change needs to be well planned and directly involve those who use the library services, including Boards already in place.

## **Economic Development and Tourism**

There will be distinct advantages to having a more regional and holistic review of a region's personnel and assets available for economic development and tourism support.

Thought will need to be placed toward branding and marketing such that the region may take full advantage of the potential that should exist to more aggressively pursue business/industry attraction, as well as new residential development.

## **Environment**

No changes to environmental policies or any environmental matters should be contemplated in the short term.

There will be advantages to having more diverse regional personnel and various assets available to review, improve and address environmental matters. Like several matters where amalgamation occurs, there will be distinct benefits in taking a more regional and holistic review in this regard.

## **Cemeteries**

No changes should be contemplated in the short term. Rates and other related policies will require a review at some time, but such harmonization is not urgent.

## **Agricultural Services**

Agriculture is a key economic driver within Flagstaff region and no disruption of any agricultural-related service should be undertaken, and any rationalization must be thoughtful and must also involve those who are impacted the most (farmers and ranchers in the region).

As such, no changes should be contemplated in the short term and appropriate policies will require a review at some time, but such review would not be urgent.

## **Legislative**

Service levels in support of legislative services should not be severely impacted, providing a strong transition plan addresses matters of access, election planning, Ward/District planning and appropriate policy development.

Upon any amalgamation, changes in the elected officials' representation will have various impacts on regional matters including access to elected officials, cost reduction and meeting agenda items. It is realistic to assume that the newly amalgamated Council will exhibit a 'higher' level of governance than may have been expected of previously elected officials.

## Administration

The impact on services from the various administrations will vary depending on the service item.

There is a substantial list of administrative matters that will require effort and consolidation over a period of several years, and which will require the ongoing collaboration of administration and councils for such transition to be as seamless as possible. Examples include rationalizing accounts, website work, communication protocols, auditor reviews, purchasing matters and office activities.

There will be rationalization of office staff, phone systems and IT functions and the list may seem endless but the administrative team in place to handle these matters will be charged with prioritization and securing funds (i.e., provincial transitional assistance) to address these matters.

## 12. INFRASTRUCTURE, ASSETS AND EQUIPMENT RATIONALIZATION

<b>Municipality</b>	<b>Expected % Life Remaining on Infrastructure</b>
Alliance	58%
Daysland	36%
Flagstaff County	25%
Forestburg	41%
Hardisty	51%
Heisler	48%
Killam	41%
Lougheed	42%
Regional Total	43%

In 2018, Urban Systems Inc. was contracted to perform an infrastructure assessment and utilizing 2016-2017 data and they identified the above-referenced expected remaining life of infrastructure within the eight (8) participating municipalities.

Based on a review of the current data and best practices, the following transitional plans are viewed as being appropriate, unless otherwise determined by the Minister.

## **1) Water and Wastewater**

- a) There should be no immediate changes required to maintenance and operation of the water and wastewater assets or services. In fact, changes at time of transition may be problematic if it is unclear what is driving any changes to such critical services.
- b) A full evaluation of all these assets is a critical piece of work required to be undertaken after amalgamation to determine where capital demands may be imminent.
- c) The underground systems are often an area where there are significant costs and challenges for smaller communities and as such, the state of this infrastructure will require further review into the years ahead.

## **2) Solid Waste Assets**

- a) Similar to water and wastewater, there should be no need for any immediate changes required to maintenance and operation of the solid waste assets or services. In fact, changes at time of transition may be problematic if it is unclear what is driving any changes to such critical services.
- b) A full evaluation of all these assets is a critical piece of work required to be undertaken after amalgamation to determine where capital demands may be imminent.

## **3) Natural Gas Systems**

- a) Similar to the water systems, it is absolutely critical that there are no immediate changes to maintenance and operation of the gas systems. Gas supply, billing and maintenance should continue to operate within a no interruption and no change framework.
- b) A full evaluation of all these assets is a critical piece of work required to be undertaken after amalgamation to determine where capital demands may be imminent.
- c) Gas Co-op governance oversight may need to be an early order of business so that there is no leadership and decision-making confusion.

## **4) Emergency Response Equipment**

- a) It is absolutely critical that there are no immediate changes to maintenance, operation and deployment of the emergency response equipment, services and personnel.
- b) A full evaluation of all these assets is a critical piece of work required to be undertaken after amalgamation to determine where capital demands or redundancy exist.
- c) An update of the Emergency Response Plans will need to be undertaken soon after amalgamation processes are put in place to ensure that every aspect of emergency response is dealt with. It is also acknowledged that as of January 2020, there will be a Regional Fire Service in place.

- This includes human resources assessment, equipment utilization, and headquarters in case of an emergency, to name a few.

## **5) Roads and Transportation**

- a) While it is understood that there are differences between the needs, service delivery and standards of urban and rural road systems, there should be no changes to the road and transportation policies in the short term.
  - This includes streets, roads, culverts, spraying and all related deployment of resources and maintenance.
- b) Any interruption or change in road maintenance could be problematic for traffic, school bus routes, emergency access etc., and as such all changes to these policies would require thoughtful service and policy changes and may take years to change or harmonize.
- c) The new Council will need to review transportation policies but this is not a critical early requirement.

## **6) Airports**

- a) It is anticipated there will be no change to the operation of or assets related to the airports as a result of amalgamation.

## **7) Fixed Assets**

- a) A full evaluation of all building utilization and other fixed assets needs should be undertaken after amalgamation to determine where synergies can occur or where there may be redundancy. Cost savings and capital avoidance are both opportunities that should be pursued.
- b) Accounting expertise will be required to combine all tangible Capital Asset listings, and all other related accounts, during the financial harmonization process.
- c) While no changes are needed immediately upon amalgamation, it is anticipated that there will be rationalization of some of the assets to be as cost effective as possible.
- d) Significant effort will need to be placed toward the office assets such as computer systems, phone systems, servers, plus numerous important communications systems that residents rely upon for service delivery and that staff rely upon for administrative functions.

## **8) Rolling Stock**

- a) Similar to a fixed asset and building assessment being required, a full evaluation of all rolling stock and related equipment needs and storage thereof should be undertaken after amalgamation to determine where synergies may occur or where there may be redundancy.

- ## 9) Redundant Assets

- ## 10) Building Rationalization

- ## 11) Recreation, Cultural Facilities and Library Assets

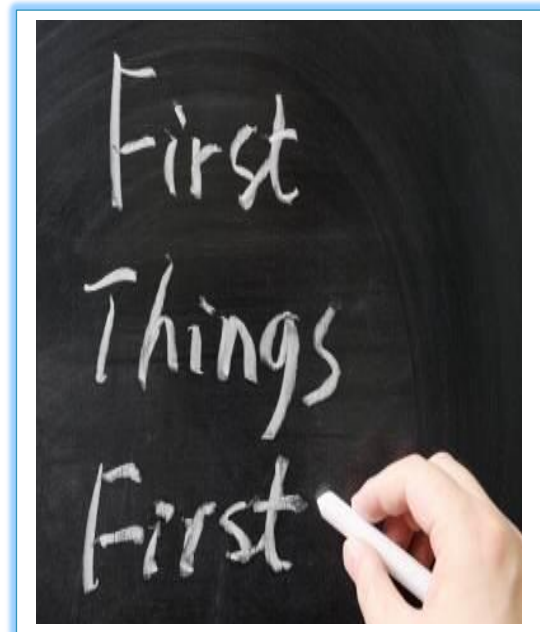
- [illegible]

### 13. ADMINISTRATION AND ORGANIZATION STRUCTURE

- No amalgamation is able to proceed without the County of Flagstaff being a party to the amalgamation, since any amalgamation must only be with ‘contiguous municipalities’ unless otherwise determined by the Minister.
- For elected officials, while there are various options available for representation, there were two (2) preferred options provided in the 13 Ways Report, as follows.
  - Four (4) Wards/Divisions with two (2) elected officials each and the Mayor/Reeve elected at large.
  - Seven (7) Wards/Divisions with one (1) elected official each and the Mayor/Reeve appointed by Council.

One of these two options should be recommended to the Minister for implementation if there is a large-scale amalgamation.

- 1) Municipal Affairs shall appoint one Interim CAO and depending how many municipalities are involved in the amalgamation process it is likely that the organizational structure may require one Deputy CAO.
- 2) It was decided that no organization chart be provided at this time and should only be prepared once it is determined which municipalities wish to proceed with an amalgamation.
- 3) Within the application to the Minister, there are 30 elements required to be included in the application. Several of the 30 elements deal with recommendations associated with human resources and emergency services determination. Discussion on these 30 elements are included in Appendix B.
- 4) If more than 2 municipalities are involved in the Amalgamation process, it is suggested that in support of the CAO, a ‘Transitional Manager’ be appointed for a 1-year period to address the numerous details outlined in this report.
- 5) It is the recommendation that a ‘local’ Office Manager within each of the hamlet centres be named by the CAO, at least on a temporary basis until transitional measures are in place.
  - The long term need and placement of the local managers can be assessed at any time by the new Council and Interim CAO.



- 6) Fire Department chain of command requires determination prior to amalgamation.
- 7) Policing and Bylaw chain of command requires determination prior to amalgamation.
- 8) Emergency Services chain of command requires determination prior to amalgamation.
- 9) Public Works chain of command requires determination prior to amalgamation.
- 10) An experienced Returning Officer must be secured to provide appropriate leadership if a special ballot question (plebiscite) is decided being needed by any Council.
  - If required, an experienced Returning Officer has been identified by New West Opportunities, available on short notice.

## 14. KEY POLICY AND FINANCIAL CONSIDERATIONS

While there will be rationalization of Bylaws and Policies, below are some of the key Policy/Financial considerations.

### Key Policy Considerations

If there is any conflict in any of the following that requires an urgent resolution, it should be recommended to the Minister that the Flagstaff County Policies and Bylaws shall take precedent over all others in the rare case where no resolution is immediately otherwise available.

The following are Tier-1 policies, important to amalgamation success (and subject to the direction of the Minister):

#### 1. Intermunicipal Development Plan(s) (IDPs)

This matter may be addressed in due course; however, amalgamation is not contingent upon this work.

Each IDP in place at the time of amalgamation should remain in effect until appropriate changes are made using established IDP updating or repeal processes.

#### 2. Municipal Development Plan(s) (MDP)

This matter may be addressed in due course; however, amalgamation is not contingent upon this work.

Each MDP in place at the time of amalgamation should remain in effect until appropriate changes are made using established MDP updating or repeal processes.

### **3. Area Structure Plan(s) (ASPs)**

This matter may be addressed in due course; however, amalgamation is not contingent upon this work.

Each ASP in place at the time of amalgamation should remain in effect until appropriate changes are made using established ASP updating or repeal processes.

### **4. Intermunicipal Collaboration Framework(s) (ICFs)**

This matter may be addressed in due course; however, amalgamation is not contingent upon this work. Each ICF in place at the time of amalgamation should remain in effect until appropriate changes are made using established ICF updating or repeal processes.

Where no ICF Bylaw exists, an ICF Bylaw will not be required subsequent to amalgamation for a municipality which becomes a hamlet, unless otherwise determined by the Minister.

### **5. Land Use Bylaw(s) (LUBs)**

This matter may be addressed in due course; however, amalgamation is not contingent upon this work.

Each LUB in place at the time of amalgamation should remain in effect until appropriate changes are made using established LUB updating or repeal processes.

### **6. Off-Site Levies**

This matter may be addressed in due course; however, amalgamation is not contingent upon this work.

- Each Off-Site Levy Bylaw in place at the time of amalgamation should remain in effect until appropriate changes are made using appropriate levy updating or repeal processes.

### **7. Procurement**

This is an important policy for early consideration to avoid any disruption to any product or service supply.

### **8. Local Community Advisory Committees (LCACs)**

It is recommended that Local Community Advisory Committees (LCACs) be formed and Council and public members be appointed immediately upon amalgamation.

The members (mostly volunteers) on each of these committees must be appointed by Council and become Committees of Council. Appropriate policies, terms of reference and bylaws to

create and sustain such entities are important considerations very early upon amalgamations.

These committees would assist in maintaining the identity and rich history of these communities and help ensure that the needs and priorities of each hamlet continue to be heard and addressed well into the future.

These LCACs mirror Community Associations or Leagues that are in place in some communities in Alberta and also mirror the Local Urban Districts in place in Manitoba, which were established upon municipal amalgamations in that Province.

## **9. Volunteer Groups and Service Clubs**

It is important that the new Council determines its approach, together with the LCACs, in how to best support local volunteer groups or Service Clubs, all fundamental entities important to the fabric of any community.

## **10. Staff/Employee Remuneration**

Policies with respect to pay and benefits are critical for obvious reasons, including morale, retention and continuity of service.

The many employees are key to the success of any successful amalgamation and employees need to be treated with respect and dignity throughout challenging transitional times.

While there are many other personnel policies that are important to be reviewed, the ones associated with pay and benefits are the highest priority. The Minister may also make personnel decisions at his/her discretion.

## **11. Other Tier 1 Policies requiring early review are as follows:**

- a) Fire Department
- b) Emergency Services
- c) Disaster Services
- d) Policing
- e) Delegation of Authority
- f) Utility Policies and Interruption Mitigation
- g) Insurance Coverage
- h) Banking Clarity Including Signing Authorities
- i) Staff Meetings
- j) Public Meetings
- k) Council Committee Structure

## **12. Provincial Requirements**

Any application for amalgamation will need to address the 30 matters contained in Appendix B herein and which outline numerous policies or policy statements established prior to and as part

of the amalgamation process. The Minister may also decide to act on any of these or other matters as deemed appropriate.

## Key Financial Considerations

The financial analysis shows that based on the information provided, there are no immediate and/or dire financial issues or problems in the Towns, Villages or County of a magnitude that would immediately affect the financial viability of any of these municipalities.

**Note:** Recent and future provincial budget implications, however, may add additional leverage to the possible need for change.



### ☐ Reserves (subject to Ministerial direction and/or decision)

Restricted reserves as of the 'Effective Amalgamation Date' should remain with the home municipality/ratepayers. It is recommended that unrestricted reserves as of the 'Effective Amalgamation Date' remain with home municipality/ratepayers but be subject to decisions by the new Council.

### ☐ Debt (subject to Ministerial direction and/or decision)

Debt as of the 'Effective Amalgamation Date' shall remain with the home municipality/ratepayers. It may be necessary to request that the Province provide a long term debt instrument that would permit collection of debt beyond the mill rate harmonization period.

### ☐ Taxation/Mill Rate Transition (subject to Ministerial direction and/or decision)

Taxation mill rate transition is suggested to be an eight (8) year transition, notwithstanding the potential for a debt repayment transition to go beyond 8 years.

### ☐ Utilities Transition (subject to Ministerial direction and/or decision)

Utilities would normally need to be a family of rates – each specific to each hamlet and county. Rates for the hamlets would be separate from the county rates and yet be consistent with the services that were being provided immediately prior to the 'Effective Date of Amalgamation.'

Subject to Ministerial approval, utility rate harmonization transition may take longer than mill rate transition and perhaps may take as long as 20-years if full cost recovery is contemplated for all communities as a result of amalgamation.

- 
- Various costs, revenue and savings as a result of an amalgamation may require policy positions to be taken and a ‘checklist’ outlining some of these follows:
    - Council-related remuneration and expenses
    - CAO-related remuneration and expenses
    - Assets that are no longer required
    - Sale of assets
    - Accounts payables
    - Accounts receivables
    - Public works transition
    - Signage
    - Website updates and/or consolidation
    - Phone systems
    - Administrative supplies (letterhead, business cards, etc.)
    - Communications to taxpayers
    - IT consolidation and server planning (emails archiving)
    - Management compensation agreements (right-sizing; severances)
    - Career path counseling
    - Legal
    - Auditor selection and audit schedule
    - Budget development
    - Staff training
    - Branding (colors, logo, photos, names)
    - Write-down of redundant assets
    - Employee pay rate harmonization
    - Accounting code of accounts
    - Tangible capital assets approach
    - Asset listing
    - Asset utilization
    - Purchase orders
- 

## 15. COMMUNICATION AND PUBLIC ENGAGEMENT

Ultimately, should respective Councils wish to proceed with an amalgamation, there are several matters that need to be considered and discussed with the public.

For example, the residents of the Town of Lac La Biche and Lakeland County sought answers in many areas and there are numerous questions (many comments and questions below are verbatim from their 2007 study) that the public was seeking answers to.

These include:

### **1) Representation**

- Who will represent me on Council?
- How will the new Council be structured?
- How many Councillors will there be?
- How will the Wards/Divisions be structured?
- Will the Reeve/Mayor be elected at large?

### **2) Municipal Service Delivery**

- Will the same level of service be provided to ratepayers?
- If so, how do we ensure this will be maintained?

### **3) Provision of Utility Services**

- What area(s) in the County should be serviced by water and for wastewater?
- What costs should be included in the monthly utility charge for water and wastewater?
- What should be done to address the wastewater treatment facilities?
- What charges should be included in the off-site levy charged to new developments that connect into the water and wastewater systems?

### **4) Recreation and Cultural Developments**

- What recreation and cultural facilities do we need?
- Will an amalgamated municipality be able to better address regional needs?
- What will it all cost?

### **5) Municipal Policies and Bylaws**

- What municipal bylaws or policies will apply?
- How will the policy manuals for the municipalities be combined?
- What will be done to ensure that the bylaws of the amalgamated municipality are consistent?

### **6) Name of the Municipality**

- What will the new municipality be called?

### **7) Urban Service Area**

- What will be the boundaries of the urban service area(s)?
- How will the new municipality address RCMP services?

### **8) Town/County Hall**

- Where should the main administration office be located?
- Where should the Council chambers be located?
- What should be done with the existing municipal buildings?

## 9) Municipal Property Taxes

- What will happen to property tax rates under an amalgamated municipality?
- How will the property tax rates be structured?
- Will my property taxes increase?

## 10) Amalgamation Question/Plebiscite (if one were to proceed)

- How will a question on the ballot be worded?
- What does a 'Yes' or a 'No' vote mean?
- Are the votes binding?

## 12) Sharing of the Property Tax Base

- Why should the County residents share their tax base?

## 13) Staffing Implications

- How will this be discussed with staff of all municipalities?
- What will happen to my job?
- What will happen to my benefits, pension and wages?
- What will the organizational structure look like?
- What are the advantages to staff under an amalgamated municipality?
- Where will our offices be located?

## 14) Other

- What will happen if the urbans and county do not amalgamate?
- What is the future for the towns/villages?
- What is the future for the County?
- What will happen to the County's tax base?
- How will the urbans and the County pay for major facility upgrades?

---

There are numerous stakeholders who have been listed within Section 10 of this report and a comprehensive communication plan is critically important for each of these groups/individuals.

These include the following:

- ☐ **Volunteers** - There are numerous volunteer matters that will need to be addressed, as previously discussed.
- ☐ **Employees** - Regular communications to all employees is critical.
- ☐ **Councils** - Training and orientation for the new Council will be critical to the success of any amalgamation process. Additional consideration will need to be given to training during a period prior to Nomination Day for those residents considering seeking office on the new Council.

- ❑ **Media** - Involving local media in communications will assist in successful outcomes, especially to the residents of the region who rely heavily on this form of communication. Consideration of Twitter and Facebook feeds is another very effective approach to broaden information spread.
- ❑ **Websites** - Updated and consolidated website planning is important including the high-frequency visitation website [www.myflagstaff.ca](http://www.myflagstaff.ca).
- ❑ **General public and ratepayers** - Communication approaches to the residents of the region will depend upon the decisions by various Councils on an ongoing basis.

In the future, town halls may be required, newsletters may be required and information packages may be required.

- ❑ **Provincial Government** - Ongoing communications with Municipal Affairs staff, the local MLA, and the Minister of Municipal Affairs is necessary.
- ❑ **Other communications considerations** – Communication with the following stakeholders will also be important: Library Boards, financial institutions, electricity providers, Alberta Transportation, Member of Parliament, School Boards, Alberta Health Services and health services providers, Agricultural Societies, RMA, AUMA, Gas Co-Ops, REAs, RCMP, insurers, etc.

Fire departments, Emergency Services stakeholders, disaster services volunteers and the Local Community Advisory Committees (recommended herein) are all organizations and entities needing to be informed, at a minimum and involvement will be required on many fronts.

## 16. FUTURE OF FLAGSTAFF INTERMUNICIPAL PARTNERSHIP (FIP)

In its October 2018 report, 13 Ways provided this assertion as one of the goals of moving forward with FIP and amalgamation:

... that the Framework for Regional Governance Options should “*Ensure that selected model(s) is clearly superior to existing arrangement.*”

Of course, the future of FIP must be initially informed by and driven by the collective decisions that each of the nine (9) Councils make.

It is strongly recommended that each Council vote by February 15, 2020 as to at least one of the ten (10) motions presented in Section 2 of this report.

It is additionally recommended that FIP hold a planning meeting in March 2020 and, using a

third party facilitator, hold that planning discussion with the collective FIP representatives together with the CAOs.

This meeting should only take place after all eight (8) municipalities have voted on at least one of the ten (10) motions included in Section 2 herein.

Once the various Council decisions are made, the participating municipalities would be able to more easily consolidate the individual decisions into collective decisions and collective action.

While there may be still a divergent and unclear direction, the decisions taken by each Council at least would inform the planning session.

On August 27, 2019, the FIP CAO Working Group developed the following options:

1. *Status Quo – continue to seek a managing partner for FIP.*
2. *Eliminate the FIP Committee and split FIP responsibilities amongst municipalities; CAOs will be responsible for reporting to the CAO Working Group and providing information for Council updates on the status of the project.*

*Potential splits could be:*

- *ARB and SDAB*
  - *Regional Public Works group*
  - *Regional CAO group*
  - *Safety*
  - *Water Operators Consortium*
  - *Bylaw/Policy review*
  - *Engineering standards*
  - *Broadband*
3. *Informal structure that would encompass 4 yearly meetings with elected officials where they can talk to each other about issues they are facing and bring direction back to their own CAOs.*
  4. *Elected officials' meetings – the Mayor/Reeve should be required to be the member, determining how often they should meet.*
  5. *Re-create FIP with only the urban municipalities as urban issues are significantly different than the rural issues.*

➤ **NOTE: The FIP Committee has chosen to recommend to all respective Councils a combination of Options 2 and 3 above. No responses have yet been received.**

## Other Considerations

- ❑ One consideration is that since the newly updated Municipal Government Act permits application to the Minister for the formation of a Growth Management Board (GMB), this governance option should not be underestimated as another potentially viable alternative.

While most FIP members may not have much familiarity with this model, it is a model that has been undertaken separately in the Calgary and Edmonton regions, where difficulty in arriving at collective decisions was made more possible with a GMB.

Details of that could be examined following a facilitated discussion in 2020 if FIP wishes to explore this alternative.

- ❑ A second consideration is for FIP to employ, on a contract basis at a nominal cost, the outsourcing of a part time ‘Secretariat’ who would be a third-party arms-length individual. This person would have the responsibility to perform the duties outlined in the August 27, 2019 FIP Coordinator Task List memorandum (calling meetings, keeping files, publishing minutes, maintaining the website and more).

That scope of duties would be similar to what Ms. Debra Moffatt currently performs and the individual could also serve as the Chair of Committee for the full FIP meetings.

While a Terms of Reference in this regard would need to be developed, this is an alternative that some groups use when duties need to be done centrally. A full time employee would not be required (the concept may mirror Summer Villages who pool CAOs or when smaller entities pool and pay an Executive Director as a leader, gatekeeper, coordinator and caretaker of important matters).

- ❑ A third alternative to consider is that the FIP Committee defines a clear rotating Managing Partner schedule that changes every 6 months and rotates into perpetuity, where, within 4-5 years, every municipality would take its turn being responsible for 6 months of leadership. While this does lose some continuity, it is an alternative that could be considered and yet not one that is recommended due to the hand-off from municipality to municipality would likely soon result in a loss of adherence to discipline.

## 17. CONCLUSIONS

Amalgamations in Alberta are very uncommon with the most recent amalgamation being in 2007 when Lakeland County and the Town of Lac La Biche jointly and independently agreed to conduct a review so their Councils could make an informed choice.

That work, completed by Austrom Consulting Ltd., resulted in the decision that resulted in an amalgamation and the subsequent creation of the County of Lac La Biche.

The matters reviewed at that time were also reviewed in this FIP-initiated study which has provided a path forward if municipalities wish to pursue such a plan. Fundamental to the plan is the requirement that the Flagstaff County support amalgamation with any or all of the Towns and Villages within the boundaries of the County. Without the County's support, there is no path forward.

Any amalgamation, to have a positive financial effect financially, requires provincial financial assistance for there to be a compelling reason to do so. And since the region's population, as a whole can be described as stagnant, and assessment growth and new investment is quite modest, the need to have renewal for economic diversification and investment strongly exists.

The path forward requires political will to amalgamate. If amalgamation were to proceed the community/elected leaders would be able to focus more on the region as a whole and less so on matters such as viability or sustainability.

While there is significant disparity amongst mill rates, it is possible over a period of eight (8) years to harmonize all mill rates to those mill rates of Flagstaff County, on the understanding that there would be about \$1.3 million in savings required early on in the amalgamation process. Amalgamation will not be the answer to all of the region's current and future challenges, but rather a matter more of sustainability and prosperity of many of the partners.

Subsequent harmonizing of utility rates, policies and bylaws may be able to be completed quickly in some cases and even for as long as twenty (20) years for debt retiring and utility rates to be restructured. Harmonizing of residential mill rates should be able to be completed within eight (8) years.

It is clear that there are compelling financial reasons for the Villages to amalgamate with the County and perhaps less so for the Towns, but if the region is to prosper and be sustainable as a region, amalgamation would provide that opportunity for the region to 'hunt in a pack' if the various communities were able to join forces in the broader interests of regional prosperity and sustainability.

Finally, if there is political uncertainty within any municipality, it is strongly advised that it would be wise to seek further (and definitive) public input through a ballot question (plebiscite) in 2020, to assist in informing elected officials on a preferred path forward.



## **18. APPENDICES**

### **A. ALBERTA MUNICIPAL GOVERNMENT ACT, RELEVANT SECTIONS**



Province of Alberta

## **MUNICIPAL GOVERNMENT ACT**

Revised Statutes of Alberta 2000  
Chapter M-26

Current as of June 28, 2019

## Division 5 Amalgamation

### Application

**100** This Division does not apply to the amalgamation of

- (a) an improvement district with another improvement district, or
- (b) a special area with another special area.

1994 cM-26.1 s100

### Restriction on amalgamation

**101(1)** Subject to subsection (2), no order amalgamating municipal authorities may be made that would result in an area of land that is

- (a) not included in any municipal authority, or
- (b) part of the amalgamated municipal authority, but is not contiguous with other land in the amalgamated municipal authority.

**(2)** An order may amalgamate 2 or more summer villages whose boundaries are not contiguous but border on or include all or part of the same body of water.

**(3)** Despite section 77, an order may amalgamate 2 or more summer villages if it gives the amalgamated municipal authority the status of a summer village.

**(4)** Where an order gives an amalgamated municipal authority the status of a summer village as required by subsection (3), the status of the summer village may be changed in accordance with Division 3.

RSA 2000 cM-26 s101;2015 c8 s9

### Initiation of amalgamation proceedings

**102** The procedure for the amalgamation of 2 or more municipal authorities may be initiated

- (a) by a municipal authority,
- (b) by 2 or more municipal authorities in accordance with the regulations made under section 106.1, or
- (c) by the Minister under section 107.

RSA 2000 cM-26 s102;2015 c8 s10

**Initiation by municipal authority**

**103(1)** A municipal authority initiates an amalgamation by giving written notice of the proposed amalgamation to

- (a) the one or more municipal authorities with which it proposes to amalgamate,
- (b) the Minister, and
- (c) all local authorities having jurisdiction to operate or provide services in the initiating municipal authority or in any of the municipal authorities with which it proposes to amalgamate.

**(2)** If an amalgamation proposed by an initiating municipal authority would result in an area of land that is within the perimeter of the boundary of the amalgamated municipal authority, but is not part of the amalgamated municipal authority, the initiating municipal authority must give notice of its intention to annex that land when it gives notice of the proposed amalgamation.

**(3)** Subsection (2) does not apply if the area of land within the perimeter of the boundary of the proposed amalgamated municipal authority is the area of an existing municipal authority.

**(4)** The notice for an amalgamation must

- (a) include the names of all the municipal authorities that are to be amalgamated and the reasons for the proposed amalgamation, and
- (b) include proposals for consulting with all local authorities referred to in subsection (1)(c) and the public about the proposed amalgamation.

RSA 2000 cM-26 s103;2017 c13 s1(11)

**Direct negotiations**

**104(1)** The municipal authorities with which the initiating municipal authority proposes to amalgamate must, on receipt of the notice under section 103, meet with the initiating municipal authority to discuss the proposals included in the notice and negotiate the proposals in good faith.

**(2)** The initiating municipal authority must keep the Minister informed of the progress of the negotiations.

1994 cM-26.1 s104

**Report on negotiations**

**105(1)** On conclusion of the negotiations, the initiating municipal authority must prepare a report that describes the results of the negotiations and that includes

- (a) a list of the relevant matters, including those referred to in sections 89(1), (2), (3) and (4) and 111, that are agreed on and a list of any of those matters on which there is no agreement between the municipal authorities,
  - (b) a description of the public consultation processes involved in the negotiations, and
  - (c) a summary of the views expressed during the public consultation processes.
- (2) The report must
- (a) include a certificate by the initiating municipal authority stating that the report accurately reflects the results of the negotiations, and
  - (b) be approved by resolution of the council of the initiating municipal authority and by resolution of the councils of the other municipal authorities that agree to the amalgamation.
- (3) A municipal authority whose council does not pass a resolution approving the report may include in the report its reasons for not approving.

RSA 2000 cM-26 s105;2015 c8 s11

**Disposition of report**

**106(1)** On completion of the report on the direct negotiations, the initiating municipal authority must submit the report to the Minister and send a copy of it to the municipal authorities with which it proposes to amalgamate and any other local authority the initiating municipal authority considers would be affected.

(2) If the initiating municipal authority indicates in the report that it wishes to proceed with the amalgamation, the report becomes the initiating municipal authority's application for the amalgamation.

1994 cM-26,1 s106

**Regulations**

**106.1(1)** The Minister may make regulations for the purpose of enabling municipalities to jointly initiate an amalgamation, including, without limitation, regulations

- (a) specifying or describing by reference one or more provisions of this Division that do not apply, or that apply with modifications, to the joint initiation of amalgamations;

- (b) specifying or setting out provisions that apply in addition to, or instead of, the provisions of this Division in respect of the joint initiation of amalgamations;
- (c) respecting procedures for the joint initiation of amalgamations.

(2) Regulations under this section may be made to apply generally or specifically.

2015 c8 s12

#### **Initiation by Minister**

**107** The Minister may initiate an amalgamation of 2 or more municipal authorities if the Minister believes that the operation of the municipal authority to be formed by the amalgamation will be more effective or efficient than the municipal authorities to be amalgamated.

1994 cM-26.1 s107

#### **Notice by Minister**

**108** When the Minister initiates an amalgamation, the Minister

- (a) must give written notice of it to the municipal authorities proposed to be amalgamated and any local authority that the Minister considers would be affected by the proposed amalgamation,
- (b) may invite comments on the proposed amalgamation from all local authorities that the Minister considers would be affected by the amalgamation and from any other person the Minister considers necessary,
- (c) may invite comments on the proposed amalgamation from the public, and
- (d) may conduct one or more meetings of the public to discuss the probable effects of the proposed amalgamation.

1994 cM-26.1 s108

#### **Consideration of principles**

**109** Before municipal authorities are amalgamated, the Minister must consider the principles, standards and criteria on amalgamation established under section 76.

1994 cM-26.1 s109

#### **Amalgamation order**

**110** The Lieutenant Governor in Council, on the recommendation of the Minister, may by order amalgamate municipal authorities to form a new municipality.

1994 cM-26.1 s110

**Contents of order**

**111** An order to amalgamate municipal authorities may

- (a) dissolve one or more of the councils of the municipal authorities that are amalgamated,
- (b) provide for an interim council,
- (c) require a municipal authority to pay compensation to another municipal authority set out in the order or by means determined in the order, including arbitration under the *Arbitration Act*, and
- (d) deal with any of the matters referred to in section 89.

1994 cM-26.1 s111

**Official administrator**

**112** When a municipality is formed by amalgamation and there is no council, the Minister may appoint an official administrator who has all the powers and duties of a council of the municipality until the first council of the municipality is sworn into office.

1994 cM-26.1 s112

## Division 6 Annexation

**Mediation**

**112.1** In this Division, “mediation” in respect of an annexation means a process involving a neutral person as mediator who assists the initiating municipal authority and the one or more municipal authorities from which the land is to be annexed, and any other person brought in with the agreement of those municipal authorities, to reach their own mutually acceptable settlement of the matter by structuring negotiations, facilitating communication and identifying the issues and interests of the participants.

1999 c11 s6

**Application**

**113** This Division does not apply to the annexation of land

- (a) from an improvement district to another improvement district, or
- (b) from a special area to another special area.

1994 cM-26.1 s113

**Restriction on annexation**

**114** No order that annexes land to a municipal authority may be made if the land to be annexed is not contiguous with the boundaries of the municipal authority.

1994 cM-26.1 s114

## B. MUNICIPAL AFFAIRS (30) REQUIREMENTS FOR AMALGAMATION

➤ August 27, 2019 CAO's Working Group Discussion Paper

### **30 Requirements by Alberta Municipal Affairs**

**(All subject to the discretion of the Minister)**

#### **1. Name of Municipality**

Options as follows as identified in the 13 Ways Report:

- Regional Municipality of Flagstaff
- Municipal District of Flagstaff
- Opportunity for public to provide other names

#### **2. Municipal Boundaries (+ list of urbans within boundaries)**

The boundaries of the new municipality should mirror Flagstaff County's current outer boundary.

Perimeter boundary of Flagstaff County as it exists today

Hamlet of Alliance	(previously Village)
Hamlet of Daysland	(previously Town)
Hamlet of Forestburg	(previously Village)
Hamlet of Hardisty	(previously Town)
Hamlet of Heisler	(previously Village)
Hamlet of Killam	(previously Town)
Hamlet of Lougheed	(previously Village)

Previous Changes:

Hamlet of Galahad	(December, 2015 became Hamlet)
Hamlet of Strome	(December, 2015 became Hamlet)

Remaining Urban Municipality:

Town of Sedgewick (unchanged)

#### **3. Municipal Status**

Recommend Municipal District.

4. **Electoral Wards**

Wards need to be defined upon application to the Minister.

5. **Council Representation**

Two (2) options as per 13 Ways Report:

- a) 4 Wards/Divisions with 2 elected officials each and Mayor/Reeve elected at large;
- b) 7 Wards/Divisions with 1 elected official each and Mayor/Reeve appointed by Council.

6. **Location of Municipal Office**

Recommended in the 13 Ways Report to be the current Flagstaff County offices at Sedgwick.

7. **Proposed Incorporation Date**

Options as follows:

If Councils decide to proceed without a ballot question (plebiscite), it is possible to proceed with the new Municipality effective November, 2021 Municipal election.

If there is a November, 2021 plebiscite(s) that would require status quo until at least 2022 and would be informed by the results of non-binding ballot questions (plebiscites).

If there is to be a 2020 ballot question (plebiscite), and if there were 'Yes' to amalgamation votes, it would be possible to proceed with a new Municipality effective November, 2021 (subject to Ministerial review and subject to Flagstaff County being supportive).

8. **Annexation of Land to Achieve Contiguous Boundary**

None required.

9. **Other Matters**

No special provisions, unless otherwise determined by the Minister.

**10. Interim Council**

Options:

- a) No interim Council is required unless a ballot question (plebiscite) is held in November, 2021 and Minister supported advancing through an application.
- b) No interim Council would be required if Councils proceed effective November, 2021.

**11. Interim Chief Administrative Officer**

To be determined by the Minister.

**12. First Election**

October, 2021 is possible depending on the decisions by Councils in 2020 and depending on the Minister's direction/decision.

**13. 2021 General Municipal Election**

Options:

- Elect all 36 in the 2021 Municipal election as currently constituted.
- Hold ballot questions in 2020 to help set direction for November, 2021.
- Hold ballot questions November, 2021 in conjunction with election.

**14. Appointment of Returning Officer(s)**

An experienced Returning Officer has been contacted by NWO and is prepared to provide leadership in this regard on short notice.

**15. Ward Boundaries Review**

Wards beginning November, 2021 could be recommended to the Minister in 2020, along with all other comprehensive matters noted herein.

Ward information could form part of an information package prior to a ballot question (plebiscite).

**16. Compensation to other Municipal Authorities**

No compensation to any other Municipal Authorities should be required.

**17. Financial Transition**

One would need to reach out to Auditors to determine if there are any issues of transition unique to each situation.

**18. Interim Tax Treatment (for Restructuring Tax Year)**

A proposed multi-year transition should be recommended.

**19. Tax Treatment (properties, different tax considerations, previous annexations)**

A review with the Auditors should be undertaken in this regard.

**20. Authority to Impose Additional Tax (to service pre-amalgamation debt)**

This matter shall be subject to the review of the Minister and it is suggested that all pre-amalgamation debt remain with the ratepayers of the jurisdiction where the debt was originally consummated until the debt is retired.

If there is debt that is not retired prior to the mill rate transition, an additional tax instrument may be required to be implemented by the Minister.

**21. Assessment Matters**

There does not appear to be any unique situations for treatment of assessments differently for this amalgamation.

**22. Employees and Labour Agreements**

There does not appear to be any labour agreements other than CAO contracts that would cause challenges to amalgamation.

Employee integration should be through attrition.

**23. Bylaws and Resolutions of Existing Municipalities**

All Bylaws and Policies and Resolutions of existing municipalities should remain in effect until otherwise dealt with by the new Council and the

recommendation to the Minister should contemplate this. It is anticipated that transition will occur over a 5-year period for most matters.

Transition of utilities and associated rates should take place over a period of 20 years.

Transition of mill/tax rates should take place over a period of approximately 8 years.

**24. Continuation of Emergency Services**

All existing staff and all existing bylaws and resolutions of existing municipalities should carry over to the new municipality until such time that the new Council determines any changes are required.

**25. Library Services**

No short term changes contemplated.

**26. Legislative Exemptions (Specialized Municipality)**

Not Applicable

**27. Legislative Additions or Replacements (Specialized Municipality)**

Not Applicable

**28. Prescribed Matters or Conditions (Specialized Municipality)**

Not Applicable

**29. Local Authorities Consultations**

To be addressed in Section 15 of the final Operation and Transition Plan for Proposed Amalgamation Report – Communication and Public Engagement.

**30. Public Consultations**

This shall be subject to what each Council determines would be best for their respective municipality and subject to Ministerial direction.

## C. GUIDE TO AMALGAMATION (CHECKLIST)

### ❖ Municipal Affairs (30) Requirements for Amalgamation Summarized

*\*Subject to the Minister's discretion plus any other matter deemed required by the Minister.*

- ☒ Name of Municipality
- ☒ Municipal Boundaries (+ list of urbans within boundaries)
- ☒ Municipal Status
- ☒ Electoral Wards
- ☒ Council Representation
- ☒ Location of Municipal Office
- ☒ Proposed Incorporation Date
- ☒ Annexation of Land to Achieve Contiguous Boundary
- ☒ Other Matters
- ☒ Interim Council
- ☒ Interim Chief Administrative Officer
- ☒ First Election (if other than the General Municipal Election)
- ☒ General Municipal Election
- ☒ Appointment of Returning Officer(s)
- ☒ Ward Boundaries Review
- ☒ Compensation to Municipal Authorities
- ☒ Financial Transition
- ☒ Interim Tax Treatment (for Restructuring Tax Year)
- ☒ Tax Treatment (properties; different tax considerations, previous annexations)
- ☒ Authority to Impose Additional Tax (to service pre-amalgamation debt)

- ☒ Assessment Matters
- ☒ Employees and Labour Agreements
- ☒ Bylaws and Resolutions of Existing Municipalities
- ☒ Continuation of Emergency Services
- ☒ Library Services
- ☒ Legislative Exemptions (Specialized Municipality)
- ☒ Legislative Additions or Replacements (Specialized Municipality)
- ☒ Prescribed Matters or Conditions (Specialized Municipality)
- ☒ Local Authorities Consultations
- ☒ Public Consultations

#### ❖ **Critical Immediate Matters**

*\*Subject to the Minister's discretion plus any other matter deemed required by the Minister.*

- ☒ Implement all directives from the Minister
- ☒ Fire Department
  - Contact information
  - Fire Chief
  - Chain of command
- ☒ Emergency Services
  - Contact information
  - Chain of command
  - Ambulance clarity
- ☒ Disaster Services
  - Contact information
  - Chain of command
  - Emergency response clarity
- ☒ Policing
  - Contact information (RCMP)
  - Contact information (Bylaw enforcement)
  - Chain of command

- ☒ Human Services
  - FCSS contact information
  - Chain of command
  - Emergency human needs clarification
- ☒ Public Works clarity
  - Water quality monitoring and water supply clarity
  - Gas supply clarity
  - Emergency services clarity and chain of command
  - Clarification of maintenance processes and protocols
  - On-call clarification
- ☒ Service delivery clarity (waste, transportation, etc.)
- ☒ Payroll clarity
  - Where payroll will reside Day #1
  - Banking information avoiding any disruption
- ☒ Utility policies and interruption mitigation
- ☒ Insurance coverage clarity
- ☒ Banking clarity including signing authorities
- ☒ Payables and receivables continuation thereof

#### ❖ Other Early Important Considerations

***\*Subject to the Minister's discretion plus any other matter deemed required by the Minister.***

- ☒ 'Delegation of Authority' clarification
- ☒ Accounting codes
- ☒ Financial statements (final plus new)
- ☒ Staff meetings
- ☒ Public meetings
- ☒ New municipality logo/branding
- ☒ New municipality mission
- ☒ New committee structure(s)

- ☒ Date/time/location of Council meetings, Planning Session
- ☒ Comprehensive asset listing and asset utilization strategy
- ☒ Organization chart and comprehensive contact lists
- ☒ Employment agreements (contracts, files, remuneration, etc.)
- ☒ Conflict or dispute resolution process
- ☒ Clarification of bylaws and policies in effect if conflict occurs
- ☒ Policy priorities to be established for harmonization (utilities, public works)
- ☒ Comprehensive email, phone and contact listing
- ☒ Revenue clarity (MSI, Gas Tax, GST)
- ☒ How potential volunteer impacts are considered?
- ☒ Local Community Advisory Committee (LCAC) formation
- ☒ Website updates
- ☒ Phone system changes
- ☒ Required server and related IT integration
- ☒ Comprehensive asset listing and assessment
- ☒ Equipment location clarity
- ☒ Public and stakeholder communication strategy

