



## OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

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**TO:** Council

**DATE:** December 10, 2019 **DIVISION:** All

**FILE:** N/A **APPLICATION:** N/A

**SUBJECT:** **Direction to proceed with Specialized Municipality Status process**

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### DIRECTION:

On March 26, 2019, Council directed Administration to analyze the benefits of becoming a specialized municipality and to report back to Council.

### EXECUTIVE SUMMARY:

Rocky View County is classified as a Municipal District, which is primarily rural in nature as per the *Municipal Government Act* (MGA). Rural municipalities typically have lower tax rates and less services for rural residents. Over time, several areas of the County have become increasingly urbanized and will continue to grow; specifically Langdon, Harmony, East Balzac, and Conrich. Residents and businesses in these areas require or expect higher levels of service than the rural or country residential areas.

This has created a potential governance challenge, primarily with respect to taxation because tax rates are currently uniform across the municipality. This means that all residents and business are paying for services that may benefit a specific area. As a municipal district, the County is limited in creating differing assessment and taxation classes to address this issue.

The MGA provides a mechanism to address this governance challenge by allowing a rural municipality to change its status to a specialized municipality. Specialized status would provide tools for the County to identify urban service areas and potentially develop higher service levels supported by differential taxation, where appropriate. Specialized status requires approval of Cabinet through an Order in Council. To change the status, an application must be made to the Minister of Municipal Affairs, outlining why specialized status is necessary. The application must include a resolution from Council and a summary of the public consultation undertaken in support of the process.

A designation of specialized municipality has three main benefits for the County:

1. **Urban Service Areas** – specialized municipal status would allow Council to identify the existing urban service areas that could have a different level of, or area-specific, services than other areas of the County, supported by different tax rates. This provides a better link between the request for services and the cost to provide them. Local residents, business owners, and/or Council could initiate the implementation of different urban service standards, supported by differential tax rates, depending on the needs of that particular urban service area. Urban and rural service areas have been identified in several specialized municipalities including: Lac La Biche County, Strathcona County, and the Rural Municipality of Wood Buffalo.
2. **Grants / Programs** – Legal recognition of the County's urban and rural nature by an Order in Council allows the County to access urban grants or programs.
3. **Recognition** – Specialized status helps to change the incorrect perception that the County is entirely rural and confirms the rights and associated obligations of the County with respect to developing urban areas.

Through the analysis, Administration has determined that becoming a specialized municipality would provide ratepayers and the County with the necessary tools to appropriately deliver services to residents and businesses. It is recommended that Council direct Administration to formally begin the process of applying to change the status of Rocky View County to Specialized Municipality, in accordance with Option #1.

### **<sup>1</sup>ADMINISTRATION RECOMMENDATION:**

Administration recommends Option #1.

### **BACKGROUND:**

Rocky View County is currently classified as a Municipal District (Section 78 of the MGA), which applies to municipalities that have a population greater than 1000 and in which the majority of dwellings are on larger parcels of land. Municipal districts are typically rural in nature with extensive agricultural lands, and where most residents have similar needs with respect to municipal service delivery.

Rocky View County has a unique development pattern that includes a number of existing and approved urban areas, while maintaining a rural development pattern in the majority of the County. The County has approved plans for five hamlets, each with the potential to reach a population of at least 10,000. In addition, four regional business centres have been approved and are actively being developed.

Each of these areas is (or will be) distinct from each other and from the country residential and rural areas found elsewhere in the County. This development pattern will create unique governance challenges for Rocky View County. Residents and businesses in urbanized areas may request increased levels of service delivery that have not traditionally been provided to rural areas. Creation of a specialized municipality with identified urban service areas provides the residents and business in those areas a tool with which to request additional services through different tax rates. In doing so, it will not transfer the tax burden to residents in other areas of the county that will not receive those services. Under the current designation of Municipal District, there are limitations in the MGA with respect to assessment and taxation related to equity of service delivery.

### **DISCUSSION:**

To address the unique governance challenge, Section 83 of the MGA allows for the creation of a specialized municipality. There are three primary reasons for the County requesting special municipality status: (1) the ability to create urban service areas in order to match cost to service levels; (2) the ability to access federal / provincial grants and other programs for urban centres; and (3) the need for external recognition that the County is not solely a rural municipality.

#### **1. Urban Service Areas**

The County has two urban development types: hamlets and regional business centres. Overall, these urban areas have differing levels of service demands than the rural areas, but the needs also differ between each urban area. As an example, service requirements in the hamlet of Langdon may be significantly different from those in Harmony. The assessment/taxation portions of the MGA that allow a municipality to pay for services have been designed to address homogenous municipalities (rural or urban) and do not recognize the existing regional variability within the County.

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<sup>1</sup> **Administration Resource**

Amy Zaluski, Intergovernmental Affairs



### *MGA - Assessment and Taxation*

The MGA approaches assessment within a municipality by distinguishing different types of properties (class and sub-class). It then mandates a uniform tax rate for similar classes across a municipality on the assumption that communities within that municipality receive a similar level of service. This approach does not recognize the regional variability of Rocky View County.

#### *Non-residential assessment*

The types of non-residential subclasses provided for in the MGA do not allow the County to differentiate between a rural business receiving no services and an urban business receiving services. It also does not distinguish between two urban businesses in different geographic areas receiving different services (e.g. transit / no transit).

#### *Residential*

The MGA allows municipalities to create multiple residential sub-classes, but does not allow them to be easily linked to a geographic area. Administration has explored adding a geographic tag to the assessment class. For example: sub-class Res – Urban (Glenbow). This ‘work around’ is not a desirable approach as it (i) adds red tape to the assessment process by creating multiple assessment classes, and (ii) is not transparent to the rate payer.

The ability to link tax rates to specific areas based on service levels is intuitively understandable to a rural ratepayer farming in the northwest of the County or an urban ratepayer living in Langdon, communities that are separated by a driving distance of over 100 kilometers.

The granting of specialized status does not obligate Council to apply different tax rates to an Urban Service Area. Administration anticipates that an increase in levels, supported by differential tax rates, would be examined through an engagement process initiated by local residents, business owners, and/or Council.

## **2. Grants**

Previous Government of Alberta (GOA) grant programs were structured to recognize rural and urban areas. Specialized municipalities could take advantage of both urban and rural grant opportunities. In 2007, with the launch of the Municipal Sustainability Initiative (MSI) funding, the Province moved away from rural / urban grant programs to grants based on population. However, the MSI funding structure is under review, and if it changes to include recognition of development form, acknowledgement of the County as a rural / urban municipality is of value. The ability to identify formal urban settlements is also of value when applying for federal grants or any other programs related to urban service delivery.

## **3. Recognition**

How a municipality portrays and brands itself is an important part of a municipality’s identity. In the Calgary region, the Town of Cochrane will officially remain a town even though its population (25,289) would allow it city designation. Likewise, the City of Chestermere (19,887) has elected to brand itself a city so that it can attract more business and investment.

The County confronts the perception of being a rural municipality when in fact it is providing both rural and urban services and should be recognized for this. The County is often challenged by adjacent urban municipalities that it is a ‘free rider’ obtaining services for its residents at no cost. The County disagrees with this criticism; nevertheless, the potential for



different tax rates provides another example of the County proactively looking for tools that allow it to address urban service requests.

### **Order in Council**

A specialized municipality is created by an Order in Council (OC). The OC is drafted by the Province and is approved by Cabinet. The OC must describe the boundaries of the municipality, give the official name of the municipality, state the number of councillors, describe the district boundaries, and state how the chief elected official is determined (either vote of the electors or appointed by Council).

Central to an OC is the inclusion of “matters or conditions that govern the functions, powers and duties of the specialized municipality” (MGA S. 89(3d)). Administration recommends that the application for specialized status include the following:

1. The identification of five residential and four Urban Service Areas, including:
  - Balzac (west residential and east business areas);
  - Conrich (residential and business areas);
  - Glenbow hamlet;
  - Harmony hamlet;
  - Janet business area;
  - Langdon hamlet; and
  - North Springbank business area.
2. The recognition of Urban Service Areas as equivalent to a town for the purposes of program delivery and grant eligibility.
3. The ability of Council for each taxation year to pass a property tax bylaw, if appropriate, providing for different tax rates for property in an Urban Service Area and in a Rural Service Area.
4. In recognition of growth, the ability to establish new urban service areas and amend the boundary of an existing Urban Service Area, without a change to the OC.

As part of the application to Municipal Affairs, the Electoral Boundaries process must be completed as the OC must include the number of Councillors and electoral districts for the specialized municipality. Timing of the application for status change must be coordinated with the Electoral Boundaries project.

### **Consultation**

Municipal Affairs has advised that public, intermunicipal, and stakeholder consultation is required as part of the application for a status change. Pending Council’s direction, Administration will prepare a public consultation strategy, in accordance with Policy C-191 (Public Participation Policy). The consultation process will begin early in 2020 and involve residents, business groups, and intermunicipal neighbours. Once consultation is complete, Administration will present the findings to Council and request direction to proceed with the application to Municipal Affairs.

### **Process and Timeline**

Should Council approve Option # 1, the following steps will be taken:

1. Notify the Minister of Municipal Affairs of Rocky View County’s intent to apply for Specialized Municipality Status: December 2019.
2. Prepare Consultation Plan: December 2019 – January 2020.
3. Conduct public, stakeholder, and intermunicipal consultation: January – March 2020.
4. Present result of consultation to Council: April 2020



- 5. Submit application to Municipal Affairs, pending final Council direction and approval of electoral boundaries.

**BUDGET IMPLICATIONS:**

The estimated cost for public consultation is \$20,000, which would include materials, hall rentals, and staffing resources. This amount would be included in the 2020 budget, pending Council’s decision on this item.

**CONCLUSION:**

The analysis has demonstrated that becoming a specialized municipality would provide residents and the County with the necessary assessment and taxation tools to appropriately deliver services to urban service areas. It is recommended that Council direct Administration to formally begin the process of applying to change the status of Rocky View County to Specialized Municipality, in accordance with Option #1.

**OPTIONS:**

- Option #1      Motion #1      THAT Administration be directed to begin the formal application process to change the status of Rocky View County from Municipal District to Specialized Municipality in accordance with the Municipal Government Act.
- Motion #2      THAT the Reeve advise the Minister of Municipal Affairs that Rocky View County is exploring the merits of changing its status from municipal district to specialized municipality.
- Option #2      THAT alternative direction be provided.

Respectfully submitted,

Concurrence,

“Amy Zaluski”

“Al Hoggan”

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