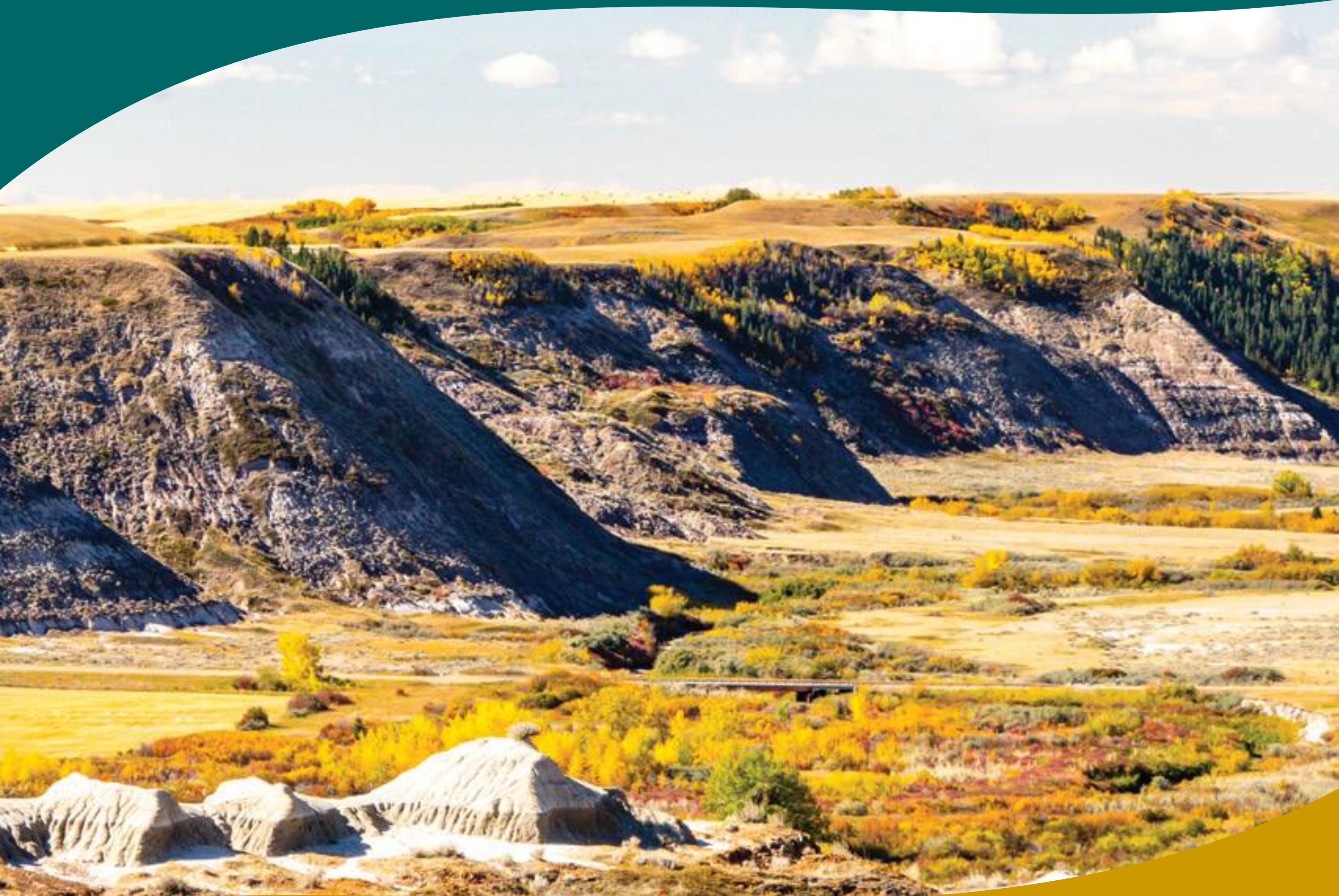

A Roadmap Towards a Long-Term Tax Strategy

April 2022

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Starland County Strategic Priority: Long-term Financial Sustainability

Starland County Council identified *long-term financial sustainability* as one of its priority focus areas in its 2021 strategic plan. To achieve this goal, Council included an objective to develop a long-term tax strategy in its strategic plan. Starland County secured the services of Bloom Centre for Municipal Education to complete the introductory work to develop this strategy. The deliverables of this report include:

1. A comprehensive review and analysis of the key areas of a long-term tax plan leaving Starland County with confidence in its long-term financial sustainability.
2. A clear understanding of the factors that affect the municipality's budget and long-term financial sustainability (inflation, growth, service changes, economic influences, legislation, regional partnerships, resident wants and needs, infrastructure requirements, reserves, etc.).
3. A review of Starland County's current tax structure including observations about strengths/weaknesses and recommendations to ensure long-term financial sustainability.
4. A list of the guiding principles to be used now, and in the future, for key financial decisions and long-term tax planning.
5. Delivered in the report will be a summary of leading best practices, guiding principles, and policies to help form the Long-term Tax Strategy report.
6. A comprehensive communication document will be delivered with Council and the public considered as the audience. Complex financial issues and strategies will be communicated in a resident friendly voice, providing the public with an understanding of the municipality's tax needs and strategy with a strengthened confidence in the financial wellbeing of the County.

Why Have a Long-term Tax Strategy?

Property tax is the primary funding source for Starland County. It is essential that the County has a taxation structure that provides adequate revenue resources to match the short- and long-term cost requirements and service delivery needs of the County. Long-term planning, analysis, and resulting evidence are required to anticipate future cost increases. Council's *2021-2031 Strategic Plan* also reflects a priority of balancing the three-year operating budget.

Municipalities historically plan for tax rate increases year-to-year without regard for the long-term implications. They go through highly intensive and difficult budget processes to arrive at an outcome – tax rate impacts. This practice rarely results in municipalities achieving the revenue levels they require. Further complicating the issue, the budget process is publicly and politically challenging for both administrations and municipal Councils. This can result in making short-sighted decisions that are not in the best interests of the municipality's long-term sustainability. A long-term tax strategy and implementation plan forces the municipality to think about its best interests in the long-term, prompting better decisions that create a foundation for sustainability.

County Rationale for a Long-term Tax Strategy

The County has:

1. Experienced financial challenges requiring use of reserves to support balancing the budget.
2. The highest non-residential tax rate in the region. Further increases may risk the County's ability to attract business.
3. An average residential tax rate compared to other regional municipalities. The possibility of increases to the residential rate must be considered.
4. Used the split mill rate between residential and non-residential property owners to its full potential which limits increasing the split rate as a strategy.
5. A significant assessment imbalance with only 19% of assessment coming from residential taxpayers. This causes significant challenges in a down economy.
6. A tax structure that indicates an imbalance between residential and non-residential taxpayers and raises questions about fairness and equity between assessment classes.
7. Numerous financial challenges in its cost base, including inflation, growth, and service demands, while working toward balancing the tax supported operating budget.

Current Situation

Starland County is in Southern Alberta, approximately two hours northeast of Calgary. Rich in agricultural and oil and gas economic history, Starland County is made up of five divisions which include several villages and hamlets. Surrounded by natural beauty in the scenic Red Deer River Valley, Starland County's community offers incredible terrain, steep archaeological history, and ample opportunity for outdoor recreation. Starland County Council is made up of five councillors, one representing each division of the County.

Council is led by a Reeve and Deputy Reeve who are elected by Council each fall. The Reeve and Deputy Reeve are essentially the elected chief and vice-chief executives of the County. Council is also supported by several Council Committee Members who hold annual appointments for specific projects and interests of the County. With more than 1,800 residents, Starland County is a small but tight-knit community of passionate and hard-working people.

Financial Situation

Starland County has experienced financial challenges as the Alberta economy took a downturn due to low oil and gas prices. Pipeline infrastructure abandonment and some difficulty in collecting taxation revenue from certain industry ratepayers are added challenges. The County has seen little growth in recent years from an assessment perspective in any taxation class. This includes residential, industrial commercial, and linear assessment classes. There has been some growth potential identified related to green infrastructure assessment and recent infrastructure investment in both wind and solar farms.

The County does feel financial pressure as costs are outpacing revenues. The main reasons for this include:

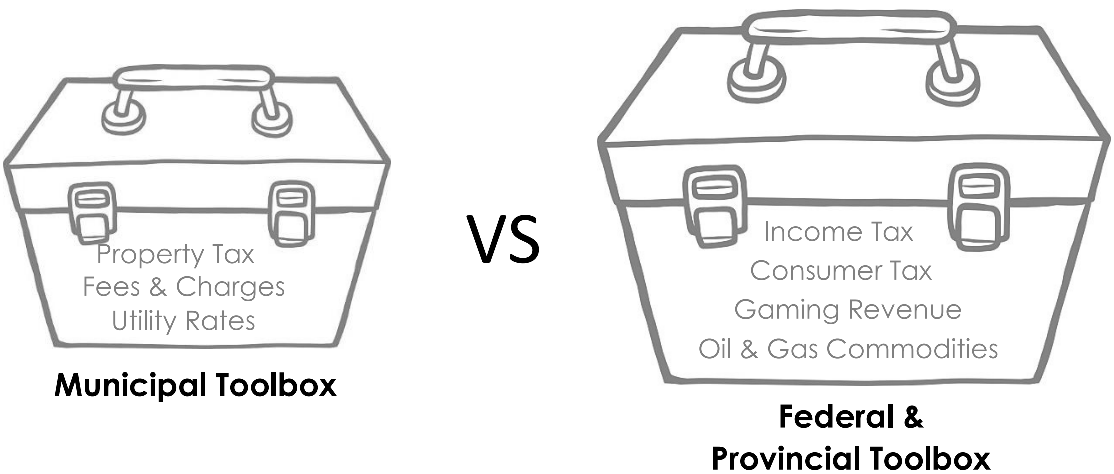
1. Lack of impactful growth in the assessment base.
2. Desire to continue the current level of service delivery.
3. Rising service costs due to inflation.
4. Desire to improve certain service levels.
5. Potential loss in the assessment base due to pipeline abandonment.
6. Potential challenges to taxation collection from certain industry rate payers.
7. Lack of a long-term plan to engage the public with rationale for tax increase requirements.

Taxation 101

Revenue Toolbox

In the development of a long-term tax strategy, it is important to understand Starland County's revenue limitations. Overall, municipal revenue sources are very limited in scope. Provincial and federal levels of government have multiple revenue sources stemming from both income and consumption taxes (personal income tax, corporate tax, GST, user fees, liquor and tobacco tax, gaming revenue, etc.).

The municipal revenue toolbox has not increased in scope in any meaningful way historically, though numerous social services have been downloaded to municipalities from the provincial and federal levels of government. This has increased the load carried by property taxes, as municipalities have become more responsible for social programming and the recent effects of the pandemic. Though municipalities provide most direct and visible services to citizens, they are very disadvantaged in their ability to generate revenues compared to other levels of government.



Further complicating the challenge for municipalities, property taxes are not progressive as they do not increase naturally. Both provincial and federal taxes increase without the need for rate increases. As individual and corporate income increases and consumer consumption of goods increases, provincial and federal taxation revenue increases. Additionally, income and consumer taxes increase through real growth, and when prices for consumer goods increase.

Municipal revenues differ, as they require a transparent tax rate increase completed through a highly political budget process. The need to generate additional revenue puts both political and public pressure on municipalities. This is an important consideration for Starland County's long-term tax strategy.

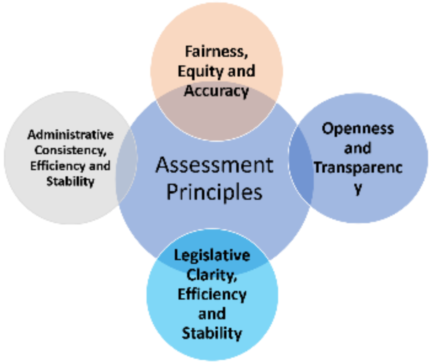
Assessment Principles

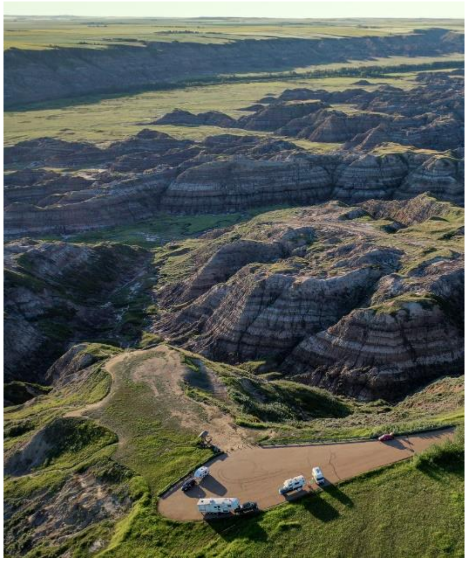
Municipal taxes are levied on property owners within the municipality. The level of tax levied is dependent upon the municipal mill rate (tax payable per dollar of assessment of the property) along with with the assessed value of the taxable property. The assessed value strives to accurately reflect the market value of the property. Accurate assessment of properties allows for a fair, equitable, and transparent distribution of the tax requirement.

The basic methodology of property taxation is the equitable distribution of the cost of municipal services equitably to property owners based on the value of their property. From the equity perspective, a property owner's taxes will increase, or decrease based on the value of the property compared to the average property value within the municipality. It is important to note that a municipality's revenue does not decrease when overall assessment decreases due to market fluctuations. A mill rate adjustment corrects for any decreases or increases in assessment fluctuations. This methodology is called market neutrality. Revenues are affected by real growth or losses in assessment totals.

Key principles of assessment include:

1. Fairness, equity, and accuracy
2. Openness and transparency
3. Legislative clarity, efficiency, and stability
4. Administrative consistency, efficiency, and stability





Tax Classes

Starland County's property assessment and tax system is dictated by the *Municipal Government Act (MGA)*. The County assessor must follow provincial legislation when it comes to assessing property; however, County Council does have options regarding how it implements tax policy through tax rates associated with assessment classes.

The four basic assessment classes are:

1. Residential
2. Non-residential* (commercial, business, and industry)
3. Farmland
4. Machinery and equipment

**Non-residential also includes linear property (i.e.: pipe and power infrastructure within a municipality).*

It is critical for a long-term taxation strategy and long-term municipal sustainability to analyze and understand Starland County's separate assessment class specifics to determine the appropriate, optimal and strategic distribution of property taxes within the municipality.

Additionally, to ensure fairness and equity within assessment classes, a subdivision of assessment classes should be explored in taxation policy decisions related to long-term tax strategies. This improves the ability of municipalities to recognize different levels of business and develop rates that will not deter new business retention, attraction, and expansion, or create undue hardship for small businesses.

Assessment Mix

A review of Starland County's assessment class mix illuminates an unusually low percentage of residential assessment when compared to other assessment classes. Only 19% of County assessment is attributed to residential properties. This means 81% of taxation revenue comes from non-residential sources. This is very high compared to a typical rural municipal assessment mix. This is primarily due to Starland County having a relatively low residential population but still having a significant presence of pipe and power infrastructure running throughout the county.

Starland County Municipal Taxes - 2022

Assessment Class	Total Taxable Assessment	Assessment %
Residential	126,109,380	19%
Farmland	101,864,020	15%
Non-Residential	17,943,430	3%
Non-Residential DIP	26,444,240	4%
M & E	100,501,820	15%
Linear	295,495,490	44%
Totals	668,358,380	100%

The review illuminates Starland County's non-residential assessment comes primarily from linear assessment. Pipe and power assessment does not have a strong linkage to jobs meaning most of the assessment in Starland County's non-residential base has a low connection to the residential population. This means taxation revenue received is not directly linked to services delivered to residents and that Starland County services are heavily subsidized by non-residential assessment.

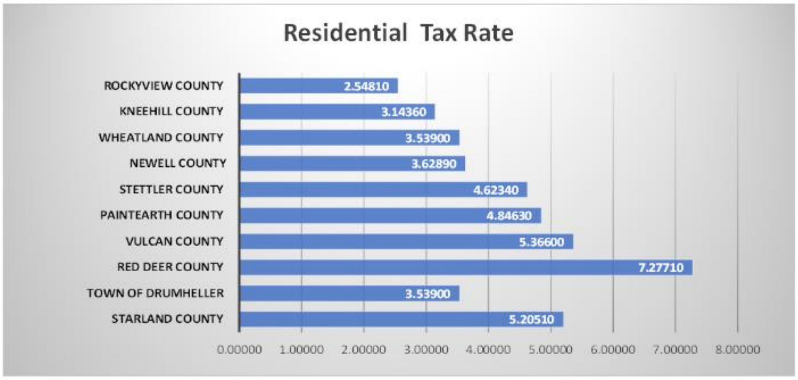
Starland County's assessment mix can be considered a strength and weakness depending on several factors.

These factors include:

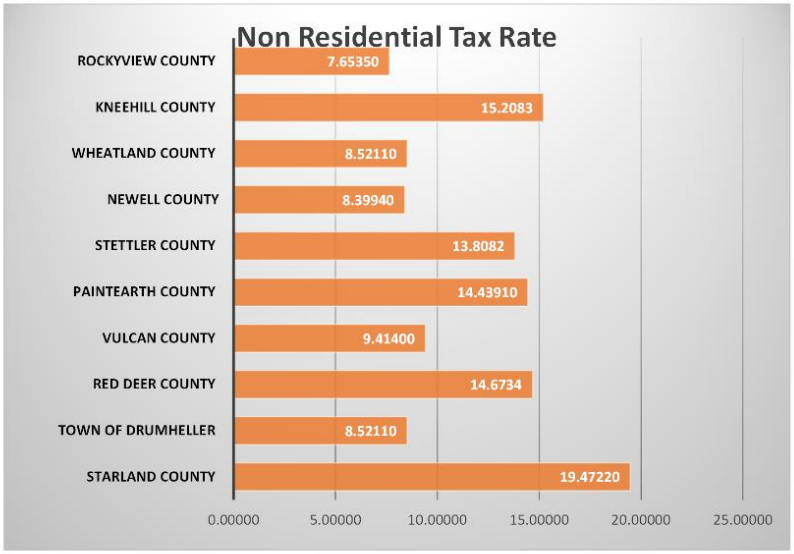
1. Tax elasticity - the willingness of rate payers in different assessment classes to accept annual tax increases.
2. The state of the economy/relationships with business.
3. The nature/type of business within the non-residential and machinery equipment assessment class.
4. The adverse effect of large trucks and heavy equipment on road infrastructure is significant.
5. Split mill rate opportunity.
6. Opportunity for new assessment attraction in non farmland classes.
7. Low linkage of service delivery cost to its related tax base.

Tax Elasticity / Position

Starland County's tax elasticity can be considered a strength. Annual tax increases proposed by administration and endorsed by Council, to meet annual budgetary requirement, are generally met without significant negativity or objections by rate payers. This includes both residential and commercial rate payers. Starland County has not succumbed to public, economic, or pandemic pressures to hold taxes at 0% tax increases over the 2019 and 2020 budget years. This was a prevalent practice throughout Alberta resulting in many municipalities having to either cut services or raise taxes significantly in 2021.

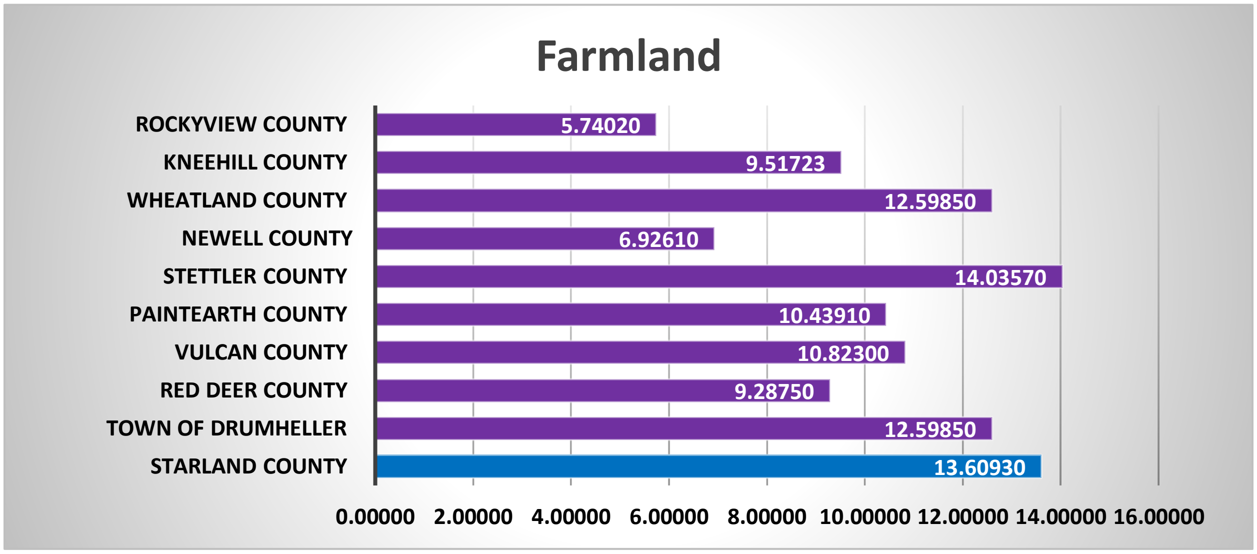


When compared to tax rates of neighboring counties, Starland County's residential tax rate is the third highest. This puts Starland County in a positive position strategically as tax increases would not put the County in an unfavorable position when compared to neighboring counties.



Starland County's non-residential rate is the highest rate of all the municipalities used for the study comparison. Though theoretically justified, already having the highest rate in the region could create political challenges if the County were to implement a strategy to increase the non-residential split rate further. That said, it may be necessary because of the limited tax strategy options available for Starland County.

Starland County has the second highest farmland tax rate in the comparative study. The counties with low farm tax rates have significant commercial assessment which allows strong subsidization of municipal service delivery and low residential and farm tax rates. Though high, the county's Farmland tax rate is not unreasonable. This considers the emergence of considerable tax-exempt corporate farming facilities in the county.



The State of the Economy/Relationships with Business

When the economy is strong, having a high percentage of non-residential assessment properties is an advantage as the associated rate payers are in a strong position to pay their property taxes. When the economy is weak, businesses suffer, putting non-residential ratepayers in a position of being challenged to pay taxes. Additionally, a weak economy can result in assessment value fluctuations, shifting the taxation burden from non-residential and M & E assessment classes to residential and farmland classes. This can be exceedingly difficult politically as residents will be burdened with higher taxes.

The Alberta economy has been challenged with weak oil and gas markets in recent years resulting in taxation challenges for Starland County as a significant portion of its assessment mix is associated with the oil and gas sector. This has caused significant financial pressure for Starland County and has highlighted the assessment mix weakness in its assessment base. Starland County's long-term financial planning is now challenged as a weakened oil and gas sector economy shifts pressure on Starland County residential taxes.

A further challenge for Starland County is the increased presence of corporate farming. Corporate farms have expensive facilities that are fully exempt from being assessed per the MGA. Corporate farms have significant income potential. Starland County has over $100 million in farm assessment, however this does not account for the numerous large corporate farm structures that are exempt from taxation. It could be argued that properties where infrastructure with a significant farming structure is present are not paying their fair share of property taxes. The oil market rebound will likely have a positive effect for Starland County, primarily for the collection of unpaid taxes as oil and gas companies' revenues stabilize.

Nature/Type of Business in Non-Residential Assessment Class

As stated, Starland County's main assessment source is linear assessment within the non-residential assessment class. Linear assessment has caused significant issues for municipalities across Alberta since the oil and gas sector in the Alberta economy has struggled. There have been issues with nonpayment of taxes, pipeline abandonment, and corporate bankruptcies. This has put a significant financial strain on Starland County as it has had to book bad debts for nonpayment of taxes of over $10 million dollars.

The reality of the situation is opportunity for growth in non-residential and machinery equipment assessment classes is limited without the adoption of new policies and strategies to attract business to the region. Though linear property is positive from an assessment perspective, it does not provide much for ongoing employment opportunities and is at risk for revenue loss when the oil and gas economy is weak.

It is important to note however, Starland County does have ample positive opportunities. This has been proven by the growth in green infrastructure and the proposal for the new seed cleaning plant. Additionally, there is tourism opportunity and possibilities for golf course residential development in partnership with the Town of Drumheller.

Split Rate Opportunity

An essential part of any long-term tax strategy is the utilization of the split rate methodology allowed in the *Municipal Government Act (MGA).* The split rate methodology allows for non-residential, farmland, and machinery and equipment to be taxed at five times the residential rate.

Rationale for split rates:

1. **Tax deduction potential.** Businesses deduct property taxes as an expense, whereas resident taxes must be paid with after tax income.

Municipality	Residential Tax Rate	Non Residential Tax Rate	Farmland	Split Rate
Starland County	5.20510	19.47220	13.60930	3.7410
Town of Drumheller	3.53900	8.52110	12.59850	2.4078
Red Deer County	7.27710	14.6734	9.28750	2.0164
Vulcan County	5.36600	9.41400	10.82300	1.7544
Paintearth County	4.84630	14.43910	10.43910	2.9794
Stettler County	4.62340	13.8082	14.03570	2.9866
Newell County	3.62890	8.39940	6.92610	2.3146
Wheatland County	3.53900	8.52110	12.59850	2.4078
Kneehill County	3.14360	15.2083	9.51723	4.8379
Rockyview County	2.54810	7.65350	5.74020	3.0036

2. **Transferability**. Businesses can pass on their costs. The price for goods and/or services sold by business can be increased to compensate for property tax.

3. **Income production**. Businesses are income producing properties. A pre-tax cost is offset by a property's ability to generate income. Residential taxpayers realize no property income but are responsible for the first full tax burden associated with the property.

4. **Social equity.** The basic principle is that those who can afford it pay more. When the assessment gap between residential and non-residential property narrows, additional pressure is put on residential property owners to pay a greater portion of the tax burden. Assessment valuation is not linked to income associated with a property's income. Tax policy must consider this in the determination of appropriate tax distribution.

Starland County currently has a 3.74 to 1 split rate ratio which allows only an additional 1.26 before it reaches the maximum allowable split. This is the highest split rate among municipalities utilized for the comparative analysis. That said, there are many municipalities in Alberta that are fully utilizing the 5 to 1 ratio. Certain municipalities are far above the 5 to 1 ratio as they implemented aggressive split rates prior to the legislation being put in place.

There is strong rationale for use of the split ratio and though Starland is already close to the maximum limit, still must be considered in the development of a long-term tax strategy as all options must be considered for the long-term financial sustainability of the County.

Though this may seem to be an unpopular and politically sensitive option it is one that should be considered in the case of Starland County. The county has an extremely low amount of taxation revenue coming from residential taxes. Tax increases to residents is an important consideration for a long-term tax strategy, however, in the case of Starland County this was a relatively small impact due to over 94% of its taxation base being non residential. Consideration of moving to a 5 to 1 ratio over a 10 year or more time frame would be a reasonable goal without creating extreme hardship on linear, M & E, and commercial businesses.

Opportunity for New Assessment Attraction

Historically, Starland County has not seen significant increases in either residential or non-residential assessment. What is most concerning is the lack of new assessment growth in the commercial/business sector. Starland County has historically not been able to attract significant business development which brings both assessment tax dollars and employment opportunities.

When a lack of large business growth occurs, residential assessment attraction is limited. Jobs that are associated with large scale business are the key to success for attraction of residential growth. With resident growth comes associated small business opportunities and subsequent growth to serve a growing residential population. When this positive-growth scenario occurs, assessment growth compounds, providing a municipality with significant opportunities to increase service levels and the quality of life for residents.

Numerous examples exist of successful economic development initiatives across Alberta that have resulted in anchor businesses situating themselves in municipalities. Part of a long-term tax strategy for Starland County should include initiatives that support the attraction of business commercial growth to the region.

Low Linkage of Service Cost to the Tax Base

Starland County has very low linkage between its assessment base and service costs. Services delivered by the County primarily serve the residential and farming communities. Due to the lack of presence of commercial and industrial business, the services delivered, particularly road maintenance, are primarily for residents commuting to work and for farming business activities. Linear assessment, Starland County's largest assessment base, significantly impacts road maintenance costs. This is due to the weight of large trucks and equipment having adverse effects on roads.

Observations

Normally, having a significant percentage of assessment as non-residential is a significant financial advantage for a municipality. In the case of Starland County, it is a strength. However, overall Starland County's assessment base is relatively low when compared to typical counties in Alberta. There is not a significant industrial footprint, no significant commercial businesses and residential population is limited at just over 1,800 residents.

Regardless of the overall assessment base, the County still has a significant road network to maintain, and services delivered are of a quality typical of wealthier rural municipalities. Having low assessment totals while delivering desired municipal services, leaves Starland County with the highest non-residential tax rate in the region and an average residential tax rate.

Tax Rate Review

Starland County has used the ability to apply a split rate to non-residential and M & E assessment classes. The maximum allowable split rate under provincial legislation (MGA) is 5 to 1. Starland County is at 75% of the maximum allowable limit. The County has applied a 3.74 to 1 res / non res ratio, resulting in a significant portion of its property taxes being collected from non-residential taxpayers. Only 6% of taxation revenue is generated from the residential tax base. This is due to the County having significant linear and linear assessment (59% of total assessment). This would normally be considered a positive situation from a residential taxpayer perspective, however, the high non-residential tax split at 3.74 to 1 creates some challenges to use an increased tax rate split to support a long-term tax strategy. The additional tax rate split opportunity is 1.26, which will be part of the overall tax strategy recommendation.

Starland County Forecasted Municipal Taxes - 2022

Assessment Class	Total Taxable Assessment	% of Assessment	2021 Tax Rate	Municipal Taxes	Percentage of Budgeted Taxes	Split Rate
Residential	126,109,380	19%	5.2051	656,412	6%	1.00
Farmland	101,864,020	15%	13.6093	1,386,298	13%	2.61
Non-Residential	17,943,430	3%	19.4722	349,398	3%	3.74
Non-Residential - DIP	26,444,240	4%	19.4722	514,928	5%	3.74
M & E	100,501,820	15%	19.4722	1,956,992	18%	3.74
Linear	295,495,490	44%	19.4722	5,753,947	54%	3.74
Totals	668,358,380	100%		10,617,974	100%	
1 % tax dollar increase				106,180		

It must be noted that there is strong rationale for the tax rate split used by Starland County to shift the taxation burden to business and income generating properties.

9 Tax Strategy Opportunities

Starland County has nine tax strategy opportunities to consider:

1. **5 to 1 Split Rate:** Take full advantage of the 5 to 1 split rate allowable under the legislation for:

    a. Non-residential and M & E assessment classes

    b. Farmland assessment classes

    It is recommended the County take full advantage of the split mill rate opportunity and move to a 5 to 1 ratio. This strategy should be phased in over a twenty-year period.

2. **Implement steady and normalized tax Increases:** Plan for short, mid, and long-term incremental tax increases to meet budgetary requirements.
3. **Public engagement and education initiatives.** Develop a plan to enhance ratepayers' understanding of why tax increases are required.
4. **Business Licensing:** Review opportunities for business licensing related to corporate farms.
5. **Priority Based Budgeting:** Consider service levels and implement the priority-based budgeting methodology to reduce future budgetary requirements.
6. **Aggressive economic development and business attraction strategy.** Invest in economic development with the goal to attract anchor business assessment that supports job creation.
7. **Continuation of green infrastructure** attraction.
8. **Business Park development** adjacent to the Town of Drumheller.
9. **Inter-municipal collaboration** on **residential development** with the Town of Drumheller.

Each strategy will require review, analysis, and public engagement.

5 to 1 Split Rate

An effective tool in the tax strategy toolbox is using a split-tax rate. This methodology is currently used by Starland County at a 3.74 to 1 ratio.

1. A key recommendation is the implementation of a split tax rate plan in Starland County's long-term tax strategy. The goal of the split tax rate policy decision is to develop a distribution ratio that generates positive taxation, supporting the County's sustainability while clearly demonstrating fairness and equity to residential and non-residential assessment classes.

2. The strategy of subdividing non-residential assessment class integrates with the strategy of splitting tax rates. Varied rates will be applied to the newly created subclasses to achieve the predetermined taxation revenue goals. The goal of Council is to achieve a 5 to 1 split between residential and non-residential system classes.

20 Year Split Rate Increase Analysis

Year	Res/ Non Res Split Increase	Split Rate	% Increase	Estimated Tax Impact	Cumulative Non Residential Taxes
2022	3.74	3.74			8,575,264
2023	0.063	3.80	1.26%	108,048	8,683,312
2024	0.063	3.87	1.26%	109,410	8,792,722
2025	0.063	3.93	1.26%	110,788	8,903,510
2026	0.063	3.99	1.26%	112,184	9,015,695
2027	0.063	4.06	1.26%	113,598	9,129,292
2028	0.063	4.12	1.26%	115,029	9,244,321
2029	0.063	4.18	1.26%	116,478	9,360,800
2030	0.063	4.24	1.26%	117,946	9,478,746
2031	0.063	4.31	1.26%	119,432	9,598,178
2032	0.063	4.37	1.26%	120,937	9,719,115
2033	0.063	4.43	1.26%	122,461	9,841,576
2034	0.063	4.50	1.26%	124,004	9,965,580
2035	0.063	4.56	1.26%	125,566	10,091,146
2036	0.063	4.62	1.26%	127,148	10,218,295
2037	0.063	4.69	1.26%	128,751	10,347,045
2038	0.063	4.75	1.26%	130,373	10,477,418
2039	0.063	4.81	1.26%	132,015	10,609,433
2040	0.063	4.87	1.26%	133,679	10,743,112
2041	0.063	4.94	1.26%	135,363	10,878,475
Total	**5.00**	**5.00**	**25%**	**2,303,211**	**10,878,475**

To achieve this goal, Council must give careful consideration in a review of the subdivided non-residential class. The subdivided non-residential assessment classes and associated tax rates will have to be considered equitable.

Budgetary Tax % Increases

(Rationale for increases)

The second stream of the long-term tax strategy recognizes the need for annual tax increases. These increases are needed to compensate for base operating budget increases and to allow for maintenance and replacement of infrastructure. Municipal budget processes must strive to achieve a balance between revenues and expenses. To continue the delivery of quality municipal services, adequate and sustainable funding is required.

Each year, the cost of delivering municipal services increases due to several factors. Many of these cost increases are not controllable. Assessment growth and resulting taxation revenue is typically outpaced by the increased costs associated with growth and other factors.

If tax revenue increases do not match the service expense increases, service levels will degrade over time. As a result, funding will not be adequate to meet the municipality's cost structure.

Three key streams of financial need should be considered when developing a long-term tax strategy. These include: 1) Capital Plans 2) Operating Plans 3) Reserves.

Basic tax strategy and budgeting principles include the following required tax increases to compensate for:

1. **Inflationary** impact to budgets.
2. **The cost of growth** not matched by revenue growth.
3. **Residents' wants and needs** for increased service levels.
4. **Special projects** to support municipal sustainability and efficient delivery of service.
5. Funding the replacement and **maintenance of infrastructure.**
6. The need to fund and **replenish reserves** for long-term sustainability.

The review of Starland County's current situation shows that a 0% tax increase should not be considered or implemented. Current provincial and global economic factors are creating hyperinflated municipal budgets across Alberta, and Starland County is vulnerable to these inflationary factors. To retain and attract quality staff, regular cost of living adjustments (COLA) matching the inflationary pressures on staff must be considered and implemented. Additionally, inflation related to oil related products is a serious concern that must be analyzed and compensated for with regular tax increases. Inflation will also have a significant impact on capital projects as labour and construction supply materials inflate with the economy.

If tax increases are not used to combat inflation, Starland County service levels will have to be reduced. It is strongly recommended that Starland County build include municipal price inflation (MPI) into its budget calculation. This calculation should be specific to Starland County's "basket of goods."

Long-term tax strategy recommendation scenarios vary between 2% to 5% annually. If Starland County implements tax increases between this range, its tax revenue base will continue to grow and should be able to support its stream of needs such as capital, operating, and reserves.

Starland County Tax Strategy Scenarios @2%

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Reserve Replenishment Tax Dollar %	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Maintenance Tax Dollar %	0.50%	0.50%	0.50%	0.50%	0.50%
Strategic Initiatives	0.00%	0.00%	0.00%	0.00%	0.00%
Total Tax Dollar % Increase	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Reserve Replenishment Tax Dollars	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Capital Maintenance Tax Dollars	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Strategic Initiatives	$ -	$ -	$ -	$ -	$ -
Total Tax Dollar Increase	$ 212,359.48	$ 213,952.18	$ 215,558.14	$ 217,177.51	$ 218,810.38

Starland County Tax Strategy Scenarios @3%

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Reserve Replenishment Tax Dollar %	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Maintenance Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Strategic Initiatives	0.50%	0.50%	0.50%	0.50%	0.50%
Total Tax Dollar % Increase	**3.00%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Reserve Replenishment Tax Dollars	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Capital Maintenance Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Strategic Initiatives	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Total Tax Dollar Increase	$ 318,539.22	$ 321,193.71	$ 323,872.10	$ 326,574.60	$ 329,301.44

Starland County Tax Strategy Scenarios @4%

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollar %	2.00%	2.00%	2.00%	2.00%	2.00%
Reserve Replenishment Tax Dollar %	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Maintenance Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Strategic Initiatives	0.50%	0.50%	0.50%	0.50%	0.50%
Total Tax Dollar % Increase	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**

Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollars	$ 212,359.48	$ 216,606.67	$ 220,938.80	$ 225,357.58	$ 229,864.73
Reserve Replenishment Tax Dollars	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Capital Maintenance Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Strategic Initiatives	$ 53,089.87	$ 53,355.32	$ 53,622.10	$ 53,890.21	$ 54,159.66
Total Tax Dollar Increase	$ 424,718.96	$ 430,558.85	$ 436,496.95	$ 442,535.08	$ 448,675.11

Starland County Tax Strategy Scenarios @5%

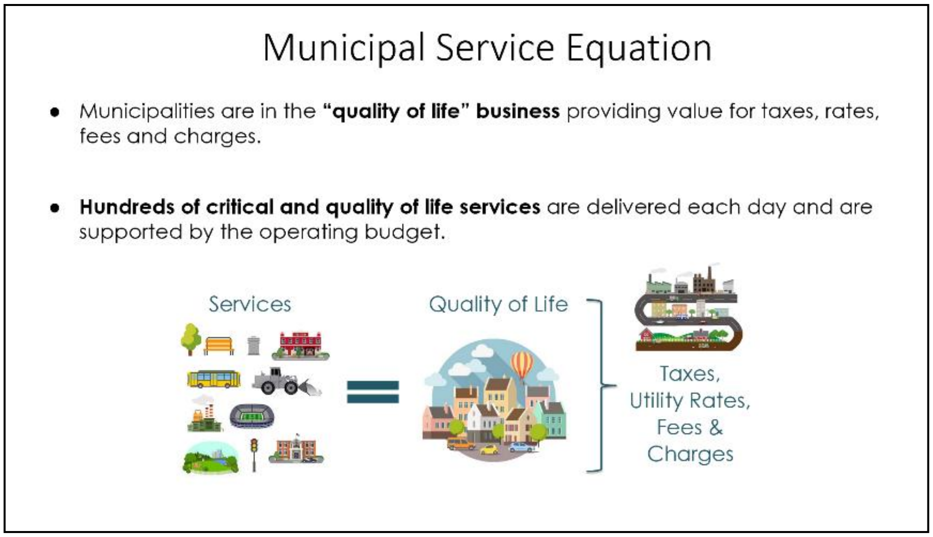
Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollar %	2.00%	2.00%	2.00%	2.00%	2.00%
Reserve Replenishment Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Capital Maintenance Tax Dollar %	1.00%	1.00%	1.00%	1.00%	1.00%
Strategic Initiatives	1.00%	1.00%	1.00%	1.00%	1.00%
Total Tax Dollar % Increase	5.00%	5.00%	5.00%	5.00%	5.00%

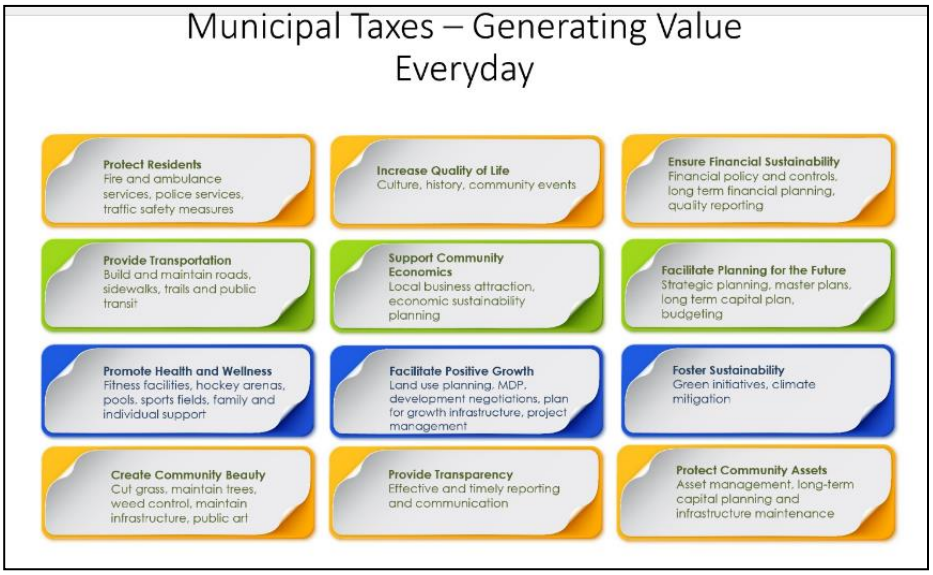
Tax Strategy Allocation	2023 Recommendation	2024	2025	2026	2027
General Operation's Tax Dollars	$ 212,359.48	$ 216,606.67	$ 220,938.80	$ 225,357.58	$ 229,864.73
Reserve Replenishment Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Capital Maintenance Tax Dollars	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Strategic Initiatives	$ 106,179.74	$ 107,241.54	$ 108,313.95	$ 109,397.09	$ 110,491.06
Total Tax Dollar Increase	$ 530,898.70	$ 538,331.28	$ 545,880.66	$ 553,548.86	$ 561,337.92

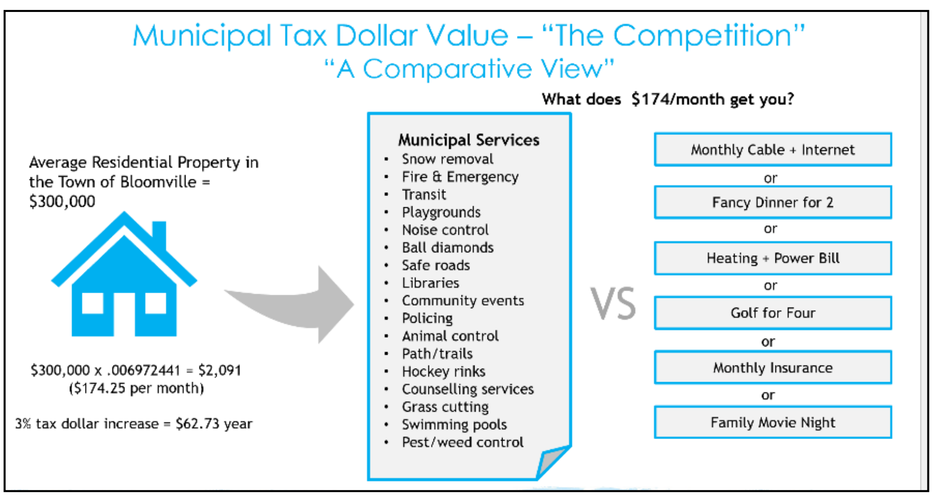
Public Engagement Initiatives

One of the greatest challenges municipalities face when challenged with tax increases is negative public perception. Municipalities provide a product not unlike private businesses; however, the municipal product can be argued as more valuable as it directly impacts the quality of life of residents every day. Safety, culture, health and wellness, community economics and transportation are only a few of the hundreds of quality-of-life impacts that are delivered to residents daily. To soften the negative perception of tax increases, municipalities should make efforts to educate the public on the value of their services and the financial challenges to deliver those services.

It is recommended that Starland County embark on a public engagement exercise that supports the residential education about the numerous services that residents use daily. Education should emphasize the importance of those services on the residents' quality of life and highlight the low cost of these services compared to products purchased from private business. A graphic representation of this value and the costs should be included in the public engagement information. Graphic examples include:


Municipal Service Equation
Municipalities are in the "quality of life" business providing value for taxes, rates, fees and charges.
Hundreds of critical and quality of life services are delivered each day and are supported by the operating budget.
Services
Quality of Life
Taxes, Utility Rates, Fees & Charges


Municipal Taxes – Generating Value Everyday
Protect Residents Fire and ambulance services, police services, traffic safety measures
Increase Quality of Life Culture, history, community events
Ensure Financial Sustainability Financial policy and controls, long term financial planning, quality reporting
Provide Transportation Build and maintain roads, sidewalks, trails and public transit
Support Community Economics Local business attraction, economic sustainability planning
Facilitate Planning for the Future Strategic planning, master plans, long term capital plan, budgeting
Promote Health and Wellness Fitness facilities, hockey arenas, pools, sports fields, family and individual support
Facilitate Positive Growth Land use planning, MDP, development negotiations, plan for growth infrastructure, project management
Foster Sustainability Green initiatives, climate mitigation
Create Community Beauty Cut grass, maintain trees, weed control, maintain infrastructure, public art
Provide Transparency Effective and timely reporting and communication
Protect Community Assets Asset management, long-term capital planning and infrastructure maintenance


Municipal Tax Dollar Value – "The Competition"
"A Comparative View"
What does $174/month get you?
Average Residential Property in the Town of Bloomville = $300,000
$300,000 x .006972441 = $2,091
($174.25 per month)
3% tax dollar increase = $62.73 year
Municipal Services
Snow removal
Fire & Emergency
Transit
Playgrounds
Noise control
Ball diamonds
Safe roads
Libraries
Community events
Policing
Animal control
Path/trails
Hockey rinks
Counselling services
Grass cutting
Swimming pools
Pest/weed control
VS
Monthly Cable + Internet
or
Fancy Dinner for 2
or
Heating + Power Bill
or
Golf for Four
or
Monthly Insurance
or
Family Movie Night

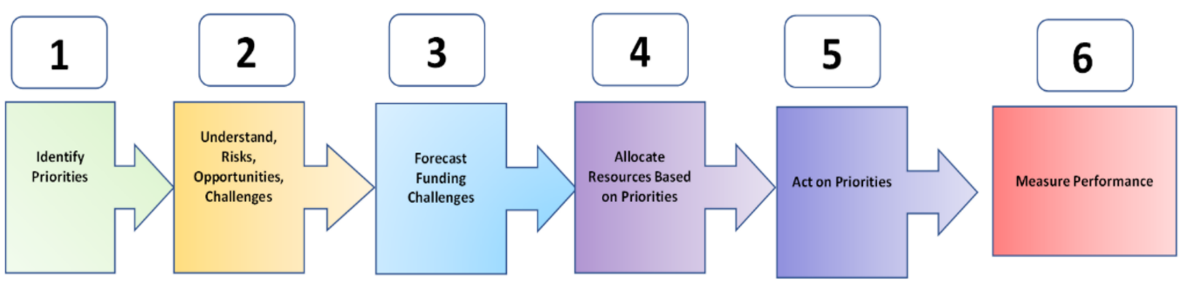
Business Licensing

Business licensing related to corporate farming is an option that could be explored by Starland County. Currently, corporate farm buildings are exempt from taxation. Some of these farm processing buildings have valuations in the millions of dollars. Therefore, these farms could be considered commercial or industrial in nature. There is evidence that some municipalities have been successful in creating business license processes for corporate farms that have significant packaging processes. Parkland County is an example of a municipality that has incorporated business licenses for corporate farms.

Priority Based Budgeting

Priority based budgeting is a methodology that has become very popular in municipalities across North America. This methodology involves the development of a service inventory and then rating the services in priority order. Resources are then allocated or reallocated depending on service priorities. This is especially helpful when municipalities require cost reductions to balance budgets. As part of a long-term tax strategy, it is recommended that Starland County implement priority-based budgeting. This will allow for a review of services and their associated costs. Having this information also allows for responsible cost reductions if required. Costs could also be reallocated from low priority services to high priority services rather than implementing tax increases to increase service levels.

PBB Process Simplified



Aggressive Economic Development and Business Attraction Strategy

Municipalities financially benefit when commercial businesses and industry choose to locate within municipal boundaries. Commercial businesses increase economic activity and typically have high assessment values. Industry brings significant assessment amounts as machinery and equipment normally carry significant value. Additionally, if industry chooses to locate in a municipality there are jobs attached to the development, resulting in residential development growth and additional assessment value. Factor in commercial and industrial, and industrial growth is subject to the split rate ratio. As a result, commercial and industry attraction can have exponential revenue impacts as they become part of the assessment base. Starland County historically has not been aggressive in attracting or enticing industry or commercial businesses. It would be beneficial, as part of its long-term tax strategy, to investigate opportunities related to commercial and industry business attraction. This could take the form of engaging a consultant to develop an economic development strategy. Starland County would benefit from a dedicated staff position that is focused on economic development strategy and business attraction.

Continuation of Green Infrastructure Attraction

Starland County has recently had success attracting green infrastructure. This infrastructure growth will provide significant assessment and resulting taxes to support Starland County services. As the County has already been successful in the attraction of the green energy sector, it would be advisable to make efforts to publicize the success of those industry partners. Additionally, attraction of industry partners in the green energy sector should be pursued aggressively. If green business has shown a willingness to invest significant infrastructure dollars in a community, it is likely other green businesses would do the same.

Business Park Development Adjacent to the Town of Drumheller

Business Park development can be an expensive and challenging strategy to implement; however, when municipalities are successful in this strategy, significant assessment, jobs and accompanying economic development multipliers are realized. Examples of this are the Nisku business park in Leduc County, Gasoline Alley in Red Deer County, and the Acheson business park in Parkland County. It is advisable to explore and consider this option as part of a long-term tax strategy. Starland County does have Drumheller, a well populated urban municipality, on its border. This provides potential business park developers with access to necessary services and employees. As the oil economy and green infrastructure continues to expand in Alberta, there may be opportunities to partner with the Town of Drumheller for business park development that would benefit both municipalities.

Inter-Municipal Collaboration on Residential Development with the Town of Drumheller

Starland County owns land that is adjacent to the popular Drumheller golf course. Golf course residential developments are popular and typically deliver high property assessments. For this strategy, resident attraction should be combined with business attraction as residential development is costly to service. If a combined business and residential attraction strategy could be agreed upon between the Town of Drumheller and Starland County, a golf course residential development may be beneficial financially for both municipalities. This opportunity should be considered while determining the county's overall long-term tax strategy. There may be other opportunities to partner with the Town of Drumheller for residential development in addition to the golf course development. It is recommended that the County Council consider meeting with the Drumheller Council to explore opportunities to cooperate with each other for mutual benefit.

Concluding Comments

The long-term tax strategy review has illuminated both strengths and weaknesses in Starland County's tax base. It has also uncovered challenges related to global turmoil, a turbulent economy, and hyperinflation. Hyperinflation is going to be a significant issue for municipalities in the coming years. Starland County Council will have to decide on the right mix of long-term tax strategies to ensure the long-term success and sustainability of the municipality. The observations and analysis provided in this report will provide strong options to overcome financial challenges now and in the future. The next step is to get direction from Council as to which strategies should be considered, pursued, and implemented. It is likely that a combination of the strategies outlined in this report will be required for success. It is important to note that strategies can be cyclical, and the employment of these strategies can be implemented over a period of years.