

FINAL REPORT
Financial Analysis of Proposed Annexation
Town of Chestermere - M.D. of Rocky View

Prepared for the
Town of Chestermere and the
Municipal District of Rocky View No. 44

By
Nichols Applied Management
Management and Economic Consultants

August, 2008

TABLE OF CONTENTS

	PAGE
1. INTRODUCTION.....	1
1.1 BACKGROUND.....	1
1.2 ORGANIZATION OF THE REPORT.....	2
2. MUNICIPAL FINANCIAL IMPACTS OF ANNEXATION.....	4
2.1 INTRODUCTION.....	4
2.2 CURRENT MUNICIPAL FINANCIAL PROFILES.....	4
2.2.1 Benchmarks.....	4
2.2.2 M.D. of Rocky View.....	6
2.2.3 Town of Chestermere.....	9
2.3 RELATIVE SIZE OF ANNEXATION.....	11
2.3.1 M.D. of Rocky View.....	11
2.3.2 Town of Chestermere.....	12
3. FISCAL IMPACT OF COMPENSATION.....	14
3.1 ANALYSIS OF THE IMPACT OF COMPENSATION WITHOUT DEVELOPMENT.....	14
3.2 ANALYSIS OF THE IMPACT OF COMPENSATION WITH DEVELOPMENT.....	16
4. SUMMARY AND CONCLUSIONS.....	19

* * *

LIST OF TABLES

Table 1	Comparative Financial Indicators: M.D. of Rocky View, All Alberta Rural Municipalities, All Alberta Municipalities.....	7
Table 2	Comparative Financial Indicators: Town of Chestermere, All Alberta Towns, and All Alberta Municipalities.....	10
Table 3	Annexation Area Relative to M.D. of Rocky View.....	11
Table 4	Impact of Annexation on Selected Financial Indicators: M.D. of Rocky View.....	12
Table 5	Annexation Area Relative to the Town of Chestermere.....	12
Table 6	Impact of Annexation on Selected Financial Indicators: Town of Chestermere.....	13
Table 7	Mountain View Park Conceptual Scheme: Population and Density Projections.....	16
Table 8	Cumulative Tax Revenues From the Proposed Commercial/Industrial in the Mountain View Park Development.....	17

* * *

LIST OF FIGURES

Figure 1	Map of Proposed Annexation Area.....	2
Figure 2	Town of Chestermere's Total Municipal Revenues, 1988 - 2006.....	15
Figure 3	Proposed Compensation in Relation to Town of Chestermere's 2006 Municipal Revenues.....	16

* * *

Appendix A	Estimates Tax Revenues Associated with the Commercial and Industrial Component of the Proposed Mountain View Park Development	
------------	---	--

1. INTRODUCTION

1.1 BACKGROUND

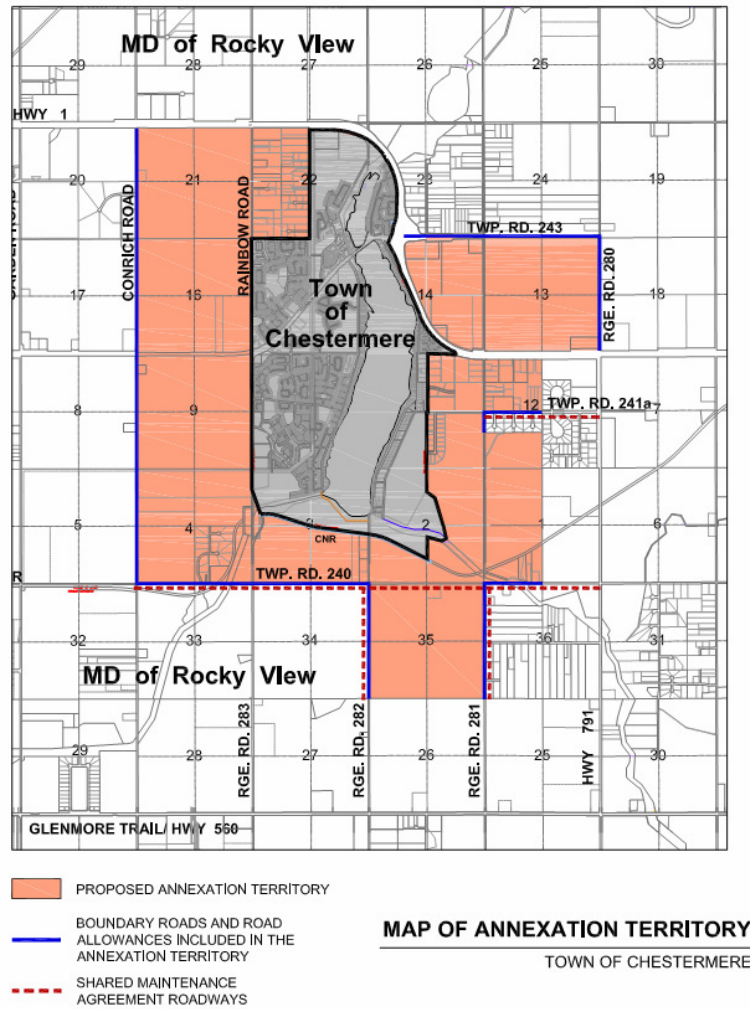
The Town of Chestermere formally initiated annexation of lands from the M.D. of Rocky View in the fall of 2005. A Joint Annexation Committee was set up consisting of council members and administrative personnel from the two municipalities. As part of their annexation negotiations, the M.D. of Rocky View and the Town of Chestermere met some 19 times between the spring of 2006 and the fall of 2007.

Nichols Applied Management was engaged by the Town of Chestermere and the M.D. of Rocky View in the summer of 2008 to gauge the financial impacts of a proposed annexation of lands currently located within the M.D. of Rocky View. These lands are identified on the map shown in Figure 1.

The results of this analysis are intended to assist the Municipal Government Board in determining the financial impact of the proposed annexation on the two municipalities. The report includes an examination of the impact of the financial compensation package that was agreed to by the two municipalities as part of their annexation negotiations.

Nichols Applied Management has gained expertise in the area of municipal finance associated with annexation by participating in the evaluation of more than two dozen annexations over the years. During the course of its work, Nichols Applied Management was guided by input from the two municipalities. Essential base data - for example, assessments information - were provided to the consultants by each of the municipalities.

Figure 1 Map of Proposed Annexation Area



The main focus of this report is on the municipal financial impacts of the proposed annexation, primarily the potential fiscal impact of the negotiated compensation agreement that was agreed upon by the two municipalities during the annexation process.

1.2 ORGANIZATION OF THE REPORT

The report contains four key sections. Section 2 includes financial profiles of the two municipalities including:

- comparative financial indicators for Town of Chestermere;
- comparative financial indicators for M.D. of Rocky View;
- a comparison of the annexation area relative to Town of Chestermere; and

- a comparison of the annexation area relative to M.D. of Rocky View.

Section 3 of the report encompasses an independent assessment of the financial impact of the agreed compensation on both the Town of Chestermere and the M.D. of Rocky View under the following scenarios:

- analysis of the impact of compensation without development;
and
- analysis of the impact of compensation with alternative development scenarios (different levels of development).

The concluding part of the study, Section 4, provides a summary and conclusions of the study.

2. MUNICIPAL FINANCIAL IMPACTS OF ANNEXATION

2.1 INTRODUCTION

The focus of this report is the financial impact on the Town of Chestermere and on the M.D. of Rocky View of the respective gains and losses of territory to those municipalities. The broad method used in this study has been to first characterize the existing base financial situation for the Town of Chestermere and the M.D. of Rocky View. The expected assessment and tax impacts from annexation to each municipality were then overlaid onto the respective base cases for each municipality. The difference between their existing financial situation and their expected situation after annexation reflects the financial impacts of annexation.

2.2 CURRENT MUNICIPAL FINANCIAL PROFILES

In this section of the report, financial profiles for the Town of Chestermere and the M.D. of Rocky View are compared to financial benchmark data. The comparative financial data for the Town of Chestermere is compared with the average for all towns combined and the average for all Alberta municipalities. For the M.D. of Rocky View, financial benchmark data is included for the average for all rural municipalities combined as well as for the average for all municipalities in the province.

2.2.1 Benchmarks

A number of different benchmarks are used in the report to compare the fiscal health of the Town of Chestermere and the M.D. of Rocky View. Measures used in the analysis include the following:

1. Tax Rates
 - (i) Municipal tax rate levels give an indication of the tax burden exerted by the municipality. Tax rates are a function of service levels, expenditures and assessments.
 - (ii) The residential/non-residential mill rate split gives an indication of the burden placed on non-

residential properties relative to residential properties. A high split (either in absolute or relative to surrounding municipalities) may restrict a municipality's ability to shift additional tax burden onto non-residential properties.

- (iii) Total tax rate levels (municipal and education combined) give an indication of the total property tax burden placed on property owners in a municipality.

2. Equalized Assessments

- (i) Equalized assessments expressed on a per capita basis help normalize assessment bases across municipalities by taking into consideration the size of the municipalities being compared.
- (ii) Non-residential percent helps provide an indication of the amount of non-residential assessment base in relation to the total assessment base.
- (iii) Residential equalized assessment per capita helps give an indication of the value of housing stock in a municipality.
- (iv) Non-residential equalized assessment per capita helps give an indication of the value of non-residential properties in relation to population. Can be a useful measure when comparing municipalities with significant differences in housing stock values which may skew the non-residential percent indicator.

3. Municipal expenditures - Expressed on a per capita basis helps provide an indication of expenditure levels normalized for population.

4. Municipal reserves - Reserve fund balances can have a number of benefits. Operating reserves provide a cushion that can help a municipality to absorb unexpected swings in their revenues or expenditures. Capital reserves allow a municipality to fund future capital expenditures. Expressed on a per capita basis, it

can help provide an indication of how much a municipality has put aside.

5. Debt levels - It is important for a municipality to know how much debt they have. The ability of a municipality to incur debt is impacted by a number of factors such as the Province of Alberta's guidelines which cap the amount of debt that a municipality can assume to insure that they don't overextend themselves.
 - (i) Debt per capita - Expressed on a per capita basis helps provide an indication of how much debt a municipality has incurred normalized for population.
 - (ii) Debt burden - One of the Province's debt guidelines and is expressed as a percent of the total debt limit (1.5 times revenue).
 - (iii) Financing burden - The second of the Province's debt guidelines and is expressed as a percent of the debt servicing limit (0.25 times revenue).

2.2.2 M.D. of Rocky View

The Municipal District of Rocky View is a large rural municipality that encompasses the City of Calgary to the west, north and east. Rocky View is relatively unique for a rural municipality, with a significant quantity of country residential acreages, a number of hamlets as well as commercial and light industrial development while still maintaining a significant farming presence.

In 2006, the federal census reported the M.D. of Rocky View's population to be 34,597, making it the largest rural municipality in the province (excluding specialized municipalities) and the tenth largest municipality overall.

In terms of its land base, the M.D. of Rocky View encompasses a total area of 413,204 hectares (approximately 1,023,000 acres). Relative to other rural municipalities, it is the 25th largest out of the province's 64 rural municipalities (excluding specialized municipalities, improvement districts and special areas). The average size of a rural municipality in Alberta is approximately 638,000 hectares or just under 1,580,000 acres.

The M.D. of Rocky View is responsible for the operation and maintenance of just over 2,400 kilometres of roadways. Although the majority of Rocky View's road network is gravel, the municipality also has a significant amount of roads with other surfaces including a large amount of pavement.

Table 1 includes key financial indicators for the M.D. of Rocky View, based primarily on 2006 financial data.¹ The comparative data for all rural municipalities (combined) and all municipalities (combined) are also provided.

Table 1 Comparative Financial Indicators: M.D. of Rocky View, All Alberta Rural Municipalities, All Alberta Municipalities

	M.D. of Rocky View	All Municipal Districts / Counties	All Municipalities
Equalized Assessment¹			
Per Capita			
Residential	238,691	97,666	102,767
Non-Residential	57,364	167,875	56,598
Total	296,056	265,541	159,365
Non-residential %	19%	63%	36%
Taxes²			
Municipal Tax Burden			
Residential Tax Rates	2.7333	6.3095	9.2991
Non-Residential Tax Rates	5.3974	10.9245	12.7649
Split tax rate ratio ³	1.97	1.73	1.37
Total Residential/Farm Taxes per Household ⁴	2,766	1,644	1,667
Municipal and Education Tax Rates ^{2,5}			
Residential	8.2377	12.6028	14.1116
Non-Residential	13.9972	19.2039	21.7520
Split tax rate ratio ³	1.70	1.52	1.54
Other⁴			
Expenditures per Capita	1,287	1,202	1,628
Reserves per Capita	686	1,719	1,243
Debt and Liquidity⁴			
Debt per Capita	1,012	363	1,003
Debt burden ⁶	45.1%	9.6%	25.8%
Financing burden ⁷	14.4%	7.2%	22.4%

1. 2006 equalized assessment (based on 2007 taxable assessments)

2. 2007 mill rates

3. Ratio of nonresidential to residential mill rates (business tax not included)

4. Based on 2006 data

5. Also includes seniors foundation and allowance for uncollectables

6. Total debt limit is set at 1.5 times Rocky View's revenue

7. Debt servicing limit is set at 0.25 times Rocky View's revenue

Source: Alberta Municipal Financial System (AMFIS)

The information presented in Table 1 illustrates that the M.D. of Rocky View is generally in a positive financial position. Rocky View has a strong assessment base that is distinguished by the high value of its residential properties. With respect to its non-residential assessment

¹ Equalized assessments are for 2008, but are based on 2007 taxable assessments. Tax rates are from 2007. See the notes for Table 1 for a more comprehensive listing of data sources.

base, Rocky View has a relatively low proportion of non-residential development compared to other rural municipalities. The most common indicator of the strength of a municipality's non-residential assessment base is its percentage of non-residential assessment. Rocky View's non-residential percentage is relatively low for a rural municipality - 19% compared to the provincial rural average of 63% as well as the average for all Alberta municipalities of 36%.

Part of the reason the M.D. of Rocky View's non-residential assessment percentage is low is related to the amount and value of its housing stock. This effect can be minimized by expressing the non-residential assessment base on a per capita basis. Even expressing it in this manner, Rocky View's non-residential equalized assessment per capita at \$57,364 is significantly lower than the provincial rural average of \$167,875 per capita but is relatively close to the average for all Alberta municipalities.

Rocky View's municipal tax rates are relatively low compared to other rural municipalities. In 2007, Rocky View's residential tax rate was 2.7333 mills compared to the rural provincial average of 6.3095 mills, while its non-residential tax rate was 5.3974 mills compared to the rural provincial average of 10.9245 mills. Rocky View's low tax rates are also to a large extent a function of the high value of Rocky View's housing stock. Rocky View's municipal non-residential/residential mill rate split is somewhat higher than the rural provincial average, 1.97 compared to 1.73 for the rural provincial average.

Rocky View's residential taxes per household are relatively high compared to other rural municipalities. To a large extent, this is a reflection of the municipality's lower non-residential assessment base. It is also a result of the high provincial education taxes paid by Rocky View's residential properties. It is not related to Rocky View's expenditure levels which are only 10% higher than the rural provincial average.

Rocky View debt levels are high for a rural municipality, just over \$1,000 per capita compared to the rural provincial average of \$363. Rocky View's debt levels have increased significantly in recent years, increasing from approximately \$1.5 million in 1996 to approximately \$35 million in 2006. The debt related to special levies, primarily related to utilities, grew the quickest over that time period and currently makes up over 90% of the total debt.

2.2.3 Town of Chestermere

The Town of Chestermere is a large town located immediately to the east of the City of Calgary in the M.D. of Rocky View. Chestermere is a bedroom community to the City of Calgary and is unique in that it is built around a lake.

The Town of Chestermere's population was reported by the 2006 federal census to be 9,564 making it the tenth largest town in the province. From 2001 to 2006 Chestermere's population increased by 148%, making it the fastest growing municipality in the province in percentage terms (excluding summer villages) over that time period. Since 2006 Chestermere's population has grown to 12,589, a further increase of 31% making Chestermere the third largest town in Alberta. The Town Chestermere encompasses a total area of 823 hectares or 2,037 acres. The Town of Chestermere has approximately 60 kilometres of roadways.

Table 2 includes key financial indicators for the Town and compares it with similar data for all towns and all municipalities combined. The results suggest that the Town of Chestermere's financial situation is sound. As with the financial indicators prepared for the M.D. of Rocky View, most of the indicators presented in the table are based primarily on 2006 financial data.

Table 2 Comparative Financial Indicators: Town of Chestermere, All Alberta Towns, and All Alberta Municipalities

	Town of Chestermere	All Towns	All Municipalities
Equalized Assessment¹			
Per Capita			
Residential	152,687	77,263	102,767
Non-Residential	4,994	21,389	56,598
Total	157,681	98,560	159,365
Non-residential %	3%	22%	36%
Taxes²			
Municipal Tax Burden			
Residential Tax Rates	5.7032	9.877	9.2991
Non-Residential Tax Rates	5.7032	13.7871	12.7649
Split tax rate ratio ³	1.00	1.40	1.37
Total Residential/Farm Taxes per Household ⁴	1,461	1,630	1,667
Municipal and Education Tax Rates			
Residential	9.4036	15.0089	14.1116
Non-Residential	11.6166	27.5313	21.7520
Split tax rate ratio ³	1.24	1.83	1.54
Other⁴			
Expenditures per Capita	1,012	1,247	1,628
Reserves per Capita	720	879	1,243
Debt and Liquidity⁴			
Debt per Capita	777	711	1,003
Debt burden ⁵	36.3%	25.9%	25.8%
Financing burden ⁶	24.9%	23.8%	22.4%

1. 2008 equalized assessment (based on 2007 taxable assessments)

2. 2007 mill rates

3. Ratio of non-residential to residential mill rates (business tax not included)

4. Based on 2006 data

5. Total debt limit is set at 1.5 times Chestermere's revenue

6. Debt servicing limit is set at 0.25 times Chestermere's revenue

Source: Alberta Municipal Financial System (AMFIS)

The fiscal indicators presented in Table 2 show that the Town of Chestermere is generally in a positive financial position. Chestermere is similar to the M.D. of Rocky View in that it has a strong assessment base that is characterized by high valued residential properties. Chestermere has a low proportion of non-residential assessment, 3% compared to the provincial town average of 22% and the overall municipality average of 36%. Bedroom communities are often characterized by a lower amount of non-residential development (i.e. Beaumont's non-residential average is 5%).

As with the M.D. of Rocky View, part of the reason Chestermere's non-residential assessment percentage is low is a reflection of the high value of its housing stock. Expressing Chestermere's non-residential assessment base on a per capita basis helps isolate this segment of the assessment base and expresses it in a manner that is not biased by the value of its residential housing stock. Chestermere's non-residential equalized assessment per capita at \$4,994 is still significantly lower than the provincial average for towns of \$21,389.

Chestermere's municipal tax rates are relatively low compared to other towns. In 2007, Chestermere's tax rates were 5.7032 mills for both its

residential and non-residential properties compared to the provincial average for towns of 9.877 mills and 13.7871 mills for residential and non-residential properties respectively. Chestermere is one of a growing minority of municipalities that doesn't have a split mill rate. In 2007 approximately two thirds of all municipalities and 80% of towns had a split mill rate.

Chestermere's average total residential taxes per household are relatively low compared to other Alberta towns, a reflection of Chestermere's lower expenditure levels which when expressed on a per capita basis were 19% lower than the provincial average for towns in 2006.

Chestermere's debt levels expressed on a per capita basis were relatively close to the provincial average for towns in 2006, \$777 per capita compared to \$711 per capita respectively. Chestermere's debt guidelines were also close to the provincial average for towns, with its debt burden at 36% and its financing burden at 25% compared to provincial average for towns at 26% and 24% respectively.

2.3 RELATIVE SIZE OF ANNEXATION

2.3.1 M.D. of Rocky View

The annexation will transfer municipal jurisdiction for a total land area of approximately 6,300 hectares (2,560 acres) from the M.D. of Rocky View to the Town of Chestermere. Table 3 compares the annexation in the context of the M.D. of Rocky View as a whole, and presents an indication of the potential impact on Rocky View's population size, number of dwelling units, assessment base, roadway responsibilities, and total land area.

Table 3 Annexation Area Relative to M.D. of Rocky View

	M.D. of Rocky View	Annexation Area	Percent of Total
Population	34,171	464	1.4%
Dwelling Units	13,685	155	1.1%
Assessment (millions)	\$10,117	\$89	0.9%
Roadways (km)	2,426	28	1.2%
Area (hectares)	413,204	2,557	0.6%

As indicated in Table 3, the annexation represents between 0.6% (land area) and 1.4% (population) of the M.D. of Rocky View in terms of the

indicators measured. Although the annexation is not small, its impact on the M.D. of Rocky View is not very significant.

Table 4 Impact of Annexation on Selected Financial Indicators: M.D. of Rocky View

	Without Annexation (Base Case)	With Annexation
Equalized assessment per capita	\$296,056	\$297,496
Non-residential assessment as a percent of total	19.38%	19.50%

Table 4 illustrates that the potential financial/fiscal impact of annexation on the M.D. of Rocky View is likely to be modest and that the municipality's financial health is not expected to be seriously affected.

2.3.2 Town of Chestermere

The proposed annexation will immediately increase the Town's land area, population, and assessment base, while increasing its responsibilities for the maintenance of roads located in the annexed area. Table 5 compares the annexation area within the context of the Town of Chestermere's current population, number of dwelling units, assessment base, roadway network, and land area. The annexation will initially have a relatively small impact on the Town's population, dwelling units and assessment base, increasing them approximately 4.9%, 3.5% and 5.9% respectively. The most significant impact will be to the Town's road network, increasing it by 47.1%.

Table 5 Annexation Area Relative to the Town of Chestermere

	Town of Chestermere	Annexation Area	Percent of Total
Population	9,564	464	4.9%
Dwelling Units	4,406	155	3.5%
Assessment (millions)	\$1,508	\$97	6.5%
Roadways (km)	60	28	47.1%
Area (hectares)	823	2,557	310.7%

Table 6 provides a summary of the immediate effects of the proposed annexation in terms of a couple of fiscal capacity indicators for the Town of Chestermere.

Table 6 Impact of Annexation on Selected Financial Indicators: Town of Chestermere

	Without Annexation (Base Case)	With Annexation
Equalized assessment per capita	\$157,681	\$160,106
Non-residential assessment as a percent of total	3.17%	3.27%

The annexation will immediately increase the Town of Chestermere's equalized assessment per capita as well as its non-residential assessment percentage. The impact on the town will be more significant over time as the lands in the proposed annexation area develop. A positive financial impact on the Town is expected to occur as a significant amount of non-residential development is expected to occur in the proposed annexation area.

3. FISCAL IMPACT OF COMPENSATION

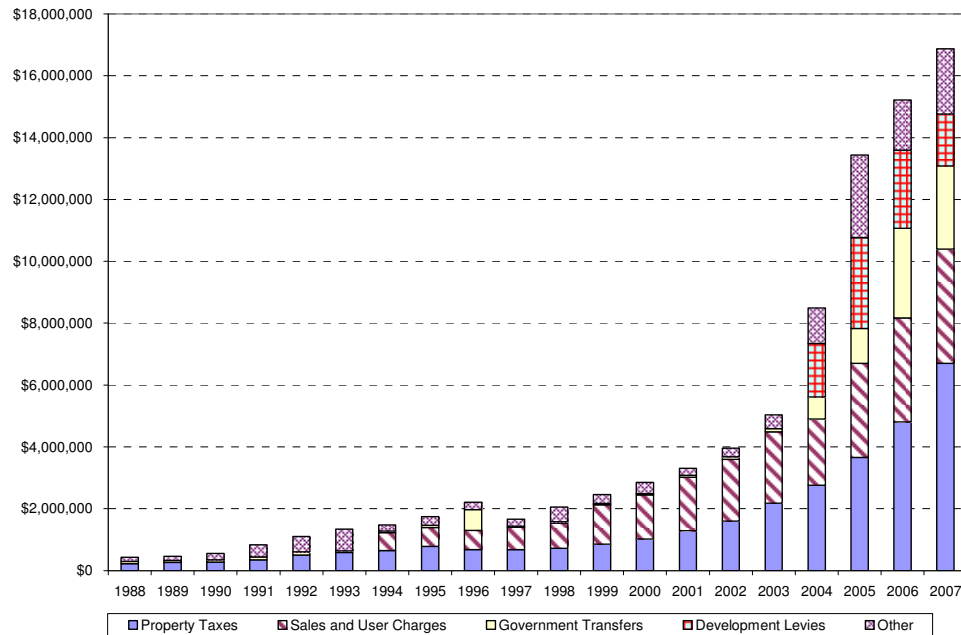
The Town of Chestermere and the M.D. of Rocky View undertook a comprehensive negotiation and consultation program as part of the annexation process. One of the key components of the annexation negotiations centered on financial compensation to the M.D. of Rocky View. This section of the report looks at the fiscal impact of the negotiated compensation on the Town of Chestermere.

The financial compensation negotiated by the two municipalities calls for the transfer of the current estimated gross municipal taxation revenue from the annexed lands for a ten year period. The compensation agreement is based upon the recognition by both municipalities of the net benefits of cooperation and collaboration. In 2007 the municipal tax revenue from the proposed annexation lands was estimated to be \$265,795. Over ten years, the total negotiated compensation paid by the Town of Chestermere to the M.D. of Rocky View shall be \$2.66 million dollars.

3.1 ANALYSIS OF THE IMPACT OF COMPENSATION WITHOUT DEVELOPMENT

The Town of Chestermere has been one of the fastest growing communities in Alberta. Together with its population growth, the town has increased the breadth and level of municipal services it provides to its residents and property owners. Figure 1 illustrates how Chestermere's municipal operating and capital revenues have grown over the 1988 to 2007 time period.

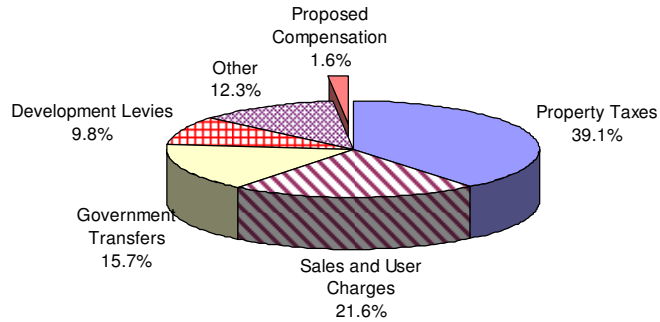
Figure 2 Town of Chestermere's Total Municipal Revenues, 1988 - 2007



Chestermere's municipal revenues have grown from less than a half million dollars per year in 1988 to just under \$17 million per year in 2007. As municipalities mature, their revenue sources diversify away from the property tax base. Chestermere's revenue sources have broadened from having municipal property tax revenues account for approximately 52% of total operating and capital revenue in 1988, to just under 40% of total revenues in 2007.

The negotiated compensation (\$265,795) is essentially a flow-through of existing taxes currently generated by the properties located in the proposed annexation area and as a result will not be a burden to the remainder of the town's taxpayers. To put the compensation in perspective, it would constitute approximately 4% of Chestermere's municipal property taxes and less than 2% of the Town's total municipal revenue in 2007. This proportion will decrease further as the lands in the annexation develop and Chestermere's municipal revenues expand accordingly. Figure 3 presents the proposed compensation relative to the Town of Chestermere's 2007 municipal revenues.

Figure 3 Proposed Compensation in Relation to Town of Chestermere's 2007 Municipal Revenues



3.2 ANALYSIS OF THE IMPACT OF COMPENSATION WITH DEVELOPMENT

Development in the annexation lands is anticipated to be a mix of residential, commercial and industrial uses. There is one particular development located in the annexation area that is expected to occur soon after a decision on the annexation has been rendered. Mountain View Park is expected to provide a broad mix of commercial, industrial, business and residential uses. The Mountain View Park development was approved by the M.D. of Rocky View prior to annexation and is ready to proceed.

Table 7 presents the population and density projections provided in the Mountain View Park Conceptual Scheme. The Mountain View Park development proposes a significant amount of commercial and industrial uses, approximately 75% of the developable land.

Table 7 Mountain View Park Conceptual Scheme: Population and Density Projections

	Hectares	Acres	Building (m ³)	Units	Population
Industrial	175.55	433.77	526,640		
Commercial	41.4	102.29	103,492		
Residential	66.02	169.62		850	2,465

1. Mountain View Park Conceptual Scheme (page 32)

The Mountain View Park development is located adjacent to Highway 1, with good access to the east side of Calgary. The types of commercial and industrial development expected in Mountain View Park are common in rural jurisdictions that are located in growing metropolitan areas with access to major transportation routes. In many cases the

commercial developments are supported by access to regional populations. Given Chestermere's interest in encouraging commercial and industrial development as part of its economic development strategy, the eagerness of the Mountain View Park developer to develop the property and the apparent commercial opportunity that exists for development along Highway 1, estimates have been prepared of the tax revenues that will accrue to the Town if such development occurs.

Table 8 provides a summary of the tax revenues that are anticipated to accrue from the commercial and industrial development within the Mountain View Park development located within the annexation area. The underlying assumptions include the following: 25 year absorption; 2007 Town of Chestermere mill rate; industrial assessment of \$200 per square foot on building improvements; and commercial assessments of \$300 per square foot on building improvements. The table provides estimates of the gross tax revenues received, municipal operating costs using a 30% allowance, and estimates of net tax revenues after costs. See Appendix A for a year-by-year estimate.

Table 8 Cumulative Tax Revenues from the Proposed Commercial/Industrial Component of the Mountain View Park Development

	Tax Revenues 2009-2013 (5 years)	Tax Revenues 2009-2018 (10 years)	Tax Revenues 2009-2033 (25 years)
Chestermere Municipal Tax Revenues	\$5.0 m	\$18.4 m	\$108.8 m
Less: Provision for municipal costs at 30%	\$1.5 m	\$5.5 m	\$36.6 m
Net tax revenues to the Town	\$3.5 m	\$12.9 m	\$76.2 m

The potential commercial and industrial development as proposed in the Mountain View Park concept scheme is equivalent to 30 times the existing non-residential assessment in the Town of Chestermere. The town's current non-residential assessment base has a value of just under \$50 million dollars. The total estimated value of the commercial and industrial development in the Mountain View Park concept scheme would be approximately \$1.5 billion.

The negotiated compensation for the entire annexation area would account for approximately 38% of the estimated net municipal tax revenues over the first five years, 21% over the first ten years, and less

than 4% over twenty-five years (at Chestermere's current mill rate). This despite the fact that the projected revenues are from just the commercial/industrial component of the Mountain View Park development, an area that accounts for only 20% of the total land area in the proposed annexation. Tax revenue estimates for the industrial and commercial components of the development were prepared to illustrate the potential tax revenues that may accrue to the Town from just one development in the annexation lands.

4. SUMMARY AND CONCLUSIONS

The Town of Chestermere has made an application to the Municipal Government Board to annex over 2,500 hectares of land from the M.D. of Chestermere. The annexation area has a population of approximately 465 residents and 28 kilometers of roadways. As part of the negotiations in the annexation process, the two municipalities agreed to financial compensation based on current taxes associated with the lands to be annexed. This report looks at the fiscal impact of that compensation on the Town of Chestermere.

Both the M.D. of Rocky View and the Town of Chestermere are in a sound fiscal position. Both municipalities have healthy assessment bases and low mill rates. The annexation area is not expected to significantly impact the financial condition of either of the two municipalities. In fact, as the land in the proposed annexation develops, the Town of Chestermere's non-residential assessment base will increase significantly improving their financial position.

The annexation area represents a small proportion of the M.D. of Rocky View, being home to 1.4% of its population, 1.1% of its dwelling units, 0.9% of its assessment, 1.2% of its roadways and 0.6% of its total land area. The annexation area has a greater impact on the Town of Chestermere, representing 4.9% of the town's population, 3.5% of its dwelling units, 6.5% of its assessment (predevelopment), 47% of its roadways and 311% of its total land area.

The compensation negotiated between the two municipalities is based on the 2007 estimated municipal tax revenues from the proposed annexation area. These tax revenues are estimated to be \$265,795, which over ten years would result in the Town of Chestermere paying the M.D. of Rocky View \$2.66 million dollars. The negotiated compensation is in essence a flow-through of the property taxes currently collected from the properties located in the proposed annexation area and will account to a fraction of revenues once the lands develop.

The \$265,795 in negotiated compensation would represent less than 2% of the Town's total municipal revenues in 2007. This proportion will decrease further as Chestermere continues to grow through the development of lands in the proposed annexation area and its municipal revenues expand accordingly. The total assessment of the commercial

and industrial development in the Mountain View Park concept scheme alone is estimated be approximately \$1.5 billion.

A projection of the tax revenues associated with the industrial and commercial portion of the Mountain Park View development suggests that the fiscal position of Chestermere will improve significantly with annexation and that the negotiated compensation will not adversely impact the town.

Appendix A

**Estimates Tax Revenues Associated with the Commercial and
Industrial Component of the Proposed Mountain View Park Development**

	Assessment Growth	Cummulative Assessment	Municipal Taxes	Operating Expenditures	Net Municipal Taxes	Cummulative Net Municipal Taxes
2009	58,717,390	58,717,390	334,877	100,463	234,414	234,414
2010	58,717,390	117,434,779	669,754	200,926	468,828	703,242
2011	58,717,390	176,152,169	1,004,631	301,389	703,242	1,406,483
2012	58,717,390	234,869,558	1,339,508	401,852	937,656	2,344,139
2013	58,717,390	293,586,948	1,674,385	502,316	1,172,070	3,516,209
2014	58,717,390	352,304,337	2,009,262	602,779	1,406,483	4,922,692
2015	58,717,390	411,021,727	2,344,139	703,242	1,640,897	6,563,590
2016	58,717,390	469,739,117	2,679,016	803,705	1,875,311	8,438,901
2017	58,717,390	528,456,506	3,013,893	904,168	2,109,725	10,548,626
2018	58,717,390	587,173,896	3,348,770	1,004,631	2,344,139	12,892,765
2019	58,717,390	645,891,285	3,683,647	1,105,094	2,578,553	15,471,318
2020	58,717,390	704,608,675	4,018,524	1,205,557	2,812,967	18,284,285
2021	58,717,390	763,326,064	4,353,401	1,306,020	3,047,381	21,331,666
2022	58,717,390	822,043,454	4,688,278	1,406,483	3,281,795	24,613,461
2023	58,717,390	880,760,843	5,023,155	1,506,947	3,516,209	28,129,669
2024	58,717,390	939,478,233	5,358,032	1,607,410	3,750,623	31,880,292
2025	58,717,390	998,195,623	5,692,909	1,707,873	3,985,036	35,865,328
2026	58,717,390	1,056,913,012	6,027,786	1,808,336	4,219,450	40,084,779
2027	58,717,390	1,115,630,402	6,362,663	1,908,799	4,453,864	44,538,643
2028	58,717,390	1,174,347,791	6,697,540	2,009,262	4,688,278	49,226,921
2029	58,717,390	1,233,065,181	7,032,417	2,109,725	4,922,692	54,149,614
2030	58,717,390	1,291,782,570	7,367,294	2,210,188	5,157,106	59,306,720
2031	58,717,390	1,350,499,960	7,702,171	2,310,651	5,391,520	64,698,240
2032	58,717,390	1,409,217,350	8,037,048	2,411,115	5,625,934	70,324,173
2033	58,717,390	1,467,934,739	8,371,925	2,511,578	5,860,348	76,184,521