



# Protecting the Investment in Our Future

October 2015

**MANAGING THE SOCIO-ECONOMIC IMPACTS OF OIL  
SANDS DEVELOPMENT IN THE REGIONAL MUNICIPALITY  
OF WOOD BUFFALO FROM 2015 TO 2025**





This report was jointly commissioned by the following organizations:



**Fort McMurray Chamber of Commerce**



**Fort McMurray Real Estate Board**



**Urban Development Institute – Wood Buffalo**

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The following community stakeholders did not provide funding but contributed important material related to quality-of-life amenities in Wood Buffalo and have endorsed those sections that pertain directly to them.



Alberta Health Services



Fort McMurray Public School



Fort McMurray Separate School Division



Keyano College Division



Royal Canadian Mounted Police – Wood Buffalo Detachment

### Project Steering Committee

A Steering Committee was established to guide the development of this report. Its members are listed below.

#### **Fort McMurray Chamber of Commerce**

Bryan Lutes, Board member

#### **Fort McMurray Real Estate Board**

Lynne Edwards, President-Elect

#### **UDI-Wood Buffalo**

Carmelo Daprocida, Board member

Mike Walsh, Board member

### Project task force

In addition, each organization appointed two or more additional members to a task force that did more detailed work in support of this report. Those additional members are listed below.

#### **Fort McMurray Chamber of Commerce**

Ted Doleman, First Vice-President

Sandra Stevens, Board member

Nick Sanders, President

#### **Fort McMurray Real Estate Board**

Katie Ekroth, President

Andrew Weir, Board member

#### **UDI-Wood Buffalo**

Ben Dutton, Board member

Cliff Maron, Board member

Wesley Holodniuk, President

Teleologic would like to thank the members of the Project Steering Committee and the Project Task Force whose guidance and deep commitment to their community shaped this report. In addition, all those who consented to interviews and discussions in principle about how best to mitigate socio-economic impacts in Wood Buffalo also deserve thanks. They are too many to be mentioned here. Any errors, omissions or other deficiencies are the responsibility of the author.

Michael Evans

Teleologic Strategy and Communications

October 2015

As I speak, we face another oil price challenge that is having a more profound effect on our families and on our public finances than it might have had, because we have not always made the right choices in this Legislature.

[...]

[T]he Progressive Conservative government elected in 1971 fought a ferocious battle with Ottawa to ensure, beyond debate, that our energy resources were owned and controlled by the people of Alberta.

The PCs then set out a plan for a successful and sustainable energy industry, managed in both our people's short and long-term interests. Their plan recognized that our resources are a trust.

Those are principles to which Alberta's new government will now return.

[...]

There is a great deal that needs to be done.

This province needs to work with steady determination to create the conditions for a sustainable, diversified and prosperous economy – an economy that will provide Albertans with good jobs.

[...]

[W]e must forge a much stronger partnership with our fellow provinces and with the federal government, in order to build a Canadian Energy Strategy that ensures that a sustainable, responsible Canadian energy industry can reach markets all around the world.

We need to review how the people of Alberta – including our grandchildren and great-grandchildren, many years from now – will be rewarded for the development of their own energy resources.

[...]

It won't all happen at once.

But we will start.

We will start today, with these first steps.

Speech from the Throne  
First Session of the Twenty-Ninth Legislature  
June 15, 2015



## Executive summary

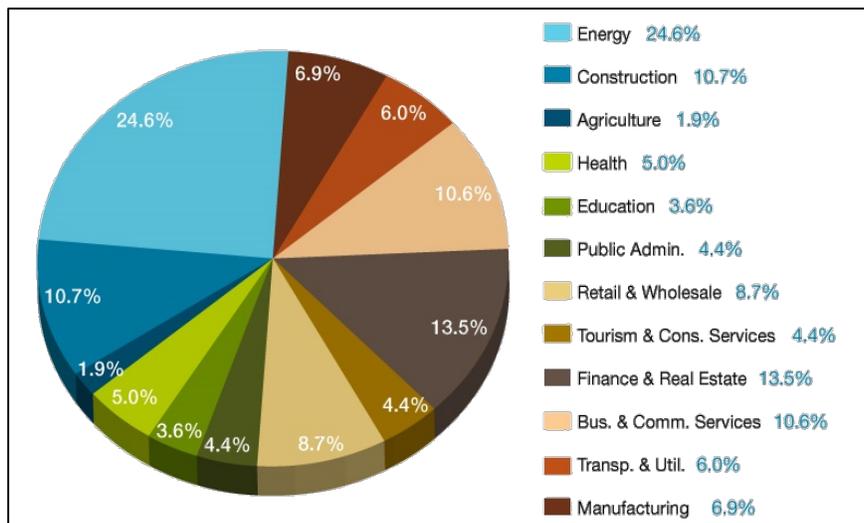
The Athabasca oil sands have been proclaimed the largest industrial project in the world, inspiring dueling hyperbole that label the Regional Municipality of Wood Buffalo the epicenter of international energy security or global environmental devastation, a land of milk and honey or a transient boom town. Such rhetoric prevents serious attention being given to serious issues; the truth, of course, is somewhere in between. Those of us who live in Wood Buffalo and call it home, however, have weathered 20 years of unprecedented growth the socio-economic impacts of which strained our community. Definite progress was made between 2006 and 2011 but that progress has stalled.

If responsible oil sands development is to continue as the engine of the provincial and national economies, and to provide the revenue to support economic growth and diversification, three things must be true.

1. The cost of oil sands production in Alberta must be globally competitive.
2. The oil sands work force must be stable following the transition from construction to operations in 2017.
3. Urban growth and community development in Wood Buffalo must be responsive and responsible and contribute to quality-of-life.

Oil sands development is the indisputable economic engine of an entire province, if not a nation, even during the present global oil price uncertainty. The oil sands industry dominates the local economy and accounts for 94 percent of the Regional Municipality's property tax revenues.<sup>1</sup> Over the past decade, it has accounted for one-fifth to one-third of annual provincial government revenues and GDP.<sup>2</sup> It consumes nearly 17 percent of national capital investment annually<sup>3</sup> and accounted in 2014 for almost eight percent of national GDP.<sup>4</sup> Oil sands development has provided coast-to-coast employment for Canadians living in regions otherwise devastated by the collapse of local primary industries, and it has been an important destination for central Canadian manufacturing. “[Oilsands] production already

Figure 1: Percentage distribution of Alberta GDP, 2013 (total \$331.9 billion)



Source: “A Small Win for Alberta.” Alberta Soapbox. September 8, 2014.

<sup>1</sup> The Regional Municipality's “Fiscal Management Strategy: 2015-2017,” pegs revenue from “rural non-residential property taxes” (mostly oil sands developers) in 2015 at 94 percent of all property tax revenues. See page 14.

<sup>2</sup> “Backgrounder on Alberta's Fiscal Situation,” 2.

<sup>3</sup> “Canada is missing the bigger story about the oil sands.” *Macleans*.

<sup>4</sup> *Oil Sands Economic Benefits: Today and in the Future*, 20.

represents a significant economic contribution to the Canadian economy, with annual expenditures already greater than the gross domestic product of half of the Canadian provinces.”<sup>5</sup> Energy, increasingly oil sands, is the chief reason that Alberta was, in 2013-14, one of only four ‘have’ provinces that contribute equalization payments to six ‘have not’ provinces and three territories.

Perhaps entranced by the revenue stream, governments have for the past two decades more often been complacent beneficiaries of, rather than active participants in, oil sands development, especially concerning the socio-economic impacts of that development on host communities. The negative effect of those impacts on oil sands development itself – not to mention the underlying threat to government revenues – has been poorly understood. For 20 years, oil sands development has been the puzzling, bedeviling, promising conundrum of three orders of government that have all struggled to respond effectively to economic, environmental, social and cultural issues.

In 2006, outgoing Premier Ralph Klein made a surprising admission.

“[The opposition parties] were right about [us] not having a plan,” Klein said. “The plan is being developed, but no one could anticipate the phenomenal growth that was taking place.”<sup>6</sup>

That’s not quite true. The Lougheed government developed a plan through the Northeast Commission in the mid-1970s that took a comprehensive view of future oil sands development, much of which was still valid 30 years later. Unfortunately, the Northeast Commission reports mostly gathered dust in the Legislature library until very recently.

Premier Ed Stelmach, Klein’s successor, acted quickly to develop a new plan. *Investing in Our Future: Responding to the Rapid Growth of Oil Sands Development* (2006), better known as “the Radke report,” though incredibly important, was never meant to provide a long-term solution to the challenges associated with oil sands development. Its recommendations, which expressly applied between 2006 and 2011 were, in effect, a triage exercise, an emergency response to immediate deficiencies. In 2006, Fort McMurray was overwhelmed by explosive population growth and could not confidently provide clean water, treat wastewater, handle garbage, move goods and people safely on adequate roads, or offer appropriate housing to new residents even for the next five years. Following the Radke report, the Province committed nearly \$3 billion in special purpose funding projects between 2006 and 2011 that addressed transportation, water and wastewater treatment, solid waste management, municipal infrastructure, affordable housing, health, education, and policing. That investment enabled Fort McMurray to ‘catch-up’ to 2011 requirements. The Province also created the Oil Sands Sustainable Development Secretariat, which, at least in its beginnings, did important work to develop a 20-year strategy for responsible oil sands development. The Oil Sands Secretariat also collaborated with the Regional Municipality and other stakeholders to address significant socio-economic issues.

Regrettably, the Province has not sustained its engagement. The Oil Sands Secretariat has become less than a shadow of its former self. Instead of working together, through a coordinating agency, government departments have resumed working at cross-purposes that undermine municipal autonomy and make urban development still more expensive in Alberta’s most expensive community. The Province’s inattention and lack of focus the past five years has combined with global forces, including an abundance of cheap oil undreamt of a decade ago, to prevent Fort McMurray, on whom much of Alberta’s prosperity has depended since 2000, from supporting responsible oil sands development as it could. Growing the prosperity Wood Buffalo generates will benefit all Albertans.

Faced with the prospect of a nationally significant economic calamity, the Fort McMurray Chamber of Commerce, Fort McMurray Real Estate Board and UDI-Wood Buffalo partnered to produce this report, *Protecting the Investment in Our Future*. Then, the Progressive Conservative Party formed the government. We identified a number of persistent issues and policy gaps that still hobble oil sands development and we have offered serious solutions. Then, in May 2015, Albertans elected a New

<sup>5</sup> “Alberta’s oilsands touted as giants of Canada’s economy. CBC News, Calgary.

<sup>6</sup> “Klein admits government had no plan for boom.” CBC News, Edmonton.

Democratic Party government, to whom this report is now directed. We have not argued that the Province must spend significant new dollars in Wood Buffalo. Substantial funding commitments have already been made and the current fiscal environment demands restraint. But the parties that must talk to one another to protect the investments for the future already made are not talking – at least, not talking enough – and that disengagement, whether deliberate or accidental, can have chilling consequences. The solutions we have offered in this report are intended to move beyond the decade-old recommendations of the Radke report, and to reignite the critical renewal of collaborative effort among both orders of government, the oil sands industry and regional stakeholders.

We began by articulating three key strategic principles that must be achieved if Alberta’s oil sands are to compete in a global marketplace. Each of these principles implies collaboration among the Province, the Regional Municipality, oil sands developers and community stakeholders, such as the sponsoring organizations, school divisions, Alberta Health Services, RCMP, the social and non-profit sector, and more.

**1. The cost of oil sands production in Alberta must be globally competitive.**

Efforts to control costs, optimize resources, maximize productivity and ensure profitability in an increasingly competitive global market, are largely matters internal to oil sands developers. However, the industry will also make a significant transition in 2017 – for the first time in over a decade, more money will be spent to operate oil sands projects than to build them, “op-ex” v. “cap-ex.” Socio-economic factors, such as the high cost of housing, transportation, quality-of-life amenities in Fort McMurray, the proliferation of work camp accommodations, and a fly-in/fly-out (FIFO) labour force, combine to increase costs to industry and to decrease the potential for provincial revenues. These factors must be brought under control.

**2. The oil sands work force must be stable following the transition from construction to operations in 2017.**

As the oil sands industry shifts its focus, it will seek permanent, full-time operations labour as opposed to temporary, trades-based construction labour. The industry itself has stated its preference, wherever possible, for its operational employees to live in the community. Making permanent residency more attractive will increase efficiency and lower costs, strengthen the social fabric of Fort McMurray, and ensure that a larger proportion of potential revenues are earned and retained in Alberta to benefit all Albertans.

**3. Urban growth and community development in Wood Buffalo must be responsive and responsible and contribute to quality-of-life.**

This principle is almost exclusively associated with the improved management of socio-economic impacts in Wood Buffalo, generally, and Fort McMurray, specifically; every section of this report is in some way engaged with urban growth and community development.

These principles provided the framework to examine a host of socio-economic issues that impede responsible oil sands development, impair the Regional Municipality’s ability to shift from a boomtown to a home town, and directly and indirectly reduce provincial revenues. Those issues were prioritized as a ‘top-eight list; other important issues also require attention but these are the most immediately important and must be addressed in the next eighteen months as operating expenditures (“op-ex”) surpass capital construction expenditures (“cap-ex”). That list is provided in Figure 2 on the next page.

The approach taken in this report also complements the efforts of the 2015 Royalty Review Panel. Determining the best course forward within its mandate is a complex undertaking and the Panel, to the government’s credit, is looking well beyond royalties as a mere financial calculation. The Panel’s Chair, Dave Mowat, observed that Alberta has had seven royalty reviews since the *Natural Resources Transfer*

Figure 2: Prioritized socio-economic top-eight issues ranking

Rank	Issue
1	Ineffectiveness of the Oil Sands Sustainable Development Secretariat in 2015.
2	Error prone population forecasting negatively affects planning.
3	The regional transportation network is inadequate to support public safety, responsible resource development, or urban and rural development.
4	Persistent impediments – Crown land valuation, land release, access, etc. – impair urban and rural development.
5	Large fly-in/fly-out (FIFO) labour force living in work camp accommodations.
6	Quality-of-life amenities, e.g., health care, education, post-secondary education, child care, police and emergency services, negatively affect recruitment and retention of oil sands employees.
7	New flood abatement requirements strain municipal resources.
8	Unilateral annexation of 20 townships cost the Regional Municipality \$2.5 billion in lost revenues.

*Act* conferred authority over oil and gas resources to Alberta in 1930.<sup>7</sup> In 2015, the Panel hopes to eliminate the need for frequent review by establish long-lasting principles that will guide hydrocarbon resource development in Alberta for decades. Understanding the interactions, then, between oil sands development and its host communities – identifying, measuring, monitoring and mitigating socio-economic impacts – is an important contributor to ensuring that future generations of Albertans benefit from responsible resource development. In that way, this report corresponds to the economic and strategic investigation of the Royalty Review Panel. That correspondence also demonstrates how, using outcome-based planning, different stakeholders can align their efforts to achieve shared strategic outcomes.

The steering committee and task force for this report took an outcome-based approach to addressing the issues listed above. That is, an outcome was articulated for each issue that would mean its elimination. One or more strategic actions were identified to achieve each outcome. In combination, the outcome and strategic actions represent a solution that promotes a collaborative response.

Outcome-based planning is effective because it acknowledges the authority and accountability of individual parties yet still encourages alignment among those parties. Individual organizations distinguished by their own mandates and discrete funding sources – in both the private and public sectors – can collaborate within their spheres of influence to achieve outcomes based on shared values. These values and aspirations should acknowledge economic, environmental, social and cultural aspirations – that complex of public opinion from which emerges ‘social licence.’ When the parties’ efforts are aligned, then unnecessary intergovernmental confusion and socio-cultural anxiety will be minimized, the competitive environment established, and the full potential of responsible oil sands development made possible. A failure to align the many interests will encourage zero-sum confrontations that weaken economic, environmental and socio-economic performance.

This shared commitment to alignment requires discipline, courage and integrity – what our ancestors called “grit” – to ensure that the provincial and municipal governments, oil sands industry and other stakeholders are accountable to one another and to future generations, and that they play their appropriate roles.

<sup>7</sup> Dave Mowat, Chamber of Commerce luncheon, 17 September 2015.

## Oil Sands Sustainable Development Secretariat

Rank	Issue
1	Ineffectiveness of the Oil Sands Sustainable Development Secretariat in 2015.

The Oil Sands Sustainable Development Secretariat was created in response to Recommendation 7(c) of the Radke report. In its first three years of existence, it was enormously successful. It shepherded the delivery of several transportation infrastructure projects, facilitated the servicing of new residential subdivisions, supported the creation of the Fort McMurray Airport Authority, laid the ground for the designation of the Urban Development Sub-Region, completed the AOSA CRISP, contributed to the delivery of the Lower Athabasca Regional Plan, developed *Responsible Actions*, the Province's strategic plan for the oil sands, and issued three annual updates. Its first ADM visited Fort McMurray to consult with stakeholders no less often than every two weeks.

A change in Secretariat leadership in 2010 led to a slow decline of the Secretariat's effectiveness. Since 2011, individual ministries have reverted to form, pursuing exclusive mandates with little apparent inter-ministry coordination, which results in competing objectives and confusion. The Secretariat does not seem to be supported within the institutions of government, no longer wields significant influence, and appears to have withdrawn from meaningful collaborative engagement with stakeholders in Wood Buffalo.

The gradual diminishment of the Secretariat has been a great disappointment to stakeholders and it is their belief that the catalogue of issues that follows would be shorter if the Secretariat still had the influence and resources it had when it was created. If stakeholders within Wood Buffalo, the undisputed engine of the provincial economy, could ask that the provincial government to fulfill only one of the outcomes in this report, it would be to restore the Oil Sands Secretariat to full strength or create a new agency with a similar mandate, and sufficient authority to coordinate the efforts of the provincial government in Alberta's oil sands. Numerous outcomes and strategic actions that follow should be the responsibility of the Oil Sands Secretariat or its equivalent.

### Oil Sands Sustainable Development Secretariat Outcome

The Government of Alberta has an effective coordinating agency to align the policy, planning activity and spending of government departments to ensure the responsible development of Alberta's oil sands resources, including but not limited to identifying, measuring, monitoring and recommending action to mitigate the socio-economic impacts of oil sands development.

#### Strategic action

Government of Alberta	<p>Restore the influence and resources of the Oil Sands Sustainable Development Secretariat to coordinate government activity in Wood Buffalo and other oil sands areas. Alternative: create an entirely new body with the same mandate and authority envisioned in this report.</p> <p>Structure the reporting relationship either directly to the Premier or to the President of Treasury Board and Minister of Finance to raise the Secretariat above a single departmental mandate.</p> <p>Hire its leader at the Deputy Minister level or equivalent.</p> <p>Consider hiring its leader from outside government to ensure a willingness to challenge the <i>status quo</i> in pursuit of government-wide strategic objectives.</p>
Regional Municipality	<p>Support the restoration of the Oil Sands Sustainable Development Secretariat or a similar body to coordinate government activity in the oil sands regions.</p>

Restore the Regional Municipality’s commitment to regular stakeholder engagement through a specific mechanism (see *Future Forward 2030*) that ensures community interests support Council decision-making and the alignment of stakeholders when dealing with the provincial government.

Oil sands industry/OSCA Support the restoration of the Oil Sands Sustainable Development Secretariat or a similar body to coordinate government activity in the oil sands regions.

For a more complete analysis, see pages 65 to 67 of the full report.

### Population forecasting

Rank	Issue
2	Error prone population forecasting negatively affects planning.

Unreliable population forecasts over the past 15 years have crippled, in particular, municipal planning for rapid population growth driven by oil sands production growth. The Radke report and the decision reports of several Joint Review Panels advocated for better forecasts. Instead, disputes about how to measure and predict population growth have more often substituted for meaningful action to address its impacts. Only in the past year has a consensus emerged that population forecasts should be based on production forecasts issued annually by the Canadian Association of Petroleum Producers (CAPP). The Government of Alberta, the Regional Municipality, the oil sands industry and regional stakeholders appear to agree, for the first time, on the inputs to a shared population forecasting model. This model should be the basis for most planning, including land release, urban and rural development, capital infrastructure, community and social development, and more.

**NOTE:** Statistics Canada does not recognize temporary residents, the so-called “shadow population,” in its count for Wood Buffalo. As a consequence, all of the Government of Canada’s calculations diverge widely from those of the Regional Municipality and the Province. The 2011 federal census counted 66,896 people in Wood Buffalo<sup>8</sup>; the *2012 Municipal Census* counted 119,496, or 79 percent more. People who live in other jurisdictions for ten weeks or less each year live in Wood Buffalo – and use its services – for the other 42 weeks or more.

### Population forecasting outcome

All stakeholders in the Athabasca oil sands area share and contribute toward the development of a single population forecasting model based upon CAPP’s annual oil sands production forecast and other shared inputs. The forecast is renewed annually and used by all stakeholders for planning purposes.

### Strategic actions

Government of Alberta	Adopt the consensus population forecasting model currently in development. Ensure it is used by all government departments. Contribute as required to its development.  Use the Oil Sands Sustainable Development Secretariat or its equivalent to coordinate provincial participation in the development and implementation of the population forecast model.
Regional Municipality	Adopt the consensus population forecasting model currently in development. Ensure it is used by all municipal departments. Contribute

<sup>8</sup> “2011 Census Profile: Wood Buffalo.” Statistics Canada.

as required to its development, particularly data collected and analyzed through the municipal census and long-term land development, transportation, and capital infrastructure plans.

Share associated information with community stakeholders, such as long-term land development, transportation (for example, deliberations underway at the Transportation Coordinating Committee), and capital infrastructure plans to support private sector participation in orderly urban and rural development.

Oil sands industry

Adopt the consensus population forecasting model currently in development. Contribute as required to its development, particularly data collected and analyzed through the annual CAPP production forecast.

Government of Canada

Adopt or adapt more appropriately the consensus population forecasting model in recognition that Wood Buffalo is Canada’s economic engine and provides employment opportunities to Canadians from coast-to-coast. Ensure it or its appropriate adaptation is used by all federal government departments.

For a more complete analysis, see pages 67 to 69 of the full report.

### Regional transportation network

Rank	Issue
3	The regional transportation network is inadequate to support public safety, responsible resource development, or urban and rural development.

Land and transportation have been the twin terrors of the Regional Municipality for more than a decade, reflected in the fact that development in Fort McMurray is more expensive than in any of Canada’s other major urban centres or comparable communities. Land is only developable if it is accessible; land release alone, without addressing access, is less than half a solution. The Radke report acknowledged deficiencies – and said industry was responsible to provide access to new resource plays – but did not definitively link urban and rural development potential to transportation infrastructure.

Still, the Government of Alberta has made tremendous progress on projects that include: Highway 63 twinning; the Grant MacEwan Bridge and Ralph Steinhauer Bridge renewal; highway interchanges at Thickwood Boulevard, Confederation Way and Parsons Creek; a unique agreement with the Regional Municipality to bridge finance and deliver improvements to Highways 63 and 69 in the Urban Service Area. Together, these projects have a value approaching \$2 billion.

But even that investment has not addressed all the critical issues. There is, still, only one road in and out of Fort McMurray, a liability thrown into high relief by the Slave Lake fire of 2011. Dangerous goods and large loads travel through the heart of Fort McMurray past 80,000 residents day and night. Up to 2 million barrels per day (bpd) of oil sands production is stranded on the east side of the Athabasca River because there is no reliable access to the resource, a road the Radke report recommended in 2006 was the oil sands industry’s responsibility. Urban development is still thwarted by constrained access. And there are 47 private airfields in the region.

At the same time, provincial funding for transportation appears to be exhausted. Innovative new approaches to the financing and delivery of transportation infrastructure – many of which have been studied by the AOSA Transportation Coordinating Committee (TCC) – have to be adopted if public safety is to be maintained, responsible development to grow, and urban development to proceed that will benefit all Albertans.

As clarity emerges through the work of the TCC and others, the Province, the Regional Municipality and the oil sands industry must collaborate and make the necessary commitments that: 1) enable necessary planning work to be completed, and 2) support the creation of innovative funding and delivery programs that improve the regional transportation network consistent with the work of David Dodge as special advisor to the provincial government.

### Regional transportation network outcome

The transportation network in the region of Wood Buffalo is sufficient to ensure public safety, accommodate population growth and urban development. The potential for alternative financing and delivery mechanisms to enable the planning, design, funding, construction and operation of transportation infrastructure assets is maximized.

The Fort McMurray Airport Authority is able to manage all the passenger and cargo traffic associated with being the host of the largest industrial project in the world and Canada's busiest regional airport. Air traffic throughout the region is safe.

### Strategic actions

#### Government of Alberta

Fund and support the work of the AOSA Transportation Coordinating Committee (TCC) to prioritize transportation infrastructure projects that ensure public safety, necessary network redundancy, responsible resource development, and timely urban and rural development, including air traffic.

Formally endorse the prioritization work of the TCC, especially the importance of the East Corridor Multi-User Access Road (ECMUAR).

Support TCC's work to advance alternative financing and delivery mechanisms. Use the Oil Sands Sustainable Development Secretariat or its equivalent to coordinate provincial participation in the planning and development of transportation alternatives in Wood Buffalo.

Commit sufficient funding to complete early engineering studies and other necessary planning work for prioritized transportation infrastructure projects in advance of full project funding being committed by Treasury Board.

Deliver transportation infrastructure that supports development in North Parsons Creek and the Saline Creek Plateau, such as the Parsons Creek interchange, Saline Creek Parkway, and, in the future, the UDSR, such as ECMUAR, Highway 686, *etc.*

Review capital plans for the next three to five years to optimize the potential to resume work on improvements to Highway 881.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to use future land release and land development plans to guide transportation infrastructure decisions, and *vice-versa*, on behalf of the different departments involved.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to resume negotiations with the Oil Sands Community Alliance to determine how best to accommodate industry's proposal to bridge finance and deliver strategic transportation infrastructure projects.

Identify and support transportation projects that shorten commute times.

Regional Municipality	<p>Renew investigations to determine a cost-effective means to get rail to oil sands plant sites to transport freight, bitumen, sulphur, petroleum coke, silica sand and other products to and from the Athabasca oil sands area.</p> <p>Match the \$25 million funding contributions of the Regional Municipality and the Government of Canada to the Fort McMurray Airport Authority.</p> <p>Fund and support the work of the TCC to prioritize transportation infrastructure projects that ensure public safety, including those associated with air traffic.</p> <p>Formally endorse the prioritization work of the AOSA Transportation Coordinating Committee, especially the importance of the ECMUAR.</p> <p>Support TCC’s work to advance alternative financing and delivery mechanisms.</p> <p>Share information and data developed by the TCC with community stakeholders to support private sector participation in orderly urban and rural development.</p> <p>Determine the viability of further land release on the Saline Creek Plateau by identifying costs associated with the Saline Creek Parkway and the ability of the Regional Municipality and development industry to absorb those costs.</p>
Oil sands industry	<p>Review the industry’s 2012 “Accelerated Highway Development Proposal” to determine if it can proceed under current economic conditions and what would be required to support its implementation.</p>

For a more complete analysis, see pages 69 to 76 of the full report.

### Urban and rural development

Rank	Issue
4	Persistent impediments – Crown land valuation, land release, access, <i>etc.</i> – impair urban and rural development.

The largest suite of issues in this report – as it was for the Radke report – is related to Crown land valuation, land release, and urban and rural development, including residential, commercial and industrial development. In aggregate, these issues dramatically illustrate the Province’s historic failure over 20 years to effectively manage the Crown lands it controls exclusively. Their proxy is housing: aside from Vancouver, Fort McMurray has the highest priced homes in Canada, a fact that has increased the cost of oil sands development, caused capital to be sunk into expensive work camp accommodations and a fly-in/fly-out labour force, discouraged local economic development and diversification, reduced Alberta’s competitiveness as a manufacturing base, and caused tremendous anxiety among residents of Canada’s most volatile, most expensive real estate market. The provincial government has failed to acknowledge that its own inaction has unbalanced supply and demand, with the result that development of all types is very expensive.

The Province designated 55,000 acres in 2013 as the Urban Development Sub-Region (UDSR), a landmark commitment, and sufficient land has been immediately identified for release to accommodate up to 40,000 new residents. But other issues persist that still make land and development very expensive. The Auditor General noted in 2005 that the Province had no clear objective for land release; the overall

vision to guide decision-making in this area is still absent. It remains important to receive a fair price for Crown land, a public asset; but a “fair price” must support desired development outcomes.

Other challenges include:

- heavy industry is closing in on Fort McMurray, necessitating a choice between land uses;
- the Urban Service Area expansion has been delayed;
- a lack of provisions that acknowledge the unique challenges of urban development within the boreal forest; and
- a lack of developable land in Wood Buffalo’s rural areas, especially near Conklin, which undermines the Regional Municipality’s municipal planning authority.

### Urban and rural development outcome

Provincial Crown land has been identified and prepared for timely release according to population forecasts and urban and rural development plans that include transportation access, serviceability, economic growth and diversification, price competitiveness and other relevant factors. The Province has defined objectives for land release that encourage residential, commercial and industrial development and enable market forces to stabilize development costs.

Sufficient separation between residential communities and heavy industrial uses is mandated by provincial policy and municipal bylaw to ensure public health and safety and to minimize disturbances associated with industrial traffic, odour, and noise.

### Strategic actions

Government of Alberta

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to immediately review the Crown land sale process. Identify, as recommended in the Auditor General’s report of 2005, the “objectives and approach to selling land in [Wood Buffalo]”<sup>9</sup> and adopt a cross-government strategic policy that enables market forces to stabilize development costs.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to ensure the actions of government departments, such as Environment and Parks, Infrastructure and Transportation, and Municipal Affairs are coordinated to support urban and rural development.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to renew efforts to apply a Consultative Notation to surround the Fort McMurray Urban Service Area and the UDSR.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to clarify the effect of the Protective Notation obtained by CN and reconcile the same with the Regional Municipality’s urban development plans.

Immediately renew efforts to expand the Fort McMurray Urban Service Area to include the airport lands and other lands included in the Southgate Area Structure Plan as requested by the Regional Municipality.

As long as there is a demonstrated need for gap and social housing, ensure the Wood Buffalo Housing & Development Corporation continues to

<sup>9</sup> Report of the Auditor General on Alberta Social Housing Corporation—Land Sales Systems, page 21.

receive land in all new residential developments dedicated to affordable single-family and multi-family housing.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to resolve outstanding issues to support expanded commercial retail and industrial development. Work with the Regional Municipality to resolve challenges related to access, zoning, design standards, concurrent development, property taxes, *etc.*

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to work with the Regional Municipality to develop a land release strategy for the Rural Service Area of Wood Buffalo.

Charge the Oil Sands Sustainable Development Secretariat or its equivalent to develop a muskeg disposal strategy in consultation with the Regional Municipality, land developers and other stakeholders.

Regional Municipality

Work with the Province and oil sands developers to develop a prioritized list of parcels of Crown land for urban and rural development.

Work with the Province to determine appropriate criteria for the Consultative Notation and adopt a corresponding land use bylaw.

Immediately renew efforts to fulfill the Province’s requirements to expand the Urban Service Area to include the airport lands and other lands included in the Southgate Area Structure Plan.

Adopt best practices to support residential, commercial and industrial development across the Region – access, density, design standards, parking, *etc.* – and work with regional stakeholders to identify those best practices.

Work with the Province to develop a muskeg disposal strategy in consultation with developers and other regional stakeholders.

For a more complete analysis, see pages 76 to 91 of the full report.

**Fly-in/fly-out labour force and work camp accommodations**

Rank	Issue
5	Large fly-in/fly-out (FIFO) labour force living in work camp accommodations.

The fly-in/fly-out (FIFO) labour force was less than 25 percent in 2006 what it was in 2011 and so did not register in the Radke report. The FIFO labour force does, however, have a significant impact on provincial revenues and on the Regional Municipality’s ability to manage its own growth.

Between 2000 and 2005, 80 percent of the new residents to Wood Buffalo settled in Fort McMurray; work camp accommodations accounted for only 20 percent of growth. Between 2006 and 2012, those figures were nearly reversed: work camps accounted for 70 percent of population growth and Fort McMurray for only 30 percent. In the 12 year period from 2000 to 2012, the work camp population grew from 5,903 to 39,271, a more than six-fold increase. It is equivalent to Alberta’s ninth largest municipality, smaller only than Calgary, Edmonton, Red Deer, Lethbridge, Fort McMurray proper, Medicine Hat, St. Albert, Grande Prairie and Airdrie. Some individual camps have more than 8,000 residents. The Regional Municipality provides emergency services within its borders but, until fairly recently, it did not even have a good idea where all work camps were located, or how many residents each

had. In 2011, municipal staff found 21 camps operating in violation of or without a provincial lease. In addition, many work camps purchase potable water from Fort McMurray's water treatment plant and dispose of sewage and solid waste at municipal facilities. The FIFO labour force casts a long shadow.

There is also a clear link between FIFO population growth and housing prices. The average price of a single family detached home in Fort McMurray increased 70 percent between 2002 and 2005, rising from \$248,627 to \$420,540. That was the same year that saw the movement away from permanent residency in Fort McMurray to FIFO labour begin. The trend lines between work camp population and housing prices are remarkably similar. The cost of buying a home in Fort McMurray is not the sole reason for the dramatic increase in work camp population but, in the years that its housing prices took off, it cannot be denied that 'staying home' and choosing FIFO employment – especially when employers covered all costs – became a much more attractive option to many than relocating and assuming significant new mortgage debt, even at oil sands wages. As they seek to control costs, however, oil sands developers have begun to realize that FIFO labour is not sustainable. Many developers are trying to withdraw the incentives for FIFO labour – or at least to source more labour in western Canada – and to restore incentives for workers to live permanently in Fort McMurray. Still others are reassigning employees – including residents of Fort McMurray – to Calgary as a lower cost alternative.

The transition from cap-ex to op-ex also emphasizes the need for a stable, permanent workforce. Turnover over of 40 percent or more, not uncommon during construction, creates unsafe working conditions in a facility as complex as an oil sands plant. Oil sands development requires more labour stability.

Finally, conservative estimates suggest FIFO workers pay between \$200 and \$300 million in income taxes every year in other jurisdictions. When that figure is combined with lowered profits due to FIFO labour associated write-offs, and economic leakage associated with wages being spent in other provinces, it is clear that the government is foregoing hundreds of millions of dollars of potential revenues every year due to its unexamined tolerance for work camps and FIFO labour.

### FIFO labour force and work camp accommodations outcome

Work camp accommodations in Wood Buffalo provide accommodations only when strictly required. Operational employees take up permanent residency in Wood Buffalo wherever practical.

### Strategic actions

Government of Alberta	<p>Charge the Oil Sands Sustainable Development Secretariat or its equivalent to confirm and refine provincial objectives with respect to the use and consolidation of work camp accommodations in nodes.</p> <p>Engage with the oil sands industry and other stakeholders to assess how best to manage work camp accommodations.</p> <p>Ensure that the Regional Municipality is notified of all Miscellaneous Land Leases issued within the Wood Buffalo region.</p> <p>Take sufficient precautions, including the installation of temporary traffic control measures, to ensure the safe movement of mobile workers in and out of camp accommodations and on to provincial highways.</p> <p>Charge the Oil Sands Sustainable Development Secretariat or its equivalent to initiate an economic impact study to determine the lost income taxes, work camp accommodations costs, recruitment costs and more associated with oil sands employees who reside outside Alberta.</p> <p>Charge the Oil Sands Sustainable Development Secretariat or its equivalent to work with oil sands companies to determine how much is spent to build,</p>
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	operate and/or provide incentives to employees to live in, work camp accommodations.
Regional Municipality	<p>Monitor work camp accommodations and share relevant information with the Province to ensure compliance with permitting and licensing conditions.</p> <p>Formalize agreements with work camp accommodations operators to ensure appropriate water, wastewater and solid waste management practices are employed, and that the Regional Municipality is able to deliver emergency services as required.</p>
Oil sands industry	<p>Encourage operational employees to the greatest extent possible to take up permanent residency within Wood Buffalo.</p> <p>Undertake a cost-benefit analysis of work camp accommodations – camp capital costs, transportation, operations, corresponding incentives, and employee turnover – compared to the potential benefit of participating in the delivery of transportation infrastructure and other mitigating strategies.</p>

For a more complete analysis, see pages 92 to 98 of the full report.

### Quality-of-life amenities in Fort McMurray

Rank	Issue
6	Quality-of-life amenities, e.g., health care, education, post-secondary education, child care, police and emergency services, negatively affect recruitment and retention of oil sands employees.

The Radke report identified a number of gaps in 2006 related to “quality-of-life” issues, namely health care, education, policing and recreation and culture, three of which are areas of provincial responsibility. Excellent services make a community more attractive to prospective residents. Given the population growth anticipated for Wood Buffalo, especially as oil sands developments transition from capital construction to operations, the community must be able to provide these services on par with other Alberta communities.

#### Health care

Nearly all the health care related recommendations in the Radke report have been fulfilled, amounting to almost \$300 million in capital investment and program enhancements. One very notable exception remains.

The saga of Fort McMurray’s long-term and continuing care centre has entered its eighth year. It has passed through the hands of five premiers, a dozen health, seniors and infrastructure ministers, and been proposed for three different sites but, to date, nothing more than site preparation has occurred. Thirty to forty patients continue to occupy acute care beds in the hospital that are not appropriate for their care and limit the availability of acute care services to the community.

Population growth and demographic changes continue to strain health services. The Northern Lights Regional Health Centre (NLRHC) estimates it delivers 120 live births each month, so the birth rate is much higher than it was a decade ago. Health care worker recruitment continues to be a challenge, particularly for physician specialties, sonography/ultrasound and allied health. As a consequence, many services are provided by part-time specialists that fly into the community on a regular basis but do not entirely meet the needs of the community. The strategic priorities of the NLRHC reflect population growth and recruitment challenges. The capital demands are not unusual and should be addressed within

the normal budgeting process of Alberta Health Services; no special purpose capital funding requirements have been identified.

### Health care outcome

Health care services in Wood Buffalo meet the needs of permanent and temporary residents and respond to demographic trends in a timely basis. Health care services are comparable to other Alberta communities of similar size, with further consideration for Fort McMurray’s relative isolation and the role of the Northern Lights Regional Health Centre as the primary acute care hospital in northeastern Alberta.

### Strategic actions

Government of Alberta	Through Alberta Health Services, provide the necessary supports to deliver the “2015-18 North Zone Operational Plan.”
	Resolve the outstanding issues associated with the long-term and continuing care centre and begin construction at the selected site as soon as possible.
Regional Municipality	Broker a partnership among the Regional Municipality, Northern Lights Regional Health Centre, Fort McMurray’s Public and Catholic school divisions, oil sands developers and Wood Buffalo Housing & Development Corporation to articulate a recruitment and retention strategy for all sectors.

For a more complete analysis, see pages 98 to 101 of the full report.

### Education

The Radke report focused on service standards and the capital infrastructure required to achieve them. Those commitments have been fulfilled and, at least from a capacity standpoint, both the Fort McMurray Public and Catholic school divisions are able to accommodate current students and have new capacity to manage student enrollment growth.

The bigger challenge facing schools a decade after the Radke report arises due to disproportionate ethnic diversity. Fort McMurray students speak over 70 different languages and English as a Second Language programs are sorely lacking. Mental health services, for children and families, are also lacking. The volatility of a commodity-based economy introduces stress into households that may already have more than their share trying to adapt to a new country.

Recruitment of specialty teachers – mathematics and mechanics – remains a challenge. School superintendents believe strengthened partnerships among Alberta’s post-secondary institutions to deliver degree programs at Keyano College would be beneficial.

Capital construction and maintenance costs are much higher in Fort McMurray than elsewhere in Alberta. Just as a failure to count the shadow population imperils certain services, failure to account for ‘the Fort McMurray factor,’ which typically adds 30 percent to the costs of construction and maintenance, imperils the physical plants for both boards.

Finally, school boards still hope for stable, predictable funding that would support long-term planning and service delivery, rather than year-to-year variances that disrupt programming.

### Education outcome

Education funding and other supports in Wood Buffalo are sufficient to maintain a thriving primary and secondary education system, including adequate student supports, teacher resources and capital programs.

### Strategic actions

Government of Alberta	<p>Assess levels of support required for English as a Second Language programming plus additional supports to help newcomers to Canada to acculturate more effectively.</p> <p>Support a dialogue between the school divisions and Alberta Health Services to ensure adequate child and family mental health services are available in Wood Buffalo.</p> <p>Within the Campus Alberta model – and perhaps associated with the Northern Alberta Development Council Northern Student Teacher Bursary Program – explore practical methods to increase the training and retention of specialty subject teachers in Wood Buffalo and all of northern Alberta.</p> <p>Determine how to introduce a ‘Fort McMurray factor’ into Infrastructure Maintenance and Renewal funds to ensure education facilities are adequately maintained in order to avoid more costly repairs resulting from deferred maintenance.</p>
Regional Municipality	<p>Broker a partnership among the Regional Municipality, Northern Lights Regional Health Centre, Fort McMurray’s public and Catholic school divisions, oil sands developers and Wood Buffalo Housing &amp; Development Corporation to articulate a recruitment and retention strategy for public sector employees.</p>

For a more complete analysis, see pages 101 to 103 of the full report.

### Post-secondary education

The Radke report was largely silent on the subject of post-secondary education.

Fort McMurray’s Keyano College is a comprehensive community institution with stewardship responsibility for the northeast region of Alberta. It provides access to a range of post-secondary programs, many of which have been encouraged, if not directly financially supported, by the oil sands industry and other community partners.

Regional colleges require significant stakeholder support to successfully deliver programs; in that sense, they differ from institutions in Alberta’s two largest urban centres. Post-secondary institutions, unlike industry, cannot respond quickly to changing economic circumstances. A college cannot ‘lay off’ students if the economic climate changes. It is obligated to see students through to the completion of a program from the moment they register, regardless of the cost of delivering that program or emerging circumstances that might make it more difficult.

A new initiative called the Northern Collaboration Agreement – which includes the University of Alberta, Northern Alberta Institute of Technology, Athabasca University, Keyano College, Grande Prairie Regional College, Portage College and Northern Lights College – under the Campus Alberta model has been received warmly and there are hopes it will lead to improvements in post-secondary programming across northern Alberta by enabling regional institutions to broker university programs through satellite operations supported with new communications technology.

Post-secondary institutions, just like K-12 school boards, rely on predictable and sustainable funding to support long-term planning and service delivery, rather than unknown year-to-year variances that disrupt planning and programming efforts.

### Post-secondary education outcome

Sustainable post-secondary education funding and other supports for regional post-secondary institutions are sufficient to maintain a thriving post-secondary education program mix, including program development and delivery, facility maintenance and long-term planning; whenever appropriate,

collaboration to facilitate efficient operation and effective delivery is encouraged to improve access and program delivery across urban, rural and Aboriginal communities across northern Alberta.

### Strategic actions

Government of Alberta	Support and provide sufficient resources to the Northern Collaboration Agreement as a pilot project within Campus Alberta for the purpose of improving access as well as the efficient and effective delivery of programs and services to urban, rural and Aboriginal communities across northern Alberta.
Regional Municipality	Broker a partnership among the Regional Municipality, Northern Lights Regional Health Centre, Fort McMurray's public and Catholic school divisions, oil sands developers and Wood Buffalo Housing & Development Corporation to articulate a recruitment and retention strategy for public sector employees.

For a more complete analysis, see pages 103 to 104 of the full report.

### Child care and child advocacy

The serious lack of child care in Fort McMurray is one of the issues outstanding from the Radke report. There are only three accredited and licensed day care facilities in Fort McMurray, all of which are full and have waiting lists. The Fort McMurray Boys and Girls Club says it turns away parents seeking day care at the rate of two per day. There are currently 6,000 children ages six or under in Fort McMurray and its birth rate of 120 per month adds nearly 1,500 newborns every year. There is no accredited day care south of the Athabasca River.

Child abuse and child sexual assault are among the few areas in which the crime rate is on the rise. Between 2010 and 2013, reported incidents increased 189 percent. Fort McMurray has no dedicated facility – in fact, only three exist in Alberta: Calgary's Sheldon Kennedy Centre, Edmonton's Zebra Centre, and Grande Prairie's Caribou Centre – to meet the very particular needs of children subjected to physical or sexual assault. Law enforcement agencies strongly assert that dedicated facilities lead to greater success in such difficult cases.

The RCMP Wood Buffalo Detachment is spearheading a multi-stakeholder initiative including the Regional Municipality, Alberta Health Services, Fort McMurray Boys and Girls Club, and the Wood Buffalo Housing & Development Corporation (WBHDC) to renovate an existing vacant building on Crown land and to have the associated land transferred to WBHDC to operate a combined accredited child care facility and child advocacy centre in Fort McMurray. A further opportunity exists for redevelopment of the adjacent lands for affordable housing.

### Child care and child advocacy outcome

Fort McMurray has sufficient child care facilities to meet the demonstrated need. It also has a child advocacy centre to facilitate best-practice management of child physical and sexual assault cases.

### Strategic actions

Government of Alberta	Transfer title of the former Youth Assessment Centre and affiliated lands to the Wood Buffalo Housing & Development Corporation for redevelopment as a joint child care and child advocacy centre.
Regional Municipality	Continue to provide advocacy and in-kind support to the child care and child advocacy project.

For a more complete analysis, see pages 104 to 105 of the full report.

## Police

The Radke report made three recommendations with respect to policing in Wood Buffalo, all of which have been fulfilled. The first was to implement wage supports to enhance recruitment and retention. The second was to strengthen drug enforcement capacity; the Alberta Law Enforcement Response Teams now administer a province-wide program. Third, it recommended new capital infrastructure projects that have since been built. It made no recommendations concerning other emergency services.

Issues arise due to Wood Buffalo's geography and population growth that still must be addressed. The Regional Municipality is exceptional among Alberta municipalities in that it is responsible for police services in the Fort McMurray Urban Service Area through a contract with the RCMP but all policing in the rural area is provided by officers under contract with the Province. Integration of two branches of the same service can be challenging. The Regional Municipality is responsible for all other emergency services – fire, rescue, emergency medical services, and dangerous goods response – which are integrated and operated as regional services.

Nearly 30 percent of the Regional Municipality's population, about 40,000 people, lived in work camp accommodations in 2012. As a federal agency, the RCMP uses Statistics Canada data to allocate resources, and Statistics Canada's population count is significantly lower because it does not acknowledge the "shadow population." The discrepancy is particularly acute in a community like Conklin, which, according to the 2012 *Municipal Census*, had a population of 318. It is possible, however, that at full capacity, the work camps in close proximity to Conklin account for another 20,000 people. Though these may not be permanent residents, they are present, and increase the requirement for police and other emergency services. A similar situation, less severe, exists in Janvier, Fort Mackay and Anzac.

There is some interest in the creation of a municipal police force to better integrate all emergency services – police, fire and emergency medical. The size and remoteness of the Wood Buffalo region also favour a Fort McMurray-based dispatch service for emergency medical services for reasons that include quality of service, and recruitment and retention of highly sought-after personnel.

## Police outcome

The police service provides exemplary service to permanent and work camp residents across the Wood Buffalo region.

## Strategic actions

Government of Alberta	<p>Lobby the federal government for additional funding to increase the number of officers available to provide appropriate police services in recognition of the impact of the work camp population.</p> <p>Acknowledge the unique requirements related to Wood Buffalo's size and geography, as well as the successful integration of the Regional Municipality's fire and emergency medical services, and support the Regional Municipality's pursuit of a fee-for-service contract with Alberta Health Services to maintain or improve its present service levels.</p>
Government of Canada	Acknowledge the presence and impact of the work camp population and fund RCMP resources accordingly.
Regional Municipality	<p>Broker a partnership among the Regional Municipality, Northern Lights Regional Health Centre, Fort McMurray's public and Catholic school divisions, oil sands developers and Wood Buffalo Housing &amp; Development Corporation to articulate a recruitment and retention strategy for public sector employees.</p> <p>Determine its interest in a municipal police force.</p>

For a more complete analysis, see pages 105 to 107 of the full report.

### Fire and emergency medical services

The Regional Municipality is responsible for all other emergency services – fire, rescue, emergency medical services, and dangerous goods response – which are integrated and operated as regional services.

The Regional Municipality has like Red Deer and Lethbridge, reached an agreement with Alberta Health Services (AHS) that will enable it to maintain the integrated dispatch service it has operated under contract since 2008. AHS had wanted to transfer the dispatch service to Peace River. The Regional Municipality has reached an agreement with AHS to maintain its dispatch services in Wood Buffalo and has been negotiating a new fee-for-service contract for eighteen months. The contract is unchanged since 2008, when the population was 103,334; the 2012 Municipal Census counted 119,496 residents, a 17 percent increase. Call volume has increased proportionately. Wood Buffalo’s dispatch service will also provide system redundancy to Red Deer and Lethbridge.

### Fire and emergency medical services outcome

Municipal emergency services – fire, fire, rescue, emergency medical services, and dangerous goods response – are able to provide exemplary service in a manner that recognizes Wood Buffalo’s unique geography and population distribution, including work camp accommodations.

### Recommendations

Alberta Health Services	Execute the fee-for-service contract with the Regional Municipality to provide an integrated dispatch service in Wood Buffalo. Include a premium that acknowledges population growth, work camp accommodations, and the system redundancy that also guarantees no loss of service in Lethbridge and Red Deer.
Government of Alberta	Acknowledge the unique requirements related to Wood Buffalo’s size and geography, as well as the successful integration of the Regional Municipality’s fire and emergency medical services, and support the Regional Municipality’s pursuit of a fee-for-service contract with Alberta Health Services to maintain or improve its present service levels.
Regional Municipality	Determine a suitable growth and redundancy premium for integrated dispatch services.

For a more complete analysis, see pages 107 to 108 of the full report.

### Flood abatement

Rank	Issue
7	New flood abatement requirements strain municipal resources.

2013 was the worst summer for flooding in Alberta history and began in Fort McMurray. The Province quickly announced disaster recovery funding and other compensation for the affected communities and then moved to impose new regulations to protect against future flood damage, limit liability, prohibit development in high-risk areas and support relocation.

Fort McMurray had already planned a flood mitigation dike as part of the construction of the Prairie Loop Road that would provide 1:40 year flood protection. The new provincial requirement of 1:100 year flood protection requires raising the dyke two metres and considerable additional expense – somewhere between \$50 and \$100 million based on engineering studies yet to be completed. This has not been

budgeted in the Regional Municipality’s capital plans. The Province committed at least \$1 billion to flood mitigation measures in southern Alberta. To date, the Regional Municipality has received no special funding from the Province to support flood abatement in the flood protection area.

**Flood abatement outcome**

The Regional Municipality has implemented appropriate 1:100 flood abatement measures with Government of Alberta funding support that is commensurate with flood abatement funding provided to other Alberta communities.

**Strategic actions**

Government of Alberta      Provide sufficient funding to the Regional Municipality to complete its flood abatement engineering studies and to implement the recommended preventative measures.

For a more complete analysis, see pages 108 to 109 of the full report.

**Unilateral land transfer unresolved**

Rank	Issue
8	Unilateral annexation of 20 townships cost the Regional Municipality \$2.5 billion in lost revenues.

The City of Cold Lake twice applied before 2010 to the Government of Alberta to be dissolved due to persistent fiscal challenges. The Province did not accept Cold Lake’s application for dissolution. Instead, it began to explore other revenue enhancing alternatives.

In 2011, the Province proposed amalgamating the Cold Lake Air Weapons Range (CLAWR) with the 20 southernmost townships of the Regional Municipality to create a new Improvement District and to consolidate rural non-residential tax revenues (read: oil and gas development, linear taxes), then about \$17 million annually, and dividing them on an ‘as-needed’ basis between Cold Lake, Lac La Biche, the Regional Municipality of Wood Buffalo, and Bonnyville.

Based on the Regional Municipality’s tax assessment rates, the project expansion schedule, and the proposed lifetime of each project, the Regional Municipality estimated annual revenues from these 20 townships alone would grow from \$10 million per year up to \$60 million, with lifetime revenues of \$2.5 billion. The Regional Municipality understood that it would sacrifice its revenue share in the short-term but also that it would share in future revenue growth.

Instead, the Province transferred 16 of the 20 townships, containing all the SAGD projects formerly in Wood Buffalo, to Lac La Biche County. The Province created Improvement District 349 by combining the CLAWR and the remaining four townships annexed from the Regional Municipality. The government’s authority to share revenues derived from Improvement District 349 is contained in Alberta Regulation 47/2012 of the *Municipal Government Act* and was first adopted in 2012. The revenues generated in Improvement District 349 so far appear to have been assigned only to the City of Cold Lake.

The Province effectively took \$2.5 billion in tax revenues from the Regional Municipality without compensation. The Regional Municipality has not shared in any of the revenues associated with those territories once within its jurisdiction, nor in revenues generated in the new Improvement District 349.

**Land transfer outcome**

The Regional Municipality has received appropriate consideration and compensation from the Government of Alberta for its southernmost 20 townships that also enable the City of Cold Lake and Lac La Biche County to manage their own oil sands- related growth issues.

## Strategic actions

### Government of Alberta

Determine the most appropriate means to compensate the Regional Municipality of Wood Buffalo for the unilateral annexation of 20 of its townships and corresponding revenue losses of approximately \$2.5 billion. Potential solutions could include:

- repeal Order in Council 418/2011 and expand Improvement District 349 to include those lands transferred to Lac La Biche County as originally planned, and determine a revenue sharing agreement among the four local governments first engaged in negotiations in 2011;
- consideration for the transfer of UDSR lands to the Regional Municipality at no cost to enable it to recover its lost property tax revenues through land sales; or
- some other mechanism to be determined in negotiations between the Government of Alberta and the Regional Municipality.

For a more complete analysis, see pages 109 to 112 of the full report.

Other issues that also require attention include, but are not limited to, the following.

- There are currently no institutionalized means to identify, measure, monitor and mitigate the socio-economic impacts of oil sands development except through the completion of an Environmental Impact Assessment as part of an oil sands project application. Joint Review Panels have acknowledged since 2006 that the process is inadequate to the task. The Radke report, too, noted there was “a serious gap in capacity for current Ministry staff to review existing environmental impact assessments (EIAs), identify and address potential environmental and social impacts, and follow up on actual impacts associated with these proposals” (128). Consequently, the Regional Municipality negotiates Memoranda of Understanding with oil sands developers but Joint Review Panels have advised they cannot include MOUs as part of a project’s approval conditions.
- The Radke report singled out child care for special attention, which continues to be a challenge, especially for households with two working parents, one or more of whom work the 12-hour oil sands shift and commute to and from the worksite. Indications are that child care space is still insufficient and the high rental rates in Fort McMurray make it difficult for potential operators to find appropriate space.
- The Radke report also noted the need for family violence prevention programs and addictions support services. The author of this report did not research the adequacy of these services at this time.
- The social services and non-profit sector continues to suffer in Wood Buffalo due to the high cost of doing business. Certain services are not available to meet the need. Others cannot obtain appropriate space from which to operate.
- The federal government, though the largest beneficiary of oil sands generated revenues, has so far failed to participate in any meaningful way with special purpose funding commitments that compare to those of the Government of Alberta.

- Rural development in Wood Buffalo’s hamlets is a complex interrelationship of oil sands development growth, work camp proliferation, Métis communities and community benefit agreements, municipal service provision, and municipal authority that is still poorly understood and that leads to conflict between the Province, the Regional Municipality and oil sands developers, who have negotiated community benefit agreements. These interactions need to be better understood.
- A host of issues related to municipal property taxes persists, including: the oil sands industry’s resentment over large property tax hikes beginning in 2006; the Regional Municipality’s concern for non-residential taxpayers, like grocery stores and gas stations, in its hamlets that pay ‘oil sands’ rates; the risk of tax increases to rural residential taxpayers if hamlets are designated “urban service areas,” and more.
- The property tax payment schedule shifts a disproportionate burden on producing oil sands developers; projects under construction pay zero property tax until they produce ‘first oil.’
- Royalty payments are deferred until a company’s debt is retired, meaning the Province derives no revenue from oil sands developers to help mitigate socio-economic impacts until long after those impacts have declined from their highest levels.
- Changes to the federal Temporary Foreign Worker program continue to affect employers in Wood Buffalo, which is a very constrained labour market.

All of the above issues, prioritized at a lower level by the sponsor organizations because they are “important but not urgent” in the sense that they do not need to be resolved in the next 18 months could be better addressed by the restoration of the Oil Sands Sustainable Development Secretariat to its previous authority and capacity.



Protecting the Investment in Our Future

