



December 3, 2010

Dear Landowner/Ratepayer:

As you are probably aware, the Town of Drayton Valley has a request before the Municipal Government Board to annex approximately 69 quarter sections of land from Brazeau County. The Town and the County have now reached an agreement which, if approved, will see the Town annex approximately 21 quarter sections, with an additional seven quarters to be annexed at a later date. The areas involved are marked on the attached map.

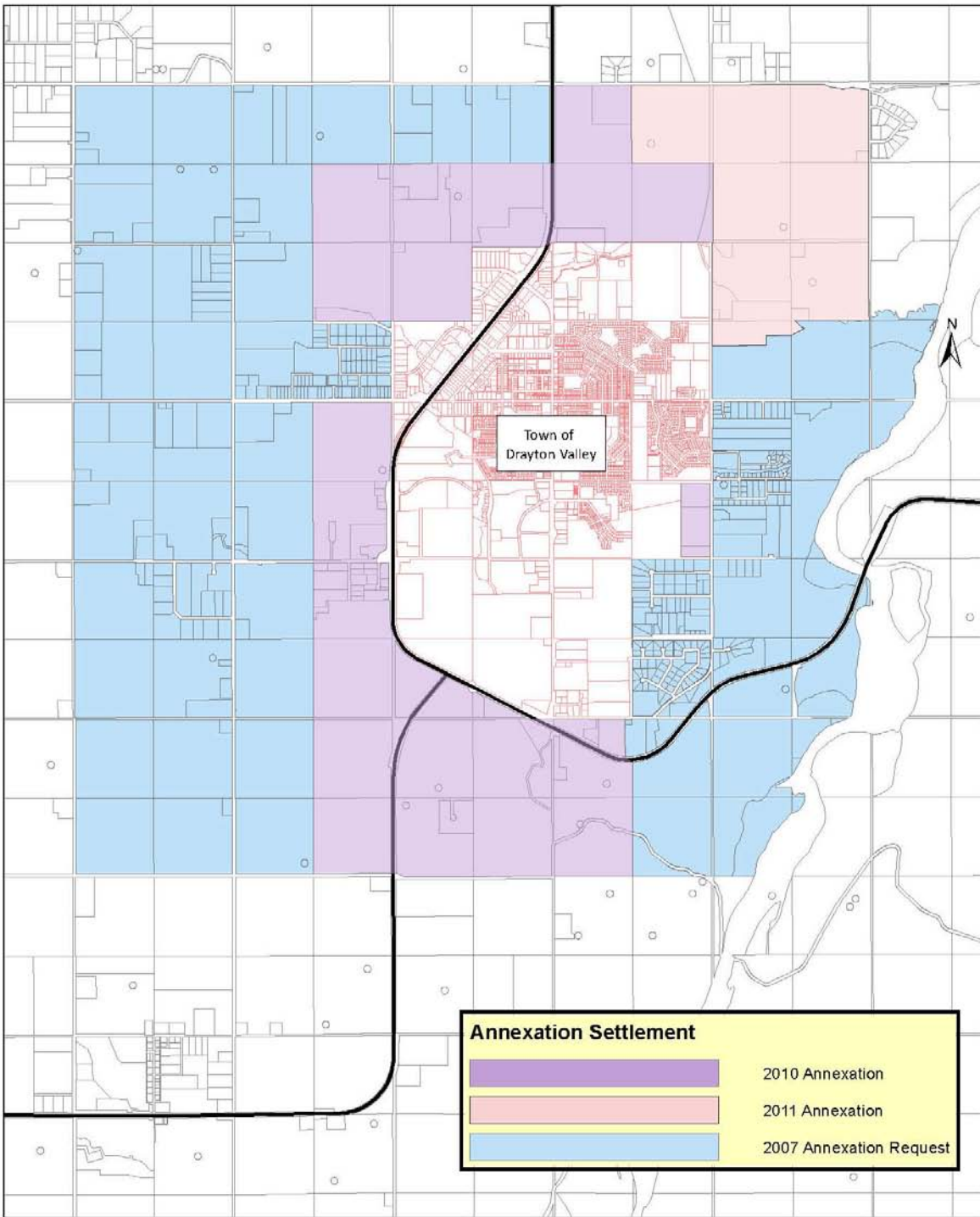
The Town and the County both firmly believe that this agreement, which will allow the Town to grow and which addresses potential impacts on the County and its residents, is in the best interests of both municipalities. Summaries of information provided to the Municipal Government Board by the Town's consultants are enclosed. Full details of the agreement can be found by visiting either the Town or County website (draytonvalley.ca or brazeau.ab.ca) or at the Town or County office.

The proposed agreement will be considered by the Municipal Government Board at a public hearing set for December 16 at the MacKenzie Conference Centre in Drayton Valley, commencing at 9:30 a.m. This is an opportunity for public input on the agreement. For more information please contact

Graham Long
Town of Drayton Valley
780-514-2561
info@draytonvalley.ca

Ron McCullough
Brazeau County
780-542-7777
rmccullough@brazeau.ab.ca

Annexation Settlement



**SUMMARY OF EVIDENCE AND PRELIMINARY COMMENTS ON “PHASE 2”
ANNEXATION - MACKENZIE ASSOCIATES CONSULTING GROUP (“MACGL”)**

A. General

1. MACGL is the land use planning and development expert for the Town of Drayton Valley (the “Town”).
2. The proposed Phase 1 Annexation and Phase 2 Annexation areas are as set out on the attached map.

B. Comments on Phase 1 Annexation

1. Currently there is a shortage of industrial/ commercial land within the Town.
2. The Phase 1 Annexation area addresses the Town’s need for additional industrial/commercial land.
3. As shown on Figures 9-S of the MACGL Land Use Planning Report – Response, dated October 10, 2010 (the “MACGL October 2010 Report”), the proposed land use for the south west portion of the Phase 1 Annexation area is as a future industrial/commercial growth sector.
4. As shown on Figure 10-S of the MACGL October 2010 Report, the south west portion Phase 1 Annexation area is a logical extension of the Town’s existing industrial/commercial area.
5. As shown on Figure 9-S of the MACGL October 2010 Report, the proposed land use for the north west portion of the Phase 1 Annexation area was as future residential growth sector. The agreed addition of the Phase 2 Annexation area now provides a more suitable residential growth area for the Town. As a result, it is proposed that the northwest portion of the Phase 1 Annexation area now be re-designated as future industrial/commercial growth sector as it also is a logical extension of the Town’s existing industrial/commercial area.
6. As will be discussed in more detail below, the future residential growth sector is proposed to be the Phase 2 Annexation area. This change is an improvement over the original application because the Phase 2 Annexation area is a more logical extension of the Town’s existing residential area, and is not affected by constraints that would have affected the northwest portion of the Phase 1 Annexation area.
7. With respect to the lands that have been deleted from the Town’s original application, the following observations can be made (with reference to Figures 9-S and 10-S of the MACGL October 2010 Report):
 - (a) The lands to the south and west of the Town were designated as agricultural/urban reserve sector. These lands would not likely have been required for development until the latter part of the 50 year time frame.

Development in this area can be controlled through a joint Growth Management Plan.

- (b) The lands to the east of Town were designated as a consolidation and upgrading area and the proposed land use was for future residential infill. The opportunities for residential growth in this area are limited. To begin with, as shown on Figure 5 of the MACGL Examination of Long Term Requirements of the Drayton Valley Urban Community, dated January 2009 (“MACGL January 2009 Report”), development constraints in this area include the North Saskatchewan River Valley, the sewage lagoon setback and large amounts of existing development. As such, deletion of these lands does not have a significant quantitative impact on the Town’s future residential growth requirements.

- 8. In summary, the Phase 1 Annexation area will provide the Town with an adequate supply of land for future industrial/ commercial development and is a logical extension of the Town’s existing industrial/commercial area.

C. Phase 2 Annexation

- 1. The Phase 2 Annexation will address the Town’s need for a future residential growth area.
- 2. The Phase 2 Annexation area is preferred over the residential growth area in the original application as:
 - (a) it provides a more attractive and appropriate land area for future residential use;
 - (b) it is a logical extension of the Town’s existing residential area, and
 - (c) it is better separated and buffered from the Town’s industrial/commercial areas.
- 3. Development constraints for the Phase 2 Annexation area are shown on Figure 5 of the MACGL January 2009 Report. As can be seen, this area is minimally impacted by a ravine and a small portion of the 300 metre setback from the Town’s sewage lagoon extends into this area. Although oil and gas facilities have not been depicted for the Phase 2 Annexation area; it is expected that a similar proportion of the area would be affected as that shown on Figure 6 of the MACGL January 2009 Report for the original application, which is typical for the Drayton Valley area and has been incorporated in the land use calculations.
- 4. Overall, the Phase 2 Annexation area provides an area of a comparable size to the area in the original application that was designated for future residential growth.
- 5. In summary, the Phase 2 Annexation area will provide the Town with an adequate supply of land for future residential growth.

SUMMARY OF CORVUS EVIDENCE

1. Corvus Business Advisors (“Corvus”) is the Town’s financial expert.
2. Corvus has prepared a financial analysis of the impacts of the Town’s November 2007 annexation application (the “2007 Application”).
3. It is expected that the Town will be able to manage the costs associated with the Phase 1 and Phase 2 Annexations and that the financial impacts on the County and owners in the annexation areas can be mitigated.

A. 2010 Annexation Application (the “Phase 1 Annexation”)

1. For the 2007 Application, Corvus developed a capital and operating plan for 25 years that was deemed to be reasonable and sustainable.
2. The Phase 1 Annexation area is largely undeveloped.
3. The Phase 1 Annexation does not require a number of the capital projects set out in the Corvus Business Advisors Town of Drayton Valley Boundary Change Application Report, dated July 2009 (the “Corvus July 2009 Report”) as most of the populated areas identified in the Corvus July 2009 Report have been eliminated from the Phase 1 Annexation area. As a result, the financing impacts of Phase 1 Annexation on the Town are reduced. As well, the Town will be better able to stage and manage the remaining capital projects.
4. The operating plan for the Phase 1 Annexation is expected to be reasonable and sustainable. As populated areas are remaining in the County, the assessment and taxation revenue will be less than that set out in the Corvus July 2009 Report. The reduced assessment and taxation revenue will be offset by operating contributions by the County for services to be provided to residents remaining in the County (to the extent that they are based on population or users from the County). As well, debt financing impacts will be less.
5. User fee and utility rate changes are expected to remain as set out in the Corvus July 2009 Report.
6. The Corvus July 2009 Report indicated that tax rate increases for the Town were expected to be as follows:

Per Annum Tax	
Fiscal Period	Levy % Increase
2009 – 2011	3.01%
2012 – 2016	0.75%
2017 – 2022	0.31%
2023- 2026	2.43%
2027 – 2031	0.00%
2032 – 2033	0.00%

7. With the Phase 1 Annexation, the tax rate increases for the Town are expected to be the same or less.
8. The Corvus Business Advisors Boundary Change Application Report Addendum – Fiscal Impact on Brazeau County dated October 2010 (the “Corvus October 2010 Report”) indicated that the tax rate impact of 2007 Application on the County would be minor with an overall tax rate increase of approximately 1.31%. The tax rate impacts on the County from the Phase 1 Annexation are expected to be less. The County has indicated that tax rate impacts of the Phase 1 and Phase 2 Annexations are expected to be as follows:

Residential –	0%
Farm -	0%
Non Residential –	1 to 2%
Machinery and Equipment –	1 to 2%
9. With respect to landowners in Phase 1 and Phase 2 Annexation areas, tax protection will be available for up to 50 years. As the Phase 1 and Phase 2 Annexation areas are largely undeveloped, extending tax rate protection for up to 50 years will have minimal financial impact on the Town.

B. 2011 Annexation (the “Phase 2 Annexation”)

1. The Phase 2 Annexation area is almost entirely undeveloped.
2. As such, the Town will be able to stage and manage capital projects.
3. The Phase 2 Annexation area can be serviced in a variety of ways. It may be possible to service this area without having to cross the ravine. If services are brought across the ravine, there may be some additional capital cost; however, this cost may be offset by virtue of the fact that the Phase 2 Annexation lands are closer to the water treatment and waste water plant than the lands at the far west of the 2007 Application area. As well, the front ending of capital costs to service the Phase 2 Annexation area will be a joint venture between the Town and County as the water and sanitary sewer lines for this area will also serve parts of the County, including Rocky Rapids.
4. With the Phase 2 Annexation, the tax rate increases for the Town are expected to be the same or less than those expected for the 2007 Application.
5. The tax rate impact on the County associated with the Phase 2 Annexation is set out under point A(8) above.
6. The protection for landowners in the Phase 2 Annexation area is set out under point A(9) above.
7. As part of the Phase 2 Annexation, the Town will take over a \$2.5 million debenture for construction of the Coulee Road. This debenture will be taken over in lieu of any compensation being paid by the Town to the County with respect to either the Phase 1 or Phase 2 Annexation.

8. The cost to the Town of taking over the debenture is offset by the elimination of the cost of capital projects required to remediate the populated areas to the east of Town that formed part of the 2007 Application.

SUMMARY OF ISL ENGINEERING AND LAND SERVICES LTD. EVIDENCE

1. ISL Engineering (“ISL”) is the Town’s expert with respect to servicing issues.
2. In ISL’s opinion, the Town can provide water, wastewater, stormwater, and transportation services to the Phase 1 and Phase 2 Annexation Areas.
3. It is more efficient to provide water and sanitary sewer services to the Phase 1 and Phase 2 Annexation Areas by expanding the Town’s existing infrastructure and connecting these areas to the Town’s systems than having them serviced by a separate stand alone system.
4. Town servicing systems are either adequate or readily expandable to accommodate the projected population of the Town and the Phase 1 and Phase 2 Annexation Areas.