






Subject: **2024 Operating and Capital Budget Approval**
 Meeting Date: Tuesday, December 12, 2023
 Prepared By: Marika von Mirbach, Financial Planning Coordinator
 Presented By: Marika von Mirbach, Financial Planning Coordinator

RECOMMENDED MOTION:

1. That the 2024 Operating Budget in the amount of \$30,497,413, as detailed in Appendix A, be approved.
2. That the transfers from reserves and contributions to reserves, as detailed in Appendix B, be approved.
3. That the 2024 Operating Projects and funding sources in the amount of \$364,100, as detailed in Appendix C, be approved.
4. That the 2024 Capital Budget and funding sources in the amount of \$5,944,272, as detailed in Appendix D, be approved.
5. That the 2025-2027 Operating Forecast (Appendix E) and 2025-2029 Capital and Project Forecast (Appendix F), be approved.

STRATEGIC PLAN ALIGNMENT: (Check all that apply)

	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
High Quality Infrastructure		Economic Resilience		Quality of Life		Effective Leadership		Level of Service	

RELEVANT LEGISLATION:

Provincial (cite):

- The County is required under the Municipal Government Act (MGA) to approve both an operating and capital budget which are balanced and fully funded.
- MGA Section 283.1 requires municipalities to prepare three-year operating and five-year capital forecasts which are adopted by Council annually.

BACKGROUND/PROPOSAL:

As required under the Municipal Government Act (MGA), the County's 2024 Budget was prepared on a fiscal viability basis and is designed, monitored, and controlled to achieve a balanced budget. Ensuring all budgeted revenues are sufficient to pay all expenditures. In addition, this report includes MGA mandated Operating and Capital Forecasts, which are not required to be in a balanced position.

The County follows the legislative financial requirements of the MGA and its supporting regulations. In addition, the County meets or exceeds all policy statements of the Canadian Public Sector Accounting Handbook, which is governed by the Chartered Professional Accountants Canada (CPA).

Administration delivered to Council, and ratepayers, budget presentations that provided detailed information relating to the current economic climate, budget pressures (current and future), comparisons to other municipalities in terms of tax burdens, financial data and specific drivers and initiatives identified within the 2024 budget.



This report incorporates prior Council decisions on specific 2024 priorities and all directions and motions of Council during the 2024 budget deliberations.

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES/OTHER CONSIDERATIONS:

The Budget Book serves as a policy document, financial plan, operations guide, and a communications device. The County's 2023 Budget documentation and presentations met or exceeded all these criteria, and the budget document has been awarded the Distinguished Budget Presentation Award from Government Finance Officers Association (GFOA) of the United States and Canada; this award is the highest form of recognition in governmental budgeting. We believe the 2024 Budget document also meets or exceeds the GFOA Distinguished Budget Presentation Award Program Criteria.

The Budget Book itself forms a part of this council package and will be updated to reflect the approved 2024 Budget following Council's approval and subsequently shared publicly via the County's website.

Budget Process

Through the Operating and Capital Budgets, Council decides on the municipality's priorities for the upcoming year by setting aside funds for each program or service. This key financial plan provides guidelines and directives to staff for the allocation of resources and the provision of services and infrastructure. The budget also determines the total amount of taxes to be levied on residents and businesses of the community for the budget year.

The budgeting process allows municipalities to prioritize projects, programs and service levels based on anticipated revenues and expenses. A municipality's annual budget routinely consists of two components:

The **Operating Budget** plans for a municipality's day-to-day expenditures (e.g., salaries, benefits, heat, electricity, and maintenance of buildings and infrastructure, etc.).

The **Capital Budget** plans for the purchase and financing of assets or improvement of existing infrastructure (e.g., roads, water and wastewater facilities, County facilities and major projects).

The budget process itself included three meetings leading up to today:

- **Setting the Stage & New Projects** which provided an overview of the environment in which the budget was prepared, an assessment overview, a comparison of the County to various comparators with respect to tax rates, budget pressures experienced, and an overview of all projects proposed for the 2024 Budget.
- **Core Operating Budget Presentation** which provided an overview of the core operating budget, and the impact of proposed new initiatives on the core operating budget.
- **Responses to Questions & Information Requests** which provided an overview of the then current state of the budget, responded to questions raised by Council in previous meetings, and resulted in Council direction to administration to present the budget documentation included within this package.

The approval of this report will guide the internal reporting to management and will be the benchmark for reporting to Council on a quarterly basis during 2024.

Budget Guidelines

During the May 30, 2023, Council meeting administration presented Council with a set of budget guidelines which Council adopted. The budget is the guiding document for the County's operations whereas the budget guidelines provide Administration with principles with which to prepare the budget from. This ensures that the budget is prepared in alignment with Council's Strategic Plan, and overall future view of the County.



The guiding principles approved by Council can be summarized as follows:

- Advancement of Council's Strategic Plan.
- Maintain existing service levels.
- Improve customer service.
- Keep tax rates competitive.
- Incorporate a proactive infrastructure renewal plan.
- Identify and incorporate efficiencies.
- Ensure rates and fees for services are appropriate.

Operating Budget Approval

The Operating Budget must be balanced such that the budgeted revenues are sufficient to pay all expenses. Specific contributions to/from reserves should be clearly noted in the approval document.

Appendix A: 2024 Operating Budget by Function

Provides a summary of the total revenues \$30,497,413 and total expenditures \$30,497,413 discussed by Council during budget deliberations. The recommended budget in Appendix A reflects all Council motions and directions including:

- Transfer of \$516,804 from the Revenue Stabilization reserve to mitigate the budget impact on ratepayers.
- An increase of \$0.25 per cube of water sold through water distribution systems including bulk water.
- An increase of \$1 monthly for the flat rate on water utility billing.
- An increase of the minimum annual property tax from \$125 to \$150.
- An increase of property tax revenues in alignment with comparable municipalities and with consideration of the impact on ratepayers.

Motion #1 seeks approval of the 2024 Operating Budget as detailed in Appendix A.

Appendix B – Operating Grants and Reserve Transfers

Provides a summary of the budgeted grants and reserve transfers incorporated into the Operating Budget.

- Total operating grants from the province of \$506,647.
- Transfers from reserves of \$880,904:
 - \$516,804 from the Revenue Stabilization reserve to mitigate tax impact of ratepayers.
 - \$364,100 from various reserves to fund operating projects as detailed in Appendix C.
- Contributions to reserves to fund long-term infrastructure needs of the County of \$8,832,158 to the various reserves listed.

Motion #2 seeks approval of the 2024 Reserve Transfers as detailed in Appendix B.

Appendix C – Operating Budget Projects

This appendix provides details on the 2024 Operating Projects planned by administration and proposed to Council during budget deliberations. All operating projects detailed in Appendix C have been included in the Operating Budget detailed in Appendix A.

Motion #3 seeks approval of the Operating Projects as detailed in Appendix C and included in the Operating Budget detailed in Appendix A.



Capital Budget Approval

Appendix D - 2024 Capital Budget

This appendix details the County's itemized planned capital expenditures and identified funding sources. The 2024 capital expenditures total \$5,944,272.

Motion #4 seeks the approval of the 2024 Capital budget as detailed in Appendix D.

Summary of Key Investments

This report summarizes prior budget deliberations and represents a number of key investments that support Council's Strategic Plan and the previously Council adopted 2024 Budget Guidelines. Some of the key investments in the 2024 budget include:

- \$2.8 million for scheduled Capital Equipment replacements necessary to maintain roads, water systems, protective services, and parks.
- \$2.4 million for road network projects including the replacement and maintenance of bridges, and rural road reconstruction.
- \$620,000 to for maintenance and upgrades to various County owned facilities and park sites.
- \$364,100 in one-time projects to support operations, including progression in asset management, and asset condition assessments.

Ratepayer Impacts

The 2024 Council deliberations focused on managing the budget shortfall in alignment with Council's previously adopted budget guidelines and in a manner that supports the long-term financial sustainability of the organization. The identified strategies sought to find balance between the impacts of maintaining existing service levels while ensuring effective management of County assets with the commitment to set tax rates that are both competitive and appropriate for rate payers.

Property Tax Impact

Final assessment numbers are received in late February, with that in mind, tax adjustments were made within the 2024 Budget with consideration for the change in total taxation revenue. Council identified revenue adjustments that aim to maintain alignment with the permissible tax ratio of 5:1 (highest non-residential tax ratio: lowest residential tax ratio), as defined in the Municipal Government Act, and also supported an improved allocation of tax burden across classes.

While the individual impacts on homeowners will be dependent on their assessed values, the typical hamlet home will see an increase of \$19 annually, acreages would see an annual increase of approximately \$45 and farmland increases would be approximately \$70 annually. These increases were recommended after Council and administration worked to manage expenditures in response inflationary impacts.

Water Rate Impact

To improve upon the water services cost recovery ratio, Council also brought forward an increase of \$0.25 per cube of water sold through water distribution systems including bulk water, as well as an increase of \$1 to the monthly flat fee on water bills.

For bulk water users who utilize low volumes (approximately 87% of all accounts) a high-level estimate of annual impact is between \$18.75 and \$93.75. For moderate volume bulk water users (approximately 10% of accounts) the high-level estimate of annual impact is between \$93.76 and \$243.75.

For users with a water connection the average annual impact is estimated to be \$52.50.



Minimum Tax Bill Impact

For parcels with a municipal property tax bill that falls below the minimum identified within the Property Tax Bylaw, the increase from \$125 to \$150 would result in a \$25 increase in 2024 municipal property taxes.

Council and administration will continue to seek measures to manage revenue and expenditures and to continue prudent financial practices to plan for the future. Council is committed to ensuring core services are not impacted and that our roads and other infrastructure are maintained and renewed.

Operating and Capital Forecasts

In addition to the Operating and Capital Budgets for 2024, this report includes forecast information for 2025-2027 for the Operating Budget, and for 2025-2029 for Capital Projects.

These plans and forecasts are not required under the provincial regulations to be fully funded when Council reviews them annually. The Operating Forecast could be presented in either a surplus or deficit position. Similarly, the Capital Forecast can reflect an unfinanced position.

These forecasts are not budgets, and do not provide administration with the authority to spend the forecasted funds. However, they are intended to provide Council with a forward-looking view of the upcoming financial challenges and opportunities facing the municipality.

The operating forecast provides a forward-looking view of upcoming financial considerations which will be addressed in future budget deliberations. The forecast represents the anticipated revenues and expenditures associated with providing the same levels of service as have been included in the 2024 operating budget.

Based on existing service levels, there are forecasted deficits in each of the next three years. The *MGA* allows forecasts to present a deficit, but these deficits must be addressed during the budget process, as the *MGA* requires municipalities to adopt balanced budgets. Council will have several options to guide administration to close the forecasted deficits including tax rate increases, service level adjustments, and new revenue sources in the form of user fees.

Appendix E - Operating Forecast

Over the next three years there is a cumulative forecasted shortfall of approximately \$3.5 million on the operating forecast. If no mitigating measures are undertaken the required tax rate adjustment would be approximately 13.8% over fiscal 2025 to 2027 (3 budget years).

Revenue Fluctuations

Significant fluctuations noted in the forecast include:

Category	Variance	Description
Sale of Goods and Services	6.1%	Increases in bulk water and water distribution system revenues, as well as in dust control, and oilfield inspections.
Sales to Other Governments	35.2%	Primarily relates to agreements with urban municipalities for the provision of enforcement services.
Special Taxes and Frontage	-79.4%	Relates to the expiration of water frontage agreements related to original water system implementation.



Return on Investments	-60.5%	In alignment with the recommended reserve funding strategy
Transfers from Reserves	-100%	No reserve transfers forecasted, as these are a component of annual budget deliberations.

Expenditure Fluctuations

Significant fluctuations noted in the forecast include:

Category	Variance	Description
Contract and General Services	2.5%	Includes increases for expenditures such as: insurance, major maintenance, IT contracts, and advertising and PR.
Materials, Goods, Supplies, and Utilities	11.5%	Includes increases for expenditures such as: fuel, equipment repair parts, water for resale, road maintenance supplies, and utilities.
Salaries, Wages, and Benefits	10.7%	A flat percentage increase has been applied annually to this item based on the average increase over the past four budget cycles. This represents an anticipation that this item will increase, however detailed analysis of salaries will be presented within each annual budget cycle.
Contributions to Reserves	8.2%	Represents additional reserve contributions to fund infrastructure.
Non-TCA Operating Projects	-100%	Potential operating projects are reflected in the Capital and Project Forecast.

Appendix F - 2025-2029 Capital Forecast

This schedule represents forecasted items that may be considered by Council in future budget cycles. There are five categories of projects represented on this appendix:

- *Replacement of Existing Assets* which represents the replacement of assets which have reached the end of their useful life and are required to maintain existing service levels.
- *Maintenance of Existing Assets* which represents maintenance of assets which are required to maintain existing service levels but are not, or will not be, performing as required.
- *New Assets* represent new assets which do not currently exist within the County's asset base but will be requested to maintain service levels.
- *One Time Operating Projects* represent items which are not capital in nature, but either ensure administration is able to maintain existing service levels and/or facilitate and progress Council's Strategic Plan.
- *New Initiatives* which represent new programming which, if approved, would be included in the core operating budget in future years. This includes new staffing requests, as well as changes to service levels or financial strategies.



Appendix G – 2023 to 2024 Comparison

This schedule forecasts the anticipated year-end balances for 2023 as compared to the 2023 and 2024 budgets. It is intended to provide Council with an overview of how the 2024 Budget has been developed in consideration of trending which has occurred within 2023.

Further discussion and explanation for this schedule can be found within the presentation component of this report.

FINANCIAL & STAFFING IMPLICATIONS:

This report ensures the fiscal plan for the municipality is approved within the framework required under the Municipal Government Act.

The financial recommendations detailed in this report will ensure the financial risks of the County are managed and planned for in the best interest of the ratepayers. The 2024 Tax Rate Bylaw will be predicated on this information, and this information will be used for tax notices to ratepayers. The necessary funds to fund the reserve draws have been identified in the various Appendices and funding is available in the indicated reserves.

RECOMMENDED ENGAGEMENT:

Directive Decision (Information Sharing, One-Way Communication)

Tools:

Individual Notification

Other:

ATTACHMENTS:

- Budget Approval Presentation
- Appendix A: 2024 Operating Budget by Function
- Appendix B: 2024 Budget Operating Grants and Reserve Transfers
- Appendix C: 2024 Operating Projects
- Appendix D: 2024 Capital Budget
- Appendix E: 2024-2027 Operating Budget Forecast
- Appendix F: 2024-2029 Capital and Project Forecast
- Appendix G: 2023 to 2024 Comparison
- 2024 Budget Book

COUNCIL OPTIONS:

1. That Council adopts the recommendations in this report.
2. That Council provides further direction.

FOLLOW-UP ACTIONS:

The information and data within this report will form the basis for the financial reporting and monitoring of the budget to Council related to the fiscal year.

The 2024 Tax Rate Bylaw will be brought forward for adoption after final assessment numbers are received at the end of February.

Administration will prepare a tax insert for distribution to ratepayers with their annual assessment and tax notices.

Administration make the 2024 Budget Book publicly available via the County's website.



APPROVAL(S):

Mike Haugen, Chief Administrative Officer

Approved-

