



# CITY OF ST. ALBERT CITY COUNCIL POLICY

NUMBER	TITLE
<b>C-FS-05</b>	<b>Budget and Taxation Guiding Principles</b>
ORIGINAL APPROVAL DATE	DATE LAST REVISED
September 2, 2003	<del>July 15, 2025</del> <u>May 5, 2026</u>

## Purpose

To establish principles for the preparation of budgets and property taxation levies in accordance with the *Municipal Government Act*. In some cases these principles will stand alone, while in others the principles are excerpts from separate policies established by Council.

## Policy Statement

The City shall follow the principles established by this policy in the development of the budget and property taxation levies.

## Definitions

**Capital Budget** - A financial plan of proposed expenditures and financing of constructing, acquiring, or improving new or existing facilities and equipment, and items which substantially increase the estimated service lives of existing facilities and equipment.

**Budget** - A financial plan for a specified period-of-time (fiscal year) that matches all planned revenues and expenditures with various municipal services.

**Business Case** - A business case introduces a new initiative identified by a department that requires new funding. A business case can be of an Operating or Capital Budget nature.

**Franchise Fee** - A fee charged to a privately-owned utility for the ongoing use of City property.

**Lifecycle Reserves** - Reserves designated to provide the necessary funds for the repair, maintenance, and replacement of existing tangible capital assets.

Long-Term Debt - Debt with a maturity date of more than one year after the date of issuance.

New assessment growth - the anticipated future property tax revenue for new residential and non-residential building construction forecasted for the following budget year.

Operating Budget - A financial plan of proposed revenue and costs related to operations for the period January 1 - December 31 each year.

Operating Expenses - The cost for personnel, internal equipment, materials, contract services, and transfers required for a department to function.

Operating Revenue - Funds the City receives as income to pay for ongoing operations. It includes such items as taxes, fees and charges from specific services, interest earnings, and grant revenues.

Pay-As-You-Go Capital - Capital expenditures that are financed from current year taxation revenues.

Reserves - Funds segregated and restricted for designated requirements.

## **Service Standards/ Expectations**

### **Budget Guiding Principles**

1. Budgets shall be developed in a consistent and planned manner and take into consideration the impacts on future years and the City's ability to fund those impacts.
2. Municipal and Utility operating budgets/forecasts shall be prepared for Council for a rolling three (3) year period for information. Council will debate and approve year 1 of the plan.
3. Municipal and Utility capital budgets shall be prepared and approved by Council for a rolling ten (10) year period and Administration shall be given approval to execute on year one (1) of the plan.
4. The City shall maintain a fair, transparent, and competitive system in determination of:
  - a. Municipal property taxation, and
  - b. Utility rates

while collecting the necessary revenue to meet municipal and utility program and service obligations.

5. The approved operating and capital budgets shall serve as the financial plan for the City and provide Administration with the direction and resources necessary to accomplish Council's strategic direction and Council approved services and service levels in accordance with the ~~Services and Service Levels~~ Inventory, provided as an Appendix.
6. The Corporation uses a set of guidelines, principles and policies to develop the annual budget and determine the required municipal tax and utility rates. Council approves these rates through the property tax and utility by-laws.
7. The City is committed to the preservation and long term viability of its current infrastructure and as such commits available capital dollars towards the repair, maintenance and replacement of existing assets prior to consideration of new capital growth projects and assets.
8. The utility budget shall be funded by user rates and achieve financial independence and sustainability in accordance with the Utility Fiscal Policy.

#### 9. Multi-Year Planning

The City utilizes a multi-year planning method to enhance and improve the budget process that reinforces the commitment to long-term fiscal strategies. Although the budget is approved for one year, this multi-year view communicates the short and long-term plans to residents and other stakeholders.

#### 10. Base Budget

The operating budget shall be developed based on the principle of sustaining established and Council approved services and service levels. As such, the previous year is used as the starting point with various factors including inflation and other corporate adjustments.

The ~~Services and Service Levels~~ Inventory shall serve as the basis for the development of the proposed budget. Council shall review the ~~Services and Service Levels~~ Inventory annually and make any amendments to services and service levels prior to the development of the proposed budget for the year in which the amendments are to be implemented.

The ~~Services and Service Levels~~ Inventory shall be used as a basis for the development of new Business Cases and/or Capital Charters to maintain and/or, when approved by Council, amend service levels.

## 11. Balanced Budget

The City shall adopt a balanced budget whereby operating revenues are equal to operating expenditures for each year. The approved budget may be amended to reflect approved Council motions.

## 12. Operating Business Cases and Capital Charters

As part of the annual business planning and budgeting process, Council Members and Administration shall have the opportunity to submit requests for new resources/non-capital projects and associated funding through Operating Business Cases (OBC) and request for capital projects and associated funding through Capital Charters (CC).

Administration shall maintain a prioritization criteria matrix for both Operating Business Cases and Capital Charters. All OBC's and CC's, whether Council Member or Administration initiated, will be ranked by Administration through the prioritization criteria, and dependent on the available funding in each category, may be recommended by approval and funding to Council in the proposed budget.

With specific reference to the Municipal 10 Year Growth Capital Plan, a Council motion is required to add or remove a capital project charter to/from the plan.

## 13. New Permanent Staffing Requests

When a new staffing request is being recommended, an operating business case will be presented to Council as part of the annual budget process. The financial costing relating to a new staffing request shall be based on a start date of April 1 and be budgeted at step four (4) on the appropriate salary grid level or an equivalent as defined within the relevant collective agreement.

## 14. Tax and Utility Rate Stabilization Strategies

The City shall implement strategies to ensure that the tax and utility rates are stabilized and to mitigate fluctuations over the long term.

### a. Capital Funding Strategy

The City's capital funding strategy ensures current and long term infrastructure needs will be met without significant impact to municipal taxes.

The Capital Funding Strategy is a built into the operating budget and consists of three components:

- i. Long term debt – an amount equal to the anticipated amount of principal and interest due in a given year to fulfill the City’s debt obligations. In accordance with Policy C-FS-03 Debt Management, section 7b., when tax-supported debt is retired in a budget year and new debt is planned within the next five years, the reduction not be used against the tax base but will be redirected to Pay-As-You-Go on an interim basis until such time as new debt servicing is required.
- ii. Capital asset lifecycle reserves – an amount equal to the planned funding required for a given year as determined by the supporting schedules of the various lifecycle reserves. As part of the annual budget the equivalent of a 1.50 per cent property tax increase be included in the municipal tax requirement and specifically targeted to capital lifecycle to support the repair, maintenance and replacement of existing capital assets.
- iii. Pay-as-you-go (PAYG) – an annual transfer to the Capital Fund Reserve to support capital investment

With the exception of the 1.50 per cent transfer to the Lifecycle reserves, if the need for an ongoing increase to the lifecycle or capital reserves is determined, an operating business case will be presented to Council as part of the annual budget process.

b. New Property Assessment Growth

- i. The City shall apply new assessment growth revenue through a balanced approach of 55 per cent growth revenue to fund new initiatives (business cases and/or capital charters), 20 per cent as contribution to lifecycle reserves, and 25 per cent to offset the base budget.
- ii. Any portion of the 55 per cent of growth revenue not applied to business cases or capital charters during the budget process shall be transferred to the Growth Stabilization Reserve.
- iii. An annual budgeted transfer to the Growth Stabilization Reserve will be included as part of the base budget to recognize the prior years assessment growth transfer to a maximum of \$3.0 million.
- iv. An annual transfer of \$800,000 of the prior year’s assessment growth tax revenue is committed to fund the Lakeview Accelerator Program to a maximum of \$8,000,000.
- v. Application of prior years assessment growth revenue may be considered if the proposed annual tax rate increase is in excess of

3.5 per cent. The funds approved by Council for withdrawal from the prior years unallocated assessment growth shall be only the amount required to limit the tax rate increase to 3.5 per cent subject to iv.

- vi. Growth Stabilization Reserve balances can be utilized for one-time operating or capital expenditures at Administration's recommendation or Council's direction.

c. Reserves

Reserves and reserve funds are established as required and maintained in accordance with C-FS-01 Financial Reserves Policy. Use of reserves is planned and is not considered as an alternate-funding source in place of good financial practice.

15. Public Participation

Council shall engage the public in accordance with C-CAO-20.

16. Revenues

a. Revenue Estimates

Operating revenue projections shall be based on actual historic trends, supplemented with additional knowledge of future expectations.

b. Revenue Diversification

- i. The City shall charge fees for services where applicable and cost effective to do so.
- ii. The City shall charge fines as permitted through policy, by-law or other legislation.
- iii. The City shall strive to maximize cost recovery where it is applicable and cost effective to do so. Consideration will be given to regional competitiveness and user affordability.
- iv. The City shall continuously seek new and diverse revenues so as to limit the dependence on one or only a few sources and in order to maintain approved service levels.

c. One Time Revenues, Surpluses and Unpredictable Revenue

One-time revenues and surpluses and unpredictable revenue shall not be relied upon to fund ongoing expenditures, unless otherwise noted in the Financial reserve policy/schedules. This could result in annual expenditure obligations that may not have adequate funds available for future years.

In the event of an operating surplus/deficit, funds will applied to/from:

- i. Reserves, municipal and/or utility, for use in maintaining reserve levels set by Council policy; or
- ii. one-time expenditures; or
- iii. repayment of outstanding debt if financially favourable to do so.

d. Unconditional New Operating Revenues

When the City creates or receives a stable, lasting and unconditional revenue source, the funds should be added to the budget on an ongoing basis.

e. Grant Revenue

- i. The City will pursue federal, provincial, and private operating grants to support municipal programs and services. However, participation in such programs shall be undertaken with caution to ensure that the City's financial contributions do not create ongoing obligations beyond the period of available external funding.
- ii. All capital grants are reviewed on an annual basis to ensure the allocation of funds are fully maximized.
- iii. Provincial Local Government Fiscal Framework (LGFF) grant dollars shall be directed solely to Municipal Projects.
- iv. Federal Canada Community Building Fund grant dollars of \$987,000 annually shall be allocated to Utilities.

f. Franchise Fee Revenue

Any franchise fee revenue approved by bylaw shall be solely used as general revenue to offset residential and non-residential property tax rates.

17. Expenses

Operating expense projections shall be based on actual historic trends, supplemented with additional knowledge of future expectations.

18. Capital Budget

- a. The City utilizes a rolling 10 Year Capital Plan that provides key strategic

inputs for the upcoming budget year, a framework for the three year budget plan, and a future outlook of long range capital requirements.

- b. The City shall operate under an asset management framework which includes the compilation and maintenance of a full asset inventory including condition assessment and lifecycle plans to support the maintenance and replacement of assets.
- c. The City utilizes two categories to define its infrastructure needs:
  - i. Repair, Maintain, Replace (RMR) – Capital initiatives that relate to maintaining current service levels that are required by lifecycle plans and are considered a replacement or rehabilitation of existing infrastructure, facilities, and equipment.
  - ii. Growth – Capital initiatives that are required to meet future demand relating to facilities, equipment, technology, and infrastructure for the development of cultivating and strengthening the community.
- d. The City has several sources of financing available to be used toward Capital Infrastructure. The funding allocations are comprised of various Provincial and Federal Grants, City Reserves, and Pay as You Go (PAYG) funds established through the Capital Funding Strategy.
- e. Council shall review and provide final approval of the RMR Capital Budget approximately six months prior to the next fiscal year.

This approval shall grant Administration the authority to issue binding procurement documents such as Request for Proposals, Invitations to Tender and purchase orders and to award contracts at any time after final approval is received from Council.

Any contracts awarded will ensure that the goods and/or services will not be received until after January 1 of the following year when the budget dollars become available.

Complete project charters supporting the current year's RMR capital plan will be provided to Council as part of the review process.



- f. Capital projects relating to Growth will be reviewed during Council's deliberation of the subsequent budget year. Complete project charters supporting the current year's capital plan will be provided to Council as part of the review process. Based on a prioritization process, Administration shall provide Council with a list of projects on the capital plan that are recommended to proceed based on available funding and a future outlook.
19. Budget Amendments

Adjustments to Expenditures

As per the MGA (section 248(2)), council authorization is required for expenditures that are not included in the approved budget.

Taxation Guiding Principles

20. The City shall strive to increase the taxable non-residential assessment base through future development and assessment growth. It will annually monitor the municipal property tax split in comparison with regional benchmarks. Where disparities are identified between property classes, decisions regarding tax adjustments will be guided by principles of fairness, equity, and the overall impact on each assessment class's share of the annual property tax burden.

21. Municipal Property Tax Split

- a. The annual adjustment to the municipal property tax split will be determined by the Chief Administrative Officer based on an evaluation of the following criteria:
  - i. The amount and weighting of annual taxable assessment growth,
  - ii. Municipal tax differential between the residential and non-residential property classes,
  - iii. Comparative annual property tax increases within the Capital Region,
  - iv. Comparative municipal property tax rates within the Capital Region.
- b. Based on the evaluation criteria above, the Chief Administrative Officer will recommend to Council an annual adjustment to the general municipal tax split, which may result in higher average municipal tax increases for the non-residential property class as compared to the residential property class.



- c. The need for programs, services and associated service levels shall be the major considerations in determining tax rates; however, comparative tax rates and municipal tax splits of other municipalities will also be taken into consideration.
  - d. The percentage of the City's municipal property tax requirement assigned to the non-residential assessment class will be monitored annually while balancing the municipal tax impacts on both property classes. Council and administration maintain a long-term objective of migration to from the residential class to the non-residential class through increased growth of the non-residential assessment base and applying supportive tax split strategies.
  - e. The municipal tax rates will be set by Council annually through the Property Tax Bylaw.
22. Revenue Neutrality
- The City's municipal property tax revenues shall not increase automatically with market assessment increases, in an effort to protect ratepayers from large shifts in property taxation due to annual market value assessment changes.
23. This policy shall be reviewed in accordance with the corporate review schedule.

## Legal References

*Municipal Government Act Sections 242-249*

## Cross References

C-CAO-01 Chief Administrative Officer Delegations  
 C-CAO-17 Community Brand  
 C-CG-06 City of St. Albert Strategic Framework  
 C-CS-04 Public Art  
 C-FS-01 Financial Reserves  
 C-FS-14 Utility Fiscal Policy  
 C-FS-16 Municipal Fees and Charges  
 C-P&E-07 Asset Management  
 C-FS-02 Investments  
 C-CAO-15 Program and Service Review  
 C-CC-23 Civic Granting  
 C-FS-03 Debt Management

## Attachments

DATE REVIEWED	NEXT REVIEW DATE	REVISIONS
July 2021 – Finance & Assessment <u>April 2026 – Financial &amp; Strategic Services</u>	2026 – Finance & Assessment	C486-2003 09 02 C187-2005 05 02 C355-2006 07 04 C25-2009 01 19 C98-2010 02 16 C161-2011 03 07 C220-2012 04 16 C151-2013 04 22 C110-2014 03 03 C453-2014 09 22 C544-2014 12 01 C598-2015 12 03 C424-2016 06 27
		AR-17-052 01 23 POL-17-009 09 11 CB-18-005 04 03 POL-18-007 04 23 CB-18-007 05 28 AR-18-178 06 25 CB-18-025 10 22 AR-19-003 01 21 AR-19-195 04 23 CB-19-018 11 04 POL-21-006 07 05 AR-25-152 04 01 <u>AR-26-197 05 05</u>