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Presented by: Chris Jardine, Interim City Manager

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Project Plan for 10 Year Municipal and Utility RMR and Growth Capital Plan

Presented by: Chris Jardine, Interim City Manager

RECOMMENDATION(S)

1. That the November 21, 2016 agenda report entitled "10 Year Municipal and Utility RMR and Growth Project Plan" be received as information.
2. That Administration schedule a workshop with Council Members during the Standing Committee of the Whole meeting on January 16, 2017 to identify guiding principles and better understand expectations for the development of a long range financial plan.

PURPOSE OF REPORT

The purpose of the report is to provide Council with an overview of the work required to develop a long range financial plan that integrates long range financial strategies, policies and funding that align with the 10 year Municipal and Utility RMR and Growth Capital Plan.

COUNCIL DIRECTION

On September 26, 2016 Council passed the following motion:

AR-16-324

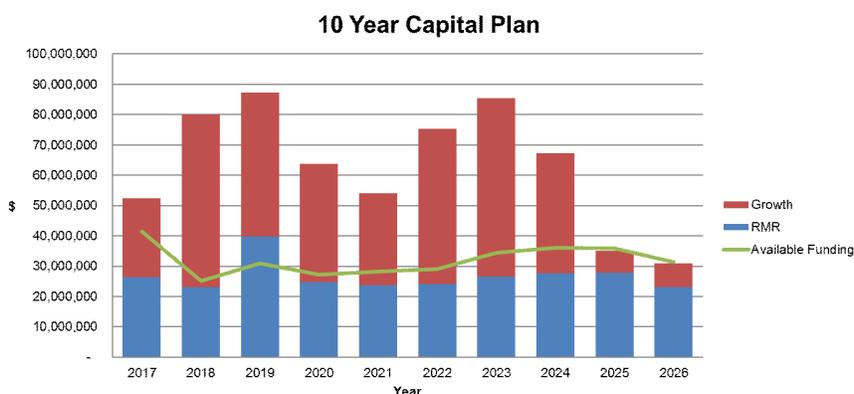
That Administration propose a project plan to Council on November 21, 2016 to develop and integrate long range financial strategies, policies and funding that align with the 10 year Municipal and Utility RMR and Growth Capital Plan.

BACKGROUND AND DISCUSSION

What is the Problem?

The City has recognized the need to increase funding for the anticipation of municipal growth capital initiatives as approved within the 10 Year Growth Capital Plan. Historically, this has been accomplished through year-end surplus transfers, increase in the capital funding formula, and reserve policy changes, all whilst minimizing the impact on taxes. Although these decisions have provided additional funding, the City still faces a funding shortfall of approximately \$310 million over the next 10 years.

An overview of the projected total capital spend (RMR and Growth) versus available funding within the 10 year capital plan has been provided in the visualization below. In the short term, the City can manage this deficit through prioritization of capital projects. In the long term (2020 and beyond) the deficit continues to grow. Recognizing the significant shortfall over the 10-year period, Administration is recommending that a full review of the City's Long Range Financial Plan and Strategies be completed.



What is a Long Range Financial Plan?

A long range financial plan combines financial forecasting with fiscal strategy. There are two main elements to a long range financial plan: financial forecasting and long-term financial planning.

Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios and other variables. Long-term financial planning is the process of aligning financial capacity with long-term goals for the City.

A Long Range Financial Plan would provide the City with an indication of the City's future operating, capital, debt and reserves and reserve fund requirements. The strength of this plan is in its ability to identify implications of future strategies and initiatives and to confirm the financial impacts they may have on the City's financial position.

What are the Benefits?

The Long Range Financial Plan can be used as a tool to prevent financial challenges; it stimulates long-term and strategic thinking; it can give consensus on long-term financial direction; and it is useful for communications with internal and external stakeholders.

A Long Range Financial Plan would provide the following benefits to the City:

- Ensure current range and level of services can be maintained

- Identify the City's capacity to grow and identify funding gaps
- Ensure the City is maintaining a strong cash position in its reserves and reserve funds for unforeseen or unusual circumstances
- Identify strategies and supporting governance policies to improve the City's fiscal sustainability.

A Long Range Financial Plan will provide the City with a much more comprehensive, fully integrated, well refined Capital Budget program that will be supported by appropriate planning documents, tools, policy framework and funding strategy.

How Should We Approach This Review?

Administration has conducted preliminary research to better understand the best approach required to assess the City's long range financial plan and strategies. As part of this preliminary research, the City reached out to comparable municipalities who have or are conducting similar exercises to learn from their experiences. The City also reviewed the Government Finance Officers Association (GFOA) best practice on long-term financial planning to provide greater insight.

Based on Administration's preliminary research, the development of a long range financial plan can be broken down into four phases: Mobilization, Analysis, Decision and Execution. A summary of the work that could be undertaken for each phase has been provided below.

1. Mobilization Phase:

- Preliminary analysis of the financial environment to assist in raising awareness of the current fiscal issues facing the community between Council and Administration.
- Identify guiding principles and better understand Council's expectations for the development of a long range financial plan.
- Develop a project plan and assemble appropriate resources to develop a long range financial plan that meets the objectives and expectations of Council.

2. Analysis Phase:

- Identify economic / demographic challenges and trends and assess the municipalities capacity to manage them.
- Review long-term planning documents that may influence City's financial position (i.e. Business Plans, Master Plans, Capital Plans, Asset Management Plans, Lifecycle replacements, Facility Predictive Model, Reserves, Debt Management).
- Assess municipal finances and policies against municipal peers (i.e. investments, reserves, capital resources, policies, revenue projections, expense projections and debt trends).
- Develop long range financial forecasts that identify potential fiscal challenges that the municipality will face into the future.

3. Decision Phase:

- Develop long range financial strategies, and supporting financial indicators, that identify changes that are required to be made given the economic and long range financial assessment.
- Develop a long range financial model to predict changes into the future and provide the City with the ability to conduct "what-if" analysis considering economic conditions and/or budgetary

issues against future strategies and initiatives.

4. Execution Phase:

- Implement and monitor the strategies identified within the long range financial plan.

What Resources May Be Required?

The resources required are dependent upon the objectives identified for the development of a Long Range Financial Plan. Identifying objectives for this plan is important to ensure that the scope of the long range financial plan is well understood.

A mix of both internal and external expertise should be considered to ensure Administration builds capacity and can regularly maintain this practice into the future. Internal expertise could be leveraged by creating an internal secondments program to free up staff capacity to assist in moving this project forward.

Preliminary estimates to complete this work range between \$500,000 and \$750,000 over a three-year period. Further exploration is required with Council to determine the objectives of the project before Administration can finalize these estimates.

What Are the Next Steps?

Administration is proposing further discussion with Council to better understand the current problem and Council's objectives and expectations for a Long Range Financial Plan.

Currently, Administration has scheduled a workshop with Council at the Standing Committee of the Whole meeting on January 16, 2017 to continue this discussion and move this project forward.

Administration will require regular facilitated dialogue with Council throughout the project to review and discuss various inputs through both the analysis and decision phase of the project. This will assist Administration in ensuring the project continues to meet Council's expectations.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

N/A

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

The capital projects that have been identified as "Growth" are required to meet future demand and strengthen the community. Without the development of a long range financial plan, long term planning could be adversely affected.

Legal / Risk:

None at this time.

Program or Service:

None at this time.

Organizational:
None at this time.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council does not wish to support the recommendation, the following alternatives could be considered:

Alternative 1. Reschedule the Long Range Financial Plan discussions at a later date - Council could identify another preferred date to hold preliminary discussions around the Long Range Financial Plan if the proposed January 16, 2017 date cannot be accommodated. Administration has proposed the January Standing Committee of the Whole (SCOW) date to position the City to address any business cases or charters required to support the project in the 2018-2020 business planning and budget cycle. Choosing to not have any discussions around the Long Range Financial Plan is not recommended as the City would continue to face a funding deficit related to capital infrastructure for subsequent years with no financial long-term strategies in place to ensure adequate funding can be made available.

STRATEGIC CONNECTIONS

a) City of St. Albert Strategic Plan (Policy C-CG-02)

Pillars of Sustainability

BUILT ENVIRONMENT - We build our community towards the future to sustain balanced development, with a reverent eye to the past, honouring our unique settlement history and distinct identity.

Governance Strategy

Council is committed to ensuring that the City of St. Albert is a responsive, accountable government that delivers value to the community.

Service Delivery Strategy

Council is committed to ensuring that the City of St. Albert is engaging residents to identify opportunities to improve delivery of services to the community.

b) Long Term Plans (e.g. MDP, Social Master Plan, Cultural Master Plan, etc.)

- a. Municipal Development Plan
- b. All Divisional Action Plans
- c. Facility Matrix Model

c) Corporate Objectives (See Corporate Business Plan)

- Deliver programs and services that meet or exceed our standards
- Exercise strong fiscal management

d) Council Policies, Bylaws or Federal/Provincial statutes

- Budget and Taxation Guiding Principles C-FS-05
- Capital Project Management C-P&E-02

e) Other Plans or Initiatives (Business Plans, Implementation Strategies, etc.)
N/A

Report Date: November 21, 2016
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Committee/Department: City Manager's Office
General Manager: n/a
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