



Legislation Details (With Text)

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Title: 2020 Budget Adjustments
Presented by: Diane McMordie, Director, Finance & Assessment/CFO

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Attachments: 1. Impact of Changes to RMR Reserve Contributions, 2. 2020 Adjusted Consolidated Budget - revised, 3. 2020 Adjusted Consolidated Budget

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council	approved	Pass

TAMRMS#: B06

2020 Budget Adjustments

Presented by: Diane McMordie, Director, Finance & Assessment/CFO

RECOMMENDED MOTIONS

Alternative Motion #1:

That a 2020 final tax requirement of \$110,264,000 resulting in a consolidated budget of \$310,306,000 as detailed in the attachment titled "2020 Adjusted Consolidated Budget" be approved.

Alternative Motion #2

That a 2020 final tax requirement of \$109,220,000 resulting in a consolidated budget of \$309,262,000 as detailed in the attachment entitled "2020 Adjusted Consolidated Budget -- revised" be approved

[PROCESS NOTE: Shortly before debate began on the budget adjustment motions on May 4, 2020, Councillor Hughes advised Council and Administration of her intention to move a motion to revise the 2020 Adjusted Consolidated Budget to reduce overall budgeted expenditures for 2020 by 1%. That motion was not made on May 4 due to passage of another motion to defer finalization of the adjusted budget to May 11. In anticipation of the 1% expenditure reduction proposal being brought forward on May 11 Administration has analyzed its impact and has set out that analysis under the Alternatives section of this report. By passing Alternative Motion #2 above, Council would adopt the 1% expenditure reduction.]

PURPOSE OF REPORT

The purpose of this report is for Council to finalize the approved 2020 consolidated operating budget prior to the finalization of the annual tax levy.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

Strategic Priority #1: Growth Policy Framework: Develop a robust policy framework to guide growth.
Strategic Priority #4: Infrastructure Investment: Identify and build needed capital assets.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Financial Planning Stewardship of development of annual operating and capital budgets for Municipal and Utility operations.

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

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On May 4, 2020 Council passed the following motions:

(AR-20-069)

1. That \$387,000 of additional Assessment Growth Revenue be transferred to the Growth Stabilization Reserve.
2. That \$313,000 of the budget previously allocated to the St. Albert Public Library, be redirected to the Stabilization fund for the 2020 year to support any deficit that may or may not occur as a result of COVID-19.
3. That \$226,700 of the budget previously allocated to the Arts & Heritage Foundation, be redirected to the Stabilization fund for the 2020 year to support any deficit that may or may not occur as a result of COVID-19.

BACKGROUND AND DISCUSSION

On May 4, 2020 Administration presented to Council recommended adjustments to the 2020 budget that was originally approved in December 2019. While Council approved several recommendations (one with an amendment introduced and passed during debate) related to adjustments to reserve transfers, approval of the final budget and tax requirement number was deferred until May 11, 2020 to allow Administration time to provide background information related to any potential impacts associated with an amendment being considered to reduce the proposed 2020 increase from the 2.5% approved by Council in December to 1.5%.

The original recommendation from the May 4, 2020 meeting has been brought forward with no changes.

Further background information regarding the potential amendment is discussed under the alternatives section.

Given the uncertainty surrounding the City's response to the COVID-19 pandemic and the fact that the City continues to execute decisions to help mitigate any deficit that may or may not arise in 2020, no amendments to the 2020 budget related to this are being recommended at this time. There are several options for funding of any deficit that may arise which could include funding from established reserves, internal financing, external financing or any combination of the three. Administration will be developing recommendations in this regard for Council approval once the full extent of the impact is known.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

N/A

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

- the proposed 2020 budget results in a tax requirement reflecting an average 2.5% increase for 2019
- The City's Financial Reserves policy is in place to ensure that fluctuations in actual results, especially those outside the City's control, can be managed

Legal / Risk:

- The final tax requirement must be established at this time in order to meet our historical and targeted timelines of passing the Tax Rate Bylaw and the issuing of Assessment and Tax notices by May 31, 2020.

Program or Service:

None at this time

Organizational:

None at this time

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Prior to the May 4, 2020 Council meeting, Councillor Hughes indicated that she would be proposing an amendment to reduce the 2020 tax requirement to reflect an average 1.5 Per Cent increase over 2019 (instead of the recommended 2.5 Per Cent).

The underlying intent of this amendment is to specifically reduce the Council approved planned contribution to RMR (Repair, Maintain, Replace) reserves from 1.5% to 0.5% for the 2020 year.

In the spring of 2019, Council/Committee received several presentations regarding the state of

funding relating to our RMR assets. Administration's RMR funding request to Council in 2019 was meant to address a chronic shortfall of available RMR funding relative to what is required. Analysis of the City's capital asset base indicates that a reinvestment target of approximately 4.5% is required to adequately fund for annual repair, maintenance and replacement costs over the long term. The dollar value associated with this reinvestment target is fluid as the capital asset base is constantly increasing (4.1% average growth over the last 8 years). The shortfall currently averages more than \$28 million per year. In order to meet RMR requirements the funding gap must be made up from grants.

Even before the COVID-19 emergency the future availability of grants was under threat. Going forward it is reasonable to assume that grants will be an even more precarious source of capital funding and cannot be relied upon to close the RMR funding gap. In addition, diverting grant funding to RMR threatens growth capital projects. As it stands now, approved RMR funding is growing at a substantially slower rate than RMR requirements. If this pattern continues, the City will reach a point where there will be no funding for growth projects and insufficient funding for RMR requirements.

The ability to support our existing assets, independent of (or with less reliance on) government grants, is a long term goal of the City. While the current model suggests that a 1.5% property tax increase would be required every year for the next 20 years to accomplish this, Council made a first important step by committing to a 1.5% tax increase for each of the next 3 years, at which time the issue will be reevaluated.

The longer term impact of a decision to reduce the 2020 allocation to RMR by 1.0% is shown in the attachment titled "Impact of Changes to RMR Reserve Contributions"

In comparing what Council had previously approved (1.5% for 2020-2022) and the proposed amendment (0.5% 2020, 1.5% 2021/2022), over the 20 year period being considered in the model, the impact over 20 years is that an additional \$25M of non-tax funding will be required to reach the same funding level.

Reducing the contributions to our RMR reserves in 2020 has no impact on any specific projects already approved or those planned in the next few years. The impacts are longer term as our reserves would be depleted faster then they are being replenished and enhanced.

Should Council wish to consider this option, passing Alternative Motion #2 in the Recommended Motions section of this report would accomplish that.

Report Date: May 11, 2020
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