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CAO Presentation of the Proposed Financial Plan and 2021 Budget

Presented by: Kevin Scoble, Chief Administrative Officer

RECOMMENDATION(S)

That the proposed City of St. Albert financial plan and 2021 budget be received as information and referred to the Committee of the Whole meeting scheduled to commence at 2:00 p.m., Tuesday, November 3rd, 2020.

PURPOSE OF REPORT

This report presents the Proposed Financial Plan and 2021 Budget for Council's review, deliberation and consideration of approval.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Corporate Business Planning

Steward the Corporate Business Plan and work with all Departments to facilitate business planning and ensure that they have the knowledge and tools they require to align their business planning to the strategic planning framework. Provide assistance and support where necessary and prioritize work with Leadership Team for the short- and long-term business and financial planning. The

business planning includes development and maintenance of the Services and Service Levels Inventory, Priority Business Planning and Budgeting, and development of the CAO's Budget presentation.

Financial Planning

Stewardship and Development of annual operating and capital budgets for Municipal and Utility operations.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

Sections 242 and 245 of the *Municipal Government Act* provide that a Council must adopt both an operating budget and a capital budget for each calendar year.

Section 283.1(2) also requires a municipality to prepare a written plan respecting its anticipated financial operations over a period of at least the next 3 financial years.

On October 5, 2020, Council passed the following motion

(CM-20-035)

THAT when bringing forward the 2021 budget for Council's consideration, Administration include information and analysis on the following alternative courses of action:

1. No reductions to services or service levels, and the tax increase required to achieve this result;
2. A zero percent tax increase, and proposed reductions to services or service levels required to achieve this result; and
3. A mid-point approach between 1 and 2, with relatively modest reductions to services or service levels and a tax increase less than what would be required to maintain status quo services and service levels.

BACKGROUND AND DISCUSSION

The Municipal Government Act (MGA) requires a Council to adopt operating and capital budgets each year. The City's business planning and budget process is a comprehensive undertaking that is guided by the Community Vision, Council's Strategic Plan and resident feedback, including Budget World Café discussions, to help ensure the plan and budget reflect priorities identified by the community. It also considers the need for restraint resulting from the reality of today's provincial and federal economies and the continued decline of external funding sources.

As we move into the final year of Council's four-year term, Administration continues its focus on Council's six overarching priorities: growth, economic development, building a transportation network, infrastructure investment, housing and social well-being and environmental stewardship. The focus also continues to be on revenue-generation opportunities, cost-saving initiatives, process efficiency

improvements and the creation of regional partnerships and collaborative opportunities where beneficial.

Over the past few months, Administration and Council have completed a host of cost reduction and efficiency exercises based on the continuous improvement initiatives and the Priority Based Business Planning and Budgeting process. Administration has also limited new spending requests to address only the most vital of projects. As a result of this work, only three business cases totaling \$855 thousand are being proposed, including six emergency services personnel, an Intermunicipal Development Plan with Sturgeon County and corporate initiatives intended to support investment and economic growth.

The proposed budget for 2021 is a continuation of one-time strategies, focusing on expense reductions along with permanent decisions to maintain fiscal sustainability into the future. To ensure a fiscally sustainable plan in the medium to long term, a further examination of the programs and services offered by the City is prudent. Ernst and Young has also been retained to conduct an Operational and Fiscal Review and will present additional permanent decisions to be considered to manage medium to longer term fiscal sustainability of the City (Q4 2020 and Q2 2021).

While the Operational and Fiscal Corporate Review is underway, further restraint is required in developing the 2021 proposed budget, reflecting the current realities and future outlook of the local, provincial, national and global economies and the continued decline of historical revenue sources without offsetting by new revenue sources.

Administration has developed a proposed budget that considers these factors and realities through:

- Prioritizing services and service levels;
- Supporting growth to move Council's Strategic Plan forward; and,
- Maintaining and planning for key infrastructure projects to support our recovery.

Proposed Operating Budget

For 2021, Administration is proposing an operating budget of \$112.4 million, which yields an overall average municipal property tax increase of 1.1 per cent.

Without one-time application of reserve funding as described below, the actual cost to provide Council-approved services under the current operational guidelines is a \$3.8 million net increase to the 2021 budget, which would have resulted in a 3.5 per cent tax increase. This is primarily driven by:

- \$8.7 million reduction in revenue
- (\$6.5) million in expense savings
- \$1.6 million to address funding deficits for existing municipal infrastructure, as per Council direction.

As a portion of our 2020 COVID related impacts will be reimbursed by the Province under the Municipal Operating Support Transfer (MOST) grant program, we are able to carry-forward approximately \$7 million of the savings we generated in 2020 through cost and service reductions. Administration is recommending that \$2 million of these savings be utilized to reduce the tax impact in 2021 while the remainder be added to reserves to manage ongoing impacts during recovery in 2022 and 2023. As well, Administration is also recommending that an additional \$544 thousand (-0.5 per cent) from new assessment growth (which is the additional taxes generated from new properties)

be used to offset the proposed tax increase.

After application of these additional recommendations, the proposed tax increase was reduced to 1.1 per cent. Additional reductions to bring the tax increase to 0% are being recommended by Administration. However, this will require Council approval to action due to required changes to services and/or service levels.

Further highlights are outlined in the Council presentation that will be accompanying the report.

Service Level Adjustments

For 2021, based on prioritization completed by both Council and Administration, Administration has provided service level reduction recommendations for Council's consideration to potentially lower the tax rate to zero. The service levels reductions recommendations have not been incorporated into the proposed budget because they require Council's approval. To action any of the proposed service levels adjustments, a Council motion and approval is required.

Proposed Municipal Capital Budget

The proposed Municipal Capital Budget is comprised of 44 projects totaling \$39.4 million, which includes:

- 10 capital charters addressing community growth total \$6.0 million for consideration
- 29 capital charters addressing RMR (Repair, Maintain & Replace existing infrastructure) totaling \$26 million, approved in July 2020
- 5 capital charters of \$7.4 million, approved in September 2020

Proposed Utility Capital Budget

The proposed Utility Capital Budget of \$19.6 million includes 11 capital projects, which focus on 10 RMR projects at \$19.1 million and one growth project at \$500 thousand. The proposed monthly utility bill will yield an average decrease of \$0.40 (0.03 per cent) compared to last year.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

The primary focus on this year's public engagement will be to gauge the community's feedback on preference for possible reductions in service levels to decrease the tax amount.

The following engagement opportunities have been identified:

- Using the new online platform: The campaign will focus on values-based feedback regarding preferences for reduced services
- World Café Discussion: Scheduled for November 5 and 9, will be facilitated by an external consultant and will include robust conversation with demographically represented residents.
- Zoom Meeting with Non-profits: Scheduled by the Mayor's office for October 14 where budget needs will be identified.
- Zoom Meetings with Chamber of Commerce Board and representatives from the Committees of Council will be scheduled for November 19, 2020.

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

- Consistent with Council Policy C-FS-05 Budget and Taxation Guiding Principles, using the Services and Service Levels Inventory as basis, the operating budget is developed on the principle of sustaining current programs and level of services. For the 2021, the exception are services and service levels impacted by Covid related restrictions and demand for service. For these services, revenue and expense adjustments were made to base budget.

RMR capital charters and operating business cases support the maintenance of service levels. Recommendations for new programs and/or service level adjustments are presented as Growth business cases. Capital projects relating to growth are also reviewed during the budget deliberations.

Legal / Risk:

- The MGA requires that Council adopt annual operating and capital budgets.
- The City follows Public Sector Accounting Standards (PSAB).

Program or Service:

- The proposed Financial Plan and 2021 Budget form the basis of the City's financial operations. The budgets support maintaining service levels, growth and strategic initiatives directly aligned to the St. Albert Strategic Plan and integrate Council direction that may have had implications for the planning period.

Organizational:

- The budget requests additional staff to support City services due to growth for Municipal and Utility operations.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

N/A

Report Date: November 2, 2020

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