



2020 Capital BUDGET OVERVIEW

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Capital Budget Philosophy

Municipal capital is infrastructure such as roads, utilities, equipment, etc. used to provide municipal services to residents in Parkland County. Some of the many ways that capital serves Parkland County are depicted below.

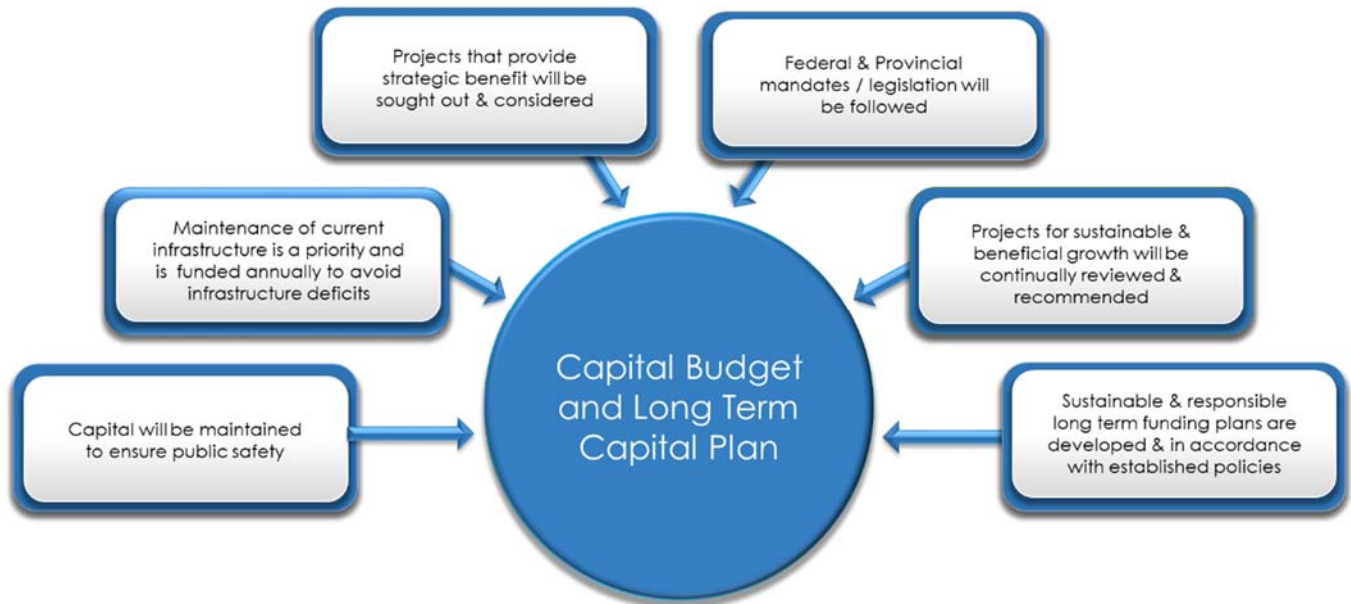


2020 FOCUS

In the 2020 Capital Budget, the focus is on supporting annual maintenance programs, hamlet sustainability, service growth, and to catch up on carry-forward projects. Once these projects are funded, new growth projects will be added back into the budget of future years.

KEY BUDGET CONCEPTS & GUIDING PRINCIPLES

- The budgeted amount for capital should be the planned spend for the fiscal year.
- All carry forwards will be added to the 2020 final capital budget (spring 2020).



ALIGNING TO COUNCIL'S STRATEGIC PLAN

Council's strategic plan provides direction to administration. The 2020 Capital Budget has recommended projects that are in alignment with Council's strategic goals. The Capital Budget is developed in the context of the long-term plan and considers critical factors such as:

- Renewal/Preservation - work on existing infrastructure such as major maintenance that does not increase the service level of the infrastructure
- Value Add Growth - new infrastructure
- Service Growth - significant upgrade of an existing asset due to population growth
- Development Growth - new infrastructure contributed from new development or new infrastructure that will encourage development

CAPITAL BUDGETING PROCESS

The Capital Budget considers and balances all infrastructure pressures including, but not limited to:

- aging infrastructure and functional obsolescence
- growth
- safety
- policy standards
- strategic issues
- triple-bottom line sustainability (economic, environment, and social)
- funding constraints
- legislative requirements



CAPITAL BUDGET PROJECT RANKING

To help determine which projects should be included in the budget, projects are ranked based on the following:

1. Imperative (Must Do)

- Initiatives that cannot be reasonably postponed in order to avoid harmful or otherwise undesirable consequences

2. Essential (Should Do)

- Initiatives that address clearly demonstrated needs or objectives

3. Important (Could Do)

- Initiatives that benefit the community but may be delayed without detrimental effect to basic services

4. Desirable (Other Year)

- Desirable initiatives that are not included within the current year budget because of funding limitations

The intention of the ranking process is to provide the Executive Team with a basis for prioritizing projects given funding constraints. For 2020, Departments were only asked to submit projects that were imperative or essential due to current economic factors affecting the County.

CAPITAL BUDGET FUNDING SOURCES

The Capital Budget indicates how projects are to be funded. The following funding sources are available:

Debt— Debt Policy C-FI09 has been established to maintain a strong financial position through limiting tax supported debt, effectively, a pay as you go philosophy. Debt financing is not a funding source; instead, it is a financing vehicle that requires scheduled repayment in the future by various other sources, such as developer levy payments, residential taxes, or utility rates.

Restricted Surplus— funding for the County's future capital needs is set aside through appropriate restricted surplus transfers. Use of restricted surplus is planned and is not considered as an alternate funding source.

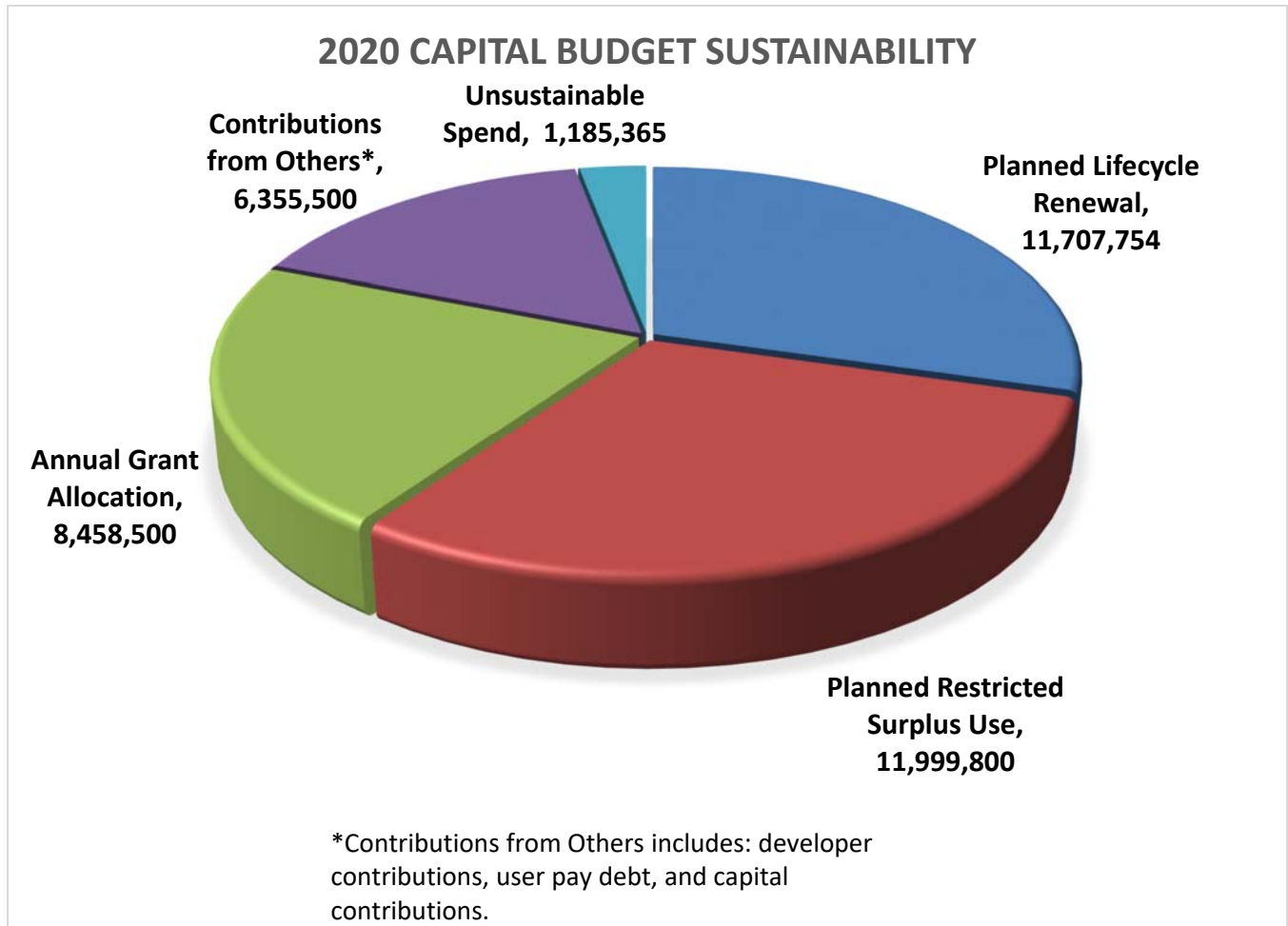
Grant— when funding for infrastructure comes by way of grants, reasonable assurance that the project is eligible for grant funding is required. Grant funds are used prior to municipal funding sources, except in relation to annual programs, which require continued and sustained funding.

Developer Levy—eligible capital projects may be funded, in whole or in part, by specific developer levy accounts. In the event that there are insufficient funds in the appropriate levy account, the County may choose to use levy-serviced debt to fund the project.

Taxation – taxation funding is utilized to support: annual programs, projects where other funding sources are not available, or projects not eligible for other funding sources.

2020 SUSTAINABLE SPENDING CALCULATION

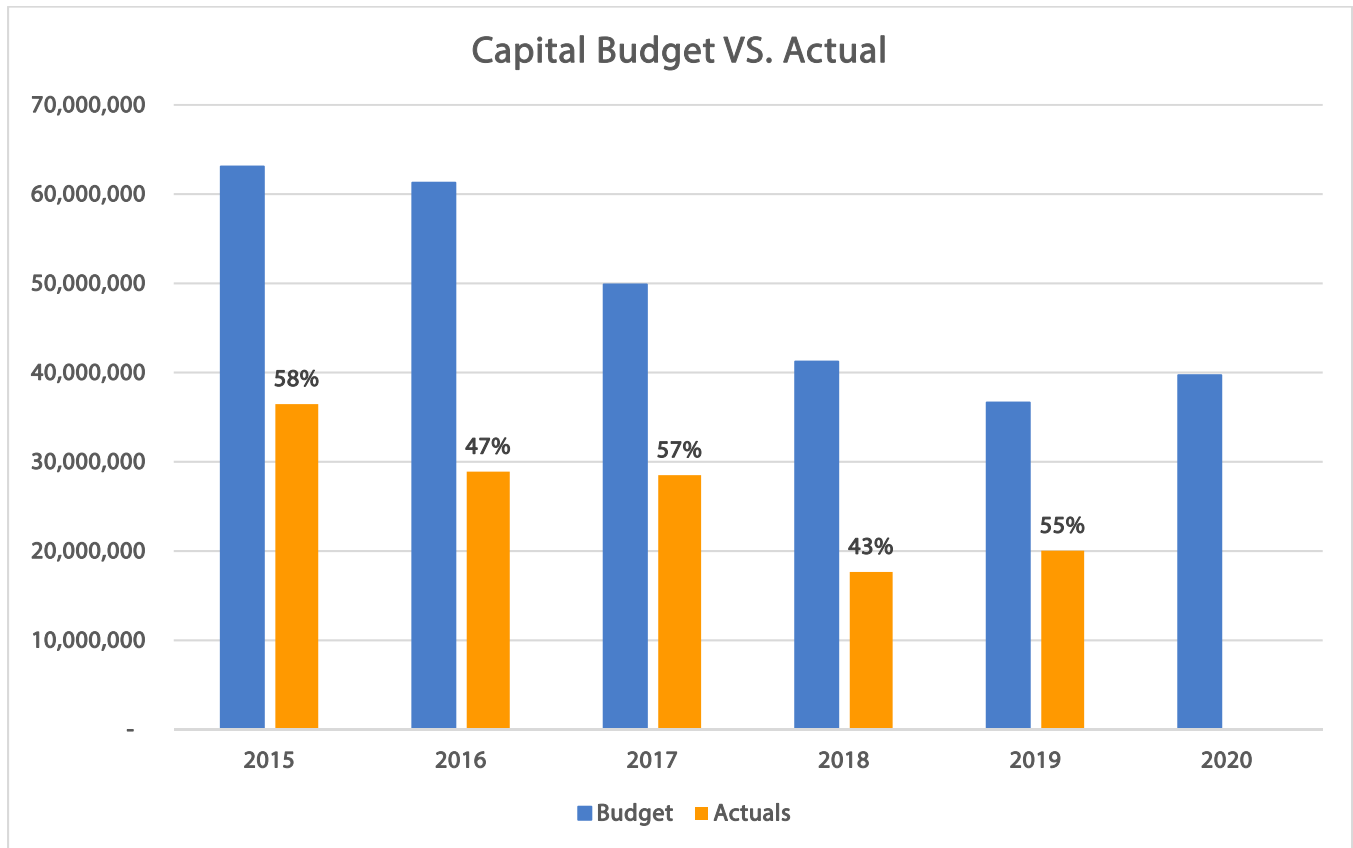
Sustainable spending practices are essential to the long-term viability of any organization and governments are no different. The figure below is a snapshot of the sustainability of the 2020 Capital Budget.



Sustainability is defined as “the ability to be maintained at a certain rate” or maybe more appropriately “the avoidance of depletion.” For Parkland County’s purposes, sustainability of the 2020 Capital Budget has been calculated at \$21.1M based on consistent sources of funding including: grant allocations, our planned spending, and our contributions from others. The remaining capital spend is considered unsustainable.

CAPITAL BUDGET VERSUS ACTUAL

The figure below is a historic look at the County's capital budget performance.



It illustrates clearly that there has been a misalignment between what the County plans to complete in a year and the County's ability to actually complete it. It also illustrates a steady reduction in the budgeted capital spend which is approaching a sustainable level. Two observations are clear from these illustrations.

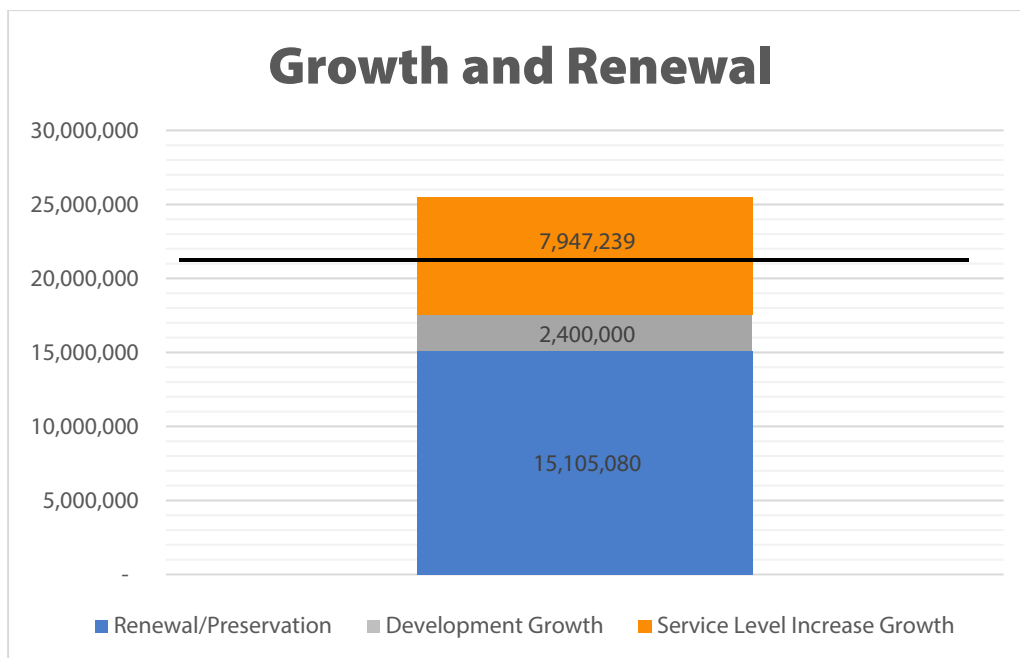
1. **Sustainability** - spending must continue to be reduced. The County has completed a number of large-scale projects over the past years. These projects were critical to the County's growth and development but spending at these levels is not sustainable year over year. To achieve long-term sustainability, the County must continue to reduce capital spending.
2. **Actual Results** - capacity needs to be re-evaluated. Historically the County is only able to complete approximately 50% of what it plans to accomplish. The budget needs to be reduced to levels that can be accomplished given existing resource constraints.

The County has taken significant steps in the 2020 Capital Budget process to resolve these historical issues. Steps taken included: focusing on allocating project cash flows between the current budget and future budget years and deferring new construction projects to ensure that outstanding 2019 projects can be completed.

GROWTH VERSUS RENEWAL/MAINTENANCE

Growth projects are split into two categories: service growth (growth required due to a population increase) and value added growth (new services provided). Service growth is prioritized over value added growth as this type of growth is required to maintain existing levels of service to residents.

Only growth projects deemed “imperative” or “essential” have been included in the 2020 Capital Budget. The graphic below illustrates how the County is prioritizing funds between growth and renewal projects. In the current year there is a significant increase in growth related projects including the Entwistle Pool and Community Hub and the Parkland County Transfer Station and Recycle Centre.



— Represents the sustainable capital spending level

Excludes 2019 carry forward projects

CAPITAL PURCHASES BY TYPE

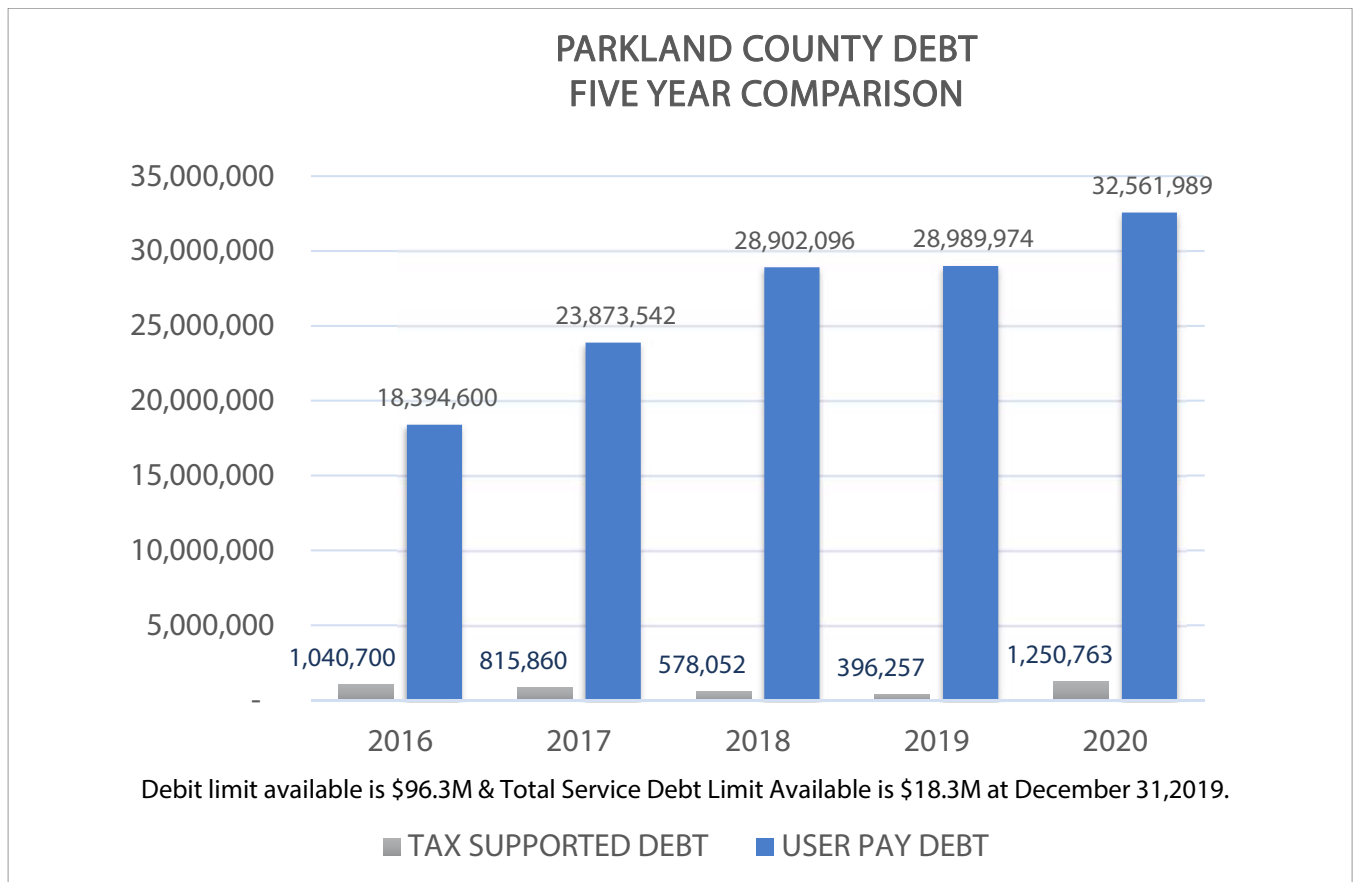
The table below lists capital expenditures by infrastructure type. This illustrates the types of infrastructure the County has focused the capital program on for the 2020 budget year. The majority of capital expenditures relate to Parks and Recreation Facilities, Utility Infrastructure, and Roadway Infrastructure.

Infrastructure Class	Capital Cost
Bridges	165,000
County Facilities	8,257,200
Fire Services	1,892,615
Fleet	3,700,800
Information Technology	2,748,900
Machinery & Equipment	432,300
Parks & Recreation Facilities	6,168,939
Road Construction - New	1,549,100
Road Rehabilitation	5,144,500
Wastewater	1,982,300
Water	5,878,900
Stormwater	786,365
Total	38,706,919
CAO Contingency Capital	1,000,000
Total Capital Budget	39,706,919

DEBT

The 2020 Capital Budget has new debt planned for multi-year projects, including: the Acheson Zone 4 Reservoir, Acheson Zone 1 and 2 Waste Water Line, and Walker Lake Water Loop.

The County's debt is illustrated in the next figure. Note that 2019 figures are based on actual values. The total debt projected at the end of 2020 is \$33.8M. Debt servicing costs in 2020 are anticipated to be \$3.1M, which is equivalent to a 5% tax rate adjustment.



Debt Policy C-FI09 has been established to maintain a strong financial position through limiting tax supported debt, effectively, a pay as you go philosophy. The ability to ensure sufficient funding for capital intensive projects has been achieved with both orderly planning through restricted surplus and maximizing granting opportunities. In the past, the County has acquired most of its debt, either internal or external, to fund utility and other public infrastructure which is supported through utility rates and/or off-site levies.

RESTRICTED SURPLUS

Restricted Surplus funds are used by the County to stabilize the tax rate and to reduce reliance on debt borrowing. This is accomplished by setting aside funds for large one time projects and for replacement of existing capital. This process is governed by the restricted surplus policy C-FI105.

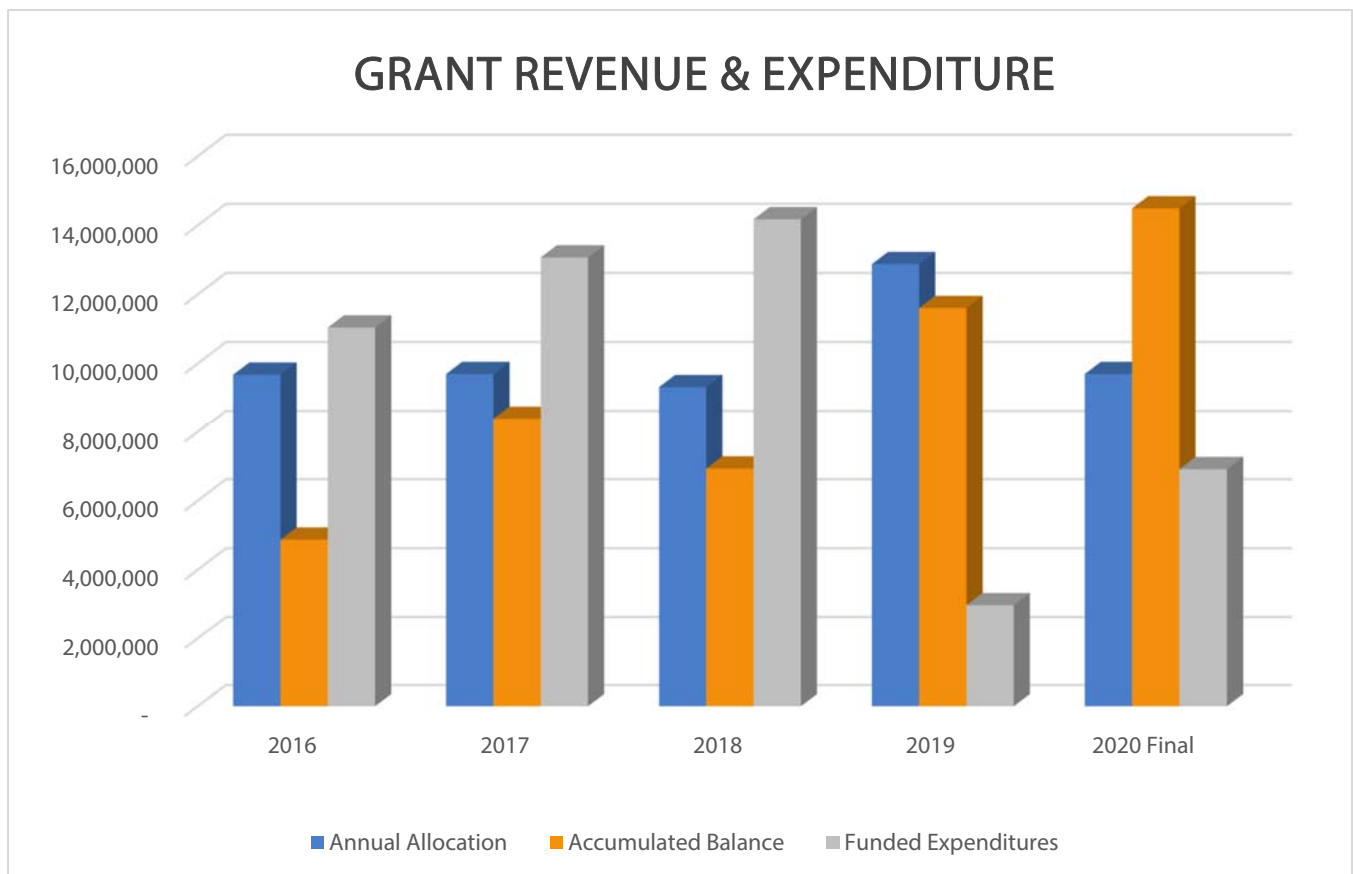
It should be noted that only those operating or capital items identified on the restricted surplus authorization forms can be funded from restricted surplus. Unless otherwise recommended by the Executive Committee and approved by Council, new capital purchases must be funded through general taxation or debenture debt until such time that a corresponding restricted surplus is established.

Asset Class	Planned Lifecycle Renewal	Planned Restricted Surplus	Unplanned Restricted Surplus
County Facilities	-	7,925,200	-
Fire Services	1,892,615	-	-
Fleet	3,700,800	-	-
Information Technology	324,200	1,029,000	15,000
Machinery & Equipment	329,200	86,700	-
Parks & Recreation Facilities	5,460,939	471,300	-
Road Construction - New	-	1,347,500	-
Wastewater	-	46,900	-
Water	-	76,800	-
Stormwater	-	-	786,365
Broadband	-	16,400	-
CAO Contingency Capital	-	1,000,000	-
Total	11,707,754	11,999,800	801,365

GRANT FUNDING

In 2018, the Alberta Government changed the timing of the cash flow of Municipal Sustainability Initiative Capital (MSIC) dollars to municipalities. This resulted in a portion of the 2019 and 2020 grant allocations being paid to municipalities in advance. Parkland County had made the prudent decision to save these funds and utilize them in the year they were originally intended for to ensure that there are no service level decreases or large tax rate increases in the coming years. As a result, the 2020 Capital Budget will not be affected by this change in cash flows and therefore service levels will not have to be reduced. The 2020 budget contains \$14.5M of unallocated grant funds remaining that will be carried forward to 2021. The significant spike is the result of releasing the MSI Capital funds allocated to the Entwistle Pool and Community Hub to support the ICIP grant application.

- Any funds that remain unallocated in the budget process will be held as deferred revenue and will be available for future initiatives through Council request for decision (RFD) or the 2021 budget process.
- It is a prudent practice to consider grant funding as one time money and therefore use it to fund one time expenditures. The figure below illustrates how grant funds have been utilized over the past 5 years and projects how they will be used in 2020.



We can also see from the illustration that our total available grant funds year over year have remained relatively consistent. This is a positive indicator and the result of prudent financial management and the long-term strategic approach employed by senior management and Council.