

2024-2028 Operating and Capital Plan Overview

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Operating and Capital Planning

Parkland County has a strong history of prudent financial decision-making, balancing resident, and business needs with acceptable tax rate increases. As a result, the County has one of the lowest tax rates in the region while still maintaining the programs and services that residents value most. To ensure that this prudent financial management continues into the future, the County has developed a long-term operating and a long-term capital plan. These plans have been developed in accordance with best practices and the requirements of the Municipal Government Act.

Importance of Long-Term Planning

Long-term planning provides context to the Executive Team and Council when making decisions. It provides transparency into how decisions made today will affect residents and businesses over the next 5 years. Long-term planning:

- Combines financial realities with corporate strategies
- Uses assumptions based on operating practices and economic factors to forecast future years
- Identifies future financial capacities
- Encourages a long-range perspective to enable strategies that will achieve long term sustainability
- Helps mitigate the impact of negative future events; and
- Maximizes potential to seize future opportunities.

Operating and Capital plans help to ensure that the County's history of balancing resident needs with reasonable tax rates will continue in future years.

Key Concepts & Guiding Principles

The Government Finance Officers Association (GFOA) and the Alberta Municipal Government Act both provide guidance on how to create Capital and Operating Plans. This guidance is used to prepare the County's Plans.

Municipal Government Act	GFOA	Parkland County
<ul style="list-style-type: none"> • Duration - 3 years operating 5 years capital • Scope - Expense and revenue by major categories • Updates - Annually • Content - Include values • Communication - Council Presentation 	<ul style="list-style-type: none"> • Duration - 5+ year • Scope - Expense and revenue by major categories • Updates - As Needed • Content - Include values and narrative • Communication - Public Presentation 	<ul style="list-style-type: none"> • Duration - 5 years • Scope - Expense and revenue by major categories • Updates - Annually • Content - Include values and narrative • Communication - Council Presentaiton

Philosophy

Financial Plans are not multi-year budgets and as such, the philosophy used to develop them is significantly different. Financial plans are completed at a higher level. They include a multi-year forecast that indicates future operational and financial trends, which results in a high-level estimate of future tax impacts. The goals of forecasting are to:

- Identify any imbalances between the cost of providing new programs and completing new projects with the funding available
- Develop strategies, actions, and policies to balance revenues and expenses over the short and long-term; and
- Identify proposed changes to the base budget in advance to allow decision makers time to make informed and strategic decisions.

Forecasted budget years often have high tax rate impacts as they include all requested projects that the County could pursue. This is not a cause for concern, as financial plans continue to get refined and the budget process approves, declines, or defers various projects or programs to achieve a reasonable tax rate.

The primary benefit of long-term planning is that it identifies future financial challenges and opportunities. This allows the Executive Team and Council to plan and develop strategies to minimize challenges and take advantage of opportunities.

Operating Plan Process

Developing the Operating and Capital Plan takes input from many stakeholders. The process involves department managers, front line staff, executive team members, and information from external sources. This information is compiled and then refined using Council's Priority Themes.



Departments include 5 years of anticipated operating projects and service level changes as well as 5 years of projected capital projects as part of the 2022 budget process. This information is overlaid on the 2022 budget information to form a baseline for the forecast. Key steps in the development of the Operating and Capital plans include:

- Utilizing the 2022 budget as a baseline for the forecast
- Adding any increase in revenues and expenses that result from completed 2022 capital and operating projects
- Adding new service level changes to revenue and expenditure categories
- Applying inflation to the updated base budget for the year
- Adjusting restricted surplus transfers to reflect the needs identified in the lifecycle plans and adjust debt payments based on forecasted debt schedules
- Removing prior year capital and operating projects
- Adding future year capital and operating projects; and
- Applying funding to capital and operating projects.



Municipal Inflation

The cost of goods and services typically change year over year, therefore, in order for the County to maintain a consistent level of service, corresponding adjustments must be made to the Municipal Budget to account for inflation/deflation.

The County uses published index rates to provide a recommendation for the rate applied to the budget. The most commonly referenced index is the Consumer Price Index (CPI) which is based on the goods and services used by the average consumer.

Historically, the County has relied on the Municipal Price Index (MPI) to determine the rate of inflation/deflation to apply during the budget process. The MPI is calculated using items commonly utilized by municipalities rather than consumers and is more indicative of the County’s operations.

However, the MPI forecast is updated infrequently (on an annual basis) and given the rapidly changing market conditions, the County felt it would be more appropriate to use the most recent quarterly CPI forecast to inform inflation for the 5-year plan.

Year	Forecast				
	2022	2023	2024	2025	2026- 2028
MPI ¹	2.61%	0.95%	1.51%	2.06%	2.14%
CPI ²	5.60%	4.00%	2.00%	2.00%	2.00%

¹Source: City of Edmonton's 2021 Municipal Price Index Forecast

²Source: Bank of Montreal's May 27, 2022 Inflation Monitor Update/ Internal estimate

Operating Programs

Unlike operating and capital projects, which have a defined start and end, operating programs, are ongoing. As a result, operating program changes have the highest level of scrutiny, as they are base budget changes that carry on year after year. These program changes are typically initiated by Council request or changes in regulatory requirements.

Incremental Changes to Base Operating Budget

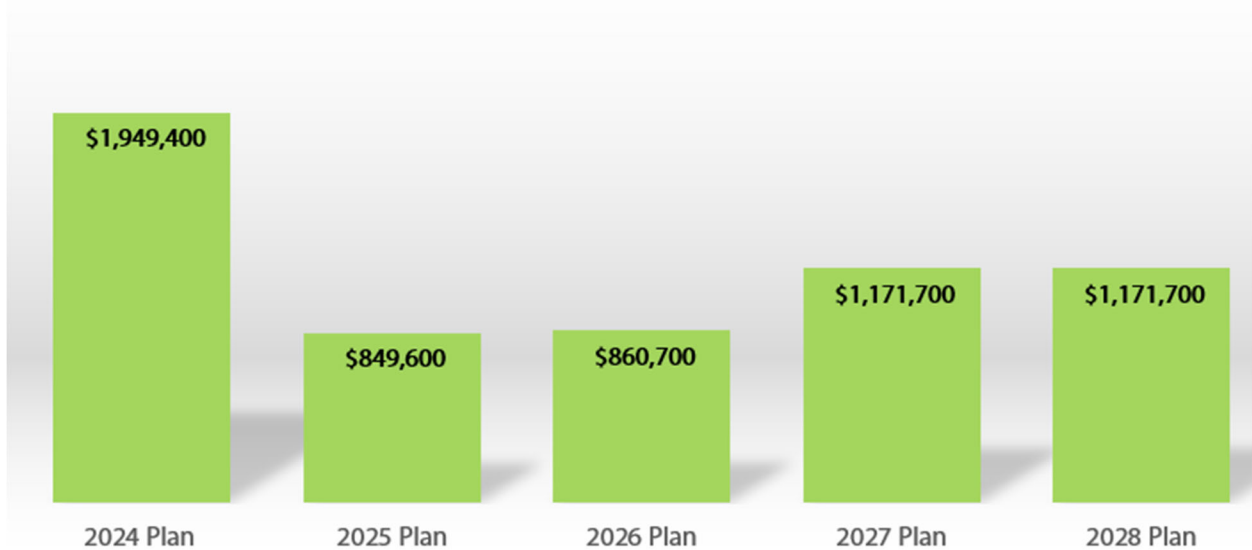


*Values are based on 2022 real dollars and do not account for year over year

Operating Projects

The figure below illustrates the operating project costs in future years. Administration will continue to review all operating projects to ensure that they are imperative or essential to County operations prior to approving the project through the budget process.

2024 - 2028 Forecasted Operating Projects Expenditure



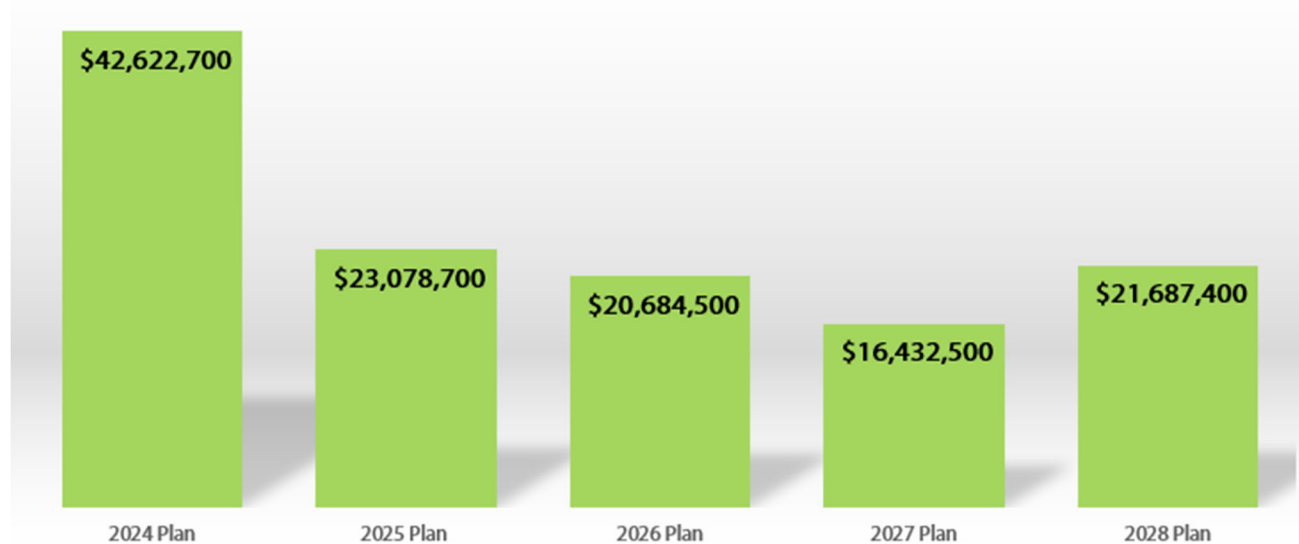
*Values are based on 2022 real dollars and do not account for year over year inflation

Capital Projects

The annual capital expenditures for the County range from \$16.4M - \$42.6M over the next 5 years. This plan includes the \$51 million Council priority projects to promote investment opportunities and the quality of life of residents.

The sustainable spending level for the County at \$23.8M as of 2022. This means that each year through the budget process a significant portion of the projects that are proposed will need to be deferred or declined by the Executive Team and Council to achieve a sustainable spending level.

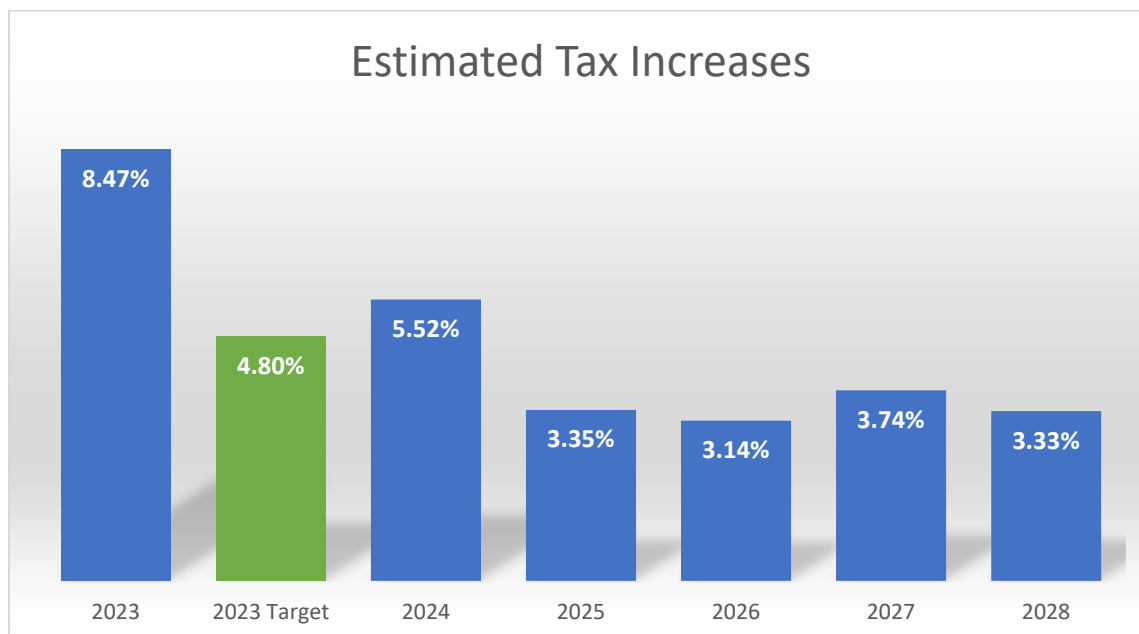
2024 - 2028 Forecasted Capital Projects Expenditures



*Values are based on 2022 real dollars and do not account for year over year inflation

Forecasted Tax Rate Changes

The figure below identifies the forecasted tax rate implications if all the proposed changes were completed in the year that they were requested. It is clear that these tax rate changes are not in alignment with the County’s philosophy to maintain reasonable tax rate increases. This is not a cause for concern as the County has an established budget process that will refine these forecasted numbers in each budget year by reviewing each proposed project and program change in the context of Council’s strategic plan. This will allow Council and Administration to recommend only those projects that are imperative or essential to the County’s operations and defer or decline the other proposed projects.



Note: The tax rate increase required to achieve the 2023 target is 2.8%

Next Steps

The 2024-2028 capital and operating plans comply fully with the requirements of the Municipal Government Act. The following improvements are planned for future years to ensure that the plans provide the information needed by decision makers:

- Forecast of future year assessment to better inform tax revenue projections
- Forecast of residential and business growth to better inform costs of servicing new infrastructure
- Forecast of the impacts of new regulatory requirements within provincial and federal announcements
- Further refining of drivers for inflation/deflation and service growth