

2025 Capital Budget Overview

Presented to GPC November 18, 2024



Parkland County: gifted by nature, inspired by innovation, powerfully connected, and home to opportunity.



Capital Budget Philosophy

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

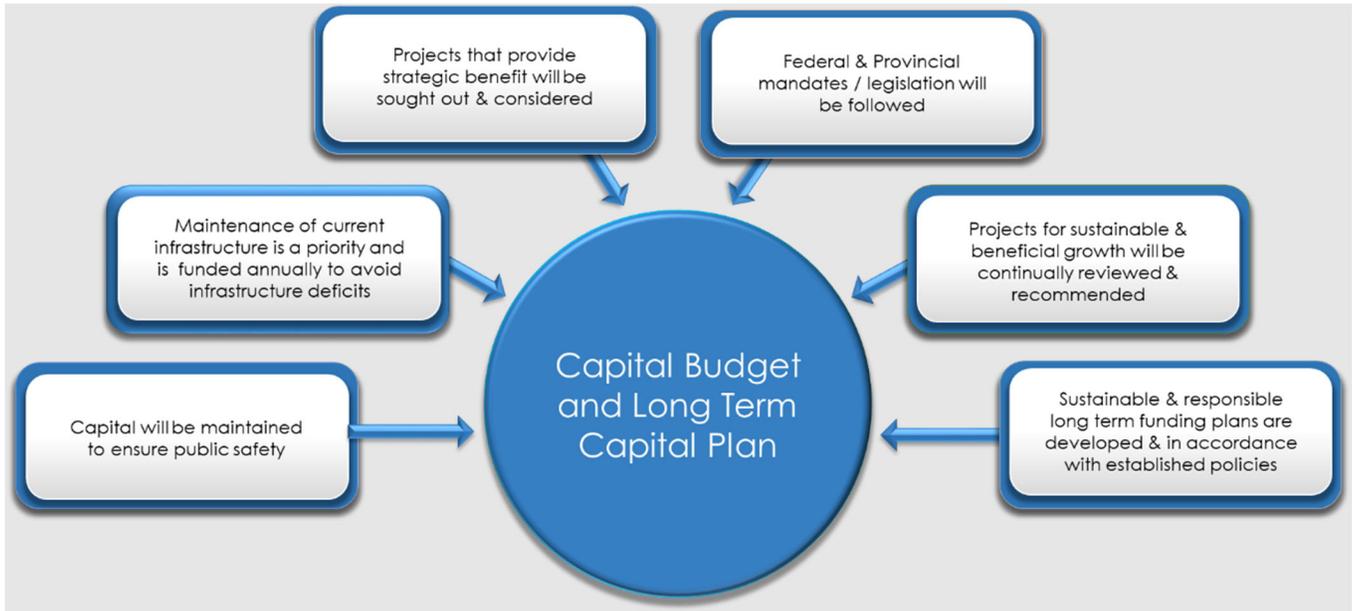


2025 FOCUS

The focus for the 2025 Capital Budget is on road rehabilitation and construction, water infrastructure, and Wabamun projects. The County will make strategic capital investment to attract new businesses and to enhance the quality of life of residents.

KEY BUDGET CONCEPTS & GUIDING PRINCIPLES

- The budgeted amount for capital should be the planned spend for the fiscal year.
- All carry forward projects are added to the 2025 budget as part of the prior year's year end process.



ALIGNING TO COUNCIL'S STRATEGIC PLAN

Council's strategic plan provides direction to administration. The 2025 Capital Budget has recommended projects that are in alignment with Council's strategic pillars and 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
- **Growth Value Add (Service Level)** – new infrastructure or 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; and
- cost effectiveness.



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 2025, 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:

Restricted Surplus - Policy C-F105 - 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. Like debt, restricted surplus helps to avert fluctuating tax rates from capital projects and purchases.

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.

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.

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. Debt funding helps to spread out the impact of major capital projects on municipal taxes and serves as inflation hedging during times of high inflation.



Capital Purchases

CAPITAL PURCHASES BY CLASS

The table below lists capital expenditures by infrastructure class. This illustrates the classes of infrastructure the County has focused the capital program on for the 2025 budget year. Most of the capital expenditures relate to Road Rehabilitation, Fleet, and Parks & Recreation.

Infrastructure Class	Capital Cost
Road Rehabilitation	5,887,800
Fleet	5,761,000
Parks & Recreation	4,978,100
Water	4,922,000
Road Construction - New	4,425,000
Bridges	2,751,000
County Facilities	1,781,400
Information Technology	1,048,100
Machinery & Equipment	638,500
Wastewater	150,000
Fire Services	90,000
Stormwater	50,000
Total Capital Projects	32,482,900
CAO Emergent Capital	500,000
Total Capital Budget	32,982,900

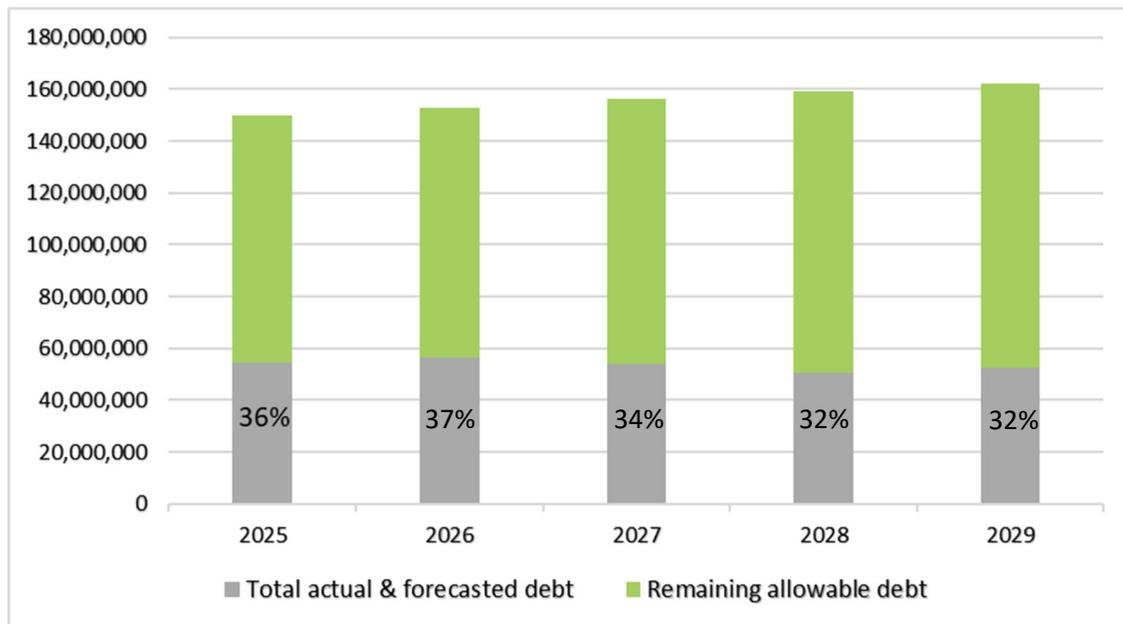


Funding Sources

DEBT

The 2025 Capital Budget contains utility and user pay supported debt for the Acheson Zone 3 Pipe Rehabilitation and Meridian Avenue from Highway 60 to 231 Street Extensions. The total new debt in the 2025 budget is \$4.6 million.

The County's debt is illustrated in the next figure. The total debt projected at the end of 2025 is \$54.4 million. Debt servicing costs in 2025 are anticipated to be \$4.6 million.



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 to fund user pay infrastructure projects.

RESTRICTED SURPLUS

Restricted surplus funds are used by the County to stabilize the tax rate and to reduce reliance on debt borrowing to minimize interest expenses. 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-FI05.

It should be noted that only those operating or capital items dedicated and approved by Council can be funded from restricted surplus. New capital purchases must be funded through general taxation, grant funding, or debt until such time that a corresponding restricted surplus is established unless otherwise recommended by the Executive Committee and approved by Council.

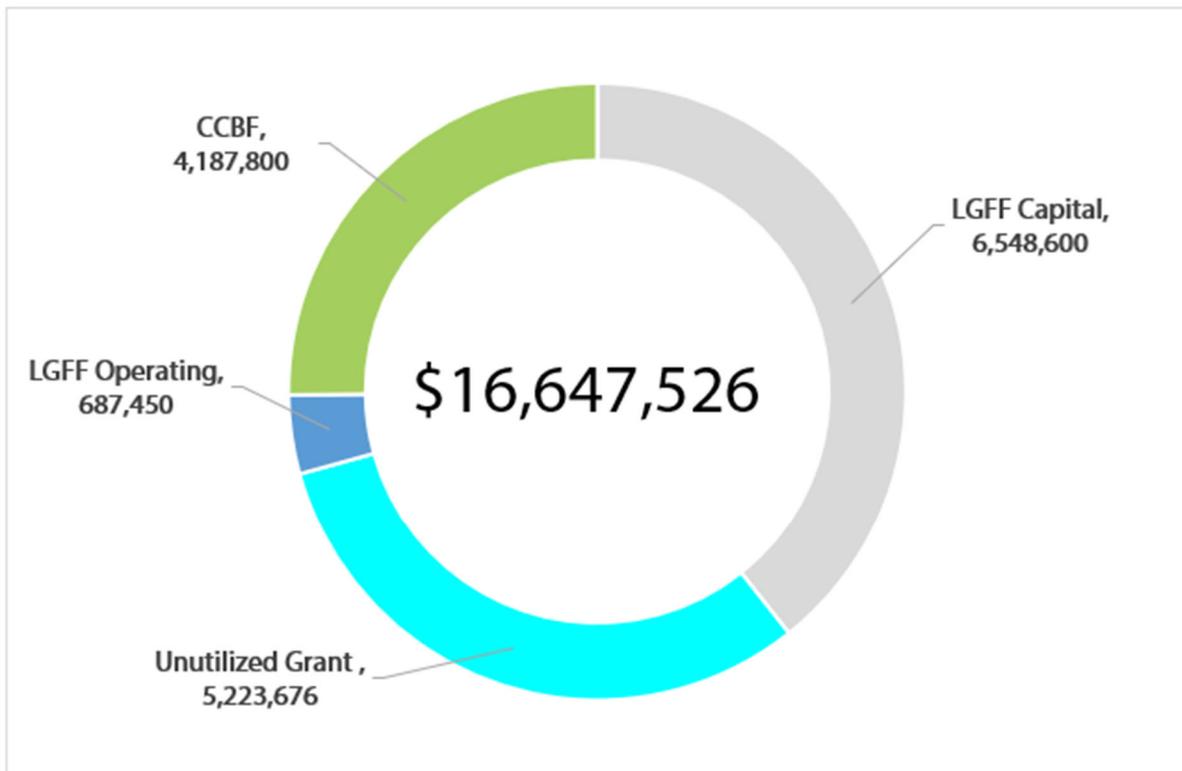
Asset Class	Planned Lifecycle Renewal	Planned Restricted Surplus	Unplanned Restricted Surplus
Parks & Recreation	590,400	-	-
CAO Emergent Capital	500,000	-	-
Information Technology	281,200	32,100	222,600
Fleet	-	5,621,000	-
County Facilities	-	706,400	915,000
Machinery & Equipment	-	268,500	-
Water	-	-	100,000
Total	1,371,600	6,628,000	1,237,600

ANNUAL GRANT ALLOCATION FUNDING

The predictable, long-term capital grant funding for the County is approximately \$8.1 million per year which includes the Local Government Fiscal Framework (LGFF) and Capital and Canada Community-Building Fund (CCBF). In 2025, the capital grant expenditure for these two funding sources is budgeted at \$10.4 million.

The chart below includes all LGFF and CCBF operating and capital grant funding available to the County in 2025 including unused grant funding from prior years. It details the use of these funds including amounts allocated for specific purposes in the 2025 Budget as well as unutilized amounts to be used in future years.

The County ensures that grant funding is continually applied in a sustainable manner throughout the budget process. The County strives to use a healthy ratio of taxation, grants, restricted surplus use, and debt for projects as it does not want to be reliant on grants that may not be available in the future. During the grant allocation process, the County considers projects planned for future years as it may want to carryforward allocations to a year that has a more significant number of projects that could utilize that grant.



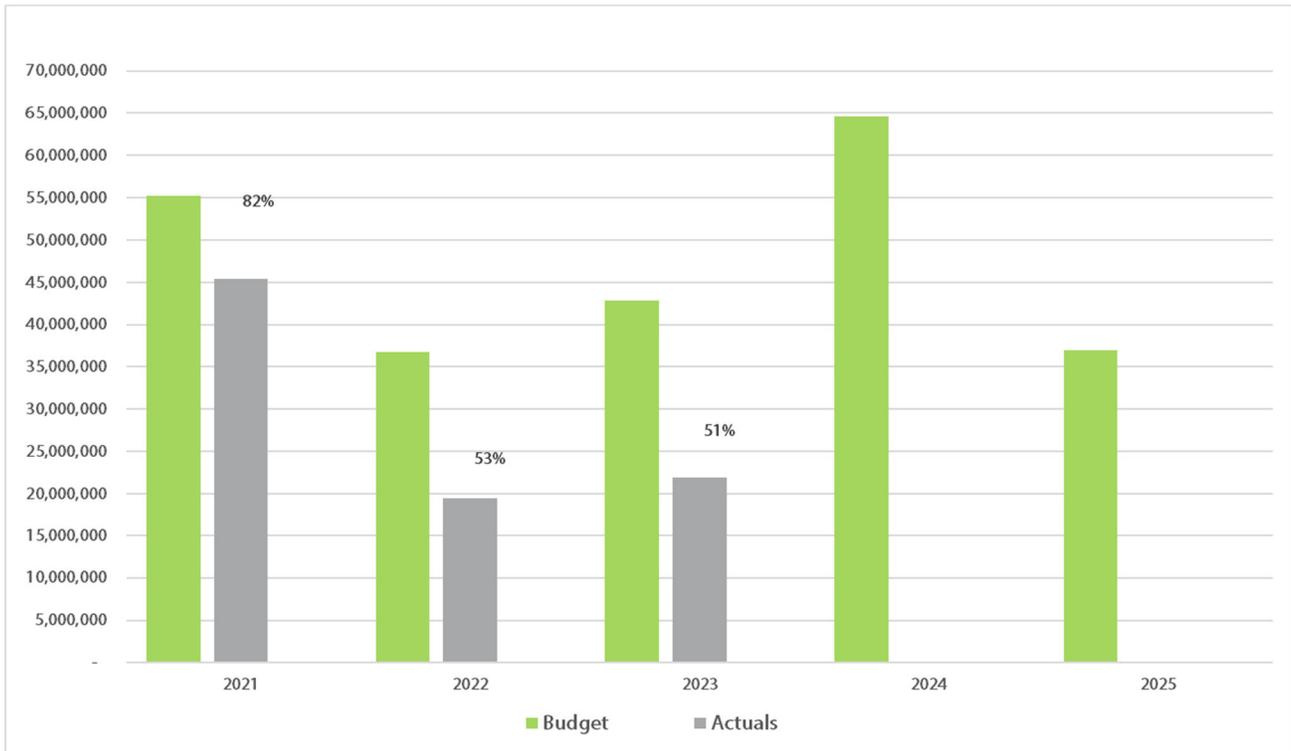
In addition to annual grant allocation funding, the Government of Canada committed to providing \$29.9 million to support key infrastructure projects through the Prairies Economic Development Canada (PrairieCan) grant. This funding will be allocated to projects within Wabamun and Acheson. Specifically, \$17.5 million will be invested into upgrading Wabamun’s wastewater systems and to revitalize the Wabamun Waterfront Park and \$12.4 million will go towards upgrading intersections on Highway 16A in Acheson.



Sustainable Capital Spending

CAPITAL BUDGET VERSUS ACTUAL

This figure illustrates the alignment of actual capital spend to annual budget since 2021.



Note: Figures include carryforward budgets and exclude developer contributed assets

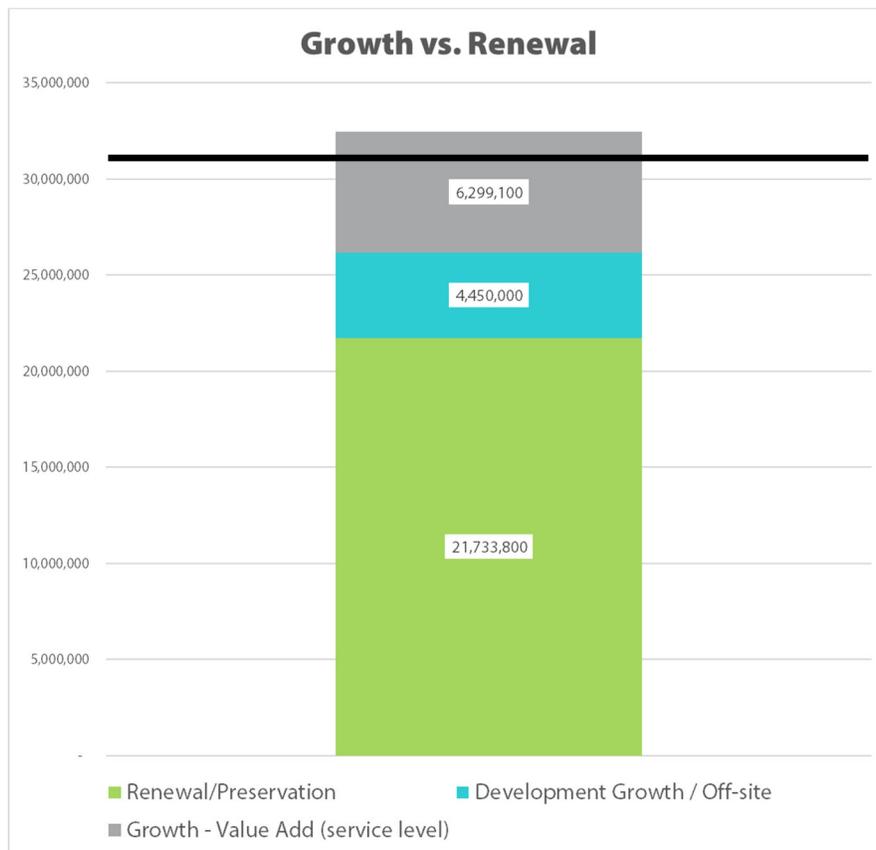
In recent years, some recurring reasons for underspending in capital projects were unforeseen regulatory requirements, equipment delivery timing, and delays due to extreme events. These significant unspent amounts are often included in the year end carryforward requests and approved for continuation of the project in the subsequent year. A key observation from the above illustrations is that the County should continue to re-evaluate capacity.

GROWTH VERSUS RENEWAL/MAINTENANCE

Renewal/preservation is work on existing infrastructure that does not increase the service level of the infrastructure. Growth projects are split into two categories. Development growth is new infrastructure contributed from new development or new infrastructure that will encourage development, while growth value add (service level) is new infrastructure or a significant upgrade of an existing asset. Service growth is prioritized over development growth as this type of growth is required to maintain existing levels of service to residents.

The sustainable capital spending level should be above renewal/preservation to ensure Parkland County’s asset management is sustainable. In 2025, there are initiatives that Council has supported which are considered service growth including the completion of the Next Generation 911 System Phase 2 System, Wabamun Waterfront Park, and Wabamun Water Feature.

Only growth projects deemed “imperative” or “essential” have been included in the 2025 Capital Budget. The graphic below illustrates how the County is prioritizing funds between growth and renewal projects.



----- Represents the sustainable capital spending level of \$31.7 million for 2025

This illustration excludes CAO Emergent Capital and Developer Contributed Assets

SUSTAINABLE SPENDING CALCULATION

Sustainable spending practices are essential to the long-term viability of any organization including governments. The figure below is a snapshot of the sustainability of the 2025 Capital Budget.

Sustainability is defined as “the ability to be maintained at a certain rate” or perhaps more appropriately “the avoidance of depletion.” For Parkland County’s purposes, sustainability of the 2025 Capital Budget has been calculated at \$35.7 million based on consistent sources of funding including grant allocations, our planned spending, sustainable debt, taxation, and contributions. The remaining capital spend of \$1.24 million is considered unsustainable. The unsustainable portion includes restricted surplus utilized to fund a project not in the existing long term capital plan.

