



2020 Operating BUDGET OVERVIEW

Presented April 14, 2020

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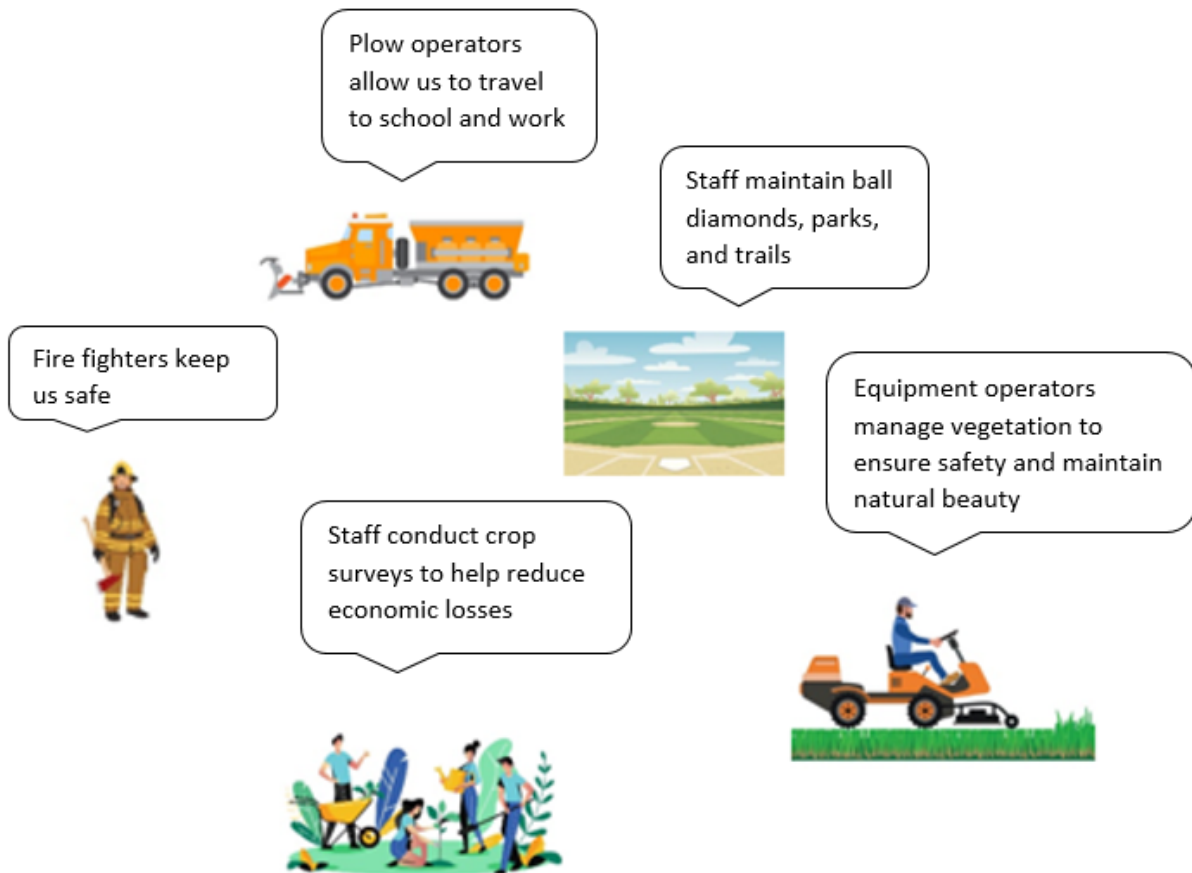
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Operating Budget Philosophy

The operating budget funds the day-to-day costs of providing municipal services through the year. It is the essential piece that enables Council's Strategic Plan to become a reality by allocating limited resources to Council priorities in a systematic manner. Once approved, the Operating Budget supports the delivery of all municipal services to residents.



2020 Focus

In the 2020 Operating Budget, the focus is on road maintenance, diversifying the economy, providing recreation, and a safe and secure community.

Priority Based Budgeting (PBB)

Priority Based Budgeting is a tool developed during the downturn in the United States economy when many municipalities lost large amounts of their tax revenue base. This tool was developed as a best practice in government finance. The focus of PBB is ensuring that the budget is accountable to the wants and needs of the residents. It accomplishes this by ensuring resources are allocated to the highest priority services first. In doing so, it focuses municipal operations on what matters most to residents.



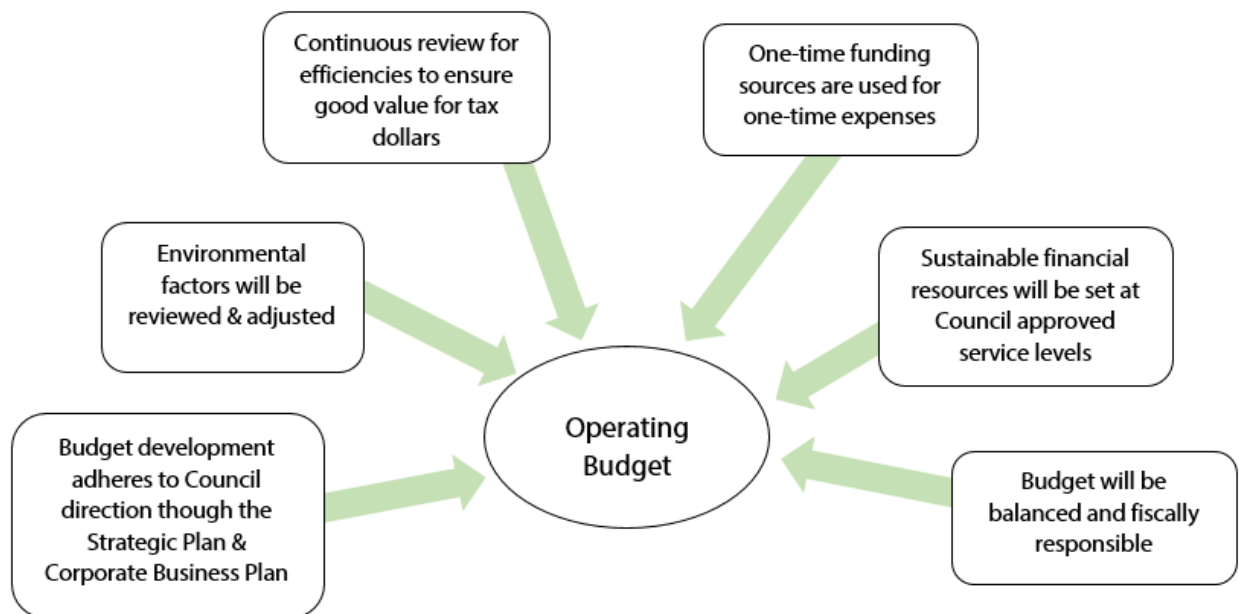
Parkland County has been implementing Priority Based Budgeting methodologies and will continue implementing this process in 2020. The goal is to communicate the programs that we provide to our residents, establish community priorities and allocate resources to these programs to ensure we are meeting resident's needs. The result is that the County will:

- Be more resilient during times of economic change
- Focus on what is most important to residents, and do those things well
- Question historical spending
- Allocate resources to priority programs and services
- Be fiscally prudent with resources
- Be transparent and accountable

Key Budget Concepts & Guiding Principles

The Operating Budget is developed based on the following key principles:

- All carry forwards are re-budgeted in the Final Budget (Spring 2020).
- The Budget reflects estimates for both revenue and expenditures through an objective, analytical process utilizing trends, best judgements, and statistical analysis where appropriate. Estimates are conservative, particularly on the revenue side.

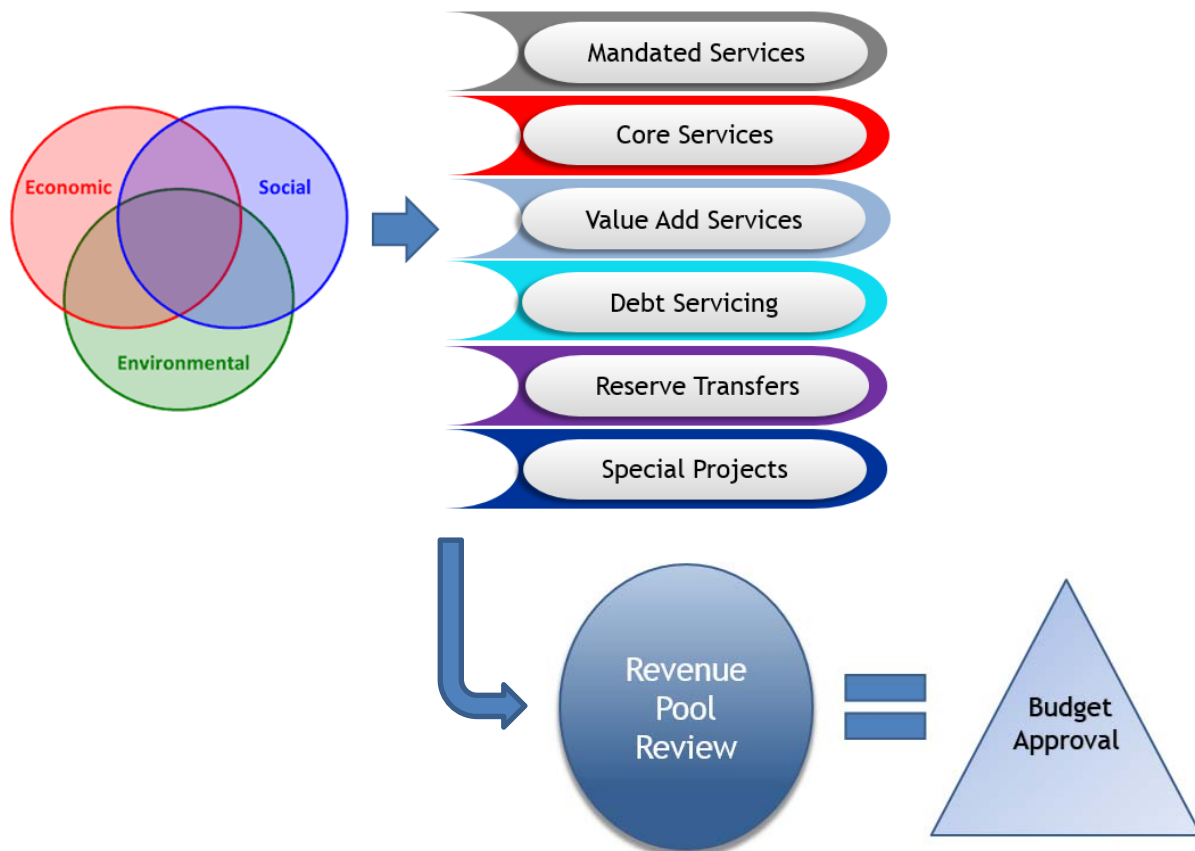


Operating Budget Process

Developing the Operating Budget 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 the Corporate Plan and Council's strategic plan.

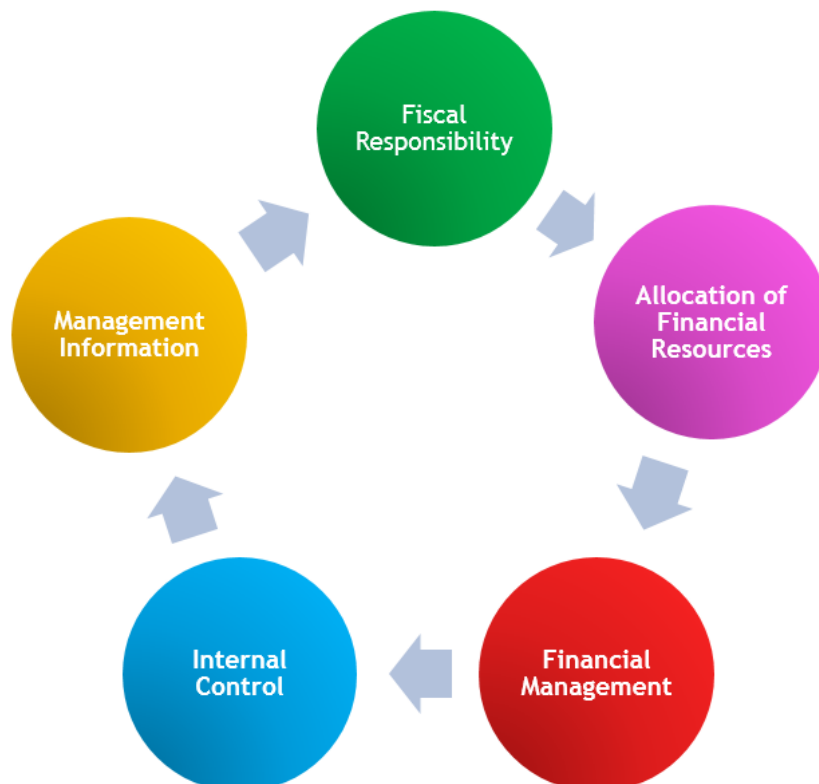
The County's Operating Budget is complex and must contain all relevant costs required by the County to carry out operations, commitments, and obligations. This includes amounts needed to:

- Enable Council's policies and programs;
- Pay debt obligations for borrowings made to acquire, construct, remove or improve capital property;
- Meet requisitions or other amounts that the municipality is required to pay;
- Meet the municipality's obligations for services funded under an intermunicipal collaboration framework;
- Be transferred to restricted surplus;



Each component of the budget is filtered through the lens of a prudent budget framework which ensures:

- Fiscal Responsibility – the operating budget considers how much residents are able to pay, this is known as tax elasticity. It must also be sustainable and consider how decisions made today will affect future generations; this is known as generational equity.
- Allocation of Financial Resources – the operating budget should align available funding with expenditures based on the nature of the expenditure. One time funding sources should be used to fund one-time expenditures. Special grant allocations are used to fund eligible project expenditures. General taxation should be used to fund ongoing programs and new resource requirements.
- Financial Management – the operating budget will be developed in a way that provides a benchmark for the actual results of the future year. The budget should enable Departments to manage their programs and projects.
- Internal Control – the operating budget will act as an internal control that holds departments accountable to preset spending.
- Management Information – the operating budget will also allow Council and Executives to gauge the overall performance of the organization in meeting the goals outlined in the strategic plan, which will in turn inform future year budget decisions.



Budget Planning Resource Requirements

To ensure prudent fiscal management and financial sustainability for Parkland County, Administration has developed budget planning resource requirement forms, which all departments are required to complete should they be recommending a new purchase, new project, new program, or an increased service level. These requirements are evaluated and prioritized based on the following set of criteria:

- Supports the Strategic Plan
- Business Need
 - Statutory/Regulatory Requirements
 - Maintenance of Services
 - Improves Efficiencies and Enhances Effectiveness
- Risk
- Cost Benefit/Return on Investment
- Financial Impact and Funding Capabilities
- Effect on Organizational Capacity
- Effect on Future Operating Budgets



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. The County, however; purchases a different range of goods and services than the average consumer therefore the CPI is not the most appropriate measure of inflation for the County. As a result, the County relies on the Municipal Price Index (MPI) to determine the rate of inflation/deflation to apply to its budget. The MPI is calculated using items commonly utilized by municipalities rather than consumers and is more indicative of the County's operations. For the 2020 Budget, Departments were asked to hold the line on inflation and absorb the cost into existing budgets wherever possible.

Consumer Price Inflation CPI

CPI considers the prices of hundreds of things this group commonly spends money on including:

- Rent
- Childcare
- Groceries
- Mortgages
- Utilities
- Car Payments

Municipal Price Inflation MPI

The MPI is developed to reflect the complex expense base of a municipality such as:

- Wages
- Fuel
- Contracted Services
- Asphalt
- Construction Supplies
- Parts and Equipment



Year	Forecast					
	2019	2020	2021	2022	2023	Average
MPI*	2.06%	3.05%	2.74%	2.77%	2.79%	2.68%
CPI*	2.12%	2.00%	1.94%	1.98%	2.00%	2.01%

*Source: Municipal Price Index 2019 Economic Insights, City of Edmonton.

Economic Impacts

Taxation Revenue

Over the past number of years, Federal and Provincial regulatory changes have impacted the power generation industry, as well as oil and gas industries. These impacts, as well as other outside costs, have affected Parkland County and its ability to keep taxation at a reasonable level.

County tax revenues have declined since 2016 when the accelerated phase out of coal-fired energy began.

For the last few years, Parkland County has been vocal that a large portion of taxation revenue, nearly 25%, was tied to coalmines and coal generation facilities. The impacts of the loss of this revenue continue to affect our region and Parkland County directly. A further large percentage of taxation comes from oil and gas support industries in the Acheson Industrial Park.

The County has strongly advocated for a just transition for coal communities, and has put forward what was required to both the provincial and federal governments. Unfortunately, to this point there has been insufficient support for the impacts that are being felt today.

Provincial Budget Changes

On October 24, 2019, the Alberta Government released their 2019 Budget Announcement. Among other changes, the announcement included:

- A reduction in Municipal Sustainability Initiative Capital grant funding to municipalities.
- A reduction in the portion of court fines that municipalities will receive.
- The cancellation of the Summer Temporary Employment Program grant funding.
- Increased costs for rural crime prevention as a result of phasing in a new Provincial Police Service Agreement.

In response to these economic impacts, Parkland County has reviewed its current operations and made significant adjustments. These adjustments included workforce and program restructuring which will affect internal and external services provided. While there will be a reduction in service levels to residents, these steps were necessary to support residents and businesses.

COVID-19 Pandemic Response

The County has taken a number of measures to help address resident needs during the COVID-19 pandemic.

These measures include:

- Approving a 90-day deferral on municipal utility bills including water, wastewater, and curbside waste pickup (in Entwistle) until June 2020.
- Deferring the property tax penalty deadline until August 31, 2020.
- Further cuts and deferrals of planned projects and programs to minimize the change in the tax rate for residents and businesses.

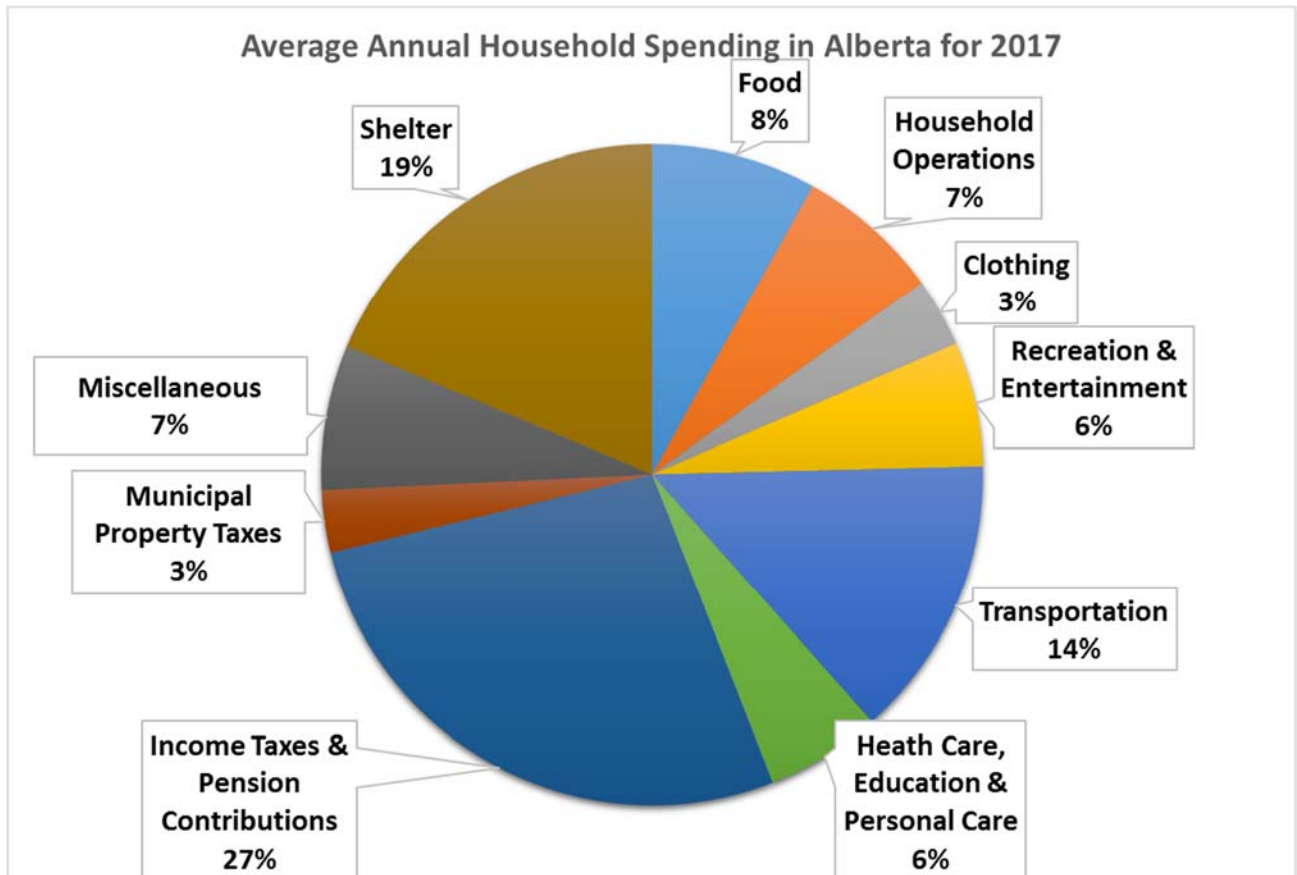
Combined these measures are intended to provide relief to those most affected by this pandemic.

"As we continue to navigate these unprecedented circumstances, our residents' safety and wellbeing is our top priority," said Mayor Rod Shaigec.

2020 Overall Budget Highlights

Budget 2020 includes total operating expenditures of \$106.9M and total capital expenditures of \$43.2M.

The proposed budget calls for a 0% increase for the average residential property and 4.63% or \$1,940 increase for the average non-residential ratepayer.



* Source 2017 Statistics Canada Household Survey and County Administration.

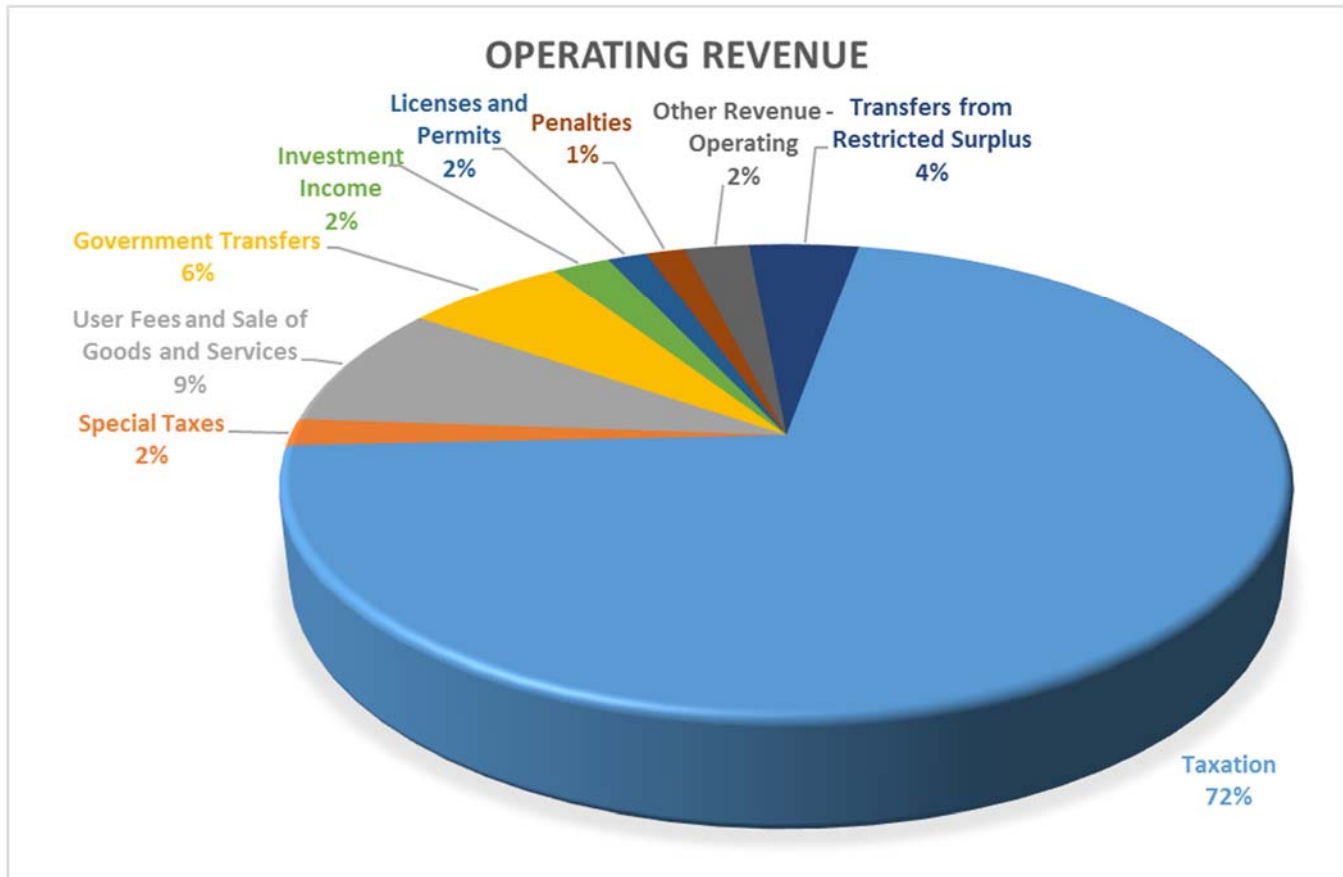
Changes to the Fees and Charges Schedule approved by Council on June 25, 2019 have been included.

Inflation has been held at zero in the 2020 budget.

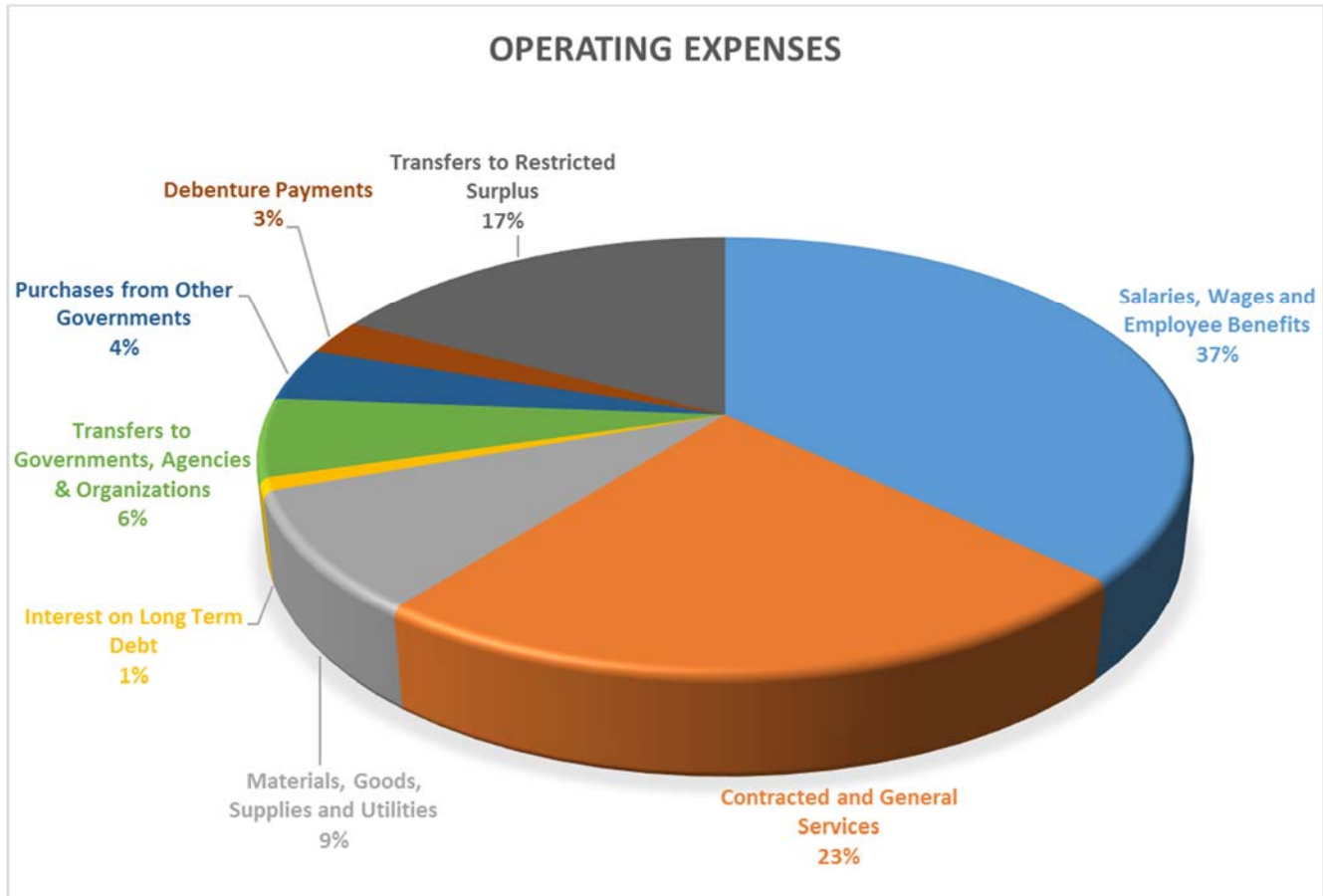
Population increase and new housing starts are not anticipated to create a significant additional impact on County Operations in 2020.

Operating projects included in the 2020 Budget amount to \$7.5M.

Operating Revenues



Operating Expenses



Divisional Budget Highlights

Operations Services

Operations Services is responsible for managing the County's transportation and utility network. This includes construction and maintenance of all roads, sidewalks, water, wastewater, and storm water infrastructure. Operations Services also provides all permitting services to enable residents and businesses to construct and maintain infrastructure in a safe manner on their own property.

Key Budget Highlights Include:

- Reduction in tipping fees charged to solid waste landfills within the County.
- Overall reduction in fees and permit revenue to align with historical trends and the downturn in the economy.
- Review and replace racking and aged tools to address safety concerns at County facilities.
- Removed temporary Restricted Surplus funding of annual debt payments from development growth projects.
- Increased costs for the gravel pit reclamation program in order to meet Provincial requirements.

Strategic Initiatives

Strategic Initiatives is responsible for managing the implementation of new major Capital and Operating projects within the County. This division manages the development of new major Capital and Operating projects in accordance with Council's vision. Once projects are completed, they are handed off to other departments to be included in annual programming. This division also includes the broadband utility maintained by the County.

Key Budget Highlights Include:

- Removed transfer to Rural Communications Network Restricted Surplus due to program review.
- The transfer to restricted surplus for future systems purchases was removed in 2020. Funding is being utilized for existing systems implementations.
- Business Process Improvement - leverage the UNITE (Dynamics 365) system capabilities throughout the organization to improve efficiencies.

Chief Administrative Office

The Chief Administrative Office provides guidance and oversight to the day-to-day operations of the County. The Chief Administrative Officer develops a framework to operationalize Council's Strategic Plan. This division also includes the Economic Diversification, and the Human Resources Department.

Key Budget Highlights Include:

- A decrease in training and professional development for staff.
- A decrease to external legal fees as a number of uninsured legal claims were settled in 2019. Processes and policies are now in place to reduce these claims in future years.

Chief Financial Office

The Chief Financial Office is responsible to ensure the financial sustainability of the County. It ensures prudent use of funds through the development of annual capital and operating budgets as well as reporting actual results. It also develops long-term plans and provides financial advice to decision makers.

Key Budget Highlights Include:

- Decrease in revenue from the Province of Alberta due to the transition of the assessment function of Designated Industrial Properties from municipalities to the province.
- A contingency fund for the General Manager of Operations.
- Increase in the transfer to Recreation Facilities restricted surplus to accommodate anticipated future needs.
- Increase in the transfer to Extreme Events restricted surplus in support of COVID-19 efforts.
- Increase in the transfer to Business Attraction restricted surplus as the current balance is below the target level set out in County Policy C-FI05.
- Increase in investment revenue due to new investment strategies and a dedicated resource to focus on this area.
- Increase in consulting fees for division review.

Corporate Services

Corporate Services provides the programs and services necessary to allow all other departments to focus on serving residents. It serves other County departments by optimizing existing technology solutions and providing advice to ensure that essential services can be provided to residents efficiently and effectively.

Key Budget Highlights Include:

- Increase in software subscription for Dynamics 365, Azure, and Customer Relationship Management licenses.
- Increase in contracts to hire a Returning Officer to begin 2021 election preparation work.

Agriculture, Community, and Protective Services

Agriculture, Community, and Protective Services offer a variety of services directly to residents. They are responsible for managing:

- County parks and recreation facilities to provide opportunities for residents to take part in sports and enjoy the natural beauty of the County.
- Fire and protective services to help ensure that residents and businesses are safe.
- Agriculture and Community Sustainability supports sustainable land use, agriculture, and helps to ensure a vibrant and sustainable County remains for future generations to enjoy.
- Communications provides open, transparent, and meaningful communication and engagement with the community.

Key Budget Highlights Include:

- Decrease transfers to Protective Services Lifecycle Plan for future technology purchases.
- Increase in contributions to support recreation facilities in neighboring municipalities (RFD 19-175).
- Increase funding for Parkland Library Board (RFD 19-164).
- Increased contributions to support non-profit groups including Stony Plain Heritage Agricultural Society and the Multicultural Heritage Centre (RFD 19-170, 19-171).
- Increase contribution to Wabamun Area Medical Society for Wabamun Medical Clinic (RFD 20-034).
- Adjustment to FCSS regular program spending.
- Estimated costs of phasing in the Provincial Police Service Agreement.
- Termination of RCMP School Liaison & Drug Officers (RFD 18-146).

What is Next?

- Seek Council approval of 2020 Tax Levy Bylaw – April 2020.