2024 Capital Budget Overview

Presented to GPC November 14, 2023

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

Capital Budget Philosophy

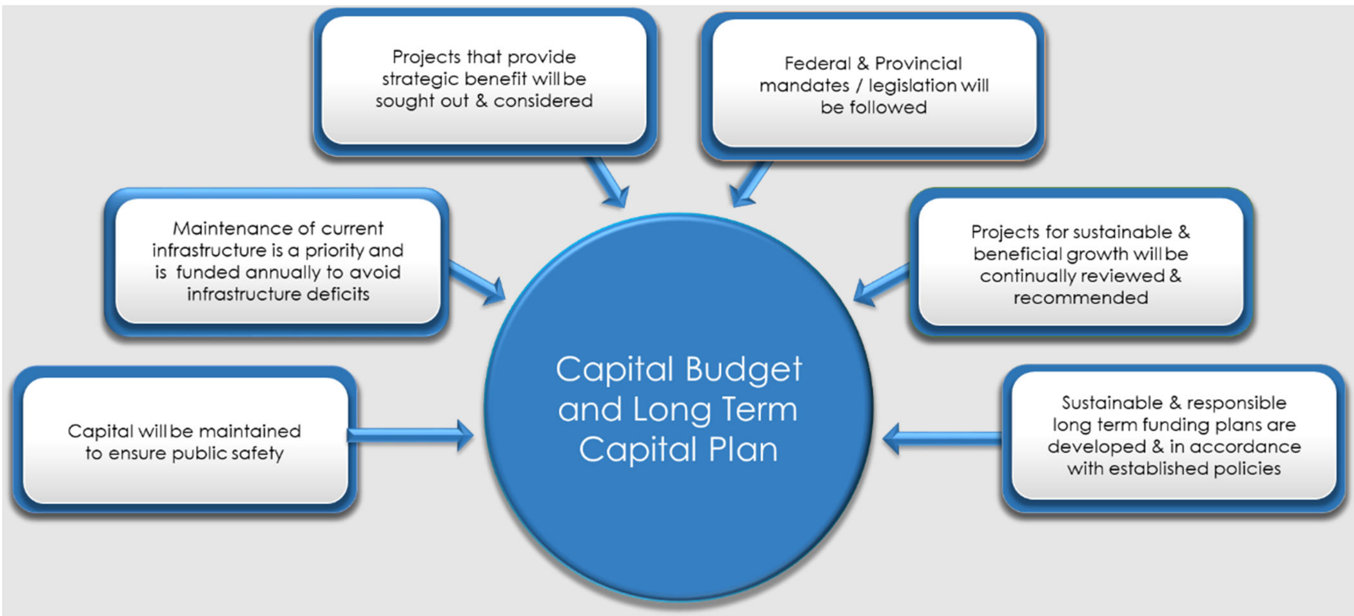
Municipal capital is infrastructure used to provide municipal services to residents in Parkland County such as roads, utilities, equipment, etc. Some of the many ways that capital serves Parkland County are depicted below.

2024 FOCUS

The focus for the 2024 Capital Budget is on road rehabilitation and construction, water and wastewater infrastructure, and emerging capital 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 2024 budget after year end close.



ALIGNING TO COUNCIL'S STRATEGIC PLAN

Council's strategic plan provides direction to administration. The 2024 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
- **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 2024, 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.

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

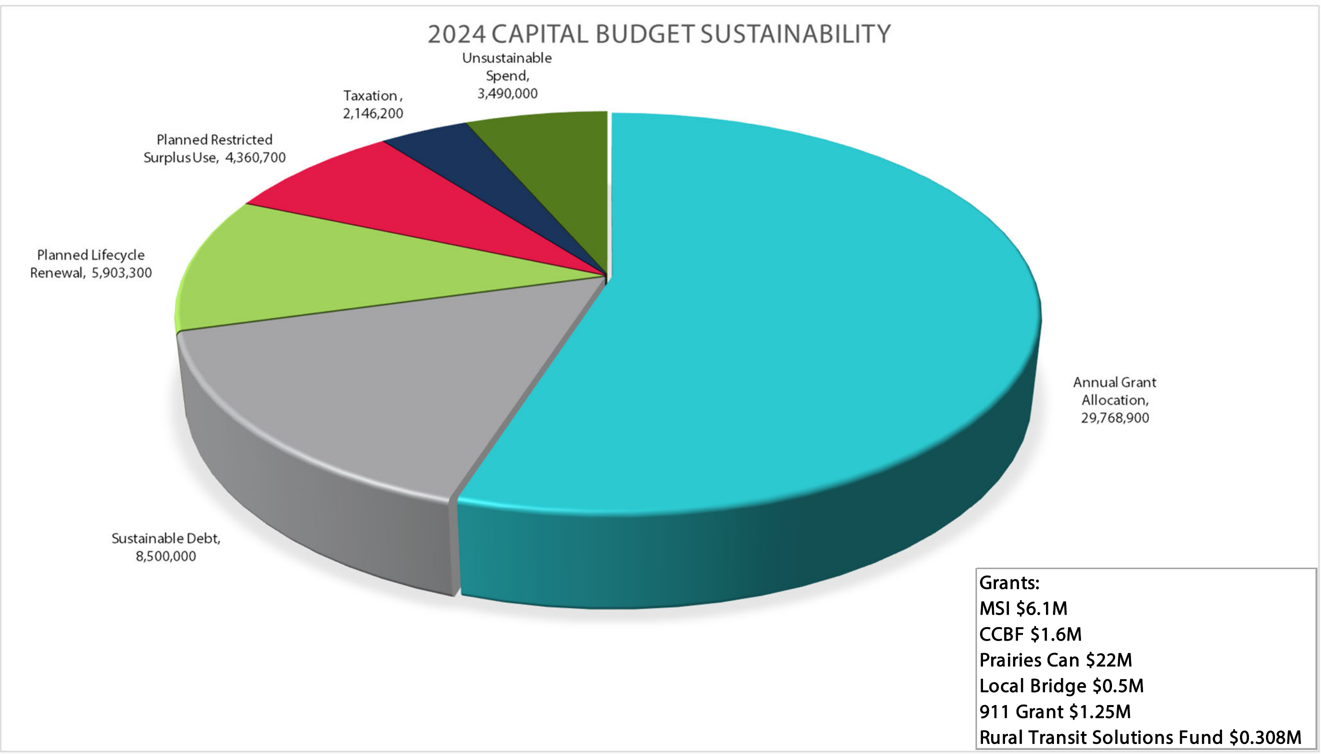
Taxation – taxation funding is utilized to support annual programs, projects where other funding sources are not available, or projects not eligible for other funding sources.

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. 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.

Sustainable Capital Spending

SUSTAINABLE SPENDING CALCULATION

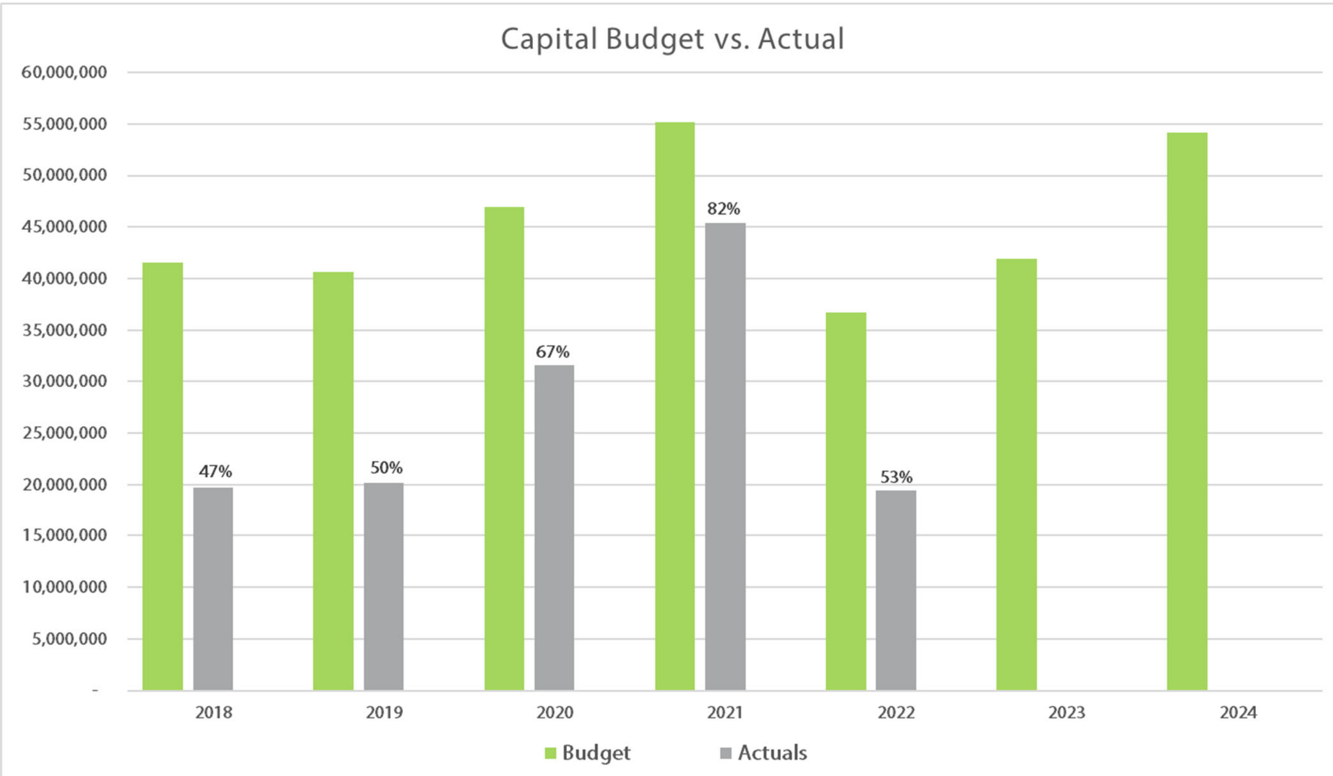
Sustainable spending practices are essential to the long-term viability of any organization including governments. The figure below is a snapshot of the sustainability of the 2024 Capital Budget.



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 2024 Capital Budget has been calculated at $50.77M based on consistent sources of funding including grant allocations, our planned spending, sustainable debt, taxation, and contributions. The remaining capital spend of $3.49M is considered unsustainable. The unsustainable portion includes restricted surplus utilized to fund a project not in the existing long term capital plan and any core grant amounts over and above our annual core grant allocations.

CAPITAL BUDGET VERSUS ACTUAL

This figure illustrates that while there has been improvement in aligning actual capital spend to budget in recent years there is still room for improvement.



Note: Figures include carryforward budgets and exclude developer contributed assets.

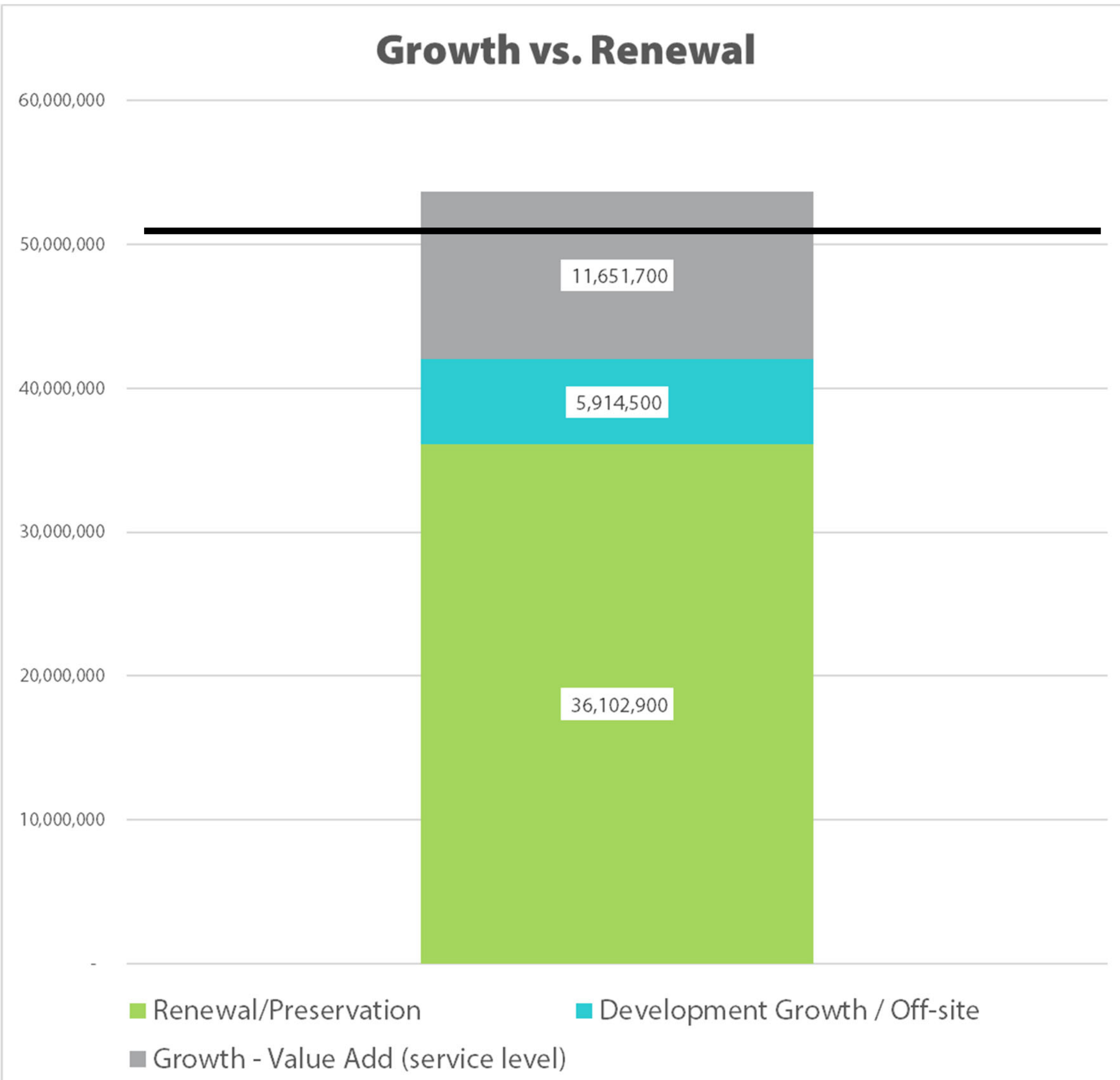
A key observation from the above illustrations is that the County should continue to re-evaluate capacity.

The County has taken significant steps in the 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 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 development growth (new services provided). Service growth is prioritized over development 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 2024 Capital Budget. The graphic below illustrates how the County is prioritizing funds between growth and renewal projects.



------ Represents the sustainable capital spending level of $50.77M for 2024

This illustration excludes CAO Emergent Capital and developer contributed assets

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 2024 budget year. Most of the capital expenditures relate to Road Construction, Parks and Recreation and Utility Infrastructure.

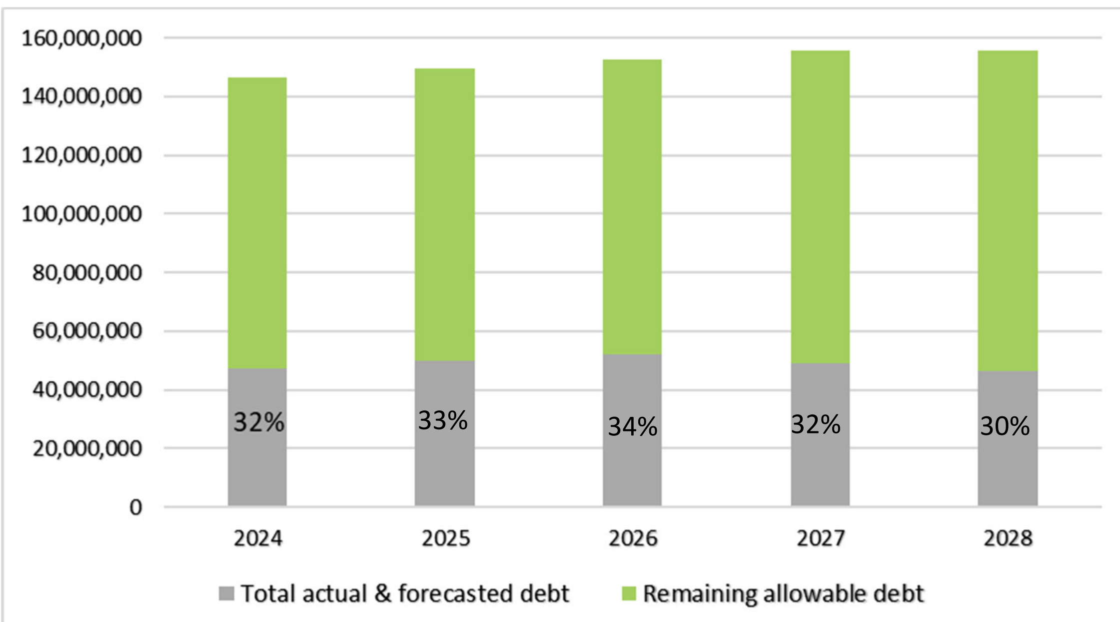
Infrastructure Class	Capital Cost
Road Construction - New	11,860,000
Parks & Recreation	8,869,700
Wastewater	8,593,000
Fleet	6,413,400
Water	4,877,000
Road Rehabilitation	4,630,000
Stormwater	2,500,000
Bridges	2,100,000
Information Technology	3,097,200
County Facilities	390,900
Machinery & Equipment	176,000
Fire Services	161,900
Total Capital Projects	**53,669,100**
CAO Emergent Capital	500,000
Total Capital Budget	**54,169,100**

Funding Sources

DEBT

The 2024 Capital Budget contains utility and user pay supported debt for the Entwistle Water Reservoir, Acheson Zone 5 Wastewater Trunk Upgrade and widening of Township Road 531A (114th Avenue). The total new debt in the 2024 budget is $8,500,000.

The County's debt is illustrated in the next figure. The total debt projected at the end of 2024 is $47.3M. Debt servicing costs in 2024 are anticipated to be $2.37M.



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-FI05.

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 debt until such time that a corresponding restricted surplus is established.

Asset Class	Planned Lifecycle Renewal	Restricted Surplus	Unplanned Restricted Surplus
County Facilities	225,900	-	165,000
Fire Services	13,900	-	-
Fleet	5,344,300	-	355,700
Information Technology	169,200	1,711,700	-
Machinery & Equipment	150,000	-	10,000
Parks & Recreation	-	405,000	905,000
Road Construction - New	-	1,106,960	-
Wastewater	-	483,902	-
Water	-	153,138	-
CAO Emergent Capital	-	500,000	-
Total	**5,903,300**	**4,360,700**	**1,435,700**

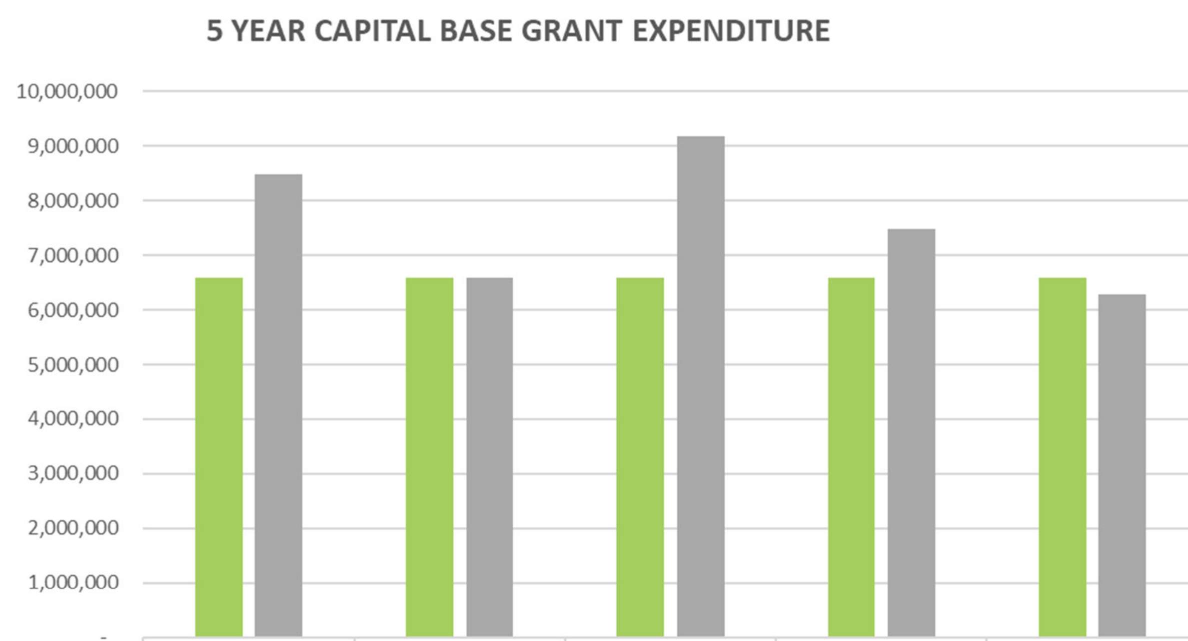
GRANT FUNDING

The base capital grant (MSI Capital and Canada Community Building Fund) for the County is approximately $6.6 million per year. In 2024, the base grant expenditure is budgeted at $8.5 million. With this grant expenditure, the 2024 base grant allocation and unspent grant from prior years is fully allocated in the 2024 budget.

The chart below shows that the expected annual base grant allocation from 2024 to 2028 closely matches the grant expenditures in the Capital Plan but is consistently less than the anticipated funding need. Administration will prioritize projects to ensure that funding is continually applied in a sustainable manner.

Beginning in 2024, the new Local Government Fiscal Framework (LGFF) grant will replace the existing MSI grant. The Government of Alberta is currently engaging municipalities and stakeholders on the structures for the new grant. Currently, there is uncertainty on the annual allocation to municipalities under the new grant.

The County has applied for the Prairies Economic Development Canada (Prairies Canada) grant. The County expects to receive $29 million for capital investment in Wabamun and the Acheson Business Park.



	2024	2025	2026	2027	2028
Annual Allocation	6,599,200	6,599,200	6,599,200	6,599,200	6,599,200
Grant Expenditures	8,487,900	6,583,400	9,188,400	7,480,400	6,292,400

Annual grant allocation: Municipal Sustainability Initiative Grant / Local Government Fiscal Framework of $4,539,900
Annual grant allocation: Canada Community Building Fund of $2,059,300

Annual Allocation　Grant Expenditures