



2022 BUDGET PHILOSOPHY AND 2022-2026 PLAN

JUNE 2021

BUDGET PHILOSOPHY



The budget philosophy is the framework upon which Administration will prepare the County's 2022 budget.



The Municipal Budget operationalizes:

The service levels set by Council, and;

The broad objectives outlined in Council's Strategic Plan.



Departments will provide proposed program changes and new projects for the 2023 - 2027 Operating Plan and the 2023 - 2027 Capital Plan.

ECONOMIC CHALLENGES

- Regulatory changes to the power generation industry
 - Over 15% of taxation revenue is tied to coal mines, and coal generation facilities.
 - The County has advocated for a just transition for coal communities, unfortunately there has been insufficient support to date.
- Provincial Budget changes impact municipalities
 - Uncertainty around capital grant programs
 - A reduction in fine revenue
 - Increasing costs for rural crime prevention
- Parkland County will continue to review its current operations and make necessary adjustments

COVID-19 PANDEMIC

- The COVID-19 pandemic has had a pervasive impact on the economy.
 - Policy decisions have resulted in disruptions to supply chains
 - Significant increases to the cost of materials, supplies, and equipment
 - Higher interest rates on new debt
- At this time, it is not certain what the long-term effects of the pandemic will be on the:
 - Economy,
 - Assessment values, or;
 - Programs and services levels.
- We will continue to forecast possible scenarios as assumptions are refined.

KEY PRINCIPLES

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 Presentation

BUDGET PROCESS

- Administration will prepare a balanced budget
- In order to include the finalized assessment and school requisition values, the Budget is adjusted after the Provincial Budget is released.
- As part of the draft budget presentation, departments will explain significant variances from the prior year.
- Administration will prepared an operating budget on the basis of maintaining service levels.

PRIORITY BASED BUDGETING (PBB)



Parkland County has been implementing Priority Based Budgeting methodologies and will continue implementing this process in 2022.



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 residents' needs.



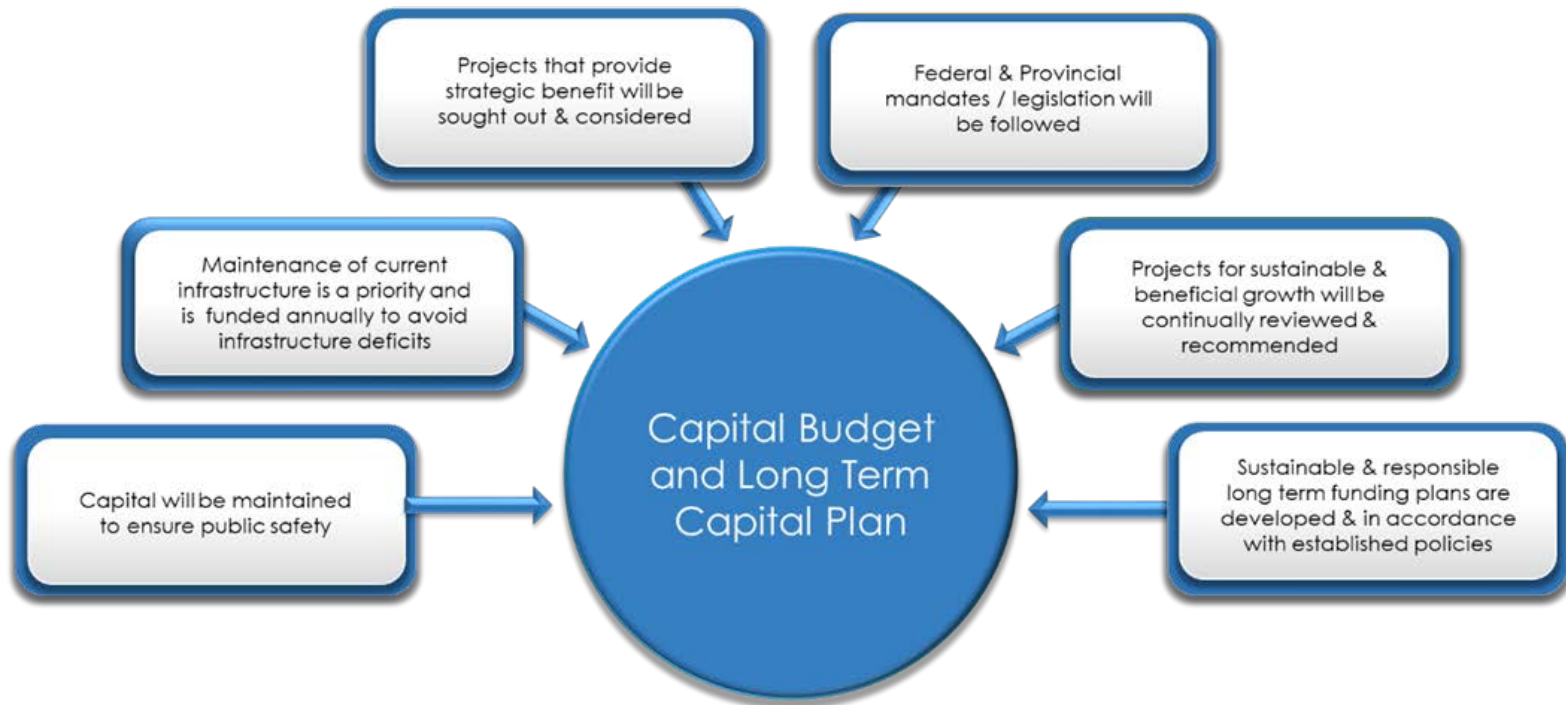
CAPITAL BUDGETING

- Municipal capital such as roads, utilities, equipment, etc. used to provide municipal services to residents in Parkland County.



CAPITAL BUDGET PRINCIPLES

- The budgeted amount for capital should be the planned spend for the fiscal year.
- All carry forwards will be added to the 2022 budget after year end close.
- The sustainable spending level for 2022 is estimated at \$17M.



BUDGET INITIATIVES

- Budget initiatives provide the necessary information to enable decision makers to clearly understand new projects, as well as program and service level changes.

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

BUDGET TOOLS

- Equipment Lifecycle Plans - provide a method for the County to set aside funds for the future replacement of existing equipment.
- Restricted Surplus funds - are used by the County to stabilize the tax rate and to reduce reliance on debt borrowing.
- Debt financing - will be considered based on a pay as you go philosophy.
- Inflation - will be absorbed within existing budgets where possible.

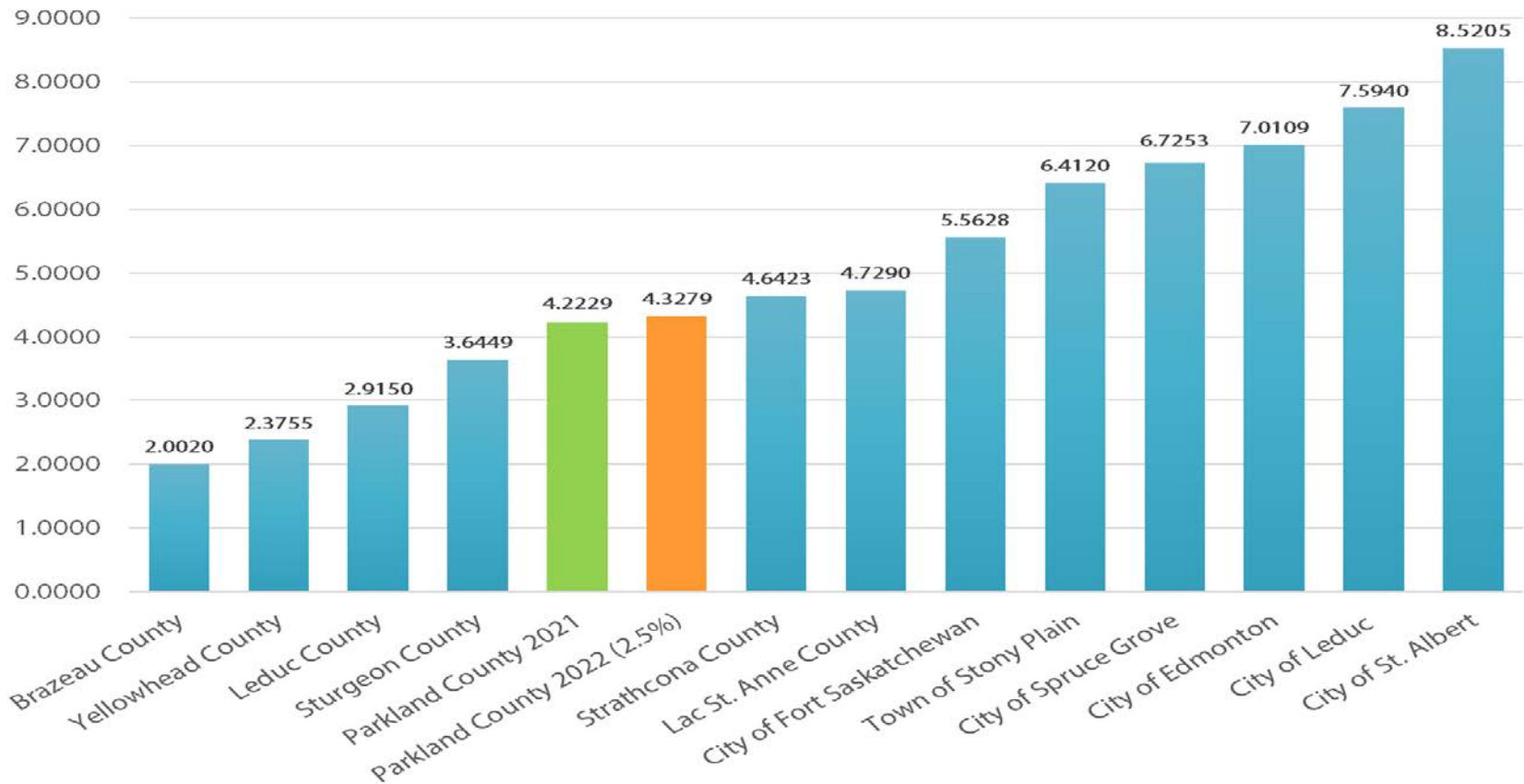
ASSESSMENT AND TAXATION

- When setting the tax rate ratio, the County wants to ensure that the residential and non-residential taxation in the County remains competitive. Currently the tax ratio is 2:1.
- Administration is recommending a target of 2.5% for a tax rate increase.

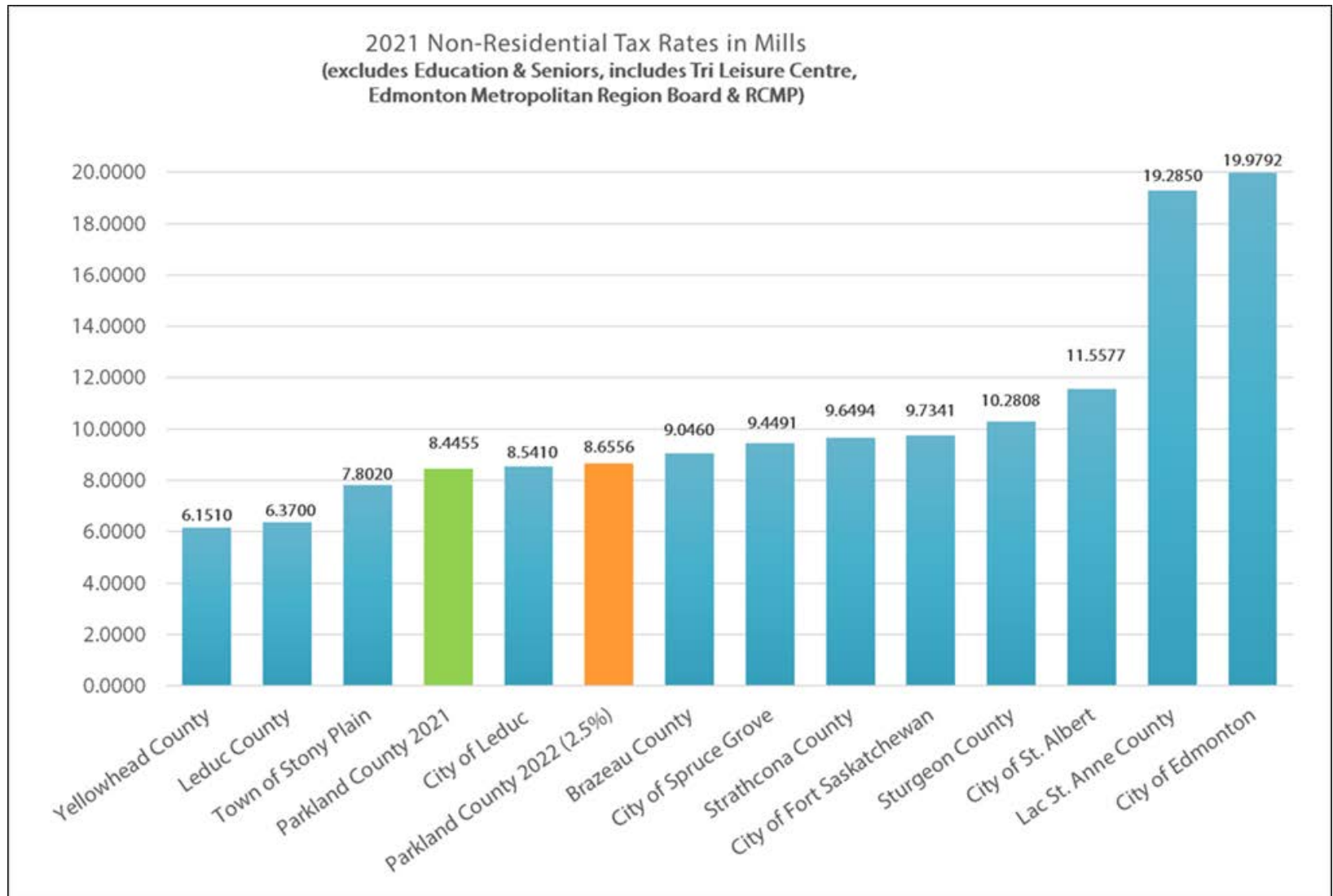
Proposed 2022 Tax Increase Detail	
Provincial Police Service Agreement	0.65%
Allowance for Inflationary Pressures and Initiatives	1.85%
Total Increase Requested	2.50%

TAX RATE COMPARISON - RESIDENTIAL

2021 Residential Tax Rates in Mills
(excludes Education & Seniors, includes Tri Leisure Centre,
Edmonton Metropolitan Region Board & RCMP)



TAX RATE COMPARISON NON-RESIDENTIAL



OPERATING AND CAPITAL 5-YEAR 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.



In order to ensure that prudent financial management continues, the County has developed a long-term operating and a long-term capital plan.

IMPORTANCE OF LONG-TERM PLANNING

- Long-term planning provides context to the Executive Team and Council. 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
 - Maximizes potential to seize future opportunities

LONG TERM PLANNING PHILOSOPHY

- Financial Plans are not multi-year budgets
- Financial Plans 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
 - Identify proposed changes to the base budget in advance to allow decision makers time to make informed and strategic decisions

FORECASTED TAX IMPACTS

- 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 are refined through the budget process.
- The primary benefit of long term planning is that it identifies future financial challenges and opportunities allowing the County to:
 - Plan and develop strategies
 - Minimize challenges and
 - Take advantage of opportunities.

PROCESS

- The process involves department managers, front line staff, executive team members, and information from external sources.



PROCESS CONTINUED

- Information received from departments is compiled and then refined using the Priority Themes identified by Council.



METHOD



BASE OPERATING FORECAST HIGHLIGHTS

- Revenue

- The Taxation value represents the funds needed to balance the forecast
- The Penalties increase is the result of the new enforcement initiative
- The Other Revenue increase is the result of executing the gravel pit reclamation plan

- Expense

- The Transfer To Government Agencies & Organizations increase is the result of the Rural Policing agreement and recreation cost shares
- The Transfer To Restricted Surplus increases for lifecycle plan growth and inflation and the new enforcement initiative

- Operating projects

- Decline slightly and then increase in the last 2 years. We will work with departments to improve the data available through this budget cycle

- Capital Projects

- The capital plan has been in place for a number of years and this process is quite refined and considers funding availability as well as planned projects

FORECASTING INTO THE FUTURE

	2022	2023	2024	2025	2026
Estimated Tax Impact	Forecast	Forecast	Forecast	Forecast	Forecast
Estimated Operating Program Tax Impact	5.38%	6.51%	4.74%	4.92%	2.7%
Estimated Operating Project Tax Impact	1.2%	(1.17%)	(0.71%)	1.41%	(0.15%)
Estimated Capital Project Tax Impact	1.17%	(2.14%)	1.42%	0%	(3.24%)
Estimated Total Tax Impact	7.74%	3.2%	5.45%	6.33%	(0.69%)

Note: The tax rate indicated, is based on all project and program changes that were requested by Departments. These will be reviewed and prioritized based on Council's Priority Themes through the budget process to ensure a balance between tax elasticity and Council priorities.

NEXT STEPS

- The plan will be updated over the summer to become a 2023-2027 Plan.
- The plan will also see adjustments for the following:
 - 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 staffing requirements based on service growth, new growth, and program changes
 - Forecast of the impacts of new regulatory requirements within provincial and federal announcements
 - Further refining of drivers for inflation/deflation and service growth.

BUDGET 2022 MILESTONE TIMELINE

