



## REQUEST FOR DECISION

**MEETING DATE:** April 8, 2024

**TITLE:** 2024 Spring Budget Adjustment and 2023 Surplus Reserve Transfers

**DIVISION:** Corporate Services

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### **SUMMARY:**

Council approval is requested for necessary budget changes to ongoing 2024 revenue and expense prior to setting the property tax rate for 2024. In addition, Council approval is requested to adjust the operating budget for reserve transfers related to the 2023 Year End Surplus and for items previously approved by Council.

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### **PROPOSED MOTION:**

THAT the 2024 ongoing spring budget adjustments of \$883,000 in the Municipal budget and \$200,000 one-time adjustment in the Utility budget, as presented in Attachment 1, be approved.

THAT the transfer of \$4,280,700 from the 2023 Year End surplus to restricted reserves, as presented in Attachment 1, be approved.

THAT the remaining 2023 surplus be allocated to the one-time spring budget adjustments, as presented in Attachment 1, in the amount of \$814,300.

THAT the 2024 final operating budget be amended to include additional operating revenues of \$1,107,270, additional operating expenses of \$2,121,570, and additional net transfer from reserves of \$1,014,300, as presented in Attachment 1, resulting in a final 2024 operating budget with operating revenues of \$114,788,270, operating expenses of \$108,794,178 and net transfer to reserves of \$10,696,908.

## **BACKGROUND / ANALYSIS:**

The spring budget adjustment process provides an opportunity to finalize the budget prior to setting the property tax rate for the year. Amendments to budget are typically related to expected ongoing changes in growth projections and other revenue sources, and changes to ongoing operating expense items that are funded by the municipal tax requirement.

In addition, spring budget adjustments are also required to establish the associated budget for items for updated reserve transfers and previously approved Council budget amendments.

Previously approved budget amendments:

- 2023 Carry Forward requests were approved at the February 26, 2024 Council meeting, resolution RCM-039-24, resulting in a \$1,336,608 amendment to the 2024 Operating Budget. Details on the carryforward requests can be found attached to that Request for Decision.
- C-1291-24 Meridian Housing Foundation Borrowing Bylaw was approved at the February 26, 2024 Council meeting, resolution RCM-033-24, and this resulted in a \$230,000 amendment to the 2024 Operating Budget for debt servicing costs to fund the City of Spruce Grove's capital contribution to the construction of the Spruce Grove Lodge.

## **Proposed Spring Budget Adjustments**

### **Additional Revenue and Expenses - on-going**

Total estimated property assessment growth at the time of the 2024 budget approval was 2.86 per cent. Assessment data received now show actual growth of 4.03 per cent. This yields \$593,000 in additional revenue from property taxes due to growth.

The increase in assessment growth revenue allows for a reduction in the tax impact of (-0.22%), from the 5.12 per cent approved at Interim Budget in December 2023 to a 4.90 per cent tax impact. It also allows for the addition of two full-time staff positions that Administration is requesting to address ongoing volume and capacity challenges in Finance and Human Resources.

Permitting revenue is projected to increase by \$350,000 due to growth, which is proposed to be invested in three additional FTEs in Planning & Development and Engineering that will be specifically dedicated to improving permitting timelines.

The additional revenue and proposed on-going budget adjustments total \$883,000 and are detailed in Attachment 1.

**2023 Restricted Surplus Reserves Transfers - one time:**

The following adjustments are required to establish the 2024 budget for the items being funded from reserve resulting from the draft 2023 Year End Surplus. There is no impact to the tax rate.

The draft 2023 year-end surplus available for transfer to restricted reserve and funding one-time budget adjustments is \$5,095,000. More details on this surplus will be provided to Council when year-end financial statements are presented on April 22, 2024.

Administration recommends transfers to restricted reserves in the amount of \$4,280,700 with the remaining \$814,300 allocated to one-time funding pressures, as presented in Attachment 1.

The overall impact of these restricted reserve transfers and one-time spring budget adjustments on the 2024 tax rate is nil, as the increase in operating expenses is offset by the increase in operating revenues and net transfer from reserves.

The Water Utility Operating budget has a proposed spring budget adjustment for one-time increased costs of \$200,000 for the Hyprescon Pipe Diver Line Inspection project. This increase is offset by an increase in the transfer from the Water Utility reserve.

**Summary of impact of Spring Budget Adjustment on Budget 2024:**

	<u>2024 Interim Budget</u> <u>RCM-256-23</u>	<u>2023 Operating Carry Forward</u> <u>RCM-040-24</u>	<u>2024 Debt Servicing</u> <u>RCM-033-24</u>	<u>2024 Spring Budget Adjustments</u>	<u>2024 Final Budget</u>
Operating Revenues	113,451,000	-	230,000	1,107,270	114,788,270
Operating Expenses	105,106,000	1,336,608	230,000	2,121,570	108,794,178
Net Transfer From Reserves	8,346,000	1,336,608		1,014,300	10,696,908

**Legislative Authority**

- *Municipal Government Act*, Sections 242(3) - An interim budget operating budget for a part of a calendar year ceases to have any effect when the operating budget for that calendar year is adopted.
- CP-1034-21 - Reserves and Accumulated Surplus

**OPTIONS / ALTERNATIVES:**

Council can choose to make changes to any of the items identified for spring budget adjustment or add to the list of adjustments. This would require further analysis and budget revision.

**CONSULTATION / ENGAGEMENT:**

The review process for the recommended spring budget adjustment included input from the City's executive and senior leadership.

**IMPLEMENTATION / COMMUNICATION:**

All recommended changes, once approved by Council, will become part of the spring budget adjustment for determination of the City's final 2024 operating budget. The adjustment reduces the tax rate. The updated 2024 budget will be made public by posting to the City of Spruce Grove's website.

**IMPACTS:**

This decision will allow for the update of the 2024 operating budget, and for the inclusion of these ongoing operating budget items as the 2024 budget is updated.

**FINANCIAL IMPLICATIONS:**

If approved by Council, the proposed 2024 Municipal Operating Budget will restate the tax increase to 4.9 per cent from the 5.12 per cent approved in December 2023. For a typical homeowner with a house valued at \$395,150 this tax increase would result in a \$10.96 monthly increase to their municipal property tax bill.