



REQUEST FOR DECISION

MEETING DATE: November 8, 2021

TITLE: 2022-2024 Recommended Corporate Plan – November 8 2021

DIVISION: City Manager's Office

SUMMARY:

Administration brings forward a Corporate Plan to Council's Committee of the Whole each year which outlines the investments required to support existing service levels as well as new investments in programs and resources that are needed to meet the needs of a growing community in addition to regional obligations.

Over the course of the November 8-10 meetings, Committee is asked to provide feedback on:

1. Fiscal policy:

- Continued funding of municipal lifecycle reserves

2. Expenses:

- Funding for ongoing operating costs
- Funding for municipal lifecycle and other reserves
- Funding for operating business cases
- Funding for capital project profiles

3. Revenue options:

- Proposed 2.9% municipal general tax requirement increase
- Continued 1% dedicated tax increase for municipal lifecycle reserves (year 2 of 5)
- Continued residential and non-residential tax rate split (year 2 of 7)
- Increase storm utility rate

PROPOSED MOTION:

THAT the deliberations and Committee input provided on the proposed 2022 to 2024 Corporate Plan be brought to Council for consideration.

BACKGROUND / ANALYSIS:

The Municipal Government Act RSA 2000 c M-26 (the Act) requires under Financial Administration Part 8 that a Council adopt an operating budget and a capital budget for each calendar year. The Act also requires that the budget must include estimated amounts needed to provide for Council's policies, programs and financial obligations. It must also include estimated amounts for sources of revenues and transfers to surplus. Furthermore, a municipality must prepare a written plan respecting its anticipated financial operations for the next three financial years and a written plan for anticipated capital property additions over a period of at least the next five financial years.

The City of Spruce Grove's Recommended Corporate Plan provides Committee with a comprehensive operational and capital plan with operating and capital budgets for municipal, utility and developer entities. The Corporate Plan is the principal guiding document for community development and service delivery. Operational requirements are identified over a three year horizon while capital planning initiatives are anticipated over the next 10 years. Council only approves the first year of the budget (i.e. 2022); the remaining years are provided for planning and contextual purposes.

The Budget 2022 section of the Plan reflects the financial requirements to support existing services and/or changing services as well as recommended new work. The financial requirements include operating revenue and expenses and capital funding sources and expenditures broken down by budget entity (municipal, utility and developer). It is worth noting that this corporate plan has addressed the revenue for the proposed expenditures, and is currently a recommended balanced budget. However, should Committee members adjust revenue sources, the budget will need adjustments in expenses in order to balance.

2022-24 Corporate Plan

The focus of this year's 2022-2024 Recommended Corporate Plan is to combine both the narrative behind decision making with the resulting financial impact – a shift from previous corporate plans where this information was presented separately. Administrative processes around financial information, reporting and budgeting are evolving to be more robust and transparent, allowing Council and Administration to make better informed decisions.

Throughout the development of the 2022-2024 Recommended Corporate Plan, Administration considered historical context, the current state of the City, and what the City needs to continue its evolution as a sustainable growing city. The intent was to ensure Budget 2022 clearly outlined those key factors that integrated the knowledge gained from historical context while still looking to the future. Some of these factors include:

1. Continuing the journey of fiscal sustainability by building a budget that provides greater transparency and line of sight.

2. Understanding key economic and social indicators that provide insight into the current state of the City and how Administration can support the community, especially as we move on from COVID-19 recovery.
3. Gaining a clearer understanding of the impact of historical growth on City programs and services and how adjustments need to be made to support current and future growth.
4. Clearly outlining how Council proposes to invest in the community as well as the municipality.
5. Developing funding strategies to address the revenue requirement within this budget.

This Recommended Corporate Plan was built with these factors in mind. As the city faces another period of significant growth, moving on from COVID-19 recovery, and considering historical pressures on City programs and services that need be addressed, this plan proposes specific, tangible actions to move the City forward in a sustainable way.

Assessing the City's Financial Health

In 2020 the City commenced the development of a Fiscal Sustainability Framework with the principles of transparency, sustainability, equity and competitiveness. Work on this framework continues with evolving the presentation of budget by entity, and the continued development of municipal reserves for the purposes of maintaining the City's assets. This work continues to provide Council and citizens a clearer picture of the City's financial health.

The current draft of the 10 Year Capital Plan has incorporated a number of substantive priorities, from the Civic Centre Development to the City Centre Area Redevelopment Plan to the continued incremental funding of lifecycle reserves. As a result, any major future capital investments outside of the Plan could put pressure on the City's fiscal sustainability in the out years.

The City is committed to fiscal sustainability and seeks to be transparent in the apportionment of resources for future operating and capital spending through the creation of Reserves within the Accumulated Surplus. Reserves contribute to fiscal stability, debt minimization, and flexibility for emergent economic needs while creating dedicated funding sources for long-term capital planning and asset management. In addition, reserves are designed to smooth out the revenue requirements on uneven expenditures year over year.

Recognizing that future capital projects require significant investment, Administration is proposing as part of this plan the creation of reserves in an effort to strategically budget for the future. This plan includes a dedicated transfer to municipal lifecycle reserves, a special purpose reserve for new capital (Civic Centre Development), and municipal stabilization reserves.

Debt outstanding remains under the City's self-imposed debt limits (50% of provincial limits) for the duration of this proposed plan. At the close of 2022, the City is projected to reach a debt level of \$47.9 million, which represents 35% of the provincial limit and 70% of the municipal

policy limit. Long term debt contributes to the increase of the City's net debt position and the service of that debt reduces available operating budget dollars.

Reviewing the 2022 Budget

The 2022 Budget reflects the financial requirements to support the City's proposed direction, as outlined through the proposed business cases and capital project profiles. The financial requirements of these business cases and capital project profiles include revenues, expenses and expenditures on tangible capital assets used for service delivery and investment in new capital.

The main objective of this budget is to clearly explain and highlight financial information underlying the corporate plan, and to ensure Council has a transparent lens through which to review and ultimately approve the 2022 Budget. The information is intended to enhance the readers' understanding of the City's financial position and results of operations – enabling the City to demonstrate accountability for the resources entrusted to it.

The 2022 Budget and future forecasts are meant to provide information with a long term view. Ten years of future capital financial information has been presented but readers are cautioned that long term forecasts may change significantly.

The 2022 Budget has the following realities:

- The 2022-2024 municipal operating budgets are balanced without dependency on reserves for ongoing funding. The City utilizes reserves for one-time costs to minimize the impact on the municipal tax base.
- The municipal operating budget includes transfers to lifecycle reserves by way of a dedicated revenue stream approved by Council in all three years.
- The municipal capital budget is proposed to be balanced through the use of grants for some lifecycle costs due to the need to build reserve funding.
- The City's philosophy is for the utility budget to be self-funded.
- The City paid for some developer projects on behalf of developers and financed this development with long-term debt to advance construction. Amounts owing to the City will be repaid with proceeds from future developer levies.

Reviewing Proposed Business Cases and Capital Project Profiles

As part of this year's Corporate Planning process, departments were asked to submit business cases and capital project profiles that were required to move forward in order to continue with and evolve program and service delivery. Administration evaluated the business cases and capital project profiles to assess which ones were priority and in alignment with Council's direction to date. Administration made recommendations - either to revisit in the future, amend to address with existing resources, fund through one-time surplus, fund through developer and utility reserves or to be funded by ongoing municipal or utility budgets. As part

of the 2022 budget, the business cases and capital project profiles recommended to move forward are summarized within the appropriate budget entity with further detail on each provided in the Appendix.

In addition, as part of Council's strategic planning retreats in Q1/Q2 2022, members of Council will have the opportunity to provide input into the policy direction of approved 2022 business cases and capital project profiles moving forward. Business cases and capital project profiles deferred by Administration as part of the 2021 corporate planning process will also be revisited at that time.

The business cases and capital project profiles will be reviewed with the Committee during the November 8-10 deliberations. Revenue options/levers and scenarios will be presented to illustrate the financial impacts of the business case decisions, particularly the larger capital projects and lifecycle needs.

Finally, Administration will be seeking input from Committee on which revenue levers could be considered to support funding of the budget needs. Once the deliberations are complete, Administration will outline the budget impacts as well as the impacts to residential and non-residential ratepayers.

OPTIONS / ALTERNATIVES:

Committee will have the opportunity to provide Administration options to pursue outside the recommendations and approaches provided for both expense and revenue deliberations.

CONSULTATION / ENGAGEMENT:

Due to the impacts of COVID-19, Council was unable to host presentations from community groups and the public for budget submissions to the Corporate Plan. Instead, this year's submissions were submitted through a web-based application process. An overview of each of the submissions can be found in the Appendix of the Corporate Plan. Administration reviewed the submissions and has provided recommendations for consideration regarding funding.

IMPLEMENTATION / COMMUNICATION:

After Committee's review of the Corporate Plan, Council is scheduled to consider approval of the 2022-24 Corporate Plan at the Council meeting on November 29, 2021. The Plan, once approved by Council, is effective January 1, 2022. A Spring Budget Adjustment Council meeting will also be scheduled for end of Q1 2022 to affirm the tax rate and actual growth rates, which will lead to a final revised and approved budget.

IMPACTS:

The overall impact on ratepayers will be finalized following the Corporate Plan deliberations on November 8-10.

FINANCIAL IMPLICATIONS:

n/a

STRATEGIC VISION ELEMENT:

This topic relates to all three of the City's strategic vision elements contained in Council's Strategic Plan

RELATED GOAL:

Select a related goal.

Related to all goals.