



CITY OF
FORT SASKATCHEWAN

**Request for Decision
Regular Council Meeting – December 8, 2020**

2021 Budget Adoption

Motions:

1. That Council adopt the 2022 - 2024 Operating Financial Plan Forecast and approve the 2021 Operating Budget dated December 8, 2020, establishing total operating revenues and expenditures at \$78,834,893, which includes \$20,209,319 for the Utilities Budget.
2. That Council adopt the 2021 - 2030 Capital Plan and approve the 2021 Capital Budget dated December 8, 2020, establishing total capital revenues and expenditures at \$9,683,000.
3. That Council approve the 2021 Fort Saskatchewan Public Library appropriation at \$1,222,000.

Purpose:

The purpose of this report is to present Council with information on the 2021 municipal budget, and once approved, will provide a 2022 – 2024 Operating Financial Plan Forecast, a 2021 – 2030 Capital Plan for planned capital additions and anticipated funding sources, an Operating and Capital Budget for 2021, and an appropriation to the Fort Saskatchewan Public Library.

Background Analysis:

2021 Municipal Budget

The *Municipal Government Act (MGA)* directs Council to approve an operating and a capital budget for each calendar year. The 2021 municipal budget identifies and allocates the resources necessary to provide for the municipal programs and services that support Council's goals and strategic initiatives identified within the Strategic Plan.

Appendix 1 outlines the overall 2021 Operating Budget inclusive of the Utilities Budget and adjustments based on decisions made by Council at this year's budget meetings. Appendix 2 details these adjustments, which resulted in a net reduction to budgeted operating revenues and expenditures of \$274,490 from the 2021 Operating Budget, as originally proposed. Significant Operating Budget adjustments are summarized below.

Adjustments related to:

- Reduction of \$94,460 for Intergovernmental Support
- Reduction of Annual Capital Funding \$150,000 for Neighbourhood Rehabilitation Project
- Reduction of Annual Capital Funding \$25,000 for Roadway Safety Program
- Reduction of \$25,000 for the School Playground Grant Award
- Reduction of \$13,000 for the North Saskatchewan Water Shed Alliance Membership
- Increase of \$30,582 for Special Transportation Support Services (STSS)
- Increase of \$32,453 for Edmonton Global Membership

- A reduction of \$20,000 for one-time Emergency Fund grant from the Financial Stabilization Reserve - Families First Society was successful in receiving a grant for \$40,000 from the United Way

Appendix 3 outlines the 2021 Capital Budget and reflects adjustments based on decisions made by Council at the Capital Budget meetings held on October 1 and 15, 2020. The Capital Budget was adjusted for:

- Reduction of \$70,000 for Steep Slope Mower
- Reduction of \$25,000 for Roadway Safety Program
- Reduction of Annual Capital Funding \$150,000 for Neighbourhood Rehabilitation project was replaced with \$150,000 of Municipal Sustainability Initiative (MSI) funding (no change in overall project budget)

Appendix 4 outlines the 2021 - 2030 Capital Plan, which is used as a planning and guiding document that projects the City's long-term capital requirements and anticipated funding sources using high-level estimates based on current information available. These estimates are subject to Council's formal budget approvals in the budget year supported by detailed assessments, public engagement, economic fluctuations, and other key considerations.

Appendix 5 outlines the 2022 - 2024 Operating Financial Plan Forecast, which is used as a planning and guiding document to guide policy and inform program decisions. A forecast is a tool that presents estimates based on past, current, and projected financial conditions to help identify future revenue and expenditure trends that may have immediate or long-term impacts on policies, strategic goals, or programs / services offered to the community.

Appendix 6 outlines the 2021 Fort Saskatchewan Public Library Operating and Capital Budget dated November 9, 2020. The *Libraries Act* directs a Library Board to prepare an annual budget and an estimate of the required funds to operate and manage the municipal library for Council's consideration.

The 2021 User Fees & Charges Bylaw will be presented for Council's consideration under separate cover prior to the approval of the 2021 municipal budget. The User Fees & Charges Bylaw includes updated Utility rates for 2021. Based on the average monthly residential water consumption of 14 cubic meters, the average monthly residential utility bill is projected to increase by \$3.99, or 3.6%, over 2020.

Projected Property Tax Changes

The 2021 Operating Budget includes property tax revenue collected of \$48.6M, which is an increase of approximately \$425K from 2020. This increase is a result of property assessment growth of approximately \$508K and a reduction of Grants in Place of Taxes for \$83K received from the Province. There is a zero percent property tax revenue increase due to spending in 2021.

Information regarding the finalized assessments will be available in February/March 2021, and information regarding the proposed 2021 property tax rates will be available in April when Council is scheduled to approve the 2021 Property Tax Bylaw. Depending on how a property's assessment changes relative to the average annual assessment, a property owner may see their property taxes change by more or less than the zero per cent.

Option for Council to Approve an Interim 2021 Operating Budget

During this year's budget deliberations, Council discussed the option to approve the proposed 2021 Operating Budget on an interim basis in December 2020 and give final budget approval next spring. The rationale was so that Council could review information on the final property assessments which will be available in February/March 2021, prior to Council giving final approval to the 2021 Operating Budget and approving the 2021 Property Tax Bylaw.

According to the *MGA*, Council may approve an interim operating budget for part of a calendar year. The interim budget ceases to have any effect once the operating budget for that calendar year is adopted. Further, the *MGA* does not specify when an operating budget is to be adopted only that an operating budget must be adopted each calendar year. Therefore, at minimum, Council must adopt an interim operating budget by December 31 to ensure legislative authority for Administration to continue making operational expenditures for part of a calendar year, and must give final budget approval later in that year.

Municipalities that utilize the interim/final approach to budget adoption typically follow a two-step process. Step one involves the development and approval of an interim operating budget in late fall (November/December). Adoption of the interim budget authorizes the municipality starting January 1 to collect revenue and incur expenditures as approved for within the interim budget. Step two typically occurs in the following spring (April/May), prior to Council's approval of the property tax bylaw, and involves Council giving final approval to the operating budget. Information received after interim budget approval such as final property assessments, provincial school requisitions, and other information can be incorporated into the final budget review and adjustments can be made, as necessary. The process concludes with Council passing the property tax bylaw, which incorporates the final approved budget with the final property assessments to establish the current year's property tax rates. Alberta municipalities that follow this approach include the towns of Ponoka, Drayton Valley, Whitecourt and Bonnyville; and the counties of Leduc, Lacombe and Parkland.

The City's approach to budget adoption is similar to the one described above albeit in a less formal manner. In December, after the Capital and Operating Budget deliberations have concluded in October and November, respectively, Council approves the Operating and Capital Budgets along with the appropriation to the Fort Saskatchewan Public Library and adopts the three-year Operating Financial Plan forecasts and Ten-Year Capital Plan. In each of the past three years, Council has directed Administration to make adjustments to the approved budget in March/April via Council motions prior to passing the Property Tax Bylaw in April. The budget inclusive of these adjustments forms the City's final approved spring budget and together with the finalized property assessments are used to establish the current year's property tax rates. Therefore, in principle, the City follows a two-step approach to budget adoption even though Council does not formally approve a final budget in the spring, nor adopt an interim budget in December.

Assessment Timelines and Use of Estimates

In common with many municipalities, the City incorporates estimates of changes in property assessments into the development of its annual budgets. These estimates are determined by the City's property assessors and include changes in assessment due to growth and overall market inflation/deflation using information readily available at budget time. The proposed 2021 Operating Budget includes \$508,000 in estimated additional property tax revenue based on the assessors' growth estimates. These estimates are also used to calculate the estimated property tax impacts of the proposed 2021 Operating Budget on residential and non-residential taxpayers

which are communicated at budget time and when presenting the Property Tax Bylaw. In the spring when the assessors finalize the property assessments any difference between actuals and budgeted estimates is recognized as additional growth revenue and the approved budget is amended accordingly.

The City's property assessors adhere to strict timelines in order to meet legislated requirements for the measurement and reporting of property assessments. In addition, the City's unique assessment base comprised of residential and non-residential properties along with machinery and equipment (M&E) and designated industrial property (DIP) adds complexity to the process. A brief outline of the timelines and processes that property assessors follow to prepare the City's residential and non-residential property assessments is shown below.

July-September:

- Coordinate with City on residential and non-residential Request For Information (RFI) mail outs
- Inputting of non-residential RFI responses
- Continued review of assessment complaints

September-October:

- Attending Assessment Review Board (ARB) hearings as required
- Inspections of new construction for supplementary assessments
- Finalize supplementary assessments by mid-October
- Continued inputting of non-residential RFI responses
- Coordinate with City on non-residential RFI remainder mail outs

November-January:

- Market analysis (process of analysing sales and updating residential and non-residential values to July 1, 2020 valuation)
- Finalize assessment complaints (attend ARB hearings as required)
- Inspections of new construction (non-supplementary accounts) for recording physical characteristics to December 31

February:

- Finalize residential and non-residential assessments
- Coordinate with industrial assessor to finalize M&E assessments (both DIP and non-DIP)
- February 28 deadline for submission to Milenet (ASSET system) for passing of Stage 1 audit
- Coordinate with City to submit/import assessment roll to tax system (by February 28)

March:

- Process any last minute assessment revisions as required (for example due to the late reporting by property owners)

Plans/Standards/Legislation:

Sections 242(1) and 245 of the *MGA* direct Council to approve an Operating Budget and a Capital Budget for each calendar year, respectively.

Sections 242(2) and 242(3) of the *MGA* permit Council to approve an interim Operating Budget for part of a calendar year. An interim Operating Budget for a part of a calendar year ceases to have any effect when the Operating Budget for that calendar year is adopted.

Section 283.1 of the *MGA* directs municipalities to prepare written plans respecting their anticipated financial operations over a period of at least the next 3 financial years, and to prepare written plans respecting their anticipated capital property additions over a period of at least the next 5 financial years. Council is required to review and update these plans annually.

City's Strategic Plan:

Core Value – Excellence in Government; Goal – Continuous improvement; constantly looking for ways to improve our services through planning, innovation, collaboration and consultation.

Core Value – Well Planned and Maintained Municipal Infrastructure; Goal – Strategically manage, invest, and plan for sustainable municipal infrastructure.

Alternatives:

Should Council wish to approve the 2021 Operating Budget on an interim basis and finalize the 2021 Operating Budget next spring, the following motion (in addition to Motions #2 and #3 at the top of this report) would apply:

1. That Council adopt the 2022 - 2024 Operating Financial Plan Forecast and approve the Interim 2021 Operating Budget dated December 8, 2020, establishing total operating revenues and expenditures at \$78,834,893, which includes \$20,209,319 for the Utilities Budget.

Should Council wish to approve support for the North Saskatchewan Watershed Alliance within the 2021 Operating Budget, the following motion would apply:

2. That Council amend the 2021 Operating Budget by approving \$13,000 to support the North Saskatchewan Watershed Alliance to be funded in combination by reducing the Future Facility Operating Reserve contribution by \$8,000 and training and development by \$5,000.

Administrative Recommendation:

That Council adopt the 2022 - 2024 Operating Financial Plan Forecast and 2021 - 2030 Capital Plan; and approve the 2021 Operating and Capital Budgets and the 2021 Library appropriation.

Attachments:

1. Appendix 1 – 2021 Operating Budget (including Utilities)
2. Appendix 2 – 2021 Budget Adjustments from Council Carried Motions
3. Appendix 3 – 2021 Capital Budget
4. Appendix 4 – 2021 - 2030 Capital Plan
5. Appendix 5 – 2022 - 2024 Operating Financial Plan Forecast
6. Appendix 6 – 2021 Fort Saskatchewan Public Library Operating and Capital Budget

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Date: November 30, 2020

Approved by: Jeremy Emann
Chief Financial Officer, Finance Services

Date: December 2, 2020

Approved by: John Dance
General Manager, Corporate Services

Date: December 2, 2020

Approved by: Troy Fleming
City Manager

Date: December 2, 2020