

Subject: 2018 Operating Budget, 2019 - 2020 Financial Plan**APPROVALS:****Annette Antoniak**_____
Director_____
Chief Administrative Officer**Recommended Motion:**

1. THAT the 2018 Operating Budget, in the amount of \$770,092,345, excluding the Communications and Stakeholder Relations Department be approved, representing \$428,560,398 for Municipal operations, \$65,000,000 for undrawn debt reduction, \$600,000 as a transfer to the Emerging Issues Reserve and \$275,931,947 as a transfer to the Capital Infrastructure Reserve be approved.
2. THAT the 2018 Operating Budget be amended to add \$4,563,382 for the Communications and Stakeholder Relations Department.
3. THAT the 2019 – 2020 Financial Plan in the amount of \$756,551,902 and \$737,783,424 respectively, with funding transfers to the Capital Infrastructure Reserve of \$251,359,873 and \$227,737,873 respectively and \$60,000,000 per year for undrawn debt reduction, be used as the basis for the development of the respective subsequent budgets.

Summary:

The *Municipal Government Act* (MGA) requires that every Alberta municipality approve a budget prior to passing a property tax bylaw. The 2018 Operating Budget is \$94.6M less than the 2017 Operating Budget. Administration is recommending that \$65M of the \$94.6M be allocated to reduce undrawn debt. In addition, the \$600,000 Community Investment Program request for the Fort McMurray Heritage Society was approved by Council to be set aside in the Emerging Issues Reserve, to be revisited upon receipt of their annual audited financial statements.

Background:

A 2018 Interim Operating Budget, in the amount of \$100M was approved by Council on December 12, 2017 to fund operations for the first quarter of 2018. Approval of an interim operating budget and adoption of the 2018 -2021 Strategic Plan provided additional time and information for Administration to develop a proposed budget for Council review and deliberation during a series of budget workshops.

In advance of the budget workshops, a Budget Primer and video were released. The Budget Primer and video were tools to enhance public understanding of the budget process. In addition, a series of Public Information Sessions were held to discuss the budgeting process, the importance of the budget as well as how residents can be more engaged.

Continuing with a zero-based budget approach, Administration presented the Proposed 2018 Operating Budget, 2019 - 2020 Financial Plan to Council on February 7, 2018. Departmental and Community Investment Program grant request presentations were held on February 7, 8 and 9th. Subsequently, Council deliberated and considered a number of motions at a Special Meeting held on February 9, 2018. The Council motions, impacting the operating budget, resulted in further reductions. The remaining motions carried were directed at the capital budget. Residents engaged with Council during the budget workshops.

Budget/Financial Implications:

The 2018 Operating Budget provides funding for operations, contributions to the Capital Infrastructure Reserve for capital purposes and an allocation for undrawn debt reduction. Based on the Council motions approved during budget deliberations, a transfer to Emerging Issues Reserve of \$600,000 will be made for the Community Investment Program (CIP) grant to the Fort McMurray Heritage Society. These funds will be held until receipt and review of their annual audited financial statements. The 2018 Operating Budget is summarized as follows:

| | |
|---|--------------------|
| Revenue | \$ 774,655,727 |
| Less: Operating Expenses | <u>433,123,780</u> |
| Excess Revenue over Expenses | \$ 341,531,947 |
| Less: | |
| Transfer to Emerging Issues Reserve (CIP Grant) | |
| 600,000 | |
| Undrawn Debt Reduction Allocation | 65,000,000 |
| Transfer for capital purposes | <u>275,931,947</u> |
| Balanced Budget | <u>\$ -</u> |

Significant progress has been made since the introduction of zero-based budgeting at the beginning of 2017 resulting in savings of \$141.6M. Property Tax revenue has also decreased \$43.3M from the 2017 Operating Budget. This includes the further reduction to Property Tax revenue due to the net savings from Council approved motions at the February 9, 2018 Special Meeting. Cumulatively, property tax revenue has decreased by \$93.4M since the 2016 Budget.

To support prudent fiscal management, \$65M has been budgeted to fund previously approved debenture-funded capital projects and thereby reduce the committed debt. This will allow the Municipality to avoid an estimated additional \$16M per year of debenture interest and principal payments as well as provide estimated interest savings

of \$84M over the amortization period. This provides the greatest flexibility and supports longer term fiscal management.

Rationale for Recommendation:

The 2018 Operating Budget, 2019 - 2020 Financial Plan is a culmination of a series of budget workshops followed by a zero-based budget review process. In addition, applying \$65M in funding towards previously approved debenture-funded capital projects supports long term fiscal management.

Strategic Priorities:

Pillar 1 - Building Responsible Government
Responsible Government

Attachments:

Att 1 - 2018 Operating Budget & 2019 - 2020 Plan

2018 Budget and Plan presentation