

# **2014 Proposed Budget and Financial Plan**

## ***Expanding Financing and Funding Options Delivery of Big Plans***

November 12, 2013

# Expanding Financing and Funding Options

- 2014 Proposed Operating Budget, 2015 – 2016 Financial Plan
- 2014 Proposed Capital Budget, 2015 – 2019 Financial Plan

Sections 242 – 247 of the  
*Municipal Government Act*

# 2014 Budget Process

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|          |  |
|----------|--|
| Apr 23   | Council adopted Fiscal Management Strategy 2013-2015                           |
| Jun      | 2014 Budget Workshop conducted for cross-functional Municipal Budget Committee |
| Jul–Oct  | Internal reviews of 2014 Proposed Budget                                       |
| Nov      |  |
| 12       | 2014 Proposed Budget presented to Council                                      |
| 15/16/18 | 2014 Budget workshop for Council   |
| Dec 10   | Final Budget before Council for approval                                       |

# 2014 Proposed Budget

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## ***Expanding Financing and Funding Options Delivery of Big Plans***

Aligned with the various Council approved strategic plans listed below:

- Municipal Development Plan
- Strategic Plan
- Business Plan
- Master Plans and studies
- Fiscal Management Strategy

# 2014 Proposed Budget – Guiding Principles

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## Fiscal Health Measures

- Sustainability
- Flexibility
- Vulnerability

# 2014 Proposed Budget Challenges

- Debt funding capacity maximized at 85% limit
- Capital Projects Prioritization – Unfunded Projects
- Impact of Municipal Utilities Corporation
- Impact of Alternative Capital Finance on debt not considered
- Possible capacity resource constraints – Capital Projects

# 2014 Proposed Budget Methodology

- Proposed Balanced Operating Budget
- Proposed Un-balanced Capital Budget
- Capital Projects Prioritization methodology in order of priority:
  - Multi-year ongoing projects previously approved by Council
  - 1<sup>st</sup> year of Pre-Construction/Design projects previously approved by Council
  - New single/multi year projects as per Capital Plan

# Debt / Debt Service Limit

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Debt Limit = 2.0 x Revenue

Debt Limit per Debt Management Policy

– 2.0 X Revenue x 85%

Debt Service Limit = 0.35 x Revenue

Debt Service Limit per Debt Management Policy

– 0.35 x Revenue x 85%



# Fiscal Management Strategy Compliance

|  | 2014 | 2015 | 2016 |
|--|------|------|------|
| LOW RISK: Property Tax Revenue Neutral + Construction Growth   | √    | √    | √    |
| Emerging Issues Reserve - \$50M uncommitted minimum balance, max. 15% of prior year's audited property tax revenue | √    | √    | √    |
| Capital Infrastructure Reserve - \$50M uncommitted minimum balance   | √    | √    | √    |

# Fiscal Management Strategy Compliance, cont'd

|  | 2014 | 2015 | 2016 |
|--|------|------|------|
| Debt Limit at 85% of MGA Limit         | 80%  | 85%  | 85%  |
| Debt Service Limit at 85% of MGA Limit | 13%  | 12%  | 13%  |

# 2014 Budget Headlines

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- No tax increase other than new construction growth
- Fiscal stability reserves intact
- Approved 2013 Municipal employees cap is maintained
- Continued recruitment efforts
- Provide competitive salaries and benefits package
- Focus on sustainability
- Addresses varied needs of the community via operations and capital funding allocations

# Personnel Budgeting

- Annualized budget for personnel costs
- Elimination of corporate reduction of 10% of budgeted funding to acknowledge ongoing vacancies
- Manage within previously approved 1,373 positions
- 1,356 funded positions
- Optimum utilization of employees to continue in 2014
- 1,219(89%) Actual and 154(11%)FTEs vacancies as at September, 2013

# 2014 Budget Highlights

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## **Direct Responsible Growth in the Region**

- Gateway signage design
- Building new website with integrated social media
- Participating in Nexus North membership
- Operating grant for Eagle Ridge Community Centre
- EDSS Day Care Facility Support

# 2014 Budget Highlights, cont'd

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## **Develop Sustainable Mobility Choices**

- Surface parking relocation/improvement
- Transit computerized routing/scheduling
- Community Accessibility project delivery

# 2014 Budget Highlights, cont'd

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## **Revitalize the City Centre**

- Business Acceleration of City Centre
- Jubilee Plaza Centre Construction
- Establishment of downtown storefront supporting RCMP and Bylaw Service

# 2014 Budget Highlights, cont'd

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## **Build Complete Communities**

- Bylaw/RCMP proactive education programs and community events
- Enhanced Bylaw/RCMP traffic safety programs
- Flood protection projects
- On-going projects on redevelopment of City Centre



# 2014 Budget Highlights, cont'd

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## **Promote the Development of Green Initiatives**

- Pre-design and design of Fire Hall #6 in Parson Creek
- Anzac Fire Hall design – LEEDS building
- Fort Mackay Fire Hall – LEEDS building
- Potential agreement to use ECO diesel in fire apparatus on trial basis

# 2014 Budget Highlights, cont'd

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## **Demonstrate Leadership in Climate Change Adaptation and Mitigation**

- Promotion of Zero Waste initiatives
- Purchase dechlorination unit for Fire Station #1 to prevent contamination of river system
- District Energy System – Construction

# 2014 Budget Highlights, cont'd

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## **Increase Economic Development Attraction and Retention**

- Research and explore concept of a regional training centre for policing and bylaw operations
- Develop Workforce Development Strategy

# 2014 Budget Highlights, cont'd

## **Invest in Arts, Recreation and Culture Development**

- Start up grant for Regional Recreation Corporation for Anzac Facility
- Start up grant for Regional Recreation Corporation for MacDonald Island
- Fort McMurray Public Library grant
- Increase of \$3.2M on existing grants due to new initiatives, population growth and general inflation of operating costs for recreation facilities

# 2014 Budget Highlights, cont'd

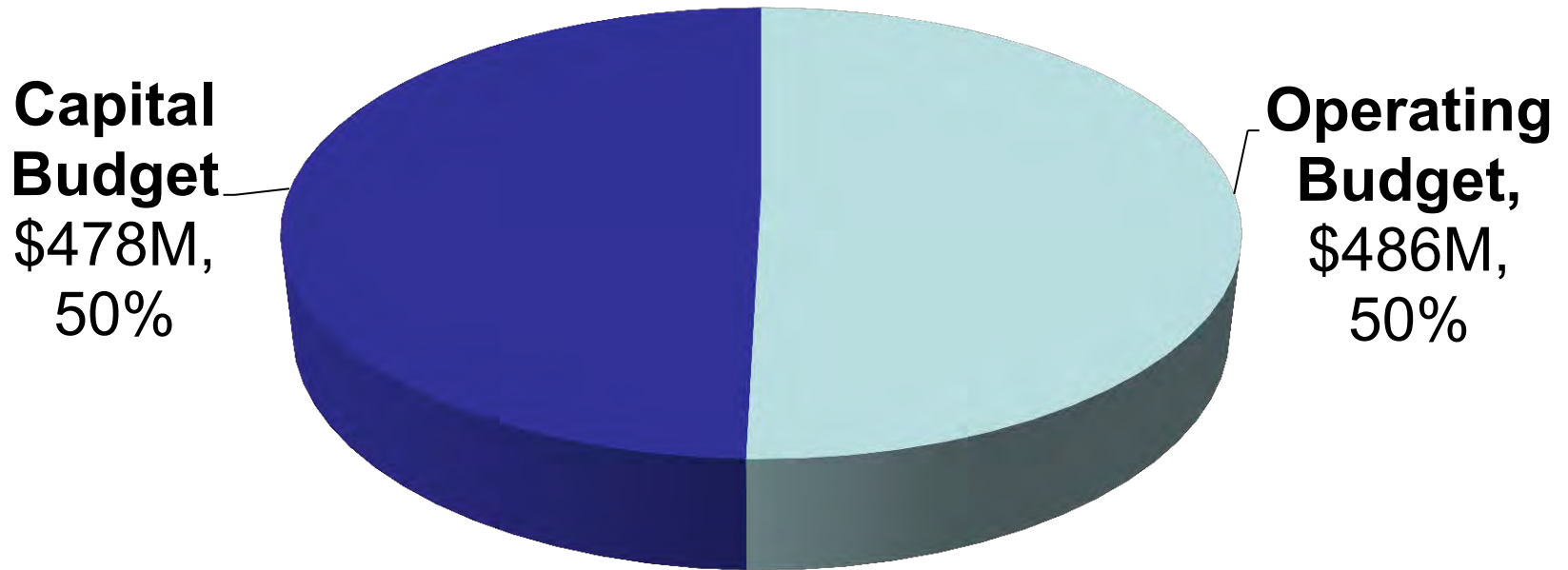
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## **Enhance and Improve Corporate Responsibility and Governance**

- Increase citizen participation in council meetings thru an electronic meeting management system
- Sustain transparency through the *Freedom of Information and Protection of Privacy Act*

# 2014 Proposed Operating and Capital Budgets

**Total 2014 = \$964M**



# **2014 Proposed Operating Budget and 2015 - 2016 Financial Plan**

November 12, 2013

# 2014 Proposed Operating Budget Analysis

|  |               |
|--|---------------|
| Revenue                                    | \$706,385,655 |
| Operating Expenses                         | (486,288,503) |
| Funding available for transfer for capital | 220,097,152   |
| Transfers for Capital Purposes             | (220,097,152) |
| <b>Balanced Budget</b>                     | <b>\$ -</b>   |



# Operating Expenses

| 2013 Approved Budget | 2014 Proposed Budget | Increase     |
|----------------------|----------------------|--------------|
| \$456,160,390        | \$486,288,503        | \$30,128,113 |

Excludes transfer for capital purposes

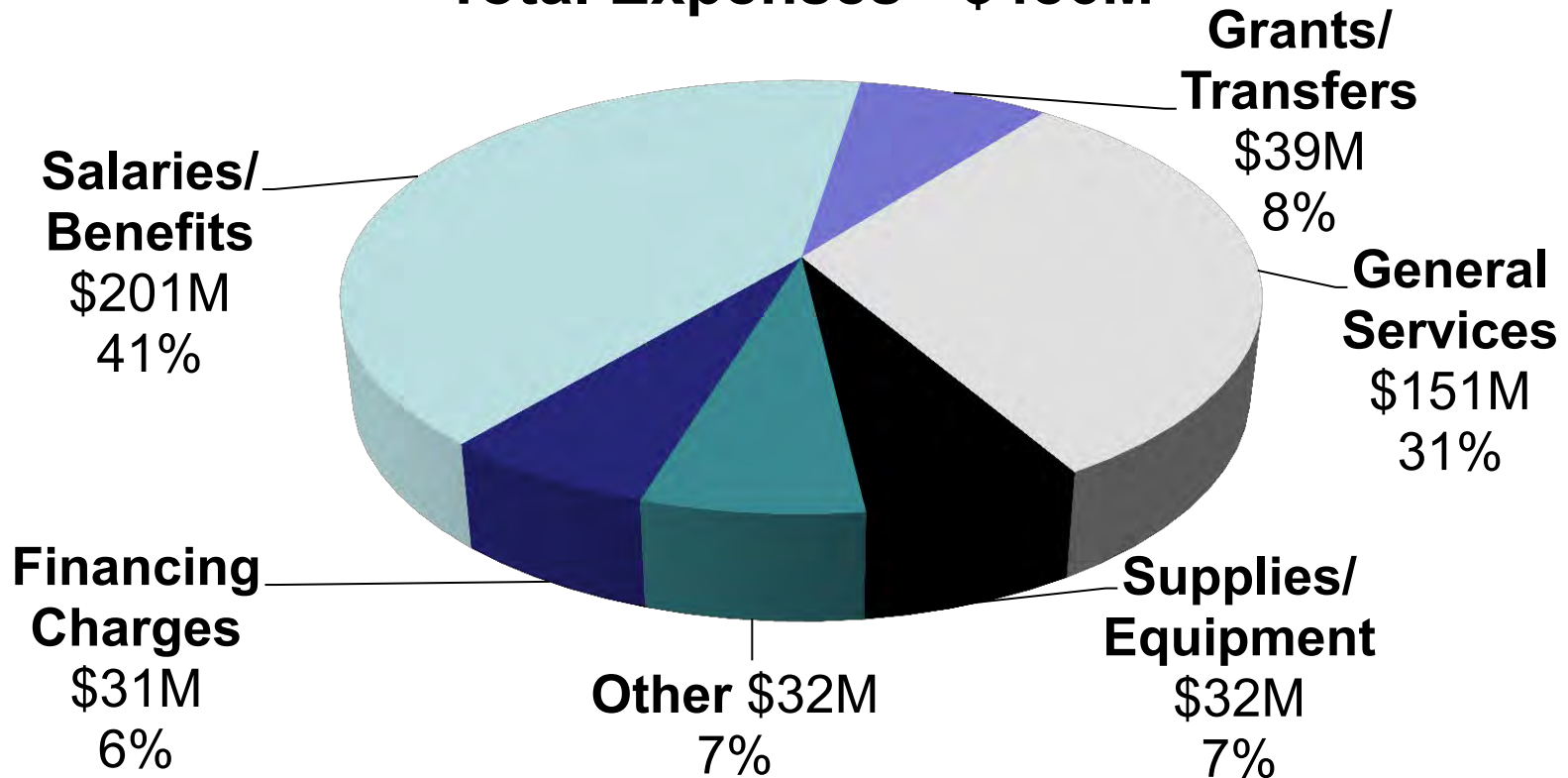
# Operating Budget Changes

|                                 | Budget to Budget*<br>(\$'M) |
|---------------------------------|-----------------------------|
| Personnel salaries & benefits   | 12                          |
| General services & contracts    | 8                           |
| Purchases from other government | 1                           |
| Supplies and equipment          | 3                           |
| Grants/transfers/others         | 6                           |
| <b>Net Change</b>               | <b>30</b>                   |

\*Excludes transfer for capital purposes

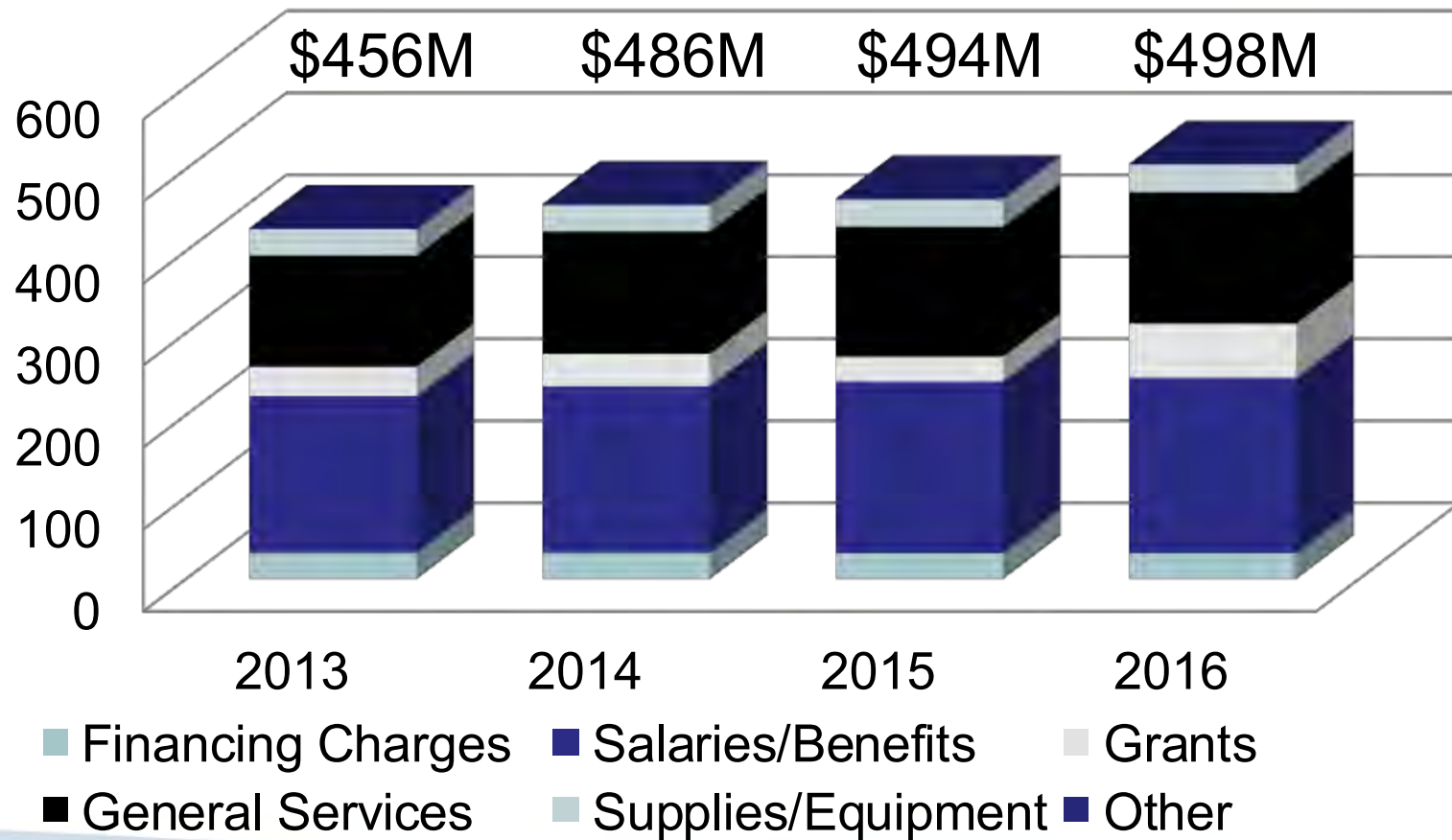
# 2014 Proposed Operating Budget-Expenses Summary

## Total Expenses - \$486M



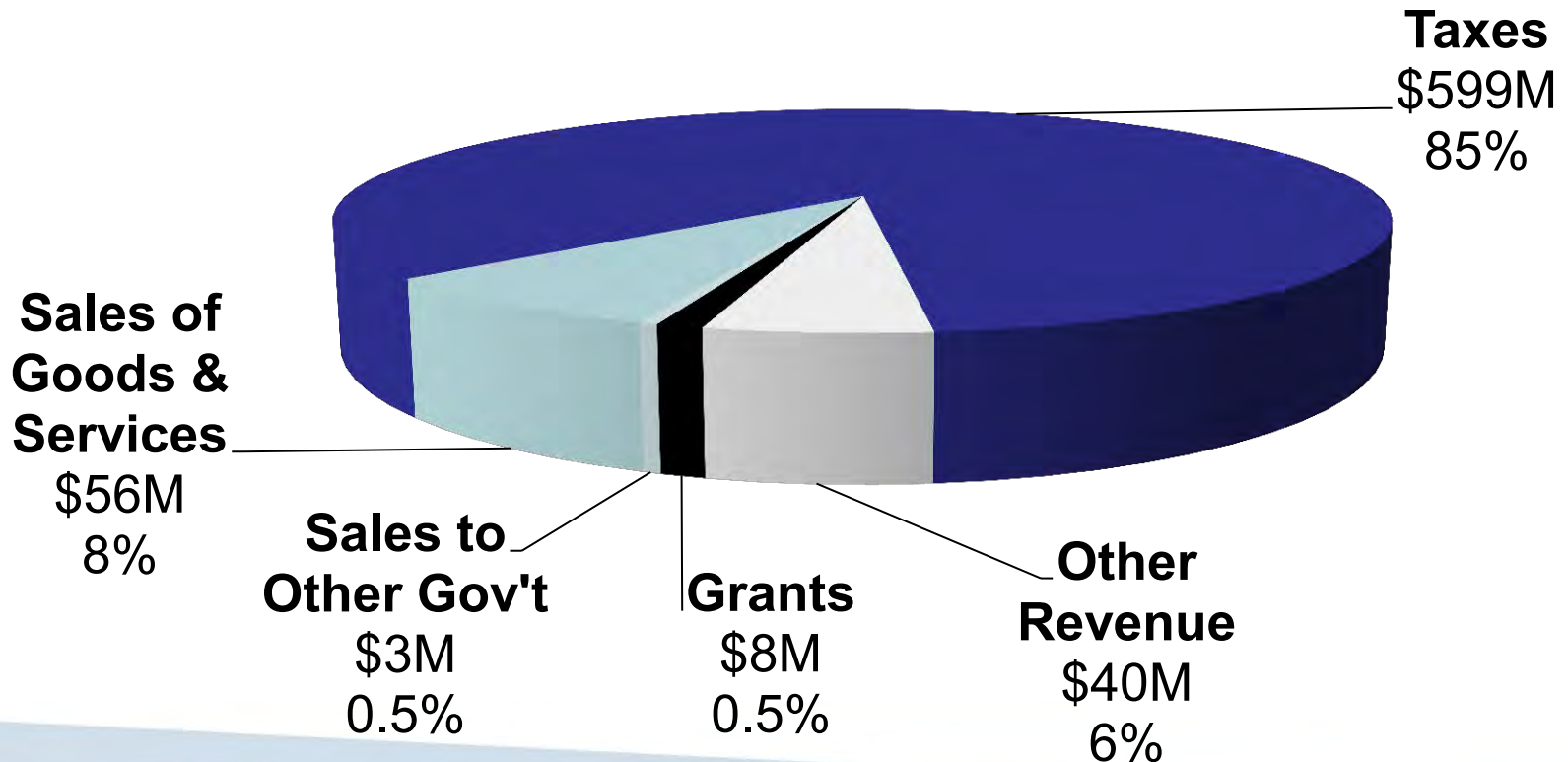
Excludes transfer for capital/reserve purposes

# 2013 Projection to 2016 Budgets and Financial Plan



# Sources of Funds

**Total 2014 Proposed Budget Revenue = \$706M**



# Operating Revenue

| Approved Budget<br>2013* | Proposed Budget<br>2014 | Increase     |
|--------------------------|-------------------------|--------------|
| \$676,535,568            | \$706,385,655           | \$29,850,087 |

\*Amended budget approved by Council on 23 April, 2013 –2015 Fiscal Management Strategy

# Budget Changes - Revenue

|                                 | 2014 Proposed Budget (\$'M) |
|---------------------------------|-----------------------------|
| Taxes                           | 47                          |
| Sales of Goods & Services       | (1)                         |
| Other Revenue from Own Services | (2)                         |
| Conditional Grants              | (6)                         |
| Other Transfers                 | (8)                         |
| <b>Total Increase</b>           | <b>30</b>                   |

# 2014 Revenue Adjustments

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- Allowance for possible tax appeal losses – (\$18M)
- Possible Impact of new contract with Alberta Health Service – (\$6M)



# **2014 Proposed Capital Budget and 2015-2019 Capital Plan**

November 12, 2013

# Capital Budget Guidelines

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Proposed 2014 Capital budget and 2015-2019 Capital Plan is based on previously Council approved strategic plans listed below:

- Municipal Development Plan
- Strategic Plan
- Area Structure Plans
- Area Redevelopment Plans
- Master Plans
- Fort McMurray Community Development Plan (FMCDP)
- Asset replacement cycles

# Proposed Capital Grants

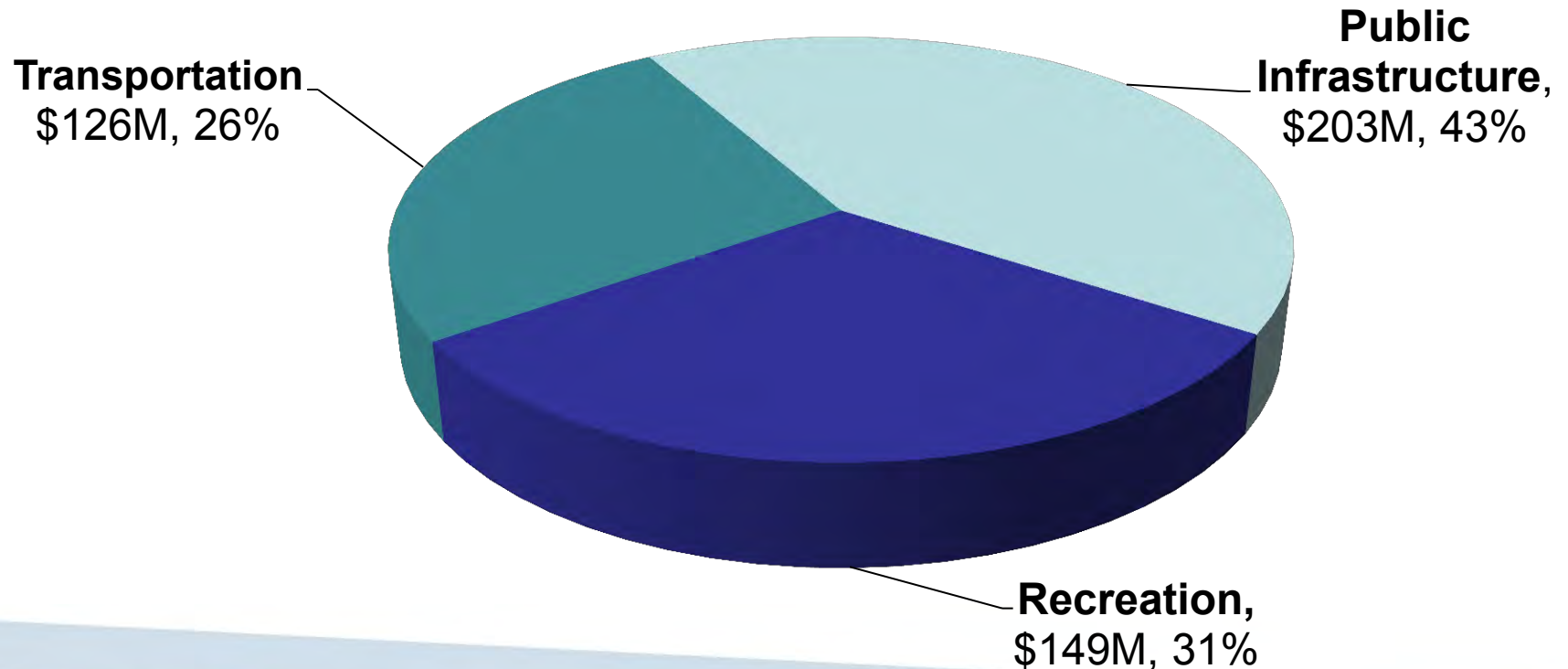
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2014 Proposed Capital budget and 2015-2019 Capital Plan include the following Capital Grants:

- Vista Ridge Capital Grant (2014-2016) – \$13.2M
- MacDonald Island Capital Grant (2014) – \$5.5M

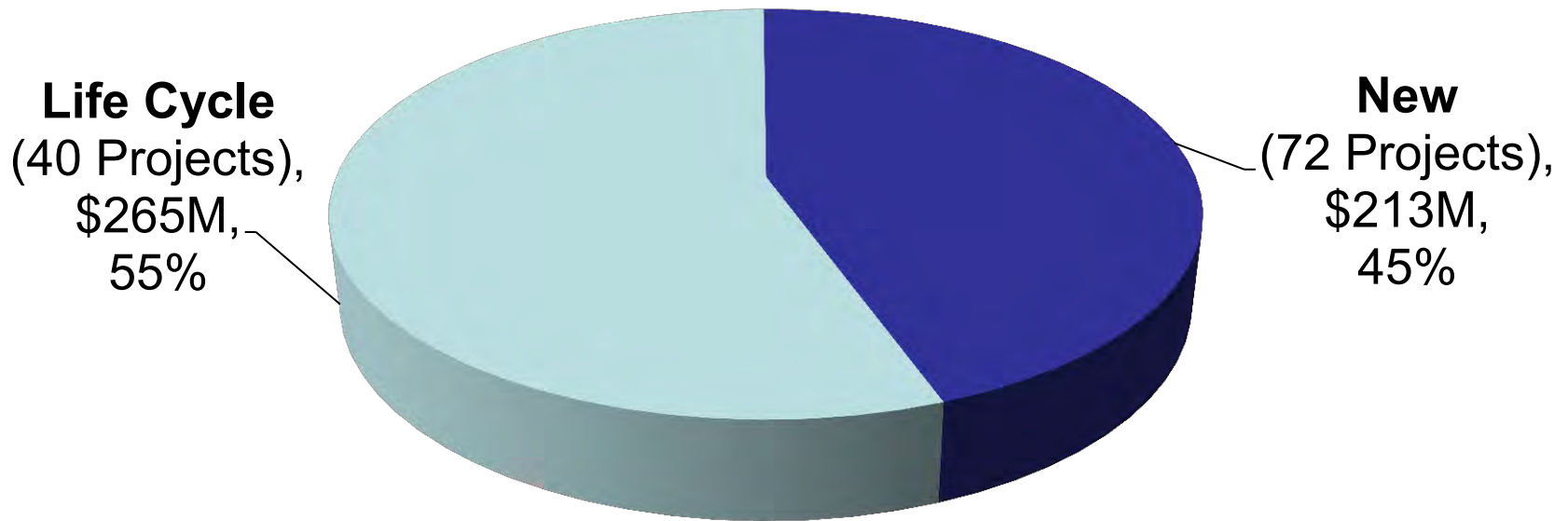
# 2014 Proposed Capital Budget, by category

**Total 2014 (112 Projects) = \$478M**



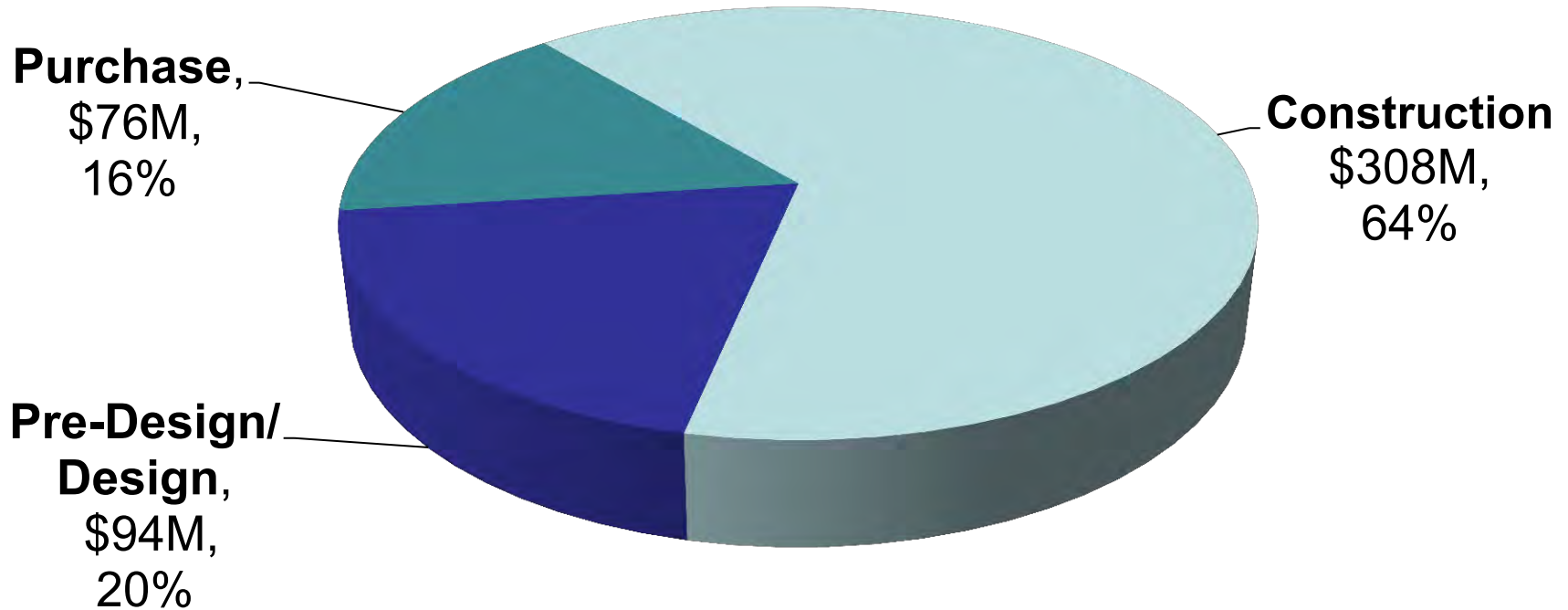
# 2014 Proposed Capital Budget, by nature

**Total 2014 (112 Projects) = \$478M**



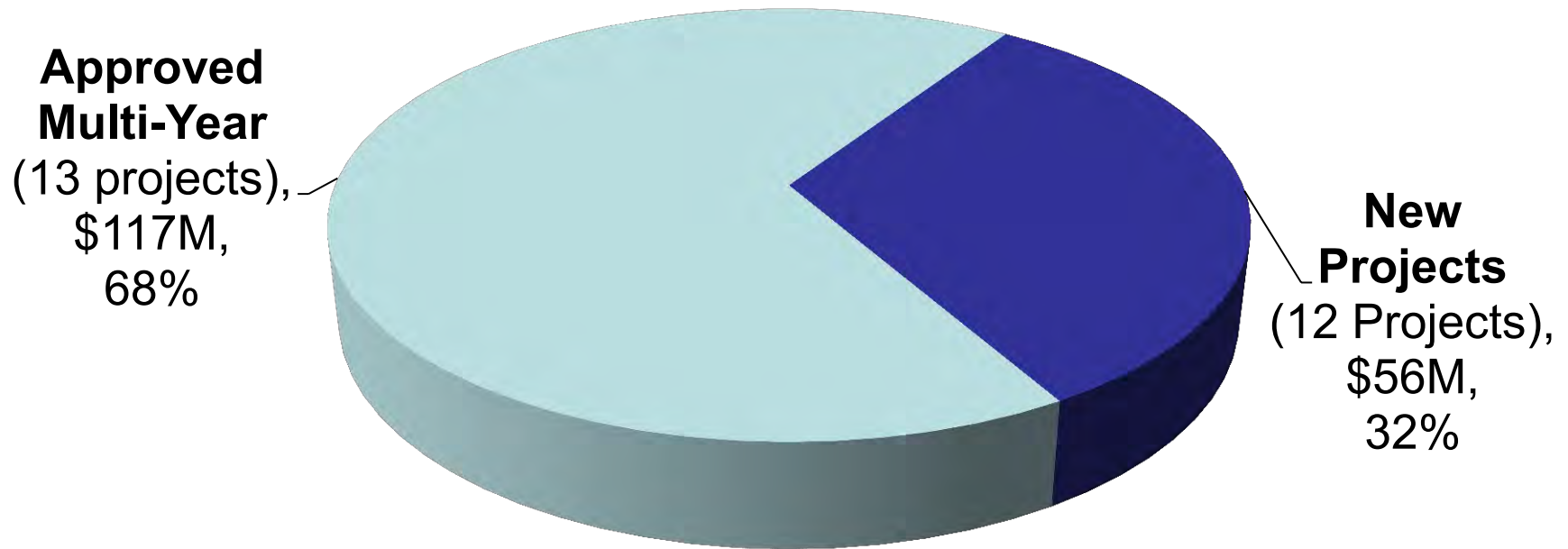
# 2014 Proposed Capital Budget, by type

**Total 2014 = \$478M**



# 2014 Proposed Capital Budget, City Centre Projects

**Total 2014 = \$173M (25 Projects)**



# 2014 Proposed Capital Budget, by Wards

|               | Multi-Year | New        | Total      |
|---------------|------------|------------|------------|
|               | (\$M)      | (\$M)      | (\$M)      |
| Ward 1        | 201        | 157        | 358        |
| Ward 2        | 13         | 4          | 17         |
| Ward 3        | -          | 21         | 21         |
| Ward 4        | 25         | 6          | 31         |
| Regional      | 21         | 24         | 45         |
| Multi - Rural | 5          | 1          | 6          |
| <b>Total</b>  | <b>265</b> | <b>213</b> | <b>478</b> |

\*Ward 1 includes City Centre projects (\$173M)



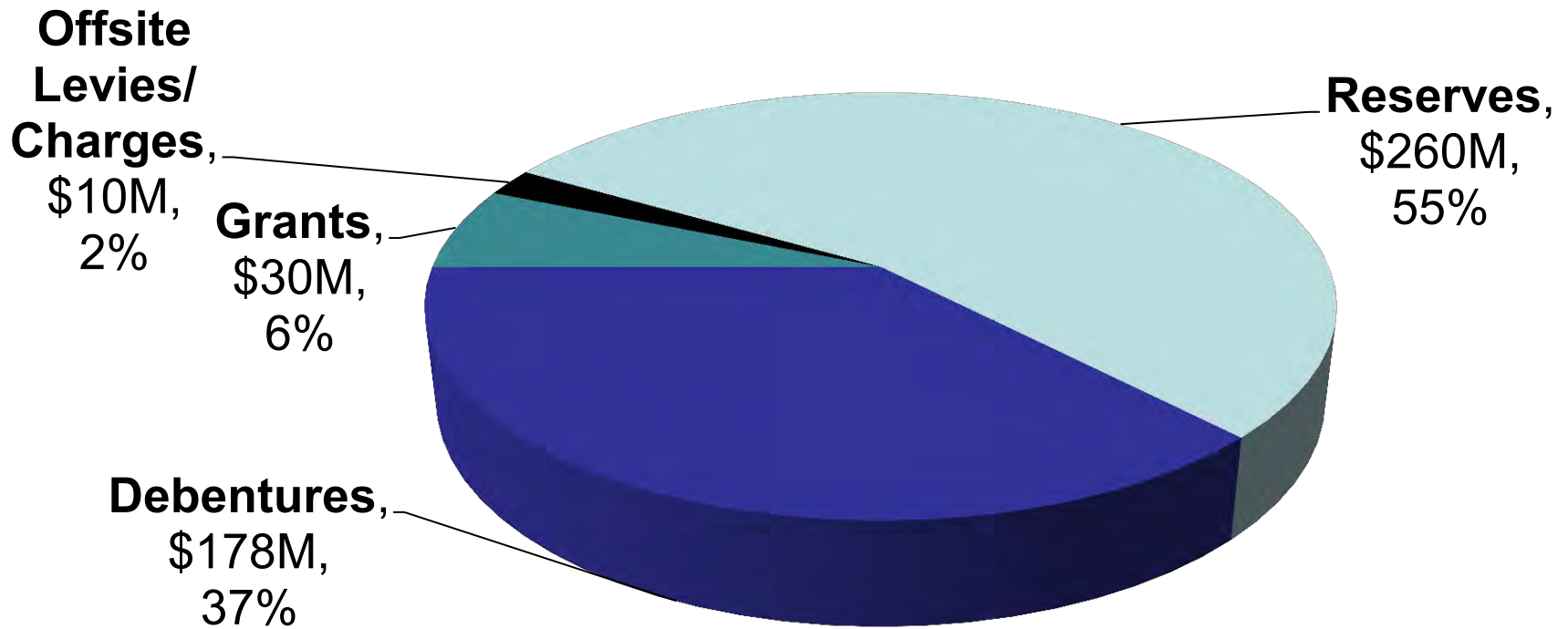
# 2014 Proposed Capital Budget Funding

|                                |                |
|--------------------------------|----------------|
| Capital Infrastructure Reserve | \$ 260,418,675 |
| Debentures                     | 177,956,567    |
| Offsite Levies/Changes         | 10,000,000     |
| Grants*                        | 30,000,000     |
| Total                          | \$ 478,375,242 |

\*Grants Funding is based on existing approved agreements

# 2014 Capital Projects by Funding Source

**Total 2014 Budget = \$478M**



# Available Funds for Capital Spend

|              | Reserves<br>(\$'M) | Debt<br>(\$'M) | Grants<br>(\$'M) | Levies/<br>Charges<br>(\$'M) | Total<br>(\$'M) |
|--------------|--------------------|----------------|------------------|------------------------------|-----------------|
| 2014         | 260                | 178            | 30               | 10                           | 478             |
| 2015         | 211                | 83             | 30               | 5                            | 329             |
| 2016         | 204                | 17             | 30               | 5                            | 256             |
| 2017         | 204                | 17             | 30               | 5                            | 256             |
| 2018-19      | 407                | 32             | 60               | 10                           | 509             |
| <b>TOTAL</b> | <b>1,286</b>       | <b>327</b>     | <b>180</b>       | <b>35</b>                    | <b>1,828</b>    |

# Five Year Proposed Capital Plan Summary

|              | Plan-RMWB<br>(\$'M) | ACF*<br>(\$'M) | Total<br>(\$'M) |
|--------------|---------------------|----------------|-----------------|
| 2015         | 502                 | 784            | 1,286           |
| 2016         | 368                 | 737            | 1,105           |
| 2017         | 344                 | 235            | 579             |
| 2018         | 380                 | 152            | 532             |
| 2019         | 146                 | 186            | 332             |
| <b>TOTAL</b> | <b>1,740</b>        | <b>2,094</b>   | <b>3,844</b>    |

\*Alternative Capital Finance (ACF)

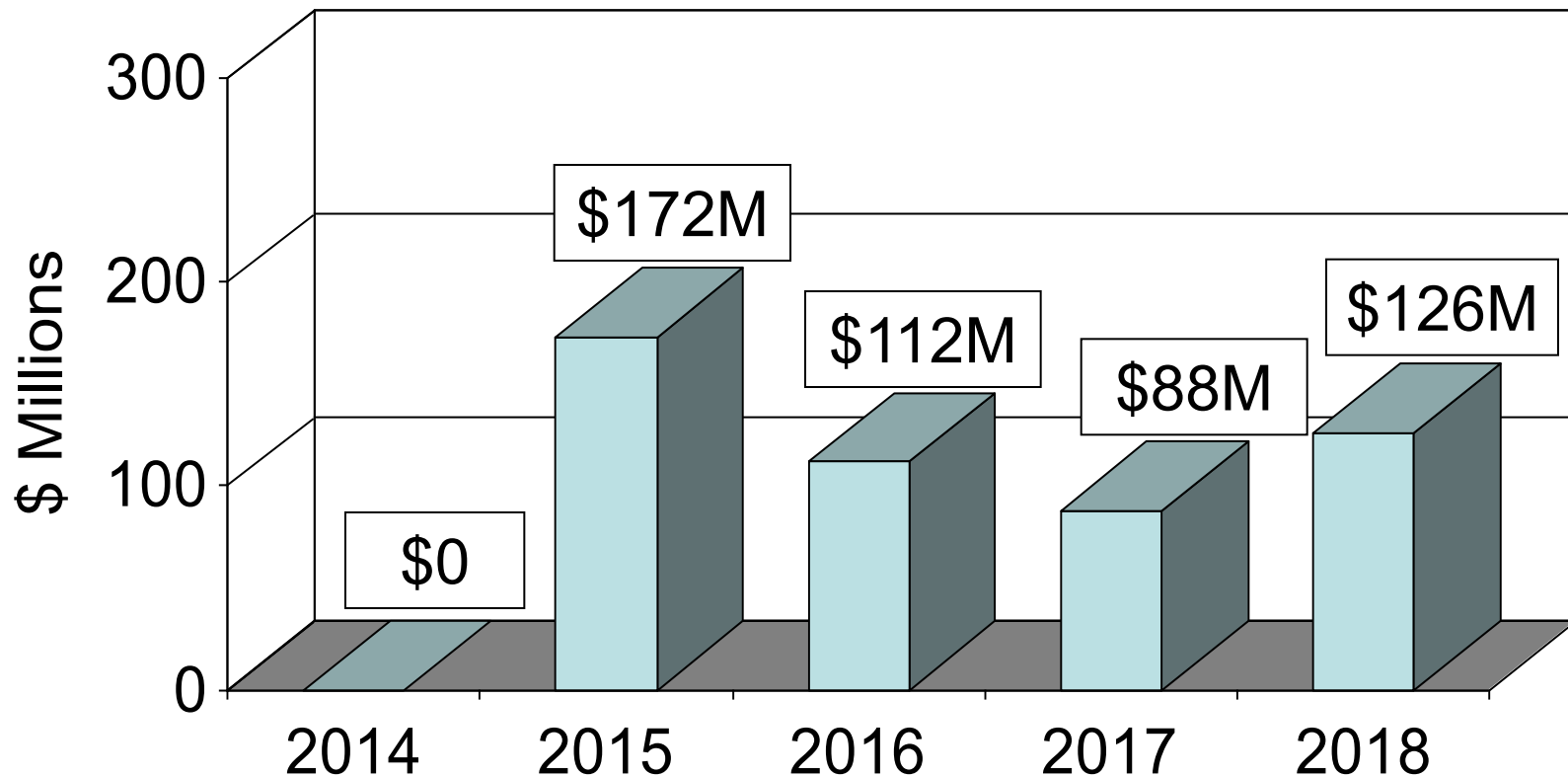
# Unfunded Capital Projects, by years

|              | Capital Plan<br>(\$'M) | Available Fund<br>(\$'M) | Surplus/(Shortfall)<br>(\$'M) |
|--------------|------------------------|--------------------------|-------------------------------|
| 2015         | 502                    | 329                      | (173)                         |
| 2016         | 368                    | 256                      | (112)                         |
| 2017         | 344                    | 256                      | (88)                          |
| 2018         | 380                    | 254                      | (126)                         |
| 2019         | 146                    | 254                      | 108                           |
| <b>TOTAL</b> | <b>1,740</b>           | <b>1,349</b>             | <b>(391)</b>                  |

Available fund based on no tax increases strategy and debt max. 85%

\*Excluding ACF funded projects

# Unfunded Capital Projects Summary



\*Excluding ACF funded projects

# Alternative Capital Financing (ACF)

- ACF needs to be considered for funding future Capital Projects
- No specific funding for projects to be considered under ACF for 2013
- Full Impact of ACF funding on debt is not incorporated

# Potential Alternative Capital Financing Projects

2014

- Anzac Waste Water Treatment Plant Outfall Line; Pre-design and Design
- Fort McMurray Waste Water Treatment Plant Facility Process Improvements; Pre-design and Construction
- Green Energy/Utility Distribution Systems; Pre-design, Design and Construction
- Landfill Eco Park Service; Design and Construction
- North Waste Heat Capture and Creation; Pre-design and Design



# Potential Alternative Capital Financing Projects

2014, cont'd

- Northern Utility Corridor; Pre-Design, Design and Construction
- Regional Green Energy – Zero Waste (remote sites) \*
- South Regional Reversible Effluent Pipeline; Design and Construction \*
- South Utility Corridor; Construction
- Intelligent City Infrastructure; Pre Construction (City Centre)

\*to be considered for municipal funding, may not be viable for ACF

# Potential Alternative Capital Financing Projects

2015

- South Regional Wastewater Treatment Facility; Construction
- North Waste Heat Capture and Creation; Construction
- Fort MacKay Waste Water Treatment Plant; Design
- Sports & Entertainment Arena; Construction (City Centre)
- Intelligent City Infrastructure; Pre Construction (City Centre)
- Northside Recreation Centre; Construction

# Potential Alternative Capital Financing Projects

2016

- Fort MacKay Waste Water Treatment Plant; Construction
- Parking Garage in Entertainment District; Construction (City Centre)
- Civic Centre – City Hall \*
- Civic Centre – City Offices \*
- Civic Centre – Underground Parking \*

\*Cost Estimates/cash flow not yet provided

# **2014 Proposed Budget and Financial Plan**

## **Debt Overview**

November 12, 2013

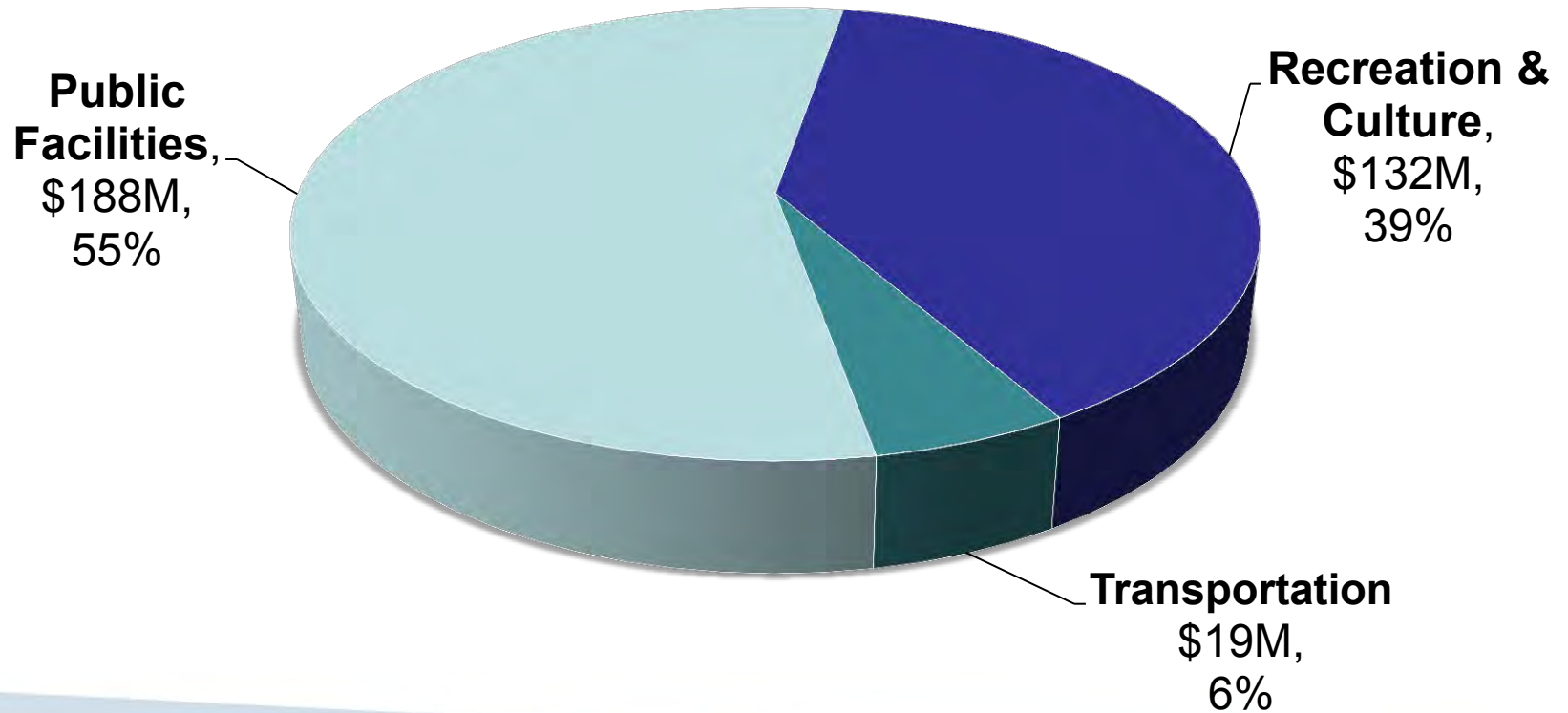
# Debt Overview

|                                |            |
|--------------------------------|------------|
| 2012 Actual Debt – Outstanding | \$347.3M   |
| 2012 Committed Debt            | \$731.7M   |
| 2013 Actual Debt               | \$332.2M   |
| 2013 Committed Debt            | \$966.0M   |
| 2014 Actual Debt               | \$317.0M   |
| 2014 Committed Debt            | \$1,129.1M |

2013 and 2014 - Estimated

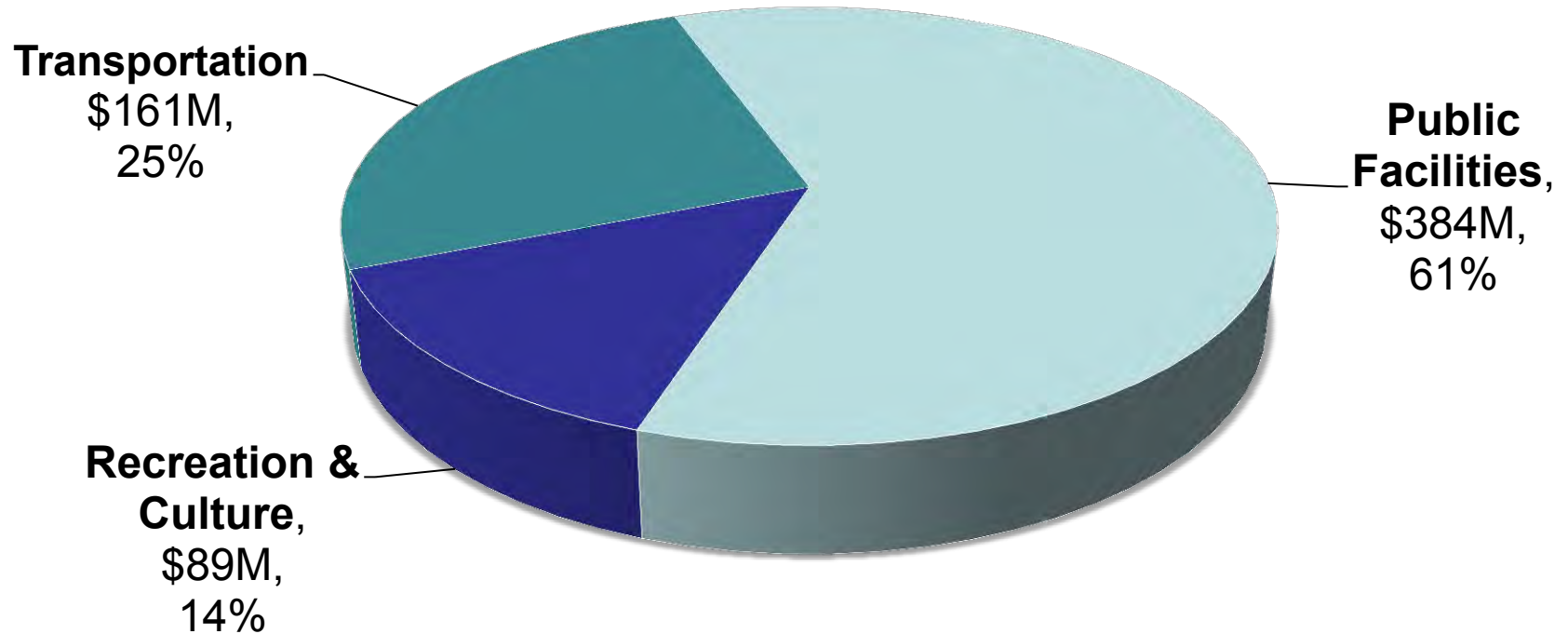
# Debt Overview

## Actual Debt - by Category 'M



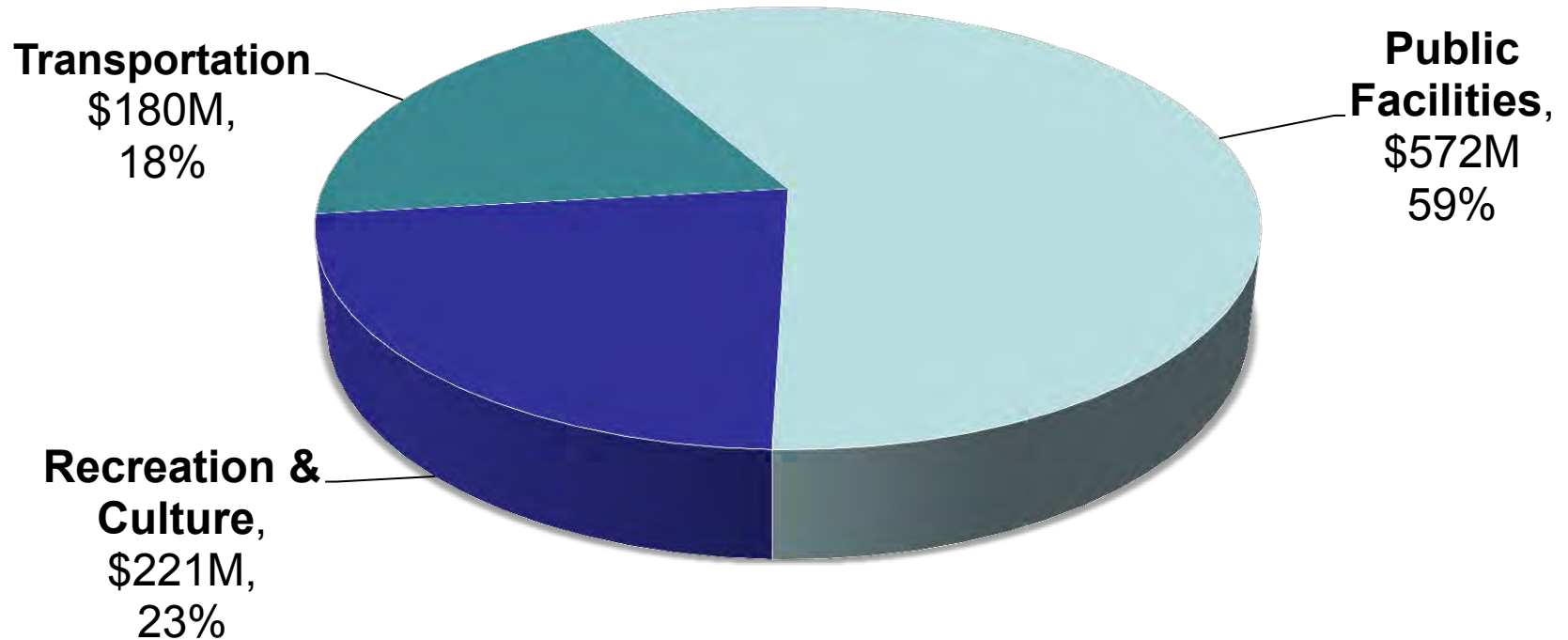
# Debt Overview

## Undrawn Debt - by Category 'M



# Debt Overview

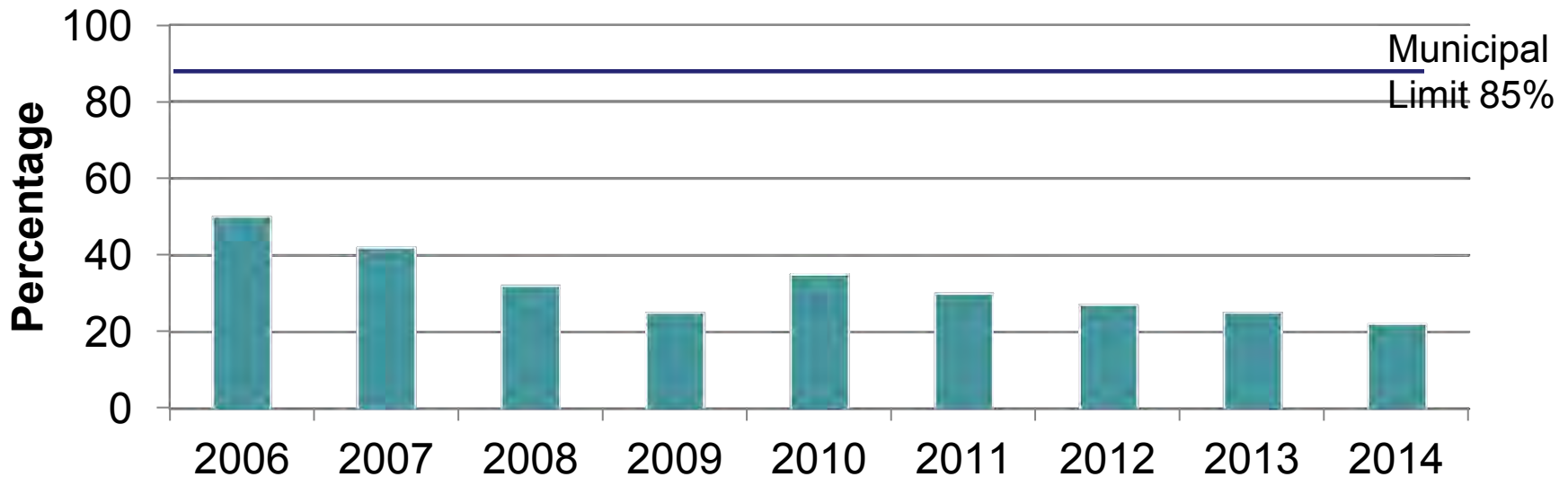
## Total/Committed Debt - by category 'M





# Actual Debt %

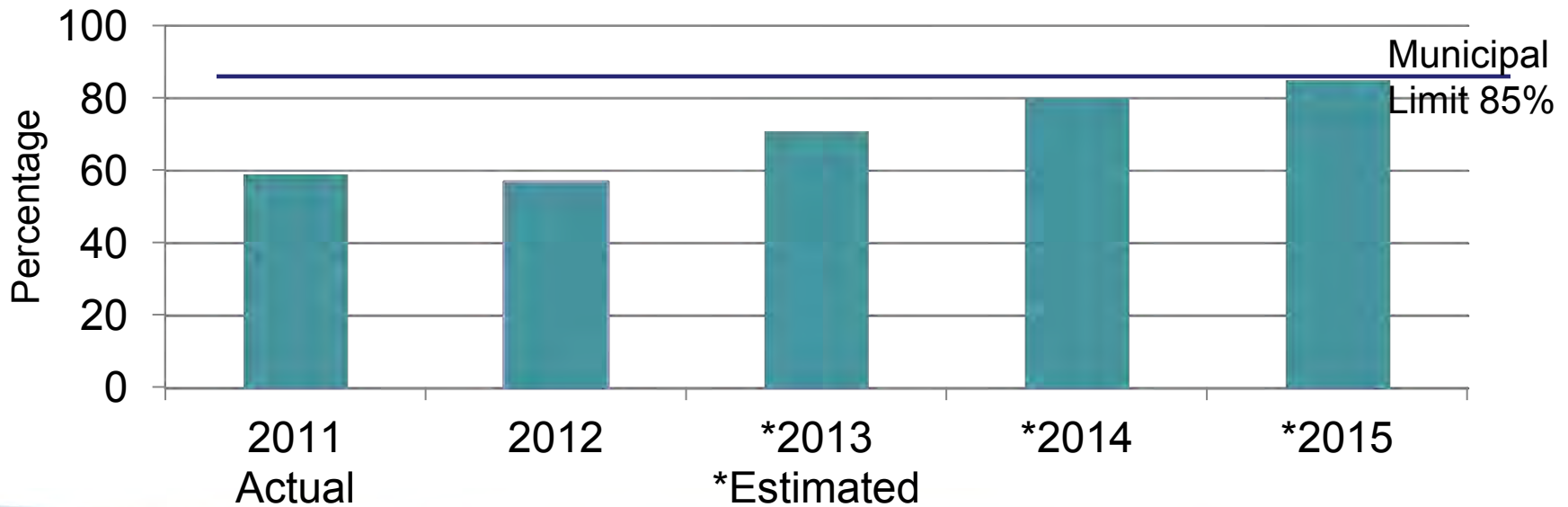
- The *Municipal Government Act* (MGA) debt limit is 2.0 X revenue
- The Municipality's current debt limit is established at 85% of the MGA limit



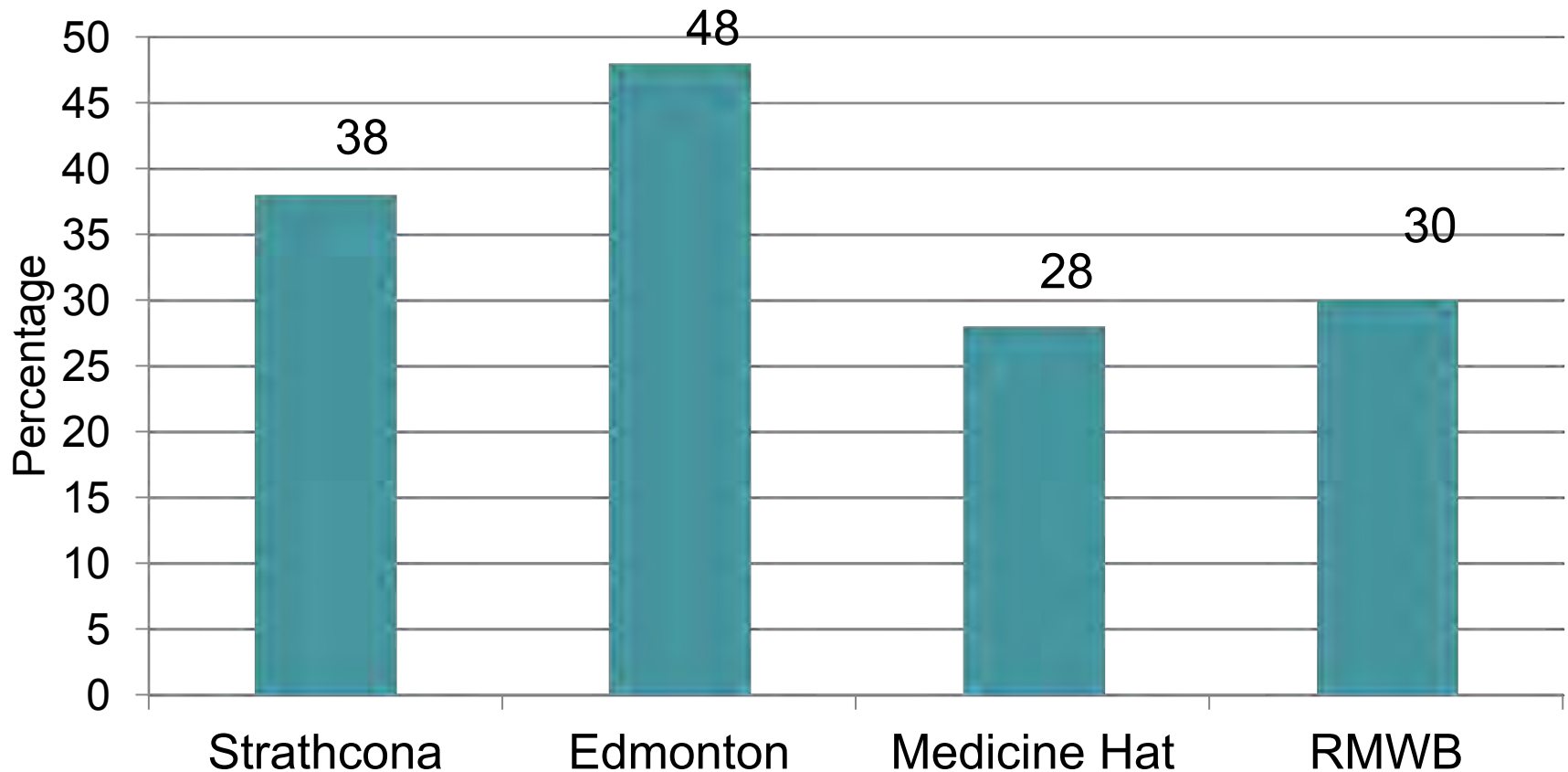
2013 and 2014 - Estimated

# Committed Debt %

- The *Municipal Government Act* (MGA) debt limit is 2.0 X revenue
- Municipality's current debt limit is established at 85% of the MGA limit

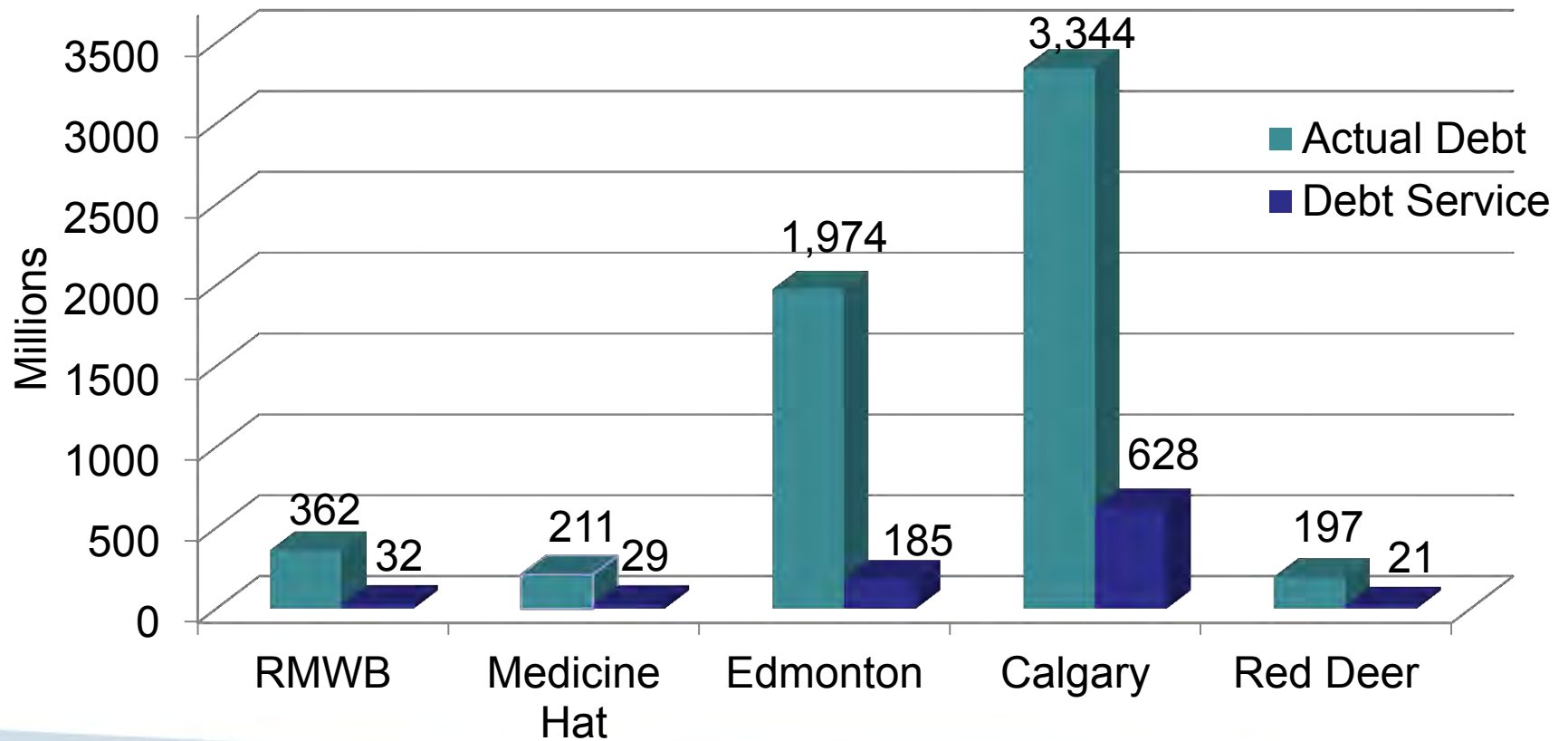


# Actual Debt % Comparison



Source: 2011 data on the Municipal Affairs website

# Debt and Debt Service Comparison



2011 available data on the Municipal Affairs website

# Debt Service

|                               |              |
|-------------------------------|--------------|
| Actual Debt Service 2011      | \$32,790,631 |
| Actual Debt Service 2012      | \$32,011,669 |
| Budgeted Debt Service 2013    | \$32,011,669 |
| Projected Debt Service 2013 * | \$31,431,500 |
| Budgeted Debt Service 2014    | \$30,810,500 |

Actual debt borrowing not anticipated for 2014

\* Sept. 2013 Projection

# **2014 Proposed Budget and Financial Plan**

## **Next Steps**

November 12, 2013

# Budget Management and Next Steps

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- Council Workshop and Public Information Session
- Debenture Bylaw approvals by Council early 2014
- Flexibility to manage within approved budget in 2014
- Update Fiscal Management Strategy in 2014
- 2014 Property Tax Rate Bylaw

# **2014 Proposed Budget and Financial Plan**

## ***Expanding Financing and Funding Options Delivery of Big Plans***

November 12, 2013