

**2023-2027
Operating and
Capital Plan
Overview**



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Operating and Capital Planning

Parkland County has a strong history of prudent financial decision-making, balancing resident, and business needs with acceptable tax rate increases. As a result, the County has one of the lowest tax rates in the region while still maintaining the programs and services that residents value most. In order to ensure that prudent financial management continues into the future, the County has developed a long-term operating and a long-term capital plan. These plans have been developed in accordance with best practices and the requirements of the Municipal Government Act.

Importance of Long-Term Planning

Long-term planning provides context to the Executive Team and Council when making decisions. It provides transparency into how decisions made today will affect residents and businesses over the next 5 years. Long-term planning:

- Combines financial realities with corporate strategies
- Uses assumptions based on operating practices and economic factors to forecast future years
- Identifies future financial capacities
- Encourages a long-range perspective to enable strategies that will achieve long term sustainability
- Helps mitigate the impact of negative future events; and
- Maximizes potential to seize future opportunities.

Operating and Capital plans help to ensure that the County's history of balancing resident needs with reasonable tax rates will continue in future years.

Key Concepts & Guiding Principles

The Government Finance Officers Association (GFOA) and the Alberta Municipal Government Act both provide guidance on how to create Capital and Operating Plans. This guidance is used to prepare the County's Plans.

Municipal Government Act	GFOA	Parkland County
<ul style="list-style-type: none"> • Duration - 3 years operating 5 years capital • Scope - Expense and revenue by major categories • Updates - Annually • Content - Include values • Communication - Council Presentation 	<ul style="list-style-type: none"> • Duration - 5+ year • Scope - Expense and revenue by major categories • Updates - As Needed • Content - Include values and narrative • Communication - Public Presentation 	<ul style="list-style-type: none"> • Duration - 5 years • Scope - Expense and revenue by major categories • Updates - Annually • Content - Include values and narrative • Communication - Council Presentaiton

Philosophy

Financial Plans are not multi-year budgets and as such, the philosophy used to develop them is significantly different. Financial plans are completed at a higher level. They include a multi-year forecast that indicates future operational and financial trends, which results in a high-level estimate of future tax impacts. The goals of forecasting are to:

- Identify any imbalances between the cost of providing new programs and completing new projects with the funding available
- Develop strategies, actions, and policies to balance revenues and expenses over the short and long-term; and
- Identify proposed changes to the base budget in advance to allow decision makers time to make informed and strategic decisions.

Forecasted budget years often have high tax rate impacts as they include all requested projects that the County could pursue. This is not a cause for concern, as financial plans continue to get refined and the budget process approves, declines, or defers various projects or programs to achieve a reasonable tax rate.

The primary benefit of long-term planning is that it identifies future financial challenges and opportunities. This allows the Executive Team and Council to plan and develop strategies to minimize challenges and take advantage of opportunities.

Operating Plan Process

Developing the Operating and Capital Plan takes input from many stakeholders. The process involves department managers, front line staff, executive team members, and information from external sources. This information is compiled and then refined using Council's Priority Themes.



Departments were requested to include 5 years of anticipated operating projects and service level changes as well as 5 years of projected capital projects as part of the 2022 budget process. This information is overlaid on the 2022 budget information to form a baseline for the forecast. Key steps in the development of the Operating and Capital plans include:

- Utilizing the 2022 budget as a baseline for the forecast
- Adding any increase in revenues and expenses that result from completed 2022 capital and operating projects
- Adding new service level changes to revenue and expenditure categories
- Applying inflation to the updated base budget for the year
- Adjusting restricted surplus transfers to reflect the needs identified in the lifecycle plans and adjust debt payments based on forecasted debt schedules
- Removing prior year capital and operating projects
- Adding future year capital and operating projects; and
- Applying funding to capital and operating projects.



Municipal Inflation

Inflationary factors, based on the Municipal Price Index (MPI), are applied when forecasting future years. The MPI is calculated using items commonly utilized by municipalities rather than consumers and is more indicative of the County's operations.



Year	Forecast					
	2021	2022	2023	2024	2025	Average
MPI ¹	2.61%	0.95%	1.51%	2.06%	2.14%	1.85%
CPI ²	3.10%	2.60%	2.00%	2.00%	2.00%	2.34%

1 Source: 2021 Municipal Price Index, City of Edmonton

2 Source: Calgary and Region Economic Outlook 2021-2026, Fall 2021

Operating Programs

Unlike operating and capital projects, which have a defined start and end, operating programs, are ongoing. As a result, operating program changes have the highest level of scrutiny, as they are base budget changes that carry on year after year. These program changes are typically initiated by Council request or changes in regulatory requirements.

Incremental Changes by Program Type	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	5 Year Plan Total
A Well-Planned and Maintained Community	\$ 803,650	\$ 77,600	\$ (65,800)	\$ (97,700)	\$ (28,900)	\$ 688,850
Recreation, Culture and Community Well-Being	(100,000)	-	-	-	-	(100,000)
Safe and Secure Community	(12,100)	488,900	270,100	42,900	43,000	832,800
Sustainable Infrastructure	596,100	179,000	1,211,000	190,500	160,700	2,337,300
Grand Total	\$1,287,650	\$ 745,500	\$1,415,300	\$ 135,700	\$ 174,800	\$ 3,758,950

*Values are based on 2021 real dollars and do not account for year over year inflation

Operating Projects

The figure below illustrates the operating project costs in future years. This shows that with the information available, we do not expect to see major tax rate impacts relating to the proposed operating project list. Administration will continue to review all operating projects to ensure that they are imperative or essential to County operations prior to approving the project through the budget process.

Project Type	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	5 Year Plan Total
A Well-Planned and Maintained Community	\$ 503,000	\$ 453,400	\$ 477,500	\$ 270,000	\$ 385,000	\$ 2,088,900
Recreation, Culture and Community Well-Being	8,000	-	-	-	-	8,000
Sustainable Infrastructure	145,000	-	100,000	-	-	245,000
Grand Total	\$ 656,000	\$ 453,400	\$ 577,500	\$ 270,000	\$ 385,000	\$ 2,341,900

*Values are based on 2021 real dollars and do not account for year over year inflation

Capital Projects

Capital expenditures for the County range from \$10.5M - \$38.6M over the next 5 years. With the sustainable spending level for the County at \$11.4M as of 2022. This means that each year through the budget process a significant portion of the projects that are proposed will need to be deferred or declined by the Executive Team and Council. The significant difference between forecasted capital projects and the sustainable spending amount is similar to what has been experienced in previous year's budgets.

Infrastructure Class	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	5 Year Plan Total
Bridges	\$ 2,110,000	\$ 1,747,000	\$ 2,937,000	\$ 1,353,000	\$ 2,008,000	\$ 10,155,000
CAO Contingency Capital	500,000	500,000	500,000	500,000	500,000	2,500,000
County Facilities	-	-	-	750,000	-	750,000
Fire Services	685,700	29,700	1,154,600	235,600	300,800	2,406,400
Fleet	3,338,300	1,900,000	4,037,500	3,746,100	2,525,700	15,547,600
Information Technology	1,649,700	2,181,800	2,134,400	172,300	447,300	6,585,500
Machinery & Equipment	1,506,400	223,100	543,700	410,900	168,700	2,852,800
Parks & Recreation	-	-	-	62,900	80,600	143,500
Road Construction - New	11,550,000	4,620,700	8,860,300	2,575,000	250,000	27,856,000
Road Rehabilitation	4,315,000	4,065,000	4,065,000	4,065,000	4,065,000	20,575,000
Sidewalks	100,000	200,000	75,000	75,000	75,000	525,000
Stormwater	1,000,000	-	-	100,000	100,000	1,200,000
Wastewater	2,570,000	2,075,500	2,115,100	-	-	6,760,600
Water	9,322,200	1,090,000	1,065,000	1,050,000	-	12,527,200
Total	38,647,300	18,632,800	27,487,600	15,095,800	10,521,100	110,384,600
Contributed Assets	7,327,200	7,327,200	7,327,200	7,327,200	7,327,200	36,636,000
Grand Total	\$ 45,974,500	\$ 25,960,000	\$ 34,814,800	\$ 22,423,000	\$ 17,848,300	\$ 147,020,600

*Values are based on 2021 real dollars and do not account for year over year inflation

Forecasted Tax Rate Changes

The figure below identifies the forecasted tax rate implications if all the proposed changes were completed in the year that they were requested. It is clear that these tax rate changes are not in alignment with the County’s philosophy to maintain reasonable tax rate increases. This is not a cause for concern as the County has an established budget process that will refine these forecasted numbers in each budget year by reviewing each proposed project and program change in the context of Council’s strategic plan. This will allow Council and Administration to recommend only those projects that are imperative or essential to the County’s operations and defer or decline the other proposed projects.

Estimated Tax Impact	2023	2024	2025	2026	2027
Estimated Operating Tax Impact	3.15%	2.61%	4.30%	1.64%	2.42%
Estimated Capital Tax Impact	2.58%	2.54%	-0.40%	-3.17%	0.00%
Estimated Total Tax Impact	5.73%	5.15%	3.90%	-1.54%	2.42%

Next Steps

The 2023-2027 capital and operating plans comply fully with the requirements of the Municipal Government Act. The following improvements are planned for future years to ensure that the plans provide the information needed by decision makers:

- Forecast of future year assessment to better inform tax revenue projections
- Forecast of residential and business growth to better inform costs of servicing new infrastructure
- Forecast of the impacts of new regulatory requirements within provincial and federal announcements
- Further refining of drivers for inflation/deflation and service growth.