

**2018**

# OPERATING BUDGET OVERVIEW

Presented to Council on December 11, 2017



# 2018 Budget Overview

December 11, 2017

## Preamble

The Municipal Government Act requires the Town adopt a balanced budget each year such that revenues raised from all sources, including taxation, are sufficient to cover all expenditures during the budget year. The MGA also requires the Town to budget for consumption of its tangible capital assets through depreciation expense in its operating budget. For purposes of the operating budget, depreciation expense is not an expenditure. The 2018 proposed balanced Budget, before depreciation, includes a municipal Operating Budget of \$19.2 million.

The Budget is a major component of the accountability cycle and plays a key role in ensuring the Town's long-term financial sustainability. It represents the Town's overall plan for identifying services and allocating appropriate resources to fund them.

Municipal staff have dedicated significant time and effort in developing the 2018 Operating Budget that determines service levels and priorities initiatives according to the objectives and goals outlined in the 2014-2017 Strategic Plan.

A budget is a collection of anticipated revenue sources, operational expenses and reserve transfers. The annual operating budget provides detailed estimates of the funding required by the Town to meet its ongoing financial obligations and provide the services and programs for the residents.

A budget also sets out the expectations of the rate-payers for property taxation, user fees and other revenue streams defined in the budget. The funds required to be raised by property taxation for 2018 for municipal purposes only of \$9,218,627 represents an increase of 2.97% from 2017.

Our budget process is well defined, with timelines and schedules set out in advance with the objective of meeting Council's expectations.

Council together with Administration have met and had discussions regarding the Town's goals and strategies through planning and pre-budget workshops.

**SUMMARY OPERATING BUDGET  
(by object)**

	2017 Budget	2018 Budget	% Change
<b>REVENUES</b>			
Property taxes (Municipal portion only)	8,952,956	<b>9,218,627</b>	2.97%
Sale of goods and services	3,722,067	<b>3,645,240</b>	-2.06%
Federal and Provincial transfers for operations	3,151,361	<b>2,926,126</b>	-7.15%
Franchise fees	1,200,000	<b>1,250,000</b>	4.17%
Other revenue own sources	1,036,669	<b>1,036,219</b>	0.00%
Local government transfers for operations	638,169	<b>573,149</b>	-10.19%
Internal transfers	744,729	<b>651,214</b>	-12.56%
<b>TOTAL OPERATING REVENUES</b>	<b>19,445,951</b>	<b>19,300,575</b>	-0.07%
<b>EXPENDITURES</b>			
Salaries, wages & benefits	8,997,893	<b>8,805,043</b>	-2.14%
Services purchased	4,949,510	<b>4,689,304</b>	-5.26%
Goods purchased	3,525,824	<b>3,653,474</b>	3.62%
Debt servicing (principal and interest)	1,167,774	<b>1,189,458</b>	1.86%
Transfers to community groups & organizations	290,405	<b>305,945</b>	5.35%
Capital funded from operations	91,000	<b>135,600</b>	49.01%
Internal transfers and other operating expenditures	419,222	<b>521,751</b>	24.46%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>19,441,628</b>	<b>19,300,575</b>	-0.07%
<b>SURPLUS (DEFICIT) BEFORE DEPRECIATION</b>	<b>4,323</b>	-	
Depreciation	3,950,161	<b>4,106,487</b>	
<b>DEFICIT FOR THE YEAR</b>	<b>(3,950,161)</b>	<b>(4,106,487)</b>	

**SUMMARY OPERATING BUDGET  
(by function)**

	2017 Budget	2018 Budget	% Change
<b>REVENUES</b>			
Property taxes (Municipal portion only)	8,952,956	<b>9,218,627</b>	2.97%
Legislative and administrative	1,434,465	<b>1,745,100</b>	21.66%
Strategic services	44,900	<b>167,000</b>	271.94%
Protective services	2,889,609	<b>2,789,934</b>	-3.45%
Community services, culture and health	174,851	<b>159,378</b>	-8.85%
Family & Community Support Services	925,887	<b>721,454</b>	-22.08%
Recreation & facilities	1,317,952	<b>1,160,797</b>	-11.92%
Public works	1,013,455	<b>773,975</b>	-23.63%
Utilities	2,452,960	<b>2,374,210</b>	-3.21%
Parks & fleet maintenance	132,416	<b>73,100</b>	-44.79%
Planning & development	106,000	<b>117,000</b>	10.38%
<b>TOTAL OPERATING REVENUES</b>	<b>19,445,951</b>	<b>19,300,575</b>	<b>-0.07%</b>
<b>EXPENDITURES</b>			
Legislative and administrative	1,970,317	<b>1,985,650</b>	0.07%
Strategic services	409,635	<b>915,280</b>	123.44%
Protective services	4,314,223	<b>4,397,021</b>	1.92%
Community services, culture and health	646,815	<b>746,028</b>	15.34%
Family & Community Support Services	1,050,887	<b>881,934</b>	-16.08%
Recreation & facilities	3,391,801	<b>3,144,754</b>	-7.28%
Public works	3,478,525	<b>3,125,863</b>	-10.14%
Utilities	2,652,515	<b>2,574,665</b>	-2.93%
Parks & fleet maintenance	1,102,395	<b>1,132,060</b>	2.69%
Planning & development	384,715	<b>397,320</b>	3.28%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>19,441,628</b>	<b>19,300,575</b>	<b>-0.07%</b>
<b>SURPLUS (DEFICIT) BEFORE DEPRECIATION</b>	<b>4,323</b>	<b>-</b>	
Depreciation	3,950,161	<b>4,106,487</b>	
<b>DEFICIT FOR THE YEAR</b>	<b>(3,950,161)</b>	<b>(4,106,487)</b>	

**KEY ELEMENTS:**

The budget includes the following key elements:

**Strategic Plan 2014-2017**

The following objectives from the strategic plan for 2014 – 2017 are included in the operating budget for 2018:

Objective No.	Description	Amount	Funding
1.12	Recreation Master Plan	\$200,000	Grant
3.04	IT Master Plan	\$25,000	Reserves
4.08	Review Inter-community sustainability plan	\$10,000	Operations
		\$235,000	

Also included are the following additional items to be funded from operating reserves:

CPC Advocacy Campaign	\$75,000
Implementation of IT requirements identified in IT review component of IT Master Plan	\$150,000
	\$225,000

**Grants to Community Organizations**

Community Group	2017 Grant	2018 Grant	Change
Vegreville Centennial Library	\$246,050	\$250,311	\$4,261
Vegreville Regional Museum Society	\$62,460	\$70,000	\$7,540
	\$308,510	\$320,311	\$11,801
Vegreville & District Chamber of Commerce	\$18,000	\$18,000	-
Vegreville Transportation Services Society	\$22,000	\$22,000	-
vEGGfest	\$5,000	\$5,000	-
Prairie Tails Animal Rescue Society	-	\$8,000	\$8,000
	\$45,000	\$53,000	\$8,000
	\$353,510	\$373,311	\$19,801

The Grants to the Vegreville Centennial Library are by way of funding their net operating budget such that their revenues and expenditures are included in the revenues and expenditures of the Town's operating budget. The grants to Vegreville & District Chamber of Commerce; Vegreville Transportation Society; vEGGfest and Prairie Tails Animal Rescue Society are through direct payments to those organizations.

**Salaries & Wages**

This budget reflects 1% wage adjustment, which totals approximately \$73,000 for wages and related benefits.

## **Taxable Assessment**

The taxable assessment for the Town of Vegreville for 2017 was \$784,179,650 comprised of:

Residential	\$544,781,680	69%
Non-Residential	<u>\$239,397,970</u>	31%

Over the 10-year period from 2008 to 2017 the taxable assessment has been as follows:

<b>Year</b>	<b>Residential Taxable Assessment</b>	<b>Non-residential Taxable Assessment</b>	<b>Total taxable Assessment</b>	<b>% Residential</b>	<b>% Non-residential</b>
<b>2008</b>	\$398,855,350	\$146,991,610	\$545,846,950	73%	27%
<b>2009</b>	\$483,149,710	\$282,229,250	\$654,378,960	74%	26%
<b>2010</b>	\$451,456,200	\$190,993,900	\$642,449,100	70%	30%
<b>2011</b>	\$487,477,150	\$197,972,600	\$685,449,750	71%	29%
<b>2012</b>	\$500,460,110	\$214,904,510	\$715,364,620	70%	30%
<b>2013</b>	\$499,522,090	\$213,213,190	\$712,753,280	70%	30%
<b>2014</b>	\$511,460,950	\$226,342,610	\$737,802,650	69%	31%
<b>2015</b>	\$528,348,810	\$231,659,810	\$760,007,620	70%	30%
<b>2016</b>	\$546,283,790	\$242,324,180	\$788,607,970	69%	31%
<b>2017</b>	\$544,781,680	\$239,397,970	\$784,179,650	69%	31%

In preliminary discussions with our Assessor it appears that the overall assessment for 2018 may be similar, however indicators point to a decline in residential assessment and an increase in non-residential assessment.

## **Taxation Ratios**

The *Municipal Government Act* allows Council to determine its own rates of taxation annually for each assessment classification. Although our assessment for 2017 was a 69/31 ratio as noted above, Council has set the expected taxation ratio for 2018 at 47% for residential properties and 53% for non-residential assessments.

## **Debt Management**

The Town is granted authority through the *Municipal Government Act* to incur debt and must adhere to the provincial debt limit regulations. The Town borrows long-term debt for capital improvements that have a long term benefit to the community. Thereby, the future generations contribute to the service they receive.

In 2017, Council approved new debt of up to \$8,000,000 for the construction of the new RCMP Detachment. Draws of approximately \$5,000,000 expected to be made on this new debt in 2018 and accordingly the 2018 budget includes new debenture payments totaling \$107,185, which will need to be funded from taxation.

The Town of Vegreville Debt Limit (1.5 x revenue) as at December 31, 2016 was \$27.6 million. With borrowing at December 31, 2016 of approximately \$8.9 million the Town is well within its borrowing capacity. The outstanding debt at December 31, 2017, is expected to be \$8.0 million and will climb to around \$12 million by December 31, 2018.

The Town of Vegreville Debt Servicing Limit (0.25 X revenue) as at December 31, 2016 was \$4.6 million. The 2018 Operating Budget includes debt servicing payments totalling \$1.19 million, including the debenture payments under the new debt, which equates to 6.2% of the total budget.

## Operating Budget Highlights

### Property Taxation

Sample Property Taxes [Municipal Portion only]			
	2017	2018	Change
Residential Assessment	\$300,000	<b>\$300,000</b>	-
Tax Rate – residential	7.7273	<b>7.9566</b>	2.97%
Estimated Property taxes	\$2,318	<b>\$2,387</b>	\$69
Non-residential assessment	\$300,000	<b>\$300,000</b>	-
Tax rate – non-residential	19.7306	<b>20.316</b>	2.97%
Estimated property taxes	\$5,919	<b>\$6,095</b>	\$176

The draft budget requires a **2.97%** increase in the property tax rate for the municipal portion only based on current levels of assessment. The final tax rate will be set in the Taxation Rates Bylaw once we have the final assessment and requisitions for schools and senior lodges for 2018. The chart above does not take into account any changes in property values.

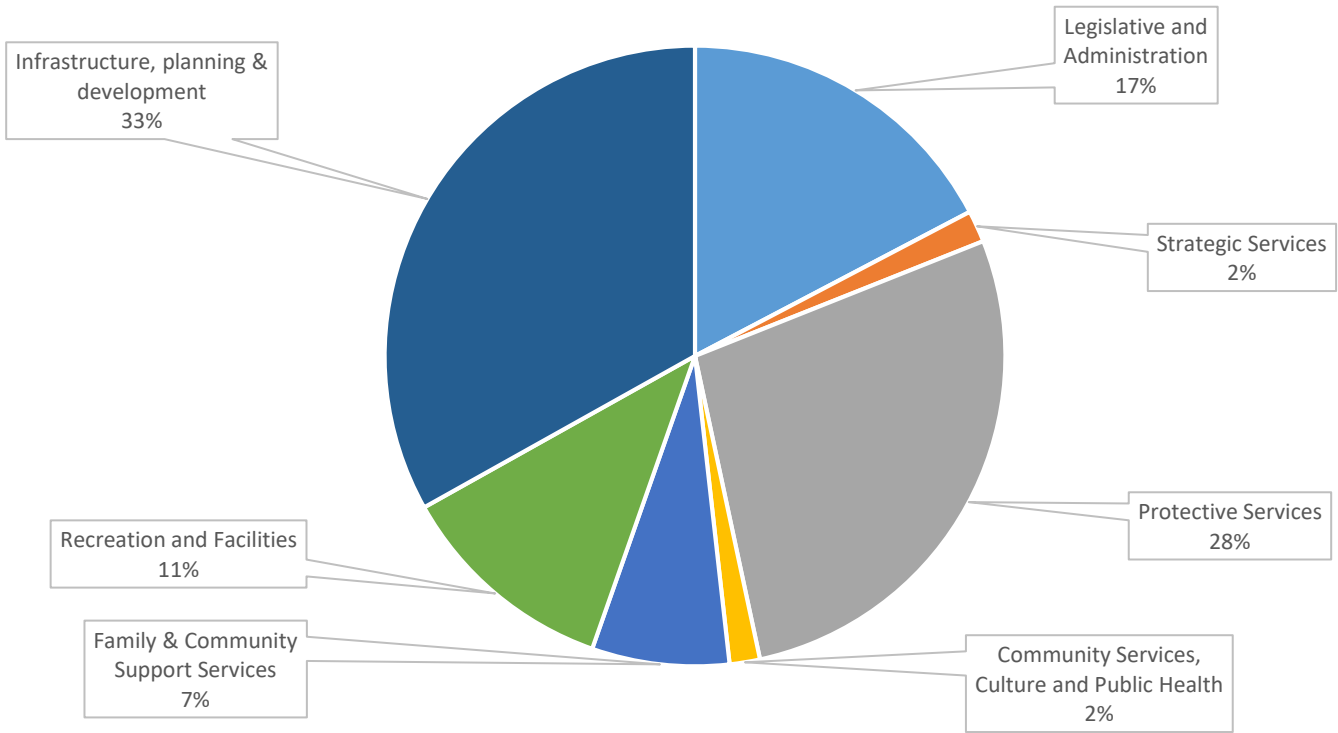
### Reserves

The 2018 Operating Budget has the following Reserve Transfers:

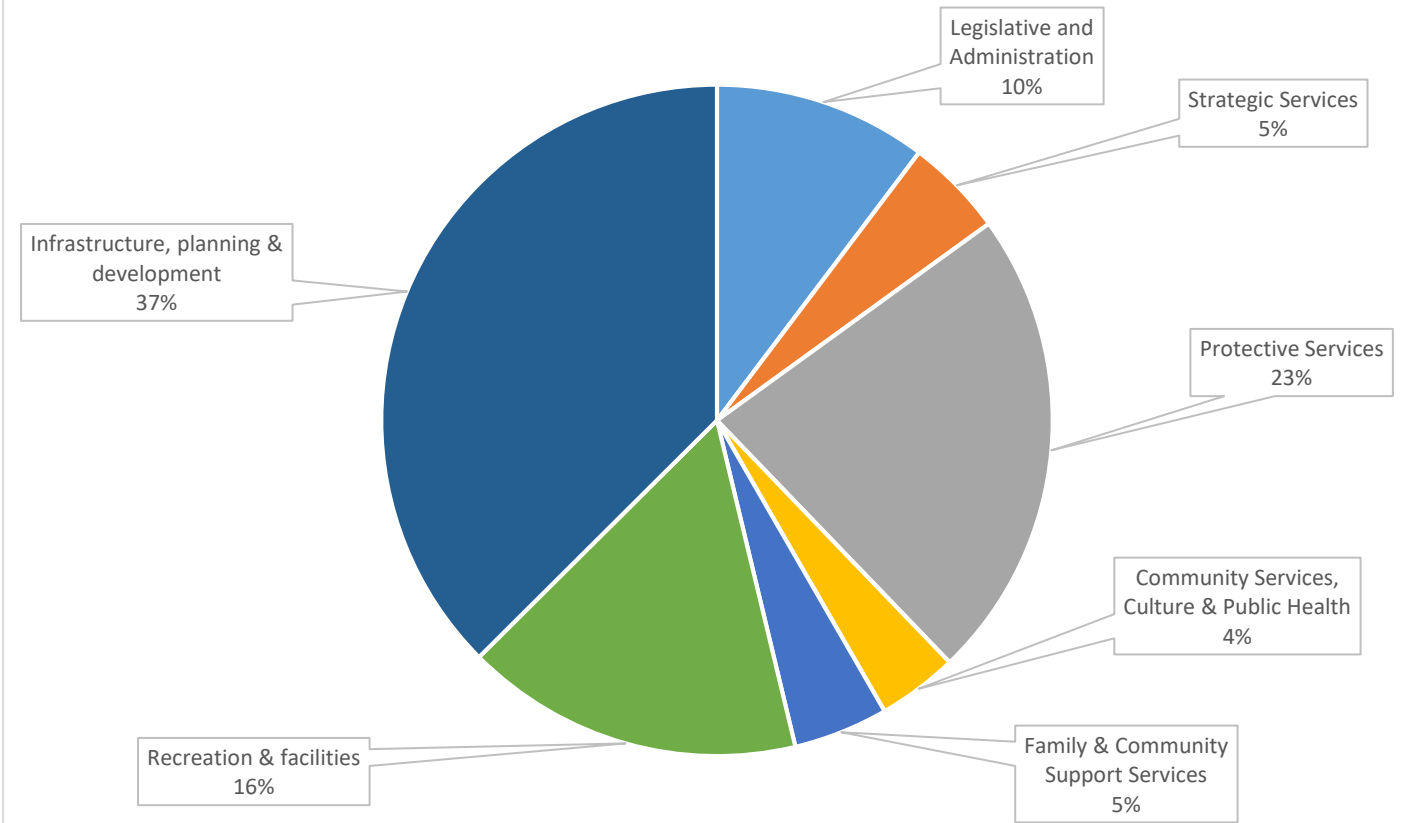
DEPARTMENT	PURPOSE	AMOUNT
<b>FROM OPERATING RESERVE</b>		
Administration	Fund CPC advocacy campaign	\$75,000
Administration	Fund IT master plan	\$25,000
Administration	Implementation of IT master plan recommendations	\$150,000
Protective Services	Fund operating deficit for EMS	\$93,071
Public Works	Landfill – Leachate design and Cat track repairs	\$35,000
Parks & Fleet	Trees	\$13,000
Community Services	Tables and chairs for library meeting room	\$7,808
General Contingency	Balance budget	\$45,000
		<b>\$458,879</b>
<b>TO OPERATING RESERVES</b>		
Community Services	Lifecycle funds for Multiplex	\$10,000
Community Services	Lifecycle funds for EMS Building	\$45,000
		<b>\$55,000</b>
<b>FROM CAPITAL RESERVES</b>		
Community Services	Fund ambulance and Lifepak replacement	\$175,000
		<b>\$175,000</b>
<b>TO CAPITAL RESERVES</b>		
Protective Services	Ambulance & equipment replacement (AHS Funded)	\$134,500
Protective Services	Municipal enforcement equipment replacement	\$20,000
		<b>\$154,500</b>

At November 30, 2017, available operating reserves total \$3.6 million. Available Capital reserves total \$578 thousand.

### Where the Funds are Earned

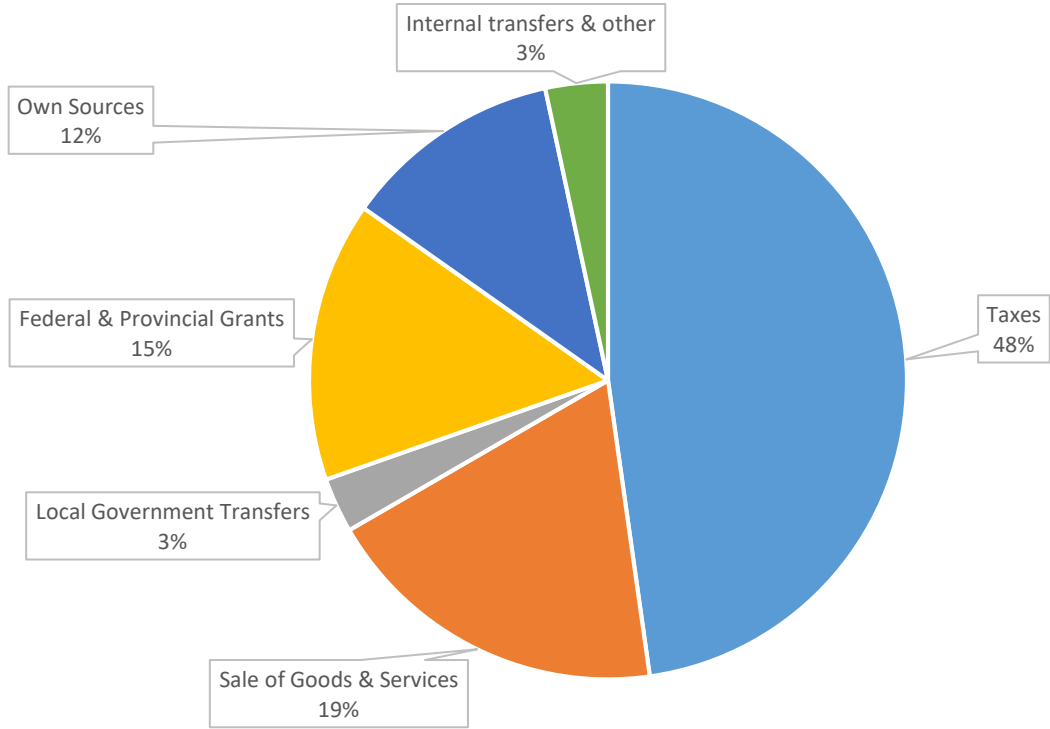


### Where the Funds are Spent





### Where the Funds Come From



### How the Funds are Spent

