FISCAL MANAGEMENT STRATEGY

2022 – 2024

Regional Municipality of Wood Buffalo

Regional Municipality of Wood Buffalo
9909 Franklin Avenue
Fort McMurray | ᓂᐢᑕᐚᔮᐤ | Nistawâyâw | Ełídlįį Kuę́
Alberta T9H 2K4

We humbly acknowledge that the land on which we live, learn, work and play is Treaty 8 Territory, the traditional lands of the Cree, Dene, and the unceded territory of the Métis.

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Executive Summary

The Fiscal Management Strategy (FMS) is prepared annually and presented to Council for approval. The purpose of the FMS is to provide a high-level overview of the Regional Municipality of Wood Buffalo's (Municipality's) operating and capital needs and provide context for setting property tax rates, user fees and other Municipal service charges.

In January 2018, the Council of the Municipality approved the Strategic Plan that has guided the Municipality from 2018 – 2021. Embodied within the Strategic Plan is a key strategic priority titled Responsible Government. Fiscal Responsibility and Council adoption of a fiscal strategy are identified as a key initiative. The fiscal direction of the Municipality is still being governed by the 2018 – 2021 Strategic Plan. In response to the downturn in the economy and to ensure the sustainability of the Municipality, a zero – based budgeting approach was introduced at the beginning of 2017. This budgeting methodology is focused on understanding all costs for programs and services, with a continued emphasis on finding further savings and efficiencies. Through use of this budgeting strategy, property tax revenue has decreased by $326 million since 2016. For the 2022 budget, this decrease continued with a $4 million reduction in property tax revenues for a total decrease of $330 million.

All revenue sources continue to be evaluated to ensure the Municipality is benefiting from all opportunities. A comprehensive user fee and charges analysis has been undertaken. The fees have been benchmarked against other communities in Alberta and are being adjusted to be more in line with the costs to deliver each service.

A financial reserve strategy incorporates several key variables that work towards future fiscal sustainability. This includes:

- **Asset Management (AM) Project:** As the Asset Management Project progresses, the Municipality will be in a better position to identify future funding requirements to maintain and/or rehabilitate assets. Current plans are premised on the age of infrastructure as opposed to condition; therefore, it is difficult to quantify resources required until further progress is made. This information will also directly impact the development of a financial reserve strategy.

- **Taxation Stabilization:** Determines the vulnerability of the assessment base in order to mitigate the impact on property tax revenue. Due to changes in the *Municipal Government Act* (MGA), S358(1) Maximum Tax Ratio, limitations will impact the Municipality's ability to raise sufficient tax revenue for unanticipated expenditures, therefore, there will be an increased focus on financial reserves to provide supplemental funding during these situations. Significant progress has been made to reduce the tax ratio. The initial tax ratio in 2016 was 18.3:1. Due a combination of changes in the assessment base and aggressive budget reductions, the tax ratio at first reading of the 2022 Tax Rate Bylaw is 6.88:1.

As per the strategic direction outlined in Council's 2018 – 2021 Strategic Plan, the Municipality is working diligently to ensure that there is future financial sustainability.

Assumptions and Definitions

In order to prepare accurate capital and operating budgets and other financial plans for Council's review, consistent assumptions are established to ensure comparability.

Assumptions and constraints followed in constructing the report include:

- Taxation methodology will support the transition to a 5:1 tax rate ratio within a maximum 10-year period, ending in 2026.
- The Municipality will fund capital projects through grants, development funds, and capital reserve fund. Debt will not be used.
- The Municipality will continue to utilize a zero-based budgeting approach to find further efficiencies and savings.

The strategy is guided by:

- *Municipal Government Act, RSA 2000, M26*
- 2018 – 2021 Strategic Plan
- Fiscal Responsibility Policy FIN-160
- Approved 2022 Operating and Capital Budgets
- 2023 – 2027 Capital Plan
- 2023 – 2024 Operating Financial Plan

Definitions

Actuals .... Audited accounting numbers.

Department .... Functional business unit comprising one or more specialized sections.

Projected................ Estimated year-end balance.

2018 – 2021 Strategic Plan

In January 2018, the Council of the Regional Municipality of Wood Buffalo approved the Strategic Plan to guide the Municipality from 2018 – 2021. The Municipal Strategic Plan was developed as a collaborative effort between Council and Administration, providing long-term focus and direction for municipal programs and services.

The Strategic Plan focuses on **the vision of a vibrant, sustainable region we are proud to call home**. The plan includes four (4) key strategic priorities identified as critical areas, in order to achieve this goal:

- Responsible government
- Downtown Revitalization
- Regional economic development
- Rural and Indigenous communities and partnerships

This "road map to the future" outlines the steps the Municipality took from 2018 through to 2021. During the first year of the current Council, the 2018 – 2021 Strategic plan will continue to be the focus for Administration until a new Strategic Plan is developed by Council.

Through its stated mission of delivering excellence every day, the Council of the Municipality will continue to implement strategies and initiatives to meet the vision.

2022 Operating Budget and 2023 – 2024 Plan

	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2023 Plan	2024 Plan
Revenues						
Property Taxes	$ 656,824,994	$ 490,126,467	$ 467,368,726	$ 464,503,800	$ 460,503,800	$ 456,503,800
Government Transfers	17,492,134	25,757,639	20,373,256	13,861,560	13,861,560	13,861,560
Sales and User Charges	46,222,441	39,669,915	45,126,531	47,367,999	49,589,999	51,854,999
Sales to Other Government	3,193,452	3,656,341	3,700,436	3,275,100	3,275,100	3,275,100
Penalties and Costs on Taxes	4,372,602	5,532,304	2,570,018	2,340,700	2,340,700	2,340,700
Licenses and Permits	2,018,676	1,705,709	2,406,319	1,641,000	1,641,000	1,641,000
Fines	2,587,383	1,939,891	2,976,732	2,870,000	2,870,000	2,870,000
Franchise and Concession Contracts	8,184,926	8,173,803	8,017,790	8,200,000	8,200,000	8,200,000
Returns on Investments	29,433,001	40,160,960	23,417,584	19,564,000	19,564,000	19,564,000
Rentals	1,618,512	1,595,280	2,070,550	1,459,200	1,459,200	1,459,200
Other Revenue	950,816	6,690,607	3,666,374	2,812,700	2,812,700	2,812,700
Transfers from Reserves for Operations	-	-	2,166,320	2,429,089	980,000	980,000
	$ 772,898,937	$ 625,008,916	$ 583,860,636	$ 570,325,148	$ 567,098,059	$ 565,363,059
Expenses						
Salaries Wages and Benefits	$ 216,894,137	$ 223,484,192	$ 226,019,484	$ 238,216,662	$ 238,216,662	$ 238,216,662
Contracted and General Services	67,574,258	63,719,539	72,590,900	89,784,671	91,580,364	93,411,972
Purchases from Other Governments	21,938,952	24,704,020	28,552,628	29,161,780	29,745,016	30,339,916
Materials Goods Supplies and Utilities	32,336,985	31,443,019	31,989,183	36,780,527	37,516,137	38,266,460
Provision for Allowances	4,830,830	5,159,281	4,806,063	4,763,200	4,763,200	4,763,200
Transfers to Local Boards and Agencies	449,514	28,149,048	2,723,433	4,642,835	4,642,835	4,642,835
Transfers to Individuals & Organizations	34,227,445	36,035,778	31,327,610	15,261,264	20,002,979	20,002,979
Transfers to Facilities	-	-	23,763,745	23,206,148	23,206,148	23,206,148
Bank Charges and Short-Term Interest	233,359	199,857	280,622	316,900	323,238	329,703
Interest on Long-Term Debt	11,840,000	-	-	-	-	-
Other Expenditures	24,597	114,895	9,608	24,600	25,092	25,594
Debenture Repayment	17,526,000	-	-	-	-	-
Transfers to Reserves for Operations	365,022,860	211,999,287	161,797,360	128,166,561	117,076,388	112,157,590
	$ 772,898,937	$ 625,008,916	$ 583,860,636	$ 570,325,148	$ 567,098,059	$ 565,363,059
Surplus/(Deficit)	-	-	-	-	-	-

Figure 1: The above figure details the 2022 Operating Budget with the actual results for 2019 through 2021, as well as the 2023 and 2024 Plan Years.

Consolidated Summary

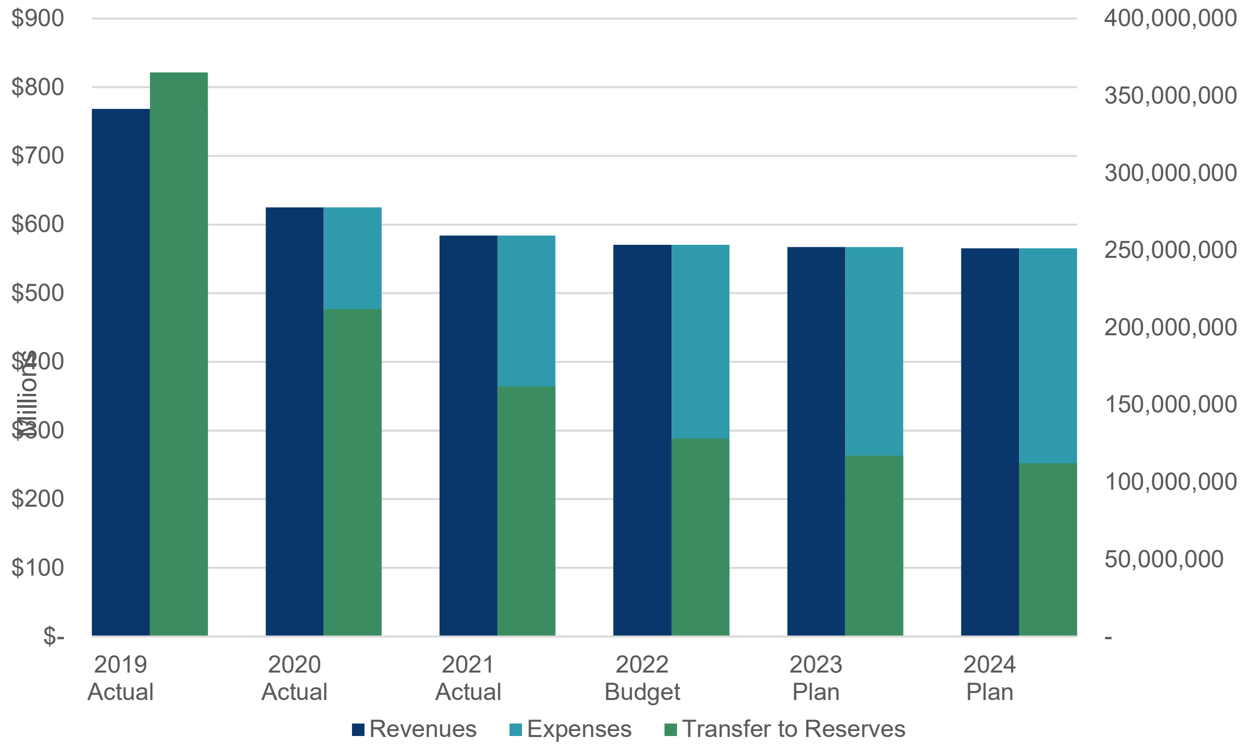

Figure 2: The above figure details the actual results, budget, and plan years from Figure 1: 2022 Operating Budget and 2023 – 2024 Plan.

As property taxes decrease and with the inflationary growth in expenses, the chart shows that the amount available to fund the Transfer to Reserves (for capital purposes) continues to decrease as we approach the 5:1 tax ratio.

Revenue Strategy

The Municipality's revenue strategy is based on the programs and services provided to the community which are built upon the needs of the community. Part of this strategy is to continuously evaluate the individual revenue streams to assess continued viability and sustainment of these revenue sources.

Sales and user charges is one of the revenue sources that is analyzed each year. The charges for the different programs and services are reviewed and benchmarked against like communities and adjusted annually, where applicable, to be more in line with the cost to deliver the services provided. In 2022 the decision was made to maintain the fees, except for utilities, at the same level as the prior year due to reduced usage caused by the pandemic.

In 2017, Council passed a motion to have administration bring utility rates in line with the direct costs to provide the service, within a 5-year period. An analysis is undertaken each year and adjustments are made to the *Fees, Rates and Charges Bylaw No. 21/019* to capture any increases that are needed to meet the goal of direct cost recovery. The 2022 budget is showing an increase of approximately 5% to the rates, as direct cost recovery has yet to be met.

Revenue Trend Analysis 2019 – 2024

	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2023 Plan	2024 Plan
Revenues						
Property Taxes	$ 656,824,994	$ 490,126,467	$ 467,368,726	$ 464,503,800	$ 460,503,800	$ 456,503,800
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Transfers from Reserves for Operations			2,166,320	2,429,089	980,000	980,000
	$ 772,898,937	$ 625,008,916	$ 583,860,636	$ 570,325,148	$ 567,098,059	$ 565,363,059
Percentage Change	-3.41%	-19.13%	-6.58%	-2.32%	-0.57%	-0.31%

Figure 3: The above figure details the Revenue Trend Analysis of Municipal operations with the actual results for 2019 through 2021, the 2022 Budget, as well as the 2023 and 2024 Plan Years.

As Property Taxes continue to decrease, we continue to observe a downward trend in Revenues. The Plan Years show decreased Property Taxes revenue, but this annual decrease will significantly slow as we transition to the 5:1 ratio.

Revenue Profile 2019 – 2024

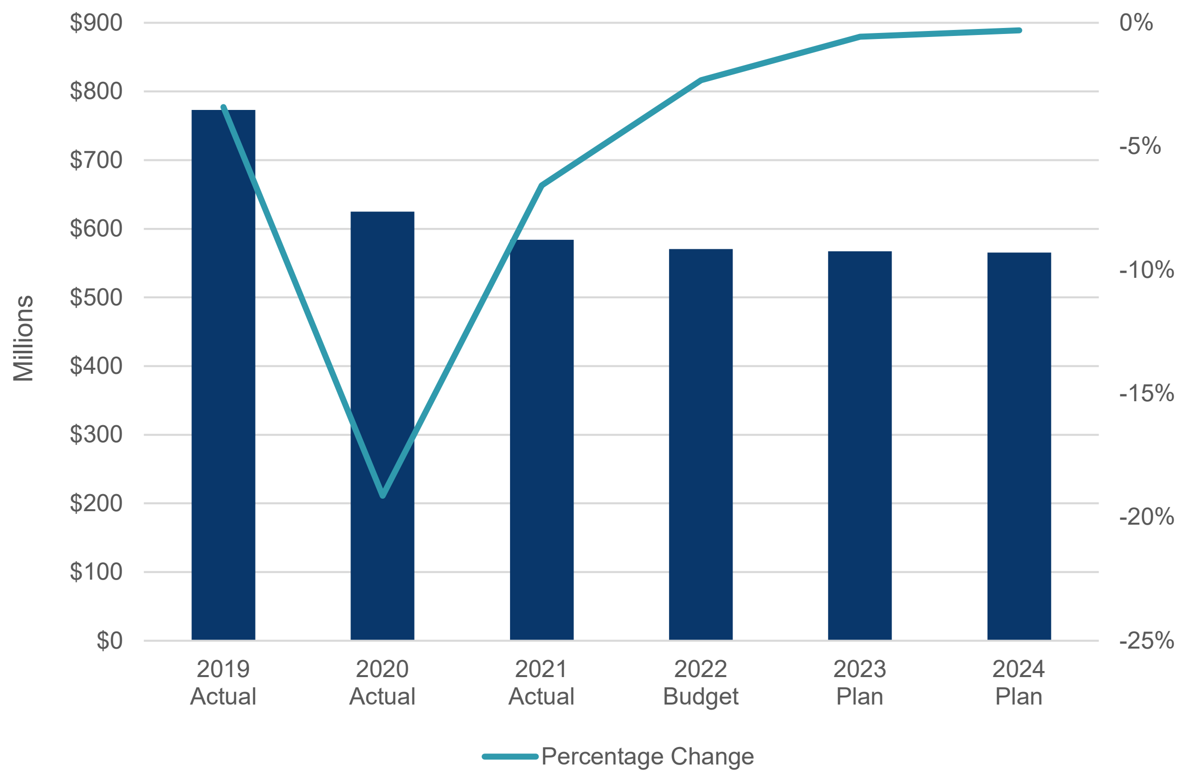


Figure 4: The above figure details the actual results, budget, and plan years from Figure 3: Revenue Trend Analysis 2019 – 2024.

The annual decrease in Property Tax revenues begin to slow down in the Plan Years 2023 and 2024 as we approach the transition to the 5:1 ratio.

Property Tax

Property taxes represent the single largest source of revenue for the Municipality. The 2022 Approved Budget for property taxes is $464,083,800 [this figure does not include Special Assessment and Local Improvement Taxes or Well Drilling Equipment Taxes], which represents 81% of the Municipality's revenue, which is comprised of:

- Rural Residential Class: 0.14%
- Rural Non-Residential: 92.64%
- Urban Residential Class: 4.23%
- Urban Other Class: 0.50%
- Urban Non-Residential Class: 2.49%

Property taxes are not a fee for service, but rather a method of distributing the cost of municipal services and programs fairly throughout the Municipality.

The *Municipal Government Act (MGA)* provides direction to Alberta municipalities for assessment and taxation through legislation. The purpose of the legislation is to establish and maintain a property assessment system that fairly and equitably distributes taxes, and promotes transparency, predictability and stability for municipalities and taxpayers. Assessment and taxation are distinct and independent processes, although assessment impacts taxation. Property assessment is the method used to distribute the tax burden amongst property owners.

Increases or decreases in municipal tax rates will not necessarily result in corresponding increases or decreases in municipal taxes paid. The reason for this is that increases or decreases in municipal taxes are equally dependent on the year over year assessment change of a property. Due to this formula, many property owners will see reductions in their municipal tax levies even if the tax rate in their tax class has increased.

The formula for calculating municipal taxes is as follows:

Assessment x Municipal Tax Rate = Municipal Tax Levy

For years 2010 to 2021, the following occurred:

- Urban residential rates decreased by 20% from 2.663 in 2010 to 2.142 in 2021.
- Multi-residential rates increased by 6% from 5.743 in 2010 to 6.114 in 2021.
- Rural-residential rates decreased by 18% from 1.577 in 2010 to 1.291 in 2021.

- Urban non-residential rates decreased by 37% from 6.764 in 2010 to 4.281 in 2021.
- Rural non-residential rates decreased by 48% from 18.034 in 2010 to 9.423 in 2021.

For the 2022 Budget, revenue from property taxes has been reduced by 0.84% from 2021 to 2022. The assessment values within the region, on average, have been reduced by 2%; this reduction is indicative of the continued slowdown in the economy. In order to meet the budgeted revenue expectations tax, rates are increasing as per the below table.

Mill Rate[1] vs. Tax Dollars 2021 – 2022

	Mill Rate			Tax Dollars		
Property Class	**2021**	**2022**	**% Change**	**2021**	**2022**	**$ Change**
Rural Residential	1.2912	1.3816	7.00%	$607,517	$665,009	$57,492
Rural Non Residential	9.4237	9.5114	0.93%	$435,470,974	$429,939,926	($5,531,048)
Urban Residential	2.1423	2.2923	7.00%	$18,103,075	$19,625,962	$1,522,887
Urban Other Res (Apartments)	6.1144	6.2181	1.70%	$2,311,018	$2,311,038	$20
Urban Non Residential	4.2816	4.4513	3.96%	$11,541,615	$11,541,865	$250
Tax Ratio	7.30	6.88		$468,034,199	$464,083,800	($3,950,399)

Figure 5: The above table shows the difference between the Mill Rate and the budget Tax Dollars from 2021 to 2022.

With the proposed 7% increase in tax rates of residential classes, the rural residential tax rate for years 2023 – 2026 will require a 9% increase year over year in order to reach the 5:1 tax ratio.

If the tax rate increase is less than 7% the following years, 2023 to 2026 will require a significantly higher tax rate increase to ensure the Municipality remains on track to reach the 5:1 tax ratio by 2026. For example, if the tax rate is increased by 4% then future Rural Residential tax rates will require a 10% increase every year from 2023 to 2026 to reach 5:1 tax ratio in 2026.

Keeping the tax rate at the same rate as 2021 will increase the tax ratio to 7.4:1, which is higher than the 2021 tax ratio of 7.3:1. This will put the Municipality offside of the current legislation *MGA* S.358.1(4). The property assessment for Designated Industrial Properties (DIP) are under the Provincial Assessor role, with the vision that centralization of DIP assessments will lead to improved consistency and equity for industrial taxpayers, and lower administrative costs for municipalities. Costs associated with these property assessments will be borne by industry. A Provincial requisition is applied to every DIP owner's municipal tax notice. Municipalities collect the DIP taxes to pay the requisitions. Currently there are 11 active assessment complaints affecting Designated Industrial Properties and linear properties, with a total assessment risk of $6.8 billion from 2019 to 2021. Preparing and defending DIP assessments became the responsibility of the Province of Alberta (Assessment Services Branch of Municipal Affairs) beginning on January 1, 2018. The outcome of these hearings is unknown at this point.

[1] Government of Alberta Regional Dashboard information about municipal mill rates and comparative data can be found here: https://regionaldashboard.alberta.ca/#/explore-an-indicator?i=municipal-mill-rate&d=CalculatedValue

Designated Industrial Properties include:

- Properties regulated by the Alberta Energy Regulator, National Energy Board, and Alberta Utilities Commission.
- Linear Property (wells, pipeline, railways, telecommunications, and electric power systems) assessed by the Province.
- Property designated as a "major plant" by regulation; for example large refineries, upgraders, or pulp and paper mills.
- Land and improvements associated with property regulated by the Alberta Energy Regulator, Alberta Utilities Commission or National Energy Board and major plants.
- Machinery and equipment on a site not classified as a DIP will continue to be assessed by the Regional Assessor.

In addition, based on *Alberta Regulation 202/2017 Matters Relating to Assessment Sub-Classes,* municipalities can create a sub-class for either the urban or rural service areas entitled "small business sub-class". In 2018, the Council of the Municipality approved the creation of a rural non-residential small business sub-class. The tax rate of this sub-class was 25% lower than the rural non-residential tax rate. The criteria of this sub-class required that the business:

- must apply online and meet all criteria to be taxed at the rural non-residential small business tax rate; and
- must be operating under a business license or that is otherwise identified in a municipal bylaw; and
- have fewer than 50 employees across Canada; and
- must hold an RMWB business license as of December 31 of the preceding year.

The inclusion of a small business tax rate within the 2022 Tax Rate Bylaw will be subject to Council approval.

The calculation of the taxes levied is a combination of assessed value and tax rate. Property assessments in which construction had occurred in 2021 were excluded from the median calculation as the calculation was intended to capture market changes in the assessed values. Tax rates for 2022, based on first reading of the 2022 Property Tax Rate Bylaw, propose the following changes when compared to 2021 as follows:

- **Urban Residential** tax rate **increase of 7%**. The median assessment increase of 1%. The median municipal tax change in the urban residential tax class is an **increase of $86** (if no improvements were completed to the home in 2021) due to a combination of the change in assessment over 2021 and the change in the urban residential tax rate.

- **Other Residential** tax rate **increase of 1.7%**. This increase in tax rate, is less than the median assessment decrease of 2%. The median municipal tax change in the other residential tax class is a **reduction of $107** (if no improvements were completed to the home in 2021) due to a combination of the change in assessment over 2021 and the change in the other residential tax rate.

- **Rural Residential** tax rate **increase of 7%**. The median municipal tax change in the rural residential tax class is an **increase of $35** (if no improvements were completed to the home in 2021) due to a combination of the change in assessment over 2021 and a change in the rural residential tax rate.

- **Urban Non-Residential** tax rate **increase of 3.96%**. The urban non-residential assessment class experienced an overall decrease due to factors such as sales, vacancy, availability, rents, and land value, and as such, individual properties may experience differing increases or decreases in taxes. Therefore, a median tax change was not calculated.

- **Rural Non-Residential** tax rate **decrease of 0.93%**. The rural non-residential assessment class experienced an overall decrease of 2% from 2021 to 2022. Due to the wide variance in assessed values in this tax class a median tax change was not calculated.

5:1 Tax Ratio

Prior to changes in the *MGA*, municipalities were able to establish non-residential and residential tax rates independent of one another. There was no limitation on the extent to which a municipality's tax rate could differ for the taxation of non-residential and residential property. The *MGA* has since been amended to ensure that the highest non-residential tax rate can be no more than five times the lowest residential tax rate. In addition, the tax rate ratio cannot increase from the previous year.

Since 2016, the *MGA* s.358(1), defines a "non-conforming municipality" as a municipality that has a tax ratio greater than 5:1. The Regional Municipality of Wood Buffalo tax ratio calculation is based on the rural non-residential tax rate and the rural residential tax rate.

To achieve a 5:1 ratio, the rural residential tax rate would increase from 0.0012912 in 2021 to 0.0013816 in 2022. This **tax rate will still be the lowest in Alberta**, and less than the 2006 rural residential tax rate as shown in the graph on the following page. Based on first reading of the 2022 Property Tax Rate Bylaw, the tax ratio decreased from 7.30 in 2021 to 6.88 proposed for 2022.

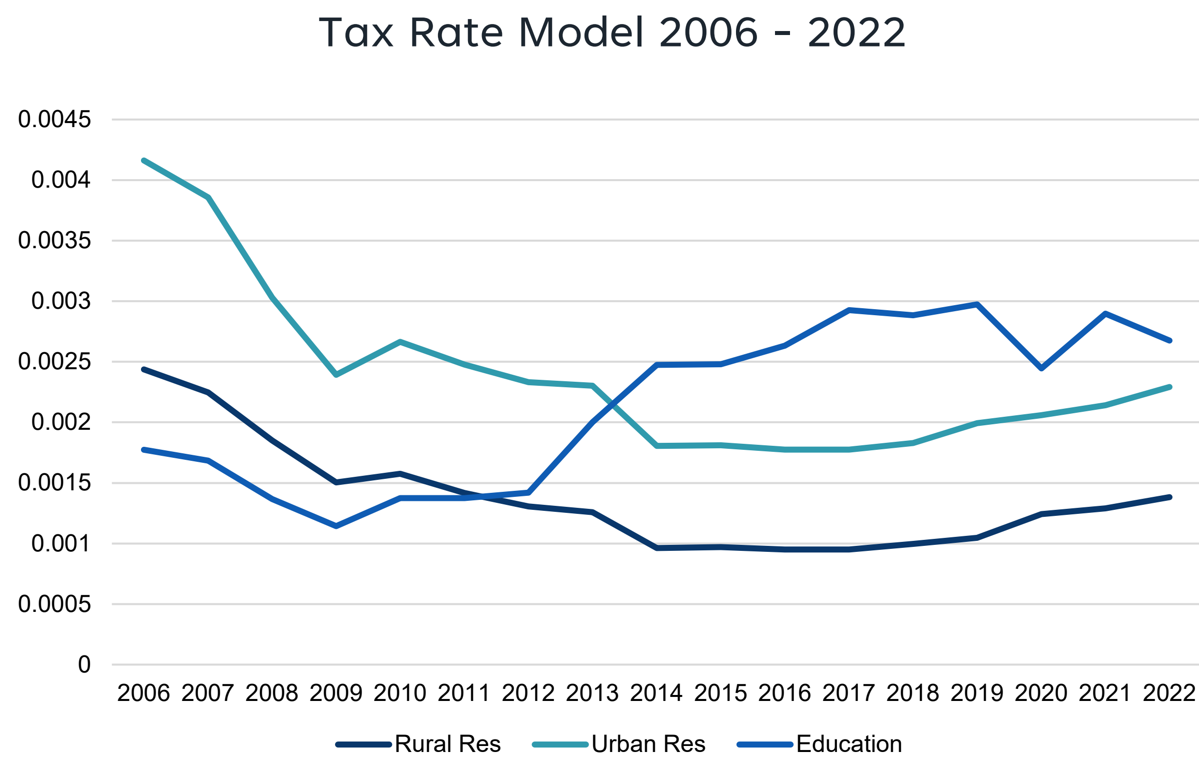


Figure 6: Tax Rate Model 2006 – 2022

Impact of Rural Residential Tax Rate Increases 2021 – 2026

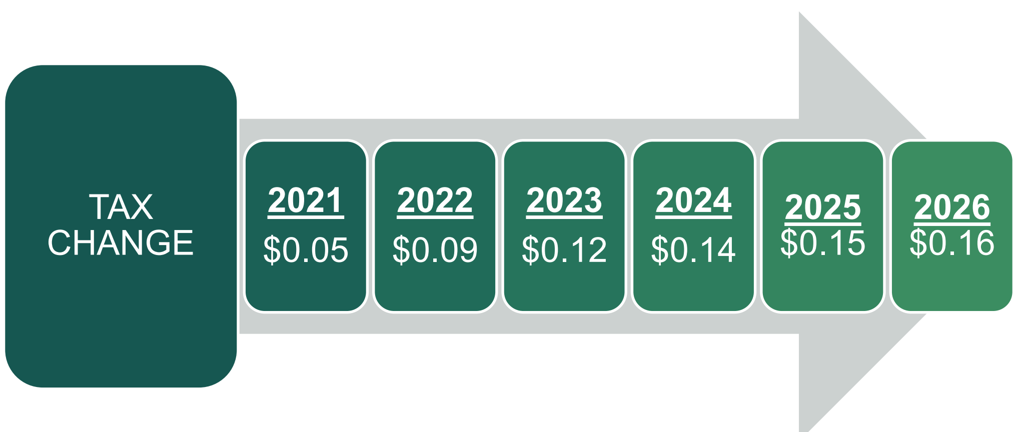
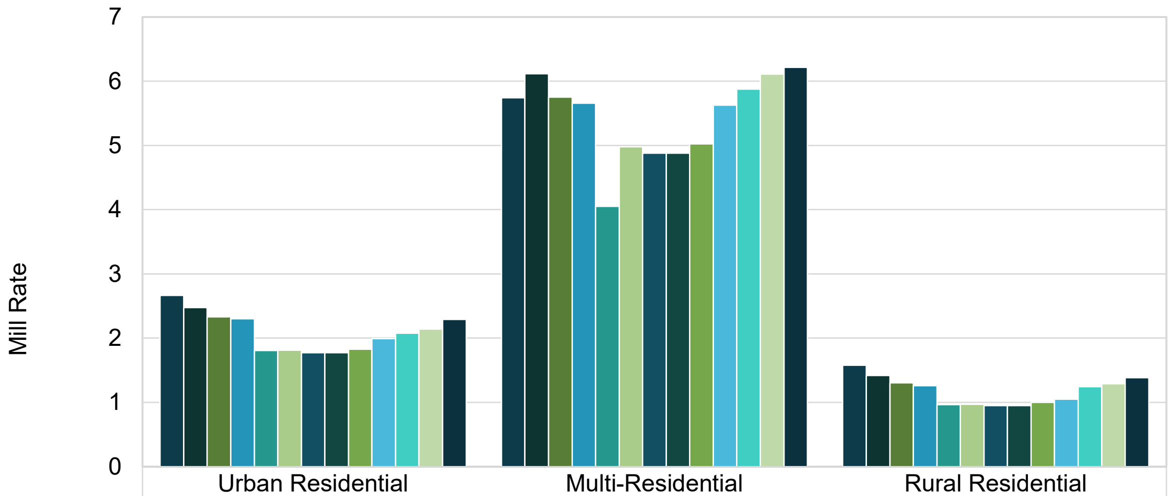


Figure 7: The above table shows the Impact of tax rate increases from 2021 to 2026. Tax increases per $1,000 of assessments, assuming there is no increase or decrease on the assessment.

Municipal Residential Property Tax Rates 2010 - 2022



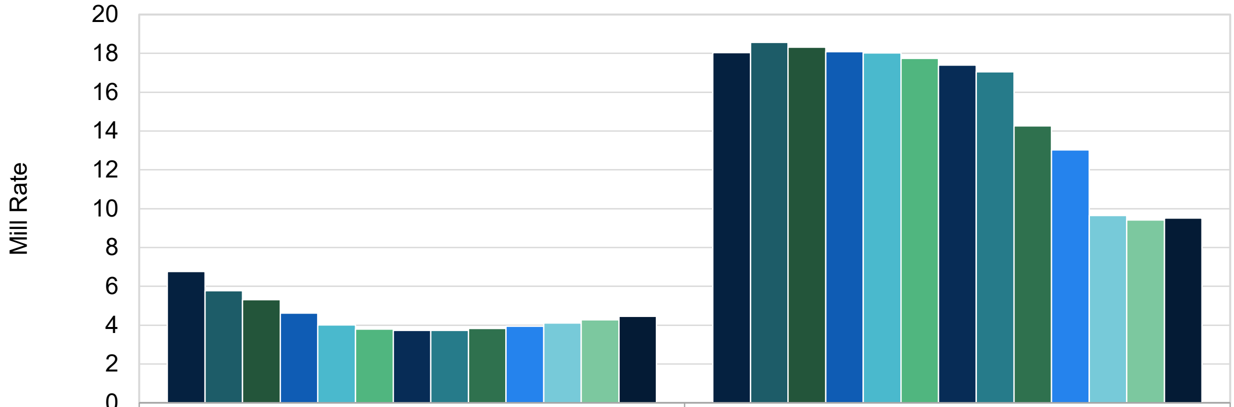
	Urban Residential	Multi-Residential	Rural Residential
2010*	2.663	5.743	1.577
2011*	2.477	6.118	1.417
2012*	2.332	5.754	1.307
2013*	2.302	5.660	1.257
2014*	1.806	4.054	0.963
2015*	1.811	4.979	0.970
2016	1.775	4.880	0.950
2017	1.775	4.880	0.950
2018	1.828	5.026	0.998
2019	1.993	5.629	1.048
2020	2.077	5.879	1.246
2021	2.142	6.114	1.291
2022**	2.292	6.218	1.382

Figure 8: Municipal Residential Property Tax Rates

* *Revenue neutral plus new construction methodology was in place from 2010 to 2015 inclusive.*

** *Rates are based on information available at the time of publication and are subject to change until the Property Tax Bylaw has been approved by Council. Mill rates are levied per $1,000 of assessed value.*

Municipal Non-Residential Property Tax Rates 2010 - 2022



	Urban Non-Residential	Rural Non-Residential
2010*	6.764	18.034
2011*	5.779	18.571
2012*	5.306	18.321
2013*	4.624	18.090
2014*	4.015	18.020
2015*	3.802	17.747
2016	3.726	17.392
2017	3.726	17.044
2018	3.838	14.267
2019	3.953	13.030
2020	4.117	9.654
2021	4.282	9.424
2022**	4.451	9.511

Figure 9: Municipal Non-Residential Property Tax Rates

* *Revenue neutral plus new construction methodology was in place from 2010 to 2015 inclusive.*

** *Rates are based on information available at the time of publication and are subject to change until the Property Tax Bylaw has been approved by Council.*

Mill rates are levied per $1,000 of assessed value.

Prior to 2016, the Municipality followed a revenue-neutral plus new construction growth taxation methodology whereby any increase in municipal revenue over the prior year was generated by new growth only. The 2016 changing economic climate in the region, coupled with the wildfire, resulted in a move away from the revenue-neutral plus new construction methodology to a budget driven process not dependent on assessment growth.

Although every municipality is unique, the Regional Municipality of Wood Buffalo benchmarks with other municipalities. Based on the information below, the Municipality continues to have competitive tax rates that supports affordability.

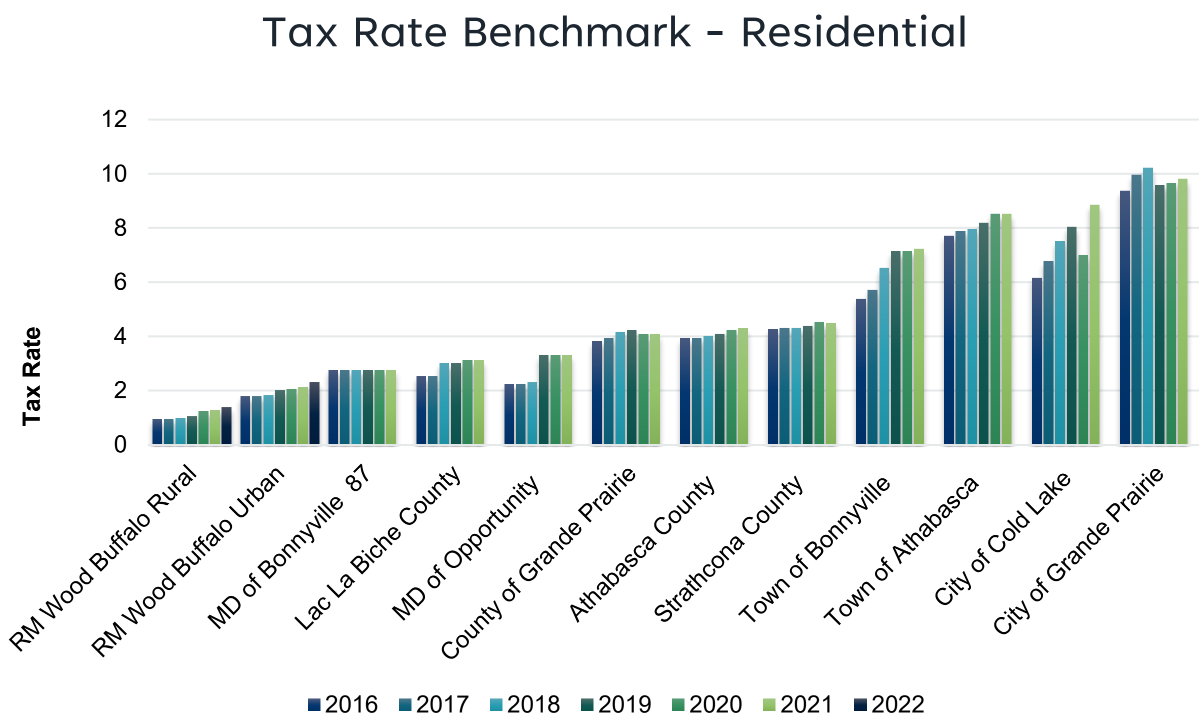


Figure 10: Tax Rate Benchmark – Residential

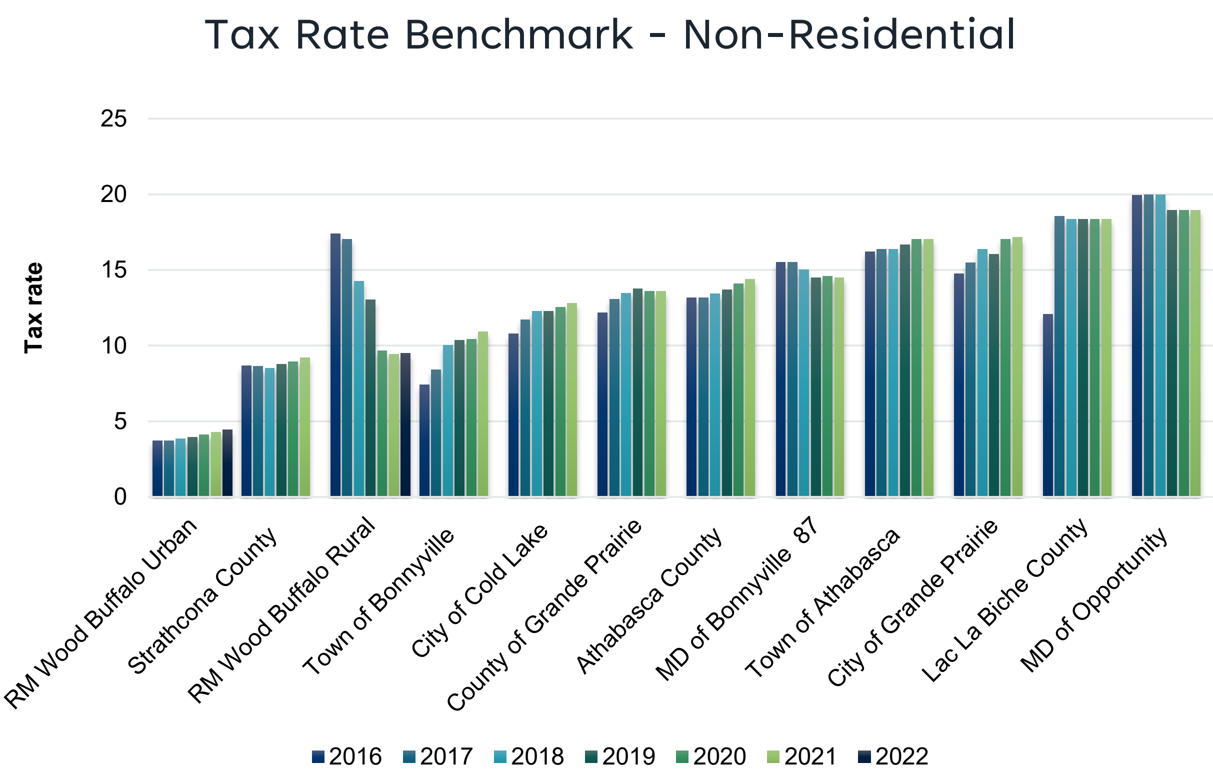


Figure 11: Tax Rate Benchmark – Non-Residential

Education Tax

The Province calculates, based on assessment value, the annual amount each municipality must collect towards the education system. Municipalities collect the education property tax from ratepayers and then forwards it to the Province for deposit into the Alberta School Foundation Fund (ASFF). The ASFF was established by the Government of Alberta in 1994. This fund ensures that the education property tax is accounted for separately from provincial general revenues.

The money collected from the education property tax is pooled into the ASFF to fund priorities in education and then distributed among Alberta's public and separate school boards on an equal per student basis.

Although **municipalities do not control the amount of education taxes requisitioned by the Province**, the amount increases the total property tax bill for applicable municipal property owners. For 2022, Education tax rate for residential class decreased by 7% and increased by 6% for non-residential class. For **urban residential** property owners, this represented **54%** of their property tax bill in 2022 and **66%** for **rural residential** property owners.

Residents are encouraged to contact the Government of Alberta Education Property Tax Line directly if they require any clarification.

Senior Housing Requisitions

In 2002, Wood Buffalo Housing and Development Corporation (WBHDC) assumed responsibility from the Government of Alberta for all subsidized independent and supportive living seniors' housing. Ownership of Rotary House Lodge and Ayabaskaw Lodge, which provides a supportive living environment to qualifying seniors, was transferred to WBHDC. For 2022, the Ayabaskaw House has issued a requisition to the Municipality in the amount $51,000; and the Rotary House has issued a requisition to the Municipality in the amount $1,916,000.

Upcoming Changes

Alberta Municipal Affairs is conducting a review of regulated assessment models. The current assessment models have not been updated since 2005. Preliminary indicators are that the review will result a reduction on assessment of linear properties such as Machinery and Equipment, Wells, and Pipelines. More information will be provided in 2025 by Municipal Affairs.

Expense Strategy

The annual expense budget strategy continues to utilize the zero-based budgeting philosophy; all expense categories are itemized and analyzed for continued cost efficiencies. This analysis is conducted throughout the year with monthly, quarterly, and annual financial reports prepared to assist management understand their fiscal position. To remain within the revenue generation capacity, any increase to expenses are offset by a lower amount transferred to reserves.

Salaries, Wages and Benefits account for approximately 54% of the Municipality's Operating Budget. There are labour agreements in place with the Canadian Union of Public Employees for the period January 1, 2018 – December 31, 2020, and with the International Association of Fire Fighters for the period January 1, 2014 – December 31, 2016, both of which are in contract negotiations this year. In 2021, management instituted a process whereby there would be no full-time equivalent increases unless there was a need to due to legislated requirements. With this process in place, the budget for 2022 is showing no increase in salaries and wages for the year.

In 2022, there were several large budget items that needed to be added to the overall budget to continue to provide services to the public – rural policing, backflow valve program, downtown improvements and increased police labour costs. In addition, there is a slight increase due to supply issues. All of these cost increases are being offset by a reduced amount being transferred to reserves for capital and life-cycle purposes.

Expense Trend Analysis 2019 – 2024

	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2023 Plan	2024 Plan
Expenses						
Salaries Wages and Benefits	$ 216,894,137	$ 223,484,192	$ 226,019,484	$ 238,216,662	$ 238,216,662	$ 238,216,662
Contracted and General Services	67,574,258	63,719,539	72,590,900	89,784,671	91,580,364	93,411,972
Purchases from Other Governments	21,938,952	24,704,020	28,552,628	29,161,780	29,745,016	30,339,916
Materials Goods Supplies and Utilities	32,336,985	31,443,019	31,989,183	36,780,527	37,516,137	38,266,460
Provision for Allowances	4,830,830	5,159,281	4,806,063	4,763,200	4,763,200	4,763,200
Transfers to Local Boards and Agencies	449,514	28,149,048	2,723,433	4,642,835	4,642,835	4,642,835
Transfers to Individuals & Organizations	34,227,445	36,035,778	31,327,610	15,261,264	20,002,979	20,002,979
Transfers to Facilities	-	-	23,763,745	23,206,148	23,206,148	23,206,148
Bank Charges and Short-Term Interest	233,359	199,857	280,622	316,900	323,238	329,703
Interest on Long-Term Debt	11,840,000	-	-	-	-	-
Other Expenditures	24,597	114,895	9,608	24,600	25,092	25,594
Debenture Repayment	17,526,000	-	-	-	-	-
	$ 407,876,077	$ 413,009,629	$ 422,063,276	$ 442,158,587	$ 450,021,671	$ 453,205,469
Percentage Change	7.52%	1.26%	2.19%	4.76%	1.78%	0.71%

Figure 12: The above figure details the Expense Trend Analysis of the Municipal Operations with the actual results for 2019 through 2021, the 2022 Budget, as well as the 2023 and 2024 Plan Years.

Expense Profile 2019 – 2024

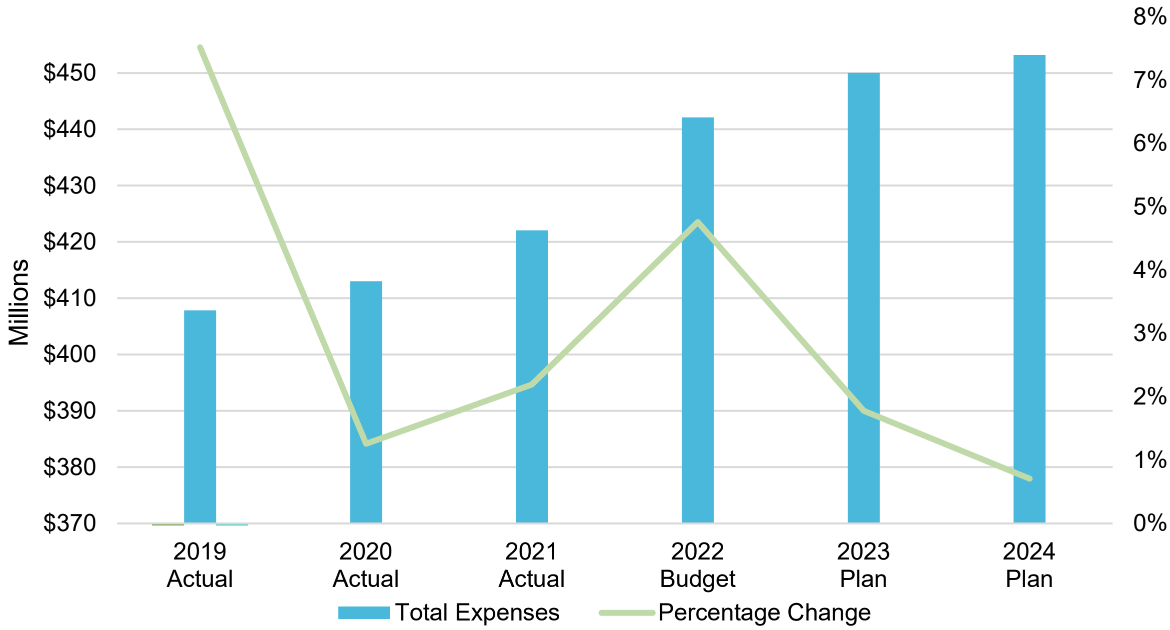


Figure 13: The above figure details the actual results, budget, and plan years from Figure 12: Expense Trend Analysis 2019 – 2024.

Capital Strategy

The 2022 Capital Budget and the 2023 – 2024 Plans have been developed with a focus on sustaining our region. The main determinant in developing the Capital Budget was the continuation of completing multi-year projects, with particular emphasis on flood mitigation and the building of a delivery system for Rural Water and Sewer Servicing. Secondary to the development of the Capital Budget is the continued lifecycle spend on public facilities, playgrounds, parks, and roads.

The major groupings or categories for the Capital Budget and plans are:

- Public Facilities: These projects include environmental systems such as solid waste, waste, wastewater and storm water. Also included in this category are public land, land improvements, and machinery and equipment.

- Recreation and Culture: These projects have two broad categories: parks/recreation and cultural/historical. Park and recreation projects include trails, playgrounds, parks, sports fields, rinks and green spaces. Cultural and historical projects include museums, cemeteries, and other cultural facilities.

- Transportation: These projects include Municipal transit systems, roadways including traffic signals and streetlights, and sidewalks.

2022 Capital Budget Spend by Category

	2022 Capital Budget	2022 Category %	2023 - 2027 Capital Plan
Public Facilities	$ 108,559,250	70%	$ 448,660,000
Recreation & Culture	$ 12,625,000	8%	$ 22,830,000
Transportation	$ 34,863,750	22%	$ 125,650,000
Total	**$ 156,048,000**	**100%**	**$ 597,140,000**

Figure 14: The above table details the 2022 Capital Budget and the capital spending by the primary categories of Public Facilities, Transportation and Recreation & Culture.

The approved 2022 Capital Budget is $156,048,000 including $249,000 to be funded from the Capital Infrastructure Reserve (CIR) for public art installation.

The Capital Budget is funded through the CIR, Provincial and Federal Grants, Developer fees and Levies; the CIR is comprised of property tax revenues.

Fiscal Reserve Strategy

To ensure future fiscal sustainability, the Municipality has developed a reserve strategy. In compliance with the Fiscal Responsibility Policy FIN-160, the Municipality holds two (2) main reserves: Emerging Issues Reserve (EIR) and the Capital Infrastructure Reserve (CIR). Council approval is required to utilize funding from either of these reserves.

Capital Infrastructure Reserve (CIR)

The CIR has been established to provide a source for capital project funding with a minimum uncommitted balance of $50 million. This reserve is the main funding source for budgeted capital program requirements. The CIR is funded by taxpayers and is used for current approved capital projects, life cycling and for future large scale infrastructure projects such as the replacement of essential services infrastructure.

Emerging Issues Reserve (EIR)

The EIR was established by Council in 2002 to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to unplanned events and other initiatives. The EIR is funded from the year end operating surplus (if any).

The EIR is governed as follows:

- Maximum EIR balance equivalent to 15% of the audited prior year's net property tax revenue and is subject to a minimum uncommitted balance of $50 million.
- Council approval is required to utilize funding from the EIR.

General Reserve

The Municipality has an established reserve to meet future operations and capital expenses.

The reserve is in place to hedge against future risk factors including:

- Revenue shortfalls
- Unanticipated expenses

Investment Strategy

The Municipality's investment of funds is governed under Investment Policy FIN-140 as approved by Council. The general investment strategies adopted by the Municipality are to ensure the following objectives are adhered to:

- **Safety**: Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

- **Liquidity**: The investment portfolio shall remain sufficiently liquid to meet all operating and capital cash requirements that may be reasonably anticipated.

- **Return**: The investments of the fund shall be structured with the objective of attaining a market rate of return commensurate with the respective portfolio benchmark.

The investment type is restricted to fixed income securities that are of high credit rating quality and meet the following parameters:

- Maximum holdings by credit rating: maximum holdings of short, medium and long-term investment portfolio by credit rating are 100% AAA, AA, or A rating.

- Maximum holdings by investment portfolio issuer: 100% for federal issues and guarantees.

  100% for provincial issues and guarantees; 40% for municipal guarantees; and 40% for corporate issues.

The Municipality's investment governance structure is designed to ensure that the Municipality's investments are managed prudently, appropriately and in compliance with applicable legislation and the investment policy. Funds are managed by independent fund managers. Council approves the investment policy, and the Investment Advisory Committee (IAC) provides oversight to the governance and management of the Municipality's investment. IAC is comprised of members of Administration.

Investment Holdings by Type

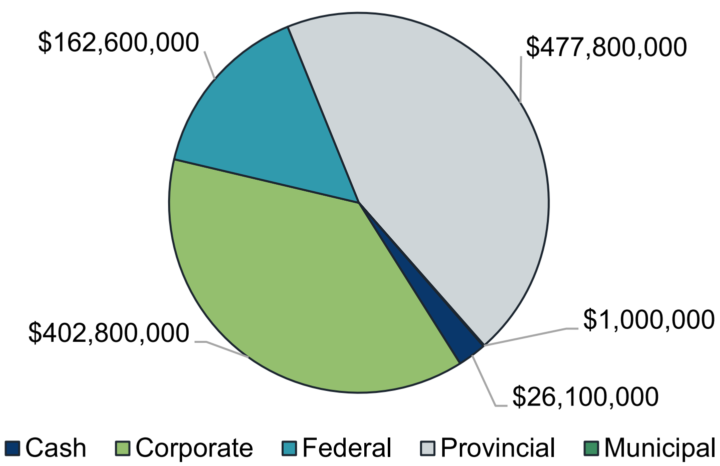


Figure 15: The above figure details the Investment Holdings, by Type. As per municipal policy, all investments are in the form of bonds (Government and Corporate) including GICs, as at December 31, 2021.

Maturity of Investments – Liquidity

The investment portfolio is structured to maintain a proportionate ratio of short (under 1 year), medium (1 to 5 years), and long-term (over 5 years) maturities to meet current and future funding requirements.

A structured series of short-term Guaranteed Investment Certificates (GICs) maturing on a regular basis throughout the fiscal year is part of the short-term liquidity strategy. This enables sufficient liquidity within the investment portfolio to meet the Municipality's operating and capital cash flow requirements.

Percentage of Investment Holdings

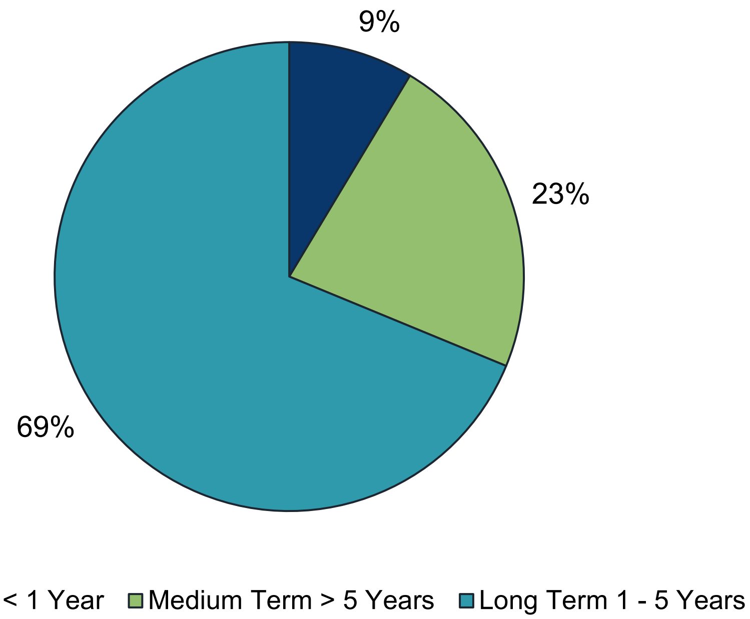


Figure 16: The above figure details the Investment Holdings, by Liquidity. The municipality will continue to ensure that the duration of the investment portfolio is structured such that the funds are available as required, as at December 31, 2021.

Financial Condition Indicators Strategy

Sustainability

Sustainability refers to the Municipality's ability to maintain existing services and programs and meet creditor requirements without the need to take on debt.

The Municipality uses two (2) financial condition indicators to measure its sustainability: Current Assets to Current Liabilities and Financial Assets to Financial Liabilities.

Financial Ratio: The Financial Assets to Financial Liabilities ratio measures whether the Municipality has adequate resources to pay its longer-term obligations or those due beyond one year. A ratio above 2.00 is desirable. To ensure that the Municipality does not fall below this target, prioritization of existing and future capital projects is required as the Municipality transitions to Pay-As-You-Go capital funding strategy.

Current Ratio: The Current Assets to Current Liabilities ratio measures whether the Municipality has adequate resources to pay its short-term obligations or those due within one year. A ratio above 1.00 is desirable and indicates the Municipality's ability to cover its short-term obligations.

Ratio of Financial Assets to Liabilities 2019 – 2024

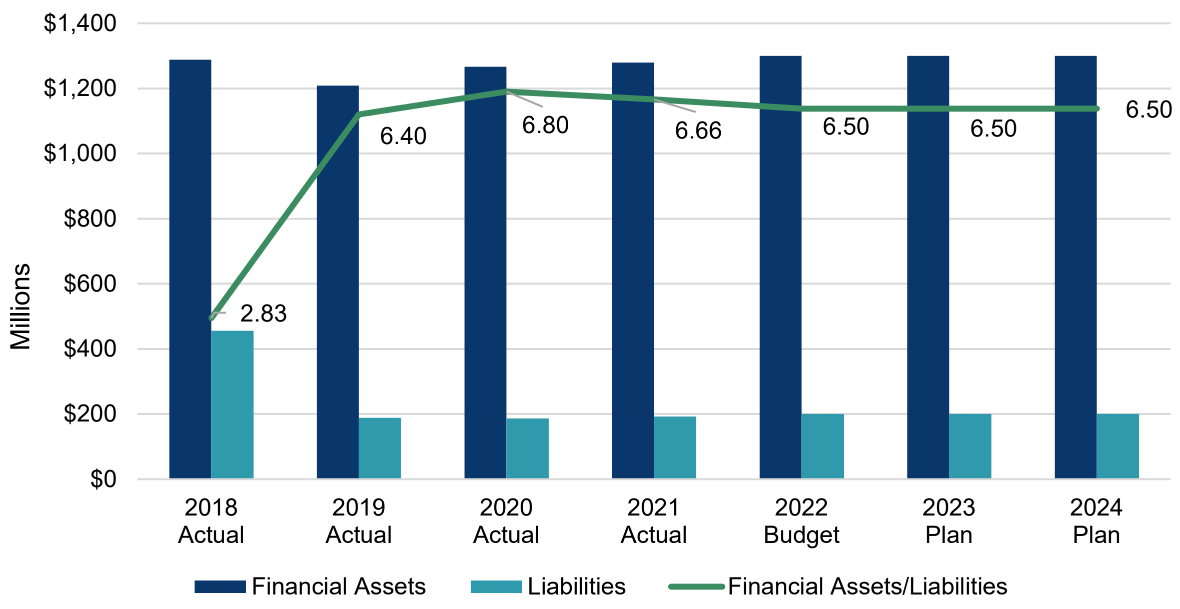


Figure 17: The above figure details the balance of the Municipality's Financial assets and the liabilities. It is important that the assets are higher than the liabilities for the future resiliency of the Municipality. The Municipality maintains a strong ratio of assets to liabilities of 6.5:1.

Current Assets Ratio

To measure the current asset ratio of the Municipality's portfolio, two indicators are used: operating government transfers to operating revenues and total government transfers to total revenues. The operating government transfers to operating revenues ratio measures how much the Municipality is dependent on provincial and federal transfers relative to the operating revenue generated, and the total government transfers-to-total revenues ratio measures the level of provincial and federal grants to support both operating and capital programs at the Municipality.

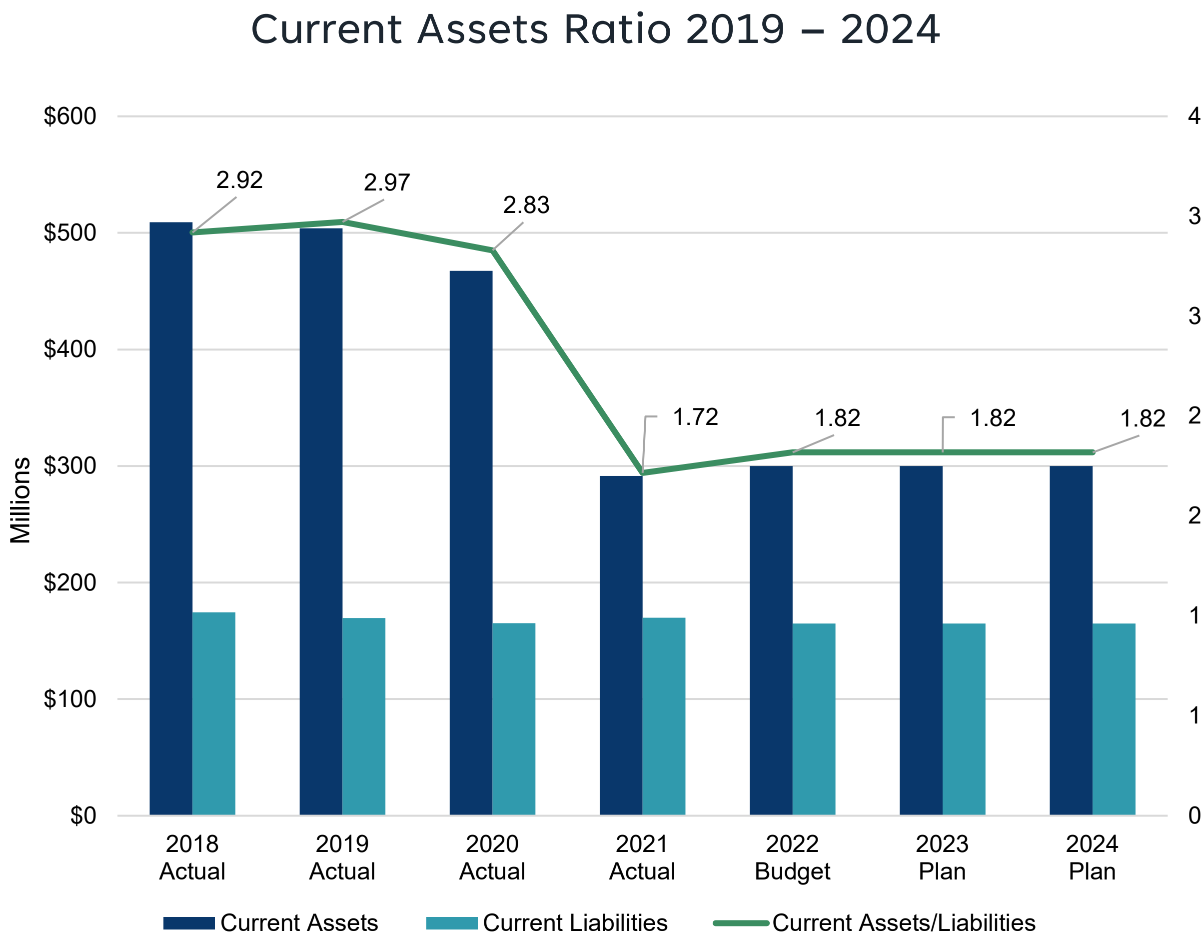


Figure 18: The above figure details the balance of the Municipality's Current assets and the liabilities. It is important that the assets are higher than the liabilities for the future resiliency of the Municipality. The Municipality maintains a strong ratio of assets to liabilities of 1.8:1.