



Capital Budget & Long Term Capital Plans

COUNCIL MEETING
DECEMBER 1, 2020

LEGISLATED REQUIREMENTS

Section 283.1 of the MGA

1. **Annual Budget** requirements for operating and capital budgets are **unchanged**.
2. At a minimum must prepare a “written” three year financial plan and a “written” five year capital plan.
3. Multi year plans **do not** include the **year in which** they are prepared.
4. Council must **review and update** the plans annually.

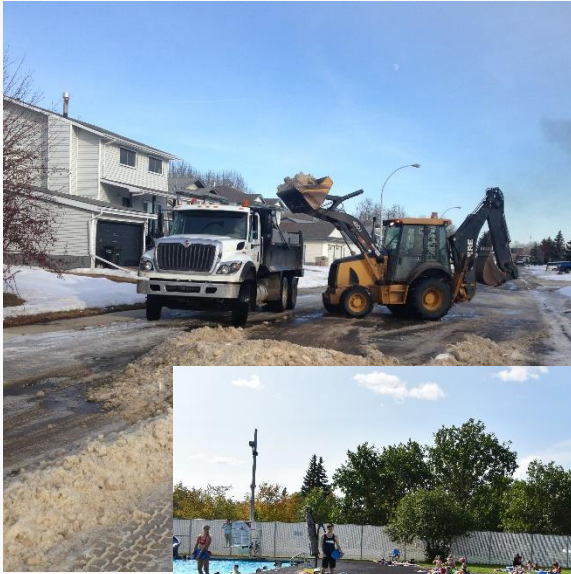
TANGIBLE CAPITAL ASSETS (TCA)

- Non-financial assets having physical substance that are acquired, constructed or developed and are held for use in the production or supply of goods and services to others; for administrative purposes or for the development, construction, maintenance or repair of other tangible assets; have useful economic lives extending beyond an accounting period; are to be used on a continuing basis; and are not for resale in the ordinary course of operations. Beneficial ownership and control clearly rests with the Town.
- Tangible Capital assets do not include such things as:
 - *Inventories held for resale (including land);*
 - *Capital grants;*
 - *Intangible assets, except for software which is tangible for the purpose of capitalization;*
 - *Feasibility studies, business cases, management reviews (post implementation) and;*
 - *Assets below the thresholds outlined in the TCA policy (under \$5,000)*

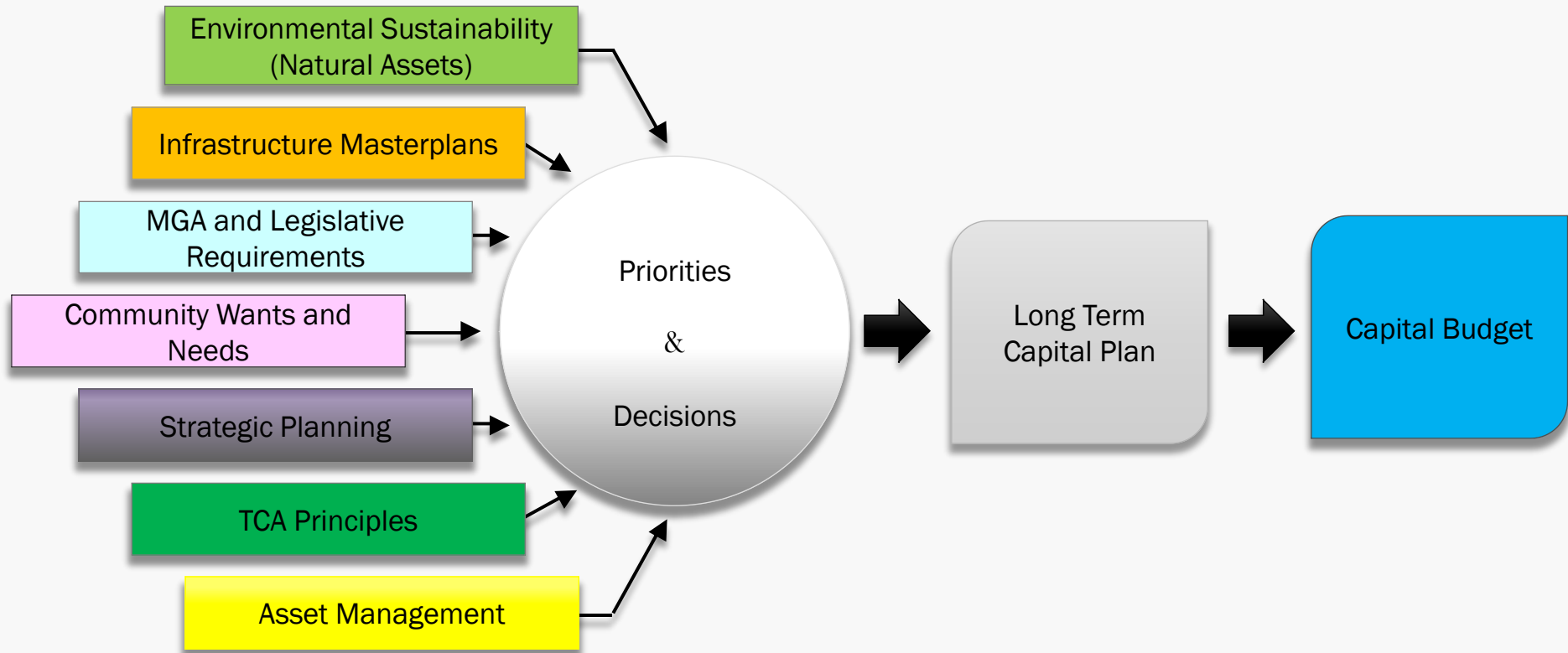
CAPITAL IN THE MUNICIPAL CONTEXT

- It is critical to understand fundamentally what capital is and how it functions in the municipal context when developing capital budget and planning processes
- The end function and service provided has to be well understood for determination of priorities
 - **Essential Core Capital** - roads, water lines, sewer, reservoirs
 - **Service Capital** - fire trucks, graders, fleet
 - **Support Capital** - software, hardware (servers), furniture, admin buildings
 - **Social Capital** - recreation facilities, culture facilities
- Social capital must be understood for its value to the community as “needs lists” are developed
- The political aspect of social capital requires awareness in the capital planning process as it competes for resources with other capital groups

CAPITAL COMPETES FOR RESOURCES



CAPITAL PLANNING INPUTS



POTENTIAL PROJECTS - FACTORS FOR EVALUATION



- **Health and safety** concerns.
- **Legal** obligations & mandates.
- Provincial or federal government **legislation, grants, policy**.
- **Economic, environmental, or social** value to the community or region.
- **Operational benefits** to the municipality.
- Specific needs or demands for **new/improved services** or cost savings.
- **Investment return** (e.g., saving on maintenance, new assessment).
- Capacity to **leverage** other resources (e.g., matching funds).
- Project **feasibility** (cost, time frames, management capacity).
- **Strategic** importance and **politics** (non weighted criteria).

COMMUNITY EXPECTATIONS

Demands for:

- Higher levels of service – snow removal, grass cutting etc.
- New services – transit, recreation programs etc.
- New facilities – fire, recreation, police
- Low taxes

VS RESOURCE AVAILABILITY

- Tax projections
- Fees and charges projections – rate, growth, new
- Utility Rates – rate, growth, new
- Grants, debt capacity, reserves
- Political Environment



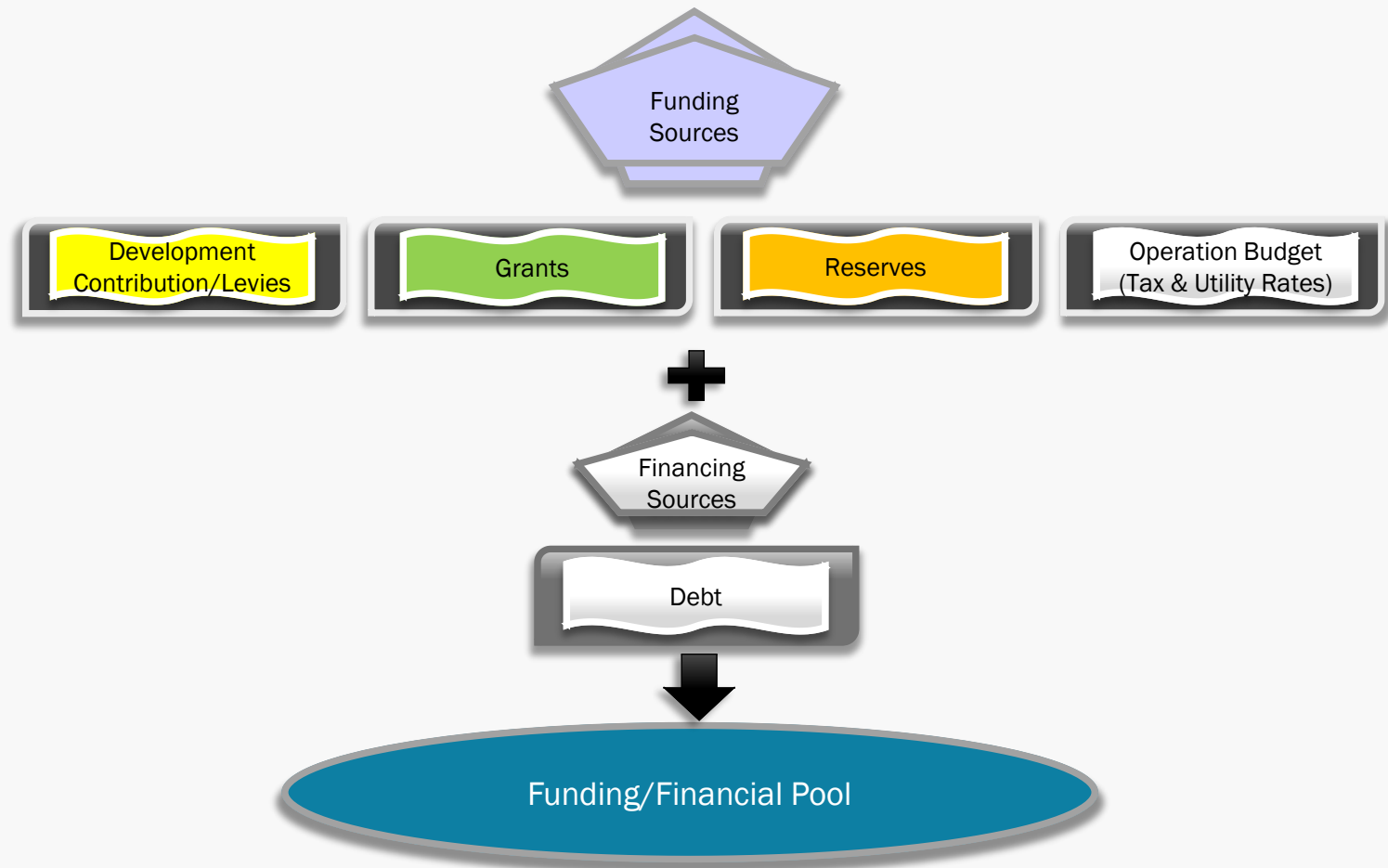
Town of Redwater

Capital Budget 2021 - Council Meeting December 1, 2020



Project	Department	GRANTS			Reserves	Reserves - from 2020	Developer Securities	ACFA Debt	Capital Budget 2021
		MSI Capital	Gas Tax Fund	Stimulus					
Thorhild Gas Lines	Gas	130,000				38,280			168,280
Walking Trail - Willows Pond to Trailer Park (44th Street)	Parks						84,300		84,300
HVAC	Pembina Place							668,631	668,631
Ice Plant	Pembina Place							1,010,845	1,010,845
DSP	Pembina Place				20,000				20,000
Storm Sewer - Phase 3	Storm Sewer	393,431		244,038	155,531	107,000			900,000
Sidewalks	Streets	100,000							100,000
Road Overlays:	Streets								
49 Street - 46 - 48 Ave			25,576						25,576
53 Street - 51 - 52 Ave			46,185						46,185
50 Ave - 49-50 Street		31,584							31,584
52 Street - 49 Ave to Alley			31,116						31,116
Public Works Truck					37,500				37,500
Fire Hydrant Replacement x 3	Water				27,000				27,000
Water Distribution Pump	Water				8,050				8,050
Total		\$655,015	\$102,877	\$244,038	\$248,081	\$145,280	\$84,300	\$1,679,476	\$3,159,067

CAPITAL FUNDING/FINANCIAL POOL



ESTIMATING FISCAL CAPACITY

“FUNDING POOL” EXPLAINED

- For long term capital planning **forecasting** funding sources is a critical step
- **All funding** sources combined form a municipality’s “**funding pool**”.
- Debt adds to the pool capacity but is not a funding source. **Debt is a financing** source.
- If debt is utilized. The ultimate **funding source must be identified**.
- Debt is a financing tool that is funded from:
 - *Taxes*
 - *Utility rates*
 - *User fees*
 - *Developer levies*
 - *Community and intermunicipal partner contributions.*
 - *Other*
- The debt limit of a municipality at a point in time is:
 - *In respect of the municipality’s total debt, 1.5 times the revenue of the municipality,*
 - *in respect of the municipality’s debt service, 0.25 times the revenue of the municipality.*

REVIEW GRANT CONTINUITY 2020

Grants (4-12-00-890)		Year	at Jan 1 2020	Grants 2020	Total	Project 2020	To release 2020	at Dec 31 2020
			\$	\$	\$	Capital Projects	\$	\$
Municipal Sustainability Initiative Capital (MSI)		2019	96,658			Fire Hall Roof	-168,440	120,035
Confirmed funding from Province (50% received to date)		2020		536,203		Sewer upgrades (budget)	-179,000	
assume same base \$		2021			632,861	Sidewalks	-137,386	
						Pembina HVAC engineering project WIP from 2019	-28,000	
Federal Gas Tax Fund		2019	-98,860			55 Street: 48 - 49 Avenue	-37,402	0
2019 Grant funding received in 2020 (includes one-time Federal cash infusion)		2019		231,990				
		2020		117,435		54 Street: 49 - 49 Avenue	-38,419	
assume same base \$		2021			250,565	65 Street: 53 - 53A Avenue (Council approved additional cost res #20-199)	-174,744	
Stimulus Grant								
			-2,202	885,628	883,426		-763,391	120,035

REVIEW GRANT CONTINUITY 2021

Grants (4-12-00-890)	Year	at Dec 31 2020 \$	Grants 2021 \$	Proposed 2021 Capital Projects	Total \$	Projected at Dec 31 2021
Municipal Sustainability Initiative Capital (MSI)	2019	120,035	536,203	Thorhild Gas Lines	-130,000	1,223
Confirmed funding from Province (50% received to date)	2020			Storm Sewer	-393,431	
assume same base \$	2021			Sidewalks	-100,000	
				50 Ave - 49-50 Street	-31,584	
Federal Gas Tax Fund	2019	0	117,435	52 Street - 49 Ave to Alley	-31,116	14,558
2019 Grant funding received in 2020 (includes one-time Federal cash infusion)	2019			53 Street - 51 - 52 Ave	-46,185	
	2020					
assume same base \$	2021			49 Street - 46 - 48 Ave	-25,576	
Stimulus Grant		120,035	244,038	Storm Sewer	-244,038	0
		120,035	897,676		-1,001,930	15,781

REVIEW RESERVES CONTINUITY 2020

Reserve account	Project	at Jan 1 2020	2020 Project	2020 Approved	2020 potential from Surplus due to COVID	at Dec 31 2020
		\$	Capital & Operating	\$		\$
COUNCIL	Antique Fire Truck	1,023				1,023
OPERATING	Computer upgrades	30,860	Server replacement	-30,000		860
FIRE	Boiler replacement	10,000				10,000
	Future Capital	83,266	Per Policy & additional \$30k	36,525		119,791
	Roof	65,000	Roof (co fund with MSI grant)	-65,000		0
	General building	1,509				1,509
STREETS	Sidewalks	17,000				17,000
	General Street reserve	70,621	65 Street: 53 - 53A Avenue (Council approved additional cost res #20-199)	-9,876		60,745
WATER	Water & Sewer line capital upgrades	155,531				155,531
	Golf Club Grant (RES 16-166)	37,500	Golf Club Grant paid	-37,500		0
CEMETERY	Perpetual Care	3,400	Budgeted based on Bylaw	400		3,800
	Columbarium	1,958				1,958
PLANNING GENERAL	Lot proceeds for 2.5 acre - for receivables/legal/building up lot	53,112				53,112
	MDP Reserve	10,000				10,000
	1177620 Securities	346,200				346,200
PLANNING OFFSITE LEVIES	Sanitary Sewer	252,071				252,071
	Water	34,315				34,315
	Storm Drainage	52,438				52,438
	Arterial Roads	403,373				403,373
	Recreation	3,940				3,940
POOL	Building reserve	23,959				23,959
	Parking Lot	28,000				28,000
SPECIAL PROJECTS	Derrick Repairs	22,139	Derrick assessment & tender	-18,700		3,439
	Walking Trails	87,186	Budgeted reserve addition	8,000		21,351
			2020 Trail Tim Hortons (budget)	-73,835		4,443
	Playground upgrades	4,443				1,491
	Program subsidy	1,491	Release according to applications			346
	Donation - families in need	346	Release according to applications			
PEMBINA PLACE	Facility Reserve	38,600	2020 budgeted Debenture payment		67,000	105,600
	Backup Generator for emergencies	25,000				25,000
	Parking lot paving - southside	90,000				90,000
GAS	General Utility Reserve	347,498	PW SUV	-31,085		
			Gas line heater	-47,975		
			ITRON	-24,707		
			Thorhild Gas Line Project	40,000		
			2020 UCI fees budgeted	99,360		
			Lift Station Pump (budget)	-8,100		
			Water reservoir generator project did not proceed			
			2020 potential surplus amount (res #20-179)		107,000	481,991
		2,301,779		-162,493	174,000	2,313,286

REVIEW RESERVES CONTINUITY 2021

Reserve account	Project	at Dec 31 2020	Proposed 2021 Projects	2021 Project	Projected
		\$	Capital & Operating	\$	Dec 31 2021
COUNCIL	Antique Fire Truck	1,023			1,023
OPERATING	Computer upgrades	860			860
FIRE	Boiler replacement	10,000			10,000
	Future Capital	119,791	Per Policy & additional \$30k	35,500	155,291
	Roof	0			0
	General building	1,509			1,509
STREETS	Sidewalks	17,000			17,000
	General Street reserve	60,745			60,745
WATER	Water & Sewer line capital upgrades	155,531	Storm Sewer project	-155,531	0
	Golf Club Grant (RES 16-166)	0			0
CEMETERY	Perpetual Care	3,800	Budgeted based on Bylaw	400	4,200
	Columbarium	1,958			1,958
PLANNING	Lot proceeds for 2.5 acre - for receivables/legal/building up lot	53,112			53,112
GENERAL	MDP Reserve	10,000	MDP	-10,000	0
	1177620 Securities	346,200			346,200
PLANNING	Sanitary Sewer	252,071			252,071
OFFSITE LEVIES	Water	34,315			34,315
	Storm Drainage	52,438			52,438
	Arterial Roads	403,373			403,373
	Recreation	3,940			3,940
POOL	Building reserve	23,959			23,959
	Parking Lot	28,000			28,000
SPECIAL PROJECTS	Derrick Repairs	3,439	Budgeted reserve addition	8,000	3,439
	Walking Trails				
		21,351			29,351
	Playground upgrades	4,443			4,443
	Program subsidy	1,491	Release according to applications		1,491
	Donation - families in need	346	Release according to applications		346
PEMBINA PLACE	Facility Reserve		DSP	-20,000	
		105,600	Reserve for Debenture payment	-67,000	18,600
	Backup Generator for emergencies	25,000			25,000
	Parking lot paving - southside	90,000			90,000
GAS	General Utility Reserve		Thorhild Gas Lines	-38,280	
			Storm Sewer (to be established in 2020 surplus)	-107,000	
			PW truck	-37,500	
			Fire Hydrant replacement	-27,000	
			Water Distribution pump	-8,050	
			2020 UCI fees budgeted	99,666	
		481,991			363,827
		2,313,286		-326,795	1,986,491

CAPITAL GAP CALCULATED

- It is Legislated by the MGA that matching funds be identified annually for the **Annual Capital Budget**
- For the Five-Year Capital Plan: The **funding pool** is calculated and it is **subtracted** from **the needs list** to determine the **Capital Gap**.
- It is Important to remember the numbers are **cumulative**. The capital gap forecasts the growing gap as capital “needs” utilize funds.
- All **projects approved** annually must be **incorporated** into the **forecast** to ensure the gap is not underestimated. (approved projects reduces available funding)
- The capital gap is an essential tool in determining the long term capital challenge. **Capital Planning challenge = “less projects or more funding”**



FIVE-YEAR CAPITAL PLAN

1. Assumptions made regarding future grant funding - difficult to make these at this time with COVID/Current Government info
2. Established Town Reserves are included as a source of funding
3. New reserve strategy that has been started in 3 Year Operating Plan is included
4. Review Debt Capacity Available for any “Capital Gap”
5. Can the 5 Year Plan be funded?
6. Other Funding Strategies available alternate to Debt
 - *Other Grants*
 - *Ensuring annual additions to Town Reserves for future projects*
 - *Taxation*
 - *Community Contributions – seek donations*
7. Plan is intended to show focus to attainable projects and show the “Gap” in funding to seek alternatives before the project start dates
8. Document is reviewed annually by Council

REVIEW 5 YEAR FUNDING - CAPITAL PLAN

Summary Capital Expense	2021	2022	2023	2024	2025
Trails	\$ 84,300	\$ -	\$ 148,026	\$ -	\$ -
Sidewalks	\$ 100,000	\$ 141,787	\$ 153,900	\$ 131,100	\$ 146,775
Parking Lots	\$ -	\$ -	\$ 84,872	\$ -	\$ -
Streets	\$ 134,461	\$ 160,920	\$ 207,900	\$ 203,040	\$ 218,700
Infrastructure	\$ 1,095,280	\$ 184,000	\$ 371,135	\$ 305,742	\$ 294,319
Buildings	\$ 1,707,526	\$ 256,936	\$ 302,057	\$ -	\$ 3,215,177
Vehicles	\$ 37,500	\$ 79,825	\$ 85,402	\$ 42,070	\$ 35,454
Equipment	\$ -	\$ 248,093	\$ 22,687	\$ 46,365	\$ 276,666
Total	\$3,159,067	\$1,071,560	\$1,375,980	\$728,317	\$4,187,090

Summary Potential Funding Pool	2021	2022	2023	2024	2025
Municipal Sustainability Initiative (MSI) Grant	\$ 531,835	\$ 413,023			
Basic Municipal Transportation Grant (BMTG)	\$ 123,180	\$ 123,180			
Local Government Fiscal Framework (LGFF) replaces MSI & BMTG			\$ 310,142	\$ 310,142	\$ 310,142
Gas Tax Grant	\$ 102,877	\$ 131,993	\$ 117,435	\$ 117,435	\$ 117,435
Stimulus (Approved)	\$ 244,038				
AMWWP Grant for Lift Station (Pending Government Approval)					\$ 1,602,893
Town Reserves (established)	\$ 248,081		\$ 84,872		
Town Reserves (not established-2020 surplus)	\$ 145,280				
Developer Contribution	\$ 84,300				
Borrowing Established	\$ 1,679,476				
Total Funding Pool	\$ 3,159,067	\$ 668,196	\$ 512,449	\$ 427,577	\$ 2,030,470

REVIEW 5 YEAR FUNDING - CAPITAL PLAN

5 Year Potential Capital Gap	2021	2022	2023	2024	2025
Cumulative Needs List	\$ 3,159,067	\$ 1,071,560	\$ 1,375,980	\$ 728,317	\$ 4,187,090
Cumulative Funding	\$ 3,159,067	\$ 668,196	\$ 512,449	\$ 427,577	\$ 2,030,470
Funding Surplus/Shortfall	\$ -	\$ 403,364	\$ 863,531	\$ 300,740	\$ 2,156,620
Debt Capacity Available	\$ 6,027,195	\$ 6,027,195	\$ 5,623,831	\$ 4,760,300	\$ 4,459,559
5 Year Capital Gap	\$6,027,195	\$5,623,831	\$4,760,300	\$4,459,559	\$2,302,939

Other Funding Strategies (outside of debt)	2021	2022	2023	2024	2025
Town Reserves - Walking Trails (not fully established)			\$ 148,026		
Town Reserves - Pool/Spray Park (new reserve strategies in 3 yr plan)				\$ 100,000	
Town Reserves - Pembina Place (Building incl. Roof)				\$ 70,000	
Town Reserves - Servers					\$ 33,765
Community Contributions - Playground Equipment				\$ 92,742	\$ 45,020
Climate Grant - LED lighting Pembina Place			\$ 12,731		
Reallocation of Pembina Place Borrowing balance (by Bylaw)		\$ 920,524			
Taxation / Utility Rates / User Fees					
Developer Contributions					
Partnerships with Sturgeon County / ICF Agreements					

REVIEW 10 YEAR CAPITAL PLAN

Summary Capital	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Trails	\$ 84,300	\$ -	\$ 148,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sidewalks	\$ 100,000	\$ 141,787	\$ 153,900	\$ 131,100	\$ 146,775	\$ 167,037	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000
Parking Lots	\$ -	\$ -	\$ 84,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Streets	\$ 134,461	\$ 160,920	\$ 207,900	\$ 203,040	\$ 218,700	\$ 233,280	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Infrastructure	\$ 1,095,280	\$ 184,000	\$ 371,135	\$ 305,742	\$ 294,319	\$ 1,923,181	\$ 203,000	\$ 134,317	\$ 227,000	\$ 243,000
Buildings	\$ 1,707,526	\$ 256,936	\$ 302,057	\$ -	\$ 3,215,177	\$ 1,138,856	\$ 1,793,483	\$ 50,578	\$ -	\$ 130,477
Vehicles	\$ 37,500	\$ 79,825	\$ 85,402	\$ 42,070	\$ 35,454	\$ -	\$ 37,117	\$ 99,005	\$ 595,382	\$ 48,929
Equipment	\$ -	\$ 248,093	\$ 22,687	\$ 46,365	\$ 276,666	\$ 31,314	\$ 19,002	\$ 43,267	\$ 410,432	\$ 71,763
Total	\$3,159,067	\$1,071,560	\$1,375,980	\$728,317	\$4,187,090	\$3,493,668	\$2,372,602	\$647,167	\$1,552,814	\$814,169

