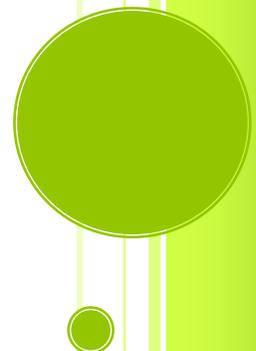


A GUIDE TO THE NEW LEGISLATIVE REQUIREMENTS FOR MUNICIPAL FINANCIAL & CAPITAL PLANS



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Overview

This guide has been prepared by Alberta Municipal Affairs to assist municipalities that are getting started on multi-year financial planning. A detailed case study and sample budget templates are available as additional resources.

Good financial planning can provide information about future financial capacity so that strategies can be developed to achieve sustainability. There are a variety of approaches to municipal financial planning in Alberta. Many municipalities do effective long-term financial planning while others may be at the beginning stages of the process.

During the recent review of the *Municipal Government Act (MGA)*, stakeholders expressed a view that municipalities could optimize both their financial and their physical assets with better long-term financial planning. These discussions led to the adoption of a new requirement under the *MGA* for municipalities to prepare financial plans and capital plans on a multi-year basis, in addition to the budgets they prepare on an annual basis.

This new *MGA* amendment provides flexibility to municipalities in developing these plans, while at the same time putting more rigorous legislation into place. Municipalities are permitted to determine their own financial management practices for long-term financial planning within the framework provided.

A financial plan can be defined as a rolling, multi-year budget that details expenses and anticipated revenues over the specified budget period. Each year of the plan is reviewed and approved, with adjustments as required and an additional year added.

A capital plan is a multi-year plan that lists the physical assets and the infrastructure needs of a municipality, assesses the condition of those assets, determines what new infrastructure is needed, and indicates when funds will be spent on both old and new assets. A capital plan identifies how projects are to be funded and when projects are to commence.

Multi-year planning enables local governments to better link strategic goals with financial planning processes that are tied to the annual budget cycle. The development of multi-year financial and capital plans saves time in the end by building a foundation for the annual budget process. This means that municipal staff can spend less time on annual budget development tasks and more time on service delivery, program evaluation and innovation.

Legislative Requirements

Alberta municipalities will continue to adopt an operating budget for each calendar year; the estimated revenues must be sufficient to pay the estimated expenditures. In addition, a capital budget must include the estimated amounts for capital property and the sources of funding for the calendar year within this framework. The MGA also provides for an annual budget format, consistent with the annual audited financial statements, that combines operating and capital.

The *Municipal Government Amendment Act, 2015* was passed by the legislature in the spring of 2015. Section 283.1, Financial Plans and Capital Plans, was added to the MGA to provide that, at a minimum, every municipality prepare a written three-year financial plan and a five-year capital plan. Municipalities are encouraged to consider longer timeframes for financial planning if they see a benefit to doing so.

Section 283.1 includes the following:

- Each municipality must prepare a written plan respecting its anticipated financial operations over a period of at least the next 3 financial years (283.1(2))
- Each municipality must prepare a written plan respecting its anticipated capital property additions over a period of at least the next 5 financial years (283.1(3))
- Multi-year plans do not include the year in which they are being prepared (s.283.1(4))
- Council must review and update the financial and capital plans annually (s.283.1(6)).

In addition to section 283.1 of the MGA, the *Municipal Corporate Planning Regulation* establishes a minimum standard for the content of financial and capital plans. The regulation is based on an adaptable approach that allows municipalities to tailor their practices to meet or exceed this benchmark.

The first financial year to be reflected in the plans is 2020; consequently, municipalities must begin preparing the plans in conjunction with the 2019 annual budget cycle.

The regulation provides that the three-year financial plan must include, at a minimum,

- anticipated total revenues and total expenses by major category;
- anticipated annual surplus or deficit; and
- anticipated accumulated surplus or deficit.

The minimum standard provided in the regulation for capital plans includes planned capital additions and allocated or anticipated funding sources.

Municipalities with financial and capital plans that meet or exceed the multi-year requirements do not need to make any changes to existing practices.

Tools and Resources

The Town of New Sampleford case study and sample budget templates have been developed to provide an example of a financial planning process in a small municipality. The focus of the case study is a fictitious town with limited in-house resources or expertise to prepare a three-year financial and a five-year capital plan.

The case study is advisory in nature and should not be considered an additional requirement. Municipalities are free to develop their respective plan documents in the form and manner that best suits their local needs. Users are encouraged to make modifications to the Excel worksheet examples to meet those local needs.

Electronic versions of the tools and templates used in this case study are available for municipalities to download at www.municipalaffairs.alberta.ca; click on Municipalities and Communities and choose the Financial Reporting Requirements tab.

Frequently Asked Questions

- When do the first plans have to be completed?

The first financial year to be reflected in the plans is 2020.

The 2020 to 2022 financial plan and the 2020 to 2024 capital plan should be in place when the 2019 annual budget planning process is complete.

- Do the three- and five-year plans include the current year?

The current year is not included in the plans. For example, in 2019 a municipality will need to finalize the annual budget, the 2020 to 2022 written financial plan and the 2020 to 2024 written capital plan to fully comply with the new requirements.

- Do the plans have to be submitted to the Minister of Municipal Affairs?

The plans do not have to be submitted to Alberta Municipal Affairs.

- Is there an audit requirement as part of the new legislative provisions?

There is no legislative requirement; however, your appointed auditor may review the budget documents as part of the annual audit process.

- Where can I download the sample budget templates?

www.municipalaffairs.alberta.ca/municipalities-and-communities; click on Financial Reporting Requirements.

- Where can I get help with the new requirements for multi-year plans?

If you require assistance with the new requirements, please contact a financial advisor at 780-427-2225, toll free by dialling 310-0000.

Section 283.1

Financial Plans and Capital Plans

Municipal Government Act Financial Plans and Capital Plans Required plans

283.1(1) *In this section,*

- (a) “capital plan” means a plan referred to in subsection (3);*
- (b) “financial plan” means a plan referred to in subsection (2).*
- (2) Each municipality must prepare a written plan respecting its anticipated financial operations over a period of at least the next 3 financial years.*
- (3) Each municipality must prepare a written plan respecting its anticipated capital property additions over a period of at least the next 5 financial years.*
- (4) The 3 financial years referred to in subsection (2) and the 5 financial years referred to in subsection (3) do not include the financial year in which the financial plan or capital plan is prepared.*
- (5) Council may elect to include more than 3 financial years in a financial plan or more than 5 financial years in a capital plan.*
- (6) Council must annually review and update its financial plan and capital plan.*
- (7) The Minister may make regulations respecting financial plans and capital plans, including, without limitation, regulations*
 - (a) respecting the form and contents of financial plans and capital plans;*
 - (b) specifying the first financial year required to be reflected in a financial plan;*
 - (c) specifying the first financial year required to be reflected in a capital plan.*

Municipal Corporate Planning Regulation

Municipal Government Act Municipal Corporate Planning Regulation Definition

1 *In this Regulation, “Act” means the Municipal Government Act.*

Requirements of a financial plan

- 2 *The financial plan that a municipality must prepare pursuant to section 283.1(2) of the Act must include*
- (a) anticipated total revenues and total expenses by major category,*
 - (b) the anticipated annual surplus or deficit, and*
 - (c) the anticipated accumulated surplus or deficit.*

Requirements of a capital plan

- 3 *The capital plan that a municipality must prepare pursuant to section 283.1(3) of the Act must include*
- (a) planned capital property additions, and*
 - (b) allocated or anticipated funding sources.*

Transitional

- 4 *The first financial year required to be reflected in a financial plan and a capital plan is the 2020 financial year.*

Coming into force

- 5 *This Regulation comes into force on the coming into force of section 40 of the Municipal Government Amendment Act, 2015.*



FINANCIAL PLANNING EXERCISE:
TOWN OF NEW SAMPLEFORD

3/21/2018

TOWN OF NEW SAMPLEFORD

Municipal Organization

The Town of New Sampleford is located within the County of Sample View. The town has five elected officials. The Mayor is voted from among members of council.

The town currently employs 10 full-time positions (including 2 public works staff), with part-time students brought on in the summer where needed.

In addition to the services that are provided through the municipal administration, the town contracts out the services of its water operator to the neighbouring

Village of Sampleburg.

The town employs its own development officer and finance staff, but contracts assessment services from the county. Fire and emergency services are also contracted from the county.

Waste collection is contracted through the waste commission and paid for through general revenue. Council is considering a full cost recovery model that would require implementing a monthly utility charge.

The town is a member of the New Sampleford Regional Waste Management Services Commission and the Samplehouse Seniors Foundation. Requisitions are payable to these organizations each year.

Town of New Sampleford

- Population - 1250
- Councillors - 5
- Full-time - 10
- Summer students - 2

Municipal Services

- Administration
- Water Treatment
- Wastewater Lagoon
- Roads/Sidewalks/Street Lights
- Snow Removal
- Storm Water
- FCSS
- Curling Rink
- Hockey Rinks
- Spray Park
- Baseball Diamond
- Municipal Library

Strategic Plan

The town recently updated its strategic plan. The town identified four key goals and some associated strategies to achieve those goals.

Key Goal	Strategies
1. Engage with residents to align council's goals with residents needs	<ul style="list-style-type: none"> • Utilize community engagement to support strategic goals and inform corporate plans • Develop a public participation policy pursuant to the MGA
2. Ensure the viability of key infrastructure	<ul style="list-style-type: none"> • Conduct an infrastructure audit every 10 years • Utilize the infrastructure audit, public input and recommendations from administration to develop a 10-year capital plan • Develop an asset management plan to ensure infrastructure is managed in an efficient and cost-effective manner
3. Identify current services and service levels and engage the public to ensure they meet residents' needs	<ul style="list-style-type: none"> • Conduct a survey of current services • Analyze current services and how they are funded • Engage the public to identify gaps or overlaps • Develop options to address gaps, including costs and potential funding sources • Align annual budgets and long-term financial plans with residents' service delivery expectations
4. Work with regional partners to find opportunities for regionally shared services and operational efficiencies.	<ul style="list-style-type: none"> • Develop an intermunicipal collaboration framework (ICF) with the County, pursuant to the MGA • Foster strong relationships with other neighbouring municipalities and identify opportunities for service delivery on a regional basis

Strategic Plan cont'd

The town has made some progress towards achieving the strategic plan key goals.

The first infrastructure audit is complete and a summary of the information was made available to the public and discussed at a council meeting. This information will help council in developing the capital plan, and assist the residents to understand the condition of the town's infrastructure and to formulate their input for council.

The infrastructure audit will assist the residents to understand the condition of the town's infrastructure.

The town has hosted two open houses with residents to obtain feedback on the services provided in New Sampleford. The first focused on identifying the appropriate suite and level of services based on the priorities of the community.

Administration then took that information and developed options for residents to consider that included estimated costs of the services identified as a priority and changes to current taxes and/or user fees to provide them.

The second open house provided residents the opportunity to see what identified additional services or service levels would cost, as well as where savings could be realized with a reduction of those services that were deemed less of a priority. Residents had the opportunity to weigh the benefits and costs of additional services (or savings) and provide council with their feedback. This information will be used in the development of the annual budget and three-year financial plan.

An open house is an opportunity for the public to consider options regarding service level versus cost.

Service Level Review

Highlights from the public engagement on service levels:

Transportation:

Residents were opposed to contracting out snow clearing services despite the opportunity to save approximately 30 per cent of the cost of providing the service.

Water/Wastewater:

Water and wastewater costs are charged based on full cost recovery, including amortization. No changes were suggested.

Solid Waste:

Solid waste is currently being funded through general taxation; the option was put forward to residents to move to a user pay system to cover the contracted costs.

Recreation:

Residents have expressed concern over the limited time certain indoor facilities are open and the maintenance of outdoor facilities and parks.

Council proposed increases in taxes or increased facility fees to fund staff time to keep facilities open longer and better maintained.

Council expects reduced operating costs following upgrades to the curling rink. As well, financial assistance from the county under the new ICF agreement for recreation will limit impacts to the town's municipal property tax rate.

Residents

- Value the quick response provided by town-owned and operated snow clearing equipment.
- Were generally in favor of moving to a utility charge for waste collection.
- Chose increases to taxes as preferable to user fees. They don't want to discourage non-profit youth and sports organizations from using the recreation facilities.

Intermunicipal Collaboration Frameworks

Council has reviewed the requirements for intermunicipal collaboration frameworks (ICFs) and the services that must be explored at a regional level. The outcomes will inform the corporate plan.

Intermunicipal Development Plan (IDP): To date the region has not developed an IDP. Council noted that with the economy poised to rebound, now is the time to ensure the region grows in a coordinated and thoughtful manner. The municipalities will engage a consultant to assist with the development of an IDP.

Transportation: In council's view, considering the size and nature of the communities in the region, there is no need for a regional transportation system at this time.

Water/Wastewater: The county is looking for a long-term solution to water and wastewater services for country residential subdivisions in the area. So too is the Village of Sampleburg. The town's water treatment system has sufficient capacity but transmission lines would be required. Council is concerned about maintaining sufficient water capacity for its residents under its water license. The county and the village have agreed that a regional solution to water provision is the best course of action so the three municipalities will form a regional services commission with the town donating the water treatment plant and the county and village funding the necessary upgrades and transmission lines.

With regard to wastewater, the lagoon is in need of immediate dredging and significant repairs in the near future. No immediate long-term solution is evident for the town's wastewater; as such, the lagoon will be dredged.

Emergency Services: Emergency services are provided to the region through the county.

Solid Waste: The town is a member of the New Sampleford Regional Waste Management Services Commission. Residents have generally been pleased with the services.

ICFs cont'd

Recreation: Provision of recreation facilities and services has been a point of contention between the town and the county. Many county residents use the town's facilities but to date the county has not provided financial support for either the capital costs or ongoing operation of the facilities.

The county has agreed to cost-share future capital recreation projects at 30 per cent. The county will also contribute to 30 per cent of recreation operating expenses, starting in 2020.

Other Regional Services: A shared bylaw officer and consolidated development services are under consideration. The bylaw officer was agreed upon by all parties; the town's share of the annual costs is \$25,000.

Sampleburg has also expressed interest in contracting with the town for financial services. The town has agreed to provide financial services to the village for an annual fee of \$15,000. Both the bylaw officer and the financial services contracts will start in 2020. The CAO believes the current staff complement can handle the workload as a second position was recently approved.

The municipalities have discussed the possibility of a shared equipment pool for road construction. All parties agreed to move ahead on a shared equipment pool if provincial grant funds are secured through the Alberta Community Partnership.

Infrastructure Priorities

The key elements of the recent infrastructure audit, broken down by functional area, are analyzed below.

Environmental Services:

The town is in the enviable position of being located on a clean and plentiful water aquifer and having a water license that far exceeds the current or future planned needs of the community. The quality of the aquifer reduces the complexity and costs of the treatment and filtration systems required in the town's water treatment plant. As such, only minor repairs and a few upgrades to the pumps at the treatment plant are identified as required over the next 10 years assuming the plant services only the town.

Should a regional water system be explored that utilizes the town's treatment plant, more significant upgrades will be required.

Unfortunately, however, the distribution system is a different story. The steel and asbestos water pipes have deteriorated and water metering has shown that there are significant leaks in the system.

Administration is recommending that work on the water distribution system be prioritized by the condition of the transportation infrastructure above the water lines.

The situation with wastewater is exactly the reverse. Council has recently invested in relining the town's wastewater pipes extending their useful life by an estimated 15 years; however, the capacity of the lagoon is nearing its limit. While dredging the lagoon would temporarily extend its life, council is hoping a longer-term, regional solution can be found.

Infrastructure Priorities cont'd

Transportation:

For the most part the village's roads, streets, walks and lighting are not in need of significant replacement; however, administration has been working on implementing asset management strategies wherever possible. If the water distribution system needs to be replaced it would be prudent to replace the roads to reduce duplication.

Buildings and Facilities:

The administration and public works buildings do not require significant upgrades; however, administration has identified opportunities for energy efficiency improvements, including high-efficiency furnaces, LED lighting, and increased insulation.

The curling rink is in need of a new roof and other upgrades. The local curling club has fundraised half of the cost. Council is hoping to split the remaining costs equally with the county, which will be part of the ICF discussions.

Machinery, Equipment and Vehicles:

The town maintains a grader, a backhoe, a skid steer, two public works pick-up trucks, and various landscaping equipment. The backhoe and skid steer are primarily used in the case of water main breaks, clearing snow from parking lots, and odd jobs around the town and are in good condition.

Council has considered contracting snow clearing to the county, but residents have made it clear they value the quick response to snow clearing that having a town-owned and operated grader provides, and are willing to see tax dollars allocated to replacing the grader.

The grader has been identified for replacement in the infrastructure audit in the next four years.

Summary and Next Steps

The Town of New Sampleford has compiled information about its strategic priorities, desired service levels, and the current state of its physical assets and infrastructure. The Intermunicipal Collaborative Framework provides information about regional considerations.

The town can now use this information to draft a detailed three-year financial and five-year capital plan for council's consideration. The sample budget template is available to assist with this process.