

## Request for Decision

<b>Title</b>	<b>Bylaw 1580/22 - Amendment to Council Committees Bylaw 1517/20 to Establish the Capital Committee - Three Readings and Capital Budgeting Policy</b>
<b>Proposed Motion</b>	<ol style="list-style-type: none"> <li>1. That Council give first reading of Bylaw 1580/22.</li> <li>2. That Council give second reading of Bylaw 1580/22.</li> <li>3. That Council consider third reading of Bylaw 1580/22.</li> <li>4. That Council give third reading of Bylaw 1580/22.</li> <li>5. That Council approve the Capital Budgeting Policy as presented.</li> </ol>
<b>Administrative Recommendation</b>	<p>Administration recommends that Council give three readings of Bylaw 1580/22 to amend the Council Committees Bylaw to establish the Capital Committee.</p> <p>Further, Administration recommends that Council approved the Capital Budgeting Policy as presented.</p>
<b>Previous Council / Committee Direction</b>	<p><u>December 14, 2021 Regular Council Meeting</u></p> <p>Motion 515/21: (BIR-0009) That the proposed 2022 Capital Budget be amended to add a \$500,000 funding allocation to the community capital category in 2022 and 2023 (total of \$1 million), for community projects in the Sturgeon Valley area, and that Council direct Administration to bring back detailed projects for Council approval in Q1 of 2022 to be funded from the Significant Tax Revenue Growth Community Building Priority Reserve.</p>
<b>Report</b>	<p><u>Background Information</u></p> <ul style="list-style-type: none"> <li>• Multi-year capital budgeting is a key improvement opportunity to the County's strategic financial planning processes as it supports: <ul style="list-style-type: none"> <li>◦ Optimized planning and Operating Capacity – Fostering strategic approaches to support the County's long-term financial sustainability. Aligns the County's capital requirements with resource requirements and financial capacity to achieve Council's goals and objectives.</li> <li>◦ Efficient and effective procurement – Greater flexibility to manage procurement processes, which provides opportunities for improved pricing and the best contract service providers.</li> <li>◦ Risk management – The County is better prepared for and able to manage with long-term plans in place.</li> </ul> </li> </ul>

- Alignment – Multi-year budgeting aligns with the nature of capital programs, which typically involve multi-year projects and can better align with the achievement of goals over the term of municipal elected officials. Additionally, multi-year budgeting strongly enhances alignment with regional collaboration opportunities.
  - Stability – Multi-year budgeting provides residents, businesses, and stakeholders with greater certainty regarding the County's services, capital plans, and taxes.
- The proposed Capital Budgeting Policy (Policy) would support the implementation of the County's first multi-year budget for the 2023-2025 period. This support is provided through outlining the objectives, process, and responsibilities of the multi-year budget process.
- Flexibility is essential to effective County operations, and the budget process must satisfy this requirement. As such, the multi-year capital budget is intended to be a "living document" which supports the ability of strategic and operational plans to quickly shift in response to the dynamic environment.
- Generally, changes to the budget will result from changes to legislation; changes to costs and timing; or new direction from Council. To manage these changes, budget flexibility is provided through:
  - An annual budget check-in;
  - A mid-cycle review and update;
  - In-year capital budget amendments; and
  - Integration with the annual operating budget process.
- The Capital Budgeting Policy proposes an annual check-in that will:
  - Consider the application of released funds from projects coming in under budget;
  - Adjust for unanticipated project costs increases due to inflation or other factors;
  - Adjust the overall capital plan for approved in-year capital budget amendments, including project timing and funding;
  - Adjust for any anticipated savings through design, procurement, and in-season implementation; and
  - Reaffirm the projects for the following year(s) and/or projects that require multi-year funding.
- The annual budget check-in is intended to be a tactical process that is focused on adjusting the multi-year budget for differences in forecasts and estimates but largely leaves the multi-year budget in place. Seeing as the initial multi-year budget is approved by Council, the expectation is that the annual check-in will primarily include minor adjustments. The Capital Committee would commence the annual check-in process and provide recommendations to Council.

- The annual check-in should be finalized in advance of the completion of the operating budget to provide for integration of the impacts of the capital plan.
- To add further flexibility and responsiveness, the proposed Capital Budgeting Policy includes a mid-cycle update as part of the multi-year budget process. The mid-cycle update is intended to be a comprehensive review with Council that draws on public consultation, considers a broader perspective as part of an environmental scan, and assesses the strategic plan and alignment with the multi-year capital budget. Outcomes of the mid-cycle update could be substantial, including changes to the funding plan, forecasted tax rates, and planned projects and programs.
- An overarching principle of the Capital Budgeting Policy is that the planned funding and spending are balanced. Therefore, the recommended multi-year capital budget, and any amendments, must be within the multi-year funding constraint. The constraint is determined through an affordability analysis of the available tax supported capital funding and financing capacity. Any additional spending in-excess of the funding constraint would require a tax rate increase.
- The Policy outlines processes and responsibilities to provide structure and clarity to multi-year budgeting process.
- The annual operating budget process will continue as is, which provides a balance of short-term planning and flexibility to align with operating activities and long-term planning to align with capital needs.
- The Policy outlines a process where a new Capital Committee reviews the multi-year capital budget and plan prepared by Administration. Through evaluation, prioritization, and deliberation, the Capital Committee will recommend a multi-year capital budget for Council's approval. Where a capital budget amendment exceeds the multi-year funding available, the Capital Committee can recommend amendments to the capital budget and plan, including deferral or removal of projects to rebalance within the funding constraint.

#### External Communication

- The Bylaw, Policy, and budget materials will be published on the County website.

#### Relevant Policy/Legislation/Practices:

- Section 245 of the *Municipal Government Act* (MGA) prescribes that Council must adopt a capital budget for each calendar year.
- Section 246 of the MGA requires that the capital budget include the estimates amounts acquire capital property and the related sources of funding or financing.
- Section 283.1 of the MGA requires the preparation of a written capital plan of the anticipated capital property additions for the period of the next 5 years.

<b>Implication of Administrative Recommendation</b>	<p><u>Strategic Alignment:</u></p> <p><b>Operational Excellence</b> – In addition to being a widely accepted leading practice for local governments, multi-year budgeting is essential to effective long-term financial planning and sustainability, as well as careful debt and reserve stewardship. Multi-year budgeting also supports future focused thinking and the ability to be nimble and proactive in responding to opportunities and challenges.</p> <p><b>Planned Growth</b> – Developing a multi-year capital budget will help to provide reliable and effective infrastructure through prioritization of asset lifecycle spending. Approving a multi-year budget provides greater certainty to residents, businesses, and stakeholders regarding County services, taxes, and financial sustainability.</p> <p><b>Collaborative Governance</b> – Multi-year budgeting provides added stability and aligns with the long-term nature of regional relationships and collaboration. Transitioning away from a practice of continuous budgeting provides added capacity for increased community consultation and engagement.</p> <p><u>Organizational:</u></p> <ul style="list-style-type: none"> <li>• The implementation of the Policy and multi-year budgeting will enable the successful delivery of many strategic initiatives. This is due to the need for the County to have a clear prioritized plan which is managed within the limited financial resources available.</li> </ul> <p><u>Financial:</u></p> <ul style="list-style-type: none"> <li>• Long-term planning provides the County with greater certainty over its use of debt and financial reserves. Understanding the County’s financial capacity, or affordability, and risks associated with the plans and priorities is critical to good governance and effective stewardship of public funds. The efficiency of procurement and the delivery of capital plans is optimized with greater certainty provided over a multi-year period. Further, long-term financial sustainability is best supported through long-term planning that applies the principle of balanced budgeting.</li> <li>• The establishment of the Capital Committee would not have a financial impact beyond the time commitment of Administration and Council per diems.</li> </ul>
<b>Alternatives Considered</b>	<p>The Policy applies a “classic” multi-year budgeting methodology, where a multi-year period is approved. An alternative approach is the “rolling” multi-year budgeting approach, where an annual, single year, approval is retained and a new year is added to the end of the multi-year period.</p>
<b>Implications of Alternatives</b>	<p>The rolling approach mirrors the current budgeting process that is undertaken by the County, although the unapproved capital plans are not described as “approved in principle”. While many municipalities have adopted the rolling approach, its operational benefits are limited as a short-term planning process is largely retained. Additionally, the strategic advantages of consensus-building and regional opportunities are also</p>

	reduced due to the greater uncertainty of the subsequent budget years, which are only approved in principle.
<b>Follow up Action</b>	<ol style="list-style-type: none"> <li>1. Obtain Mayor and CAO signatures on the Bylaw and Policy (Legislative Services, February 2022).</li> <li>2. Post the Bylaw and Policy to the County's website and circulate to Committee members (Legislative Services, February 2022).</li> </ol>
<b>Attachment(s)</b>	<ol style="list-style-type: none"> <li>1. Attachment 1: Proposed Bylaw 1580/20 – Amendment to Bylaw 1517/20 to Establish the Capital Committee</li> <li>2. Attachment 2: Bylaw 1517/20 - Consolidated Council Committees Bylaw</li> <li>3. Attachment 3: Proposed Capital Budgeting Policy</li> <li>4. Attachment 4: Multi-Year Capital Budgeting Overview</li> </ol>
<b>Report Reviewed by:</b>	<p>Sabrina Duquette, Manager, Financial Services</p> <p>Jesse Sopko, Director, Corporate Services</p> <p>Andrew Hayes, Director, Financial, Assessment &amp; Procurement Services</p> <p>Scott MacDougall, Chief Operating Officer – COO</p> <p>Reegan McCullough, County Commissioner – CAO</p>

## Strategic Alignment Checklist

**Vision:** *Offering a rich tapestry of historical, cultural, and natural experiences, Sturgeon County is a municipality that honours its rural roots and cultivates desirable communities. Uniquely situated to provide world-class agricultural, energy, and business investment opportunities, the County prioritizes responsible stewardship and dreaming big.*

**Guiding Principles:** Collaboration | Accountability | Flexibility | Excellence | Safety | Future Readiness | Affordability | Innovation

Community Outcome	Not consistent	Consistent	N/A
<b>Planned Growth</b>			
<ul style="list-style-type: none"> <li>Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Modern broadband and digital capabilities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Low cost, minimal red-tape regulations</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Thriving Communities</b>			
<ul style="list-style-type: none"> <li>Beautiful, surprising places with high standards; integrated natural spaces &amp; trail systems; healthy and resilient</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Engaging cultural, historical, and civic amenities; strong community identity and pride</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Environmental Stewardship</b>			
<ul style="list-style-type: none"> <li>Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Sustainable development; partnerships with industry and others to drive emission reductions</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Collaborative Governance</b>			
<ul style="list-style-type: none"> <li>Predictable and stable external relationships; volunteer partnerships</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Meaningful connections with Indigenous communities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Respectful and informed debate; clear and supportive governance processes</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Operational Excellence</b>			
<ul style="list-style-type: none"> <li>Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Quality cost-effective service delivery; robust procurement and operational practices and policies; asset management and performance measurement; careful debt and reserve stewardship; long-term financial planning and sustainability</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Future focused thinking to proactively respond to emerging opportunities and challenges</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Alternative revenue generation and service delivery models integrated strategic and business planning</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>