



COUNCIL REPORT

Proposed 2025 Operating and Capital Base Budget Deliberations

Electoral Division: All

File: N/A

Date:	November 27 and 28, 2024
Presenters:	Issy Agbonkhese, Acting Executive Director, Financial Services
Department:	Financial Services

REPORT SUMMARY

This report presents an overview of Administration's proposed itinerary for budget deliberations at the November 27 and November 28 Special Council Meetings and highlights the draft 2025 base budget for Council's consideration.

In 2024, the County transitioned from a department-based planning and budgeting framework to a service-based framework for the proposed 2025 Operating and Capital Base Budget, resulting in a proposed base budget document that presents differently from previous years. The County's Service Management Framework enables Council to make service-based budget decisions and establish desirable service levels requested by County residents.

As the County experiences significant growth, Administration has identified several areas where additional investment is required to maintain or improve service levels. These investments include operating and capital expenses detailed in the proposed budget.

Budget deliberations will emphasize the strategic decisions or directions on which the proposed 2025 base budget is based, as well as recommended adjustments to the County's current base budget, with a special focus on key revenue and expense drivers by service.

Administration's itinerary for these deliberations is proposed below, with flexibility to encompass any suggestions or additions from Council as required:

November 27	Morning Session
	<ul style="list-style-type: none"> • CAO Overview of the Proposed 2025 Base Budget • Introduction and explanation of the 2025 Budget package • Detailed review of recommended changes from 2024 to 2025 • User fee discussion regarding possible water and wastewater rate increases
November 27	Afternoon Session
	<ul style="list-style-type: none"> • "What We Heard" presentation of budget engagement results • 2025 Budget Request presentations by division
November 28	All Day
	<ul style="list-style-type: none"> • Public input submissions on the proposed 2025 Base Budget • Council initiatives • Approval of the 2025 Base Budget/other direction

Proposed 2025 Operating and Capital Base Budget Deliberations

Administration's 2025 budget approval recommendation is based on the County's current 3-year operating plan and 5-year capital plan. A key budgetary assumption in Administration's recommendation is a forecasted increase of \$5,000,000 in tax revenue from growth in the County's property assessment base due to new construction of assessable structures and land.

The Budget deliberate exercise involves reviewing the 2025 Operating and Capital base budget (Appendix A) for an overview of recommended base budget changes while referencing the 2025 request (Appendix B) and 2024 service book (Appendix C) as required.

In deliberating the recommended 2025 operating and capital budget, Council is encouraged to:

- Ask questions as they arise during deliberation.
- Request additional information on a budget request through a Council motion.
- Direct Administration to provide further information on Council initiatives through a Council motion.
- Amend Administration recommendations or alternatives by adjusting a revenue or expense line item in the proposed 2025 Base Budget through a Council motion.

ADMINISTRATION'S RECOMMENDATION

THAT Council approves the proposed 2025 Operating and Capital Base Budget as presented in Attachment A, which includes a 1.87% increase in property tax and a \$1,800,400 transfer to the Tax Stabilization Reserve.

BACKGROUND

In July of 2022, Council approved and funded the Service Capacity Project alongside other priority projects that would advance the County's strategic goals, kicking off a multi-year process to transition the County from a department- and process-focused planning and budgeting process to a service and customer-focused process.

The Service Capacity Project was prioritized to help the County better define, assess, communicate, and make decisions about its services and service levels, as well as ensure that services support its long-term strategic vision for residents. Better defining our services assisted in answering four key questions:

- What services are we delivering?
- What level of service are we delivering?
- What are the risks that could impact the delivery of those services?
- How much are we investing in our services?

The project yielded a Service Management Framework. The framework was first introduced in the 2024 County budget, which offered a service-based view of the County's operating expenses and other improvements, including a utility system cost breakdown. The framework was then used as the foundation for the 2025 planning and budgeting process as the next step in fully transitioning to a service-based budget.

At the September 17, 2024 Governance Committee meeting, Administration introduced the 2024 Service Book, which presented the details of the County's 53 services and 164 sub-services, including current service levels, costs, risks, and service performance. This document was intended to serve as a reference for the 2025 budget.

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On November 15, 2024, the County published its Draft 2025 Operating and Capital Budget package. The package included the base operating and capital budget proposal by service, the detailed 2025 Operating & Capital Budget requests, and the 2024 Service Book. These materials provide a transparent and comprehensive view of the County's 2025 budget proposal.

Draft 2025 Base Budget

The Draft 2025 Operating and Capital budget (Appendix A) details the financial assumptions considered in preparing the recommended base budget, including, but not restricted to, the recommended tax increases and the rationale behind a recommended tax increase. The document begins with a message from the Reeve and a budget overview from the CAO. It includes information on budget engagement and how it has informed the proposed 2025 base budget. It also provides various measures and comparisons for the county. This leads to recommended tax increases and a summary of why this recommendation has been put forward. The proposed 2025 base budget is detailed by service, including recommended increases/decreases to the 2024 base budget. Other notable changes to the document include:

- A proposed tax increase based on a 3-year operating budget and a 5-year capital plan (Attachment A; Figure 2).
- A proposed tax-setting methodology to reduce the possibility of significant swings in year-over-year tax bills (Attachment A; Figure 4).
- A summary of proposed changes to the base budget by service, defined investment types, and the corresponding details making up the changes (Attachment A; Figures 2 and 3).
- The summary draft of the 2025 base budget by services (Attachment A; Figure 5) and by department (Appendix B).
- Presentation of the 53 service profiles.

2025 Operating & Capital Budget Requests

This document details all 2025 recommended investment adjustments by service and highlights the services requiring additional financial investments due to one of the following reasons:

New Initiative: A proposed new service at the County, or proposed changes to an existing service that allows the service to be enhanced. A request in this category is mainly initiated by Council direction or legislation/regulatory authority. It may also be a CAO-sponsored initiative. This investment increases the County's service level.

Growth in Service Request: A proposed investment change due to increased demand in volume or complexity for an existing service. A request in this category is mainly initiated by a service customer request or change to legislation/regulation that governs the service. This investment maintains the County's service level.

Price Increases: A proposed investment change due to year-over-year price increases, evident by a 3-year historical average of the service price or a contract pricing change with a vendor. This investment maintains the County's service level.

Capital Asset Replacement: A proposed investment change due to a capital asset reaching the end of its useful life or becoming obsolete because of regulatory changes. This investment maintains the County's service level.

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Each budget request also addresses alternative courses of action that were considered. The “Alternatives” and “Risk to Alternatives” sections allow council the opportunity to deduce what is a “must-have” for the county (due to legislation or other reasons) in comparison to other requests for which there are viable alternatives that achieve the same results.

ANALYSIS

The 2025 Operating and Capital Budget is structured around the key priorities that ensure long-term financial health (healthy and sustainable reserve balances), align service levels with community needs (service-based budgeting), and manage inflationary pressures to keep taxes affordable.

A proposed 1.87% tax increase addresses rising service costs, supports service improvements, and maintains infrastructure to attract new investment, as outlined in Attachment A; Figure 2.

The increase amounts to approximately a \$1.87 million increase in tax revenues, or \$6.27 per month for the average residential property with an assessed value of approximately \$1.4M, or \$60.23 for the average non-residential property with an assessed value of approximately \$3.0M.

COMMUNICATIONS / ENGAGEMENT

Should Council approve the 2025 Operating and Capital Budget, the approved budget will be published on the County website, along with a news release and other communications informing residents of Council’s decision.

IMPLICATIONS

Financial Implications

The County requires a balanced budget to operate. The County’s operating and capital budget is approved by Council annually. To balance the 2025 Operating and Capital Budget, the Administration has incorporated proposed assumptions related to tax increases and assessment growth. Monitoring and reporting on these assumptions are administered through the quarterly accountability reports and the financial statement reporting requirements at year-end.

Service Level Implications

Decisions made throughout the budget deliberation process can potentially increase, decrease, or maintain the County’s service levels.

STRATEGIC ALIGNMENT

Passing an annual budget is a statutory obligation for all provincial municipalities under the MGA.

A balanced and fiscally responsible capital and operating budget supports all the Key Performance Indicators associated with the County’s direction Plan. The specific alignment of budget requests with the County Strategic Plan can be found in Appendix B.

ALTERNATE DIRECTION

Alternative #1

THAT Council approves the 2025 Operating and Capital Base Budget with a 1.74% increase in property tax and a \$1,800,400 transfer to the Tax Stabilization Reserve, as presented in Appendix D outlines.

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This alternative would require a 4% rate increase in 2025 to all water and wastewater utility systems rates found in the Master Rates Bylaw C-8515-2024.

Benefits

A 4% rate increase to all water and wastewater utility systems in 2025 will result in additional user fee revenue of approximately \$418,000. This is approximately 47% of the requested budget adjustment due to price increases (from inflation) from the County's water treatment and distribution and wastewater collection and treatment services.

This alternative factors in:

- A proposed tax rate based on an operating and capital plan considering the current state (2025), plus two additional years (2025 – 2027), instead of just the current state. This leads to a more proactive approach to budgeting versus a more reactive approach.
- Additional taxes required are collected over 3 years (2025 – 2027) instead of being requested immediately in the year of need. This reduces the possibility of large tax hikes in any given year, smoothing out the impact of a tax bill on the ratepayers.
- Encourages long-range planning and budgeting in the organization, eventually reducing the number of ad hoc requests coming to Council during the year. It also sets the County up to use reserve accounts to plan for future needs based on the anticipated asset management framework shortly and uses the Tax Stabilization Reserve to maintain a steady rate.

Disadvantages

- On June 25th, 2024, Council passed the following motion:
“Administration to pause any further work on the establishment of Rocky View County’s utility rates for water, wastewater, and stormwater until an independent financial analysis can be completed as recommended by Mr. Jonathan Huggett; AND THAT Council direct Administration to retain the services of Jonathan Huggett Company Corp. to complete a Request for Proposal (RFP) for the hiring of an accounting consultant to prepare financial statements of Rocky View's water, wastewater and stormwater utility systems; AND THAT Council direct Administration to report back to Council in Q3 2024 with a recommendation for the selection of an accounting consultant.”
- Budgeting is based on assumptions that may or may not materialize (Live Growth, CPI, Staffing Levels, etc.).
- Plans change due to varied reasons (leadership, economic conditions, environmental emergency (flood/fire))

Alternative #2

THAT Council approves the 2025 Operating and Capital Base Budget with a transfer of \$181,200 from the Tax Stabilization Reserve to fund the 2025 forecasted deficit at a 0.00% increase in property tax.

Benefits

Administration does not have a benefit analysis for Council’s consideration.

Disadvantages

This option forfeits all the benefits attributable to Administration’s recommendation while retaining most disadvantages attributable to the abovementioned options.

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ATTACHMENTS

- Attachment A: 2025 Proposed Operating & Capital Base Budget
- Attachment B: 2025 Operating & Capital Budget Requests
- Attachment C: 2024 Service Book
- Attachment D: Alternative #1 Utility Systems Rate Increase Worksheet

APPROVALS

Manager:	Issy Agbonkhese, Acting Executive Director, Financial Services
Executive Director/Director:	Issy Agbonkhese, Acting Executive Director, Financial Services
Chief Administrative Officer:	Reegan McCullough, Chief Administrative Officer