



OPERATING & CAPITAL PLANS



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THREE-YEAR OPERATING PLAN

(2024 - 2026)



THREE-YEAR OPERATING PLAN



The Municipal District has consistently budgeted this way in the past. Preparing a written plan, ensures that this process is formalized and that these types of activities are reviewed. Recent changes to the Municipal Government Act (MGA) section 283.1 requires each municipality to prepare a written plan respecting its anticipated financial operations over a period of at least the next three (3) financial years.

The 2024-2026 Operating Plan is presented indicating the projected operating revenues and expenses of the Municipality including comparative financial data for the prior two years. This written operating plan will be reviewed and updated on an annual basis.

The purpose of a three-year operating plan is to provide an overview of the future operating activities of the Municipal District. This ensures that the Municipal District is prepared for the projected activities and service levels and that the costs of these activities are planned in a fiscally responsible manner. This provides an increased level of stable tax rates over the next four years.

The operating plan also allows the Municipal District to build-in projected inflation of annual operating costs such as fuel, insurance, and wages. Then the estimated impact is applied and reflected in anticipated changes to service levels. This also takes into account the Municipal District's strategic plan and goals.

Included in the plan is future operating projects, such as road graveling which requires a stable supply of crushed gravel, to ensure that the Municipal District is preparing in advance for these types of operating projects. This may include building reserves over multiple years to supply a project, rather than fund those costs all at once in the year that it takes place with a resulting sudden change in tax rates.



OPERATING REVENUES

The operating revenues for a municipality are typically budgeted on a conservative basis. Generally, this will involve using historical revenues and adjusting for known future variances such as changes made to funding agreements and adjustments to service levels.

The revenues will often correlate to expenditures that are also projected, such as government grant funding of operating costs.

2022-2026 PROJECTED OPERATING REVENUES

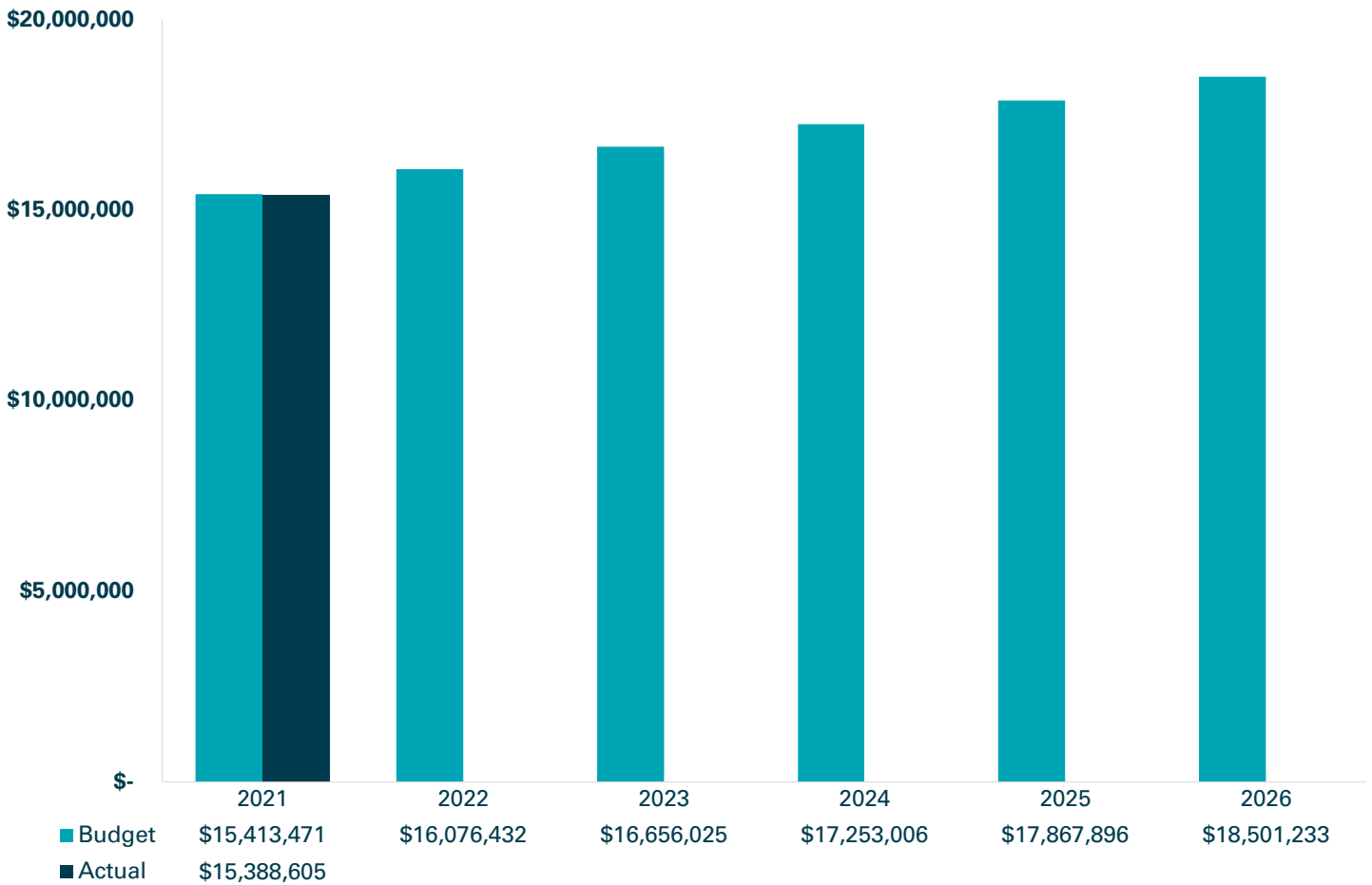
REVENUE	Interim Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
Net municipal taxes				
Property taxes	\$ 22,144,208	\$22,741,189	\$ 23,356,079	\$ 23,989,416
Government grants in lieu of taxes	8,128	8,128	8,128	8,128
Special tax	30,681	30,681	30,681	30,681
Well drilling tax	-	-	-	-
	22,183,017	22,779,998	23,394,888	24,028,225
School requisitions	- 5,173,084	- 5,173,084	- 5,173,084	- 5,173,084
Housing foundation requisitions	- 251,099	- 251,099	- 251,099	- 251,099
Designated industrial requisitions	- 72,128	- 72,128	- 72,128	- 72,128
	16,686,706	17,283,687	17,898,577	18,531,914
Government transfers				
Provincial government transfers - operating	825,539	739,539	739,539	739,539
Local and other government transfers - operating	166,741	158,533	150,336	142,149
Sales to other governments	918,809	956,954	996,981	1,038,983
	1,911,089	1,855,026	1,886,856	1,920,671
Return on investments	422,000	422,000	422,000	422,000
Sale of goods, services and user charges	1,384,747	1,407,014	1,429,793	1,453,096
Rental income	1,660,000	1,643,420	1,627,006	1,610,756
Other revenue				
Penalties	75,000	75,000	75,000	75,000
Licenses and permits	50,820	51,328	51,841	52,359
Fines	21,000	21,210	21,422	21,636
	146,820	147,538	148,263	148,995
TOTAL BUDGETED REVENUES	\$ 22,211,362	\$22,758,685	\$ 23,412,495	\$ 24,087,432

OPERATING REVENUES

The tax revenues and the requisitions for school and senior support are budgeted based on the 2022 actual amounts. Municipal Affairs recently reviewed the assessment model used by municipalities to set tax rates for linear properties.

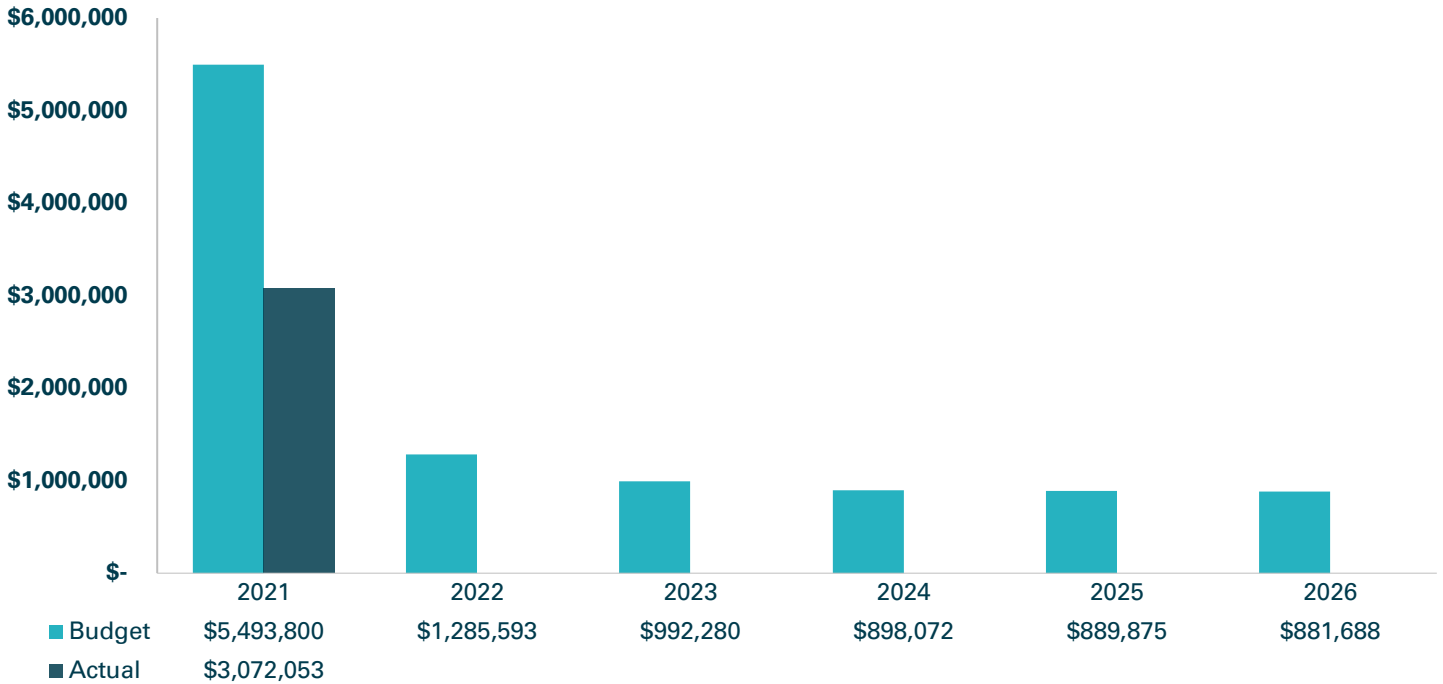
These figures will be updated in the 2023 Final Budget when the new information becomes available.

TAX REVENUES



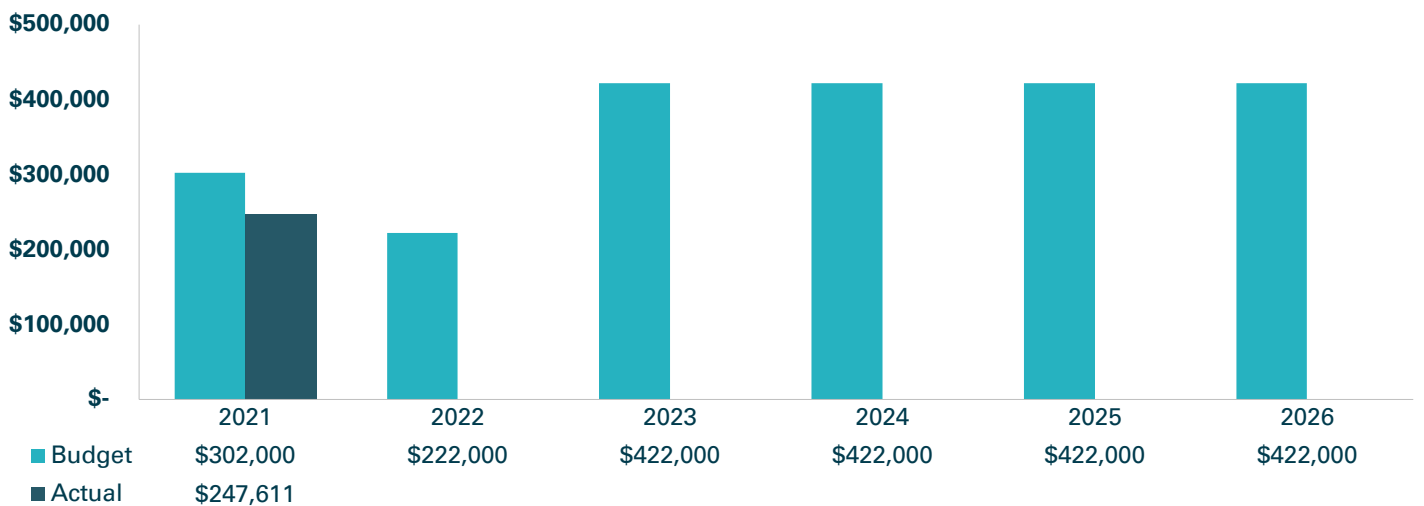
OPERATING REVENUES

GOVERNMENT TRANSFERS



The majority of the government transfers for operations are related to the Municipal Sustainability and Initiative (MSI) Operating grant, Alberta Community Partnership (ACP) grant, and the Agricultural Service Board (ASB) grant.

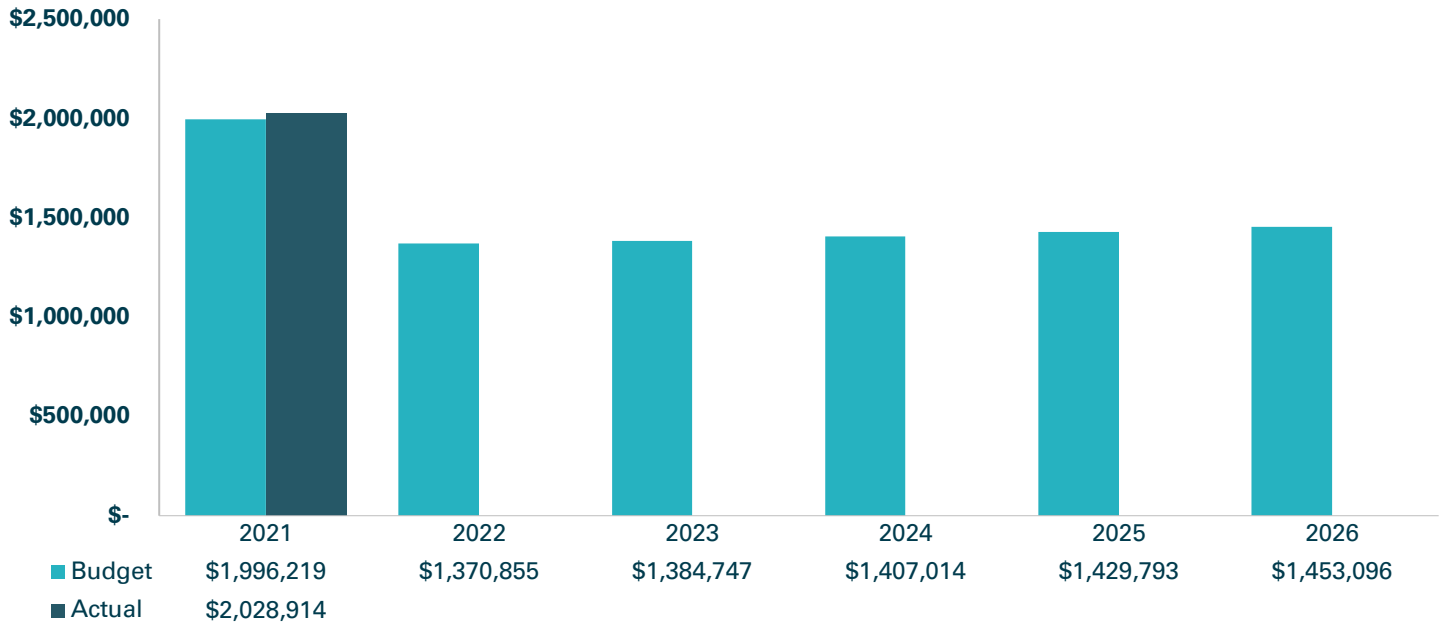
INVESTMENT INCOME



The investment income is based on current interest rates.

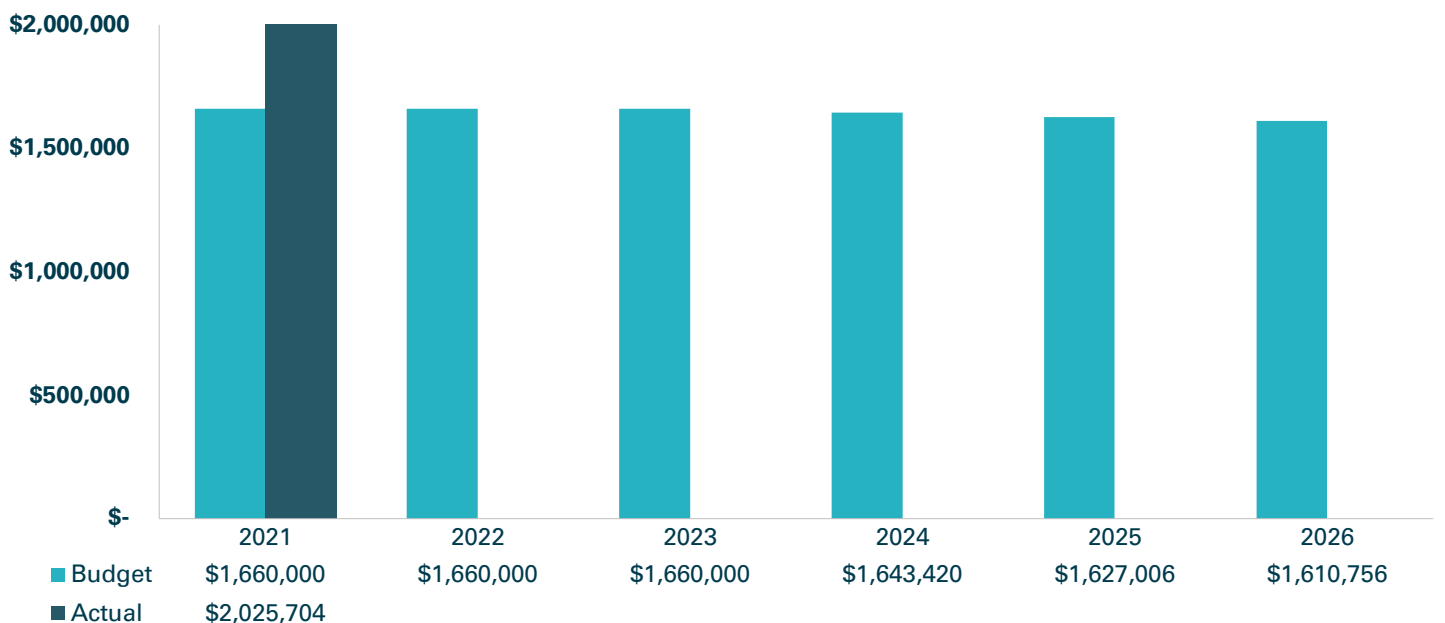
OPERATING REVENUES

SALES OF GOODS, SERVICES, AND USER FEES



The sale of goods, services, and user fees includes the sale of materials and supplies (i.e. utilities, landfills and contract work), fees charged for services (i.e. permits, tax certificates), and cost recoveries (i.e. dust suppression). Estimated use and projected fees are typically used to project these revenue sources.

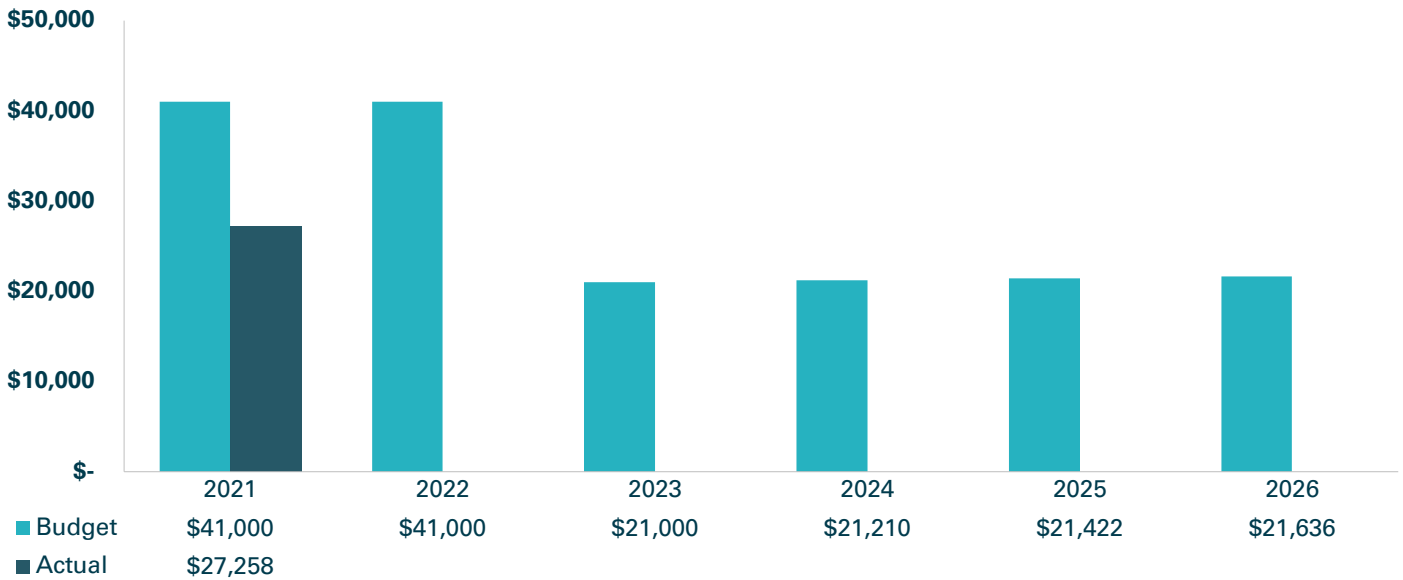
RENTAL INCOME



Rental income is based on rental agreements and rates for municipal leased land and properties. Annual surface lease rental payments for oil and gas well sites and other rental agreements are also included in income.

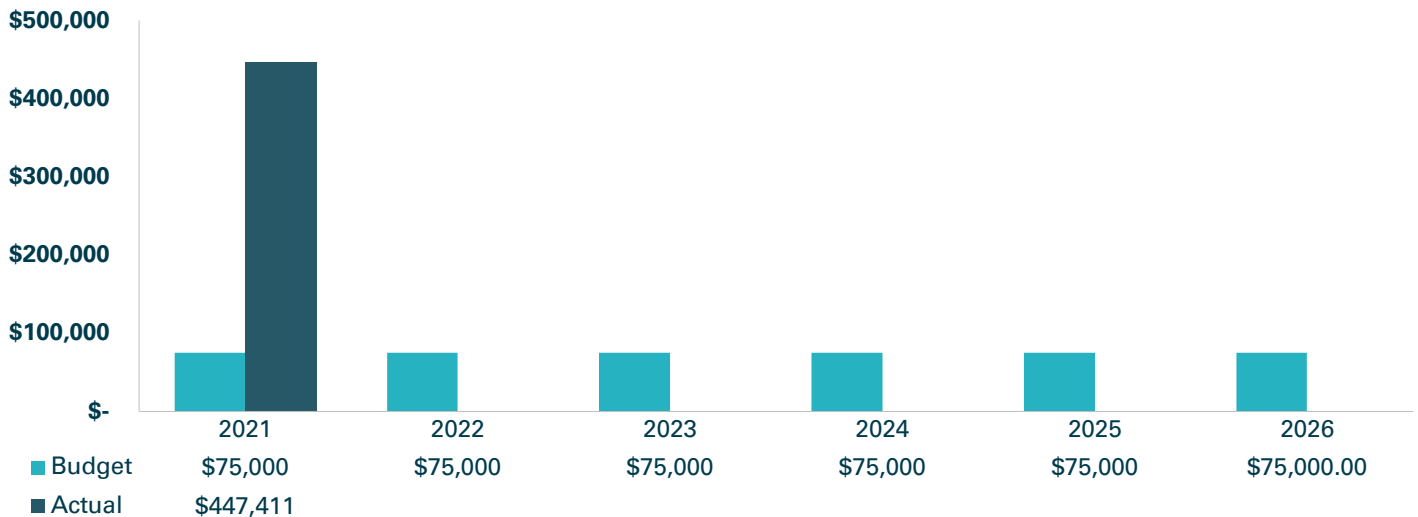
OPERATING REVENUES

FINES



The fines revenue is the funds disbursed by the Provincial Government to the Municipal District of Taber for payment of the fines that have been issued within the Municipal District of Taber’s defined jurisdiction.

PENALTIES AND COSTS OF TAXES



The penalties and costs of taxes are the penalties charged on unpaid taxes and are added to the tax roll. As the actual arrears fluctuate from year to year, and outside the Municipality’s control, the budget uses a conservative amount. The past few years has seen an increase in the amount of penalties due to the decline in the oil & gas industry and the amount of unpaid property taxes.

OPERATING EXPENSES

The operating expenses for a municipality are also budgeted to ensure the budget is sufficient to cover whatever costs may occur and prevent the Municipality from having to draw on reserves to fund a shortfall. This often includes adding amounts for unpredictable expenses like unexpected equipment and building maintenance.

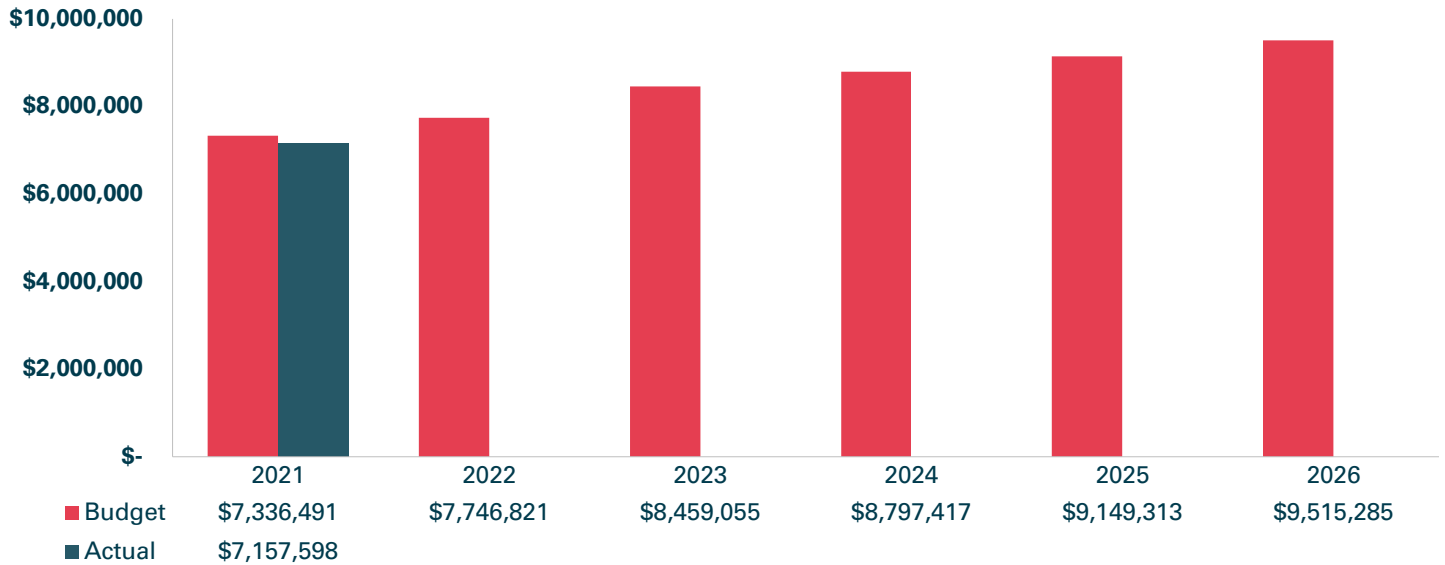
Typically, these operating expenses are determined by historical trends, projected market fluctuations (i.e. fuel or diesel pricing), inflation, expected rates based on approved salary grids, and projected changes in service levels.

2023-2026 PROJECTED OPERATING EXPENSES

EXPENSES	Interim Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
Salaries, wages and benefits	\$ 8,459,055	\$ 8,797,417	\$ 9,149,313	\$ 9,515,285
Contracted and general services	2,174,426	2,191,296	2,268,611	2,268,184
Materials, goods and utilities	6,066,680	6,134,501	6,290,298	6,450,711
Transfers to other organizations				
Local groups and individuals	508,835	511,053	513,337	515,690
Other governments	482,467	486,093	489,809	493,617
	991,302	997,146	1,003,146	1,009,307
Interest and bank charges				
Bank interest and fees	11,000	11,000	11,000	11,000
Interest on capital long term debt	58,778	37,882	15,781	12,167
	69,778	48,882	26,781	23,167
Amortization on tangible capital assets	4,392,821	4,472,606	4,553,936	4,636,332
Bad debts	500,000	400,000	300,000	200,000
TOTAL BUDGETED EXPENSES	\$ 22,654,062	\$ 23,041,848	\$ 23,592,085	\$ 24,102,986

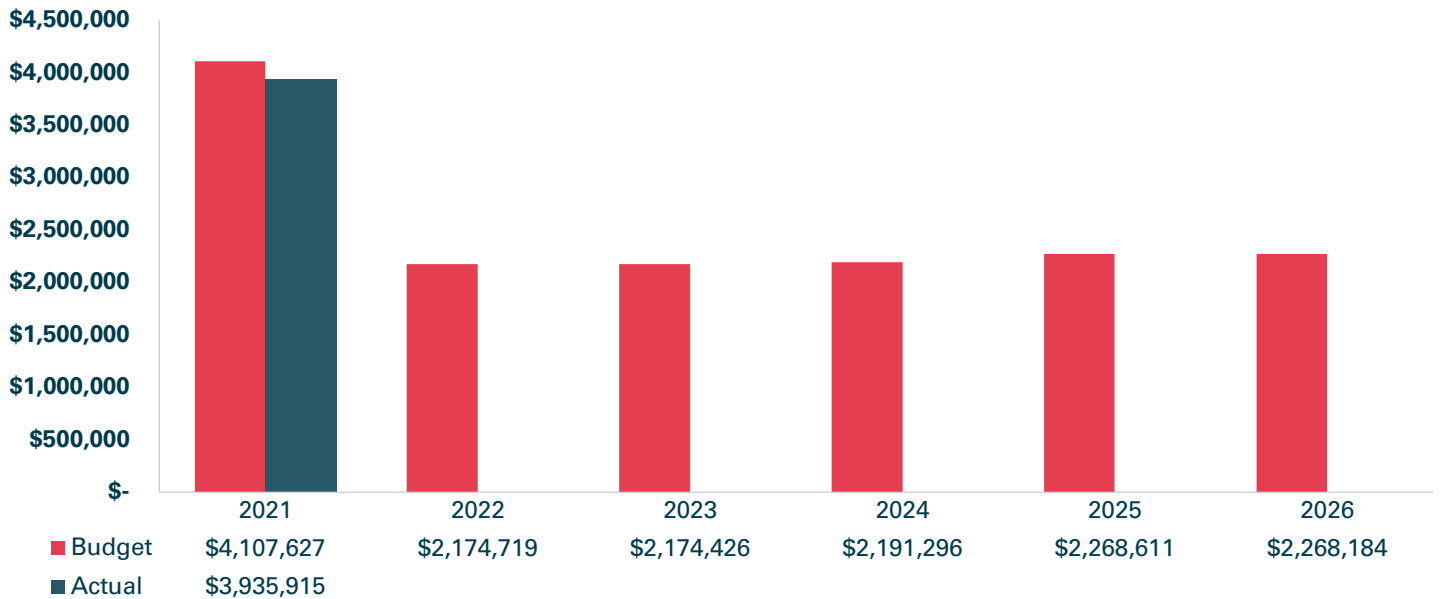
OPERATING EXPENSES

SALARY, WAGES, AND BENEFITS



The salaries, wages, and benefits include all of the staff wages/benefits, Council per diems, and volunteers' honorariums.

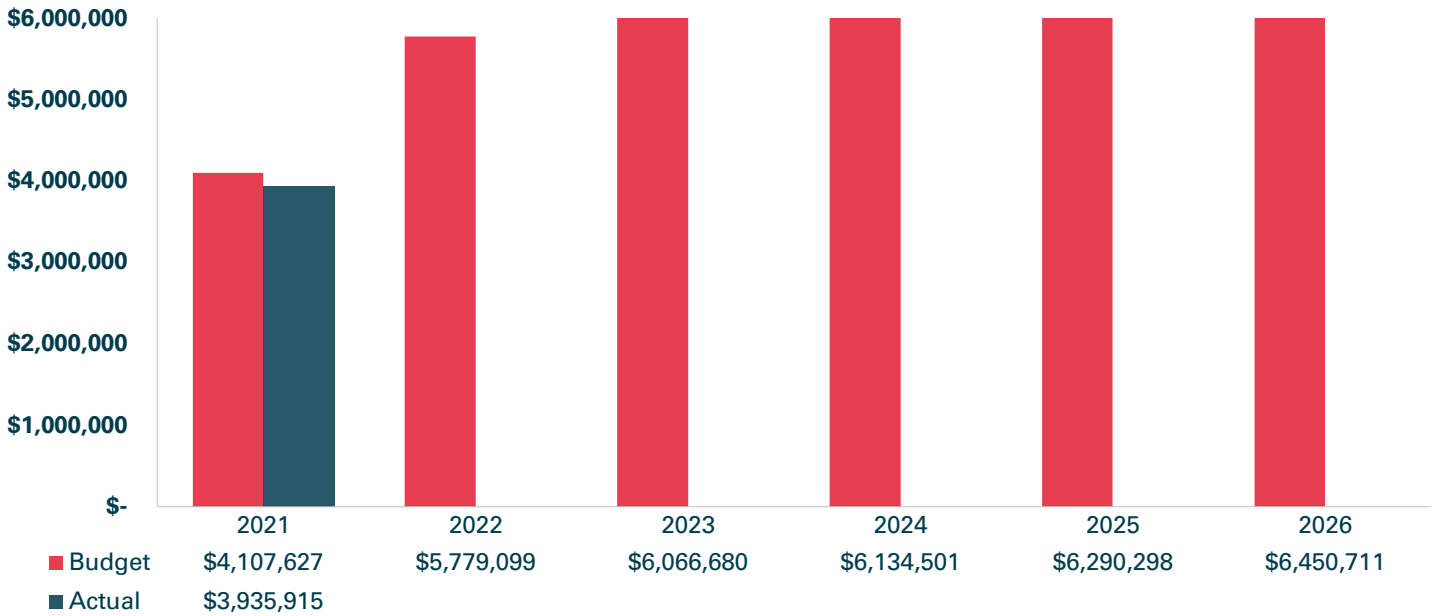
CONTRACTED SERVICES



The contracted services include consulting and contracted services, audit and legal fees, staff training, advertising, telecommunications, insurance, and other services. Most of these costs stay consistent from year to year.

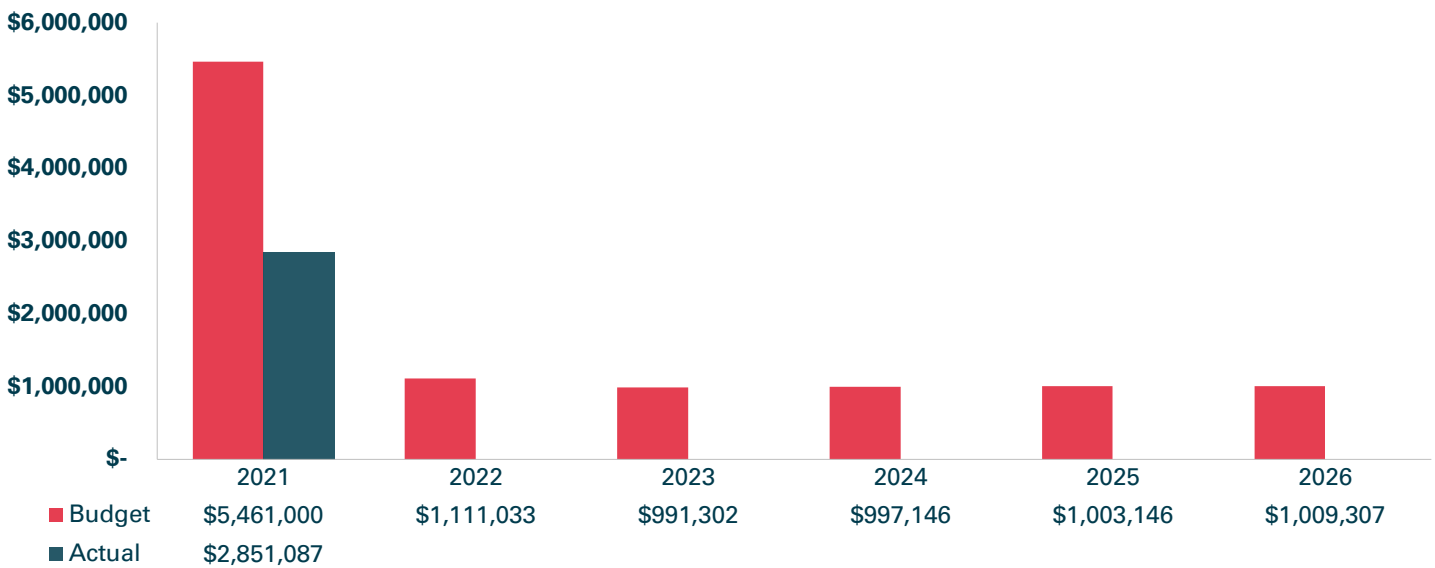
OPERATING EXPENSES

MATERIALS, GOODS, AND SUPPLIES



The materials, goods, and supplies include the costs of repairs and maintenance, supplies, utilities, information technology, fuel, gravel, herbicides, culverts, blades, tools, and other consumables. Most of these costs stay somewhat consistent from year to year, but not all do. For example, fuel and oil variations.

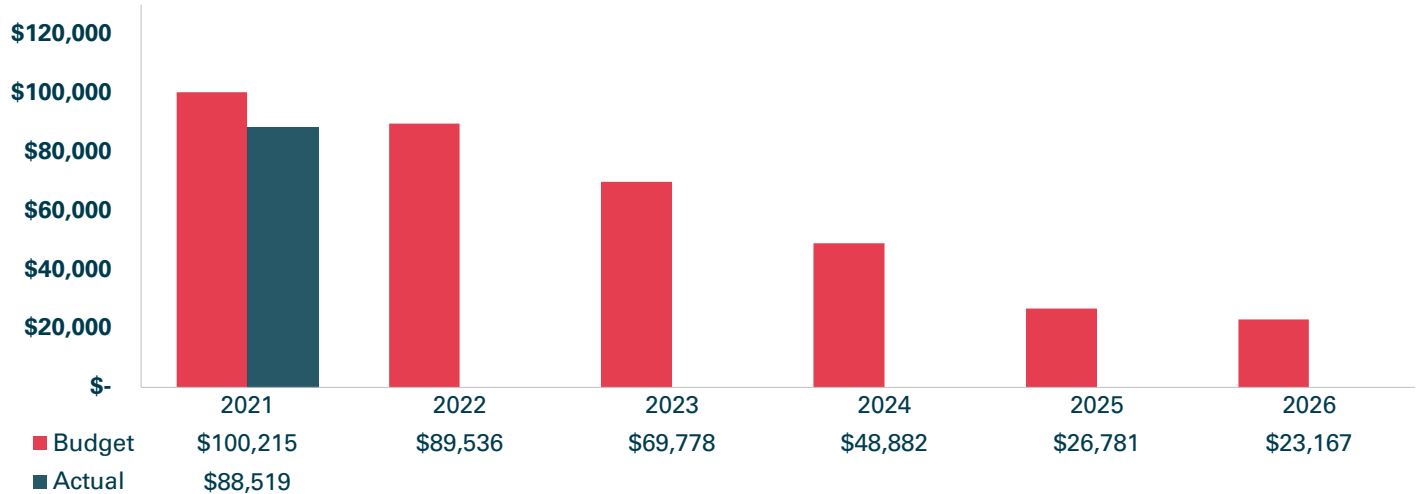
GRANTS TO INDIVIDUALS AND ORGANIZATIONS



The Grants to Individuals and Organizations include contributions to recreation groups and boards, Library funding, museums, tourism, and neighboring municipalities for recreation and community events. The budgets are typically based on prior year annual requests for funding.

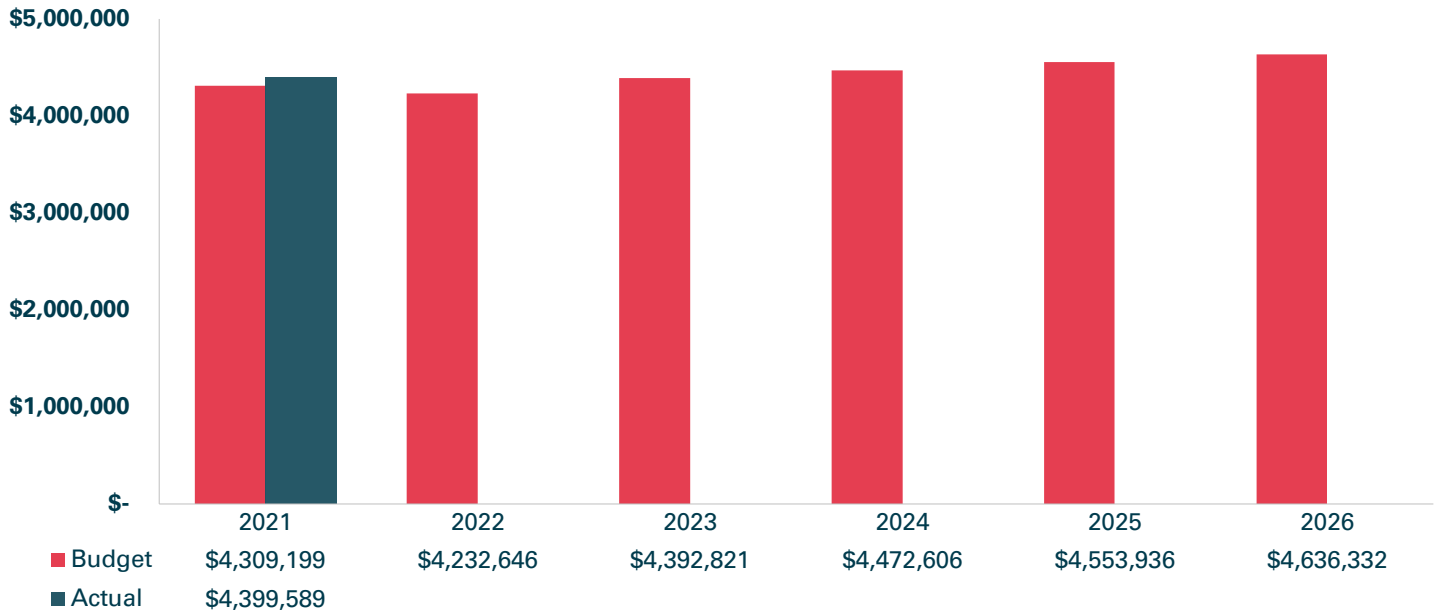
OPERATING EXPENSES

INTEREST & BANK CHARGES



Interest and bank charges include standard banking fees and the interest portion of debenture payments.

AMORTIZATION



Amortization expenses are non-cash expenses which recognize the cost of the Municipality's tangible capital assets (roads, buildings, equipment) over their expected useful lives. This is offset by annual transfers to capital reserves which will be used to replace these assets when required. Amortization is calculated based on the MD of Taber's Tangible Capital Asset policy.

RESERVE AND CAPITAL TRANSFERS

The operating budget also includes reserve and capital transfers to provide sources of funding for certain purposes and to plan for future years. Total operating revenue less operating expense will result

in a surplus or deficit, which is then transferred to or from capital or reserves with the goal of having no net effect on accumulated surplus.

2023-2026 PROJECTED RESERVE AND CAPITAL TRANSFERS

	Interim Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
Total budgeted revenues	22,211,362	22,758,685	23,412,495	24,087,432
Total budgeted expenses	- 22,654,062	- 23,041,848	- 23,592,085	- 24,102,986
Excess of expenses over revenue	- 442,700	- 283,163	-179,590	-15,554
Annual Amortization Expense	4,392,821	4,472,606	4,553,936	4,636,332
Debt principle repaid	- 362,223	- 383,119	- 61,519	- 65,133
Cash provided by operations	\$ 3,587,898	\$ 3,806,324	\$ 4,312,827	\$ 4,555,645
Reserve transfers				
Transfer from reserves	- 7,220,000	- 5,735,000	- 4,200,000	- 4,505,000
Transfer to reserves	4,312,344	4,572,562	4,435,865	4,685,911
NET RESERVE TRANSFERS	-\$ 2,907,656	-\$ 1,162,438	-\$ 235,865	\$ 180,911

As shown above, there is a projected deficit in 2023. However, this may change when the final assessment and tax information becomes available. Should the Municipality's assessment increase, it will reduce or eliminate the deficit.

RESERVE AND CAPITAL TRANSFERS



The transfer to reserves is the amount of funds raised in the operating budget to be used for either future operating projects or capital projects:

Currently, the Municipal District has a ten-year capital funding program (as discussed in the five-year written capital plan). The strategic priorities are a set of established goals reviewed regularly by Council. These strategic priorities lay out the direction and act as a guide for strategic budgeting and long-term financial planning to ensure sustainability for the Municipal District of Taber.

The transfer of amortization is the offset to the amortization expense included in the operating expenses. This transfer applies the reduction in the net book value of the tangible capital assets (roads, buildings, equipment) to the equity in the tangible capital assets.

The transfer from reserves is the amount of funding used from capital reserves established in prior years. This may include reserves that were set aside specifically for anticipated operating and capital expenditures or that were built from prior year surpluses where revenues exceeded budget or expenses were lower than budget).

The 2023 to 2026 transfers from reserves are the amounts required to offset the expected capital expenditures related to buildings, vehicles, and equipment purchases in those years.



FIVE-YEAR CAPITAL PLAN

(2024 - 2028)



CAPITAL PLAN



The capital reserve balances and future requirements are actively monitored by Municipal Administration. Currently, the Municipality is contributing ~\$4.3 million per year to capital reserves to meet the needs of the plan.

This ten-year capital funding program is considered a “living” document and is updated on an annual basis to take into account changes in capital reserve levels, changes in years of replacement, and the projected replacement costs. Although this capital funding program spans 10 years, as the year of replacement approaches, replacement cost estimates typically are more accurate.

The purpose of a five-year capital plan is to provide an overview of the Municipality’s capital requirements in upcoming years and to ensure that the Municipality is in a position to fund those purchases in a fiscally responsible manner. Implementing a capital plan leads to a reduction of tax rate fluctuations since the Municipality is building reserves to draw on for capital acquisitions rather than using tax dollars directly.

The Municipality currently has a ten-year capital funding program. All costs and estimated replacement dates for the Municipality’s capital assets are projected. Once an asset is due for replacement, the funds necessary to purchase it will have effectively been saved up via additions to capital reserves. For example, a grader with an estimated replacement cost of \$900,000, is amortized over 15 years; therefore, a total of \$60,000 would be allocated to a reserve each year so that when the grader is to be purchased after 15 years, the funds are available.



CAPITAL PLAN

CAPITAL BUDGET AND FORECAST IN \$000s

	Interim Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
CAPITAL ACQUIRED						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land Improvement	-	-	-	-	-	-
Building	138	3,100	800	80	-	-
Equipment	3,222	2,625	3,920	3,550	4,425	2,450
Vehicles	1,110	915	1,665	1,220	730	1,475
Engineered Structures	26,960	17,995	10,395	1,600	2,200	1,350
TOTAL CAPITAL ACQUIRED	\$ 31,430	\$ 24,635	\$ 16,780	\$ 6,450	\$ 7,355	\$ 5,275
CAPITAL FUNDING						
Capital grants	23,360	17,795	10,195	1,400	2,000	1,150
Sale of assets	850	850	850	850	850	850
Contributed asset	0	0	0	0	0	0
Transfer from reserves	7,220	5,990	5,735	4,200	4,505	3,275
TOTAL CAPITAL FUNDING	\$ 31,430	\$ 24,635	\$ 16,780	\$ 6,450	\$ 7,355	\$ 5,275

As shown above, there are significant projected expenditures in the engineered structures for 2023. These expenditures are mainly due to high-value road and drainage projects. Funding for these projects has already been received from other levels of government and Municipal Sustainability Initiative (MSI) is being carried forward to fund these projects.

The Municipal Council approves the road and bridge capital programs. During the approval process, they review all projects, determine priorities, and decide the year of replacement. This is reviewed by Council every year during budget approval and can be modified as required.

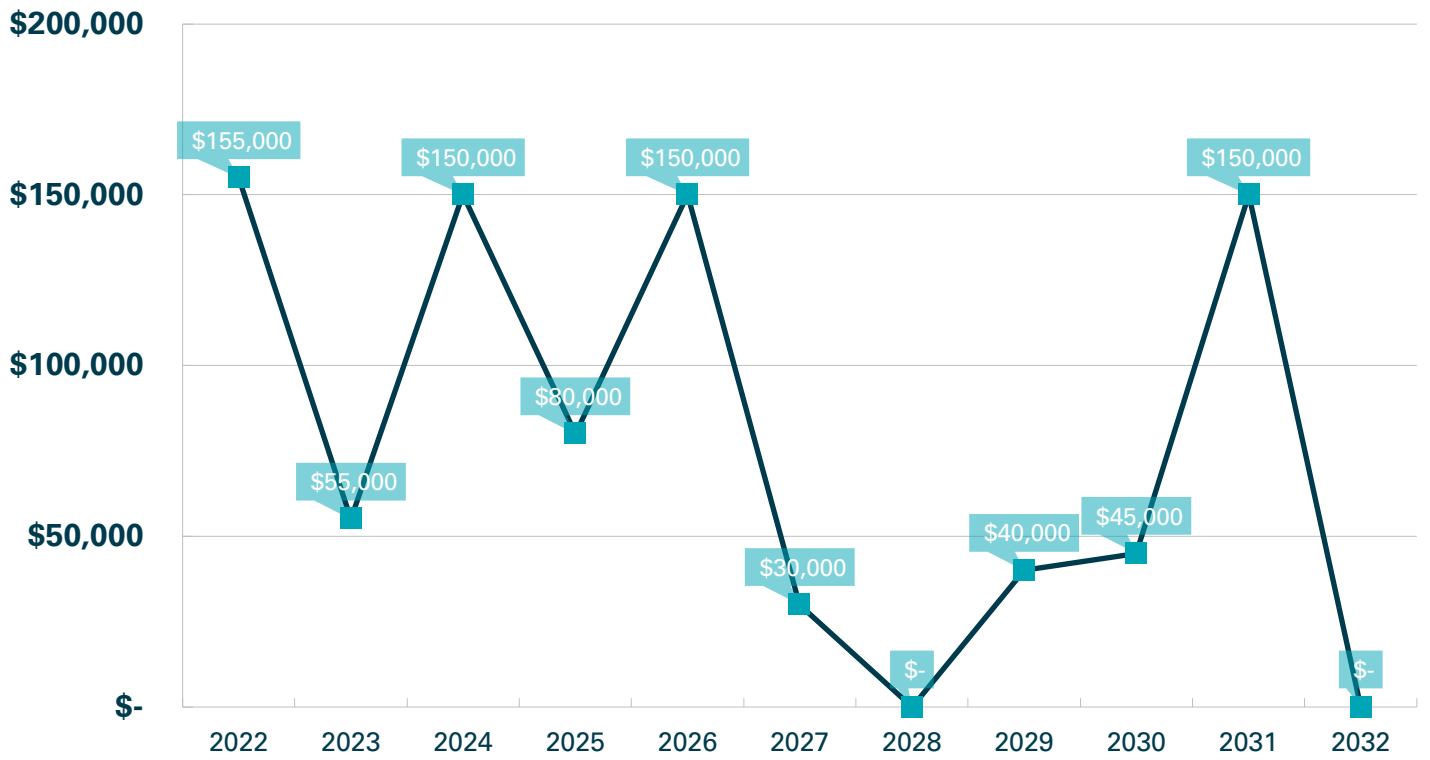
Scheduled to begin construction in 2023, the Horsefly Regional Spillway is a three-phase project totaling \$47 million, intended to divert water at a rate of 55 m³/s from the SMRID Canal to the Oldman River. Phases of this project include:

- Construction Phase 1) Upgrades to the Taber Lake to the Oldman River
- Construction Phase 2) Upgrades to the Horsefly Reservoir to the Taber Lake
- Construction Phase 3) Upgrades to the SMRID Main Canal to the Horsefly Reservoir.

The following pages include charts for the replacement of the capital currently included in the capital funding program.

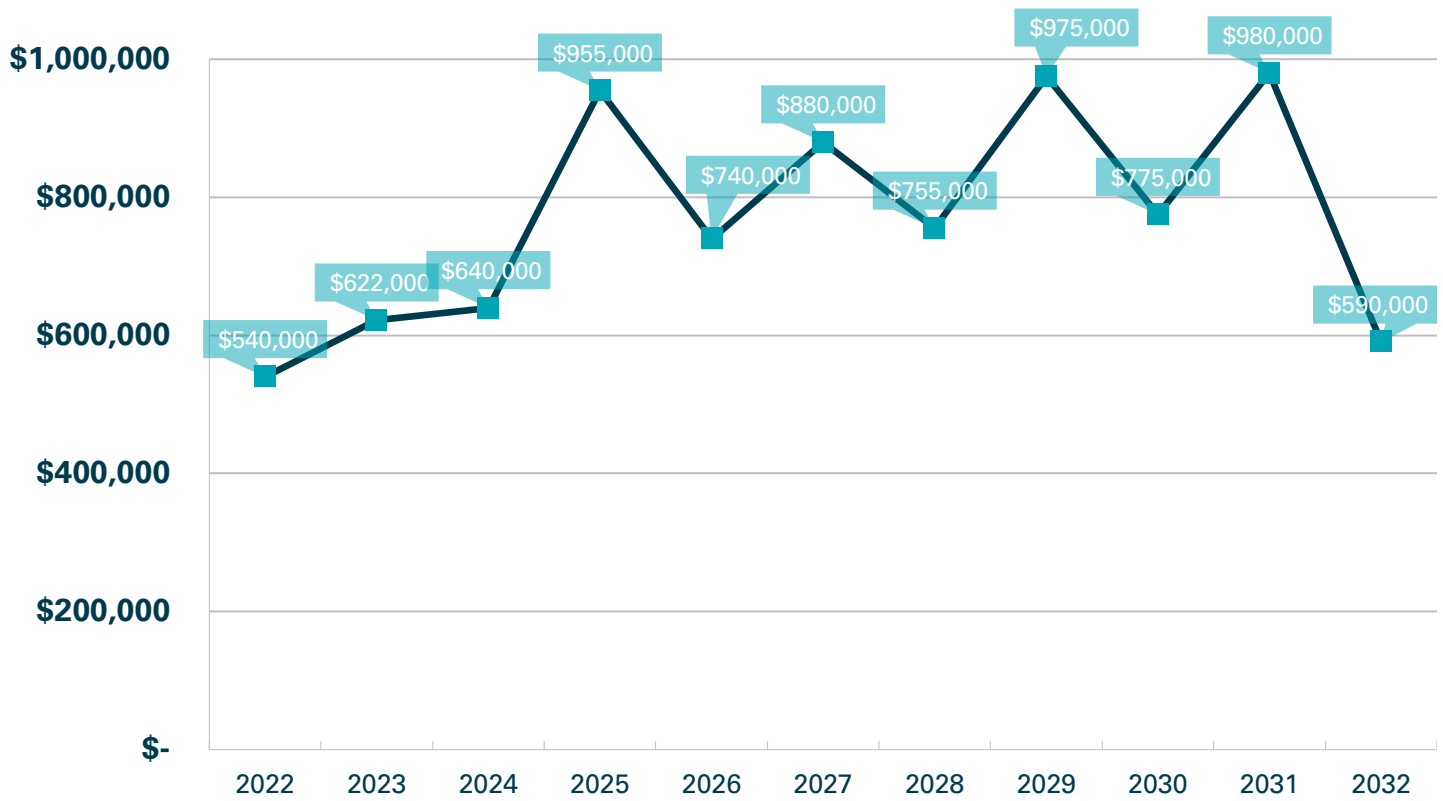
CAPITAL PLAN

ADMINISTRATION/IT/LANDS/DEVELOPMENT



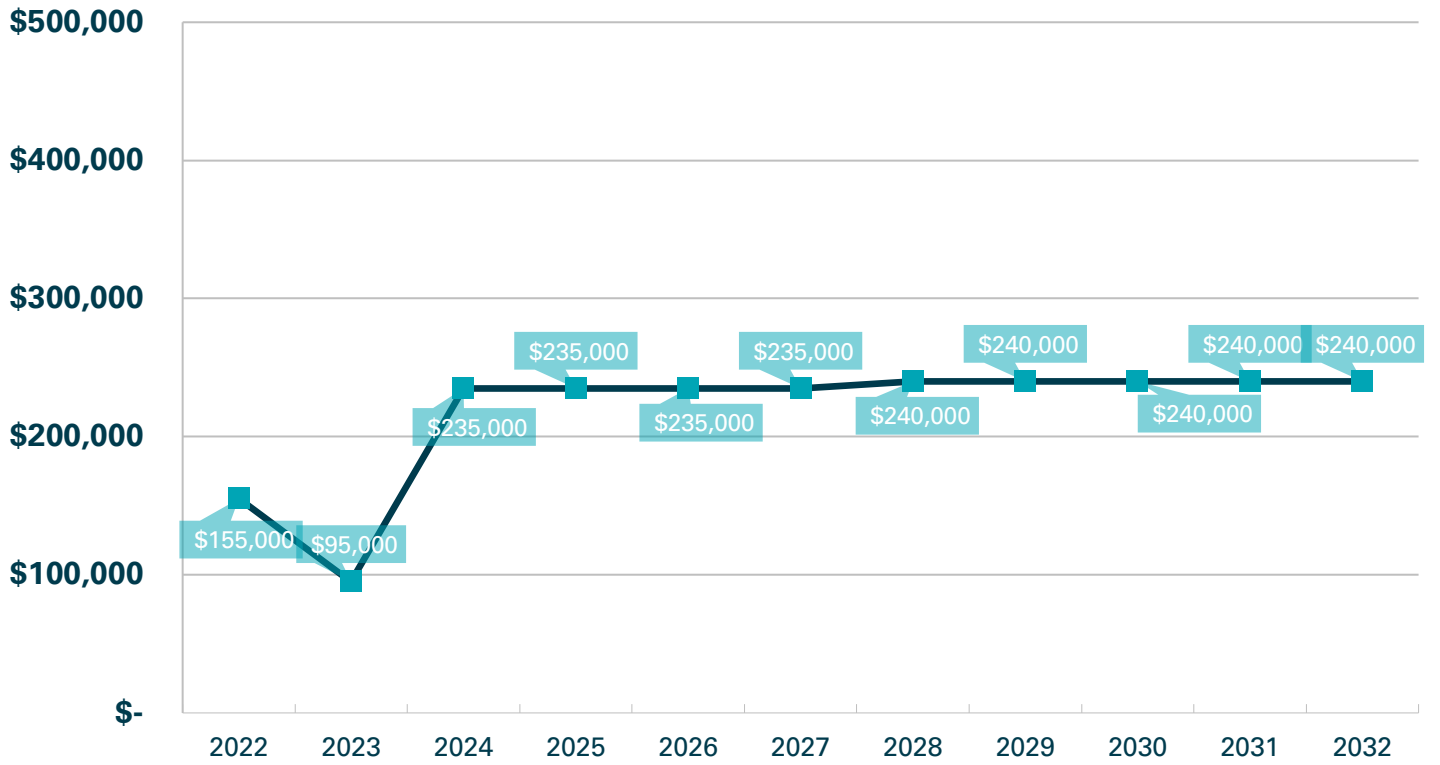
CAPITAL PLAN

AGRICULTURAL SERVICES



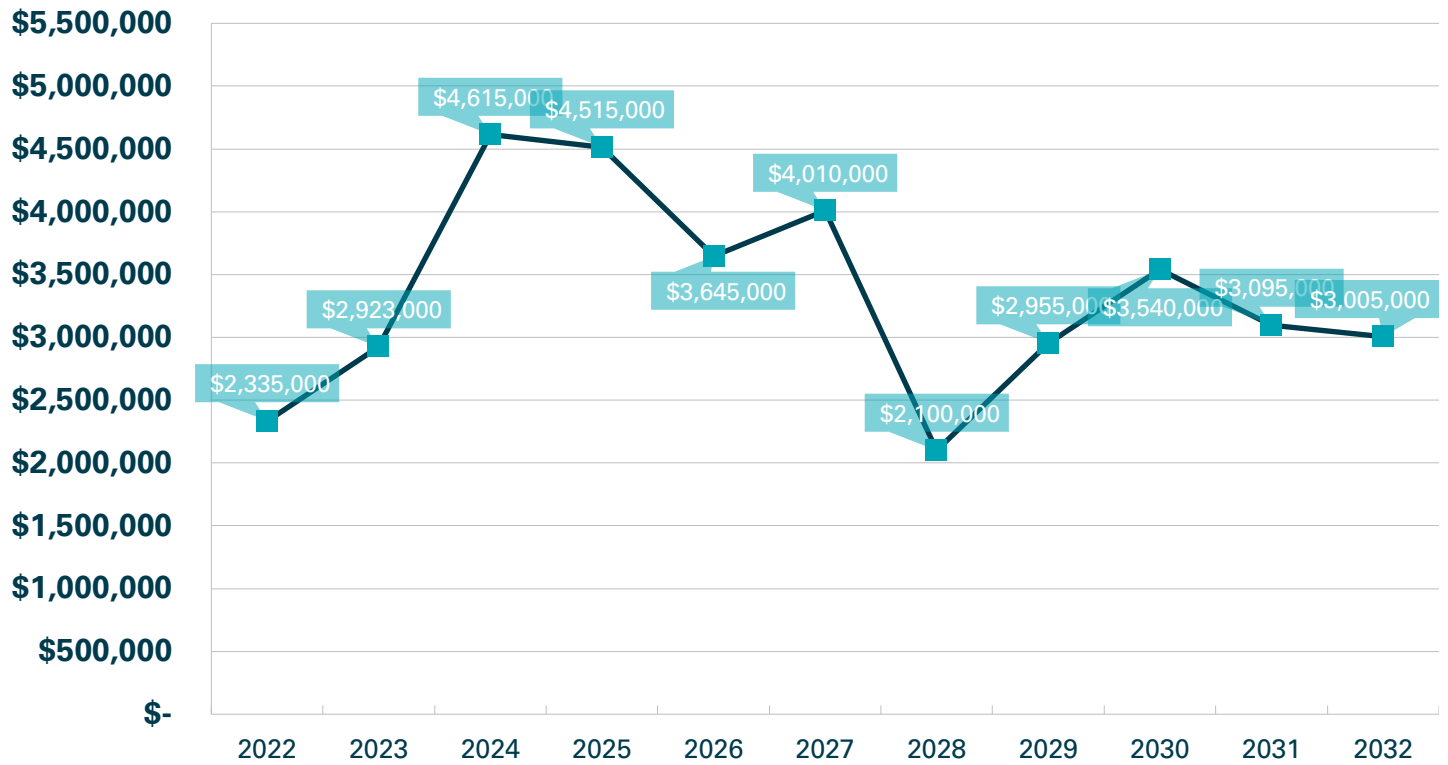
CAPITAL PLAN

HAMLETS/UTILITIES/RECREATION



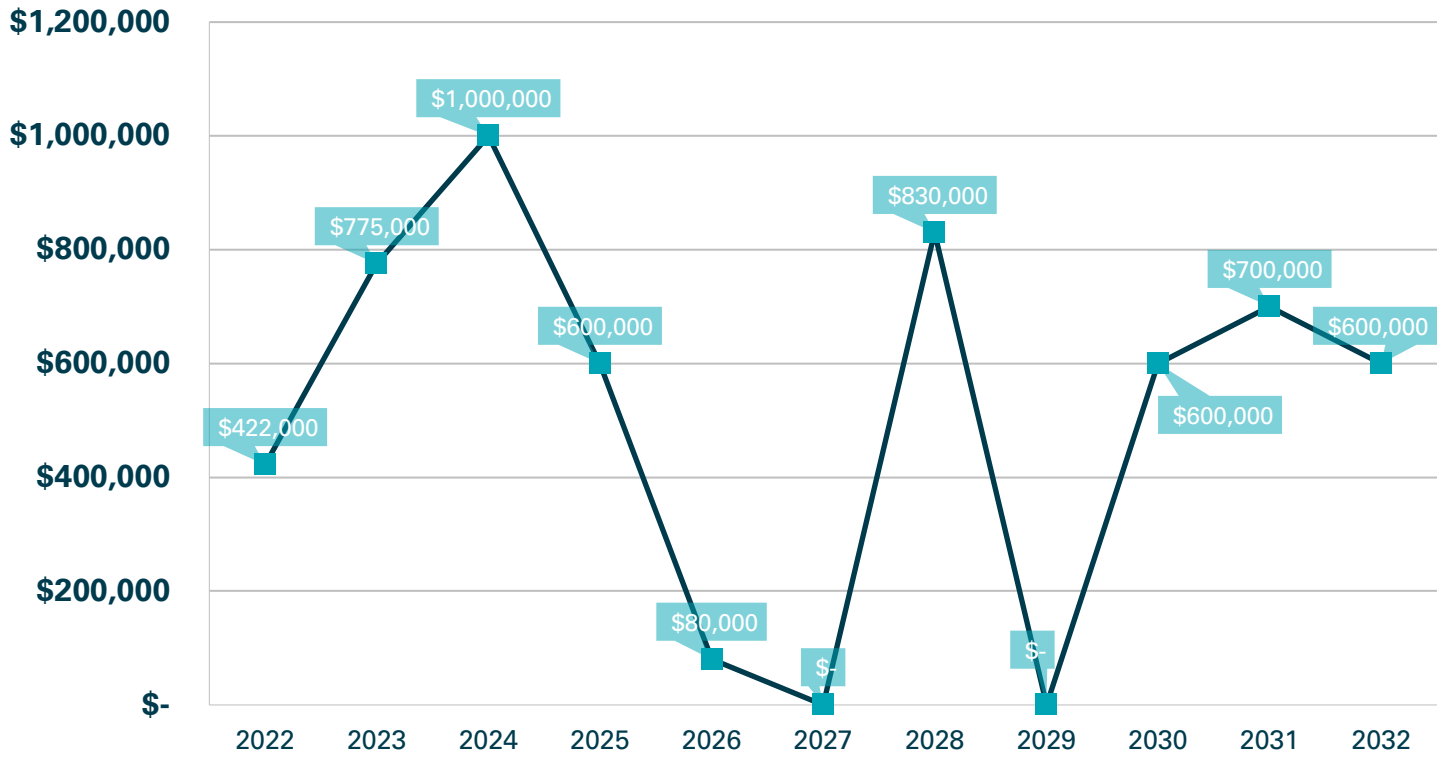
CAPITAL PLAN

PUBLIC WORKS



CAPITAL PLAN

FIRE PROTECTION



CAPITAL PLAN

ENGINEERED STRUCTURES

