



OPERATING & CAPITAL PLANS



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THREE-YEAR OPERATING PLAN

(2023 - 2025)



THREE-YEAR OPERATING PLAN



The purpose of a three-year operating plan is to provide an overview of the operating activities of the Municipal District for the upcoming years. This ensures that the Municipal District is not only prepared for the projected activities and service levels, but that the costs of these activities are planned in a fiscally responsible manner. The result is a greater level of stability of tax rates over the next four years.

The operating plan also allows the Municipal District to build-in projected increases in annual operating costs. Examples of this are fuel, insurance and wages; projected inflationary increases in these costs can be included and the proposed service changes affecting these costs can be applied. This also takes into account the Municipal District's strategic plan and goals.

Planning for future operating projects, such as road graveling, which requires a stable supply of crushed gravel, is included in the operating plan to ensure that the Municipal District is preparing in advance for these

types of operating projects. This can 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 spike in tax rates.

The Municipal District has consistently budgeted this way in the past. Preparing a written plan, however, ensures that this process is formalized and that these types of activities are reviewed. With 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 3 financial years.

In the following pages, the 2023-2025 Operating Plan is presented, indicating the projected operating revenues and expenses of the Municipality. Included in the plan is comparative financial data for the prior two years. This written operating plan will be reviewed and updated on an annual basis.



OPERATING REVENUES

The operating revenues for a municipality are typically budgeted on a conservative basis. Generally, this will involve taking 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.

2022-2025 PROJECTED OPERATING REVENUES

REVENUE	Interim Budget 2022	Forecast 2023	Forecast 2024	Forecast 2025
Net municipal taxes				
Property taxes	\$ 21,435,396	\$ 22,011,057	\$ 22,603,988	\$ 23,214,707
Government grants in lieu of taxes	6,290	6,290	6,290	6,290
Special tax	30,681	30,681	30,681	30,681
Well drilling tax	-	-	-	-
	21,472,367	22,048,028	22,640,959	23,251,678
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
	15,976,056	16,551,717	17,144,648	17,755,367
Government transfers				
Provincial government transfers - operating	1,053,330	1,053,330	1,053,330	1,053,330
Federal government transfers - operating	-	-	-	-
Transfers from local government - operating	232,263	165,906	166,827	167,757
	1,285,593	1,219,236	1,220,157	1,221,087
Return on investments	222,000	222,000	222,000	222,000
Sale of goods, services and user charges	2,089,618	2,137,032	2,186,214	2,237,239
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	50,500	51,005	51,515	52,030
Fines	41,000	41,410	41,824	42,242
	166,500	167,415	168,339	169,272
TOTAL BUDGETED REVENUES	\$ 21,399,767	\$ 21,940,820	\$ 22,568,364	\$ 23,215,721

OPERATING REVENUES

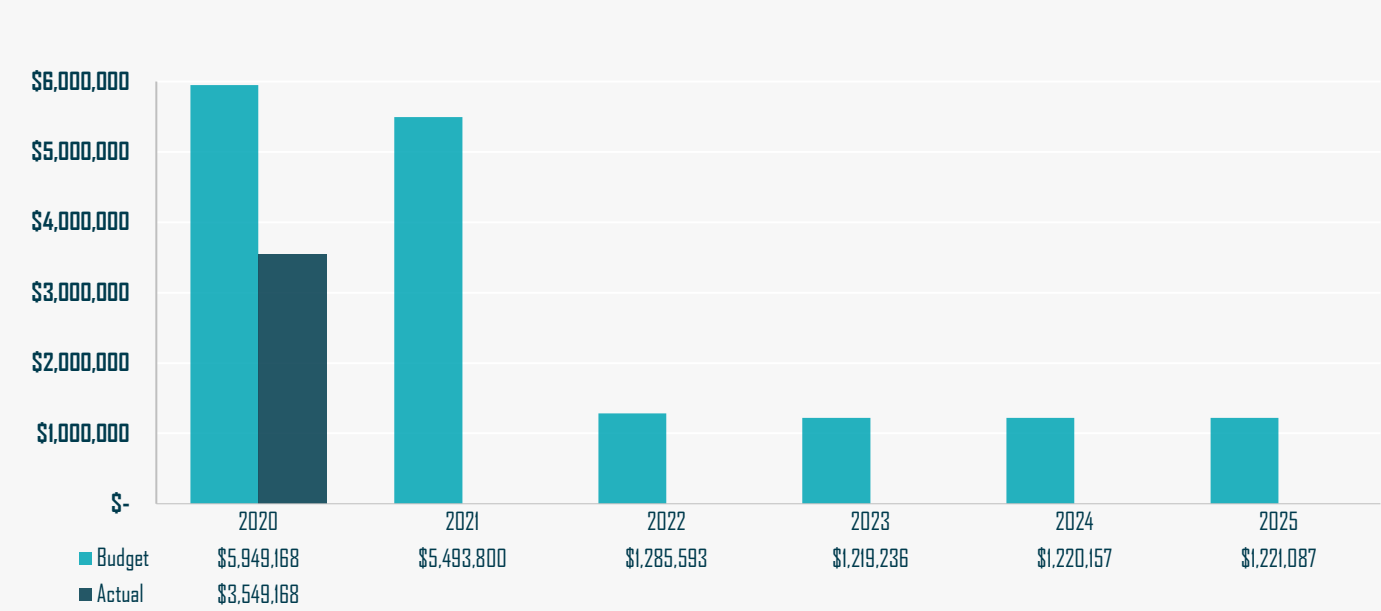
The tax revenues and the requisitions for school and senior support are budgeted based on the 2021 actual amounts. Municipal Affairs recently reviewed the assessment model used by municipalities to set tax rates for linear properties.

These figures will be updated in the 2022 Final Budget when the new information becomes available.

TAX REVENUES



GOVERNMENT TRANSFERS



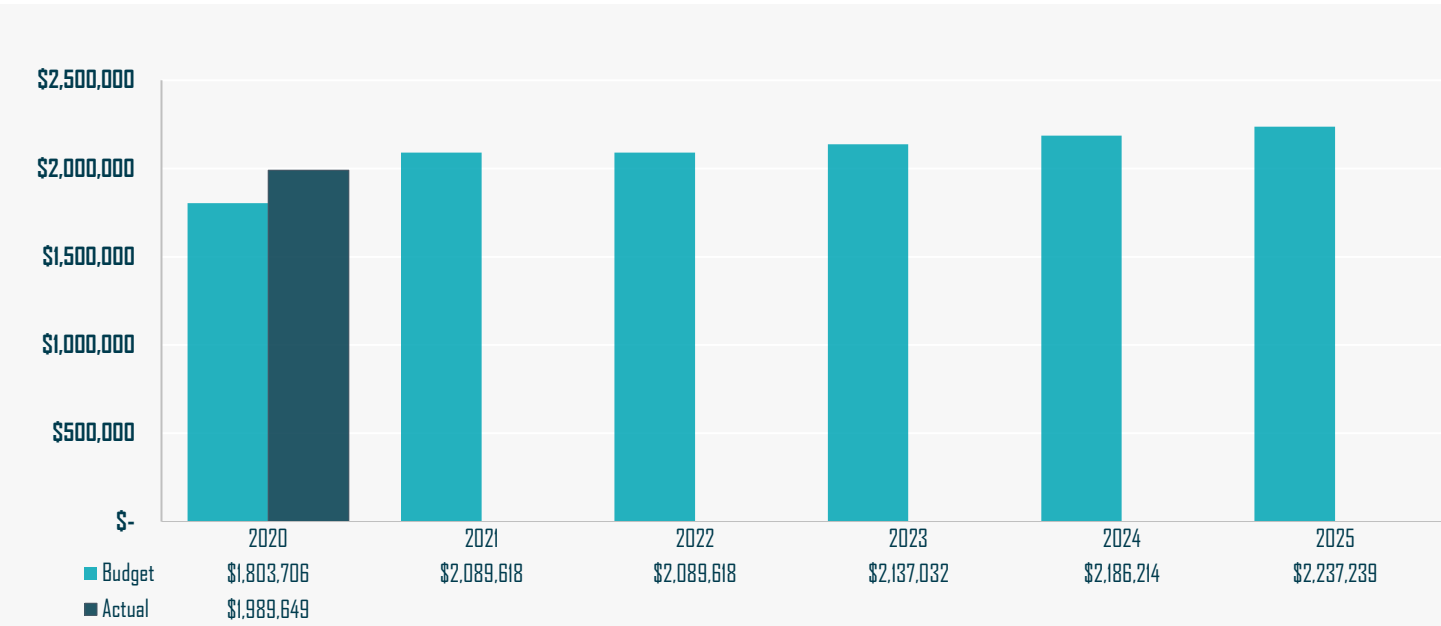
The majority of the government transfers for operations relate to the Municipal Sustainability and Initiative (MSI) Operating grant, the Municipal Climate Change Action Centre (MCCAC), Alberta Community Partnership (ACP) grant, and the Agricultural Service Board (ASB) grant.

INVESTMENT INCOME



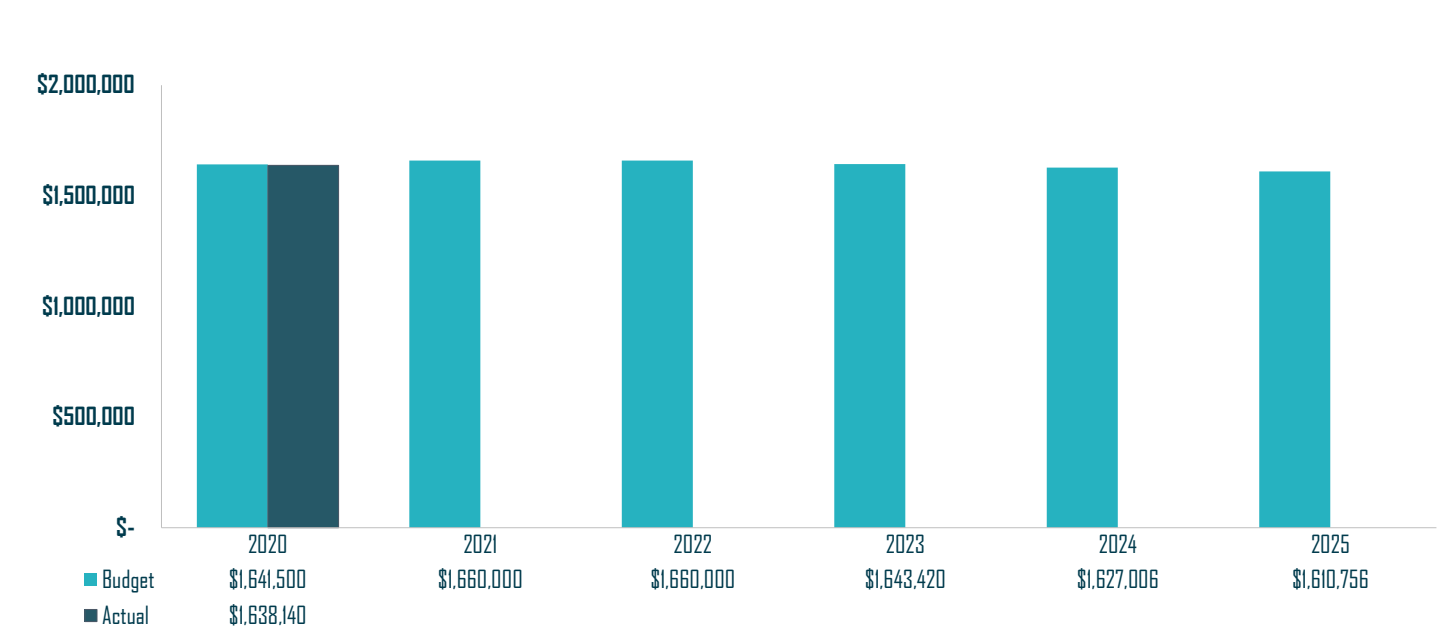
The investment income is based on current interest rates.

SALES OF GOODS, SERVICES AND USER FEES



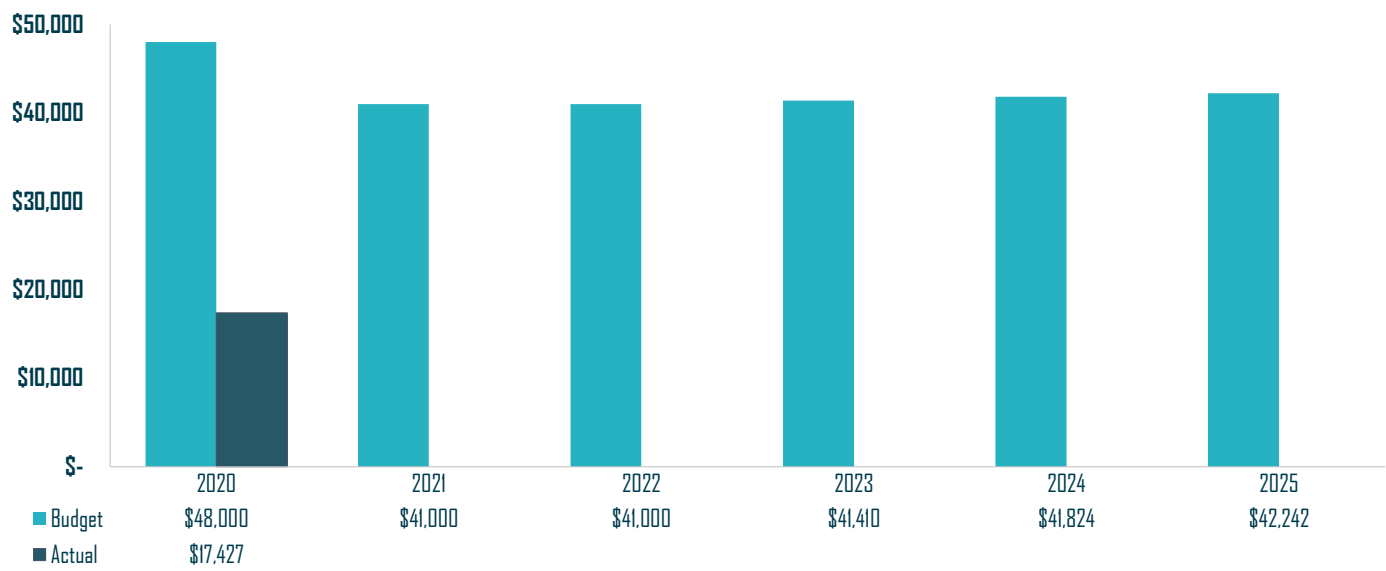
The sale of goods, services, and user fees includes the sale of materials and supplies (i.e. utilities, landfills and contract work), fees charged for services (i.e. permits, tax certificates), and cost recoveries (i.e. dust suppression). Estimated use and projected fees are typically used to project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

RENTAL INCOME



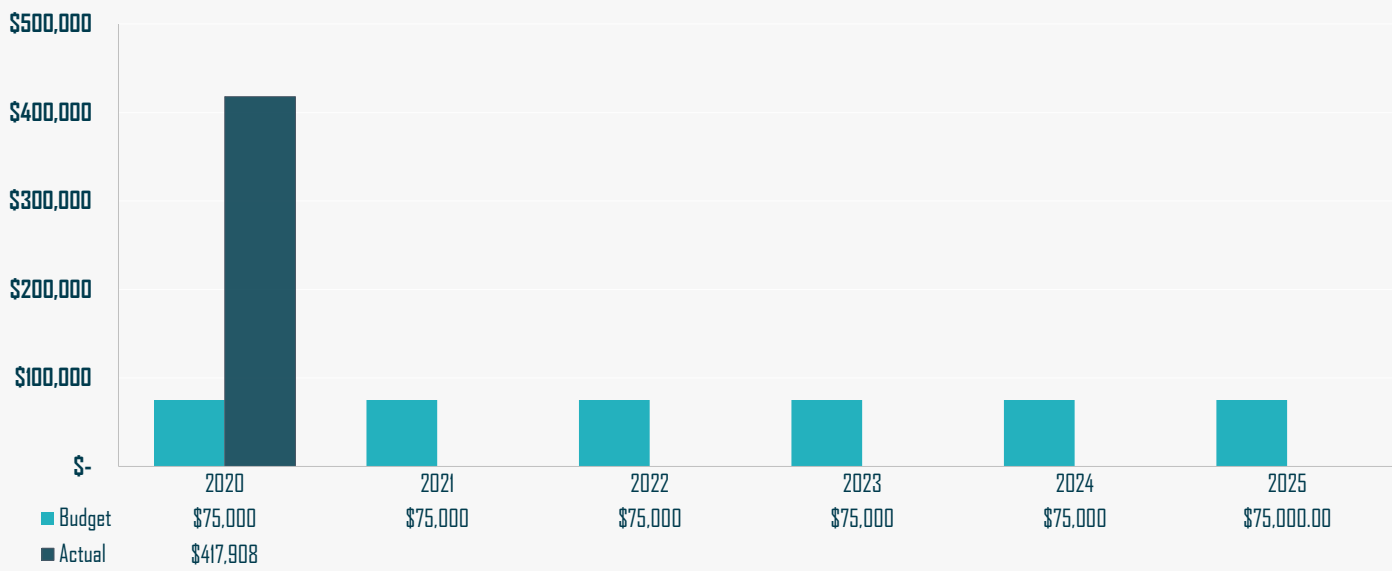
Rental income is based on rental agreements and rates for municipal leased land and properties. Annual surface lease rental payments for oil and gas well sites and other rental agreements are also included in income.

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

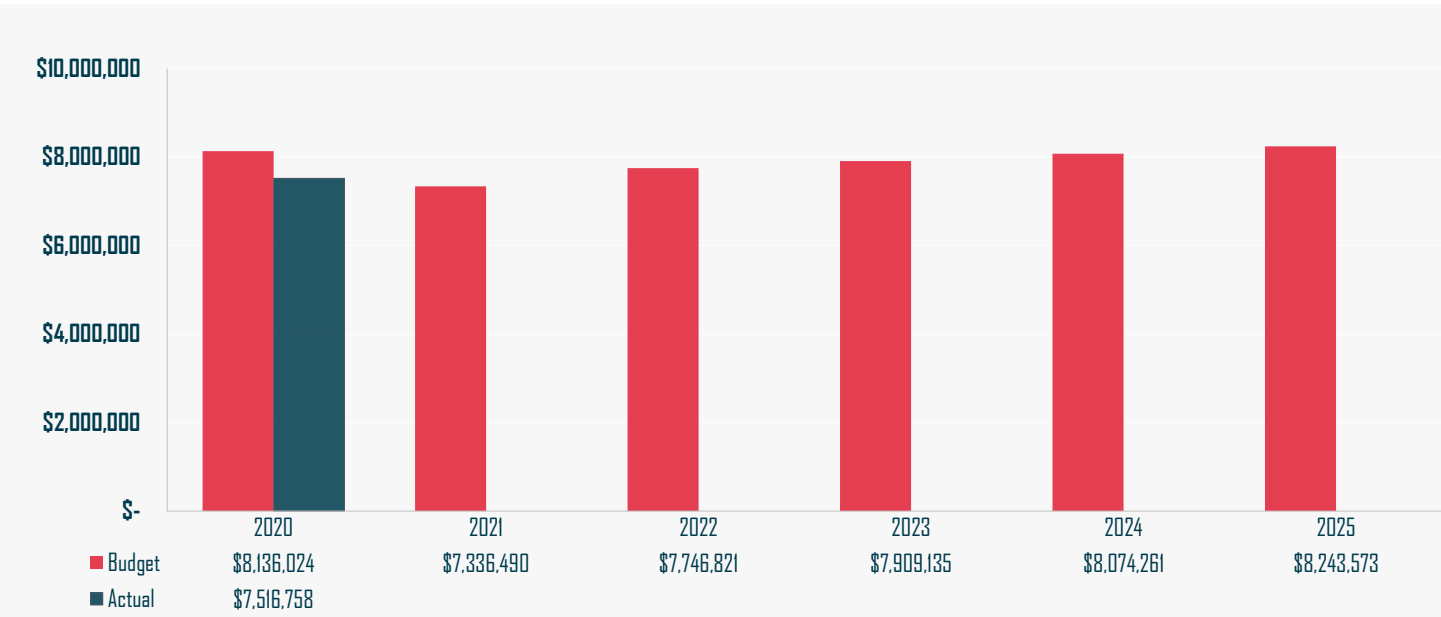
The operating expenses for a municipality are also budgeted to ensure the budget is sufficient to cover whatever costs may occur and prevent the Municipality from having to draw on reserves to fund a shortfall. This often includes adding amounts for unpredictable expenses like unexpected equipment and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

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

2022-2025 PROJECTED OPERATING EXPENSES

EXPENSES	Interim Budget 2022	Forecast 2023	Forecast 2024	Forecast 2025
Salaries, wages and benefits	\$ 7,746,821	\$ 7,909,135	\$ 8,074,261	\$ 8,243,573
Contracted and general services	2,173,720	2,145,317	2,174,563	2,238,068
Materials, goods and utilities	5,659,109	5,498,361	5,592,369	5,688,238
Transfers to other organizations				
Local groups and individuals	429,604	429,604	429,604	429,604
Other governments	631,429	635,541	639,735	644,013
	1,061,033	1,065,145	1,069,339	1,073,617
Interest and bank charges				
Bank interest and fees	11,000	11,000	11,000	11,000
Interest on capital long term debt	78,536	58,778	37,882	15,780
	89,536	69,778	48,882	26,780
Amortization on tangible capital assets	4,232,645	4,253,808	4,275,077	4,296,453
Bad debts	1,000,000	1,000,000	1,000,000	1,000,000
Operating expenses capitalized for construction	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGETED EXPENSES	\$ 21,962,864	\$ 21,941,544	\$ 22,234,491	\$ 22,566,729

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.

MATERIALS, GOODS & SUPPLIES

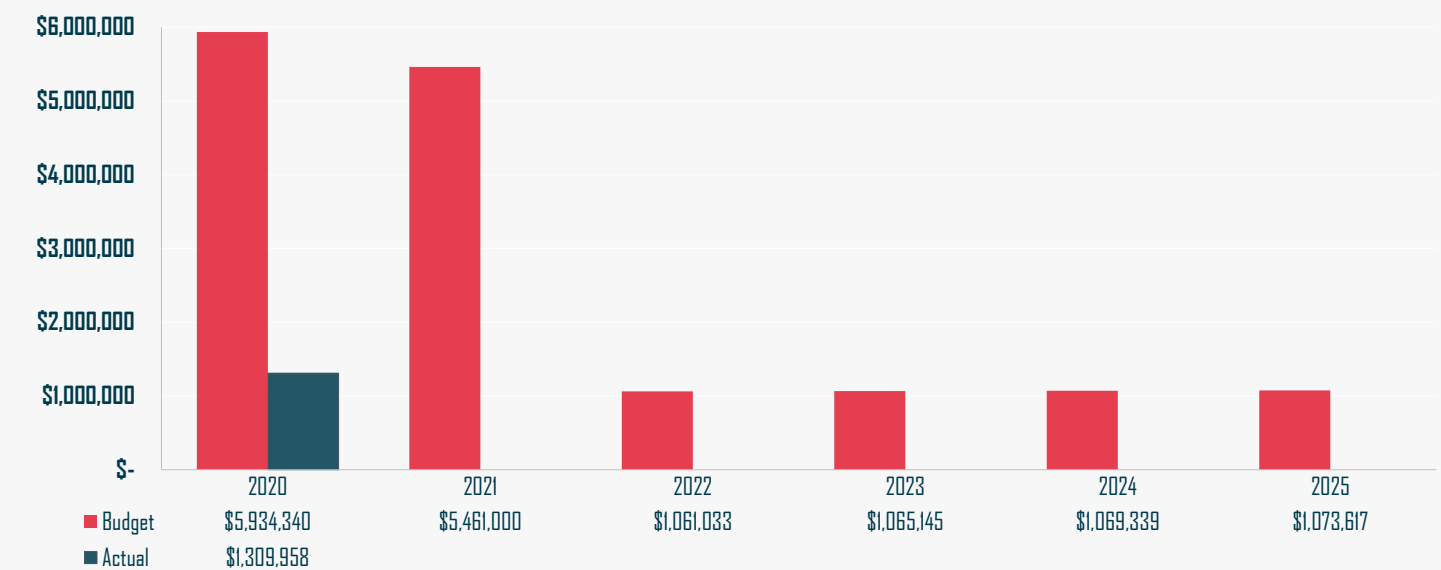


The materials, goods, and supplies includes the costs of repairs and maintenance, supplies, utilities, information technology, fuel, gravel, herbicides, culverts, blades, tools, and other consumables. Most of these costs stay somewhat consistent from year to year, but not all do. For example, fuel and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

GRANTS TO INDIVIDUALS AND ORGANIZATIONS

The Grants to Individuals and Organizations includes 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.

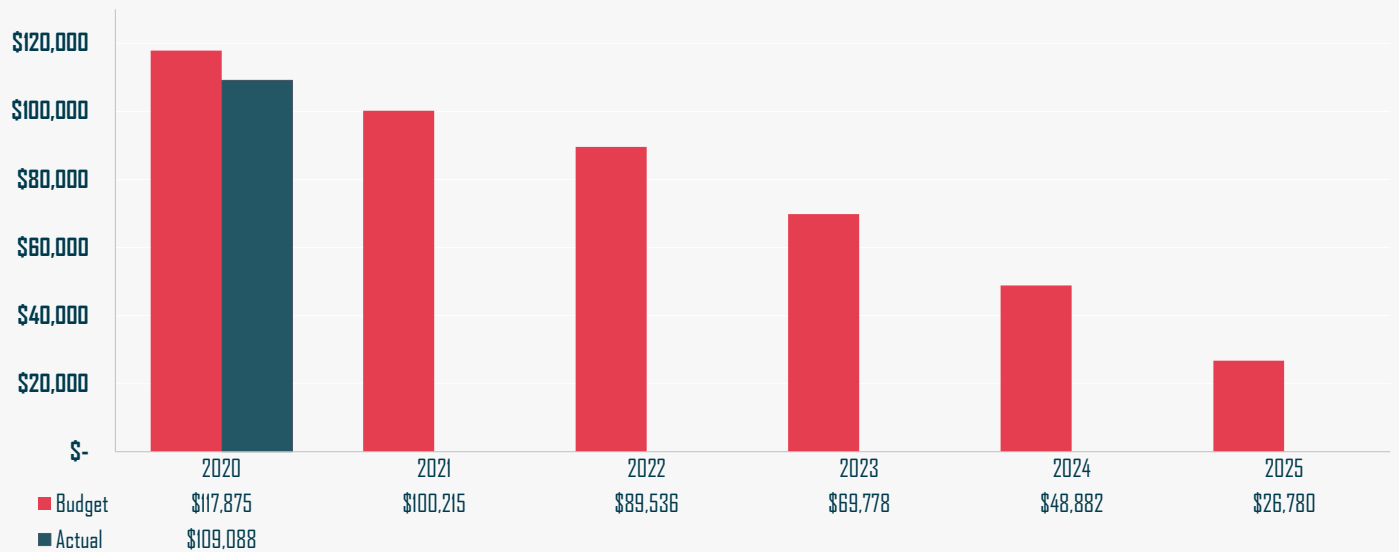
The Municipal District of Taber's successful application to the Municipal Community Generation Challenge, an initiative offered by Municipal Climate Change Action Centre (MCCAC) will result in receiving \$4,500,000 towards the joint project that spans over 2020 and 2021.



The MCCAC project will demonstrate how repurposing legacy oil and gas infrastructure to community solar development can provide significant benefits to both energy industries, the environment and the economy.

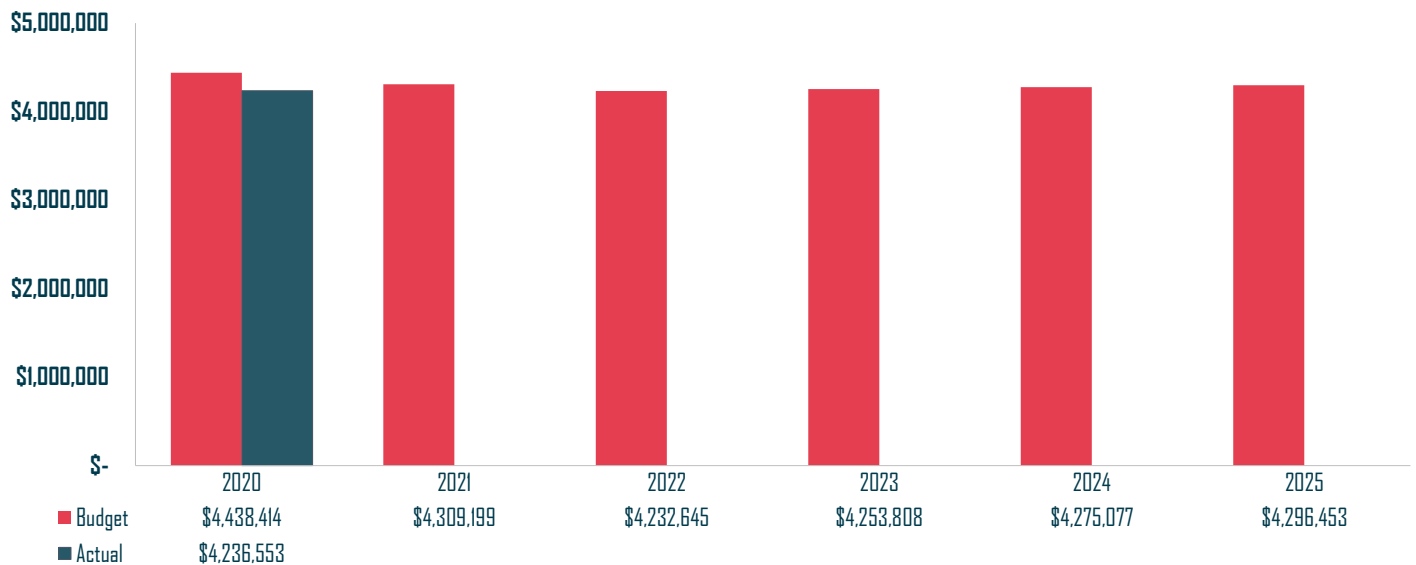
We will utilize abandoned oilfield infrastructure in the MD of Taber as a foundation to build distributed solar PV arrays. Completion of this project will result in 2.0 MW of solar PV generation on abandoned oil and gas lease sites in the MD of Taber.

INTEREST AND 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.

2022-2025 PROJECTED RESERVE AND CAPITAL TRANSFERS

	Interim Budget 2022	Forecast 2023	Forecast 2024	Forecast 2025
Total budgeted revenues	21,399,767	21,940,820	22,568,364	23,215,721
Total budgeted expenses	- 21,962,864 -	21,941,544 -	22,234,491 -	22,566,729
Excess of revenues over expenses	- 563,097 -	724	333,873	648,992
Annual Amortization Expense	4,232,645	4,253,808	4,275,077	4,296,453
Debt principle repaid	- 342,465 -	362,222 -	383,118 -	61,519
Current year funds used for capital assets	0	0	0	0
Cash provided by operations	\$ 3,327,083	\$ 3,890,862	\$ 4,225,832	\$ 4,883,926
Reserve transfers				
Transfer from reserves	- 4,539,000 -	6,075,000 -	6,245,000 -	3,955,000
Transfer to reserves	3,327,083	3,890,862	4,225,832	4,883,926
NET RESERVE TRANSFERS	-\$ 1,211,917	-\$ 2,184,138	-\$ 2,019,168	\$ 928,926

As shown above, there is a projected deficit in 2022. 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 of amortization is the offset to the amortization expense included in the operating expenses. This transfer is to apply the reduction in the net book 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 reserves and capital that have been set up in prior years. This can include the reserves that have been built up specifically for operating and capital expenditures or that have been built from prior surpluses (revenues exceeded budget and/or expenses less than budget).

The 2022 to 2025 transfers from reserves is the amount that is needed to offset the expected capital expenditures related to buildings, vehicles and equipment purchases in those years.

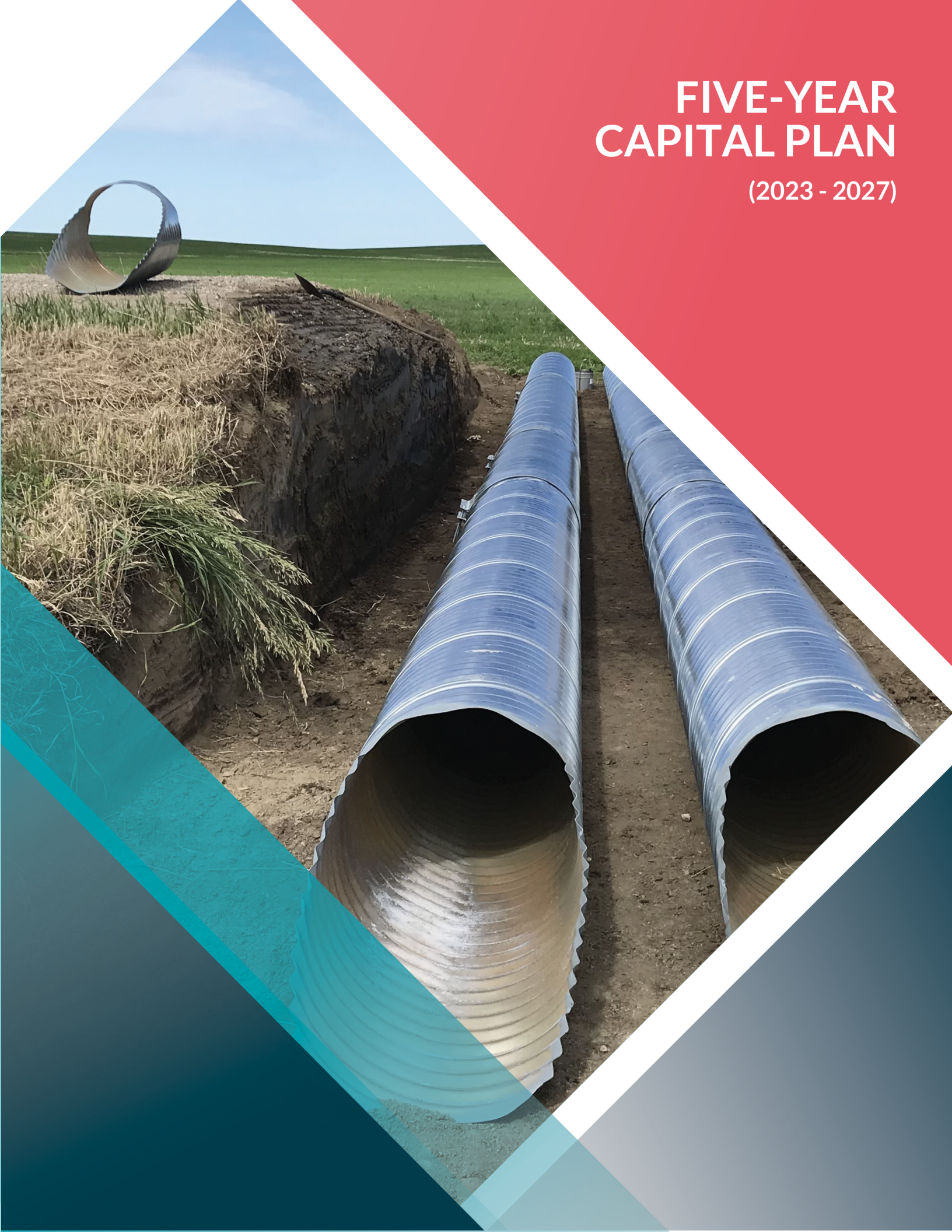
The transfer to reserves are the amount of funds that are raised in the operating budget to be used for either future operating projects or capital projects:

Currently, the Municipal District has a ten-year capital funding program (as discussed in the five-year written capital plan). In the 2019-2022 Strategic Plan, the Municipality has included the key initiative to; by first quarter 2022 develop a long-term financial plan for the Municipal District that includes 10, 15 and 20 year milestones to ensure financial sustainability.



FIVE-YEAR CAPITAL PLAN

(2023 - 2027)



CAPITAL PLAN

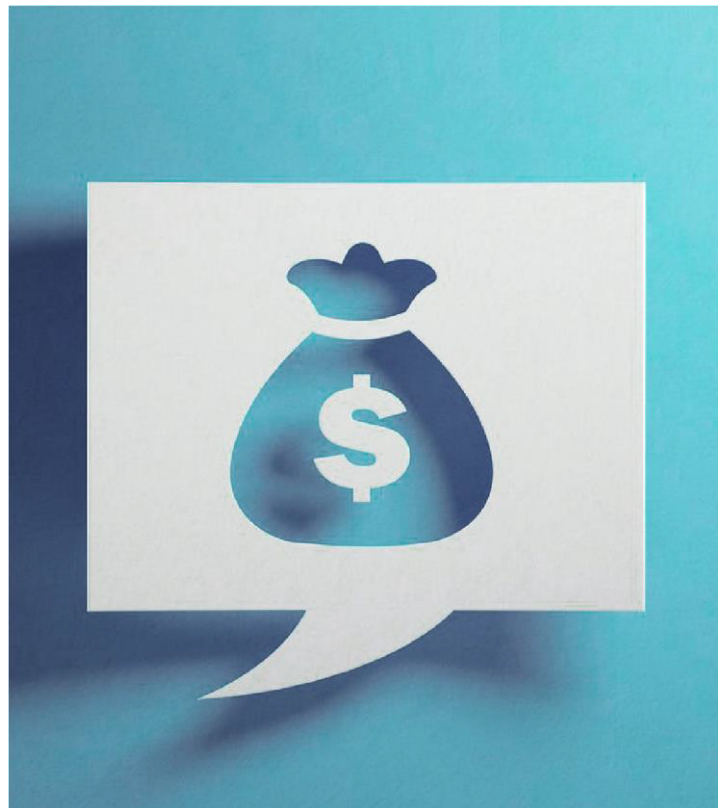


The purpose of a five-year capital plan is to provide an overview of the capital requirements for the Municipality in upcoming years and to ensure that the Municipality is in a position to fund those purchases in a fiscally responsible manner. One of the results of implementing a capital plan is a reduction in fluctuations of tax rates since the Municipality will be 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 \$600,000.00, is amortized over 15 years; therefore, a total of \$40,000.00 would be allocated to a reserve each year so that when the grader is to be purchased after 15 years, the funds will be available.

The capital reserve balances and future requirements are actively monitored by Municipal Administration. Currently, the Municipality is contributing ~\$2.8 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 gets closer to the current year the estimations of replacement costs typically become more accurate.



CAPITAL PLAN

CAPITAL BUDGET AND FORECAST

	Interim Budget 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
CAPITAL ACQUIRED:						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land Improvement	-	-	-	-	-	-
Buildings	150,000	50,000	2,000,000	1,380,000	80,000	400,000
Equipment	2,832,000	3,620,000	3,435,000	1,980,000	2,780,000	3,435,000
Vehicles	625,000	945,000	1,350,000	935,000	840,000	645,000
Engineered Structures	7,700,000	17,500,000	10,800,000	4,000,000	2,800,000	1,800,000
TOTAL CAPITAL ACQUIRED	\$ 11,307,000	\$ 22,115,000	\$ 17,585,000	\$ 8,295,000	\$ 6,500,000	\$ 6,280,000
CAPITAL FUNDING:						
Capital grants	- 5,900,000	15,300,000	10,600,000	3,600,000	2,600,000	1,600,000
Sale of assets	- 868,000	740,000	740,000	740,000	740,000	740,000
Contributed asset	-	-	-	-	-	-
Transfer from reserves	- 4,539,000	6,075,000	6,245,000	3,955,000	3,160,000	3,940,000
Transfer from operating funcio	-	-	-	-	-	-
TOTAL CAPITAL FUNDING	-\$ 11,307,000	\$ 22,115,000	\$ 17,585,000	\$ 8,295,000	\$ 6,500,000	\$ 6,280,000

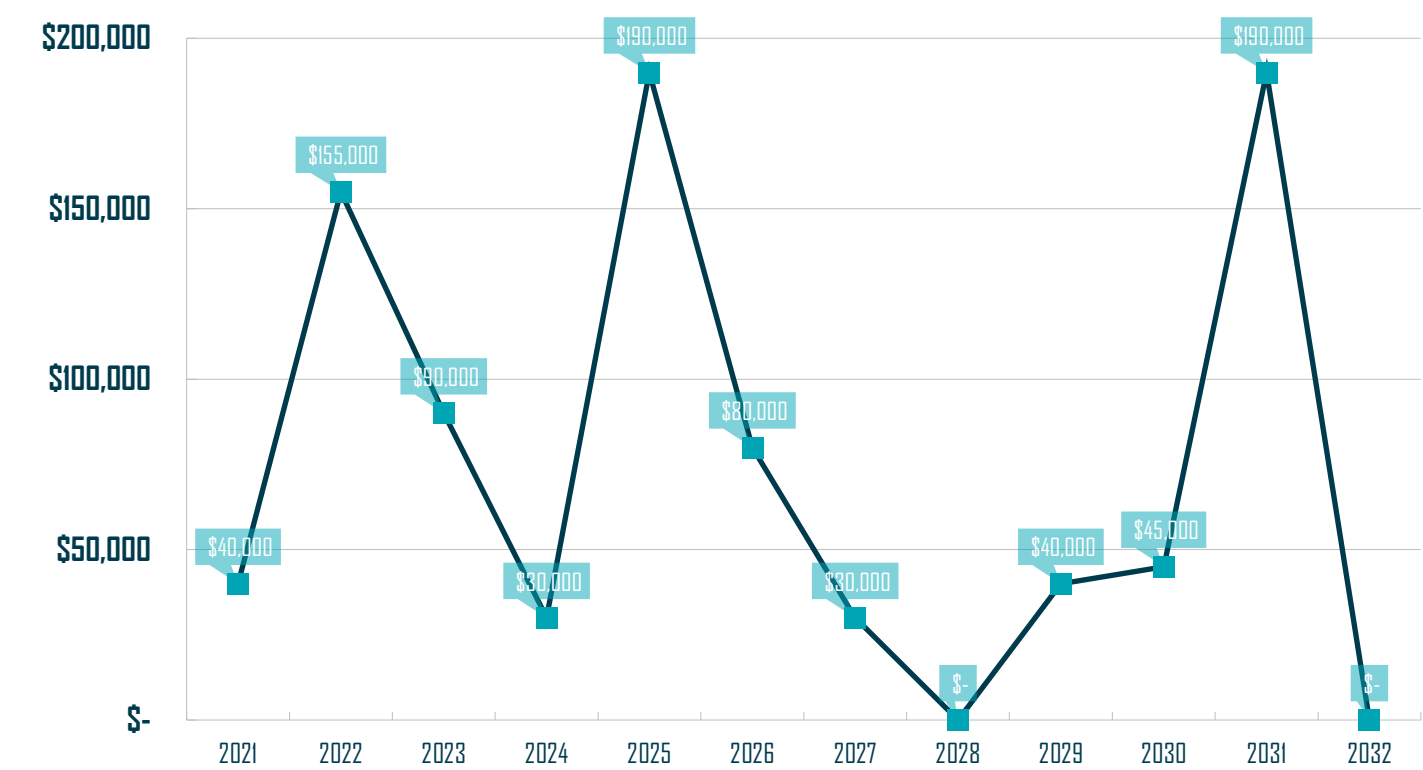
As shown above, there are significant projected expenditures in the engineered structures for 2022. These expenditures are mainly due to high value road and drainage projects. Funding for these projects has already been received from other levels of government and Municipal Sustainability Initiative (MSI) is being carried forward to fund these projects.

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

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

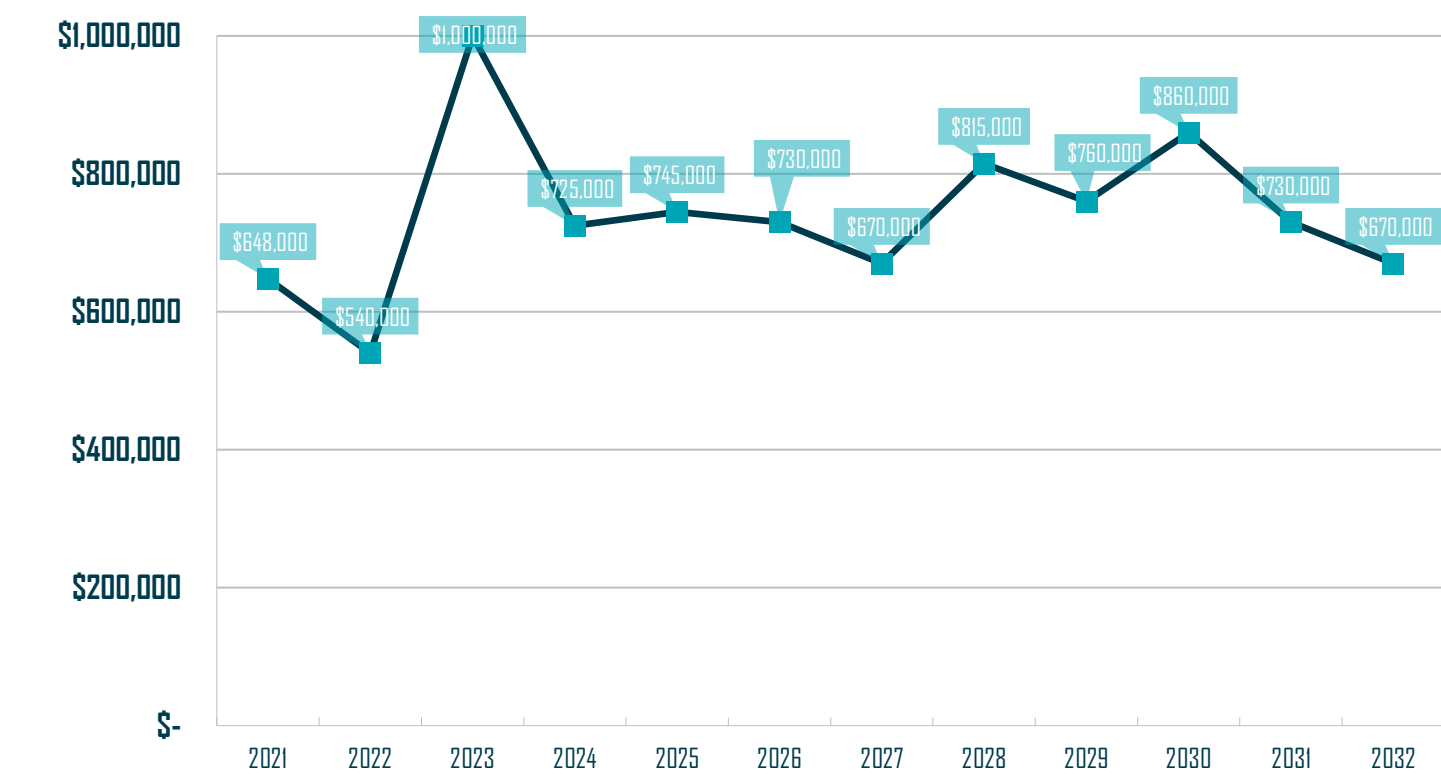
CAPITAL PLAN

ADMINISTRATION/IT/LANDS/DEVELOPMENT



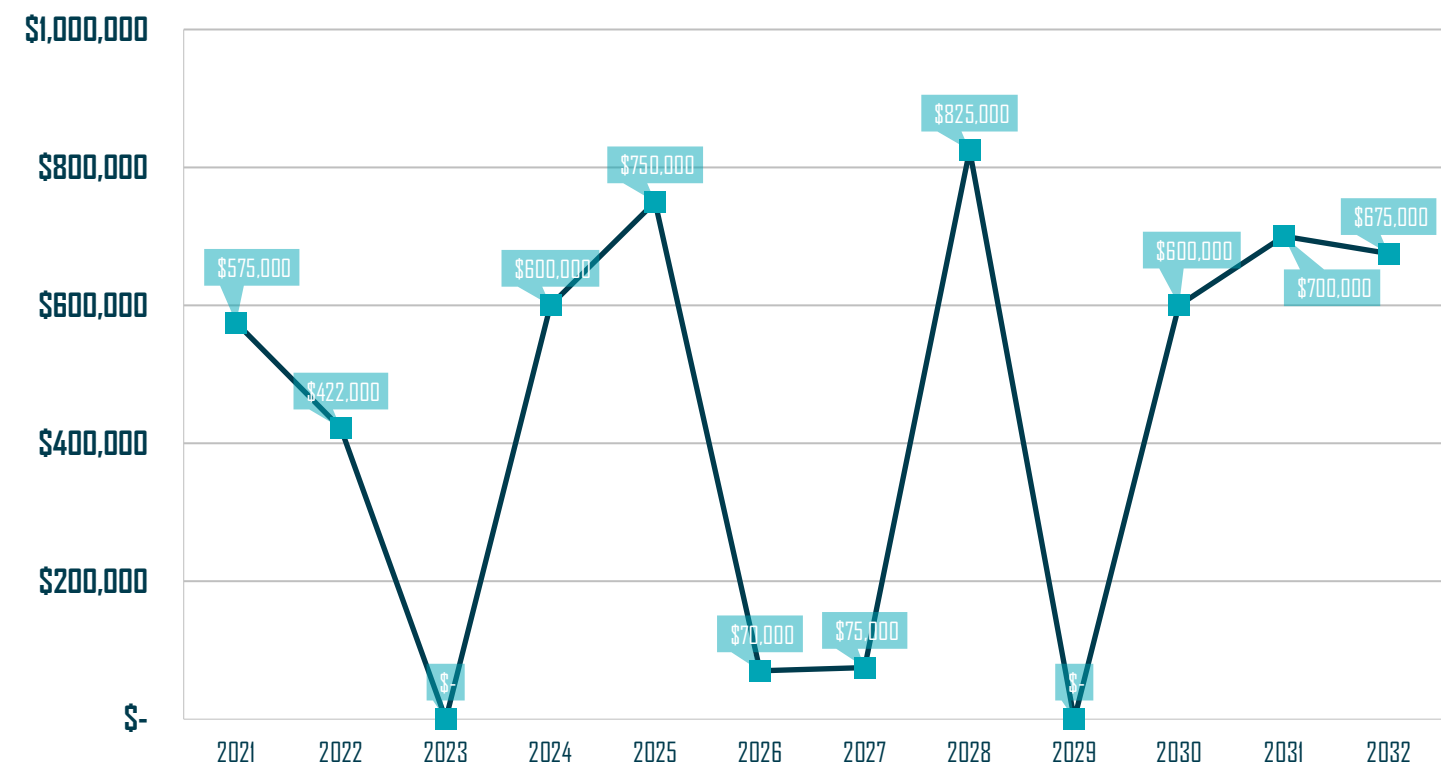
CAPITAL PLAN

AGRICULTURAL SERVICES



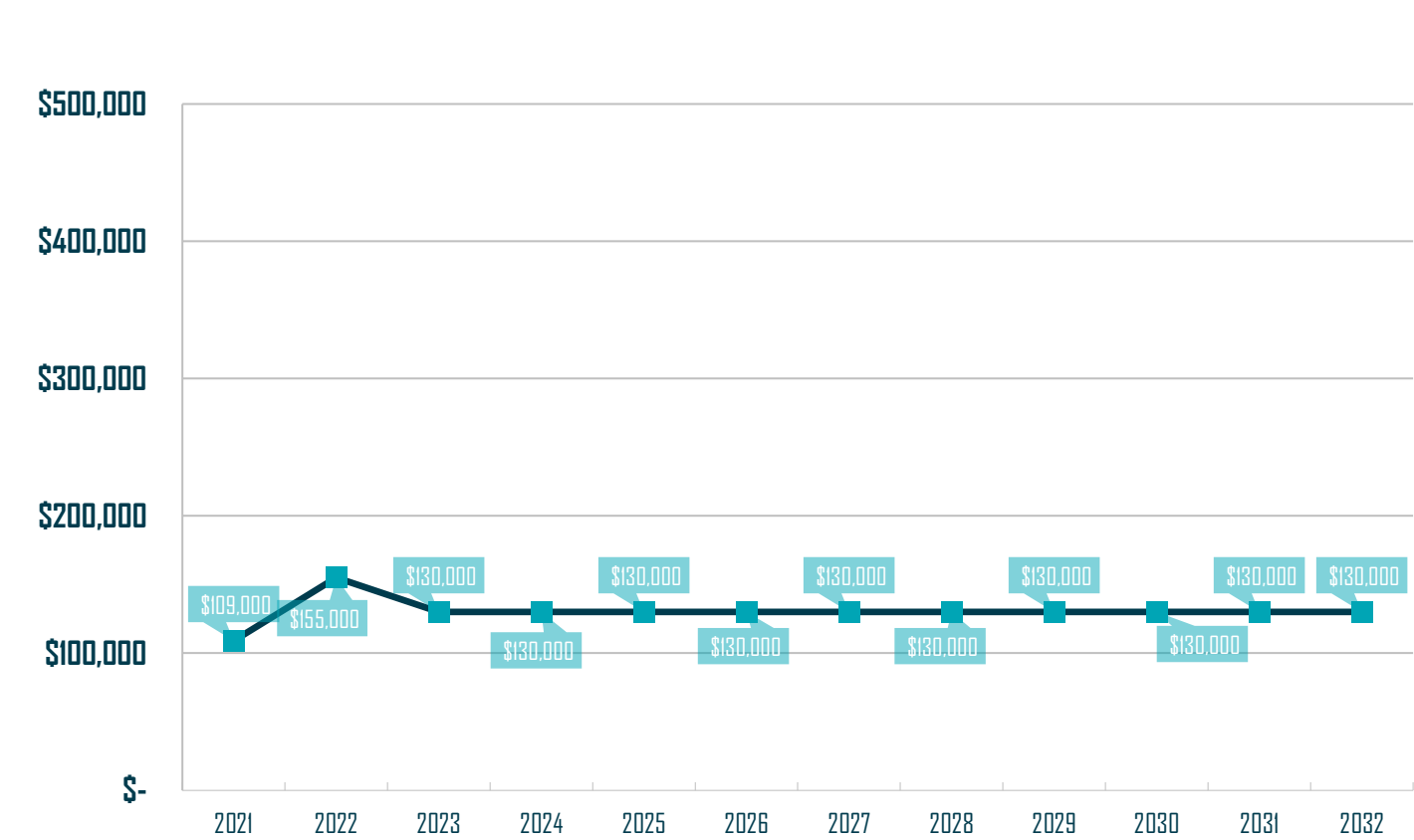
CAPITAL PLAN

PROTECTIVE SERVICES



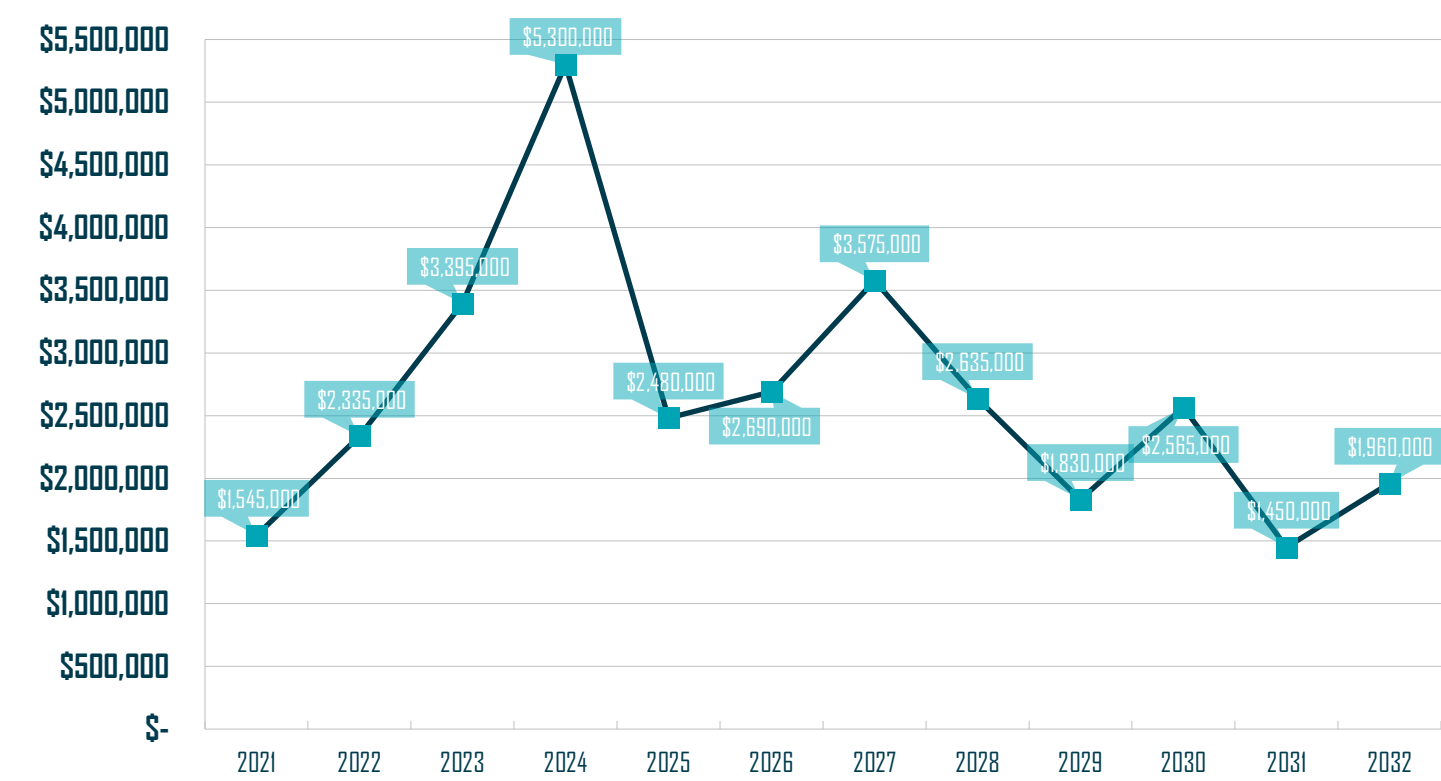
CAPITAL PLAN

HAMLETS/UTILITIES/RECREATION



CAPITAL PLAN

PUBLIC WORKS



CAPITAL PLAN

ENGINEERED STRUCTURES

