

# FINANCE REPORT

## 2021 Budget Introduction

### HIGHLIGHTS - FACTORS CONSIDERED IN THE BUDGET PREPARATION

- 2020 budget and the actual operating results of the past three (3) years.
- COVID-19 impacts.
- Property assessments for the year of 2020 (used in calculating 2021 property tax).
- Analysis on the current tax burden in comparison with other municipalities, the Town's current financial position, and the Town's future development.
- Priority services identified by the budget survey:
  - Road & Sidewalk Maintenance
  - Protective Services
  - Economic Development
- Inflation rate as per Municipal Price Index (MPI) released by City of Edmonton.
- Impacts from the Province's 2021 Budget.
  - Funding level from the Provincial Government
  - Education tax requisition level
- Other source of revenue and requisitions & fees.
  - Contribution level to the Recreation Centre by Lamont County
  - Lamont County Senior Requisition
  - Library Requisition
  - Policing cost increased from 10% model to 15% model in 2021

### PART I – OPERATING BUDGET COMPARISONS:

#### 2021 PROPOSED BUDGET VS. 2020 BUDGET AND 2020 ACTUAL

<b>2021 Proposed Operational Budget</b>	<b>2021 Budget</b>	<b>2020 Budget</b>	<b>Increase/ (Decrease)</b>	<b>2020 Actual</b>	<b>Increase/ (Decrease)</b>
Total Revenue:	(4,257,378)	(4,295,122)	(37,744)	(4,097,739)	159,639
Expenses Total:	4,980,247	5,251,331	(271,083)	4,698,358	281,889
Revenue over Expenses	722,870	956,209		600,619	
Add Back Amortization	(881,029)	(956,209)		(902,665)	
Contribution to Capital from Operation	(158,159)	(0)		(302,046)	

#### Compared with 2020 actual revenue

- The budgeted 2021 operating revenue is increased by \$160K.

The increase is mainly due to:

- \$184K from Municipal Operating Support Transfer (MOST)
- \$44K Municipal Sustainability Initiative (MSI) Operating
- \$5K from FortisAlberta for Administration Building Lighting Upgrade (Grant)
- Less \$56K tax loss (based on an assumption of the mill rate increase of 1.87% in 2021 (Option II).

# FINANCE REPORT

## 2021 Budget Introduction

### Compared with 2020 actual cost

- The budgeted 2021 operating expenses are increased by \$282K.

The increase of the \$282K includes:

- \$167K that are the expenses carried forward from 2020 budget and new items required in 2021.
- Extra policing cost increased from 10% to 15% model
- \$5K for Administration Building Lighting Upgrade (offset by FortisAlberta grant received)

### PART II – LISTING OF APPROVED CAPITAL PROJECTS IN 2021:

<u>2021 Capital Projects (Approved)</u>	<u>Amount</u>	<u>Source of Funding</u>
1 Sanitary Sewer Trunk - Lining and Waterproofing	\$1,045,625	Grants & Reserve
2 Recreation Centre Audio Visual Upgrades	\$ 82,800	Municipal Stimulus Program (MSP)
3 Park Trail Lighting	\$ 62,000	MSP
4 Arena Plant Upgrades	\$ 64,000	MSP
<b>Total Cost:</b>	<b>\$1,254,425</b>	

<u>Carried projects from previous approved budgets</u>	<u>Amount</u>	<u>Source of Funding</u>
1 Storm water Improvements - 50th Ave (East of Highway 831)	\$ 32,500	Carried from 2019 Budget
2 Campbell Playground (will be carried into 2021)	\$ 14,000	Carried from 2020 Budget
3 Bike Park (was approved on Nov 8, 2019 Council meeting)	\$ 40,255	Carried from 2020 Budget
<b>Total Cost:</b>	<b>\$ 86,755</b>	

<b>Grand Total</b>	<b>\$1,341,180</b>	
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### PART III - ANALYSIS ON THE TOWN'S CURRENT FINANCIAL POSITION AND THE CURRENT MILL RATES COMPARISON WITH OTHER MUNICIPALITIES

Financial Position Comparison						
Municipalities	Population	Cash on Hand	Reserve	Long-term Debt	Cash on Hand vs Debts	Unused Debt Limits
Lamont	1,774	\$4,961,890	\$2,634,087	(\$1,239,530)	\$3,722,360	4,233,874
Bruderheim	1,308	\$1,255,667	\$957,530	(\$1,445,246)	(\$189,579)	2,887,666
Redwater	2,053	\$3,065,022		(\$2,334,666)	\$730,356	8,497,089
Mundare	852	\$677,847		(\$1,265,885)	(\$588,038)	1,456,486

Note:

1. the population was based on 2016 Census
2. the rest of the information was from their 2019 audited financial statements
3. Based on the Town's strong financial position in comparison with the other municipalities identified, a future recommendation to adjust reserve levels may be provided.

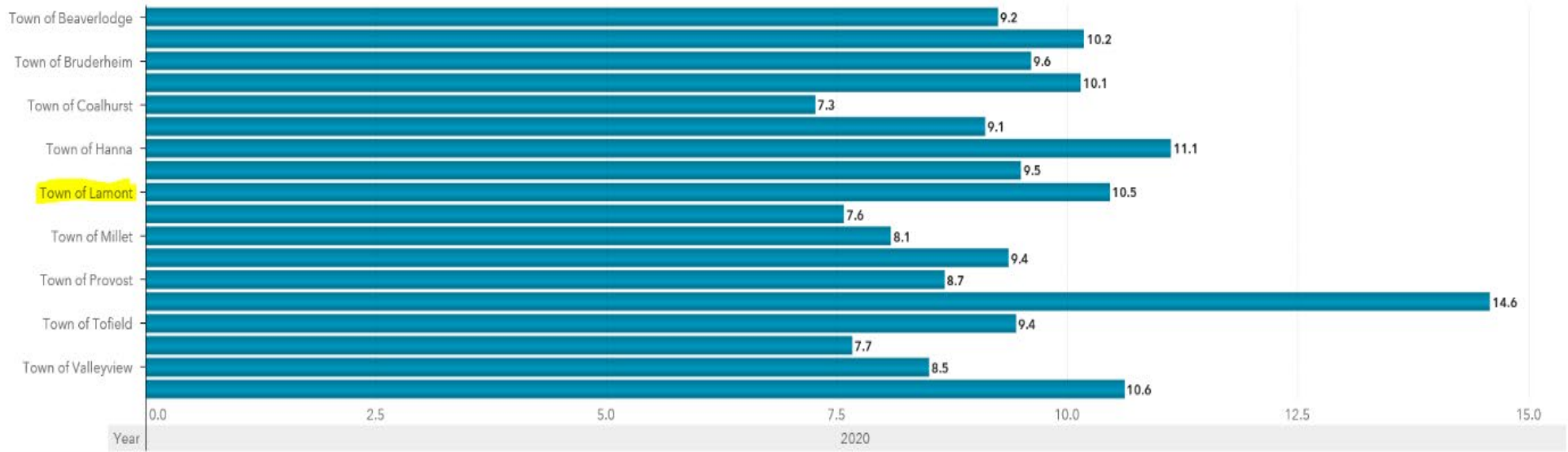
# FINANCE REPORT

## 2021 Budget Introduction

Residential Tax Rate



2020



Municipality	General Municipal Tax Rate - Residential	Year
Town of Beaverlodge	9.2	2020
Town of Bow Island	10.2	2020
Town of Bruderheim	9.6	2020
Town of Calmar	10.1	2020
Town of Coalhurst	7.3	2020

Source from Municipal Measurement Index, Municipal Affairs

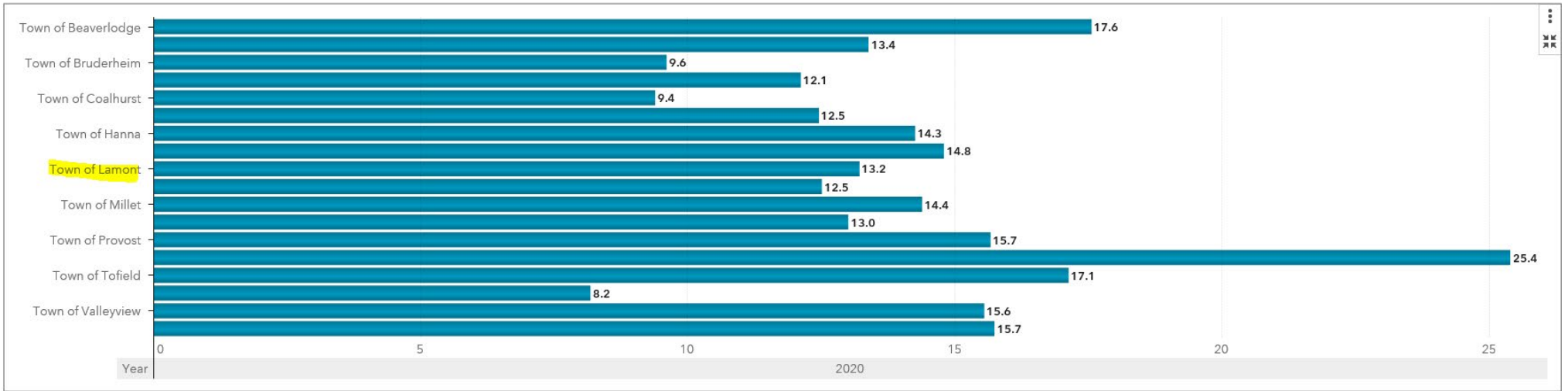
# FINANCE REPORT

## 2021 Budget Introduction

Non Residential Tax Rate



2020



Municipality	General Municipal Tax Rate - Non Residential	Year
Town of Beaverlodge	17.6	2020
Town of Bow Island	13.4	2020
Town of Bruderheim	9.6	2020
Town of Calmar	12.1	2020
Town of Coalhurst	9.4	2020

Source from Municipal Measurement Index, Municipal Affairs

# FINANCE REPORT

## 2021 Budget Introduction

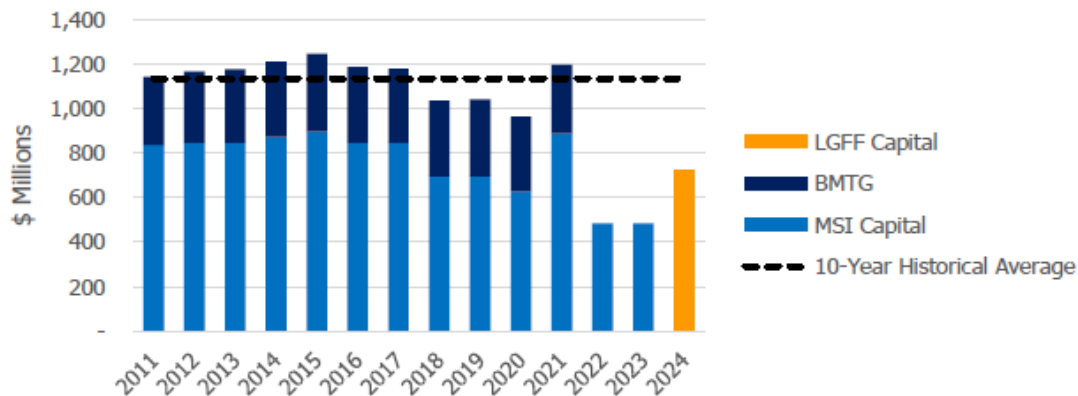
### PART IV – FUNDING LEVEL FROM PROVINCE FOR 2021 – 2023

Comparing with 2020, the Town will receive and save approximately \$137,741 more in 2021 as per the Provincial Budget 2021.

Years:	2020	2021	Increased Amount
MSI Capital	325,684	403,479	77,795
Basic Municipal Transportation Grant (BMTG)	106,440	106,440	-
			-
MSI Operation	66,402	110,315	43,913
Education Tax Requisition	481,526	465,492	(16,033)
<b>Net Positive Impact:</b>		<b>\$</b>	<b>137,741</b>

However, the Province plans to reduce funding to municipalities for local infrastructure projects by roughly 25 percent over the next three years in an effort to reduce its \$18.2-billion deficit.

At its start, the Local Government Fiscal Framework will deliver 36% less funding than the average over the last 10 years



In comparison, with the amount of 2021 MSI Capital allocation, the amounts for the years of 2022 and 2023 will be reduced by 59% as estimated below:

Years:	2021 Budget	2022 Forecast	2023 Forecast
MSI Capital Province Budget (\$ millions)	\$ 1,196	\$ 485	\$ 485
% changes		-59%	0%
<b>MSI Capital Allocation to Lamont</b>	<b>\$403,479</b>	<b>\$ 163,618</b>	<b>\$ 163,618</b>

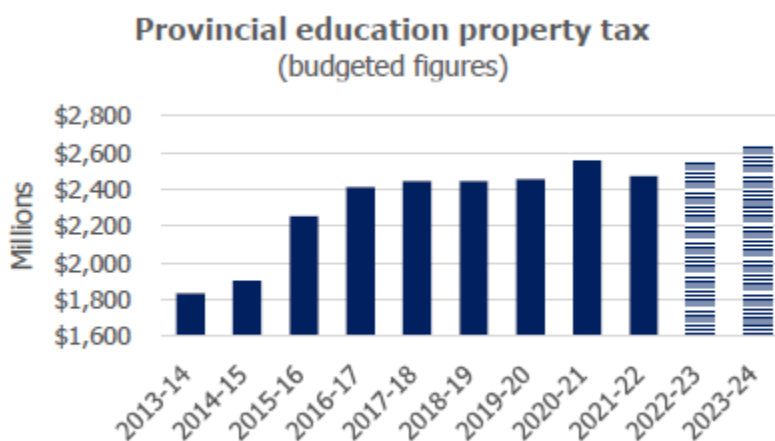
# FINANCE REPORT

## 2021 Budget Introduction

### PART V – EDUCATION REQUISITION

The Province froze the 2021 education requisition. However, the requisition will be increased by 3.1 percent and 3.3 percent for the years of 2022 and 2023 respectively.

(\$ millions)	2019-20 Actual	2020-21 Actual	2021-22 Budget	2022-23 Forecast	2023-24 Forecast
Provincial education property tax	2,475	2,472	<b>\$2,472</b>	2,549	2,633
Year-over-year % change		-0.1%	-	3.1%	3.3%



Estimated amount of 2022 and 2023 Education Requisition for the Town of Lamont:

Years:	2020 Actual	2021 Budget	2022 Forecast	2023 Forecast
Education Tax Requisition	\$ 2,472	\$ 2,472	\$ 2,549	\$ 2,633
% changes		0%	3.1%	3.3%
<b>Education Tax Requisition for Lamont</b>	<b>\$ 481,526</b>	<b>\$ 465,492</b>	<b>\$ 479,923</b>	<b>\$ 495,760</b>

# FINANCE REPORT

## 2021 Budget Introduction

### PART VI – ASSESSMENT AND MILL RATE

	2020 Tax	2021 Assessment Increase/ (Decrease)(%)	<u>Option 1 – No mill rate increase</u> <u>Equivalent to a tax decrease</u>		<u>Option II – Increase mill rate by 1.87% (MPI)</u> <u>Equivalent to tax decrease as per below</u>		<u>Option III- Increase mill rate</u> <u>Equivalent to no tax impact</u>	
			Net Increase/ (Decrease)(%)	Net Increase/ (Decrease)(\$)	Net Increase/ (Decrease)(%)	Net Increase/ (Decrease)(\$)	Net Increase/ (Decrease)(%)	Net Increase/ (Decrease)(\$)
Residential /Farmland	\$1,881,317.16	-3.48%	-3.48%	(\$65,470)	-1.68%	(\$31,606)	0%	-
Non-Residential	\$453,327.32	-7.32%	-7.32%	(\$33,184)	-5.59%	(\$25,341)	0%	-
M & E	\$56,166.97	0.08%	0.08%	\$45	1.95%	\$1,095	0%	-
<b>Total Tax Gain/(Loss)</b>	<b>\$2,390,811.45</b>			<b>(\$98,608)</b>		<b>(\$55,852)</b>		-
Tax saving per household (881)				\$ (112)		\$ (63)		\$ -

Note: the current proposed budget was calculated based on Option II after considering the following key factors:

- ❖ In an effort to support residents and local stakeholders during the COVID-19 pandemic, Administration considered no increase or reducing the 2021 tax burdens for the ratepayers.
- ❖ However, as illustrated in the above Part IV and Part V, the funding from the Province will be reduced approximately 59% and Education Tax Levy will be increased by approximately 3.1 to 3.3% for 2022 and 2023, the Town needs to be prepared for such future impacts.
- ❖ As such, an increase of mill rates by 1.87% in 2021 is recommended to reflect the increased operational cost in the Edmonton area.
- ❖ If Council approved Option II, as a result of the decreased assessment, our residents would still have a tax saving of \$63 per household on average, depending on the actual changes of their individual assessment.
- ❖ Therefore, Option II is recommended. The full budget presentation that will be presented on April 13, 2021 for Council to evaluate and deliberate.

In addition to the materials provided, below is a deeper analysis and explanation on the proposed mill rate as additional information was provided following the initial report that has impact on the non – residential mill rate.

**Part I – Residential:**

Farmland and Residential			
	2021	2020	% Increase
Municipal	10.7051	10.4635	2.31%
Senior	0.3997	0.3991	0.15%
ASFF	2.7050	2.6931	0.44%
<b>Total</b>	<b>13.8098</b>	<b>13.5557</b>	<b>1.87%</b>

Residential	2021 Tax	2020 Tax	Increase(De)
Average	\$ 2,478	\$ 2,521	\$ (43)

The majority of the residential ratepayers will experience a slightly reduced amount on their 2021 Notice of Assessment in comparison with their 2020 Notice of Assessment. See below:

**Residential**

ROLL	2021 Value	2020 Value	Increase(De)	2021 Tax	2020 Tax	Increase(De)
053400	124,700	131,400	(6,700)	1,722	1,781	(59)
067100	229,900	241,500	(11,600)	3,175	3,274	(99)
077500	195,000	204,600	(9,600)	2,693	2,773	(81)
084900	233,100	235,900	(2,800)	3,219	3,198	21
086300	290,300	292,400	(2,100)	4,009	3,964	45
090600	267,900	271,000	(3,100)	3,700	3,674	26
104100	279,500	283,600	(4,100)	3,860	3,844	15



**Part II – Commercial:**

Non-Residential			
	2021	2020	% Increase
Municipal	13.4632	13.2161	1.87%
Senior	0.3997	0.3991	0.15%
ASFF	4.1282	3.3097	24.73%
<b>Total</b>	<b>17.9911</b>	<b>16.9249</b>	<b>6.30%</b>

Non - Residential (exclude E&M)	2021 Tax	2020 Tax	Increase(De)
Average	\$ 4,758	\$ 4,835	\$ (78)

Even through the average 2021 commercial tax amount is reduced by \$78, the majority of the commercial ratepayers will not receive a tax reduction, but rather slight increase in tax for 2021. The main contributing factor is the significant reductions to the assessment for the following two properties:

Roll	2021 Value	2020 Value	Increase(De)	2021 Tax	2020 Tax	Increase(De)
044030	\$ 1,777,500	\$ 2,995,000	\$ (1,217,500)	\$ 31,979	\$ 50,690	\$ (18,711)
104010	\$ 144,530	\$ 261,010	\$ (116,480)	\$ 2,600	\$ 4,418	\$ (1,817)

**So, why did the Education (ASFF) mill rate increase by 24.73%?**

$$\text{MILL RATE } \uparrow = \frac{\text{AMOUNT OF EDUCATION REQUISITION}}{\text{ASSESSMENT VALUE } \downarrow}$$

As per the latest assessment report (*received on Tuesday, March 16, 2020*), the assessment for non-residential property (excludes Equipment and Machinery) is \$26,114,940, which is reduced by 9.8% in comparison with the assessment value of \$28,685,970 in 2020.

Therefore, as the Non-Residential Table above identifies, although the final mill rate increase is 6.3%, it is mainly as a result from the ASFF (education) mill rate increase of 24.73%. The municipal portion of the mill rate increase is only 1.87% in order to reflect the inflation rate. The ASFF portion is simply a flow through and is provided to the Province and no additional funding is received by the Town.

The below table illustrates historical mill rates since 2018 compared with the proposed 2021 mill rates. As indicated below, the proposed 2021 non-residential mill rate is increased back to the level of 2019 after tax relief provided in 2020.

<b>Mill Rates History</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Residential	13.8098	13.5557	13.6528	13.0400
% Increase/Decrease	1.87%	-0.71%	4.70%	
Non-Residential	17.9911	16.9249	18.0928	17.5060
% Increase/Decrease	6.30%	-6.46%	3.35%	

