

**2012 – 2014 BUSINESS PLAN AND 2012 BUDGET  
EXECUTIVE SUMMARY AND BUDGET OVERVIEW**

**Report Purpose**

To provide Council with an overview of the recommended 2012 – 2014 Business Plan and 2012 Budget.

**Recommendation**

**THAT Council receive the 2012 – 2014 Business Plan and the 2012 Budget Overview for information.**

**Council History**

February 22, 2011 – Council received the 2012 – 2014 Business Plan and 2012 Budget Timeline as information.

May 27, 2011 – Council reviewed financial projections, 2011 Service Levels and stakeholder input into the business plan and budget.

May 31, 2011 – Council provided initial direction for the 2012 - 2014 Business Plan and 2012 Budget.

October 4, 2011 – Council received the initial 2012 – 2014 Business Plan Initiatives and 2012 Council Budget Requests in order to give direction for the preparation of the 2012 – 2014 Business Plan and 2012 Budget.

**Background/Justification**

**Strategic Plan:** (mark beside the applicable sections)

<i>Governance</i>		X	<i>Community Well Being</i>		X
<i>Community Sustainability</i>		X	<i>Economic Viability</i>		X
<i>Service Delivery</i>	X	<i>Stakeholder Communication</i>		X	<i>Resource Management</i>

**Policy:** n/a

**Legislative/Legal:** Sections 242 and 245 of the Municipal Government Act RSA 2000, c,M-26 outline the requirements for Council to adopt an operating and capital budget for each calendar year.

**Economic:** The Business Plan identifies actions over a three-year period which contributes to the achievement of the objectives identified in the Strategic Plan. The Budget allocates the annual resources necessary to deliver services to the community and undertake actions identified in the Business Plan.

**Social:** The Business Plan and Budget provide the resources to support the principles contained within the Social Sustainability Framework.

**Environmental:** The Business Plan and Budget provide the resources to address sustainability initiatives and support the Environmental Sustainability Framework.

**Stakeholder:** Residents of Strathcona County, Industry, Businesses.

**Interdepartmental:** All County Departments.

## **Summary**

This report will provide an overview of the recommended 2012 – 2014 Business Plan and 2012 Budget.

## **Handouts**

- I 2012 – 2014 Business Plan and 2012 Budget – Executive Summary (*CorpPlng.17172*)
- II 2012 Budget Overview (*Fin.Admin.101008.ppt*)

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Date: *November 1, 2011*

Director: *Christine Jackson, Financial Services*

Acting Director: *Kelly Rudyk, Corporate Planning & Intergovernmental Affairs*

Associate Commissioner: *George Huybregts, Corporate Services/County Treasurer*

Chief Commissioner: *Robyn W. Singleton, Q.C. (Manitoba)*

***“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”*****Executive Summary**

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**Introduction**

Putting together a business plan and budget requires that Council and Administration work together to address the needs and wants of our citizens within the parameters of available resources. It is not an easy process and a balance is the ultimate goal – quality services and acceptable tax levels. The Strategic Plan is a crucial document that assists decision making given it contains the goals and aspirations of the community. Every year difficult decisions have to be made around which initiatives to fund, what the appropriate service levels should be, and to chart the immediate direction of the organization through the Business Plan. The ultimate goal of this process is always to be cognizant of the long term viability of the community, to spend tax dollars wisely, and maintain the quality of life for all of our residents.

When deliberating the business plan and budget Council must constantly weigh different community needs. Increases in service levels must be matched by corresponding revenues. By law, a municipality cannot spend more funds than it takes in. Because of this, Council often faces hard choices regarding service and taxation levels. This is a challenge at the best of times. In a climate of global and regional economic uncertainty the task is made that much harder. This also, however, presents an opportunity - a chance to be more resilient, to improve, and to do business differently where efficiencies can be achieved. Survey instruments like the annual public satisfaction survey and budget survey are extremely helpful tools in assessing where improvements in services are desired by our citizens.

The theme for the 2012 – 2014 Business Plan and 2012 Budget is ***“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”***. It speaks to a number of different factors influencing decisions within next year’s budget cycle. This transition has, of course, already begun, and is reflected in the Social, Environmental, and Economic Frameworks approved by Council. The 2012-2014 Business Plan and 2012 Budget takes this one step further, as implementation will commence on both the Sustainability Platform and the Economic Sustainability Framework.

In the end, business plans and budgets are financial and organizational expressions of community priorities. Both Council and Administration are committed to a vision of sustainability that includes looking at each and every decision we make from a social, environmental and economic perspective. The 2012-2014 Strategic Business Plan and 2012 Budget reflect that commitment.

## **The Budget Process**

The budget is developed based on recommendations from our citizens, departments, senior administration and Council.

### **April:**

Public input is invited through a random telephone survey of 400 residents, open houses, and an invitation for any interested resident to comment.

### **May:**

- Council receives the public input (budget survey results included) and reviews all current programs and services and reviews financial projections.
  
- Council provides guidance and direction for the upcoming Business Plan and Budget

## **The 2012 Budget was developed under the following Council approved direction:**

- ✓ Look at opportunities to modify service levels using a projected tax dollar increase of less than 7.4%.
  
- ✓ Investigate franchise fees with a view to increase the natural gas franchise fee and potentially implementing an electricity franchise fee.
  
- ✓ Explore using \$4 million to leverage \$50 million in new debt as well as explore implementing a 1% dedicated infrastructure tax to leverage \$20 million in new debt both to help fund future capital expenditures.

## **Highlights of the proposed 2012 Budget**

### **Municipal Operations**

- Programs and program service delivery levels will be generally maintained at Council-approved 2011 levels.
- Twelve new Business Plan initiatives are recommended:
  - Implement an Emergency Alerting System
  - Commence a Youth Intervention Program
  - Adjust shrub bed maintenance levels
  - Begin P3 Bus Stop Snow Clearing
  - Reduce Road Maintenance Activities
  - Implement recommendations from the Corporate Branding Strategy

## 2012 - 2014 Strategic Business Plan &amp; 2012 Budget

***“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”*****Executive Summary**

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- Reduce services related to Backsloping
  - Discontinue Photo Radar
  - Review the new Strategic Plan
  - Phase in a Restructuring of Specialized Transit
  - Purchase a new Water Tanker for Strathcona Emergency Services
  - Create a Community Greenhouse Gas Inventory
- The proposed municipal operations operating budget for 2012 is **\$240.2 million**.
  - This budget represents the resources required to implement Council’s strategic direction, generally maintain current programs and service levels, and provide for important new Business Plan Initiatives.
  - The impact of municipal price inflation (MPI) has been incorporated into the total operating expenditure budget. MPI is estimated to be **3.5%** for 2012 and is expected to amount to an estimated **\$6.6 million** for County municipal operations. MPI represents the estimated increase in cost of the County’s “basket of goods” (i.e., asphalt, gravel, etc.)
  - The impact of a projected **1.99% population increase**, continued development and the increased demand for and cost of municipal services have been addressed by the 2012 operating budget.
  - The 2012 operating budget requires additional municipal property tax revenues (**\$8.2 million**) equivalent to approximately **5.03%** tax dollar increase to support maintaining current service levels.
  - Municipal tax rates for 2012 will be subject to Council’s approving the 2012 Tax Rate Bylaw in May 2012. In addition to municipal property taxes, tax rates provide for anticipated provincial education requisitions, Library and Pioneer Housing Foundation.
  - Selective increases are recommended to occur in fees and charges for certain programs and services.
  - The recommended 2012 Municipal Capital Budget amounts to **\$90.3 million**.

## The 2012 Capital Budget:

- Has a continued focus on the replacement of existing capital infrastructure (**\$41.5 million**), which is critical to maintaining programs and service levels.
- Includes an investment in new priority capital infrastructure (**\$65.5 million**), responding to the increased demand for services.
- **\$2 million** new debt for municipal operations is proposed to support priority capital infrastructure projects. Strathcona County’s total debt of **\$201 million** projected for December 31, 2012 is well within the limit legislated by the Province of Alberta.

**Utilities Operations**

- Programs and program service delivery levels will be generally maintained at Council-approved 2011 levels.
- The proposed Utilities operating budget for 2012 amounts to **\$51.6 million**.

2012 - 2014 Strategic Business Plan & 2012 Budget

***“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”***

**Executive Summary**

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- The Utilities user fee for water, wastewater, storm sewer, and solid waste will see a net rate increase of **\$3.23 per month** for the typical Sherwood Park residential customer.
- Utilities will continue to be entirely self-sustaining in 2012 with no property tax revenues required to support utility operations (except for recycling stations and EnviroService events). Only those customers who benefit from utility services pay for the utility services.
- The recommended 2012 Utilities Capital Budget amounts to **\$17.1 million**.

**Library Operations**

- The proposed Library operating budget for 2012 amounts to **\$9.0 million**.
- The proposed Library tax dollar increase for 2012 amounts to **approximately 2.02%** or a **\$1.32 per year increase** for the average residential property assessed at \$424,050.
- The recommended 2012 Library Capital Budget amounts to **\$0.6 million**.

**Business Plan 2012**  
 Strathcona County & Budget

**“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”**

**Council Meeting  
 November 15, 2011**

**Your County**  
**Your Budget**  
**Your Input**

FinanceAdmin.101008 1

**Business Plan 2012**  
 Strathcona County & Budget

**Presentation Outline**

**2012 – 2014 Business Plan & 2012 Budget**

1. Introduction
2. Executive Summary
3. Business Plan & Budget Framework
4. Building the Foundation
5. Key Recommendations
6. Next Steps

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**Business Plan 2012**  
 Strathcona County & Budget

**Presentation Outline**

**2011 Timeline**

- Feb 22 Approval of Timeline
- May 27 Financial Projections
- May 31 Council Guidance & Direction
- Oct 4 1<sup>st</sup> Look at Business Plan Initiatives & Councillor Budget Requests
- ➔ **Nov 15** **Overview of Recommended Business Plan & Budget (no decisions required today)**
- Nov 25, 28, 30 Recommended Business Plan & Budget Presentations
- Dec 2, 5
- Dec 13 Approval of Business Plan & Budget

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**Business Plan 2012**  
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**1. Introduction**

**Your County**  
**Your Budget**  
**Your Input**

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**Business Plan 2012**  
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**1. Introduction**

**Council Direction**

On May 31, 2011, Council provided the following direction:

1. Regarding the 2012 Operating Budget
  - Look at opportunities to modify service levels using a projected tax dollar increase of less than 7.4%
2. Regarding Franchise Fees
  - Investigate franchise fees with a view to increasing the natural gas franchise fee and potentially implementing an electricity franchise fee
3. Regarding the 2012 Capital Budget
  - Explore using \$4 million to leverage \$50 million in new debt
  - Explore implementing a 1% dedicated infrastructure tax to leverage \$20 million in new debt

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**1. Introduction**

**Council Direction**

On October 4, 2011, Council provided direction to remove the following proposed Business Plan Initiatives from further consideration:

- 2012 BPI – 17 “Removal of Community Hall Grant Funding”
- 2012 BPI – 27 “Reduce rural sports field maintenance”
- 2012 BPI – 31 “Reduce service level on 230 kilometres of Class IV road from fully bound surface to loose float”

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**Business Plan 2012**  
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1. Introduction

**The 2012 – 2014 Business Plan & 2012 Budget**

- Identifies the costs and resources required to continue with the provision of quality Municipal, Utility and Library service delivery generally at approved 2011 levels
- Is balanced and fiscally responsible in the short-term

*However,*

- In the long-term, the current business plan may not be sustainable due to:
  - Revenues not keeping pace with increasing costs to meet high resident service demands
  - Significant non-residential property tax subsidy
  - Internal capacity

2012 – 2014 Business Plan & 2012 Budget  
 November 15, 2011 Council

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**Business Plan 2012**  
 Strathcona County & Budget

1. Introduction

**Transition to Sustainability**

- Complete "In Pursuit of Excellence" organization review
- Review and update strategic plan; confirm Community Vision
- Review and confirm program and service delivery
- Implement Sustainability Platform; strong link to strategic plan and key performance indicators
- Accelerate the implementation of the Economic Sustainability Framework recommendations

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**Business Plan 2012**  
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2. Executive Summary

Your County  
 Your Budget  
 Your Input

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**Business Plan 2012**  
 Strathcona County & Budget

2. Executive Summary

**Operating Budget\***

	2012	2011
Municipal Operations	<b>\$239.8M</b>	\$224.2M
Utility Operations	<b>51.6M</b>	49.3M
Strathcona County Library	<b>9.0M</b>	8.3M
<b>County</b>	<b>\$300.4M</b>	<b>\$281.8M</b>

\*expenses and non-operating expenditures

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 Strathcona County & Budget

2. Executive Summary

**Capital Budget**

	2012	2011*
Municipal Operations	<b>\$ 89.3M</b>	\$42.4M
Utility Operations	<b>17.1M</b>	22.6M
Strathcona County Library	<b>0.6M</b>	0.5M
<b>County</b>	<b>\$107.0M</b>	<b>\$65.5M</b>

Note: \$710M capital projects identified for 2012 – 2016

*\*as amended at September 30, 2011*

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**Business Plan 2012**  
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2. Executive Summary

**Additional revenues required to deliver quality service levels**

- \$8.2M additional Municipal property taxes required  
 = **\$86** increase / year (5.03%) for the average residential property assessed at \$424,050
- \$866k additional Municipal user fees & charges required  
 = **2.3%** average increase
- \$155k additional Library property taxes required  
 = **\$1.32** increase / year (2.02%) for the average residential property assessed at \$424,050

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 Strathcona County & Budget

**2. Executive Summary**

**Additional revenues required to deliver quality service levels**

- \$1.7M additional revenue from Utility user rates required
  - = **\$3.23** increase / month (2.96%) for the average Urban residential customer consuming 18.5 cubic meters of water
  - = **\$0.25** increase / month (0.26%) for the average Rural residential customer consuming 18.5 cubic meters of water

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**3. Business Plan & Budget Framework**

Your County  
 Your Budget  
 Your Input

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**Business Plan 2012**  
 Strathcona County & Budget

**3. Business Plan & Budget Framework**

**Fundamental Principles**

- Guided by/ linked to Council's Strategic Plan & Community Vision
- Budget is balanced and fiscally responsible
- Strives to achieve balance between environmental, social & economic sustainability
- Meets federal and provincial legislative requirements, Council approved bylaws, policies and plans (key service drivers)
- Continues to identify economies & efficiencies

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**3. Business Plan & Budget Framework**

**Guidelines**

- Maintain municipal service levels while searching for efficiencies in operations to lessen the tax requisition to residents
- Increase selected user fees to keep pace with market conditions and to offset increased costs on fee-based services
- Maintain utility service levels while searching for efficiencies in operations to lessen the impact on utility bills
- Continue to provide annual operating funding for annual capital programs
- Utilize debt as a potential financing source for capital projects

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**3. Business Plan & Budget Framework**

**Business Plan**

- Business Plan Initiatives are new programs, projects or initiatives that:
  - align with our strategic plan and help us achieve our goals
  - represent a change in the way we do business – increase, decrease or modify services or service levels
- 4E Reviews are function (cross-department) reviews or department operational reviews that:
  - identify opportunities to improve efficiency, effectiveness, economy & equity

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**Business Plan 2012**  
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**3. Business Plan & Budget Framework**

**The Operating Budget Equation**

**Expenses**

- Cost of delivering services
- Cost of inflation
- Cost of growth
- Cost of changes in service levels

**Revenues**

- Existing tax base
- New tax base due to growth
- User fees & charges
- Operating grants
- Other & own sources

**Budget Target: Expenses = Revenues**

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 Strathcona County & Budget

**3. Business Plan & Budget Framework**

**The Capital Budget Equation**

<p><u>Capital Projects</u></p> <ul style="list-style-type: none"> <li>• Annual Projects</li> <li>• Rehab &amp; Replacement</li> <li>• Growth Capital - Direct</li> <li>• Growth Capital - Indirect</li> <li>• Value Added Capital</li> <li>• Investment Capital</li> </ul>	<p><u>Funding</u></p> <ul style="list-style-type: none"> <li>• Operating Budget (taxes, rates &amp; user fees)</li> <li>• Reserves</li> <li>• Grants</li> <li>• Development Levies</li> <li>• Other Sources</li> </ul>
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**Budget Target: Project Costs = Funding Sources**

- Debt is not a funding source, it is a financing tool that is funded from the above
- Direct capital includes roads & utility infrastructure; indirect includes facilities, vehicles & equipment

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**Business Plan 2012**  
 Strathcona County & Budget

**4. Building the Foundation**

**Your County**

**Your Budget**

**Your Input**

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**Business Plan 2012**  
 Strathcona County & Budget

**4. Building the Foundation**

**Constantly Changing Environment**

Year	Events	Ave US\$/ BBL Oil	Cdn \$
2007	Labour shortages; inflation pressures; stock markets hit record highs <i>"Providing Quality Services &amp; Investing in our Future"</i>	\$64	\$99.82
2008	Lehman Bros bankruptcy triggers global recession; credit markets freeze; stock market crash; world governments bail out banks <i>"Providing Quality of Life in Challenging Times"</i>	\$91	\$82.36
2009	\$800B economic stimulus package; global consumer and industrial demand collapses; bank rate drops <i>"Responding to Challenges in Uncertain Times"</i>	\$53	\$95.52

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**Business Plan 2012**  
 Strathcona County & Budget

**4. Building the Foundation**

**Constantly Changing Environment**

Year	Events	Ave US\$/ BBL Oil	Cdn \$
2010	Global economy rebounds; debt problems in Europe; commodity demand drives up C\$ <i>"Staying the Course in Extraordinary Times"</i>	\$71	\$100.26
2011	Long-term interest rates fall to historic lows; European debt crisis worsens; C\$ fall as US\$ rises <i>"Responsibly Delivering Quality Service while Preparing for Transition to Sustainability"</i>	\$87	\$98.96

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**4. Building the Foundation**

**Municipal Price Inflation**

	2012	2011
Municipal Operations	3.5%	2.7%
Utility Operations	2.7%	3.7%
Strathcona County Library	4.7%	3.4%
Alberta CPI (at Oct 21, 2011)	2.8%	

- Municipal price inflation exceeds the consumer price index due to the higher cost of the County's "basket of goods", which includes commodities related to the provision of services for Fire, Ambulance & Police, Transit, Recreation, Parks, Roads, Utilities and the Library
- MPI has had a 48% cumulative effect since 2005 (Municipal Operations)

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**Business Plan 2012**  
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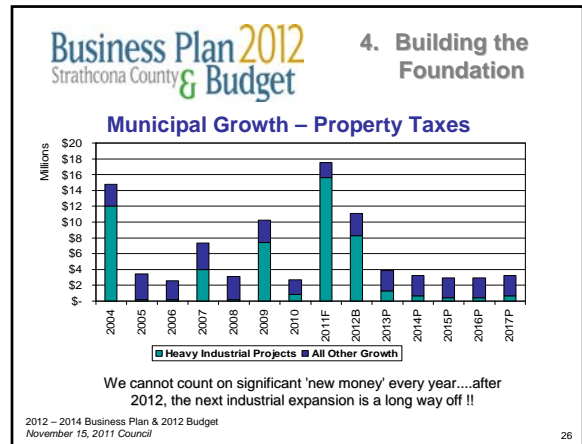
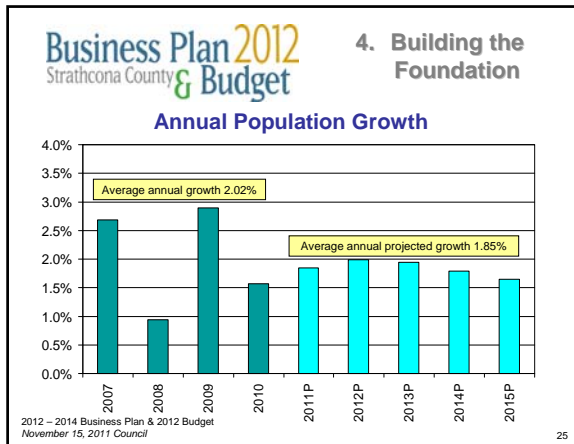
**4. Building the Foundation**

**Municipal Price Inflation**

A few 2012 examples:

✓ Diesel	up	28.9%
✓ Gasoline	up	23.1%
✓ Road oil	up	15.0%
✓ Wastewater treatment	up	8.0%
✓ Cold mix	up	6.0%
✓ Electricity	up	3.7%
✓ Various contracts	up	3.3%
✓ Postage	up	2.0%
✓ Natural gas	up	1.9%
✓ Water for resale	up	0.0%
✓ Insurance	down	5.2%

2012 – 2014 Business Plan & 2012 Budget  
 November 15, 2011 Council



### Business Plan 2012 Strathcona County & Budget

## 5. Key Recommendations

Your County

Your Budget

Your Input

2012 – 2014 Business Plan & 2012 Budget  
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### Business Plan 2012 Strathcona County & Budget

#### 5. Key Recommendations

#### Business Plan

- 12 Business Plan Initiatives (BPIs) recommended for inclusion in the 2012 – 2014 Business Plan:
  - Municipal Operations
    - 6 BPIs that increase service levels such as Compiling a Community Greenhouse Gas Inventory and funding a Youth Intervention Program
    - 5 BPIs that modify service levels such as reducing the shrub bed maintenance cycles, reviewing the strategic plan and phased implementation of SCAT restructuring
    - 1 BPI that reduces service levels in relation to backslipping
  - No BPIs for Utility Operations or Strathcona County Library

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### Business Plan 2012 Strathcona County & Budget

#### 5. Key Recommendations

#### Business Plan

- Two 4E Reviews recommended for inclusion in the 2012 – 2014 Business Plan:
  - Business Plan & Budget Process Review
  - Development Process Review

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### Business Plan 2012 Strathcona County & Budget

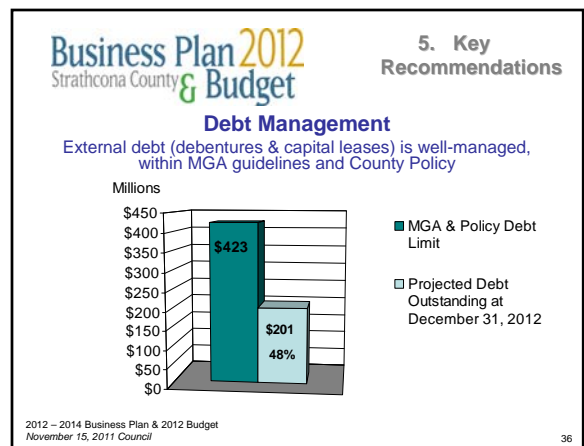
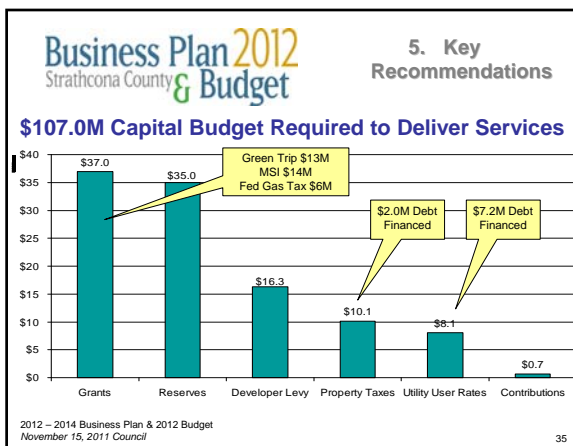
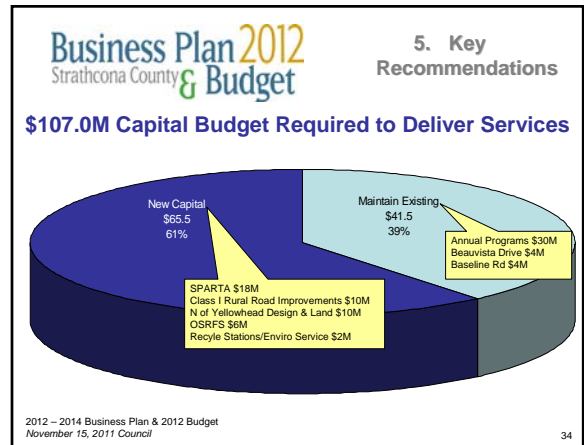
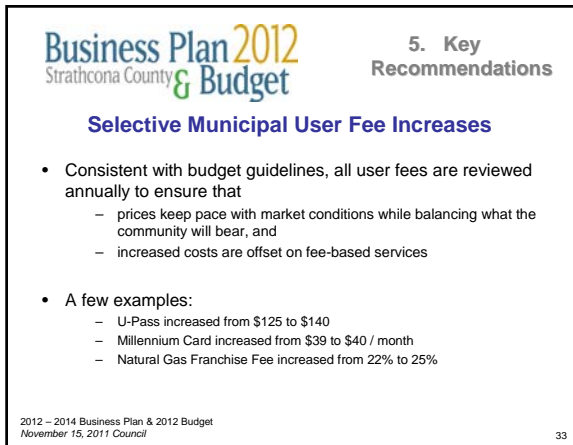
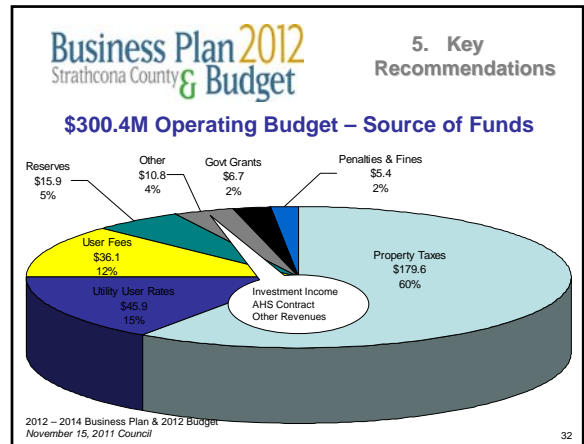
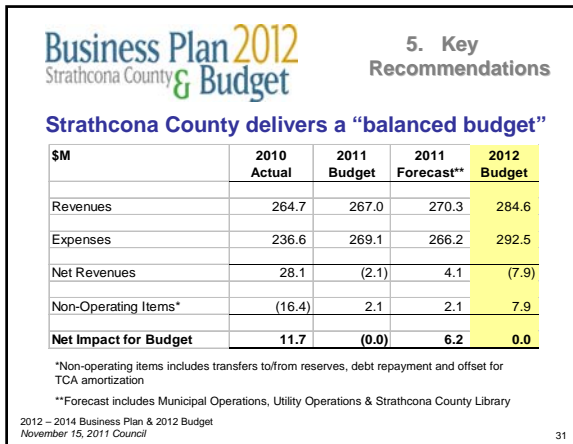
#### 5. Key Recommendations

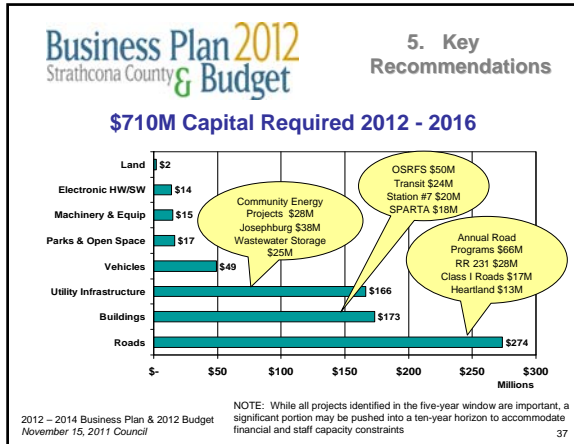
#### Strathcona County delivers a “balanced budget”

\$M	Municipal Operations	Utility Operations	Strathcona County Library	2012 Strathcona County
Revenues	228.6	47.0	9.0	284.6
Expenses	234.4	48.9	9.2	292.5
Net Revenues	(5.8)	(1.9)	(0.2)	(7.9)
Non-Operating Items*	5.8	1.9	0.2	7.9
<b>Net Impact for Budget</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

\*Non-operating items includes transfers to/from reserves, debt repayment and offset for TCA amortization

2012 – 2014 Business Plan & 2012 Budget  
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### Business Plan 2012 Strathcona County & Budget

#### 5. Key Recommendations

#### Allocation of Year End Operating Surplus

- Policy FIN-001-008 Principles
  - Allocation of surplus will be sound and fiscally responsible
  - Surplus represents one-time funding that, by its nature cannot be relied on to recur and therefore should not be allocated to fund recurring expenses, but rather to fund one-time items
  - Surplus is allocated to reserves to facilitate service delivery in the future
- Municipal operating surplus
  - Broad parameter is to provide funding for future capital projects and to provide funding for emergent projects that arise in between budget cycles (such as strategic land acquisitions)
- Utility / Library operating surplus
  - allocated to reserves for the purpose of funding future capital projects

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### Business Plan 2012 Strathcona County & Budget

#### 5. Key Recommendations

#### Allocation of Year End Operating Surplus

- The 2012 Municipal Budget assumes the following allocation of (projected) operating surplus to:
  - Replenish the Unforeseen Climatic Conditions Reserve \$1.46M
  - Establish an allowance to implement recommendations of "In Pursuit of Excellence" organization review \$1.00M
  - Fund 2012 BPI #38 Water Tanker \$0.67M
  - Fund 2012 capital project #343 Loader with blower \$0.57M
  - Establish an allowance to action the recommendations of the Economic Sustainability Framework \$0.25M
  - \$3.95M

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### Business Plan 2012 Strathcona County & Budget

#### 5. Key Recommendations

#### Summary

	2012	5-Yr Ave*
Municipal Tax Dollar Increase	5.03%	5.24%
Utility Rate Increase – Typical Urban	2.96%	8.35%
Utility Rate Increase – Typical Rural	0.26%	6.18%
Library Tax Dollar Increase	2.02%	12.97%
Recommended Capital Budget	\$107M	\$127M

\*2007 - 2011

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### Business Plan 2012 Strathcona County & Budget

#### 6. Next Steps

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### Business Plan 2012 Strathcona County & Budget

#### 6. Next Steps

#### 2011 Timeline

- Feb 22 Approval of Timeline
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- Oct 4 1<sup>st</sup> Look at Business Plan Initiatives & Councillor Budget Requests
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**Business Plan 2012**  
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6. Next Steps

**Overview of Binder**

A. General	TABS 1 – 4
– Council Report, Council Direction, Key Services Drivers, Efficiencies	
B. Recommended Business Plan & Consolidated Budget	5 – 7
– 2012 – 2014 Business Plan & Service Levels	
– Consolidated Operating and Capital Budgets	
C. Recommended Municipal Budget	8 – 9
– Municipal Business Plan Initiatives	
– Municipal Operating & Capital Budgets	
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**Business Plan 2012**  
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6. Next Steps

**Overview of Binder**

E. Additional Information	TABS 36 – 40
– Councillor Budget Requests	
– 2012 Staff Resources	
– Flagged Items	
• When an issue raised by a Councillor during the business plan and budget presentations is deemed critical to making the final budget decision	
• If a majority of Council supports the flagged item, a response will be provided before the conclusion of the budget deliberations	
– 2012 – 2016 Capital Requirements	
– Deferred Items	
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**Business Plan 2012**  
 Strathcona County & Budget

6. Next Steps

**Recommendation**

- THAT Council receive the 2012 – 2014 Business Plan & 2012 Budget Overview for information

***“Responsibly Delivering Quality Service while Preparing for Transition to Sustainability”***

2012 – 2014 Business Plan & 2012 Budget  
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