

**SMOKY LAKE COUNTY**

Minutes of the **County Council Budget Meeting** held virtually online on Friday, **October 29, 2021** starting at 9:07 A.M. held in County Council Chambers as well as virtually online through Electronic Communication Technology: Zoom Meeting.

The meeting was called to Order by the Reeve, Mr. Lorne Halisky in the presence of the following persons:

<b>ATTENDANCE</b>		
<u>Friday, Oct. 29, 2021</u>		
<u>Div. No.</u>	<u>Councillor(s)</u>	
1	Dan Gawalko	Present in Chambers
2	Linda Fenerty	Present in Chambers
3	Dominique Cere	Present in Chambers
4	Lorne Halisky	Present in Chambers
5	Jered Serben	Present in Chambers
CAO	Gene Sobolewski	Present in Chambers
Asst. CAO	Lydia Cielin	Virtually Present
Finance Manager	Brenda Adamson	Present in Chambers
Legislative Svcs/R.S.	Patti Priest	Virtually Present

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Members of Administrative Staff in attendance:

Doug Ponich – Public Works Manager	Virtually Present
Mark Fedoretz – Shop Foreman	Virtually Present
Bob Novosiwsky – Public Works Foreman	Virtually Present
Trevor Tychkowsky – Safety Officer	Virtually Present
Jordan Ruegg, Planning & Dev. Manager	Virtually Present
Carleigh McMullin – Ag. Fieldman	Virtually Present
Amanda Kihn – Assist. Ag Fieldman	Virtually Present
Evonne Zukiwski – Communications Tech.	Virtually Present
Carole Dowhaniuk – GIS Tech.	Virtually Present
Scott Franchuk – Fire Chief	Virtually Present
Dave Franchuk – Env. Operations Manager	Virtually Present
Daniel Moric –Natural Gas Manager	Virtually Present

No Members of the Media were in attendance.

Three Members of the Public were in virtual attendance.

**2. Agenda:**

78-21: Serben

That the Smoky Lake County Council Budget Meeting Agenda for Friday, October 29, 2021 be adopted, as presented.

Carried Unanimously.

**3. Minutes:**

No Minutes.

**4. Request for Direction:**

**Year-2022 Operating and Capital Budget**

The Chief Administrative Officer and Finance Manager presented information to Council in regard to the Year-2022 Operating and Capital Budget, including but not limited to the following background and observations:

Asset management principles, particularly with fleet management, require that the purchase cost and normal usage duration be compared with maintenance and repair costs and then the expected revenues from the sale of the equipment are

deducted. The goal is to maximize the productivity and costs of the equipment over the life of the unit with the County to be as revenue neutral as possible. Keeping a unit beyond reasonable turnaround will cost the County more in the long run as the equipment deteriorates and major repairs are required because resale value continues to decline at a predictable rate. The County commenced with this process last year but may have to postpone this process due to the likelihood of ongoing funding constraints.

The operating and capital budget represents requests and projects identified by Managers, the previous budgets (5-year road plan and 5-year capital plan) and the previous Council. Once the costs were aggregated the operating budget has a deficit of \$475,586 and the capital budget has a deficit of \$3,490,807. This resulted in a combined deficit of \$3,966,393. The budgets were developed on a cash-flow basis and the non-cash amortization cost (the old TCA deficit in the audited financials) is not included as this would skew the budget totals.

Major contributions to the combined deficit are:

- A reduction in the MSI Grant (Municipal Sustainability Initiative) as a revenue source of 50% representing an anticipated loss of \$790,000 (*updated to a reduction of \$940,000 on October 29, 2021*).
- A reduction in the FGT (Federal Gas Tax) as a revenue source of 48.6% representing a loss of \$148,156.
- An increase in policing cost of 29.3% or \$28,883 as mandated by the Province. This does not include the emerging issue of the RCMP new collective agreement.
- Prior years of deferrals of purchase of key equipment (such as graders, fire trucks, tractors, etc.) and transfers to equipment replacement reserves. There is currently insufficient funds in the reserve to satisfy the 5-year capital plan.
- Inadequate contributions to equipment replacement reserves in prior budgets to properly account for escalation/inflation contributing to the inadequate funds available for equipment replacement.
- Increases in inflation due to labour costs, escalation of supply costs and fuel cost increases (as a result of the federal carbon tax).
- The discussion of prior Council to explore the purchase of gravel versus the exploration, de-watering and crushing of our own gravel.
- The postponement by the Province of the taxation of Linear and M&E resulting from oilfield for 3 years of commencement of drilling.

For the last few years, the County relied on the MSI, FGT and reserves to purchase equipment. With the reduction of these grants and the absence of adequate reserves in 2022 and the likelihood of ongoing Provincial cuts to key grants, the County may be faced with the need to reduce service levels.

On Monday, October 25, 2021, the Management Team reviewed the budget and provided recommendations for reductions. This work resulted in an operating surplus of \$774,414 and a capital shortfall of \$460,046.

There are a number of unknown variables in putting the budget together. The County will not know the precise amount of the MSI or FGT allocated to the County until after the Provincial budget is released in March or April 2022. We know that residential assessments increased, but we do not know the precise number until after February or March 2022. We also do not know the actual amounts of the requisitions (schools, seniors, Designated Industrial Properties) as they may increase the overall tax bill, but are not a factor in the budget.

To put the situation into perspective, approximately \$100,000 represents about 1%. If a tax increase were contemplated, a 5% tax increase would be needed to balance the budget. This is not the recommendation from Administration at this time. Administration is confident that once more information regarding grants is known in the spring, the deficit will be reduced somewhat. However, it is doubtful that the entire amount would be removed so additional work is required to balance the budget further without resorting to relying on taxation to balance the budget.

To balance the budget further, we may require cuts to the 2022 road plan, which was adopted by motion by the previous Council and the bridge program, which was also affirmed by a resolution of Council in September 2021.

In the past, previous Councils chose to balance the capital budget, particularly the equipment procurement and roads budget from our combined reserves. In 2021, we anticipate the reserves to be about \$12 million.

If the 2022 budget is to be used as a comparison, and if the County were to not undertake the required cuts and the reserve account was utilized to make up the deficit, as in prior years, the reserve would be depleted within 3 to 4 years. Since the reserves are primarily used for planned expenditures (amortized over a period of time - ie. equipment) or emergent or unexpected expenditures, Administration would not recommend the wholesale depletion from the reserves nor the continued use for budgets without reciprocal (budgeted) transfers to replenish the expenditures over a defined period of time.

The question is of sustainability of current operations, capital budgets and service delivery. From the 2022 budget, the mathematics suggests that either new money needs to be added into the budget equation (grants, assessment, investment, development) or the operations and capital replacement programs need to be tailored to the ongoing realistic fiscal picture. Currently, the County is reviewing large resort developments and partnerships which when completed, will start to bring new money into the region and assist in offsetting our budget issues. In addition, there is always the hope that the province begins to develop programs and improves the grant formulas for Smoky Lake County.

We have included in the 2022 budget to undertake a review of the overall strategic plan. Ideally, this exercise would be undertaken in the first part of the new year and would provide the Council with an excellent opportunity to undertake a wholistic review of the County budget and operations with the County Administration and develop a plan going forward prior to the adoption of the budgets later in May of 2022.

For now, Smoky Lake County is required by the Municipal Government Act legislation to create a balanced budget and to have the interim budget passed by Dec 31, 2021. Administration has made some suggestions for recommended amendments to the 1<sup>st</sup> draft of the budget and seeks to discuss the implications of the budget with the Council with a view of obtaining further direction and comment from the Council. There has also been a suggestion that once Council is satisfied with the interim budget, that an open house be set up to allow the public to review and provide comment as to the proposed 2022 budget. The hope is that shortly after the open house, Council will then adopt the interim budget prior to December 31, 2021.

One member of the public virtually joined the meeting, time 9:48 a.m.

One member of the public virtually joined the meeting, time 10:01 a.m.

### Schedule Meetings

79-21: Halisky

That the next Smoky Lake County **Policy Committee Meeting** be scheduled for Friday, November 12, 2021 at 9:00 a.m., and the next Smoky Lake County **Negotiating Committee Meeting** be scheduled for Monday, November 15, 2021 at 9:00 a.m., and the next Smoky Lake County **Council Budget Meeting** be scheduled for Friday, November 19, 2021 at 9:00 a.m., to be held virtually, through Electronic Communication Technology as per Bylaw 1376-20 **and/or** physically in County Council Chambers.

Carried.

**Public Participation – Open House for Year-2022 Budget**

80-21: Gawalko That Smoky Lake County scheduled a virtual Open House on Tuesday, December 7, 2021 at 7:00 p.m., to receive public input for the Year-2022 Budget as part of the Public Participation process.

Carried.

**Meeting Recessed** Meeting recessed for Lunch, time 12:35 p.m.

**Meeting Reconvened** The meeting reconvened on a call to order by Reeve Lorne Halisky at 1:11 p.m. in the presence of all Council members, the Chief Administrative Officer, and Finance Manager, and the virtual presence of the Assistant Chief Administrative Officer, Planning and Development Manager, Planning and Development Assistant, Recording Secretary, GIS Officer, Communications Technician, Environmental Operations Manager, Natural Gas Manager, Public Works Shop Foreman, Fire Chief, Safety Officer, and five Members of the Public.

**Year-2022 Operating and Capital Budget**

The Chief Administrative Officer and Finance Manager facilitated Council's review of the draft Year-2022 Operating and Capital Budget with the Department Managers.

One member of the public virtually joined the meeting, time 2:13 p.m.

**2022 Budget and Five-Year Financial Plan – Council Discussion**

81-21: Cere That Smoky Lake County Council **defer** the draft Year-2022 budget to allow time for Administration to incorporate recommended changes as discussed on October 29, 2021, and for the subsequent draft Year-2022 Budget be created for preparation of adopting the interim budget, to the November 19, 2021, Council Budget Meeting.

Carried.

**Smoky Lake Region Fire and Rescue Meeting**

82-21: Halisky That Smoky Lake County scheduled a Joint Council Meeting with the Town of Smoky Lake for Thursday, December 9, 2021 at 10:00 a.m., and a Smoky Lake Region Fire and Rescue Meeting for Thursday, December 9, 2021 at 1:00 p.m., to be held virtually, through Electronic Communication Technology as per Bylaw 1376-20 **and/or** physically in County Council Chambers.

Carried.

**Adjournment:**

83-21: Cere That the Smoky Lake County Council Budget Meeting of October 29, 2021, be adjourned, time 3:22 p.m..

Carried.

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REEVE

**S E A L**

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CHIEF ADMINISTRATIVE OFFICER