



FINANCIAL PLAN

2007

FINANCIAL PLAN

We are pleased to submit to Council the Financial Plan for 2007. This plan has been prepared taking into consideration the priorities and direction established by Council during the taxation strategy session in June 2006, the strategic planning session in September 2006 and during the 2007 budget deliberations. The plan expresses in financial terms the financial direction for the Town for the next three years with an emphasis on 2007.

The plan provides an outline of the financial system, the municipal budget process, financial principles and policies, and the Operating and Capital Budgets of the Town of Banff. Municipal finance must follow certain practices and conventions set out by the accounting profession and provincial government legislation. This includes the practice of fund accounting and the use of capital reserves and self-funding utilities. These terms are discussed below to provide readers of the Financial Plan with a general understanding of municipal finance and the roles and responsibilities of the parties involved.

The financial principles and policies that the Town has fundamentally adhered to for many years are identified and discussed along with some new financial principles and policies that will lead the Town's financial stability and sustainability into the coming years. These principles and policies will establish the basic framework for the responsible management of the Town's financial resources.

The plan is segmented into four sections:

- ❖ Financial System
- ❖ Budget Process
- ❖ Financial Principles and Policies
- ❖ Operating and Capital Budgets

FINANCIAL SYSTEM

FUND AND RESERVE ACCOUNTING

Municipalities use a form of accounting known as fund accounting. A fund is set up for a particular purpose, such as the water fund, and all revenues and expenditures related to the water supply system are handled through this fund. The general fund covers all services other than water and sewer.

The Town of Banff has three funds:

- ❖ General Fund -The general fund provides for all other operations, such as recreation, bylaw services, fire, maintenance of roads, buildings, etc.
- ❖ Water Fund - The water fund has been established to pay expenses in providing our water supply and distribution.
- ❖ Sewer Fund - The sewer fund is used to maintain the sewer infrastructure

The municipality also uses “reserves” which are like separate “savings” accounts. Monies are set-aside in these reserves for future expenditures on specific items. At present, the municipality has sixteen (16) individual reserve accounts: General Operating Reserve, General Capital Reserve, Budget Stabilization Reserve, Water Reserve, Housing Reserve, and the Parking Facilities Reserve to mention a few. Funds set aside in reserves must be used for the specific purpose the reserve was set up for, and in many cases dictated by provincial legislation. Some of the municipal taxation revenue and utility revenue is put aside in the capital reserves to pay for future capital projects. Because the monies were collected for the purpose of the fund, the funds must be expended for that purpose. The monies in the parking facility reserve cannot be used to build a pedestrian bridge, or hire an additional RCMP officer—they can only be used for municipal parking facilities.

In 2009, fund accounting may be eliminated due to the introduction of PSAB 3150, which will require all municipal governments to value their tangible capital assets at historical costs and record annual amortization expense on their financial statements. This will significantly change the presentation format of municipal financial statements and operating budgets. Similar to business entities, municipalities will be required to show surpluses or deficits (profits or loss) on their financial statements after accounting for amortization of their capital assets. No longer will the purchase of capital assets be shown as an expense in the year of purchase. The full impact PSAB 3150 has on the budget preparation and financial reporting process will not be known fully until 2008.

REVENUE AND EXPENDITURES

Monies collected are used for either operational or capital expenditures. Operations consists of the wages, office supplies, electricity, spare parts and other day to day and ongoing expenses that are necessary to make the municipality run. These costs are included in each department’s operating budget, and are managed by the department manager.

The other type of expenditure, capital, consists of expenditures for infrastructure. The requirements for capital projects each year are discussed, in light of community needs, infrastructure maintenance and Council priorities, then a draft capital budget is prepared for Council's review. A summary listing of the capital projects proposed for the next five years is included in the 2007 Capital Budget. The total capital budget for one year might be more or less than another year, depending upon the number of projects. Each year a portion of the annual revenues collected by the municipality are set aside for current and future capital projects.

Revenues and expenditures of the Town of Banff are recorded on an accrual basis. Briefly, this means that obligations of the municipality are recorded as expenditures when they are incurred (i.e. when goods' title transfers or work is completed), not when they are paid or when they are ordered. Revenues are recognized when the municipality becomes entitled to collect (i.e. when services are rendered) not when actual payment is received.

RESERVES

The amount required for capital projects can vary greatly one year to the next, depending upon what is built. If taxpayers were taxed each year on exactly how much was spent each year, property tax bills would vary widely from one year to the next. To provide a more stable approach to taxation, reserves are used. The funding for capital projects comes from reserves. Suppose it was Council's desire to build a new building. To include that cost in the total property tax bill in the year of construction could mean a 50 percent jump in the property tax bill for that year. Many taxpayers would find this difficult. So, the municipality saves up funds in reserves to smooth out the fluctuations. This is how the reserves work. Each year, some amount of the revenue collected is set-aside in these reserves in order to "save up" enough to fund capital projects. In this way, the property tax bills are smoothed out. The funds placed in the reserve are invested until the funds are needed.

BUDGET PROCESS

THE BUDGETING SYSTEM

The Town of Banff's budgeting system has typically been based on the philosophy of no tax-supported debt and paying for projects upfront. This philosophy promotes fiscal management and provides many opportunities for better utilization of the public's resources.

ROLES AND RESPONSIBILITIES

The following is a description of the roles and responsibilities of the key people involved in the budget process.

Council

Council reviews the corporation's strategic plans, public surveys, economic factors and other related information as a starting point for the budget process and provides direction for the next budget year relative to the following issues:

- ❖ Priorities, strategies, services and programs to be considered in the budget preparation process;
- ❖ Level or range of tax increases or decreases to be considered in the budget preparation process;
- ❖ Approval of the Operating and Capital Budget.

Town Manager

The Town Manager is responsible for providing Council with the background information required to assess budget issues for the next year. This would include information concerning financial trends and the Management Team's perspective pertaining to major issues, services and programs. Finally, the Town Manager is responsible for submitting for Council's consideration a budget that is consistent with the principles, policies and budget guidelines established by Council.

Management Team

The Management Team is comprised of the departmental managers, and the Town Manager. The Management Team is responsible for preparing recommendations for Council's consideration relative to major issues, services and programs. This would include recommendations concerning:

- ❖ General tax increase;
- ❖ Adjustments to fees and charges;
- ❖ Service levels;
- ❖ Productivity improvement;
- ❖ Capital Reserve levels;
- ❖ Other budgeting issues as they may arise.

Corporate Services Department

The Corporate Services department is responsible for coordinating the annual budget process and preparation of the financial plan. This will include:

- ❖ Coordination of the budget preparation process;
- ❖ Accumulating and coordinating all the figures into a final corporate-wide budget;
- ❖ Preparation of appropriate financial forecasts relative to revenue, expenditures, inflation and other important factors;
- ❖ Provision of financial advice and recommendations concerning key financial policies;

- ❖ Provision of timely financial reports to assist the departments, the Management Team and Council in the review of prior budget performance and preparation of current budget;
- ❖ Tracking budget revisions and distributing budget documents;
- ❖ Monitoring of the process for compliance with statutory requirements.

Operating Departments

Each department is responsible for formulating and managing their own budgets. This includes documenting the purpose, cost and scope of their capital projects. All managers and supervisors are responsible for ensuring that budget principles and guidelines are adhered to.

BUDGET FACTORS AND GUIDELINES

There are a number of factors that affect the preparation of the budgets. These include inflation, growth, development activity, economic trends, key trends affecting Banff, changing market conditions, taxation issues, and policy decisions of Council. The more significant of these are discussed below.

Annual Inflationary Adjustment

Taxes payable are derived from multiplying the assessed value by the tax rate, the tax rate has been decreased most years to offset the increase in assessed value experienced in Banff. In general, it is easier to discuss the general tax adjustment, which is defined as the tax increase or decrease experienced by the average residential property. It requires changing the tax rate to compensate for changes in assessment levels. The general tax adjustment is the increase or decrease in taxes payable experienced by the average property. Properties whose assessment increased more than the average will see an increase above the general tax adjustment, and properties whose assessment did not increase by the average rate will see an adjustment below the general tax adjustment. Our current property tax strategy starts by using an annual property tax adjustment set at or below the rate of inflation for Alberta.

Economic Factors

The post 9/11 era has been difficult for the international tourism industry. The community has recovered on many fronts through the strength and growth of the Alberta regional market. The hot Alberta economy has seriously impacted construction costs and the availability of contractors and suppliers. The increase in construction costs has impacted the affordability of many capital projects.

Real Assessment Growth

The amount of new construction that takes place each year, measured as new assessment, has a limited effect on Banff's operating budget. New construction provides for some additional tax revenues although growth in recent years has been less than one percent.

Investment Income

The municipality invests funds that are not required for current financial requirements in low risk investments. The investment income supplements the contributions made by taxpayers. The state of the financial markets, changes in inflation and the amount of capital available for investment all influence the investment earnings.

New Initiative Requests

There is continuing pressure to provide new programs and services or expand existing program and services. Funding for new or expanded programs and services that require ongoing expenditures, and do not have an identified revenue source, will be requested as part of the budget process. Funding is provided for new and expanded programs and services each year in the budget, however funding for requests that exceed this limited budget may require a tax adjustment. Funding for new or expanded programs and services that are one-time cost items should come out of the budget stabilization fund in accordance with the guidelines established for use of these funds.

Budget Stabilization Funds

Savings (surpluses) from the prior years operating results are retained and used in the following years budget to stabilize the annual tax increase and provide funding for non-recurring (one-time) projects and new initiatives.

Operating Reserves

Council often allocates funds for future non-capital items. These non-capital items are often future commitments that Council has approved or the deferral of a current project to a future financial period. The funds are placed into the operating reserve and will be brought into future operating budgets when the project moves ahead.

Other Fees & Charges

As local governments move forward, there continues to be an increasing emphasis on reducing their dependency on property tax revenues. As a result, there will be added emphasis on ensuring that existing fees and charges (user fees) remain current and perhaps begin to fund a larger share of the cost burden. Fees and charges will be reviewed on an annual basis as part of the budget process to ensure that fees are generating adequate revenues and covering programming costs.

Resident Satisfaction Survey

A resident satisfaction survey was conducted in 2004. The survey was comprehensive, covering many aspects of community life. A new survey will be conducted in 2007 to provide new insight and direction for Council and the Management Team in the development of the 2008 budget.

BUDGET CALENDAR

The annual budget cycle commences in August each year and concludes with the adoption of a new Operating and Capital Budget and the passing of the Tax Rate Bylaw.

- ❖ Strategic Planning Session – determine priorities and strategies (July)
- ❖ Establish the Budget Guidelines (August)
- ❖ Department Prepare their Budgets and New Initiative Requests (August)
- ❖ Draft Operating Budget (September)
- ❖ Management Team Budget Review (September)
- ❖ Council Budget Review (October)
- ❖ Public Consultation (November)
- ❖ Budget Adoption (December)
- ❖ Passing of Tax Rate Bylaw (April)

Strategic Planning Session - July

At the start of the budget cycle, Council meets with the Management Team for a strategic planning session. During this planning session, Council discusses current issues and establishes the priorities and strategies of the Town of Banff for the next year. This strategic planning session is particularly critical at the start of the Council's elected term of office.

Establish the Budget Guidelines - August

The Town Manager, Manager of Corporate Services and Senior Accountant meet with Council to establish the proposed annual inflationary adjustment, adjustments to property taxes, fees and charges changes, and reserve levels. These proposals are brought to Council for review. When approved by Council, these establish the budget guidelines within which the departments must formulate their budgets and accomplish the priorities as established by Council.

Departments Prepare Their Budgets and New Initiatives - August

Using the priorities of Council and the budget guidelines, the Corporate Services department provides all departments with the budget templates and guidelines to start their budgets. Departments then prepare budgets and new initiative requests, which are submitted to the Senior Accountant for coordination and compilation of the departmental budgets into the corporate-wide budget. The new initiatives and community group funding requests are prepared along with a budget impact analysis.

Management Team Budget Review - September

Invariably, funding requests exceed the available resources. The Management Team meets to review the requests and evaluate the corporate wide budget impacts of each department. Projects are approved or deleted, and a draft operating and capital budget is prepared for presentation to Council for review.

Council Budget Review - October

Council will meet and review the first draft of the operating and capital budgets with the Management Team and the Senior Accountant. The Senior Accountant and Management Team members will present the budgets to Council and review the budget guidelines and policies that went into the preparation of the budgets and then highlight the significant changes from past budgets. The new initiatives listing and capital budget impacts on the operating budget will be presented and discussed.

Public Consultation Process - November

The Senior Accountant and Management Team members will present the budgets to Council in a public meeting and review the budget guidelines and policies that went into the preparation of the budgets and then highlight the significant changes from past budgets. The new initiatives listing and capital budget impacts on the operating budget will be presented and discussed. All budget meetings are open to public and are advertised in advance. At least one of the scheduled budget meetings is dedicated to external group requests and presentations as well as general comments from the public.

Council Adoption of the Budget - December

The final drafts of the budgets are presented to Council with any changes made during the public consultation process. Council reviews the capital and operating budgets and the impact on taxpayers, with the objective of adopting both budgets by the second meeting December.

Passing of Tax Rate Bylaw

The annual tax rate bylaw is presented to Council in early April after the provincial government has presented their annual budget and has set the amount of education taxes to be levied against municipalities. Based on the amount of education taxes, Council will adjust the annual operating budget to reflect any changes required to maintain the overall tax increase outlined in the adoption of the budgets. The financial plan will be presented to Council at the time of passing the tax rate bylaw.

Amending the Budget After Adoption

Often, changes to the operating and capital budget are required as a result of new projects or changes in project estimates. Projects with material budget variations require Council authorization to revise the budget to incorporate the new budget amount and to identify a source of funds. The Senior Accountant revises the budget and keeps track on any budget amendments.

FINANCIAL PRINCIPLES AND POLICIES

FINANCIAL PRINCIPLES

Resident, business and visitor demand for services and the community's ability to pay for these services guide municipal spending. Thus far, the municipality has been able to provide the necessary services and facilities, at a level generally acceptable and affordable for most taxpayers, with current funding sources. As the infrastructure ages, funds must be committed for proper maintenance and refurbishment. With current funding levels it will be difficult to cover the costs of maintaining a world-class visitor destination, while providing for program and service enhancements. Property taxes cannot fund these costs alone and choices will need to be made between new facilities and services and the appropriate maintenance of what we have.

In order to meet the growing needs of Banff's residents and visitors, we must become more efficient and effective. Banff Town Council recognizes that taxpayers are demanding value for their money. A balance must be struck between customer demand for services and the taxpayers' ability to pay for these services. The municipality is responding by adopting a more creative, cost-effective approach to the delivery of services. Annual reviews of existing programs and services will be completed to ensure that we are providing the programming and services demanded by the community and visitors and that we are reacting to these changing service and programming needs. We must ensure that services, programs and facility commitments are sustainable now and in the future.

FINANCIAL POLICIES

The policies that had an impact on Financial Plan 2007 are:

Property Taxes

Annual property tax increases will reflect an inflation adjustment that will be set at or below the rate of inflation from the previous year based on inflation statistics for the Province of Alberta.

Education Tax Capacity

Reductions in the provincial education tax levy will be collected through the municipal tax levy and earmarked to the capital reserve for municipal infrastructure renewal. The additional reserve funds will be used for the replacement of capital infrastructure and to reduce the municipality's infrastructure funding deficit. If the annual municipal tax levy is at an appropriate level to fund current expenditures and capital reserve requirements, the annual education tax levy savings can be used to reduce the overall tax burden on taxpayers.

Infrastructure Sustainability Strategy

- ❖ The municipality will strive to increase the amount of municipal property tax to the reserve funds and capital projects on an annual basis.
- ❖ The municipality should contribute a minimum of one-third of current property tax revenue to municipal infrastructure renewal by 2012.
- ❖ The municipality will strive to eliminate the infrastructure funding deficit by 2012 through a combination of funding sources: municipal tax levy transfers, grants, user-pay revenue, private partnerships and municipal partnerships.

Budget Stabilization Fund

- ❖ Annual operating surpluses and deficits will be directed to the budget stabilization fund.
- ❖ Administration will allocate the budget stabilization funds to the annual operating budget in equal proportion over each of the three budget years.
- ❖ The budget stabilization fund will stabilize the annual tax increases by providing funding for non-recurring (one-time) projects and to fund emerging or innovative programs and projects identified by council and administration.
- ❖ A budget stabilization amount of \$200,000 per year was allocated to each of the three budget years in 2007. The budget stabilization fund balance is currently \$655,575.

Utilities

- ❖ Utilities (water and sewer) will be operated on a self-funded basis through equitable user fees.
- ❖ Water rates will increase by 20 percent per year until 2011.
- ❖ Sewer rates will increase by 13 percent per year until 2011.
- ❖ Utility funds to contribute a minimum of 50 percent of annual revenues to capital reserve funds.

Fees and Charges

- ❖ Recreation fees will be established for full cost recovery for adult recreation programs, 50 percent cost recovery for youth programs, and less than 50 percent of cost recovery for disabled, low income and seniors programs.
- ❖ Development related functions (building inspection, development approvals, subdivisions) will be set at levels for full cost recovery.
- ❖ Fees may reflect a difference between a resident and a visitor when appropriate.
- ❖ Comparisons will be made at regular intervals to ensure that fees and charges paid by residents and visitors are competitive with other Alberta communities and similar resort communities.
- ❖ Fees and charges will be reviewed annually as part of the annual budget process.
- ❖ Transit system fares and fees will be established to recover the majority of the costs of running the transit system and new revenue opportunities and partnerships will be pursued with local businesses to increase ridership and expand the system.

Municipal Debt

- ❖ The municipality will strive to limit tax-supported debt.
- ❖ Municipal debt with revenue streams to fund the debt servicing will be encouraged.

Commercial/Residential Municipal Tax Split

- ❖ The Town of Banff has typically had a municipal tax rate split of 5:1 between commercial and residential tax rates. The 2007 municipal tax rate split is 4.6:1.
- ❖ The tax rate split has been reduced over the past 2 years to balance out the assessment shift that has occurred due to the reassessment of residential and commercial properties.

Alternative Revenue Sources

- ❖ The costs of maintaining our community to world-class standards will require entrepreneurial government and alternative revenue sources.
- ❖ Banff and other tourist-based communities will pursue discussions with the provincial government about accessing other sources of revenues in order to fund municipal infrastructure costs associated with tourism.
- ❖ Continue to pursue the elimination of the annual Federal Land Rent payment of \$550,000.

Business Licensing Fees

- ❖ Business licensing fees will continue to fund destination marketing and other tourist-related projects.

Investment Management

- ❖ Funds will be invested to provide an optimal blend of investment return and security while meeting the daily cash flow demands of the municipality.

OPERATING AND CAPITAL BUDGETS

2007 CORPORATE PRIORITIES

Council and Management Team have determined their top 2007 priorities to be:

- | | |
|---|---|
| <p style="text-align: center;">Council Priorities</p> <ul style="list-style-type: none"> • Transit/Transportation • Recreation Centre • Alternative Revenue Generation • Parking • Resort Municipality Status • Banff Refreshing • Infrastructure | <p style="text-align: center;">Administration Priorities</p> <ul style="list-style-type: none"> • Emergency Plan • Environment • Late Night Noise • Parking • Transit • Visitor Experience • Wayfinding |
|---|---|

PROPERTY TAX TRENDS

Property tax increases provide for an annual property tax adjustment that is at or below the rate of inflation for the previous year based on Consumer Price Index (CPI) statistics for the Province of Alberta. The budget guidelines followed by staff in preparing the 2007 Operating Budget was based on a CPI of 4.0 percent based on the 12-month change in the Alberta CPI from August 2005 to August 2006. The following chart illustrates the CPI rate for Alberta for the last several years. The inflation rate for 2006 was 3.9 percent.

Table 1 Inflation		
Year	Annual Alberta CPI	Annual Calgary CPI
2000	3.5%	3.7%
2001	2.3%	2.4%
2002	3.5%	3.7%
2003	4.5%	3.5%
2004	1.4%	1.7%
2005	2.2%	2.0%
2006	3.9%	4.6%
Avg (00-06)	3.0%	3.1%
2007 (projection)	4.0%	n/a
2008 (projection)	3.0%	n/a
2009 (projection)	3.5%	n/a

The 2007 Financial Plan includes a total property tax revenue increase (municipal and education) of 2.45 percent for the first year of the plan and a 2.5 percent increase for 2008 and 4.2 percent increase for 2009. The 2008 and 2009 tax increases are based on the Royal Bank of Canada's inflation projections for this timeframe plus any financial impacts associated with 2007 budget decisions. These figures are subject to change during the 2008 budget process.

The municipal portion of the property tax revenue increase (including development growth) will be 9.7 percent in 2007, and 7.2 and 10.9 percent for 2008 and 2009. These increases are a result of projected decreases in the amount of Provincial Government school tax levy for the upcoming three years, which allows the Town to direct a significant portion of the school tax savings into the renewal of municipal infrastructure. The education portion of the property tax revenue will decrease by 4.6 percent in 2007 and 3.25 percent in 2008 and 2009.

The projected education tax levy reductions for the upcoming three years are:

Table 2			
2006-2009 Education Levy Projections			
	2007 Actual	2008	2009
Total Levy	\$ 7,403,005	\$ 7,200,487	\$ 7,036,137
Total Levy Reduction	\$ (281,380)	\$ (202,518)	\$ (164,350)
Total Levy Reduction %	(3.7%)	(2.7%)	(2.3%)
Education Levy Reduction (since 2005)	\$ (415,245)	\$ (617,764)	\$ (782,114)
Accumulated Savings (since 2005)	\$ (549,111)	\$(1,166,875)	\$ (1,948,988)

An average single-family residential property (house and land) valued at \$420,000 in 2006 will experience an average increase in value of 15.2 percent to approximately \$484,000 in 2007. It is important to note that these figures are assessed values—they are not current market values as they are subject to a one-year lag. Many areas in Banff will see residential assessment increases closer to the range of 25 percent and higher in 2007. Commercial assessment values will be impacted by the second of the three-year phase in for the Income Assessment Approach. The average commercial property will experience a 9 percent increase in 2007 assessment value. The total amount of property tax revenue collected by the municipality will be modestly impacted by these increases in assessment values. Significant changes or fluctuations in the 2007 tax notice amounts will generally be noticed by individual properties that vary greatly from the above-noted assessment increase averages.

The municipal tax revenue that totaled \$1,020 in 2006 on an average residential property is estimated to be \$1,160 in 2007 given the adjustments noted above. When charges imposed by other agencies such as the Provincial Government school taxes are incorporated, it is estimated that total residential property taxes on average will increase from \$2,659 in 2006 to \$2,724 in 2007, an average increase of 2.45 percent. The following table identifies the municipal property tax adjustments over the past several years.

Table 3 General Tax Adjustments	
Year	Annual Municipal Tax Increases
2000	3.7%
2001	2.8%
2002	0.0%
2003	3.1%
2004	0.0%
2005	3.5%
2006	2.8%
Avg (00-06)	2.3%
2007	9.7%

It is projected that 13.3 percent of the municipal portion of the property tax revenue will be contributed to capital reserves for the first year of the plan and increase to 16.7 percent for 2008 and 22.3 percent for 2009. This is a significant increase over the current level of 8.6 percent in 2006. The 2007 Financial Plan also includes an increase for water rates of 16, 18 and 21 percent over the next three years and sewer rate increases of 26, 27 and 28 percent for the same period. This will increase the average residential utility bill from \$403 in 2006 to \$467 in 2007 and to \$551 in 2008 and \$666 in 2009.

Table 4 Municipal Reserves	
Operating Reserves:	
General Operating	\$630,656
Recreation	\$64,566
Art	\$6,000
Computer	\$39,045
Budget Stabilization	\$655,575
Total – Operating Reserves:	\$1,395,842
Capital Reserves:	
General Capital	\$8,848,210
Offsite Levies	\$692,395
Art	\$41,640
Fire Services	\$369,171
Common Services Equipment (Fleet)	\$367,036
Cave/Spray Redevelopment	\$138,759
Water	(\$255,764)
Sewer	\$(1,171,764)
Garbage Facility	\$49,700
Heritage	\$179,952
Cash in Lieu of Housing	\$11,628
Staff Housing	(\$513)
Revolving Capital	\$379,712
General Capital	\$8,848,210
Parking Facilities	(\$244,592)
Sub-Total – Capital Reserves:	\$9,499,393
Total Reserves:	\$10,895,235

OPERATING BUDGET

Revenues and expenditures for all operating funds (General Revenue Fund, Water Fund and Sewer Fund) total \$21.1 million for 2007. Tables 5 and 6 outline the sources of revenue and expenditures for 2007.

Table 5 Revenue (All Funds)	
Property Taxes	\$10,344,000
Sales and User Charges	\$5,826,900
Penalties and Interest	\$90,500
Licenses & Permits	\$2,336,000
Fines	\$307,500
Franchise & Concessions	\$402,000
Investments	\$100,000
Rentals	\$638,600
Government Transfers & Grants	\$695,100
Reserves	355,000
	\$21,095,600

Table 6 Expenditures (All Funds)	
Salaries, Wages, Benefits	\$7,063,300
Contracted Services	\$6,148,500
Government Purchases	\$2,200,000
Materials, Goods, Supplies, Utilities	\$1,889,900
Local Agency Purchases	\$467,700
Individual & Organization Purchases	\$288,500
Bank & Interest Charges	\$7,500
Long-term Debt Charges	\$35,900
Reserves	\$2,994,300
	\$21,095,600

New Initiatives Request

New initiative requests are proposals to increase existing service levels or to introduce new programs. This year, new initiative requests totaling \$187,000 were received of which \$96,700 was approved. Of particular importance in approving new initiative requests is appreciating the annualized costs; that is, the impact on subsequent years. The new initiative requests identified in the following table reflect Council's deliberations and are included in the 2007 Financial Plan.

Table 7 New Initiatives		
Website Enhanced Features	Communications	\$7,500
Banff Summit Phase II	Communications	\$10,000
Succession Planning and Program Development	Human Resources	\$25,000
Four Fire Department on-call Members	Fire	\$14,200
Solid Waste and Recycling Labourer	Operations	\$40,000

CAPITAL PROGRAM

The modified Capital Program for 2007 totals \$35 million including 2006 carry-over capital projects in the amount \$4.7 million. The major capital projects for 2007 and the capital funding sources are highlighted below:

Banff Refreshing – \$22 million. To strengthen the competitiveness and attractiveness of the downtown commercial district, the 2007 budget includes \$20.5 million (\$22 million total) to be spent on revitalization and infrastructure improvements in the 100 and 200 blocks of Banff Avenue. Roughly \$16 million in provincial funding is being provided for this project with the remaining \$6 millions being borrowed and repaid over a 5-year period.

Transit Buses – \$2.6 million. Improvements in how residents and visitors get around Banff will involve the investment of \$2.6 million in four new hybrid buses for the Banff Transit system. \$1.2 million in federal funding is being provided to the purchase of the new vehicles.

Bow River Pedestrian Bridge - \$1.1 million. Design and construction of a pedestrian footbridge to span the Bow River, connecting Central Park to Birch Avenue and Banff Recreation Grounds. The bridge will provide a safe and convenient access alternative across the Bow River and improved access to the Town's trail network. It will also promote walking and cycling opportunities for residents and visitors. Community fundraising is budgeted to fund \$500,000 of this project.

Operations Compound – \$540,000. The development of new storage facility, transit and materials storage building to replace the existing Buffalo Camp and other smaller storage buildings

Fleet Shop Expansion – \$497,000. Expansion of the fleet shop for the maintenance of transit vehicles and improve the functionality of the building. The federal gas tax funding is providing \$200,000 towards the expansion of this facility.

Bus Storage Facility - \$678,000. Construction of a bus storage building for the storage of four new transit buses that will have delivered in early 2008.

FireSmart Program - \$175,000. This is a continuation (3rd year) of the Town of Banff FireSmart program to protect the townsite from wildfires. The program involves a wildfire protection plan, fuel reduction, structure/infrastructure modifications and tactical response planning.

Water Fund Capital

The proposed Water Fund Capital Program totals \$583,000. Water rates and projected water revenues will be increasing over next five (5) years in order to build up sufficient reserve funds for major infrastructure improvements in future years. Currently the water reserve is in a minimal deficit position. The most significant project planned for 2007 is outlined as follows:

Hidden Ridge Watermain Upgrade - \$500,000. This project will install a new watermain from Tunnel Mountain Drive and Tunnel Mountain Road to Hidden Ridge Chalets and the Tunnel Mountain Campground. It will improve fire flows and improve reliability to both areas. The owner of Hidden Ridge Chalets will fund half of the construction costs.

Sewer Fund Capital

The proposed Sewer Fund Capital Program totals \$370,000. Sewer rates and projected sewer revenues will be increasing over next five (5) years in order to build up sufficient reserve funds for major infrastructure improvements in future years. Currently the sewer reserve is in a deficit situation. Limited sewer projects are proposed for 2007. The most significant project planned for 2007 is outlined as follows:

Waste Water Treatment Plant Outflow Replacement - \$370,000. Replace the existing Waste Water Treatment Plan outflow into the Bow River to obtain the greatest possible dilution of the effluent and improve the visual appearance in the riverbed environment. \$100,000 of the project costs will be funded by the provincial government wastewater funding program.

Capital Budget Impacts on the Operating Budget

2007 capital projects will have a modest impact on the 2007 operating budget. The following table reflects the operating budget impact of capital budgets approved in 2007.

Figure 8 Capital Budget Operational Impacts			
	2007	2008	2009
Recycling Program - Transfer to Local Agencies			\$40,000
Off-Leash Dog Walk Area - Salaries			\$14,000
Street Pole Banner and Pageantry-Equipment		\$5,000	\$5,000
banff.ca Complaint Tracking-Maintenance	\$2,500	\$2,500	\$2,500
banff.ca Online Payments-Maintenance/User Fee		(\$7,500)	(\$7,500)
Speed Radar Display Trailer-Rental Rev.	(\$1,000)	(\$1,000)	(\$1,000)
Pager Replacement-Contracted Services/Operating Reserve	(\$2,000)	(\$2,000)	(\$2,000)
Machinery/Equipment New-Rental Rev.	(\$500)	(\$500)	(\$500)
Industrial Lot Improvements-Contracted Services			\$3,000
Loop Trail - Contracted Service	\$5,000	\$5,000	\$5,000
Bow Falls Viewpoint-Salaries/Supplies		\$10,000	\$20,000
Pedestrian Bridge-Contracted Services		\$10,000	\$10,000
	\$4,000	\$21,500	\$88,500

Municipal Debt

The current municipal debt in all funds is \$580,980, with no debt in the Water or Sewer Funds. Currently the Town has no tax-supported debt issued. All existing municipal debt is funded by non-taxation revenue. The largest component of our debt is for the Bow River Lodge expansion, which will be paid off in 2013. This debt is paid off through the annual requisition of Bow Valley Regional Housing. The remaining debt is for the development of staff accommodation at the Banff fire hall. This debt is paid off through rental revenue of the apartment units. This debt will be paid off in 2019.

The municipality has provided a loan guarantee to the Rocky Mountain Co-operative Housing Association Phase I and II in the amount of \$9,650,000. This guarantee expires on May 31, 2009. Since the loan is only guaranteed there is no financial impact to the municipality.

Under the legislation in the Municipal Government Act, the municipality has total debt capacity of \$29.3 million, of which \$19.3 million is currently available for future capital projects. A number of projects on the horizon may require debt borrowing; such as, Phase 2G of the Banff Housing Corporation, Banff refreshing, Bow River Pedestrian Bridge, Street Lighting and the Beaver Street Parkade. Banff refreshing is estimated to require municipal borrowing of \$6.5 million over a 5-year period. The debt for this project will generally be paid by municipal taxation. Detailed plans and costing are the other projects will be forthcoming in 2007. When project costs are known, the amount of borrowing (if any) can be determined, and will be incorporated into future financial plans.

Infrastructure Sustainability Strategy

Tables 2 highlights the projected amounts of capital infrastructure investment from municipal property taxes and utilities for the next 3 years. Table 3 identifies the projected and shortfall in infrastructure investment funding (infrastructure deficit) on an annual basis until 2009.

	2007	2008	2009
General Capital Investment	\$1,200,000	\$1,700,000	\$2,250,000
Water Investment	\$630,000	\$800,000	\$1,000,000
Sewer Investment	\$600,000	\$900,000	\$1,200,000
Other Capital Investment	\$359,500	\$400,000	\$440,000
Total Capital Infrastructure Investment:	\$2,789,500	\$3,800,000	\$4,890,000

Table 10			
Annual Infrastructure Investment Deficit			
	2007	2008	2009
Estimated Value of Municipal Infrastructure	\$600,000,000	\$600,000,000	\$600,000,000
Annual Infrastructure Replacement (2.5%)	\$15,000,000	\$15,000,000	\$15,000,000
Less: Capital Infrastructure Investment	\$2,789,500	\$3,800,000	\$4,890,000
Less: Annual Infrastructure Grants	\$5,575,000	\$6,025,000	\$6,675,000
Annual Shortfall in Infrastructure Investment:	\$6,635,500	\$5,175,000	\$3,435,000

FINANCIAL PLAN SUMMARY

Financial Plan 2007 provides a wide range of services expected of a visitor destination community in a National Park. The Plan starts on an Infrastructure Sustainability Strategy that allows us to start saving for the renewal of our municipal infrastructure while providing new facilities to meet the needs of our residents and visitors. We look forward to working with Council and our partners as we implement Financial Plan 2007.