

THE CITY OF PRINCE ALBERT



LAND FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2019

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December 31, 2019 Consolidated Budget Document

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Budget Overview



The Land Fund was created via resolution of Council and set up as a combined capital-operating budget that would be run as a self-sustaining fund where all surpluses would be used for future land development. The City was, in the past, one of the largest land developers but in recent years private entities have also been participating in this venture.

The Land Fund documents cash inflows from land sales and cash outflows for land development. Administration's mandate is to operate this fund on the basis that the price of developing land is sufficient to recover the costs incurred. In order to generate a profit, the City's prices are typically incremented above the break-even minimum value to ensure that reserves are created to fund future property development. Administration also tries to ensure that there is a balanced mix of properties priced to accommodate demands from low, middle or high income developers.

Budgeted Revenue

Total budgeted revenue of \$430,000 for 2019 is unchanged compared to 2018. There are three primary sources of revenue for the Land Fund. They are:

1. Land Sales – which include both residential and commercial/industrial land sales.
 - a. For 2019, it is projected that properties in Crescent Acres Stage IV, Phase 4A, will be sold. There are currently 38 lots available for sale and four of these lots are budgeted to be sold in 2019 for \$400,000. To date, two lots have been sold in 2018.
 - b. For 2019, nothing has been budgeted for Commercial/industrial sales as there are no commercial or industrial land sales currently pending.
2. Offsite Development Levies – collected on sales of land or from developers paying the levy to become part of the City services. This revenue is not easy to project and is not typically budgeted for.
3. Rental/Lease Revenues – this is revenue that is generated from the rental of vacant parcels of land and is budgeted at \$30,000 for 2019.

Budgeted revenue for 2019 is unchanged when compared to 2018. The City is budgeting for the sale of four residential lots in Crescent Acres Stage IV, Phase 4A in 2019. The 2018 Budget also budgeted for the sale of four residential lots but to date only two lots in Crescent Acres Stage IV, Phase 4A have been sold in 2018. In 2017, 11 residential lots were sold.

The market for City lots remains slow compared to prior years. Administration attributes the slowdown in demand to a number of factors such as higher prices per lot, Provincial Sales Tax implications on housing costs, mortgage regulations, the variety of locations for developers to choose from when making lot purchases (i.e. Crescent Acres versus developing in the West Hill or Adanac Pointe), and the general slump in the Canadian economy which has led to a slowdown in the construction industry.

Budgeted Expenses

Total budgeted expenses are \$225,180 for 2019 compared to \$248,120 in 2018. The changes in budgeted expenses are primarily the result of:

- A decrease of \$22,550 in Interest on Long Term Debt related to a decrease in principal owing as a result of annual debt repayments.
- A decrease of \$8,000 to Contracted and General Services primarily related to the removal of one-time funding for projects budgeted in the prior year.
- An increase of \$3,000 for advertising materials required to market City properties for sale. This amount is to be funded from the Planning and Marketing Reserve.

Capital and Interfund Transactions

- A budgeted transfer to the General Fund of \$68,000 is based on the budgeted residential land sales for 2019.

2019 Capital Budget

Administration is requesting \$1,113,600 in capital spending for the Land Fund in 2019. A brief description of the projects and their funding source is provided below:

- \$450,000 for the procurement of lands for the Marquis Road West Extension project to facilitate the construction 1,320 meters of Marquis Road West from 7th Avenue to 10th Avenue West and 10th Avenue West from 28th Street to Marquis Road. The roadway will serve as a new Arterial for the West Hill area. This project would be funded from the Future Land Purchases Reserve.
- \$200,000 for engineering design and the tender of the Marquis Road West Extension project, funded from the Development Levies Reserve.
- \$200,000 for the procurement of lands to facilitate the construction of a new collector roadway for the north end of Crescent Acres from Byars Street to Highway 302. This project would be funded from the Future Land Purchases Reserve.
- \$80,000 for the second lift of asphalt for the 38 Street West Development to be funded from the Land Development Fund Balance.
- \$183,600 for a long term debt principal payment for the existing West Hill Infrastructure loan to be funded from the Land Development Fund Balance.

Land Development Fund Balance

A summary of the 2019 budget impacts on the Land Development Fund Balance is as follows:

- The budgeted Land Fund surplus from operations to be transferred to the Land Development Fund Balance for 2019 is \$36,020.
- A transfer in from the Future Land Purchases Reserve of \$650,000 for 2019 capital expenditures.
- A transfer in from the Development Levies Reserve of \$200,000 for 2019 capital expenditures.
- A transfer in of \$3,000 from the Planning and Marketing Reserve for 2019 operating expenses.
- \$1,113,600 is required for 2019 capital expenditures.
- This results in an estimated decrease to the Land Development Fund Balance of \$224,580 bringing the estimated 2019 year end deficit to \$6,569,790.

**LAND FUND
OPERATING BUDGET**

For the Year Ending December 31, 2019

| | 2019 Budget | 2018 Budget | (Favourable) Unfavourable Change |
|--|------------------------|----------------|--|
| REVENUES | | | |
| Residential Land Sales | (\$400,000) | (\$400,000) | \$- |
| Commercial / Industrial Land Sales | - | - | - |
| Land Rentals / Leases | (30,000) | (30,000) | - |
| Total Revenues | (430,000) | (430,000) | - |
| EXPENSES | | | |
| Salaries Wages and Benefits | 97,930 | 93,320 | 4,610 |
| Contracted and General Services | 62,000 | 70,000 | (8,000) |
| Interest on Long Term Debt | 60,470 | 83,020 | (22,550) |
| Fleet Expenses | 680 | 680 | - |
| Maintenance Materials and Supplies | 4,100 | 1,100 | 3,000 |
| Total Expenses | 225,180 | 248,120 | (22,940) |
| Operating (Surplus) Deficit | (204,820) | (181,880) | (22,940) |
| CAPITAL AND INTERFUND TRANSACTIONS | | | |
| Transfer to General Fund | 68,000 | 68,000 | - |
| Capital Revenues | - | - | - |
| Capital and Interfund Transactions | 68,000 | 68,000 | - |
| TOTAL (SURPLUS) DEFICIT | (136,820) | (113,880) | (22,940) |
| To be allocated to Reserves as follows: | | | |
| Development Levies Reserve | (\$43,200) | (\$43,200) | |
| Future Land Purchases Reserve | (5,600) | (5,600) | |
| Planning and Marketing Reserve | (16,000) | (16,000) | |
| Community Services Land Reserve (General Fund) | (20,000) | (20,000) | |
| Affordable Housing Reserve (General Fund) | (16,000) | (16,000) | |
| Land Development Fund Balance | (36,020) | (13,080) | |
| | (136,820) | (113,880) | |

LAND FUND
CAPITAL EXPENDITURES AND RESERVE PROJECTIONS

For the Year Ending December 31, 2019

| LAND DEVELOPMENT FUND | 2019 | 2018 |
|--|-------------------------|-------------------------|
| | <u>Budget</u> | <u>Budget</u> |
| Budgeted Transactions | | |
| Funding: | | |
| Allocation from Operations | (\$36,020) | (\$13,080) |
| Funding for Capital: via Development Levies Reserve | (200,000) | (230,000) |
| Funding for Capital: via Future Land Purchases Reserve | (650,000) | - |
| Funding for Operations: via Planning and Marketing Reserve | (3,000) | (20,000) |
| Total Funding | <u>(889,020)</u> | <u>(263,080)</u> |
| Capital Expenditures: | | |
| Marquis Road West Extension - Land Procurement | 450,000 | - |
| Marquis Road West Extension - Engineering Design and Tender | 200,000 | - |
| 21st Avenue East Roadway (Byars Street to Highway 302) | 200,000 | - |
| 38st West Development - Second Lift of Asphalt | 80,000 | - |
| West Hill Trunk Sewer Main Stage #1 - Detailed Design | - | 230,000 |
| Cooke Golf Course Land Development | - | 18,500 |
| Non-Developmental Expenditures | | |
| Long Term Debt Principal - West Hill Infrastructure | <u>183,600</u> | <u>273,500</u> |
| Total Expenditures | <u>1,113,600</u> | <u>522,000</u> |
| Budgeted (Increase) Decrease to Funded Balance | 224,580 | 258,920 |
| Fund Deficit Balance, beginning of year (estimated) | 6,345,210 | 4,051,790 |
| Adjustment Related to Long Term Debt Received at end of 2017 | - | <u>2,034,500</u> |
| Fund Deficit Balance, end of year (estimated) | <u>6,569,790</u> | <u>6,345,210</u> |

LAND FUND
CAPITAL EXPENDITURES AND RESERVE PROJECTIONS (Continued)

For the Year Ending December 31, 2019

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | <u>Budget</u> | <u>Budget</u> |
| DEVELOPMENT LEVIES RESERVE | | |
| Budgeted Transactions | | |
| Funding: | | |
| Allocation from Operations | <u>(\$43,200)</u> | <u>(\$43,200)</u> |
| Expenditures: | | |
| Marquis Road West Extension - Engineering Design and Tender | 200,000 | - |
| West Hill Trunk Sewer Main Stage #1 - Detailed Design | - | 230,000 |
| Total Expenditures | <u>200,000</u> | <u>230,000</u> |
| Budgeted (Increase) Decrease to Reserve | 156,800 | 186,800 |
| Reserve Deficit (Surplus), beginning of year (estimated) | <u>4,741,566</u> | 4,554,766 |
| Reserve Deficit (Surplus), end of year (estimated) | <u>4,898,366</u> | <u>4,741,566</u> |
| FUTURE LAND PURCHASES RESERVE | | |
| Budgeted Transactions | | |
| Funding: | | |
| Allocation from Operations | <u>(\$5,600)</u> | <u>(\$5,600)</u> |
| Expenditures: | | |
| Marquis Road West Extension - Land Procurement | 450,000 | |
| 21st Avenue East Roadway (Byars Street to Highway 302) | 200,000 | - |
| Total Expenditures | <u>650,000</u> | |
| Budgeted (Increase) Decrease to Reserve | 644,400 | (5,600) |
| Reserve Deficit (Surplus), beginning of year (estimated) | <u>(604,157)</u> | (598,557) |
| Reserve Deficit (Surplus), end of year (estimated) | <u>40,243</u> | <u>(604,157)</u> |
| PLANNING AND MARKETING RESERVE | | |
| Budgeted Transactions | | |
| Funding: | | |
| Allocation from Operations | <u>(\$16,000)</u> | <u>(\$16,000)</u> |
| Expenditures: | | |
| Signs and Posts for Advertising City Property | 3,000 | - |
| West Hill Master Plan | - | 20,000 |
| Total Expenditures | <u>3,000</u> | <u>20,000</u> |
| Budgeted (Increase) Decrease to Reserve | (13,000) | 4,000 |
| Reserve Deficit (Surplus), beginning of year (estimated) | <u>(387,251)</u> | (391,251) |
| Reserve Deficit (Surplus), end of year (estimated) | <u>(400,251)</u> | <u>(387,251)</u> |