

CITY OF LEDUC
COMMITTEE-OF-THE-WHOLE MEETING AGENDA



Monday, June 24, 2019, 5:00 P.M.
Lede Room, Leduc Civic Centre
1 Alexandra Park, Leduc, Alberta

1. **CALL TO ORDER**
2. **APPROVAL OF AGENDA**
3. **ADOPTION OF PREVIOUS NOTES**
 - 3.1 **Approval of Notes of the Committee-of-the-Whole Meeting held Monday, June 10, 2019**
4. **DELEGATIONS & PRESENTATIONS**
 - 4.1 **Leduc Black Gold Pro Rodeo & Exhibition Association**
(D. Rock, President - 10 minutes)
5. **BUSINESS ARISING FROM PRESENTATIONS**
6. **IN-CAMERA ITEMS**
 - 6.1 **Long Term Growth Study**
FOIP s. 21, 24 & 25
(S. Losier - 30 minutes)
 - 6.2 **Leduc Golf Club Update**
FOIP s. 16, 24 & 25
(B. Knisley / D. Melvie - 30 minutes)
7. **RISE AND REPORT FROM IN-CAMERA ITEMS**
8. **REPORTS FROM COMMITTEE & ADMINISTRATION**
 - 8.1 **Economic Update**
(J. Cannon / C. Thorn - 15 minutes)

8.2 Proposed 2020 Public Budget Meeting Schedule

(J. Cannon / C. Dragan-Sima - 20 minutes)

8.3 Upcoming Events - Media Spokesperson - Council

(P. Benedetto - 10 minutes)

8.3.1 Ground Breaking of the New RCMP Building

8.3.2 Canada Day

8.3.3 Telford Lake Trail

8.3.4 Eco Station

9. INFORMATION ITEMS

10. ADJOURNMENT

**NOTES OF THE CITY OF LEDUC
COMMITTEE-OF-THE-WHOLE MEETING**

Monday, June 10, 2019

Present: Mayor B. Young, Councillor B. Beckett, Councillor G. Finstad,
Councillor B. Hamilton, Councillor L. Hansen, Councillor L. Tillack
Absent: Councillor T. Lazowski
Also Present: P. Benedetto, City Manager, S. Davis, City Clerk

1. CALL TO ORDER

Mayor B. Young called the meeting to order at 5 pm.

2. APPROVAL OF AGENDA

MOVED by Councillor L. Hansen

That Committee-of-the-Whole approve the agenda with the following additions:

6. IN-CAMERA ITEMS - Last Items of Business

6.2 Taxes FOIP s. 24 & 25

6.3 National Trade Corridor Funding FOIP s. 24 & 25

6.4 Intermunicipal Projects Update/Strategic Planning FOIP s. 19

8. REPORTS FROM COMMITTEE & ADMINISTRATION

8.4 Recognition

Motion Carried Unanimously

3. ADOPTION OF PREVIOUS NOTES

**3.1 Approval of Notes of the Committee-of-the-Whole Meeting held Monday,
May 27, 2019**

MOVED by Councillor B. Beckett

That the notes of the Committee-of-the-Whole meeting held on Monday, May 27, 2019, be approved as presented.

Motion Carried Unanimously

4. DELEGATIONS & PRESENTATIONS

There were no delegations or presentations.

5. BUSINESS ARISING FROM PRESENTATIONS

6. IN-CAMERA ITEMS

MOVED by Councillor G. Finstad

That Committee-of-the-Whole move In-Camera at 5:02 pm.

Motion Carried Unanimously

6.1 Regional Transit Update

FOIP s. 16, 24 & 25

MOVED by Councillor L. Tillack

That Committee-of-the-Whole move In-Public at 5:43 pm.

Motion Carried Unanimously

MOVED by Councillor L. Hansen

That Committee-of-the-Whole move In-Camera at 8:22 pm.

Motion Carried Unanimously

6.2 Taxes

FOIP s. 24 & 25

6.3 National Trade Corridor Funding

FOIP s. 24 & 25

6.4 Intermunicipal Projects Update/Strategic Planning

FOIP s. 19

MOVED by Councillor G. Finstad

That Committee-of-the-Whole move In-Public at 8:56 pm.

Motion Carried Unanimously

7. RISE AND REPORT FROM IN-CAMERA ITEMS

7.1 Regional Transit Update

FOIP s. 16, 24 & 25

Also in attendance:

Executive Team

G. Klenke, City Solicitor

S. Davis, City Clerk

A. Thom, Ernst & Young, LLP

A. Anderson, Ernst & Young LLP

K. Wenzel, Manager, Public Transportation

N. Booth, Manager, Communications and Marketing Services

M. Kane, Regional and Intergovernmental Advisor

Prior to the presentation, Administration provided Committee members with a document entitled "Interview Questions for all Municipalities" (Attached).

A. Thom and A. Anderson made a PowerPoint presentation (Attached) and answered the Committee's questions.

7.2 Taxes

FOIP s. 24 & 25

Also in attendance:

Executive Team

G. Klenke, City Solicitor

S. Davis, City Clerk

Mayor B. Young made a presentation.

Mayor B. Young, P. Benedetto, City Manager and G. Klenke, City Solicitor, answered the Committee's questions.

7.3 National Trade Corridor Funding

FOIP s. 24 & 25

Also in attendance:

Executive Team

G. Klenke, City Solicitor

S. Davis, City Clerk

Mayor B. Young and P. Benedetto, City Manager, made a presentation and answered the Committee's questions.

7.4 Intermunicipal Projects Update/Strategic Planning

FOIP s. 19

The Committee discussed contractual items.

8. REPORTS FROM COMMITTEE & ADMINISTRATION

8.1 Farmers Market Update

T. Turner, Manager, Arts, Culture and Heritage, and D. Melvie, General Manager, Community and Protective Services, provided an update on the Leduc Farmers Market ("Market"), advising that, at the current location, the Market was down to only six vendors. The new location of the Market will be the City of Leduc Grain Elevator. Many different groups worked together to bring the relocation of the Market to fruition.

Administration does not recommend carrying out improvements to the location at this time due to the transient nature of the Market.

T. Turner and D. Melvie answered the Committee's questions.

8.2 Economic Development Strategy Update

H. Wilson, Manager, Economic Development, made a PowerPoint presentation (Attached to the Agenda Package) on the Economic Development Strategy relating it back to the 2019-2022 City of Leduc Strategic Plan. The presentation was broken down into two main topics: An Economically Prosperous City; and Collaborative Community-BUILDER and Regional Partner.

H. Wilson, G. Klenke, City Solicitor and M. Pieters, General Manager, Infrastructure and Planning, answered the Committee's questions.

8.3 Regional Fire Framework Council Update

G. Clancy, Fire Chief/Director, Fire Services, made a presentation on recent discussions between the City of Leduc and Leduc County, which was the first meeting of the Regional Fire Framework Committee .

Chief G. Clancy and D. Melvie, General Manager, Community and Protective Services, answered the Committee's questions.

8.4 Recognition

Discussion took place relative to how to honour a long term employee who has accepted a new position.

The Committee recessed at 6:56 pm.

The Committee reconvened at 8:17 pm.

9. INFORMATION ITEMS

There were no information items.

10. ADJOURNMENT

The meeting adjourned at 8:57 pm.

B. YOUNG, Mayor

S. DAVIS, City Clerk

ADOPTION OF PREVIOUS NOTES

Notes of the Committee-of-the-Whole Meeting
– June 10, 2019

*7.1 – Regional Transportation Update

Attachment Removed Pursuant to Sections 16, 24 & 25 of the
FOIP Act.

MEETING DATE: June 24, 2019

SUBMITTED BY: Jennifer Cannon, Director, Finance

PREPARED BY: Charles Thorn, Manager, Financial Analytics & Sylvia Ahn, Financial Analyst

REPORT TITLE: Economic Update

EXECUTIVE SUMMARY

The economic update is used to enable the City of Leduc to review and refine the budget assumptions to help align operating and capital forecasts with the current economic landscape.

The City of Leduc is currently experiencing a surplus of land, houses and vacancies, in addition to reduced development interest and growth. As a result, it is forecasted that there will be very low levels of new growth, especially new non-residential growth, for the City in the years ahead. This is in line with the situation occurring throughout both the Capital Region and Alberta, which is a result of:

- High unemployment
- Weak oil prices
- Downward trend in construction activity
- More multi-family dwelling starts than single-family
- Low consumer spending

Moving forward it is crucial that the City increase its economic development focus on attracting non-residential growth within its limits to help maintain a healthy assessment ratio and support long-term fiscal sustainability.

BACKGROUND

As of early 2019, the national economy was off to a slow start. According to ATB's Alberta Economic Outlook from May 2019, this could be due to a number of challenges, including the ratification of the US-Mexico-Canada Agreement and rocky relations with China.ⁱ While a weak Canadian dollar will support Canadian export competitiveness, slowing global trade and world demand growth will limit the gains.ⁱⁱ Furthermore, suppressed growth in the global economy and continuing uncertainty concerning the expansion of energy export infrastructure will cause Canadian energy prices to be volatile throughout the year.ⁱⁱⁱ These behaviours of the national economy will trickle down to the lower levels of government and have significant impacts.

Provincial Outlook

The situation in Alberta remains one of high unemployment, anemic job creation, the highest non-mortgage personal debt levels in the country and weak retail sales. Alberta's labour market has experienced three drops in total employment between November 2018 and April 2019. Although approximately 21,000 jobs were added in April this year, they leaned more heavily towards part-time positions, while the number of jobs for workers over the age of 55 decreased. The unemployment rate has remained above the national rate since 2016 and is forecasted to average 6.9% in 2019. According to ATB's Economic Outlook, there is the potential for more layoffs in the oil and gas and construction sectors.^{iv}

Transportation constraints, soft natural gas prices and tepid capital investment continue to weaken the state of the oil and gas sector. Despite improved oil prices and efforts to transport more oil by rail, the pipeline situation is making companies

reluctant to increase investment in new production. Adding to this dilemma is the postponement of Enbridge's Line 3 replacement project, which would add 375,000 barrels of crude oil export capacity, which suggests that access issues will persist into 2020.^v Drilling rates for both oil and gas are expected to be lower in 2019 than in the previous year.^{vi}

In the construction sector, it is estimated that tens of billions of dollars of construction will occur this year. However, there is an overall downward trend in activity, as building construction investment in Alberta has contracted for the ninth time in twelve months.^{vii} In 2018, housing starts in the province fell by 11% and are forecasted to fall another 13% in the current year. Despite weak housing starts, apartment starts spiked to an 8-month high in April.^{viii} There is an increased uptake in the rental market, which suggests a lack of overall commitment and confidence in the Alberta economy.

Manufacturing sales are expected to perform well going forward across most sub-sectors. Merchandise exports experienced the largest monthly rebound on record in March after a 4-month slide, with the value of exports in Alberta jumping 31% on a monthly basis to reach \$10 billion.^{ix} On the other hand, retail sales growth is forecasted to be weak this year as "high unemployment, sluggish overall growth and high debt levels erode consumer confidence and constrain disposable income."^x Real business investment in the province is also expected to fall again this year, which would mark the fifth consecutive year of losses.^{xi}

Weakening growth in both consumer and government spending is influencing the province's economy. A recent upward trend in debt-servicing costs is reducing consumer confidence and spending, especially with Alberta's households being the most highly indebted in the country. The number of consumer insolvencies, while still at moderate levels, has been rising.^{xii} The consumer price index (CPI) was up 2.2 percentage points in April 2019 from April 2018.^{xiii} A new report released by the Conference Board of Canada suggests that the province could fall back into a mild recession this year, as it is expected that the economy will shrink by 0.1%. On the other hand, Todd Hirsch states, "Despite all the headwinds hampering Alberta's economic progress, it looks like we will avoid slipping back into recession." Regardless of whether Alberta will enter into another recession, there is consensus that economic activity will feel slow in the province with limited job growth and weak growth in retail sales.^{xiv}

With the recent change in government, it is likely that the province will see changes in the upcoming years. One of the first changes that occurred is the implementation of Bill 1, An Act to Repeal Carbon Tax, which took effect on May 30, 2019. It is estimated that this bill will put \$1.4 billion back into the pockets of taxpayers annually.^{xv} Bill 4, the Red Tape Reduction Act, is also being implemented, which will cut regulations by one-third and speed up approvals of resource projects. These new bills will "kick-start Alberta's economy by creating jobs, cutting job-killing taxes and red tape and show employers and investors that Alberta is open for business," said Premier Jason Kenney. The actual impact of these changes is yet unknown, however, and will need to be monitored.^{xvi}

Capital Region Outlook

Growing international trade conflicts are limiting global growth and depressing commodity prices, while causing reduced exports of manufactured goods and professional services. This can cause Edmonton's employment levels, net in-migration and consumer spending to be negatively impacted as a result.^{xvii} Edmonton's unemployment rate made a slight drop in April to 6.9% from 7.1% in March. This is lower than Calgary's rate of 7.6%, which decreased from 7.7% in March.^{xviii} Despite weakened employment numbers, average weekly wages in the first quarter increased as the number of hours worked rose and employment in some high-paying sectors, such as the energy and manufacturing sectors, continued to recover some losses from prior years.^{xix} The CPI rate in the Edmonton region held steady at an annual rate of 2.1% in April 2019, compared to Calgary's rate of 1.8%.^{xx} This was due to higher fuel and electricity-related costs.

In the housing sector, new starts jumped more than 50% in Edmonton and Calgary, while declining to a 2.5-year low in other urban centres. This was driven predominantly by apartment starts, while single-family housing starts continued on a

downward trend. This is consistent with the weakness seen throughout the province.^{xxi} The upward pressure on housing costs, especially rent, has eased considerably over the past 18 months and will keep inflation relatively stable throughout the year. In the fall of 2018, Edmonton's rental vacancy rate was 5%, which was down from 7% in the same time period in 2017. While this trend is improving housing affordability in the rental sector, elevated rental vacancy rates undercut the incentive to add to the multi-family housing stock. In the first quarter, residential and non-residential builders in the Capital Region took out permits valued at \$897 million, which represents a decline of 34% year-over-year. According to the City of Edmonton's quarterly update, Q1 developments in construction intentions indicate that an already anticipated pullback in construction activity may be more pronounced, which may further limit economic growth prospects for the year.^{xxii}

From a consumer standpoint, relatively high household debt levels may force consumers to reduce spending or delay major purchases, such as new homes. This may result in a further reduction in residential construction activity and some downward pressure on the value of existing homes in the medium-term.^{xxiii}

City of Leduc Outlook

In the City of Leduc, the immediate forecast is looking weak, with no indications of recovery for the next few years. Assessable growth, which is determined by a number of factors including building permits and off-site levies, is expected to be minimal with a weakened residential sector and a stagnant non-residential sector. Early indicators are suggesting that the City may be hitting the lowest combined growth numbers for both residential and non-residential in over a decade.

When comparing building permit values at the end of May in 2019 over 2018, we see \$34 million vs. \$55 million for residential, \$14 million vs. \$5 million for commercial and industrial, and \$48 million vs. \$60 million for total permits. This represents a 20% reduction in permit values from the prior year. To provide perspective, 2018 was one of the lowest years with respect to permit values and 2019 is anticipated to come in significantly lower. From a permit revenue perspective, the City earned \$1.1 million in 2018 compared to a budgeted amount of \$1.2 million. At the end of May 2019, revenues are at \$390k on a budget of \$1.3 million.

Looking specifically at the vacancy rates in the Leduc Industrial Park, as per Attachment 1, we can see that the rates for the City of Leduc have been trending downwards since 2017. However, the rates remain above 3%, which is the tipping point at which new development tends to occur.^{xxiv} As such, new non-residential construction in the industrial park is unlikely to occur in the short-term.

Discussions between the City's planning department and builders have indicated minimal intentions of development within the next three years for residential and no intention towards the non-residential sector. This further supports the belief that the City will continue to see anemic growth for the short-term. It is important to note that there is a lag from when development is initiated through off-site levy contributions and when taxable assessment growth will materialize. For residential development, the lag is typically a year, while non-residential development may take two years or more to be realized. As the City is anticipating reduced growth over the next three years, this suggests that the City will not experience material assessable growth revenue related to residential development before 2024 and 2025 for non-residential.

In many cases, information specific to Leduc is not readily available, but it is likely safe to assume that the trends experienced in the Edmonton area would be reflective of the situation in the City of Leduc. The unemployment rate in Leduc would be impacted by many of the same factors as Edmonton and is likely to have fallen from the peak unemployment rates experienced in 2017. However, the rate is still significantly higher than before the recession. CPI and MPI are other indicators that would be reasonable to assume are similar to the Edmonton region. When considering only shelter-related costs, such as rent or mortgage payments, property tax, condominium fees, electricity, heat and municipal services, the increase has been at a slightly higher pace than the remainder of Canada. Leduc would not be immune from the high levels of household debt seen across the province. All of these factors would affect the ability of City of Leduc

residents to spend on major purchases, such as new homes. This would have a carry-on effect for businesses, as reduced revenue from major purchases would impact their ability to grow.

In summary, the current situation in the City of Leduc is one of surpluses of land, houses and vacancies, which when combined with minimal development interest and growth, will result in very low levels of new growth revenues for the City in the years ahead.

NEXT STEPS

As per the discussion above, the City of Leduc is not yet in a state of recovery. The information provided about the current economic situation in Alberta and more specifically, the region, is an important tool that the City utilizes to help refine the budget assumptions going forward. In the operating budget, the growth assumptions that were forecasted over the next two years will need to be adjusted downwards to be more reflective of the economic landscape. This information also provides the City with an understanding of the short-term fiscal constraints, which helps align the 10-year capital plan with the economy.

With stagnant non-residential growth forecasted for the near future, it is critical moving forward that the City of Leduc increases its economic development presence in the region in an effort to attract non-residential development. Equally important is the necessity to attract non-residential development within the City limits, as there is a requirement to maintain a healthy assessment ratio. The non-residential aspect is crucial to the long-term fiscal sustainability of the City.

ATTACHMENTS

Attachment 1 – Nisku-Leduc Industrial Park Vacancy Rates

References

- ⁱ ATB Financial. (2019, May). Alberta Economic Outlook – May 2019.
- ⁱⁱ Alexander, C. (2019, May 9). After a shake, rattle, and stall the economy is poised for modest growth. *Deloitte Insights*.
- ⁱⁱⁱ City of Edmonton. (2019, May). Quarterly Economic Update. *Economic Insights*.
- ^{iv} ATB Financial. (2019, May). Alberta Economic Outlook – May 2019.
- ^v Muthukumar, R. (2019, March). Provincial Outlook March 2019. *RBC Economic Research*.
- ^{vi} ATB Financial. (2019, May). Alberta Economic Outlook – May 2019.
- ^{vii} Building Construction Investment Down email
- ^{viii} Government of Alberta Treasury Board and Finance. (2019, May 10). Exports posts a strong rebound. *Weekly Economic Review*.
- ^{ix} Government of Alberta Treasury Board and Finance. (2019, May 10). Exports posts a strong rebound. *Weekly Economic Review*.
- ^x ATB Financial. (2019, May). Alberta Economic Outlook – May 2019.
- ^{xi} Gibson, J. (2019, February 27). Alberta's economic growth to leap from last place in 2019 to country-leading in 2020: Conference Board. *CBC News*.
- ^{xii} TD Provincial Economic Forecast
- ^{xiii} Gibson, J. (2019, February 27). Alberta's economic growth to leap from last place in 2019 to country-leading in 2020: Conference Board. *CBC News*.
- ^{xiv} Bakx, K and Seskus, T. (2019, May 28). Alberta could slip back into recession this year, says new report. *CBC News*.
- ^{xv} Staff. (2019, May 13). Kenney says Alberta's carbon tax will die May 30. *The Canadian Press*.
- ^{xvi} Bellefontaine, M. (2019, May 22). Kenney warns 'tough decisions' ahead as UCP rolls out throne speech. *CBC News*.
- ^{xvii} City of Edmonton. (2019, May). Quarterly Economic Update. *Economic Insights*.
- ^{xviii} City of Edmonton. (2019, May 10). Labour Force Report: Edmonton sees renewed job growth. *Economic Indicators*.
- ^{xix} City of Edmonton. (2019, May). Quarterly Economic Update. *Economic Insights*.

^{xx} City of Edmonton. (2019, May 15). Consumer Price Index: Inflation stabilizes in April 2019. *Economic Indicators*.

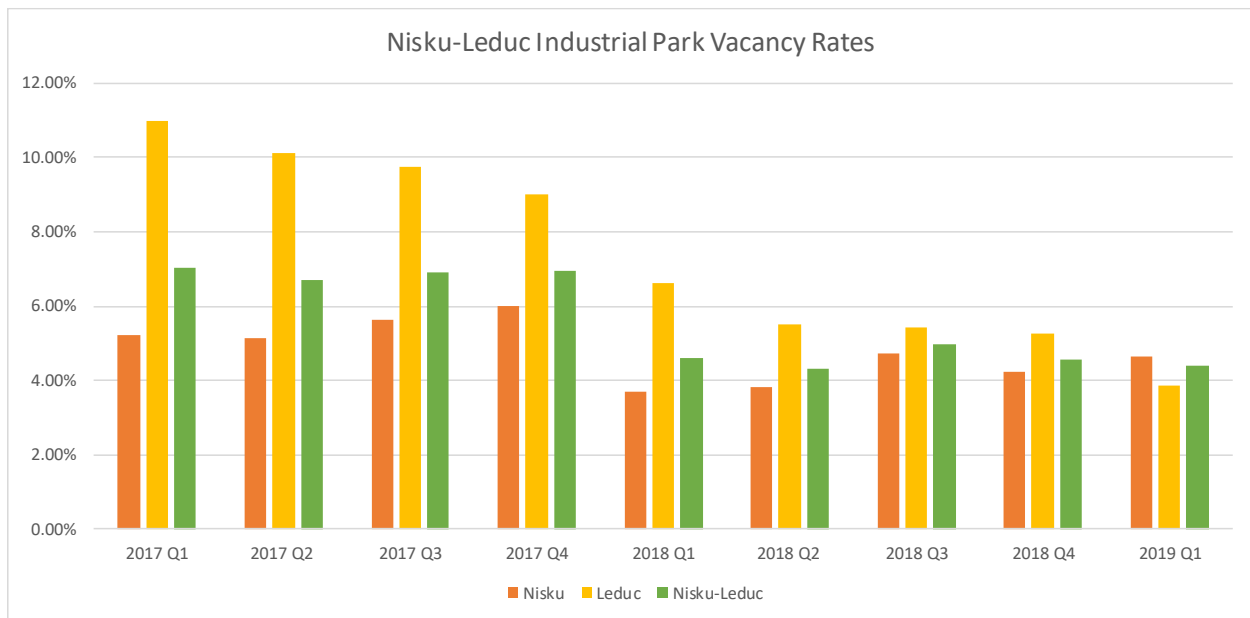
^{xxi} Government of Alberta Treasury Board and Finance. (2019, May 10). Exports posts a strong rebound. *Weekly Economic Review*.

^{xxii} City of Edmonton. (2019, May). Quarterly Economic Update. *Economic Insights*.

^{xxiii} City of Edmonton. (2019, May). Quarterly Economic Update. *Economic Insights*.

^{xxiv} Robert Manning. CBRE Edmonton Industrial Team. 2017-2018. Leduc Business Park Market Summary.

Attachment 1 – Nisku-Leduc Industrial Park Vacancy Rates



Source: CBRE Edmonton Industrial Team. 2017-2018. Leduc Business Park Market Summary.

MEETING DATE: June 24, 2019

SUBMITTED BY: J. Cannon, Director of Finance

PREPARED BY: C. Dragan-Sima, Manager Financial Planning and Budgets

L. Padgham, Budget Analyst

REPORT TITLE: Proposed 2020 Public Budget Meeting Schedule

EXECUTIVE SUMMARY

Following the December 10, 2018 and January 14, 2019 Committee-of-the-Whole meetings, as part of the enhancements to the 2020 Budget Process, Council has directed Administration to refine the budget process and schedule. This report outlines a proposed schedule that amends the 3 consecutive days that occur in mid-November and instead takes advantage of existing pre-scheduled Council and Committee of the Whole meetings to present the 2020 budget.

BACKGROUND

Historically, the City of Leduc has 3 consecutive days in mid-November set aside for the public budget meetings. As part of the revised budget process Administration has utilized regularly scheduled Committee of the Whole and Council meetings from February through to May to engage with Council regarding the 2020 – 2022 Operating Budget and 10 Year Capital Plan. As a touchpoint moving forward, Administration would like to discuss next steps and propose a revised schedule for the fall public budget meetings.

It is important to recognize, the current multi-year tax revenue requirement is 4.5% and 5% (2020 & 2021) and Administration is working towards lowering this requirement to 2% – 3% for the upcoming budget year. The proposed schedule is based on the understanding of the 2% – 3% requirement.

2020 BUDGET MEETINGS TO DATE

To date Administration has had numerous meetings with Council with respect to the 2020 Budget. These meetings are as follows:

Council

- February 25, 2019 – 10 Year Capital Plan Sequencing

Committee of the Whole

- March 18, 2019 – 2020 Budget Financial Overview
- April 8, 2019 – City Manager's Office & Corporate Services 2020 Budget Overview
- April 15, 2019 – Infrastructure & Planning 2020 Budget Overview
- May 6, 2019 – Community & Protective Services 2020 Budget Overview
- May 13, 2019 – 10 Year Capital Plan Sequencing

As significant budget deliberations have already occurred, a shorter time frame could accommodate the remaining requirements for the 2020 budget process.

Proposed Fall Schedule

Provided below is the proposed schedule for the 2020 Public Budget Meetings. The times stated below are flexible.

Monday, October 7th - Council

7:15 pm 7:45 pm Grants to Organizations

7:45 pm 8:45 pm Capital Overview – (All General Managers and Director, Finance)
Budget Public Commentary

Monday, October 28th - Committee of the Whole

5:00 pm 6:00 pm In Camera Personnel Requirements

Monday, October 28th - Council

7:15 pm 8:15 pm Operating Budget - Finance Opening Remarks & Presentation 1
Budget Public Commentary

Monday, Nov 4th - Council

7:15 pm 8:15 pm Operating Budget - Presentation 2
Budget Public Commentary

Tuesday, Nov 12th - Council*

7:15 pm 8:15 pm Operating Budget - Presentation 3
Budget Public Commentary

Monday, Nov 18th - Council

7:15 pm 8:15 pm Flagged Items / Business Case & Fees and Charges Overview
8:15 pm 8:45 pm Finalize 2020 Operating and Capital Budgets

*Tuesday, Nov 12, 2019 will be an additional Council meeting.

As per usual, the final budget approval will occur on December 2, 2019.

ATTACHMENT

None