



2018 OPERATING BUDGET

This is administrations recommended 2017 Operating Budget to Red Deer City Council. Final decisions will be made as a part of Councils review - changes may occur.

ADJUSTING TO THE NEW FINANCIAL REALITY

INVESTING IN COMMUNITY SAFETY

The City of Red Deer uses an Enterprise Business Plan (EBP) to prepare the budget each year. This ensures we align the direction and priorities with the resources required. Council provides its direction through the Strategic Plan, which gives administration the vision and framework to plan for the upcoming year. The Strategic Plan is the most important plan as it shapes the organization and the municipal programs and services provided to citizens of Red Deer. The budget process translates strategy into action.

The recommended 2018 Operating Budget must reflect the economic climate, City Council guidelines and recommendations, The City's Strategic Plan and other guiding documents, and the needs of the community. Through the statistically accurate Ipsos Citizen Satisfaction Survey conducted in 2017, Red Deerians identified crime and community safety as the top priority which The City should address over the next year. Therefore the focus of the recommended 2018 Operating Budget is adjusting to the new financial reality and investing in community safety.

The Strategic Plan will ensure that Red Deer is ready for its future by building a strong foundation and transforming local government that embraces our principles. ■

GUIDELINES FOR THE STRATEGIC PLAN:

CITIZEN FOCUSED SERVICE
ACCESSIBLE AND WELCOMING COMMUNITY
STRATEGICALLY ORIENTED LEADERSHIP



DIALOGUE

Engaging our community and enhancing our relationships



COMMUNITY AMENITIES

Planning great spaces and places for community living



FINANCIAL LEADERSHIP

Creating a sustainable financial foundation



WHAT IS AN OPERATING BUDGET?

The annual operating budget shows the day-to-day costs of delivering programs and services. The operating budget maintains the services, programs and infrastructure that support 100,418 residents within our growing city.

These three themes are complemented by the work that has been done, or still being finalized on five of the themes from the previous strategic plan:



IDENTITY

Identify and promote our Red Deer identity



SAFETY

Enable and promote a safer community



MOVEMENT

Design and facilitate integrated movement



DESIGN

Design and plan our community to reflect our character and values



ECONOMY

Shift our primary economic development focus and activity to within Red Deer



VISION

MISSION

**INNOVATIVE THINKING
INSPIRED RESULTS
VIBRANT COMMUNITY**

The City of Red Deer works together to provide leadership and sustainable municipal services for our community.

HOW ARE WE IMPLEMENTING THE 2015-2018 STRATEGIC PLAN?

For each theme in the 2015 – 2018 Strategic Plan, administration is moving on continued or new action items in 2017:

DIALOGUE:

- The Dialogue Charter was developed under the former Strategic Plan (2009-2014) and is continued under the current Strategic Plan (2015-2018).
- The majority of outcomes and strategies outlined in relation to public engagement have been achieved. This includes the research and development of a Public Participation Framework.
- The “Public Participation Toolbox” was adopted by Council in 2015 and is part of current practice.
- The City won the 2015 AUMA Sustainability Award for its work on governance and public engagement.

COMMUNITY AMENITIES:

- A major community consultation on community amenities was completed in 2015 to assist Council’s decision making regarding the Capital Budget and 10 Year Capital Plan.

- Capital projects related to the 2019 Canada Winter Games in Red Deer have been previously approved by Council and remain a priority for 2018 and beyond.
- The Capital Budget and 2019-2027 Capital Plan includes 17 of the top 20 ranked amenities in various stages of development from feasibility studies to full implementation.

FINANCIAL LEADERSHIP:

- Created and adopted detailed budget guidelines with a focus on long term sustainable financial planning for both capital and operating budgets.
- The Audit Committee adopted a series of financial metrics which will be included in policy.
- New Federal and Provincial programs are being monitored and considered in financial planning.
- Modified capital and operating budget format to show projects and initiatives by function, not by divisions and departments. ■



SUSTAINABILITY PILLARS

The City’s Strategic Plan also serves as its sustainability plan. By aligning the two plans, we have adopted the best practice of integrating sustainability across the five sustainability pillars.



ENVIRONMENTAL

ENVIRONMENTAL MASTER PLAN IMPLEMENTATION & REVIEW



CULTURAL

CULTURE VISION FUTURE UPDATE



ECONOMIC

ECONOMIC DEVELOPMENT PLAN IMPLEMENTATION



SOCIAL

SOCIAL POLICY FRAMEWORK IMPLEMENTATION



GOVERNANCE

GOVERNANCE FRAMEWORK ONGOING REVIEW

ECONOMIC REALITY

In early January 2018, City administration will present the recommended 2018 Operating Budget to City Council for consideration.

This budget is based on service levels and guidelines set by Council, and includes approved capital projects.

THE REALITY:

According to the Conference Board of Canada: Mid-Sized Cities Outlook 2017/2018:

- Hampered by the decline in oil and cattle prices, Red Deer's economy suffered a setback over the last two years. The local economy shrank on average 2.9 per cent per year over 2015-2016, the first drop since 2009.
- Red Deer's economy is forecast to recover with real Gross Domestic Product (GDP) expanding by 2 per cent in 2017 and 2.2 per cent in 2018.
- The output gain will generate average employment growth of 3.3 per cent annually over the next two years.
- The healthy job growth will push unemployment down from 9.3 per cent in 2016 to 7.3 per cent in 2018.

According to Alberta Economic Outlook, a study by ATB Financial:

- The Alberta economy exceeded expectations in the first half of 2017.
- GDP is now expected to grow 3.1 per cent in 2017 up from the 2.1 per cent projection last year. The forecast for 2018 is 2.3 per cent.
- Conventional oil and gas investment is projected to rise 40 per cent in 2017.

Other indicators show:

- 15 per cent of Red Deer families are living in poverty, with 20 per cent of families considered to be "low income"
- The 2016 Point in Time Homeless count revealed 149 Red Deerians are considered to be homeless, an increase of 8.8 per cent from 2014.
- Economic slowdown resulting in major user fee revenue reductions in areas like Transit, Recreation, Parks & Culture, and Inspections & Licensing.
- With slower economic activity, revenue from Water, Wastewater and Electric Light & Power have seen significant reductions.
- Construction rates are down significantly, resulting in major reductions in offsite levy and land sales revenue.
- The reduction in offsite levy revenue has significantly impacted the Capital Budget and Plan.
- In 2018, administration is projecting a \$1.2 million reduction in revenue from new construction growth compared to 2016.
- An additional increase in the Provincial Carbon Tax in 2018 will directly impact the tax levy and utility fees.
- There are definite signs of increased economic activity in the second half of 2017.
- Increased grant programs –Family and Community Support Services (FCSS) and Federal Gas Tax Fund (FGTF).
- New grant program: Federal Public Transit Infrastructure Fund (PTIF).
- The Ipsos and online surveys completed this year show a high level of satisfaction with City services.

Going into the 2018 budget process, administration, in response to our economic and growth reality, dug deeper to find as many cost savings, efficiencies, revenue strategies and innovations where possible, including items identified by Red Deer City Council. ■



CAPITAL BUDGET

The 2017 Capital Budget of \$80.7 million was adopted by City Council on December 1, 2017. It was developed within a framework of The City's 10 year capital plan. This long term planning allows some projects to be deferred and others to be funded over a longer term.



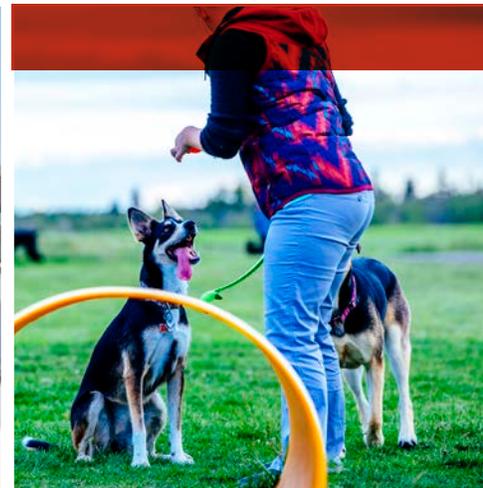
THE 2018 OPERATING BUDGET BEING RECOMMENDED BY ADMINISTRATION FOLLOWS THESE CITY COUNCIL GUIDELINES:

- City Council guidelines call for a one per cent capital contribution (amenities and growth) amount in the 2018 Operating Budget and a property tax revenue requirement that does not exceed two per cent for the 2018 Operating Budget, which includes the one per cent capital contribution.
- City Council guidelines also specify that the 2018-2027 Capital Budget and Plan not exceed the approved 75 per cent debt limit, and that Reserves will maintain a positive balance.
- Administration will bring forward an increase in Recreation and Transit fees in the 2-3 per cent range.
- In recognition of the economic climate, The City will not establish new fees in 2018 unless directed by Council.



OPERATING BUDGET

Administration is recommending a 2018 Operating Budget of \$2,586,466 that will see a two per cent tax increase and is comprised of one per cent in capital contributions, and one per cent operating funds.





WHY ARE WE INVESTING?

COMMUNITY SAFETY IS THE PRIORITY INVESTMENT IN 2018

City administration knows it is important to recognize and address the major economic downturn in the community and its impact on businesses and individuals in the community. The proposed 2018 Operating Budget aligns all new service plan initiatives with the Strategic Direction and priorities established by Red Deer City Council. We aim to maintain an acceptable level of maintenance without significant cost increases for citizens, all while adhering to the Budget Guidelines approved by City Council.

There is also a need to consider recommendations in the budget in the context of:

- Community safety
- Social Policy Framework
- Economic Master Plan
- Environmental Master Plan
- Culture Vision

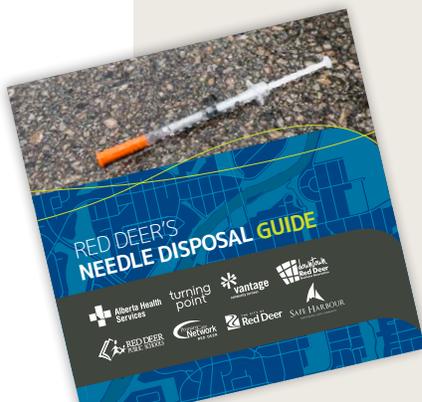
EXAMPLES OF PROPOSED AREAS OF INVESTMENT IN 2018:

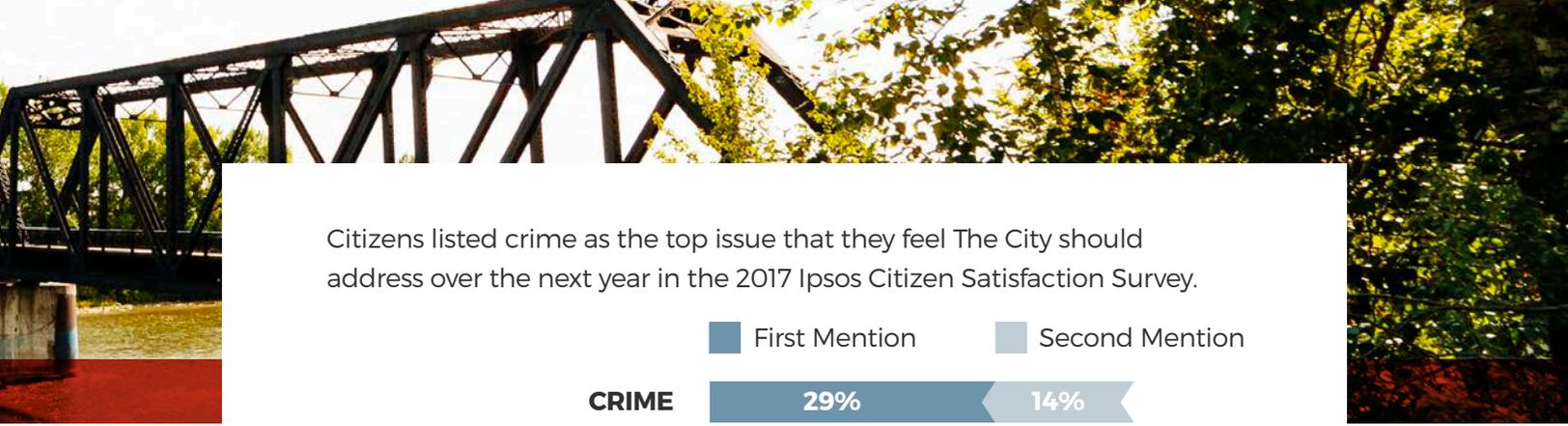
COMMUNITY SAFETY

- Implementation of the Community Safety Strategy outlined in "Toward a Vision for a Safe Red Deer".
- Ongoing advocacy to the Provincial Government to address the four pillars outlined in the Drug and Alcohol Strategy: Prevention, harm reduction, treatment and enforcement.
- Ongoing advocacy to the Provincial and Federal Government with regard to a shelter, affordable housing and a treatment centre.
- Ongoing advocacy to the Provincial Government to reduce or eliminate downstream impacts of needle debris in the community through the needle distribution program.
- The addition of four new RCMP members and two municipal staff.
- Increased investment in the cleanup of rough sleepers within City parks.
- Investment in the Central Alberta Crime Prevention Centre.

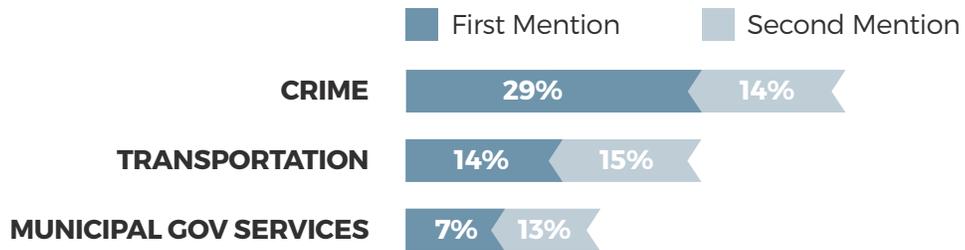
SOCIAL

- A limited increase in Recreation, Parks and Culture and Transit fees and charges in recognition of the current economic downturn and the resultant decrease in participation in these programs and services.
- Continued Fee Assistance Program provided to eligible residents for Recreation, Parks and Culture programs.
- Continued funding of 211 services to connect residents with community program supports and opportunities.
- Continued implementation of the Plan to End Homelessness and the allocation of Provincial and Federal funding through the Community Housing Advisory Board.
- Continued support to partner with the Province in the development of an Integrated Housing Framework.
- Proposed funding for initiatives in conjunction with the Urban Aboriginal Voices governance framework.
- Ongoing advocacy to the Provincial and Federal governments with regards to shelter, affordable housing and a local treatment centre.
- Increased funding for RCMP and municipal police members.
- Continued support for the Central Alberta Crime Prevention Centre.





Citizens listed crime as the top issue that they feel The City should address over the next year in the 2017 Ipsos Citizen Satisfaction Survey.



ENVIRONMENTAL:

- Complete update of the Environmental Master Plan, including major community participation.
- Continued support and new funding for the implementation of the Waste Management Master Plan, including a phased introduction of a cart collection system.
- Continued support for Greening the Fleet.
- Upgrade of The City's stormwater system.
- Continued upgrades to the Water and Wastewater Treatment Plants.
- Continued support for our extensive park system, including funding for tree replacement.

CULTURAL:

- Continued funding for many initiatives outlined in the Red Deer Community Culture Vision plan, including the continuation of Alexander Way, the Riverwalk and the "agora space" or square along the river.
- Renovation of the historic Central Elementary School building in conjunction with the new Canada Games Plaza for interim use by the Canada Winter Games Society and the future relocation of The City's Culture Services back to the downtown core.
- Cultural programs and events through the Community Culture Development Fund.
- Feasibility study for a future concert hall/ cultural facility underway.

ECONOMIC:

- Support of the 2019 Canada Winter Games, which is estimated to have an economic impact of over \$130 million in 2019.
- Continue to maintain a low ratio between residential and commercial taxes – Red Deer has one of the lowest commercial tax ratios and rates of comparable cities.
- Continued development of the Capstone Riverlands area, a major economic building block for downtown redevelopment and revitalization.
- Implementation of public participation program.
- Hosting of the 2018 AUMA Conference in Red Deer.
- Continued funding for the implementation of the policies in the Economic Development Strategy and the Downtown Investment and Attraction Plan. ■



PLANNING THE OPERATING BUDGET

The operating budget went through an extensive review process. It is based on initiatives in the individual departmental service plans and the three themes adopted by Council's Strategic Plan. Most initiatives were brought forward to Council for approval as part of previous plans, strategies and reports.

The operating budget includes prior year carry forwards, impact of prior year budgets, base budget items, funding adjustment recommendations and cost savings. The operating budget also addresses the need to recognize the major economic downturn in the community, and its impact on businesses and individuals in the community. ■



THE OPERATING BUDGET “LAYER CAKE” BELOW SHOW THIS IN MORE DETAIL.

STRATEGIC & SUSTAINABILITY PRIORITIES

As Per The Strategic Plan(s)

CHANGING SERVICE

An opportunity to introduce or remove a service or change an existing service level that is not primarily growth related.

ACCOMMODATING GROWTH

Changes that need to be made based on increase to population and land. This would include operating costs related to capital (new).

MAINTENANCE AND MODIFICATIONS

Recommending changes to our current core service area to be more efficient/innovative, respond to legislative/regulatory changes, or meet current needs. Increases/decrease in revenue with increases in service/costs.

BASE BUDGET ITEMS

Including prior year approvals and increases and decreases in revenue without increases in service level/costs.

- A** Crime Prevention Centre: \$156,598
- B** Public Participation Implementation: \$46,903
- C** Canada Winter Games corporate support and mobilization: \$479,100
- D** Corporate Information Technology Master Plan: \$80,000
- E** Streetlight and traffic light conversion savings: (\$551,574)

- A** Police member and municipal employee increase: \$492,900 (2018) and \$285,100 (2019)
- B** Rough Sleeper Cleanup costs: \$200,000 (2018) and \$200,000 (2019)
- C** Bower Ponds pavilion expansion (2019): \$19,000

- A** Maintenance for new neighbourhood parks: \$50,000
- B** Parks operating costs (new projects): \$25,518
- C** Alberta Survey Control Monuments: Funded from revenue (\$100,000)

- A** Legal support for Municipal Government Act and bylaw changes: \$103,940
- B** Fire dispatch revenue increase: (\$81,650)

- A** RCMP contract fee increase: \$707,740
- B** Police grant, Provincial funding shortfall: \$159,000
- C** Construction growth revenue: (\$1,000,000)
- D** Recreation, Parks and Culture revenue adjustment: \$175,000





COMMUNITY INPUT

Throughout the year, The City conducts multiple public participation opportunities for our citizens including Let's Talk, Budget Open House, displays and surveys at the Farmers Market, online engagement and Budget on the Go, where The City took the budget out to citizens for feedback.

The City also conducts a citizen satisfaction survey through Ipsos, which is statistically accurate. In 2017, respondents were asked about their overall satisfaction with City services. The results were that 97 per cent of respondents were very satisfied or somewhat satisfied.



80%

SAY THEY GET GOOD VALUE FOR THEIR TAXES.

50 PER CENT

Said to: Increase taxes to maintain or enhance services at current level.

41 PER CENT

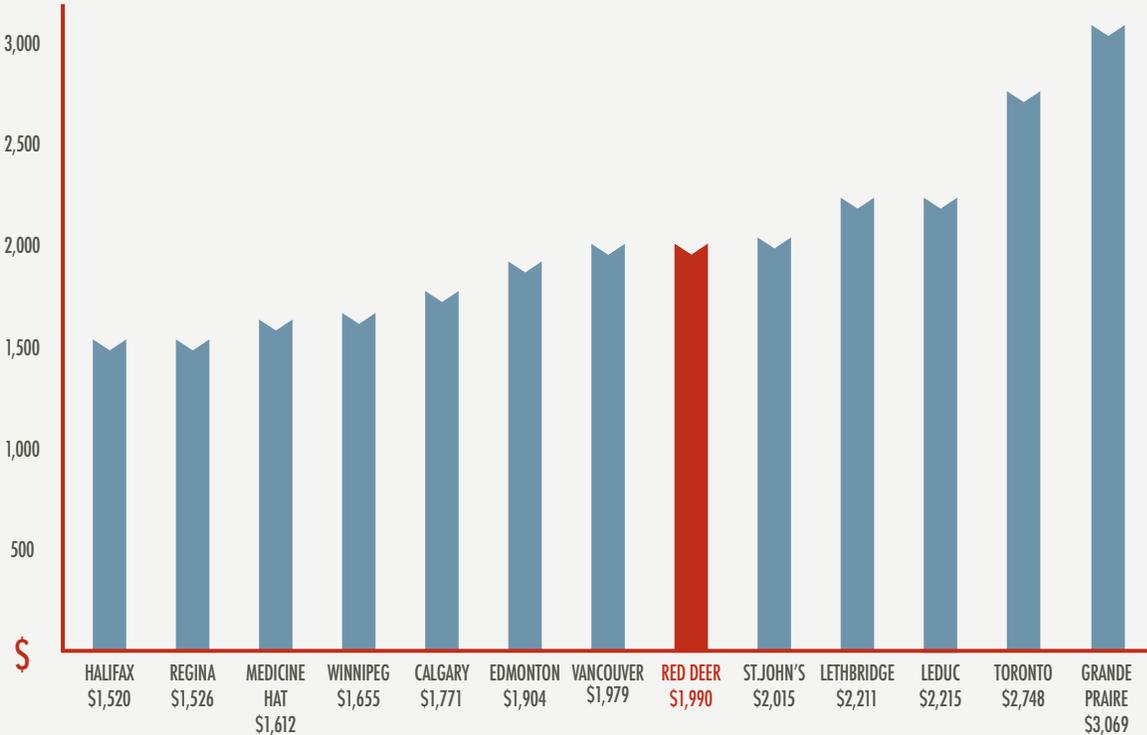
Said to: Cut services to maintain or reduce current tax level.



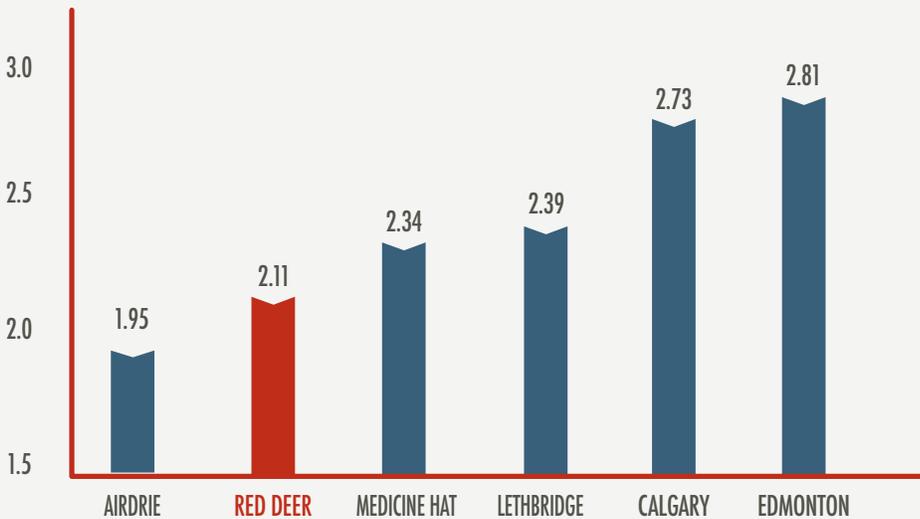
HOW DO WE COMPARE?

The first graph shows how Red Deer compares to other Canadian cities when looking at municipal taxes only, followed by a comparison of residential and commercial tax ratios, showing Red Deer has one of the lowest commercial taxes in Alberta.

MUNICIPAL PROPERTY TAX FOR REPRESENTATIVE BUNGALOW HOUSE IN 2016



2017 RESIDENTIAL TO COMMERCIAL TAX RATE RATIOS



Source: The City of Calgary 2015 Residential Property Taxes and Utilities Survey



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WHO CAN YOU CONTACT FOR QUESTIONS?

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