



RED DEER

2019
OPERATING BUDGET

2019 OPERATING BUDGET

MAINTAINING VISION: MANAGING EXPECTATIONS

This is administrations recommended 2019 Operating Budget to Red Deer City Council. Final decisions will be made as a part of Councils review – changes may occur.

The City of Red Deer uses an Enterprise Business Plan 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 2019 Operating Budget must reflect the economic climate, City Council guidelines and recommendations, The Strategic Plan and other guiding documents, and the needs of the community.

The City of Red Deer’s Strategic Plan is the primary planning document and covers a four year planning timeline. It includes the unique yet complementary roles of Council and Administration to realize the success of the strategic plan: the strategic direction and the strategic implementation.

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 more than 100,000 residents within our city.



Guidelines for the Strategic Plan

Council of The City of Red Deer has chosen five key goals within two categories as their 2019-2022 strategic direction.

These are the five goals around which the organization’s efforts will be coordinated and directed. They were chosen as the most important areas requiring change or transformation after considering community input, best practices, and current organizational initiatives.

City of Red Deer is:

- ❖ A safe community
- ❖ A socially responsible city
- ❖ A chosen destination
- ❖ An economic leader

The City of Red Deer provides:

- ❖ Citizen focused service

Red Deer is...				The City of Red Deer provides...
A safe community	A socially responsible city	A chosen destination	An economic leader	Citizen focused service
<p>GOAL STATEMENT</p> <p>Red Deer is a safe and secure community. Safety is strengthened through a focus on enforcement, as well as prevention, intervention, and education.</p>	<p>Red Deer offers a welcoming community where everyone can enjoy a high quality of life. As a community, together we advocate for much needed social infrastructure and build a resilient community.</p>	<p>We are a four-season destination where visitors and residents enjoy our parks, trails and distinctive amenities, all within our 'city in a park'. Centrally located in the province, we attract events that generate investment and enhance our community identity.</p>	<p>We have a strong, dynamic economy, fostered by entrepreneurship and innovation. Leveraging our central location, Red Deer is an economic hub with a revitalized downtown and diverse local economy.</p>	<p>Citizens are confident they receive value in the services provided by The City. We are committed to service excellence and review operations to ensure efficiency and effectiveness.</p>

The City’s Strategic Plan also serves as its **Sustainability Plan**. Sustainability is defined by the United Nations as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. By aligning the two plans, The City of Red Deer has adopted the best practice of integrating sustainability across the four dimensions (**culture, society, environment and economy**) with our strategic goals providing us a comprehensive plan for a sustainable community.

City Council operating budget approval process

The 2019 Operating Budget will be presented to City Council starting at noon on January 8, 2019 in Council Chambers, Red Deer City Hall. Proceedings will continue throughout until January 18 as needed. This budget is based on service levels and guidelines set by Council, and includes approved capital projects.

Growth

On October 15, 2018, The City announced intent to proceed with a study to confirm the next phase of annexation within the growth area. The direction of growth has a major impact on the need for infrastructure and consequently the Capital Budget and Plan.



City Council has directed, through planning documents and infrastructure studies that Red Deer should grow to the northeast and north of Highway 11A. These are the primary areas for infrastructure investment in capital planning for the next 10 years.

The Reality

According to the Conference Board of Canada: Mid-Sized Cities Outlook 2018/2019:

- Red Deer's economy, after expanding strongly in 2017, is forecast to grow more slowly this year. Real GDP should rise by 2.8% in 2018 and by 2.2% in 2019.
- Moderate output growth will slow employment gains to 1.8% in 2018 and to 1.4% in 2019 following 5% growth in 2017.
- The original job increases will reduce unemployment rate from 8% in 2017 down to 7.3% in 2018 and 6.5% in 2019.
- The construction sector is forecast to continue its modest recovery with output growing by 3.1% in 2018 and a further 1.6% in 2019.

Other financial challenges and opportunities:

- Construction rates are down significantly, resulting in major reductions in offsite levy and land sales revenue.
- The reduction in offsite levy revenue has had a major impact on the Capital Budget and Plan and resulted in internal borrowing to fund growth infrastructure on an interim basis.

- In 2019, the anticipated tax revenue from new growth is projected as \$1.1 million which is \$1.5 million lower than a good growth year.
- There has been a reduction in revenues for recreation and transit which has been slow to recover after the recession.
- The utilities of water, wastewater, and EL&P have also experienced lower levels of use with decreased economic activity.
- There is a potential to receive new revenue through the new Investing in Canada Infrastructure Grant Program. This program is administered by the Province under a bilateral agreement and municipalities are required to use MSI funding as the Provincial matching dollars.
- The Municipal Sustainability Initiative (MSI) Program has been a major source of funding for municipalities. This program is ending in 2019 and Provincial budget documents indicate a decrease in funding in the future.

Going into the 2019 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.

The 2019 Operating Budget being recommended by administration considers the following:

- ❖ City Council guidelines that call for a 1 per cent capital contribution (amenities and growth) amount in the 2019 Operating Budget.
- ❖ City Council guidelines that call for a property tax revenue requirement that does not exceed 2.5 per cent for the 2019 Operating Budget, which includes the 1 per cent capital contribution.
- ❖ City Council guidelines also specify that the 2019-2028 Capital Budget and Plan not exceed the approved 75 per cent debt limit, and that Reserves will maintain a positive balance.

Administration is recommending an increase in the 2019 Operating Budget of \$3.33 million. The increase is comprised of 2.5 per cent in capital contributions and 1.5 per cent operating funds.

The 2019 Capital Budget of \$121 million was adopted by City Council in November 2018. It was developed within a framework of The City's 10 year capital plan. With this long term plan, some projects are deferred and others are funded over a longer term.

Why are we investing?

City administration knows it is important to recognize and address the economic reality in the community and its impact on businesses and individuals in the community. The proposed 2019 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.

Examples of proposed areas of investment in 2019:

ECONOMIC:

- Support of the 2019 Canada Winter Games, which is estimated to have an economic impact of over \$130 million.
- 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 funding for the implementation of the policies in the Economic Development Strategy and the Downtown Investment and Attraction Plan (DIAP).
- Recommended ongoing funding for The City’s membership in the Central Alberta Economic Partnership (CAEP).
- Continued development of the Capstone area, which will provide a high density residential and commercial development, linking downtown with the river valley park system.
- Recommended funding to explore annexation options leading to a potential notice of intention to annex in 2019.
- Recommended resources and funding to the development of an Intermunicipal Collaboration Framework with the County of Red Deer, by April 2020.

COMMUNITY SAFETY:

- In addition to the 10 new police officers; four dedicated to downtown enforcement and patrol (50 per cent in 2018 and 50 per cent in 2019), we are recommending funding for the Central Alberta Crime Prevention Centre (CACPC).
- Recommend advance funding five additional members in 2020, to be dedicated to Advanced Policing Priorities (APP).
- Continued support for the implementation of the recommendations from the Community Safety Ad Hoc Committee as outlined in their report “Toward a Vision of a Safe Red Deer”.
- An increase in the policing contract with the RCMP to maintain the current complement of officers and support services.
- An increase in the budget to accommodate the shortfall in the regular and special policing grant from the Province.
- Increased advocacy efforts with the review of The Police Act to correct the inequity between Provincial funding for urban and rural areas.
- Recommended additional police resources to support the Central Alberta Child Advocacy Centre.
- Recommended additional funding for the cleanup of rough sleeper camps in conjunction with social supports.

SOCIAL:

- A limited increase in Recreation, Parks and Culture and Transit fees and charges in recognition of the current economic downturn.
- 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 and resources to partner with the province in the development of an Integrated Housing Framework, which would develop a new and more effective governance framework for affordable and seniors housing.
- Continued funding and delivery of the Family and Community Support Program, which focuses on prevention initiatives throughout the community.
- Continued support for the Central Alberta Poverty Reduction Alliance (CAPRA) in completing a needs assessment towards a Poverty Reduction Strategy.
- Ongoing funding for a Diversity and Inclusion Specialist in Human Resources to work with The City and the community.
- Proposed funding for diversity initiatives in the community in conjunction with the Welcoming and Inclusive Community (WIC) Network.
- A continued commitment to our work on reconciliation with our indigenous community through proposed funding for initiatives in conjunction with the Urban Aboriginal Voices (UAVS) governance framework.

ENVIRONMENTAL:

- Approved funding to complete and implement the updated Environmental Master Plan, which will provide a framework for action over the next five years.
- 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.
- New funding for the upgrade of The City's stormwater system following the direction in the Stormwater Master Plan. Funding has also been approved to continue to study the establishment of a separate stormwater utility.
- Continued support for the maintenance of The City's park system including new additions as well as increased capital funding for tree planting and replacement following the 2017 wind storm.



CULTURAL:

- Continued funding for many initiatives outlined in the Red Deer Community Culture Vision plan.
- The Central Elementary School in conjunction with the Gary W. Harris Celebration Plaza, has been renovated for interim use by the Canada Winter Games Host Society and for relocation of The City's Culture Services Section back into the Downtown core. Recommended funding for operations in 2019 and 2020.
- A feasibility study is currently underway for a future Cultural Facility in the city.
- Recommended 40% increase in funding for cultural groups through the Community Culture Development Fund for three years to address sustainability issues for cultural groups.

Planning the Operating Budget

The operating budget went through an extensive review process. It is based on initiatives in the individual department service plans and Council's Strategic Plan. Most initiatives were brought forward to Council for approval as part of the 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" shows this in more detail:



Using the layer cake format, the operating budget recommended by administration outlines specific investments and some service level reductions in order to meet the Council budget guideline to limit an operating tax increase to no more than 2.5 per cent. These costs saving reductions can impact the operations and services The City provides. The operating budget provides detail on the specific initiatives.

In the Ipsos survey, respondents identified crime and community safety as the top priority which The City should address over the next year. The largest investment in this operating budget relates to community safety in the following ways:

- ❖ Annual Policing Plan 2018/19; 10 new officers: \$566,100 (ongoing)
- ❖ Annual Policing Plan 2020; new resources: \$729,999 (ongoing)
- ❖ Police resource; Child Advocacy Centre: \$158,000 (ongoing)
- ❖ Drug & rough sleeper camp debris clean-up: \$400,000 (one time)
- ❖ Provincial police funding shortfall; three officers: \$175,000 (one time)
- ❖ RCMP member fee agreement increase: \$174,805 (ongoing)
- ❖ Central Alberta Crime Prevention Centre: \$160,121 (one time)
- ❖ Community Safety Strategy: \$124,100 (one time)

Community Input

The City plans years ahead to determine its operational needs. Studies and community consultation, such as the Budget Open House, the budget online survey, Ipsos Citizen Satisfaction Survey, Community Amenities Project, Community Culture Vision and the Greater Downtown Action Plan help to determine community needs and wants.

According to the 2018 Citizen Satisfaction Survey, a statistically valid sample, respondents were asked what The City should address over the next year. The top three priorities (first mention) among respondents were:

- ❖ Crime at 32 per cent
- ❖ Transportation at 15 per cent
- ❖ Municipal government services at 10 per cent

Respondents were also asked about their overall satisfaction with City services. The results were that 92 per cent of respondents were very satisfied or somewhat satisfied.

In terms of value for taxes, 85 per cent said they get very good value or fairly good value for their tax dollar. When asked about balancing taxes and service delivery levels, the results were:

- ❖ 24 per cent said to increase taxes to maintain services at current level
- ❖ 27 per cent said to increase taxes to enhance or expand services
- ❖ 25 per cent said to cut services to maintain current tax level
- ❖ 15 per cent said to cut services to reduce taxes

The City of Red Deer also held its annual Budget Open house this spring, in conjunction with an online survey. Residents, through the online survey, identified these areas for The City to focus on over the next 12 months:

- Police Sources/Public Safety 51%
- Snow Removal Services 18%
- Road Maintenance/Repairs 17%
- Recreational Services/Programs 14%
- Homelessness Services 12%

We also asked residents the following questions as a part of the online survey:

What services would you like to see increased or enhanced?

- Policing/Law Enforcement 27%
- Recreation Services/Programs 19%
- Snow Removal Services 15%
- Arts and Cultural Services 9%

What services would you like to see cut?

- Snow Removal Services 18%
- Public Transit Services 15%
- Recreation Services/Programs 14%
- Arts and Culture Services 8%

On an annual basis, The City Manager, Enterprise Business Planning team and departments meet to review department budget requirements, ongoing service levels and new initiatives including capital projects. From these initial meetings, a draft capital and operating plan are discussed by the Corporate Leadership Team.

The final plan reflects the recommendations of the City Manager. The capital and operations plans are developed considering overall sustainability, risk mitigation and alignment with overall strategy.

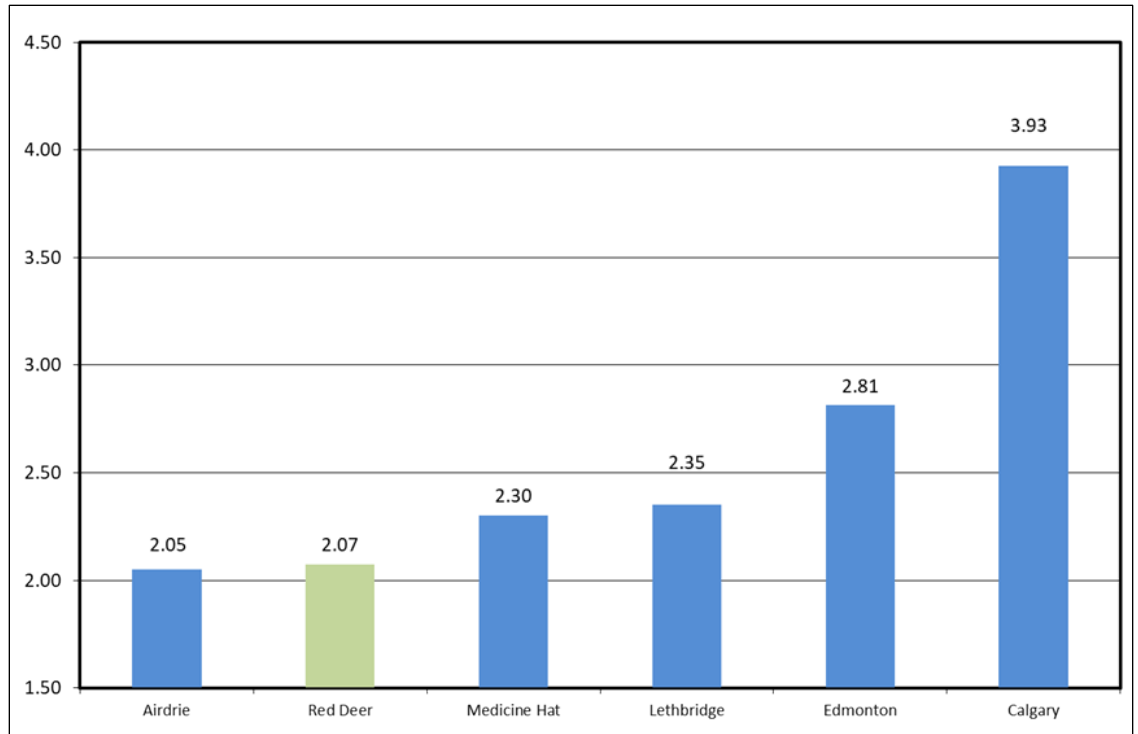


As soon as the operating and capital process is completed, the process repeats and departments begin work on the next year's capital plan. Continually looking ten years ahead helps ensure The City has time to consider its options.

How do we compare?

The first graph below 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 tax rates in Alberta.

2017 RESIDENTIAL TO COMMERCIAL TAX RATE RATIOS



MUNICIPAL PROPERTY TAX FOR A REPRESENTATIVE BUNGALOW HOUSE IN 2017



Source: The City of Calgary 2016 Residential Property Tax and Utilities Survey