

November 29, 2021

Approved 2022 budgets back for Council review

On November 29, 2021, Council will review the approved 2022 operating and capital budgets and consider three additional capital projects being recommended by administration. In 2020, Council approved the multi-year budgets, a first for The City of Red Deer.

1. What is different about this year's budget process?

Being the second year of a multi-year budget, Council will receive a financial update from administration and consider any adjustments to the capital or operating budget brought forward by Administration. This process is expected to only take a few hours, rather than a few days or weeks like in previous years because we are focused only on required changes.

2. What direction did administration take to build the multi-year operating and capital budgets in 2021?

Throughout the budget planning process in 2020, administration was able to meet the following financial parameters set by Council in June 2020:

- 0% tax increase: property owners whose property has an average change in assessed value will not see any increase to the city portion of their tax bills in 2021 or 2022
- 0.5% capital contribution in the 2021 and 2022 Operating Budgets.
- No more than a 0.5% increase in utility rates for 2021 and 2022 (Council approved an increase above this for the Wastewater Utility in 2021. The increase approved was 2.92%.)
- No increases in user fees or new fees in the 2021-2022 budgets
- Reserves (excluding offsite and parking reserves) will be in a positive balance
- The 2021-2022 capital budgets meet the approved Council Policy which limits debt to 75 per cent of the Provincial Debt Limit

3. Does a zero per cent tax increase budget mean my property tax bill won't go up?

One of the main funding sources for the operating budget is property taxes. For 2022, administration is maintaining the zero percent tax increase previously approved by City Council. While no additional property tax funding is required for the budget, this doesn't necessarily equate to property tax bills staying the same in 2022. Property tax bills may fluctuate year after year depending on requisitions and individual property assessments. Requisitions include the education and senior housing collected on behalf of the Province through property tax bills. While these factors could result in a slight increase to property tax bills, it could also mean a reduction.

4. What will Council consider during the 2022 budget review process?

On November 29, Council will have several decisions to make based on administration's recommendations:

- Additional items in the 2022 operating and capital budgets driven by municipal, provincial or federal needs or requirements.
- Funding sources for these items, which could require additional approval of reserve transfers to ensure The City's reserves remain in a positive balance as per Council direction in 2020.

5. What additional operating budget items are being recommended for 2022?

The following operating items are being proposed for Council's consideration:

Project	2022 Cost	Funding Sources	Details	Driven By	One time or Ongoing
Property Tax Penalty Revenue Reduction	\$300K	Operating Reserves	Council decision in April 2021 to provide relief to taxpayers in response to ongoing pandemic, reducing the tax penalty rates over a three-year period (2021 - 2023)	Provincial	One time funding request
Increase in tax adjustments from appeal losses	\$250K	Operating Reserves	Increase in budgeted tax loss for assessment due to assessment complaints.	Provincial	One time funding request
Asset Retirement Obligations	\$100K	Operating Reserves	Funding to hire consultant to assist in adopting the mandatory accounting standards.	Provincial	One time funding request
National Day for Truth & Reconciliation	\$230K	Operating Reserves	Request to fund the opportunity to create a statutory holiday for City of Red Deer staff to recognize the National Day for Truth & Reconciliation	Federal	Ongoing
Emergency Services overtime	\$1.2M	Operating Reserves	Emergency Services continues to face an increase in overtime due to several factors, such as maintaining minimum staffing, increase in demand for service, hospital wait times and interfacility transfers.	Provincial	Ongoing
Government of Alberta Biology Casework	\$200K	Operating Reserves	The financial responsibility change for lab services was part of the provincial budget on October 24, 2019.	Provincial	Ongoing
RCMP Contract settlement	\$2.37M	Operating Reserves	On August 6, 2021, the Federal Government and the union representing RCMP members signed an agreement to increase salaries, as well as retroactive pay dating back to 2017.	Federal	Ongoing
Social Diversion Team	\$525K	Operating Reserves	Shift from a pilot project to an ongoing service provided in the community. More information on Social Diversion Team here.	Municipal	Ongoing

6. What are the additional capital projects being proposed for 2022?

The following projects are being proposed for Council's consideration:

Project	2022 Cost	Funding Sources	Details	Driven by
E-ticketing software to replace manual process for Peace Officers	\$35K	Capital Projects Reserve	The Government of Alberta confirmed in early 2021 that Peace Officers enforcing provincial acts would be required to convert manual violation ticket processes to e-ticketing processing by February 2022.	Provincial
Replacement aerial pumper truck for Emergency Services	\$2.386M	Equipment Replacement Reserve	Fleet Services requires budget approval to begin the asset purchasing process and intends to spend the replacement funds in 2023 depending on the delivery times.	Municipal
Hydrovac Waste Facility for Environmental Services	\$3.555M	Wastewater Capital Reserve	Development of a hydro excavation (hydrovac) waste handling facility to manage the volume generated by The City's utility and construction operations in compliance with provincial requirements in a significantly more cost-effective manner than other available options.	Provincial

7. What is the full list of capital projects for 2022?

The following list includes 2022 capital projects that were previously approved during the multi-year budget process in 2020 and the additional projects being put forward for Council consideration in 2022.

Project	2022 Amount	Status
2022 Bridge Rehabilitation and Replacement	\$1,416,000	Proceeding
2022 Information Technology Refresh	\$962,000	Proceeding
2022 Paved Roadway Network Management	\$14,599,000	Proceeding
Install New Parking Pay Infrastructure	\$2,884,000	Proceeding
Traffic Control Systems Replacement	\$2,097,000	Proceeding
College Park Servicing (Water/Sanitary)	\$4,719,000	Proceeding
2022 Fleet Replacement Vehicles	\$6,214,000	Proceeding
Development Servicing - Annual	\$1,462,000	Proceeding
ELP Infrastructure Replacements & Upgrades 2022	\$2,595,000	Proceeding
ELP Overhead & Underground Systems-Annual 2022	\$1,971,000	Proceeding
Municipal 3 rd Party Capital Work	\$1,573,000	Proceeding
Wastewater Main Infrastructure	\$1,696,000	Proceeding
Wastewater Main Infrastructure – Annual Program	\$4,157,000	Proceeding
Water Utility Infrastructure – Annual Program	\$7,927,000	Proceeding

WTP Rehabilitation & Replacement	\$1,057,000	Proceeding
WWTP Rehabilitation, Replacement and Upgrades – Annual Program	\$2,046,000	Proceeding
ELP Enhancements of Electrical Service (Customer-Driven) 2022	\$2,495,000	Proceeding
Northland Drive from Hwy 2 to Taylor Drive – 4 lanes	\$4,089,000	Proceeding
Sanitary Truck (NE3) – adjacent to Hwy 2A, connecting shared regional Line to the area (City Snow Site)	\$1,363,000	Proceeding
E-ticketing software to replace manual process for Peace Officers	\$35,000	For Council consideration on November 29, 2021
Replacement aerial pumper truck for Emergency Services	\$2,386,075	For Council consideration on November 29, 2021
Hydrovac Waste Facility for Environmental Services	\$3,555,000	For Council consideration on November 29, 2021

8. Why did The City approve a multi-year budget in 2021?

Unlike in past years, administration put forward multi-year budgets for both operating and capital budgets. There are many benefits to doing multi-year budgets instead of annual budgets. The first is having multiple years approved at once allows for a longer term look at operations in order to find more innovative and efficient ways to provide services to citizens. It also makes the review process easier: the second year in a multi-year budget shifts to more of a review while having the opportunity to respond to external influences and adjust the already approved budget accordingly. A multi-year operating budget provides tax rate and user fee stability and predictability, beneficial to both the municipality and residents.

9. What is an operating budget?

The operating budget shows the day-to-day costs of delivering programs and services for the next year. These costs are similar to your everyday household expenses such as mortgage payments, utilities or groceries.

10. How are operating budgets funded?

The main revenue sources for the operating budgets are property taxes, user fees, sales of goods & services and grants. The operating budgets are split into tax supported operations and utility/self-supported operations. Tax supported operations are not self-sufficient based on the revenues they can generate and require property taxes to provide a balanced budget. Utility/self-supported operations do not require property taxes and instead generate their revenue required by increases in fees or in the case of utilities, the rates customers are charged.

11. What is an operating plan?

The approved-in-principle operating plan for 2023-2024 outlines the expected tax supported operational needs based on current services and programs and the adjustments required to comply with Council Budget Guidelines regarding property tax increases.

12. What is a capital budget?

The capital budget indicates the funds needed for a specific year of the 10-year capital planning period. It is how we pay for major projects such as reconstructing streets; building and improving public facilities such as recreation facilities, community centres, parks and fire halls; dealing with growth pressures such as new streets; and new initiatives. These costs are similar to adding an addition to your home this year.

13. What is a capital plan?

Most of The City's capital expenditures are planned on a long-term basis to make them more manageable. The estimates that are included in the 2023 – 2030 capital plan are placeholder values for the funding that is expected to be required in each of the years. Longer-term planning allows The City to tailor projects to the changing needs of the community and to better manage finances. Our capital forecast is similar to your plan to purchase a new vehicle in two years or start home renovations in three years.

14. What are the approved operating and capital budgets for 2022?

On December 4, 2020, City Council approved the following:

- 2022 Operating Budget: \$384.9 million
- 2022 Capital Budget: \$75.1 million

15. How are capital budgets funded?

There are five categories of funding for the capital budgets, however, the main source of funding is from grants in 2021 and reserves in 2022

- Debt: this is split into tax supported debt and other debt, however both contribute towards The City's debt limit. The amount of debt a municipality can incur is set by the Government of Alberta at 1.5 times annual revenue. Based on this formula, the debt limit for The City is \$541.1 million as of December 31, 2019 and is projected to drop to \$534.2 million in 2020 due to reduced revenues as a result of COVID-19. The City has also set a policy to limit The City's debt to 75 per cent of the provincial debt limit.
- Operating: Some capital expenditures are funded with transfers from department operating budgets.
- Grants: The City receives grants from both the Provincial and Federal Governments annually. The Municipal Sustainability Initiative (MSI) grant from the Provincial Government is the main grant used to fund capital budgets. Another significant grant is the Gas Tax Fund (GTF) from the Federal Government. At this point in time, both of these grants and/or a replacement program are expected to be received for the next 10 years.
- Reserves: The main source of capital funding for tax supported operations is the Capital Projects Reserves. This reserve is generally used to fund projects less than \$1 million, non-eligible expenses for grant funded projects and operating grants funded by capital.
- Developer/customer contribution: Some capital expenditures are initiated by developers and customers, such as EL&P customer servicing, annual development servicing and development agreement sign and paving markings. These projects are funded through payments by the developers and customers which includes proceeds from land sales.

16. If The City has an operating surplus that could fund the adjustment to the 2022 budgets why does Council have to approve them?

By law, Council must approve the expenditures of a municipality so Council must approve these items even if the funding source has no impact on taxes or debt. It is good practice to be transparent about where money is being spent and The City strives to make budget information readily available to the public.

For more information, contact:

Corporate Communications
The City of Red Deer