



2018 CAPITAL BUDGET 2019 - 2027 CAPITAL PLAN

This is "administrations recommended" 2018 Capital 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

The City of Red Deer's 2018 Capital Budget and 2019-2027 Capital Plan will focus on investing in infrastructure to keep our city sustainable, and the projects that benefit the city today and in the future. Our focus is, and continues to be, providing quality services and facilities for Red Deerians.

The City recognizes the importance of sustainability, and keeping tax rates as low as possible for our citizens. With reduced growth, we have moved several projects out further in the capital plan.

In the 2017 capital budget, Council approved in principle in the 2018 - 2026 Capital Plan that projected a \$109.6 million dollar placeholder for 2018. Moving some of our capital projects out into the capital plan allows us to focus on items previously approved and lower our 2018 Capital Budget to \$81.05 million, all while maintaining the amenities and infrastructure we have in place. The 2018 Capital Budget is the lowest capital budget City administration has presented to Council for consideration in 10 years.

In recognition of the reduced growth rates, economic climate and developing a plan that reflects Council's direction, the capital budget was scaled back to reflect our current economic situation and reality.

In the 2017 Ipsos Citizen Satisfaction Survey, the top three priorities identified were crime, transportation, and social services, which are all touched on within the capital budget and the longer term capital plan.

The 2015-2018 Strategic Plan, set by Red Deer City Council, is citizen focused and grounded in the pillars of service to promote an accessible and welcoming community. The Plan has three key theme areas, outlined below. The City's capital plan is one way we invest in our community, while working toward the themes in the Strategic Plan.

The 2019 Canada Winter Games is the largest multi-sport event to be hosted in Alberta since the 1988 Olympic Games. The Games will have an expected economic impact of more than \$132 million for our community. More than 20,000 visitors are expected to visit Red Deer for the event, with up to 3,600 participants from across our nation to compete in 19 sports.

In 2018, The City will continue to put its efforts towards preparing to host the 2019 Canada Winter Games. This required construction of new facilities and several facility upgrades and enhancements in Red Deer, which were previously approved. Funding from the Federal and Provincial government has enabled us to complete these projects.

Update on 2019 Canada Winter Games capital projects:

River Bend Recreation Area

- Upgrades to River Bend Recreation Area were approved by Council in 2014 and include: trail upgrades and construction for cross country skiing and a biathlon range.
- Construction started last winter and will be complete in 2018.

Great Chief Park

- The Great Chief Park Enhancement Concept Plan was approved by Council as a planning tool in 2012. The enhancement plan includes the relocation of the long track speed skating oval to Great Chief Park and the use of artificial turf on the football field to extend the usage and season.
- Construction began last winter on the 400m Olympic and mass start speed skating oval as well as the artificial turf football field and will be complete in January 2018.

Canada Winter Games Plaza

- The approved Canada Winter Games plan included the construction of a permanent physical legacy for the community in the form of a Games Plaza.
- The plaza is intended to host cultural activities and events both prior to, during, and after the 2019 Canada Winter Games.
- Construction is expected to be complete by fall 2018.

Canyon Ski

- Canyon Ski Resort will be the home for freestyle and snowboard events.
- Work required at Canyon includes widening and grading the existing runs, slalom course modifications, installation of an elevator and the purchase of snow making equipment.
- Enhancements started in 2016, and will be complete by fall 2018.

Red Deer College

- The City of Red Deer contributed to the Gary W. Harris Canada Games Centre.
- This facility will be the host facility for short track speed skating and squash.
- Construction began in 2015, and is scheduled to be complete by fall 2018.

CITY COUNCIL CAPITAL BUDGET APPROVAL PROCESS

The 2018 - 2027 Capital Plan and 2018 Capital Budget will be presented to City Council starting at **9 a.m. on November 29, 2017** in Council Chambers, Red Deer City Hall. Proceedings may continue into November 30 if needed.

VISION

**INNOVATIVE THINKING
INSPIRED RESULTS
VIBRANT COMMUNITY**

MISSION

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



WHAT IS A CAPITAL BUDGET?

The capital budget indicates the funds needed for first year and multi-year projects of the 10 year capital plan. It is how we pay for projects such as reconstructing streets; building and improving public facilities such as recreation facilities, community centres, parks and firehalls; dealing with growth pressures such as new streets; and new initiatives. These costs are similar to budgeting for an addition to your home this year.

WHAT IS A CAPITAL PLAN?

The capital plan is our investment plan for the next 10 years, with inclusion of items expected to be required over that time. This is similar to your plan to purchase a new vehicle in two years or start home renovations in three years. Long term planning allows The City to tailor projects to the changing needs of the community and manage finances.

CAPITAL BUDGET OVERVIEW

THE CHART BELOW REPRESENTS A GUIDE FOR FUTURE INVESTMENT.

INFRASTRUCTURE REPLACEMENT/ REHABILITATION PROJECTS

To restore, improve or replace a current facility, structure, property, equipment.

CURRENT GROWTH

All projects excluding community amenities that are within the current growth area on the engineering map.

FUTURE GROWTH

All projects excluding community amenities that are within the future growth area on the engineering map.

AMENITIES

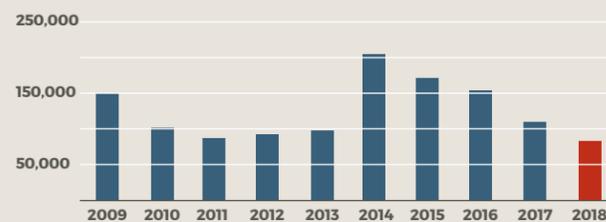
Projects that consist of major renovation or new construction of Recreation / Cultural / Public Space structures.

THE 2018 CAPITAL BUDGET

The 2018 Capital Budget indicates the funds needed for the first year or multi-year projects of the capital plan. During budget discussions this year, Council will consider both current year and multi-year capital projects starting in 2018 and beyond totaling \$81.05 million.

The capital budget is how we pay for major projects, such as reconstructing streets; building and improving public facilities like recreation facilities, community centres and parks; new streets; and underground infrastructure.

CAPITAL BUDGET | 2009-2018* (Proposed)



INFRASTRUCTURE REPLACEMENT / REHABILITATION PROJECTS, are the foundational projects that bring current infrastructure back to good condition, restore to a former capacity, put something new in place of something that is worn out or no longer usable, or an improvement that adds value. This layer can be considered the priority projects. Examples of projects being proposed in the 2018 Capital Budget include:

- Pavement rehabilitation (Crown Paving)
- Roadway reconstruction
- Stormwater infrastructure
- Downtown Arena parking lot preservation

CURRENT GROWTH, signifies all projects excluding community amenities that are within the current growth area. Examples of projects being proposed in the 2018 Capital Budget include:

- Waste Management infrastructure
- Highway 11A Sanitary Trunk extension
- Electric Light & Power customer servicing

FUTURE GROWTH, includes all projects excluding community amenities that are within the future growth area. Due to slower growth, this layer is lean for 2018. Examples of projects being proposed in the 2018 Capital Budget include:

- Storm offsite - 20 Avenue and Ross Street trunk mains
- Storm offsite - East of 20 Avenue storm ponds

AMENITIES, incorporate projects that consist of major renovations or new construction of recreation, cultural or public space structures. Examples of projects being proposed in the 2018 Capital Budget include:

- Bower Ponds node enhancements
- Heritage Ranch enhancements
- Sportfields upgrades
- Pidherney Curling Centre building enhancements
- City Hall entrance upgrades

CAPITAL PLAN OVERVIEW

The 2019-2027 Capital Plan is a long term investment in assets that will be approved in principle.

One of The City's responsibilities is to ensure city infrastructure meets the needs of the community, and is well maintained. Capital expenditures are made to fund new infrastructure or improve existing infrastructure, and to deal with assets generally valued over \$10,000 and having a life span greater than one year, such as major equipment, buildings, community facilities and roads. Anticipated spending in these areas form The City's capital plan funding requirements.

The City's 10 year capital budgeting process is an important step in keeping us on track towards achieving our vision. It allows The City to tailor projects to the changing needs of the community and manage finances.

DECISIONS FOR THE 2019 - 2027 CAPITAL PLAN

The capital plan for 2019-2027 is based on current projections. There are several key drivers of the capital plan, some of which include transportation upgrades and the development and redevelopment of community amenities for future events in our city, such as the 2019 Canada Winter Games.

One significant challenge is developing new infrastructure to meet community needs and expectations while maintaining an existing infrastructure continuously stressed by high levels of increased use. Wear and tear on facilities, streets and bridges, changing standards and an evolving community vision have led to the need for new development and redevelopment of a number of facilities over the past few years.

Another challenge The City faces is the slowing economy, and reduced growth in Alberta and our city. Balancing the needs of Red Deer with the current economic reality is a priority when planning for our community's prosperous future.

Council will only debate and approve expenditures scheduled for 2018, and multi-year projects planned to start in 2018 and beyond.

Projects in the 2019-2027 Capital Plan are approved in principle by Council allowing the flexibility to adjust based on community need and funding sources. The capital plan projections are intended as estimated placeholders and planning tools which show an order of magnitude of future needs.

Major projects in the capital plan include a multi-use aquatic centre, upgrades/enhancements to the G.H. Dawe Community Centre, Northlands Drive and north of 11A infrastructure development. ■





CAPITAL BUDGET FUNDING SOURCES

2018 FUNDING SOURCES
\$81.05 MILLION

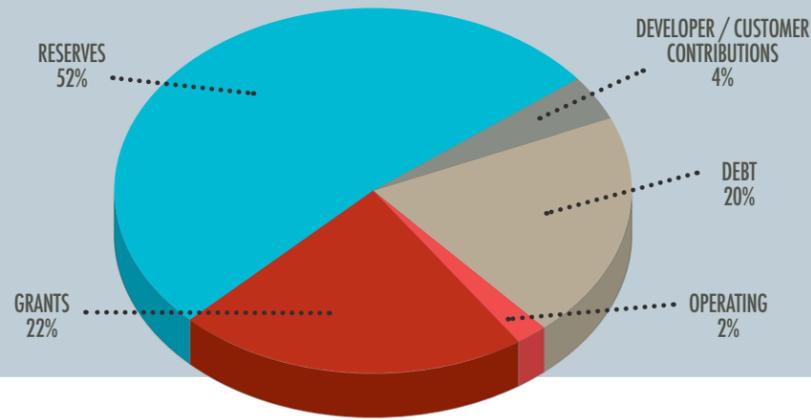


DEBT LIMIT

The Provincial Government sets this rate at one and a half times revenue.

DEBT-SERVICING LIMIT

This is the limit the Province feels The City can afford to pay in interest and principal costs based on revenue.



Funding for capital projects comes from many sources including grants, customer contributions, reserves and debt. In the 2018 Capital Budget, funding for projects includes:

DEVELOPER AND CUSTOMER CONTRIBUTIONS

The capital plan includes projects supported through fees. These projects do not have an impact on taxation.

Continued growth creates new demands leaving The City to fund some new capital costs. These costs include upgrades and expansions, and the additional tax revenue generated from the increased number of properties is not sufficient to cover these additional costs, leaving The City to find other revenue sources to fund infrastructure projects.

OFFSITE LEVIES

The City takes a role in front ending initial development costs for new neighbourhoods to finance water, sewers, storm sewers and roads required for growth and development. When a slowing economy leaves us with little or no development in serviced areas, there has been some delay in recovering these costs, but they eventually are recovered as offsite levies by The City from developers who build the costs into lot prices.

RESERVES

Reserves are The City's savings accounts. A significant portion of the funding sources in the capital plan include a mixture of fee-supported and tax-supported resources. The City uses reserves to fund some capital projects which includes utility-supported reserves specifically allocated for water, wastewater, solid waste and electricity infrastructure, the Capital Project Reserve, and other capital reserves which are used for special purposes to repair and/or replace some of The City's infrastructure. City Council guidelines now call for a one per cent capital contribution in the 2018 Operating Budget to the Capital Projects Reserve to begin to rebuild this funding source.

GRANTS

Grants received from the federal and provincial governments are neither municipal tax-supported nor fee-supported. Only revenue sources confirmed to date have been included in the capital budget.

One of the major provincial grants The City of Red Deer receives is the Municipal Sustainability Initiative (MSI) grant. MSI is calculated using a formula and allocated to municipalities on an annual basis.

Red Deer continues to deal with municipal infrastructure shortfalls as there is a lack of revenue to meet our city's needs. The capital demands exceed available government funding sources including recent federal and provincial investments in municipal infrastructure.

DEBT

The City's use of the Capital Projects Reserve over the years has allowed us to delay borrowing. This delay has put us in a sound financial position to manage future debt. However, the magnitude of capital work required The City to use debt financing as a tool to handle Red Deer's significant capital needs.

DEBT REPAYMENT RESERVE

The Debt Repayment Reserve was set up to ensure that there are sufficient funds available to repay tax supported capital debt. There is an annual contribution to this reserve from the operating budget of \$8.4 million. A 10 year forecast of the reserve is done on an annual basis to ensure the reserve is sustainable throughout this period. If additional funds are required then transfers can be done from the Capital Projects Reserve.

DEBT SERVICING

The Municipal Government Act sets a limit for the maximum amount of debt servicing that a municipality may have. The limit is determined by multiplying the annual revenue of The City by 25 per cent. The 2016 debt servicing limit for The City is \$86.2 million and the actual amount of debt servicing is \$29.2 million, or 33.5 per cent of the debt servicing limit. ■

DEBT FINANCING

Debt is one financial tool cities use to finance large capital expenditures. This option allows The City to deal with growth pressures and some of the accumulation of aging infrastructure rehabilitation work.

DEBT FINANCING IS A NECESSARY METHOD OF FUNDING PROJECTS

The City of Red Deer, like many other municipalities, has identified debt financing as a viable and financially responsible method of funding projects. Unlike personal or business loans, interest rates for The City are fixed for the full life of the loan.

DELAYING PROJECTS COULD COST THE CITY MORE

Investments needed to support capital development are significant, and failing to do so at critical times can be more costly to The City in the long run. Deferring work can result in deteriorating service levels if facilities and other infrastructure are not maintained. Putting off maintenance also increases overall project costs as it often leads to more significant work in the future and rising costs due to inflation. The City carefully analyzes each project and determines whether or not it is feasible to defer or delay.

THE CITY'S LEVEL OF DEBT IS CONTROLLED BY THE PROVINCIAL GOVERNMENT

The provincial government limits the amount of debt for municipalities. Our estimated allowable debt limit for 2018 is approximately \$537.9 million. At the end of 2018, we project The City's overall debt to be \$316 million, which is 58.73 per cent of our debt limit. City Council guidelines also specify that the 2018-2027 Capital Budget and Plan not exceed the approved 75 per cent debt limit. ■



KEY DECISIONS FOR CITY COUNCIL

HOW DO WE SPEND CAPITAL FUNDS?

The City has a long list of projects for maintaining, upgrading and adding to our facilities and services. Developing the capital plan includes a long and detailed process requiring difficult choices between what we need to do and what we can afford.

Decisions made this year will have lasting impacts on The City's future capacity to finance capital projects. Council needs to consider the total capital plan rather than just the 2018 Capital Budget to help ensure debt and other capital financing is available in the future, and that the operating budget is not unduly impacted by debt-servicing and increased operating costs of new facilities.

With increasing challenge, slower growth, and lower revenue, Red Deer City Council has the complex role of striking a balance between meeting our immediate needs and putting the resources in place to achieve the community's vision.

Because The City's capital plan includes approximately \$1.33 billion in projects between 2019 and 2027, it's important for Council to balance Red Deer's immediate capital projects with future community needs all while keeping the economy and the interests of Red Deer residents in mind.

As well, when considering whether or not to move forward with a particular capital project, Council will need to not only consider the expected project cost, but also the cost of deferral. Alternatives will need to be implemented to maintain the usefulness and value of our capital assets. ■

BUDGET DEVELOPMENT PROCESS

Council sets budget guidelines that guide the development of The City's Budget and the capital budget and plan presented by Administration respects that direction.

THE CAPITAL PLAN DEVELOPMENT IS COMPREHENSIVE AND EXTENSIVE

Each year, City departments analyze their specific capital requirements for the next 10 years. Department managers then submit 10 year capital plans to be consolidated into one capital plan.

The City plans years ahead to determine its capital needs. Studies and community consultation, such as the Budget Open House, Budget On The Go, 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 2017 Citizen Satisfaction Survey, a statistically valid sample, respondents were asked what their priorities were in terms of infrastructure needs.

TOP 3 PRIORITIES



All of these priorities are being captured in the recommended 2018 Capital Budget, the 2019-2027 Capital Plan or are previously approved in prior budgets and work is currently being done or is starting in 2018.

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, 80 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:

- **29 per cent said to increase taxes to maintain services at current level**
- **21 per cent said to increase taxes to enhance or expand services**
- **26 per cent said to cut services to maintain current tax level**
- **15 per cent said to cut services to reduce taxes**

The capital plan is developed considering overall sustainability, risk mitigation, alignment with The City's Strategic Plan, and is in consideration of the following:

- City Council guidelines that call for a one per cent capital contribution (amenity and growth) amount in the 2018 Operating Budget as prior approved items approved by Council in the 2015 Operating Budget.
- 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.

- City Council guideline that Administration bring forward an increase in Recreation and Transit fees in the range of two to three per cent and a commitment to not establish new fees in 2018 unless directed by Council.

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. ■



29 PER CENT
Said to: Increase taxes to maintain service levels at current level

15 PER CENT
Said to: Cut services to reduce taxes.



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