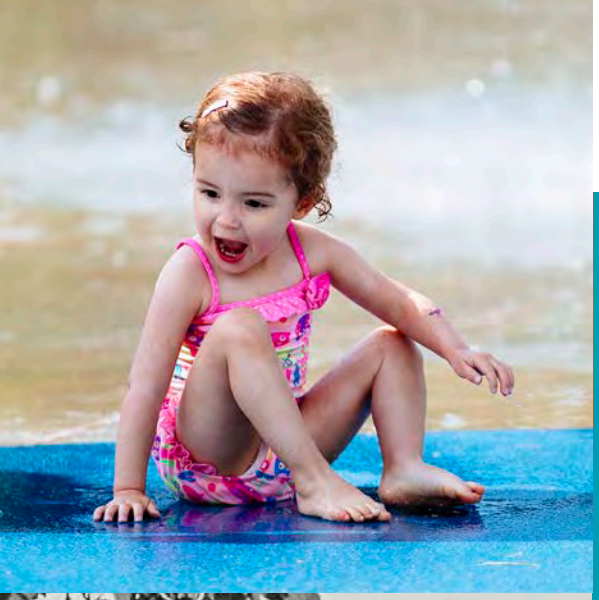
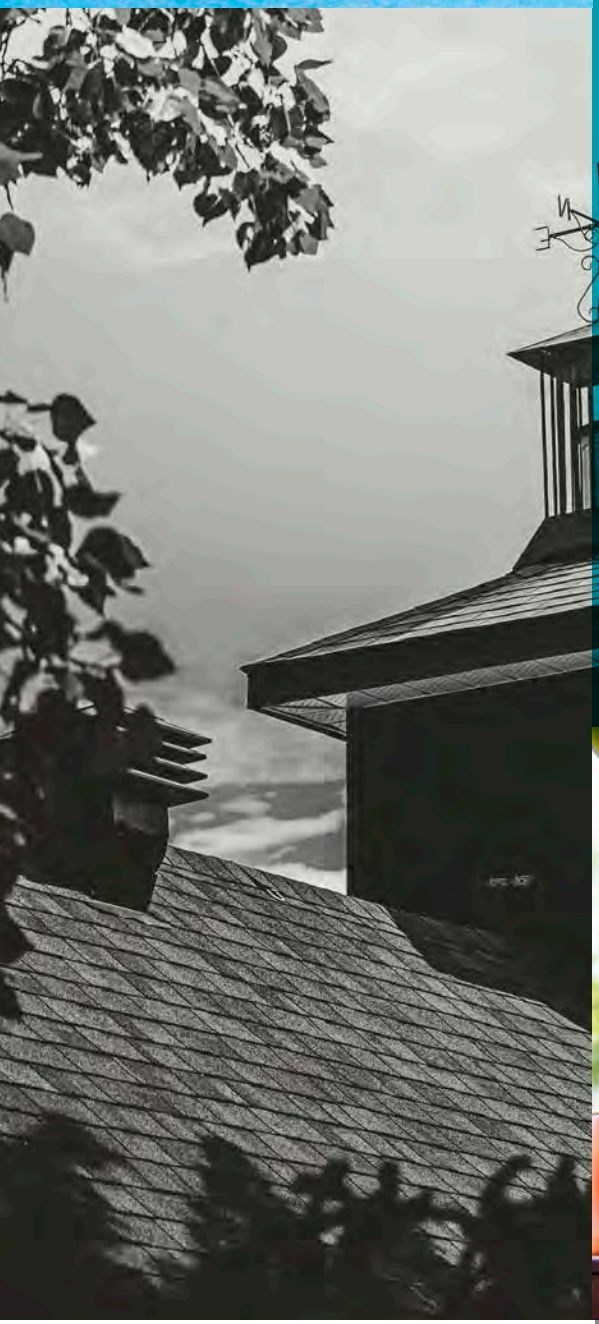


PLANNING FOR SUSTAINABILITY:

People and Services

2017 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.

THE CITY OF Red Deer

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 99,832 residents within our growing city.

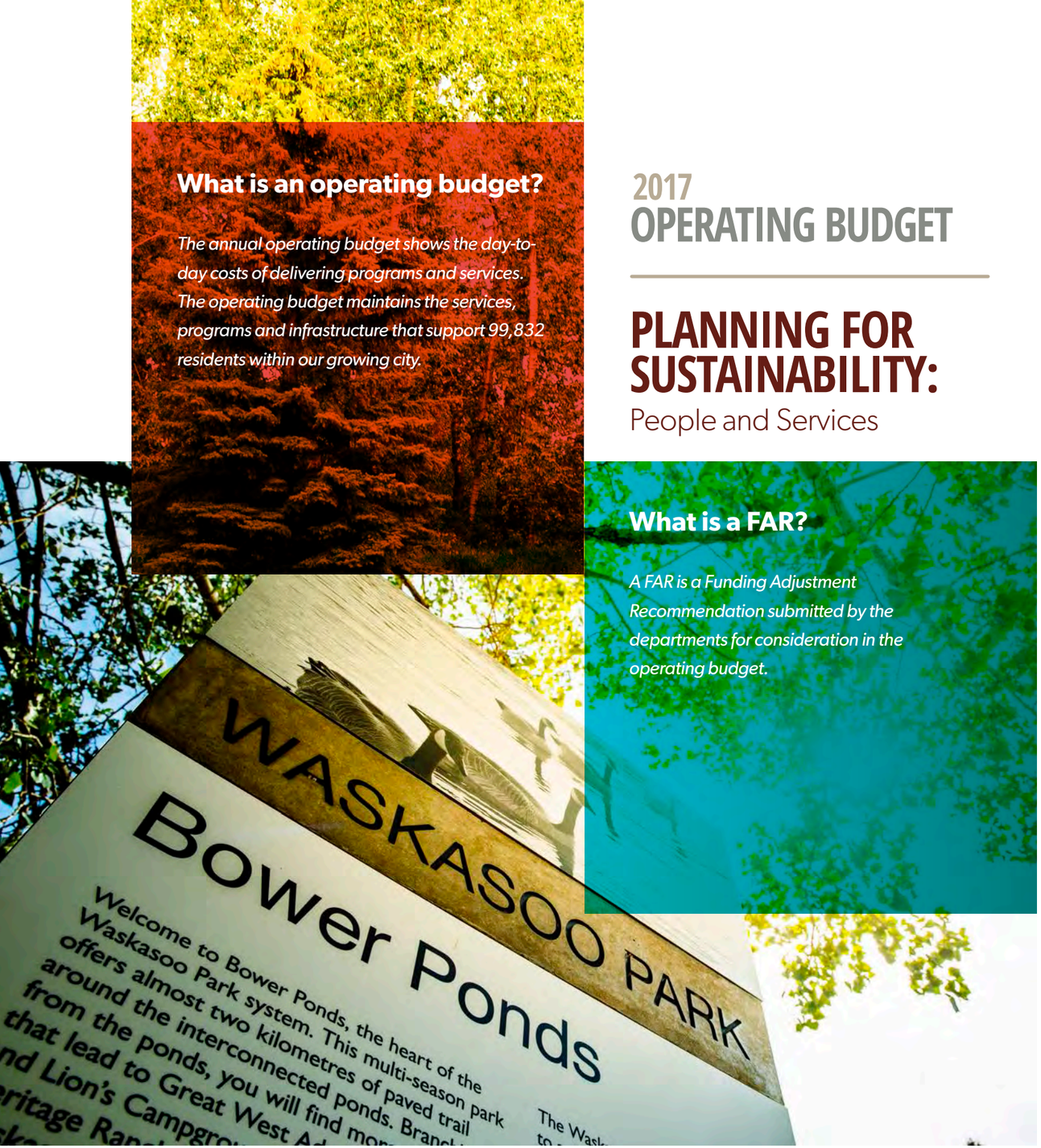
2017 OPERATING BUDGET

PLANNING FOR SUSTAINABILITY:

People and Services

What is a FAR?

A FAR is a Funding Adjustment Recommendation submitted by the departments for consideration in the operating budget.



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.

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 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.

THE GUIDELINES FOR THE STRATEGIC PLAN ARE:

CITIZEN FOCUSED SERVICE
ACCESSIBLE AND WELCOMING COMMUNITY
STRATEGICALLY ORIENTED LEADERSHIP

THE THREE THEMES FROM THE 2015-2018 STRATEGIC PLAN ARE:

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

These three themes are complemented by 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 for 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

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 2016:

DIALOGUE:

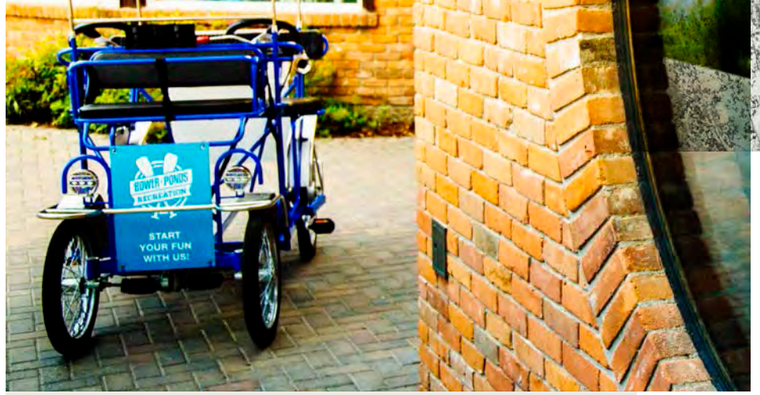
- Continue to advocate priorities with Provincial and Federal governments.
- Development of a public participation framework
- Advisory Committees reviewed and changes made

COMMUNITY AMENITIES:

- Capital budget included many of the top ranked 20 amenities
- Capital projects related to the 2019 Canada Winter Games in Red Deer have been previously approved by Council and remain a priority for 2017 and beyond

FINANCIAL LEADERSHIP:

- Created and adopted detailed budget guidelines with clear direction for both operating and capital budgets.
- Risk management framework ongoing throughout the organization
- Financial leadership framework is in development, and will focus on creating a transparent and sustainable financial foundation



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.

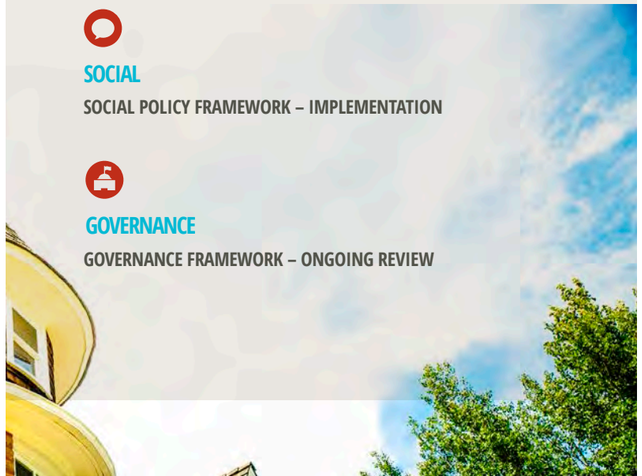
ENVIRONMENTAL
ENVIRONMENTAL MASTER PLAN – IMPLEMENTATION & REVIEW

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 2017, City administration will present the recommended 2017 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:

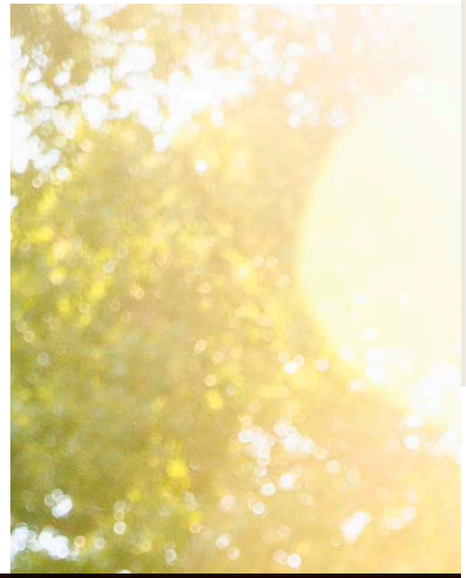
- According to the Conference Board of Canada: Mid-Sized Cities Outlook 2015/2016:
  - » Red Deer's economy contracted by 2.1 per cent in 2015, following an average growth rate of 4.5 per cent between 2010 and 2014.
  - » The economy is projected to shrink by an additional 0.8 per cent this year before starting to recover with a moderate gain of 1.4 per cent next year.
  - » Employment expected to fall by 3.3 per cent this year increasing the unemployment rate to 7.2 per cent.
  - » With moderate growth in 2017, the unemployment rate is projected to reduce to seven per cent.
  - » Housing starts in Red Deer reduced by 20 per cent in 2015, and are forecasted to fall a further 13 per cent this year before stabilizing in 2017.
- City revenues have been reduced in Transit, Recreation Parks & Culture, Planning (land sales) and Inspections & Licensing departments. The City also saw a decline in Utility revenue.
- While certain City service demands have declined, like recreation usage, demand for core City services remain steady.
- Administration anticipates a $1.2 million reduction in construction growth revenue in 2017.
- The City will see new grant programs, like the Federal Public Transit Infrastructure Program and increases in programs like Family and Community Support Services and Federal Gas Tax Fund.
- Interest rates remain low.
- The Ipsos and online surveys completed this year show a high level of satisfaction with City services.

Going into the 2017 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.

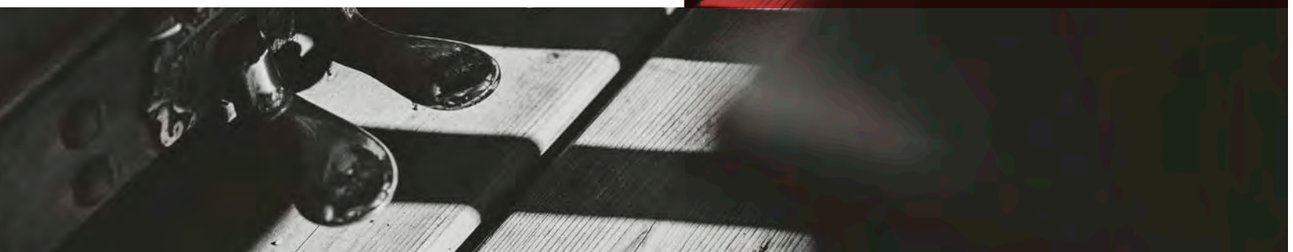
The 2017 Capital Budget of $105 million was adopted by City Council in November 2016. It was developed within a framework of The City's 10 year capital plan. This long term planning allows some projects to be deferred and others to be funded over a longer term.

THE 2017 OPERATING BUDGET BEING RECOMMENDED BY ADMINISTRATION CONSIDERS THE FOLLOWING:

1. Holding the line on fees and charges across several City departments and services for Red Deer residents.
2. City Council guidelines that call for a one per cent capital contribution (amenity and growth) amount in the 2017 Operating Budget as prior approved items approved by Council in the 2015 Operating Budget.
3. City Council guidelines that call for a property tax revenue requirement that does not exceed 2.5 per cent for the 2017 Operating Budget, which includes the one per cent capital contribution.
4. No more than 3.5 per cent property tax revenue requirement (including the one per cent capital contribution) for 2018 and 2019 Operating Budgets.
5. City Council guidelines also specify that the 2017-2026 Capital Budget and Plan not exceed the approved 75 per cent debt limit, and that Reserves will maintain a positive balance.
6. The need to accommodate the cost of initiatives approved in 2016, but not fully funded in the 2016 budget.
7. The reduced growth Red Deer has been experiencing.
8. Following the Strategic Plan with a focus on environment and economic development.



Administration is recommending a 2017 Operating Budget of $3.17 million that will see a 2.51 per cent tax increase. This 2.5 per cent is comprised of one per cent in capital contributions, 1.29 per cent operating funds and 0.22 per cent carbon levy contribution.



WHY ARE WE INVESTING?

During times of economic slowdown, investment in the community can be a catalyst for economic growth. The proposed 2017 Operating Budget aims to balance the need to maintain core City services, while using resources effectively and responsibility, and holding The City vision. **As identified in our Social Policy Framework, we as a City must address the key principles of equitable services and access; health and basic needs; poverty prevention and reduction; safety; and social and cultural diversity. Which is why, one of the proposed areas of investment for 2017 is to freeze fees and charges for residents in areas of Recreation, Parks and Culture and Transit. More details on investments can be found below.**

The overall goal for the 2017 Operating Budget is Planning for Sustainability: People and Services

EXAMPLES OF PROPOSED AREAS OF INVESTMENT IN 2017:

SOCIAL

- Proposed freeze on all Recreation, Parks and Culture (RPC) and Transit fees and charges and increase in Fee Assistance Program provided to eligible residents to participate in RPC programs.
- Continued implementation of the Plan to End Homelessness and the allocation of Provincial and Federal funding through the Community Housing Advisory Board.
- Continued funding for the temporary warming shelter and the development of a concept for a new shelter.
- Continued funding for the Central Alberta Crime Prevention Centre, and funding for the Community Safety Strategy.
- Social Policy Framework implementation addressing social economic equity.

ENVIRONMENTAL

- Complete update of the Environmental Master Plan, including public participation.
- Upgrade of The City's storm water system.
- Continued upgrades to the Water and Wastewater Treatment Plants.
- Tree planting and replacement.
- Storm water initiatives.
- System Wide Intelligent Transit.

CULTURAL

- Initiatives outlined in the Red Deer Community Culture Vision.
- Cultural programs and events through the Community Culture Development Fund.
- Feasibility study for Cultural Centre.
- Contribution to Red Deer Royals legacy project.

ECONOMIC

- Continue to maintain a low ratio between residential and commercial taxes.
- Continued work on the Economic Development Strategy and the Downtown Investment and Attraction Plan.
- Support of the 2019 Canada Winter Games, which is estimated to have an economic impact of over $130 million.
- Continued development of the Riverlands area.
- Hosting the 2018 AUMA Conference.
- Implementation of Public Participation.

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 shows this in more detail.

STRATEGIC & SUSTAINABILITY PRIORITIES

As Per The Strategic Plan(s)

- Community Safety Strategy: $100,000 (one time)
- Central Alberta Crime Prevention Centre grant: $147,290 (one time)
- Streetlight and traffic light LED conversion savings: ($90,000)
- Storm water initiatives: $300,000 (one time over two years)

CHANGING SERVICE

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

- Implementation of Public Participation Plan: $113,767 (one time)
- Continued implementation of the Riverlands area.

ACCOMMODATING GROWTH

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

- Parks operating new and enhanced sports fields: $49,000
- Feasibility study for a new Cultural Centre: $220,000 (Capital)

MAINTENANCE AND MODIFICATIONS

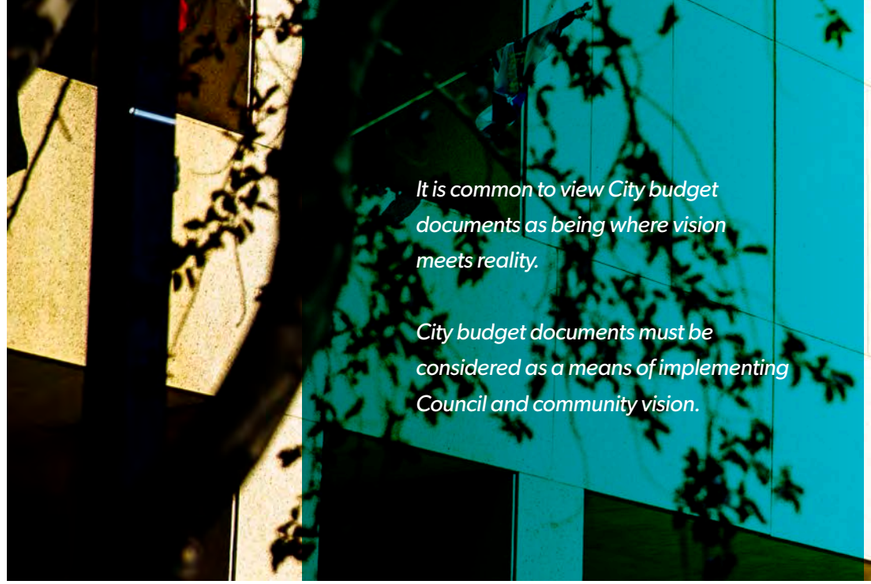
Recommending changes to our current core service area to be more efficient/innovative, respond to legislative/regulatory changes, or meet current needs. Increases/decrease in revenue with increases in service/costs.

- System Wide Intelligent Transit system implementation: $32,000
- Support MGA Amendments and Bylaw updates: $83,365 (one time)
- Cyber security risk management: $43,000

BASE BUDGET ITEMS

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

- Carbon tax from Provincial Government: $282,681
- Freeze on all Recreation, Parks and Culture fees and changes: $270,000
- Freeze on all Transit fees and charges: $120,000



It is common to view City budget documents as being where vision meets reality.

City budget documents must be considered as a means of implementing Council and community vision.

COMMUNITY INPUT

One of The City's priorities is to obtain public feedback to build the capital and operating budgets. 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, and new this year, the Budget Bus that travelled to locations around Red Deer asking for feedback on City services.

The City also conducts a citizen satisfaction survey through Ipsos, which is statistically accurate. In 2016, 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.

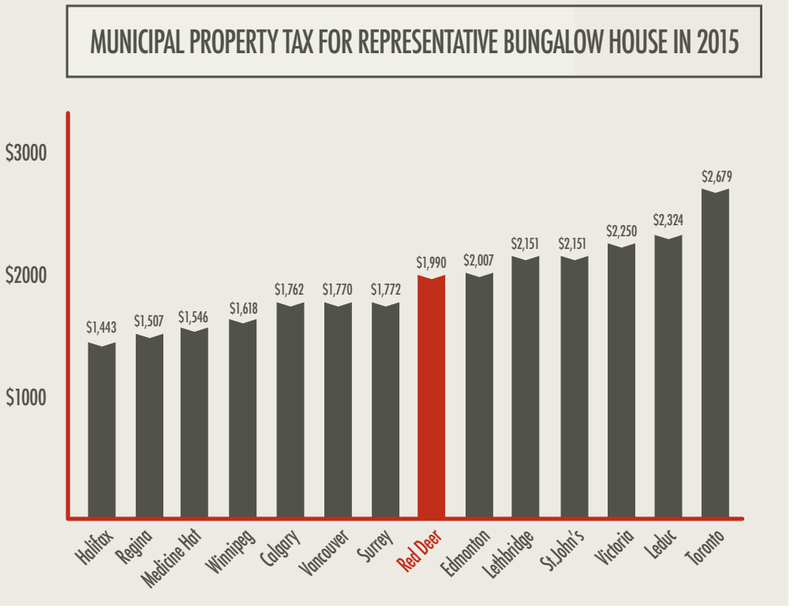
In terms of value for taxes, 82 per cent said they get very good value or fairly good value for their tax dollar. When asked about balancing taxes and service delivery levels, the results were:

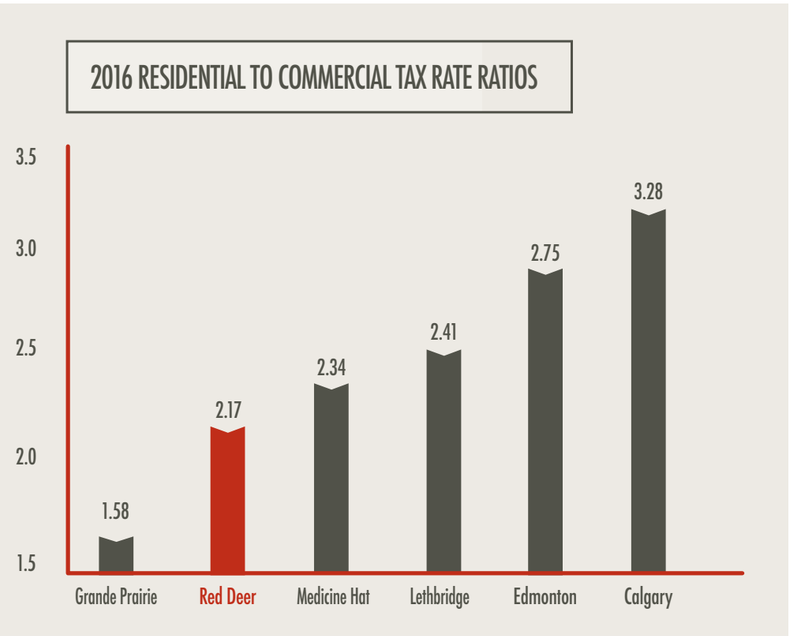
55% said to **increase taxes** to maintain or enhance services at current level

39% said to **cut services** to maintain or reduce current tax level

82% said they get **very good value** or fairly good value for their tax dollar

HOW DO **WE COMPARE?**





Source: The City of Calgary 2014 Residential Property Taxes and Utility Charges Survey

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.

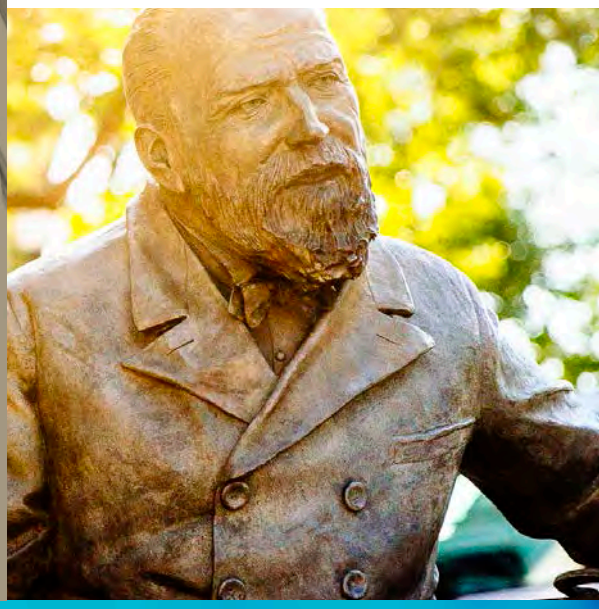
THE CITY'S BUDGET IS WHERE VISION MEETS REALITY

Who can you contact for questions?

For general inquiries, email **budget@reddeer.ca** or you can contact one of the City representatives below.

Craig Curtis, City Manager
The City of Red Deer
403-342-8156

Dean Krejci, Chief Financial Officer
The City of Red Deer
403-342-8204



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