

November 8, 2017

2018 Capital Budget and 2019-2027 Capital Plan

1. What is the capital budget?

The capital budget allocates the funds needed for the first year of the 10 year capital plan and multi-year projects beginning in 2018 and beyond. It is how we pay for major projects such as reconstructing streets; building and improving public facilities such as recreation facilities, community centres, and parks; dealing with growth pressures; and new initiatives. The only projects approved by Council are those planned for 2018, multi-year projects beginning in 2018, or projects in need of additional funding in 2018. These costs are similar to preparing for a new development such as a new home or adding an addition to your home this year.

2. How is the capital budget structured?

The budget shows the total capital expenditures for 2018; the capital plan shows the estimated capital expenditures for 2019 to 2027. The capital budget also outlines the funding sources for proposed capital projects including customer contributions, reserves, grants and debt.

3. What is the capital plan?

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

4. What types of items does the capital budget deal with?

The capital budget deals with assets that are generally valued at more than \$10,000 and have a life span greater than one year. This includes things like major equipment, buildings and infrastructure.

5. How is The City investing for the future of Red Deer?

The 2019-2027 Capital Plan is about planning for sustainability. The 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.

With reduced growth, we have moved several development projects out further in the capital plan. This will allow us to focus on items previously approved, and maintain amenities and infrastructure.

6. What are the biggest challenges in the upcoming capital budget and capital plan?

Red Deer and Alberta finds itself recovering from a challenging economic climate that we must be sensitive to. At the same time, we must continue to maintain, build, and grow a community that attracts investment for the future of our community. Our capital plan attempts to balance these levers and the many and diverse needs in our community. We look to the federal and provincial governments to provide long term sustainable funding to match the infrastructure needs of city.

7. How does The City fund projects through debt?

The provincial government limits the amount of debt for municipalities. Our estimated allowable debt limit for 2018 is \$537.9 million. For 2018, The City is estimated to be at 58.7 per cent of our allowable debt limit, a total of \$316 million. In addition to a limit on the amount of actual debt, the province also prescribes a debt-servicing percentage limit. This is the amount the province feels The City can afford to pay in interest and principal costs based on current revenue.

Using debt to finance capital spending is a practice most businesses and homeowners use. Debt financing is just like mortgages, equipment loans, and other borrowing tools, that provide the financial capacity to allow borrowers to pay for significant investments over time, as use occurs, instead of saving to pay the entire amount up front. The City of Red Deer, like many other municipalities, has identified debt

financing as a viable and financially responsible method of funding projects.

In the current economy with low growth rates, debt is a sound alternative to help us maintain existing critical services and emerging needs. Unlike personal or business loans, interest rates charged to The City are fixed for the full life of the loan.

8. Why are some projects deferred in the capital budget process?

The City's capital plan shows the estimated capital expenditures for the next 10 years. Throughout the budget process these expenditures – which are estimates and placeholders for future work – need to be examined in light of the current economic situation and growth rates. In some cases the capital costs for projects exceed the identified funds available and need to be deferred to future years. Projects that are deferred are not cancelled; this is one way The City can manage its long term finances and have the flexibility to respond to emerging issues.

9. Why is the capital budget presented before the operating budget?

Administration is presenting the capital budget before the operating budget to allow The City to incorporate impacts from the capital budget into the operating budget (e.g. utilities, maintenance requirements). It also allows The City to prepare any required bylaws, contracts or requests for proposal in advance of projects starting and provide staff more lead time to plan projects and take advantage of Alberta's short construction season.

10. When is the capital budget debated?

The capital budget will start on Wednesday, November 29, 2017 at 9 a.m. and may continue on Thursday, November 30 if needed. All Council sessions are held in Council Chambers, City Hall, second floor. Citizens are invited to attend Council's capital budget meeting to listen to the discussion, or watch online at www.reddeer.ca.

11. What are the largest capital projects for 2018?

During budget discussions this year, Council will consider approval of both current and multi-year capital projects totaling \$81.05 million. The 2019-2027 capital plan totals \$1.33 billion based on current projections.

The largest capital projects for 2018 are as follows:

- Water Utility infrastructure
- Wastewater Treatment Plant rehabilitation, replacement and upgrades
- Pavement rehabilitation (crown paving)
- Roadway reconstruction

A sample of other projects that were previously approved or are being recommended in the 2018 Capital Budget include:

- 2019 Canada Winter Games projects
- Heritage Ranch enhancements
- Bower Ponds Pavilion enhancements
- Alto Reste Cemetery site development

12. Can residents give their feedback on the capital budget prior to going to Council?

City Council is encouraging residents to review the proposed capital budget and give their feedback. Feedback will be accepted from November 9 until November 24 at 4:30 p.m. Feedback received will go into the Council agenda package for the November 29 meeting.

To submit feedback, residents can either email legislativeservices@reddeer.ca or provide in writing at the following locations:

- Red Deer Public Library – Downtown Branch – 4818 49 Street
- Red Deer Public Library – GH Dawe Branch – 56 Holt Street
- Red Deer Public Library – Timberlands Branch – 300 Timothy Drive

- Red Deer City Hall (front reception) – 4914 48 Avenue
- Collicutt Centre (front reception) – 3031 30 Avenue
- Recreation Centre (front reception) – 4501 47A Avenue

The proposed capital budget can be viewed at these locations. Capital budget details can also be found online at www.reddeer.ca/budget.

13. What is the approval process for capital budget and plan?

Each year in November, City Council reviews the expenditure requirements for projects proposed in the capital budget. They consider the following options for each project:

- Approve as proposed;
- Change timing;
- Change scope; or
- Remove entirely

The 2019-2027 Capital Plan will be approved in principle by Council. This allows the flexibility for administration to adjust the priorities outlined in the plan based on community need and project funding.

14. If Council approves the capital budget in November, does that mean all projects listed are automatically approved?

Council will debate and approve a capital budget for 2018 that gives the go ahead to one year and multi-year projects that are planned to start in 2018 and beyond. The projections in the 2019-2027 Capital Plan are intended as estimated placeholders and are not approved as part of the capital budget. These amounts are very preliminary and are used as a planning tool that shows order of magnitude, not budget specifics.

15. 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.

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