

November 5, 2020

Proposed Multi-Year Budgets and Plans

From November 30 to December 4, Council will deliberate the 2021-2022 Operating and Capital Budgets as well as the 2023 – 2030 Capital Plan and 2023-2024 Operating Plan.

1. 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 you everyday household expenses such as mortgage payments, utilities or groceries.

2. What is an operating plan?

The proposed 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.

3. How are the 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.

4. 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.

5. 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.

6. How are the capital projects 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.

7. What are the major capital projects being proposed in 2021?

The top 20 projects being proposed in the 2021 capital budget include 11 tax supported operations and 9 utility/self-supported.

	Project	2021 Approval Amount	Project years
Tax supported operations	Fire Training Facility	\$4.468 million	2021
	2021 Paved Roadway Network Management	\$13.788 million	2021
	Collicutt Centre Preservation 2021	\$2.945 million	2021
	Intermediate (Central) School Renovation Completion	\$4.604 million	2021
	9-1-1 Emergency Communications Centre	\$5.782 million	2021
	CP Rail Overpass	\$6.343 million	2021
	GH Dawe Community Centre	\$35.526 million	2021-2022
	Park Land Acquisition 2021	\$10.1 million	2021
	Road 6: Taylor Drive / Hwy 11A Intersection	\$8.184 million	2021
	Civic Yards Flood Berm	\$4.604 million	2021
	Storm Water Infrastructure	\$8.023 million	2021
Utility / Self Supported	2021 Fleet Replacement Vehicles	\$2.812 million	2021
	ELP Substations & SCADA (current projects)	\$2.654 million	2020-2023
	Wastewater Main Infrastructure (annual program)	\$3.954 million	2021
	Wastewater Treatment Plant Flood Berm Construction	\$3.946 million	2021
	Water Utility Infrastructure (annual program)	\$7.540 million	2021
	WWTP Rehab, Replacement & Upgrades	\$3.905 million	2021
	ELP Enhancements of Electrical Service (customer-driven)	\$2.406 million	2021
	Area 1: Hazlett Lake – Overflow Drainage Route Rehab	\$2.806 million	2021-2022
WWTP Phase 5A Project	\$42.313 million	2021-2022	

8. Why is The City doing multi-year budgets this year?

Unlike in past years, administration is putting 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.

9. What direction did administration take to build the 2021-2022 operating and capital budgets?

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

- 0% tax increase for property owners in 2021 and 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
- No increases in user fees or new fees in the 2021-2022 budgets
- Reserves, excluding offsite 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

10. How was administration able to meet the parameters set by Council?

Like those in the private, not-for-profit and charitable sectors, The City of Red Deer is facing unprecedented financial challenges stemming from the economic slowdown coupled with the impact of COVID-19. In order to reduce the operating budgets, administration reduced staff and restructured the organization. These changes, along with opportunities for more innovative and efficient service delivery allows The City to continue to maintain the services and programs with lower budgets for 2021 and 2022.

For the capital budget project costs and timing were adjusted to match funding sources available. Additional capital project funding for 2021 was received from both the Provincial and Federal orders of government, which helped to reduce the amount of changes required.

11. What is the approval process for budgets and plans?

This year, administration presented the proposed multi-year budgets and plans to Council in early November. From November 30 to December 4, Council will deliberate the following items:

- 2021 Operating Budget - \$379.5 million
- 2022 Operating Budget – \$384.9 million
- 2021 Capital Budget - \$219.2 million
- 2022 Capital Budget – \$97.5 million
- 2023-2030 Capital Plan - \$911 million

This will be the first time Council will deliberate the operating and capital budgets and plans in the same round of deliberations, resulting in approved budgets and plans by the new year.

12. How can the public watch Council deliberations?

In the past, members of the public could attend the deliberations in person; however, due to measures put in place to keep our community safe, those wishing to view will only be able to do so virtually at <https://meeting.reddeer.ca>.

13. Is there an opportunity for the public to give input on the budgets?

In June, City Council requested administration put the proposed budgets out to the public for feedback. From November 5 to 18, 2020, members of the public will have the opportunity to give their feedback online through a guided survey. There will not be any in-person opportunities to provide feedback. Citizens wishing to participate in the survey can visit www.reddeer.ca/budget.