



2015 Operating Budget

Maintaining and Enhancing Core Service

Introduction

The City of Red Deer's budget process starts long before number crunching. The Strategic Plan gives us the vision and the framework. It guides us along a path and provides focus and purpose to all we do. It is our most important plan as it shapes our organization and the municipal programs and services we provide to the citizens of Red Deer. The budget process really translates our strategy into action.

Key to the Strategic Plan are its three themes, developed by City Council. Administration then developed project charters for each theme to put Council's direction into action for the community.

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 guiding principles for the Strategic Plan are:

- Citizen focused service,
- Accessible and welcoming community, and
- Strategically orientated leadership.

The City's operating budget is one way we invest in our community, while working toward the three themes of:

Dialogue

- Engage our community and enhance our relationships

Community Amenities

- Planning great spaces and places for community living

Financial Leadership

- Creating a sustainable financial foundation

Investing in our future

As our community continues to grow, The City of Red Deer must make choices that keep us on track in achieving our vision of a vibrant community. By investing in services and projects that benefit the city today and in the future, we focus on providing quality services and facilities for Red Deerians.

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 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 98,000 residents within our growing city.

The recommended budget includes investments in the areas of movement, safety and security and community amenities. Council's budget decisions will balance the need for a strong, healthy community while using resources effectively and responsibly all while watching our bottom line.

Movement: Design for and facilitate integrated movement. Projects include: Mobility Playbook, Integrated Transportation Study: Roads, Trails, Transit.

Some key budget initiatives in this area are:

- Preventative Maintenance Program and Crown Paving Program – core programs keep our roads in safe operating condition (2015 capital budget)
- Six new Transit buses – includes two replacement buses and four for growth (approved in 2015 capital budget)
- Expanded Action Bus service – operational costs of expanded weekend and evening service, resulting in 300 additional trips per month (FAR)
- Full year regional service to Blackfalds and Lacombe (cost recovery)

Safety: Enable and promote a safer community. Projects include: Policing Plan, Safety Charter, Crime Prevention Structure, Ad Hoc Community Safety Committee.

Some key budget initiatives in this area are:

- Member Fee Agreement Increase - increased cost of policing contract with the RCMP (FAR)
- Alberta Law Enforcement Response Team (ALERT)
- Provincial Funding Shortfall - represents the funding shortfall from the Province to fund three RCMP officers annually (FAR)
- Police member and municipal employee resourcing – an additional six officers and three municipal employees (FAR)

Community Amenities: Planning great spaces and places for community living. Projects include community facilities and planning for the 2019 Canada Winter Games.

Some key budget initiatives in this area are:

- 2019 Canada Winter Games - to support the increased operational costs for Great Chief Park following improvements scheduled for 2015 (FAR)
- 2019 Canada Winter Games - operational support for our commitment to the preparation and management of the Games (FAR)
- Northside Community Centre - costs related to the future operations of the proposed North Side Community Centre (FAR)

Background

The 2015 capital budget of \$173 million was adopted by City Council in November 2014. 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.

What is FAR?

A far is a Funding Adjustment Recommendation submitted by the departments for consideration in 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 2015 operating budget has been prepared based on:

1. The themes adopted by City Council in the Strategic Plan.
2. The need to be responsive to the community's desire to keep tax increases to a minimum.
3. The need to align all new service plan initiatives with the Strategic Plan and the priorities established by Council.
4. The need to accommodate the cost of initiatives approved in 2015, but not fully funded in the 2014 budget.
5. The need to maintain an acceptable level of maintenance without significant cost increases.
6. The need to develop services and infrastructure for new growth areas.
7. The need to fund the increased operating costs of newly completed community amenities.

What does the community think?

According to the 2014 Ipsos Reid Citizen Satisfaction Syndicated survey:

- Overall, 98 per cent of residents say that the quality of life in Red Deer is good or very good.
- When asked if the quality of life in the city of Red Deer in the past three years has improved, stayed the same, or worsened, 33 per cent said it had improved and 47 per cent said it has stayed the same.
- Sixty per cent of respondents favoured increasing taxes to maintain or expand services, and 30 per cent of residents favoured maintaining or reducing taxes by cutting services.
- Overall, 84 per cent of residents say they receive very good or fairly good value for their taxes provided to The City.
- When asked what were the most important priorities for The City to address in the next 12 months, municipal government services and transportation ranked at the top of the priority list.

Our challenge in maintaining and enhancing core services

On Tuesday, January 6, City administration will begin presenting the proposed 2015 operating budget to City Council. This budget is based on service levels set by Council, and includes approved capital projects.

The overall goal for the 2015 operating budget is Maintaining and Enhancing Core Service

The capital budget was approved on November 25, 2014

There is a tendency 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.

The reality:

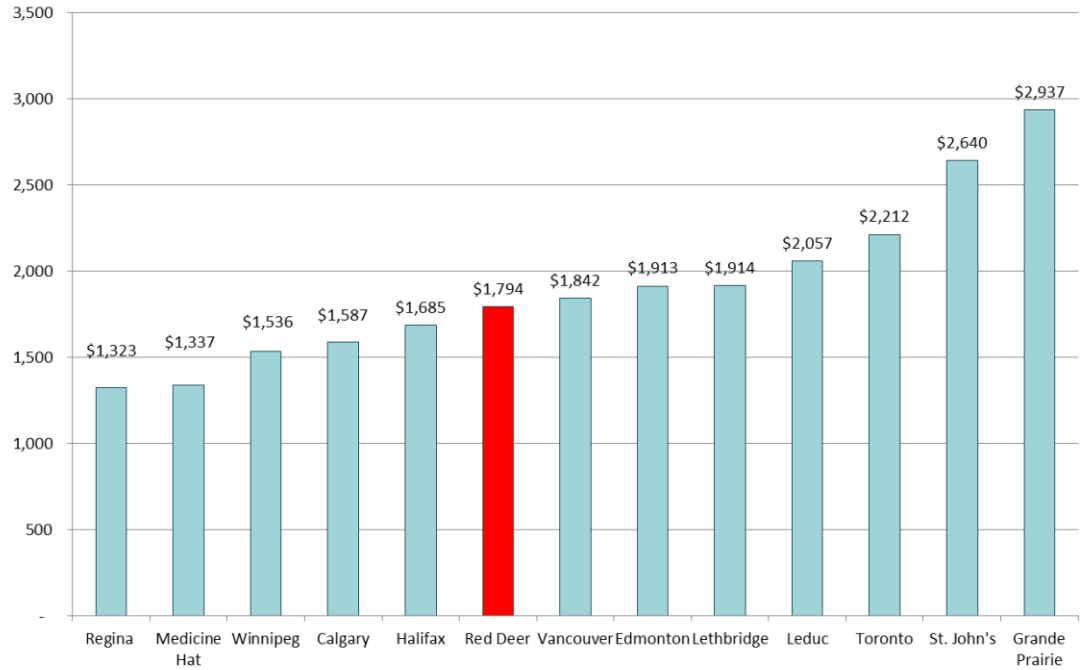
- We are experiencing lower revenue from investments due to low interest rates.
- Construction reserves have lost value due to high construction inflation over the years.
- There is fluctuating revenue from land sales.
- There has been a significant reduction in Provincial Municipal Sustainability Initiative (MSI) funding since 2009 in relation to the original commitment.
- There will be a complete elimination of the MSI Operating grant over three years – with a financial impact of \$1.2 million.
- The elimination of numerous grant programs, including one which could have funded 90 per cent of the Northland Drive project.
- Construction reserves have lost value due to high construction inflation over the years.
- Mayor utility projects are underway to accommodate growth. This includes major expansions and upgrades to the Water and Wastewater Treatment Plants, which are significantly increasing The City's debt.
- Some of the capital costs of utilities are to accommodate regional usage. In the case of water, these costs will be recovered through the operating budget, but the capital costs will be incurred by The City.
- There is an increasing demand for The City to develop more community amenities.

How do we compare?

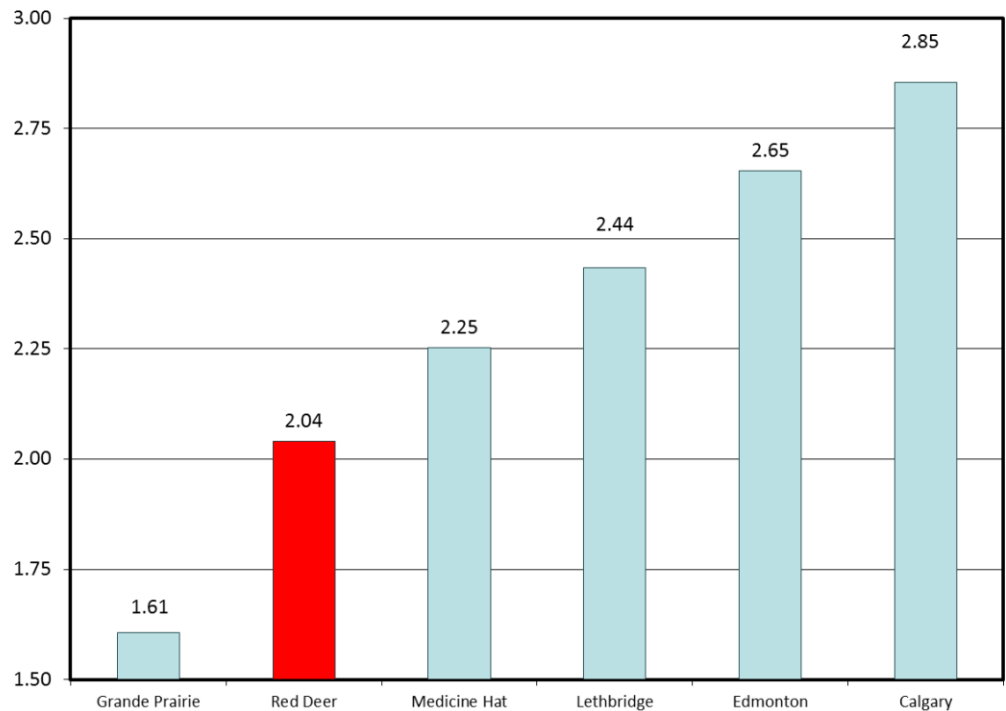
- According to a 2014 Canadian Federation of Independent Business survey, Red Deer ranked as the eighth most entrepreneurial city in Canada.
- A study conducted by the American Cities of the Future ranked Red Deer as ninth top city for business friendliness for 2013/2014, the highest ranked micro-city in Alberta.
- Alberta Venture ranked Red Deer as one of the 25 best communities for business in Western Canada this year.
- The Express Employment Professionals ranked Red Deer as having the eighth hottest job market in Canada for 2014.

The graph below shows how Red Deer compares to other Canadian cities when looking at municipal taxes only, followed by a comparison of residential and commercial tax rate ratios, showing Red Deer has one of the lowest commercial tax rates in Alberta.

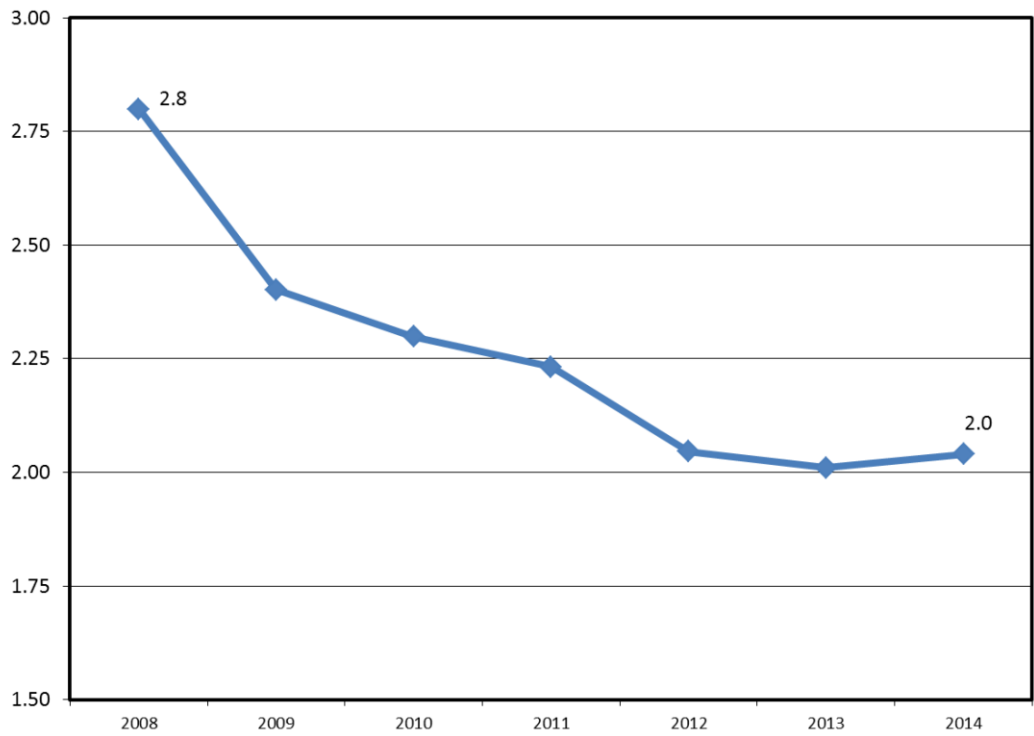
Municipal Property Tax for Representative Bungalow House in 2013



2014 Residential to Commercial Tax Rates Ratios



City of Red Deer's Residential to Commercial Tax Rates Ratio



Source: *The City of Calgary 2013 Residential Property Taxes and Utility Charges Survey*

*The overall goal for the 2015 operating budget is
Maintaining and Enhancing Core Service*

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