

December 12, 2018

2019 Operating Budget

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

2. What is the capital budget?

The capital budget indicates the funds needed for the first year of the 10 year capital plan and multi-year projects beginning in 2019 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 2019 and beyond, multi-year projects beginning in 2019, or projects in need of additional funding in 2019. These costs are similar to preparing for a new development such as a new home or adding an addition to your home this year.

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

Administration presents the capital budget before the operating budget to allow The City to incorporate impacts from the capital budget into the operating budget (e.g. insurance 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.

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

The City of Red Deer uses an Enterprise Business Plan to prepare the budget each year. This ensures we align the direction and priorities with the resources required. Council provides their 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 translates strategy into action.

5. What are the biggest challenges in the upcoming operating budget?

Red Deer and Alberta finds itself in a challenging economic climate that is recovering from recession slower than anticipated. This climate is something we must be sensitive to, and at the same time we must continue to maintain, and plan for future growth in order to attract investment. Our operating budget attempts to balance these and the many and diverse needs in our community.

6. How does the operating budget and the overall tax increase relate to the Consumer Price Index?

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically. A municipality has a different basket of goods than a household, so the CPI is not always a good measurement against taxes. For example, The City of Edmonton calculates a municipal price index (MPI) based on the basket of goods purchased by the municipality. The results of this work show that the MPI is usually 0.25 – 1.62 per cent higher than the CPI.

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 2019 is \$538.8 million. For 2019, The City is estimated to be at 56 per cent of our allowable debt limit, a total of \$303.2 million, which is below the 75 per cent debt limit set by Council. 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. Can residents give their feedback on the operating budget prior to going to Council?

City Council is encouraging residents to review the proposed operating budget and give their feedback. Feedback will be accepted until Friday, December 21 at 4:30 p.m. Feedback received will go into the Council agenda package for the January 8, 2019 meeting.

To submit feedback, residents can either email feedback@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

The proposed operating budget details can be viewed at these locations as well as online at www.reddeer.ca/budget.

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