

November 7, 2022

Proposed 2023-2024 Capital and Operating Budgets

From November 28 through November 30, Council will deliberate the 2023-2024 Operating and Capital Budgets.

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. 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. A breakdown of how items are funded can be found on the attached chart. 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.

3. 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.

4. 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 2025 – 2032 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.

5. 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 and reserves. See attached chart for all the details on where and how funds are used.

6. How is debt used?

Responsibly used, debt allows a municipality to provide the facilities and infrastructure that is valued by Red Deerians. It also allows, through the repayment of debt, those who use these assets, to be the party that pays for them. This is referred to as 'intergenerational equity.' Council has directed, and administration supports, that The City's debt not exceed 75% of the provincially legislated limits.

7. What are the funding sources for both capital and operating budget items?

For an overview of types of funding sources, how the source is funded and what it can be used

for – please see the attached chart that breaks down each area. This includes reserves, debt, user fees, dividends, grants, and revenues.

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

Administration is again 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 2023-2024 operating and capital budgets?

Recognizing the reality of today, we had to find ways to stay within guidelines to reach the tax increase based on Council direction given in March 2022. Within the budget you will see how administration worked to achieve the guidelines and work within the property tax increase guideline of 4.7 per cent in 2023 and 4.3 per cent in 2024, equating to about \$6 million in additional revenues each year.

Council also sets direction through Council's Strategic Plan to meet short- and long-term community needs. The City's budgets need to respond to Council's Strategic Plan, balanced with current economic climate and forecast and long-term savings and investments.

There were nine guidelines approved by Council:

- a. Property tax increase of 4.7% in 2023, and 4.3% in 2024, equating to about \$6 million annually in additional revenues.
- b. Capital amenities and growth contribution of 1% for 2023 and 2024 to help with building back our reserves.
- c. User fees and charges to be reviewed and implemented in 2023 in compliance with Council policy.
- d. One time funding from reserves in 2023 and 2024 of \$750,000 per year to support Council's Strategic Plan implementation.
- e. Explore utilities revenue, and what would be required to achieve a utility dividend of \$3 million in 2023 and 2024
- f. Increase reserve levels
- g. Change the Capital Contingency Policy to allow the City Manager to address new projects from a maximum of \$50,000 per project and \$200,000 a year.
- h. Bring forward an operating contingency policy, like the Capital Contingency Policy.
- i. Bring forward a tax supported operating reserve policy for emergent and urgent issues.

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

The City is facing unprecedented financial challenges stemming from a longer than anticipated economic slowdown, extraordinary inflation, coupled with the impact of COVID-19 recovery, provincial downloads and reduced and uncertain government grants.

This budget is all about living within our means today and looking to build our future. We are going to look after the great things we have and focus on the strategic priorities to build our future.

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

This year, administration presented the proposed budgets to Council during the regular City

Council meeting on November 7. From November 28 through 30, Council will deliberate and approve the budget.

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

From November 8 to 18, 2022, members of the public will have the opportunity to give their feedback online. Budget documents can be viewed online, or hard copies of operating and capital budget binders can also be found at City Hall, Downtown Public Library, G.H. Dawe Public Library and Timberlands Public Library.

Citizens wishing to view the proposed budget and provide comment can visit www.reddeer.ca/budget. All feedback will be provided to Council prior to deliberation.