



ADMINISTRATION REPORT

To: Red Deer County Council

From: Corporate Services

Date: November 28, 2017

Re: 2018-20 Red Deer County Budget

Administration is pleased to present Red Deer County's multi-year budget representing 2018-20 for Operating expenditures (3 year) and 2018-2022 for Capital projects (5 year). The following documents outline Red Deer County budgets.

1. 2018-2020 Overall Budget
2. 2018-2020 Net Service Level Budget
3. 2018-2022 Capital Budget
4. 2018-2020 Projected Reserve Position

The Council Strategic Planning retreat in November influenced this budget significantly. Administration has been especially mindful of Council's long term vision while budgeting and has ensured adequate resources are available to achieve Council's goals. Council priorities such as Intermunicipal Collaboration Frameworks (ICF's), Highway 2/42 development options, transportation network plans, Safe community forums, and service level review have been provided for in this budget.

This multi-year budget focuses on maintaining key infrastructure such as roads, bridges and water supply lines and reservoirs. Service level increases have been bumped up for enhanced policing, FCSS (Benalto), Surface grade road repairs, roadside mowing, open spaces maintenance and the Red Deer Regional Airport (subject to further Council discussion and approval).

It is Administration's request that Council table this budget to facilitate public input today, with the intention to pass the 2018-2020 Operating budget and the 2018-2022 Capital budget at the December 19th Council meeting.

In summary, the following is the breakdown of the total gross expenditures:

	2017 (projected)	2018	2019	2020
Capital	\$28,908,532	\$39,300,200	\$20,347,000	\$20,520,000
Operating	45,582,235	48,298,562	47,763,598	48,345,838
Capital debt	<u>362,440</u>	<u>nil</u>	<u>nil</u>	<u>nil</u>
Total	\$74,853,207	\$87,598,762	\$68,110,598	\$68,865,838

Key Initiatives for 2018 and beyond:

- Bridge repairs \$4.1M (2018); 5 year average - \$4.4M
- Range Road 10 construction and overlay - \$7.1M
- Township Road 360 Paving - \$3.4M
- Township Road 370 East construction - \$4.7M (2018); West - \$3.5M (2019); West - \$7.5M (2022)
- Range Road 224 - \$1.4M
- Transit & Bus Shelters - \$850,000
- Springbrook Water Treatment Plant and Reservoir replacement - \$4.2M
- Old Highway 21 overlay - \$4.9M
- Township Road 354 rebuild & base pave- \$8.3M
- Range Road 272 rebuild - \$3.4M

OVERALL CONSOLIDATED BUDGET

The first document is the overall budget. As this is a 3 year operating budget, 2018-2020 budget amounts are included. (The 5 year capital budget is fully defined in the capital budget report.) Revenues are listed at the top and operating expenses occupy the middle of the page. The “OTHER” section at the bottom of the page is a summary of capital and other items that impact the County’s financial position.

Administration is recommending a fairly large capital program for 2018 as we expect the pricing of road projects to remain fairly low for another year. The strategic intent is to take advantage of the lower prices to get some much needed paving, road construction and intersection improvements completed. Administration proposes to fund the majority of the additional work from reserves. Our capital work program returns to a relatively normal dollar value in 2019 and 2020.

Please note the following when reviewing the document:

- **Taxation** – is based upon our current best guess of assessment figures. The final amounts will not be available until February and we will have another discussion in the spring with respect

to tax rates. However, for budget purposes, we have predicted a revenue amount to enable spending and have concluded that there is an amendment to taxation rates necessary at this time. This budget includes a 1 mill adjustment to our Non-Residential rates for both 2018 & 2019. Although the growth in Commercial and Industrial assessments have been steadily increasing over the past few years, it does not compensate for the loss in our Machinery and Equipment (M&E) and Linear assessments.

Administration has also amended this budget to reflect an increase to the Community Services Levy by 0.2 mills. Community Services expects to modify several recreation agreements with our urban neighbours in 2018. This could result in an additional \$1M draw on our taxation base.

- **Staffing** – Currently Red Deer County employs 92 full time employees (FTE) to maintain our current levels of service across County departments. Administration is recommending to add 3 FTE positions in 2018. Two of those positions are currently temporary in Agricultural Services, an Administrative position and the Municipal Maintenance Coordinator. The third position is for an Asset Management Coordinator and will be offset by a grant in 2018. Federal government emphasis on asset management indicates that future grant funding is expected to be conditional upon development of asset management programs. Red Deer County is responsible for \$609M worth of capital assets.

Administration is also recommending an additional Part time (0.5 FTE) position in FCSS in Benalto. This position is fully funded by the FCSS grant.

- **Contingency** – a modest amount of contingency is budgeted to allow us to react to events, issues and opportunities that arise throughout the year. For 2018-20, we have allowed for \$700,000 annually.

2018-2020 BUDGET – Net Service Level

This budget document shows readers the net cost (less overhead) of providing municipal services. It starts with taxation and highlights the net cost to taxpayers of all the services we provide. You can see how the special levies fund their respective departments and the overall impact of all programs.

CAPITAL BUDGET

Specific road work such as chip seal, road regravelling, and paving are on a 5 year plan and have been previously shared with Council. The timing of much of this work depends on engineering, specific land owner agreements, and the nature of our spring thaw and construction season weather.

As mentioned earlier our capital program has increased significantly in 2018. The gross capital budget is \$39.3M in 2018 and drops to more normalized dollars in subsequent years. This budget has provided a draw on reserves to specifically fund the increase in the capital program by \$5M. We are still funding our bridge infrastructure deficit to approximately \$4M per year. This funding comes

exclusively from our capital reserves account. Further, the Offsite levy bylaw provides additional funding in 2018 of \$1.9M, most of which will relate to the Springbrook Water Reservoir upgrades.

RESERVE POSITION

The overall draw from reserves in this budget is \$ 23.6M. This is broken out as follows:

- \$14.6M in 2018,
- \$3.5M in 2019 and
- \$5.5M in 2020.

This leaves our reserve position still fairly secure at \$24.5M by the end of 2020. The detail is outlined in the Reserve schedule attached. Please recall that reserves are also used to carry-forward funds from one year to the next and to self-fund the programs that have their own special levy (Protective, Community and Environmental programs).

SUMMARY

This is an ambitious yet achievable budget. It ties in very closely to the Strategic Plan for the County – maintaining (and in some cases enhancing) current services levels as well as preparing for future development. An integral component to the budget is maintenance of our current infrastructure such as our bridges, roads, water and sewer systems and buildings. As always, we look forward to responding to your concerns and questions at Council meeting.

RECOMMENDATIONS

To table the 2018-20 Operating budget and the 2018-22 Capital budget to the December 19th Council meeting to allow for public input.

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