

January 18, 2024
City of Red Deer Council
4914 48 Ave
Red Deer, AB T4N 3T3

Re: 2024 Amended Operating & Capital Budget Report

The Red Deer & District Chamber of Commerce commends the City of Red Deer for its efforts to provide transparency and accountability with the 2024 Amended Operating & Capital Budget Report released on January 8, 2024. The information provided gives a solid overview of the current operations of the organization. The opportunity for consultation to represent the views of the business community before decision-making is welcomed and appreciated.

In reviewing the proposed budget, it is important to acknowledge the impact of inflation on overall costs. Municipalities across Alberta are facing higher energy rates, higher wage costs, and increasing expenses for infrastructure and equipment. The report identifies reduced grant support from other levels of government, resulting in a difficult financial situation. Red Deer's business community is also facing exceptionally challenging circumstances, as evidenced by the economic indicators within the report.

The proposal for \$488.3 M in operating and \$117.3 M in capital spending includes an additional \$31 M above the 2023 budget, to be funded through an anticipated 10.65% tax rate increase in 2024. The three scenarios included in the report (6.15%, 8.66%, and 13.86%) represent increased spending with a combination of increased tax rates and the use of diminishing reserve funds. There is little consideration of program scope review, outsourcing options, or service level reductions to balance the budget. In our view, this is not acceptable.

Missing from the report are any proposed reductions to service levels or identification of services to be outsourced or privatized to offset increased costs. The Chamber appreciates the emphasis on future sustainability and stabilization of tax rates in the coming years, however; these should not preclude a significant review of service delivery priorities and opportunities to minimize City costs. The Chamber asks City Council to consider the following recommendations in their discussion during the 2024 Budget process:

1. Minimize Tax Rates

- The proposed operating budget of \$488.3 M budget is a 9.6% (\$18.4 M) increase in spending from the 2023 budget. The proposed capital budget of \$117.3 M is an 8.9% increase (\$12.6 M) in spending from the 2023 budget. The yearly inflation rate for Alberta in 2023 was 3.55%.¹ The proposed budgets represent planned expenditures in 2024 that are well above the rate of inflation. It is our view that the City needs to keep tax rates

in line with inflation and fund priorities through reduced services or dedicated outsourcing of services.

2. Review User Pay Revenue

- In principle, the Chamber agrees that a fee-for-service model is a fair and equitable way to generate additional revenue to offset City expenses. Fees and fines should be considered in relation to alignment with the costs of operations.

3. Prioritize City Services and Outsourced Service Delivery

- Engage an external consultant to analyze core City services and identify opportunities for outsourcing and or/private sector delivery.

4. Create Opportunities for Flexibility

- The operating and capital projects included within the document also do not anticipate the possibility of delaying or reducing the scope of any activities. If market changes result in additional costs, flexible timelines should be implemented to take advantage of cost savings and reductions. While the Chamber supports the emphasis on future financial health, there are limited activities identified to decrease spending or improve planning to reduce overall costs.

5. Investment in the Local Economy

- Opportunities for private-sector service delivery should be considered and prioritized. Red Deer has a wide range of dedicated businesses already serving the local community and the City should identify opportunities to decrease municipal overhead by supporting alternative service delivery options wherever possible.

6. Economic Growth for the City

- Economic growth will help fund future City operations and while ensuring tax rates are affordable. The City's growth has been stagnant in the last 8 years while other regions in the province have grown significantly. Economic Development should be a primary goal within the budget for future years. The City's current Economic Development Strategy was developed in 2013 and despite updates in 2020, the document is not reflective of today's challenges. The City's approach to funding Economic Development is insufficient and behind other jurisdictions. The budget report acknowledges the need for re-evaluation; we agree that this must be an urgent priority for the City.

The City must maintain a fiscally responsible lens and assess priorities that are focused on enhanced economic development for Red Deer to thrive and succeed. The substantial increase in the 2024 budget over 2023, and the resulting proposed tax increase shows spending that is

significantly above the rate of inflation. The budget document focuses on long-term sustainability for the City but does not identify opportunities to decrease current service levels or to consider private-sector opportunities for service provision. Additionally, while the report discusses opportunities for engagement by business leaders concerning economic development, the Chamber requests that the City commit to a collaborative economic development process that promotes business interests. We appreciate the consultation opportunity and look forward to the consideration of the interests of the business community within the City's 2024 budget discussions.

¹Inflation Calculator. "2023 CPI and Inflation Rates for Alberta". 2023. [2023 CPI and Inflation Rates for Alberta | Inflation Calculator](#). Accessed 18 January 2024.