2017 – 2018
Tax Supported Capital & Operating Budgets

Presented to Council

Corporate Services Division
Finance
January 23, 2017
Objective

To provide Council the 2017/2018 Tax Supported Budgets:

- Tangible Capital Assets (TCA)
- Major Operating Expenses (MOE)
- Operating

for discussion and adoption.

Definitions:

- TCA – Non-financial assets having physical substance
- MOE – Expenses that do not result in the creation of a TCA, but do represent a substantial one-time cost to the department
Agenda

1. The Target
2. The Challenge
3. The Response
4. The Budget
5. The Result
1. THE TARGET

- Annual property tax increase 4.0%
- Annual assessment growth 0.5%

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Increase</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Less: Assessment Growth</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Net Tax Increase</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
2. THE CHALLENGE

Challenging 2017/2018 budget process due to:

- Economic climate
- Low commodity prices – gas & electric
- $23 million annual subsidy from Energy no longer available (represents 20% of operating funding)
3. THE RESPONSE
adopted by Council May 16

Council Strategic Priority

- Fiscal Management:
  Responsible financial management focused on the long term ensures a sustainable city
### 4. THE BUDGET – Operating assumptions adopted by Council May 16

<table>
<thead>
<tr>
<th>Key Budget Assumptions</th>
<th>2017 Budget</th>
<th>2018 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Existing “Base Property Tax” – target increase</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>b) New “Energy Contribution Replacement Amount” (ECRA)</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>c) User Fees &amp; Charges – target aggregate increase</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>d) Market based utility rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capacity charge</td>
<td>$0.2 million</td>
<td>$4.0 million</td>
</tr>
<tr>
<td>- Municipal consent and access fee</td>
<td>$0.5 million</td>
<td>$1.0 million</td>
</tr>
<tr>
<td>e) Service level reductions</td>
<td>$0.5 million</td>
<td>$0.5 million</td>
</tr>
<tr>
<td></td>
<td>(in addition to 2017 adjustments)</td>
<td></td>
</tr>
<tr>
<td>f) Cost Containment</td>
<td>No PEP’s added Cap Fleet units at 800</td>
<td>No PEP’s added Cap Fleet units at 800</td>
</tr>
<tr>
<td></td>
<td>Eliminate 40,000 sq.ft of City owned/leased space</td>
<td></td>
</tr>
<tr>
<td>Inflation assumptions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary &amp; Wages</td>
<td>0.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Goods &amp; Services / Reduction</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
5. FINANCIALLY FIT RESULTS

Transfer from Reserves

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$23</td>
</tr>
<tr>
<td>2017</td>
<td>$19</td>
</tr>
<tr>
<td>2018</td>
<td>$16</td>
</tr>
</tbody>
</table>

Tax Subsidy from Energy - December 31, 2016

- $23.0

FFI Adjustments

- ECRA (2%) - (2.8)
- Cost Containment (2%) - (1.4)
- Capacity Charge -
- Municipal Consent & Access Fee -
- Service Levels - (1.0)
- User Fees - (1.0)
- Other Adjustments - (0.6)
- Total FFI Adjustments - (6.8)

Tax Subsidy from Energy - December 31, 2018

- $16.2
Revenues 2017 / 2018

- Annual property tax represents a 4% increase ($70.7M / $73.5M)
- Fees & charges includes increase ($0.6M / $0.4M)
- Reduction in Fine Revenues $0.2M
- No annual subsidy from enterprise activities. Reduced reliance on Reserves by $6.8M
Expenses 2017 / 2018

- Major Facilities – FLC, Senior Centre (Net $0.8M / $0.4M)

- Wages & benefits – wage freeze and contract settlements ($0.4M / $2.0M)

- Service level reductions – Arena, Heald Pool ($0.7M / $0.1M)

- Contracted Pound Services increase ($0.3M / $0.2M)
2017/2018 TCA MOE Budget

Council Strategic Priorities:

1. Economic Development
   - Tourism Information Centre Upgrades $0.35M
   - Downtown Development Incentive Program $0.4M

2. Infrastructure & Amenities
   - Infrastructure Rehab Programs $28.0M
   - Corporate Asset Management - Facilities $13.0M
   - Public Service projects - $4.5M

3. Social Wellness
   - South Sask River Recreational Opportunities $0.94M

4. Image & Profile
   - Community Partnership Requests $1.3M

5. Fiscal Management
   - Landscaping Redevelopment $0.7M
   - Value for Money Audit $0.1M

6. City Government
   - 2017 Census & 2017 Election $0.3M
   - Council & CAO Contingencies $4.0M
2017/2018 TCA Budget
(In thousands of dollars)

Total of $55,539
$35,874 grant funded (65%)

Council Strategic Priorities:
1. Economic Development
2. Infrastructure & Amenities
3. Social Wellness
4. Image & Profile
5. Fiscal Management
6. City Government
2017/2018 MOE Budget
(In thousands of dollars)

Total of $2,451
Operating funded (100%)

Council Strategic Priorities:
1. Economic Development
2. Infrastructure & Amenities
3. Social Wellness
4. Image & Profile
5. Fiscal Management
6. City Government
Debt Levels & Service Costs

Interest rates based on ACFA 15 Year Rate

<table>
<thead>
<tr>
<th>Years</th>
<th>2016 B</th>
<th>2016 F</th>
<th>2017 B</th>
<th>2018 B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current OS Bylaws</td>
<td>$7.0M</td>
<td>$7.0M</td>
<td>$7.0M</td>
<td>$7.0M</td>
</tr>
<tr>
<td>Senior Centre ($12M - 2016B; $5.1M - 2017B)</td>
<td>$6.0M</td>
<td>$6.0M</td>
<td>$6.0M</td>
<td>$6.0M</td>
</tr>
<tr>
<td>New Annual Payments</td>
<td>$5.0M</td>
<td>$5.0M</td>
<td>$5.0M</td>
<td>$5.0M</td>
</tr>
<tr>
<td>Existing Annual Payments</td>
<td>$4.0M</td>
<td>$4.0M</td>
<td>$4.0M</td>
<td>$4.0M</td>
</tr>
</tbody>
</table>

Total Debt:
- 2016: $70.8M
- 2017: $62.9M
- 2018: $60.9M
- 2019: $51.6M

Tax Impact:
- 2016: 1.9%
- 2017: -0.1%
- 2018: -0.1%
- 2019: -0.1%
## Treasury Holdings - Forecast

*(in millions of dollars)*

<table>
<thead>
<tr>
<th>Major Reserves &amp; Balances:</th>
<th>Dec.31.2016</th>
<th>Dec.31.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Equipment Reserve</td>
<td>68</td>
<td>28</td>
</tr>
<tr>
<td>Gas Depletion Reserve</td>
<td>60</td>
<td>28</td>
</tr>
<tr>
<td>Community Capital</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Fleet Replacement Reserve</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure Reserve</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Unrestricted - NGPR</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Committed Funds (working capital, approved capital, unspent grants)</td>
<td>212</td>
<td>212</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 500</strong></td>
<td><strong>$ 425</strong></td>
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2017 – 2018 Tax Supported Capital & Operating Budgets
FINANCE
City of Medicine Hat
January 23, 2017
Future Budget Pressures
2019 & beyond

- FFI – further reduction of energy tax subsidy
- Senior Centre expansion
- Collective Agreements (ie. 2% wage increase of $2M is greater than 2% tax increase of $1.4M)
- Infrastructure Maintenance Funding (ie. Sidewalks, Streetlights, Facilities, etc)
- Municipal Assist Subsidy Program
- NGPR - success of growth strategy
SUMMARY

- Met all Council targets (FFI DI – May 2016)
- Capital budgets are aligned with Council Strategic Priorities
- Asset Rehabilitation programs continue to be financially supported
RECOMMENDATION

Council to adopt the 2017/2018 Tax Supported Budgets:
- Tangible Capital Assets (TCA)
- Major Operating Expense (MOE)
- Operating