

# Municipal & Land Budget 2019-2022

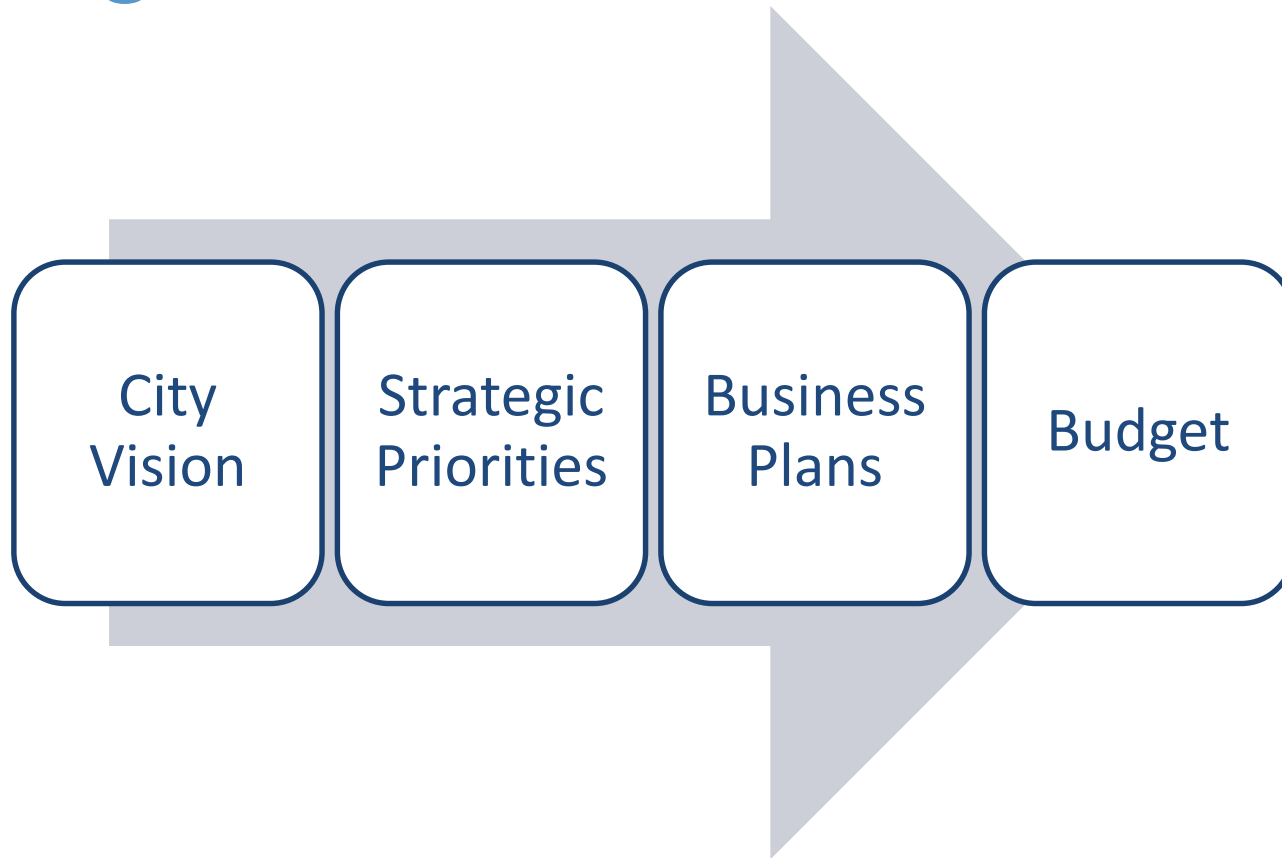
Presentation to  
Council

December 17, 2018

# Agenda

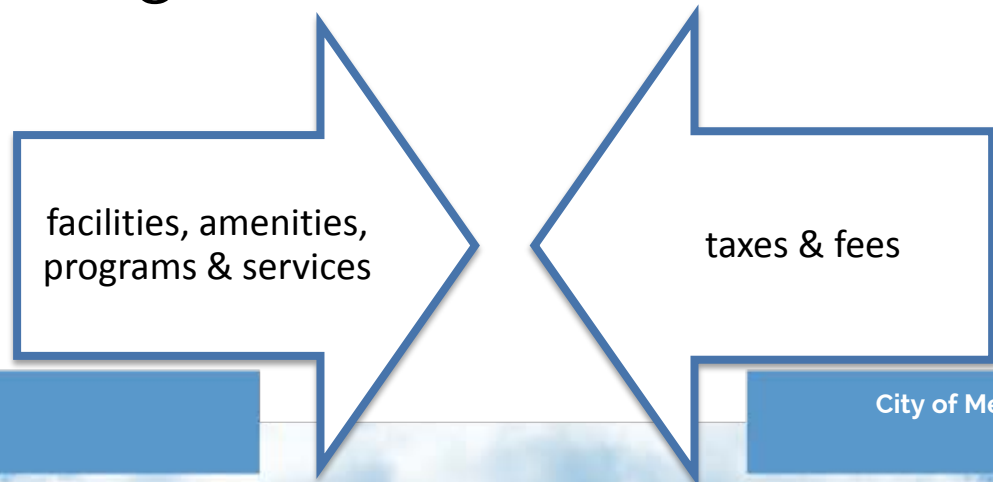
- Introduction and Planning Process
- *The MH Story* – our Advantage
- *The Target* – property taxes
- *The Challenge* – balancing act
- *The Response* – Financially Fit
- *The Result* – municipal budget (operating, capital)
- Treasury – external debt and reserves
- Land & Business Support – budget (operating, capital)
- Conclusion and Recommendation

# Planning Process – from vision to reality



# Introduction – Four year budget

- Advances Council Priorities as outlined in the 2019-2022 Strategic Plan
- Financially Fit initiatives pursuing a sustainable municipal budget
- Seeks to achieve right balance for Medicine Hat



# Introduction (continued)

- Focus from Land & Business Support on Economic Vitality
- Continue to progress Financially Fit principle
  - *“reduce municipal services reliance on commodity-based revenue”*
- Energy Subsidy gap is reduced from \$23 million to \$7 million
  - 2016 = 21% of municipal services revenue
  - 2022 = 5% of municipal services revenue
- Assumptions built into budget left to solve & execute
  - requires collective commitment

# Key Guiding Principles – July 2018

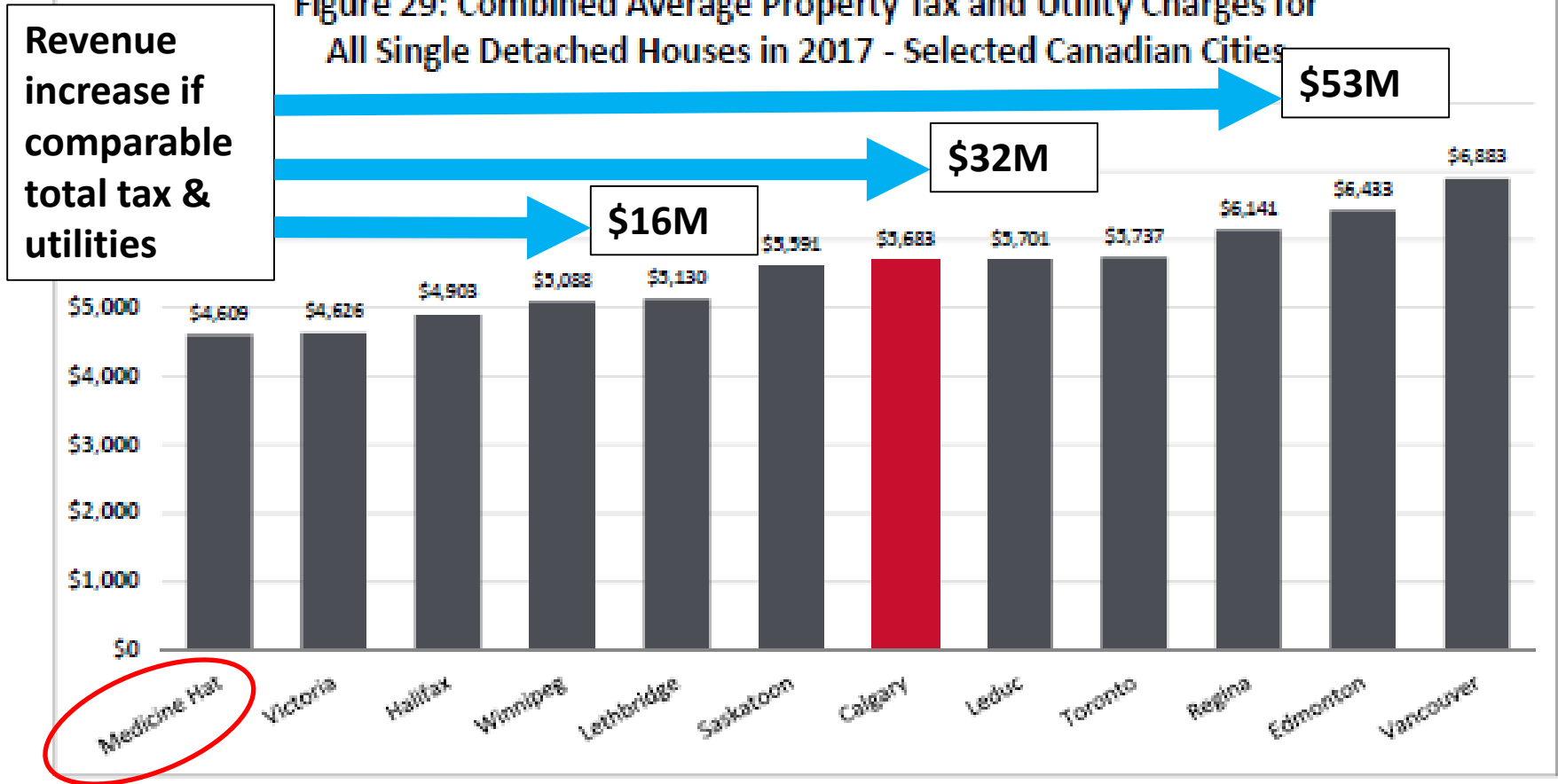
- Financial sustainability and resilience
  - Eliminate municipal services reliance on volatile commodity revenues (Energy subsidy)
  - Heritage Savings Reserve to capture value from commodity based businesses
  - Enhanced investment returns from longer term treasury holdings
- Stable and predictable tax environment
- User pay principle
- Market based pricing for utilities
- Continue rehabilitation of aging infrastructure

# The MH Story – our Advantage

- CMH – City is open for business
- Infrastructure – well managed and reliable
- Facilities & amenities – high quality (Esplanade, Canalta, FLC, Senior Centre, Echo Dale, parks & trail network)
- Community safety – highly competent and versatile emergency and protective services
- Programs & service delivery – competitive benchmarking results compared to other municipalities
- Resources – leverage economic growth (land, water, gas, electricity)
- Heritage Saving Reserve – creating an endowment for residents
- Taxes & utilities – continued advantage compared to peers

# Taxes & Utility Charges – comparison

Figure 29: Combined Average Property Tax and Utility Charges for All Single Detached Houses in 2017 - Selected Canadian Cities



\* Source: City of Calgary - 2017 Residential Property Taxes & Utility Charges Survey

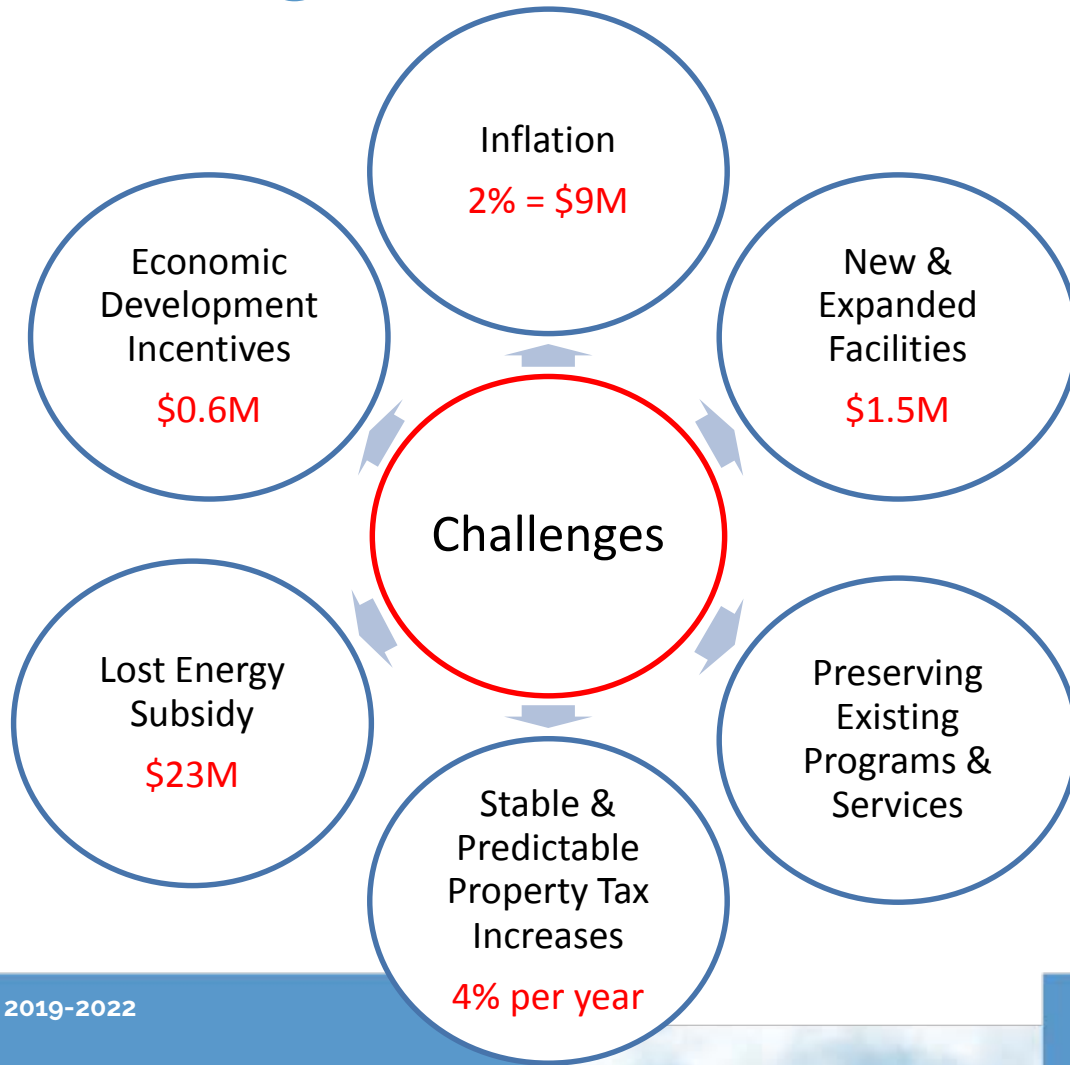
**\$16M additional tax revenue**  
 ~ \$550 increase per house  
 = \$5,159 per house total



# The Target – property taxes

- Net tax increase = 4.0%
- Assessment growth = 0.5%
  - estimated 4% annual increase for a \$266,300 home  
= \$99 (\$8.25 per month)

# The Challenge – balancing act



# The Response – Financially Fit



## Grants & Investments

- AIMCo manage long-term assets – most investment returns allocated to capital projects or reserves, not operating
- Capture available grants

**2019-2022**

\$3.2 million



## Property Tax Adjustments

- Energy Contribution Replacement Amount 2% per annum
- 2019 to fund expanded Senior Centre

\$6.3 million



## Utility Rates

- Municipal Consent & Access fee

\$3.0 million



## Service Level Examination

- Council direction to examine service areas
- Stakeholder engagement

\$1.6 million



## User Fee Review

- User pay fees & charges model
- Revenue opportunities

\$1.0 million



## Cost Containment

- Offset 2% general inflation in 2019-2022
- Reallocate resources to create efficiencies

\$2.0 million



## Financial Reserves

- Need total gap funding of \$91 million over 10 years

\$44 million

# Financially Fit Achievements

## 2017-2018 Accomplishments



**\$2.8M Property Tax Adjustments**



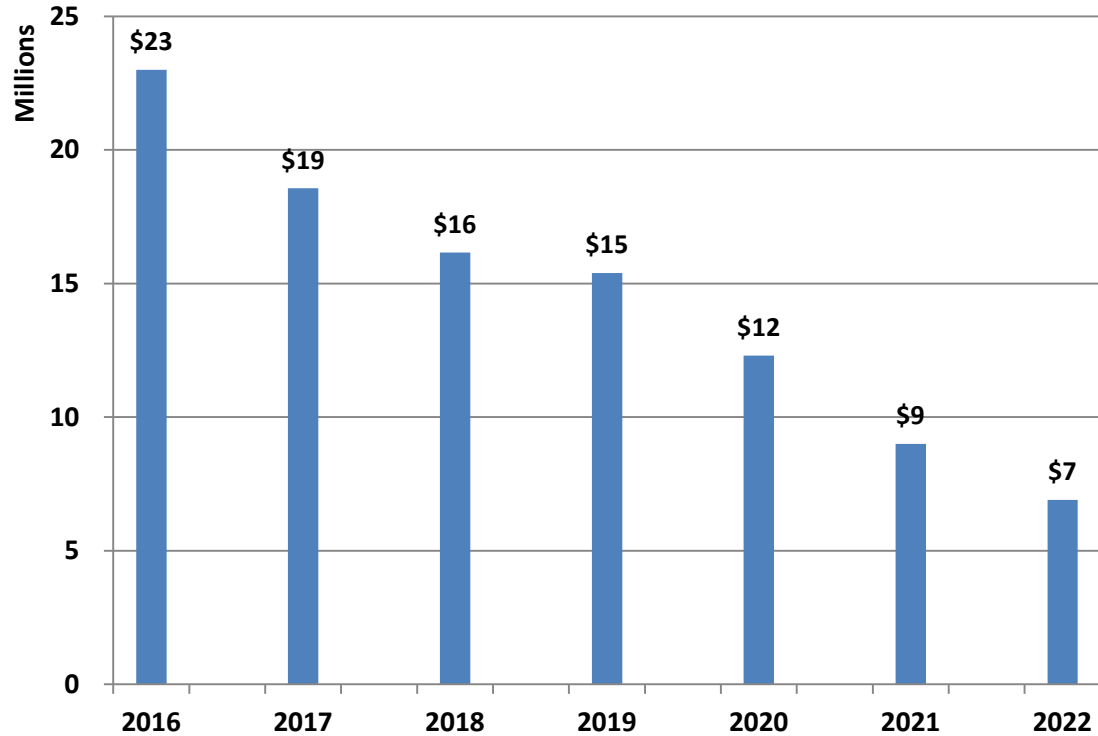
**\$1.0M Service Level Examination**



**\$1.0M User Fee Review**



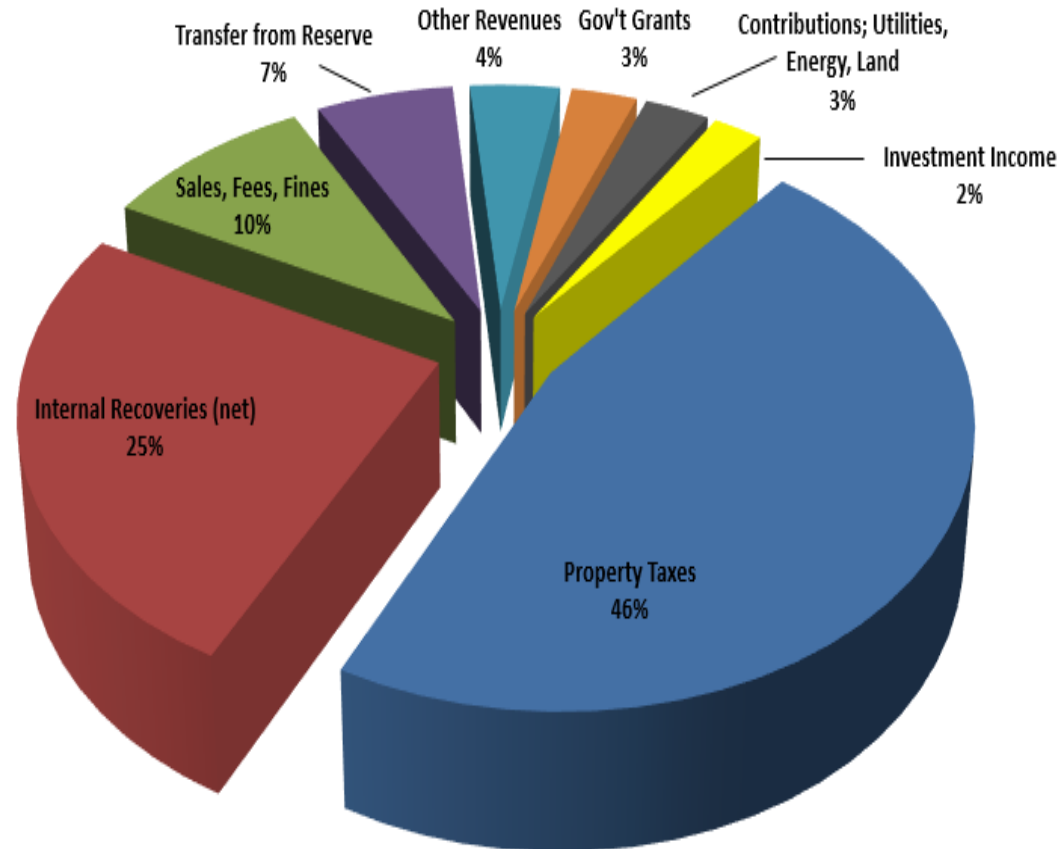
**\$1.4M Cost Containment**



**Energy subsidy gap is reduced from \$23M to \$7M**

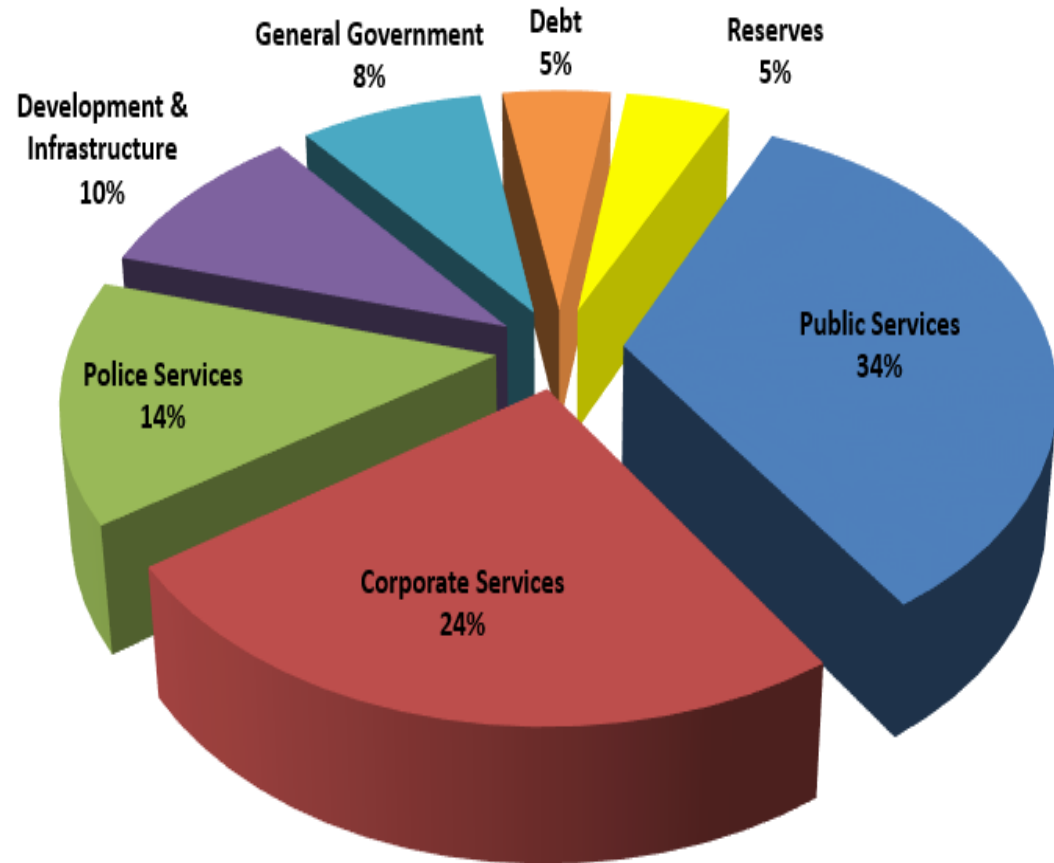
# The Result – Operating Revenue

- Property tax = 4.0% annual increase + assessment growth  
\$77.5M / \$80.9M / \$84.5M / \$88.2M
- Fees & charges = \$1.0M increase
- Introduction of Municipal Consent & Access Fee = \$3.0M
- Fine revenues = \$1.1M decrease
- No annual subsidy from Energy (NGPR)
- Energy Subsidy gap reduced by \$9.3M



# Operating Expenses

- New & expanded facilities (FLC, Senior Centre) = \$1.5M net increase
- Wages & benefits = \$8.0M inflationary increase
- Fuel contract = \$1.1M increase
- Service Level/Cost Containment = \$1.6M
- Innovation target = \$1.8M
- Municipal Assist incentive = \$0.6M increase

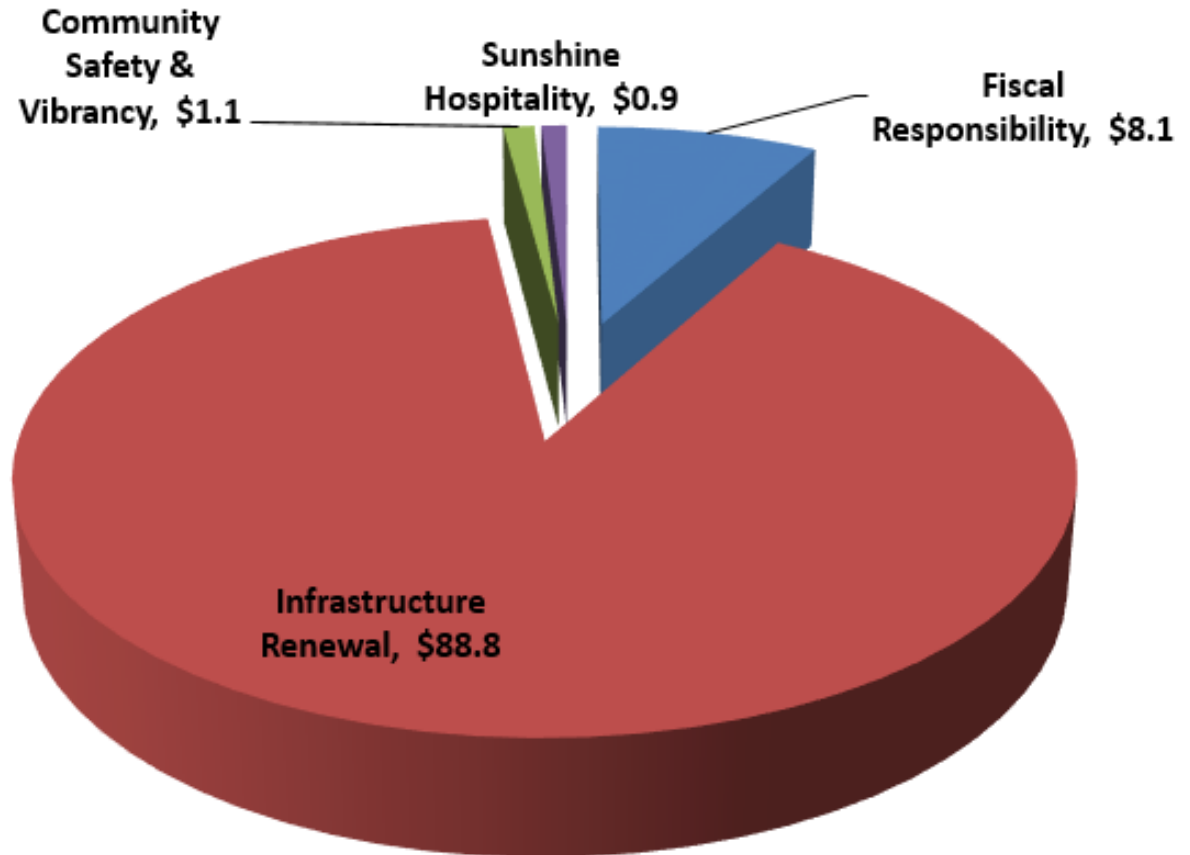


# Tangible Capital Assets

*(\$ millions)*

**Total of \$98.9M**

**\$45.3M grant funded (46%)**  
**\$12.9M debt funded (13%)**



## Council Strategic Priorities

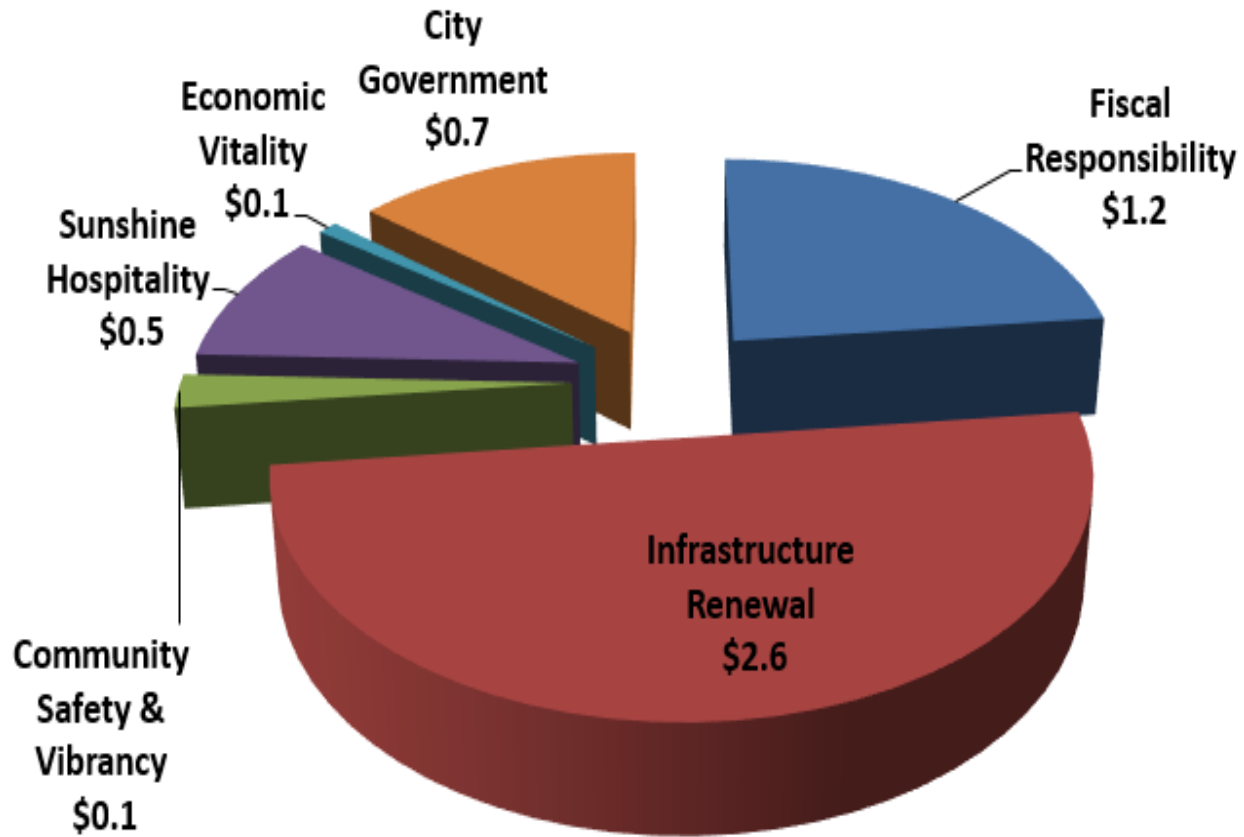
1. Fiscal Responsibility
2. Infrastructure Renewal
3. Community Safety & Vibrancy
4. Sunshine Hospitality

# Major Operating Expense

(\$ millions)

Total of \$5.2M

\$1.5M grant funded (30%)

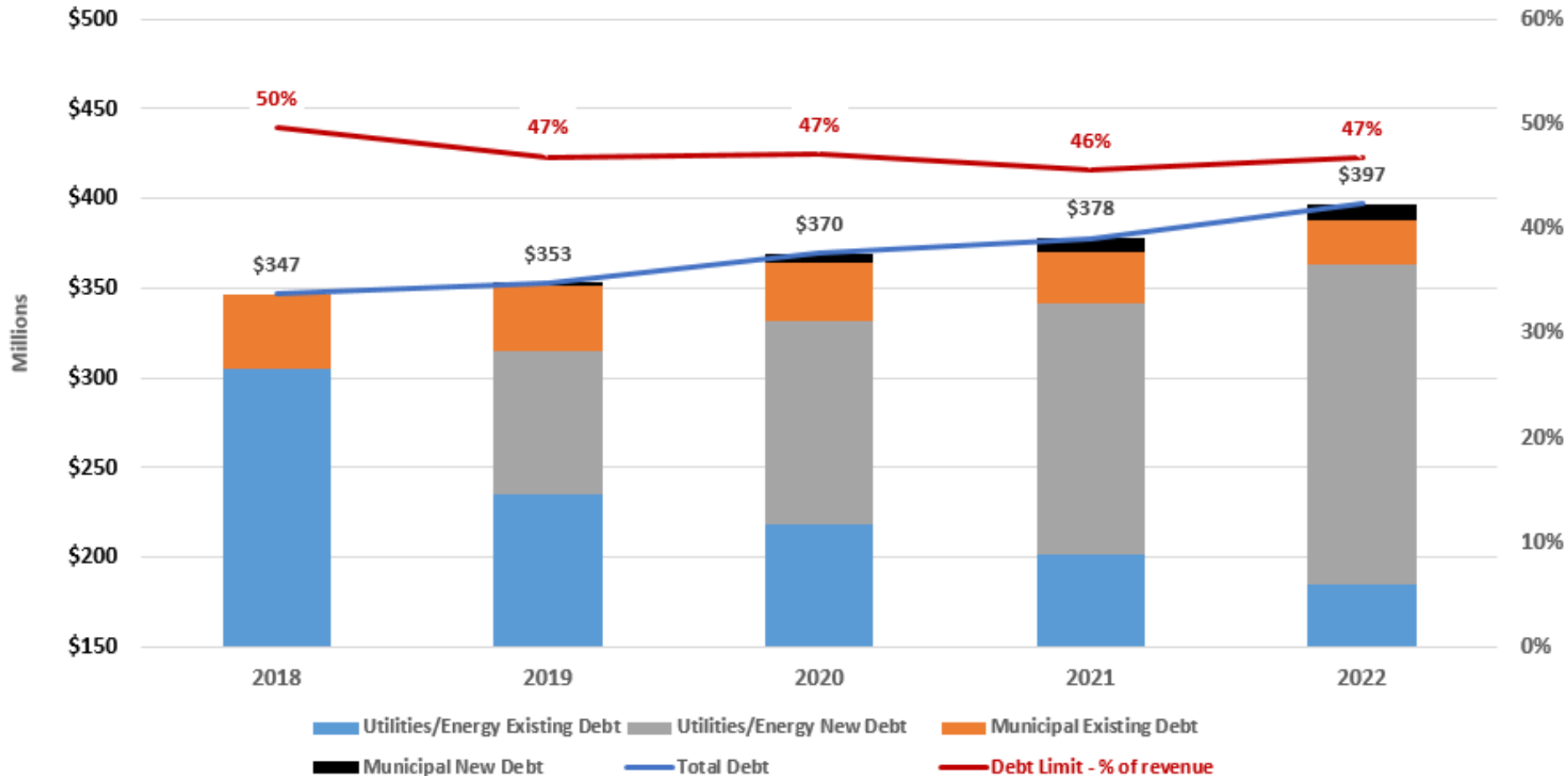


## Council Strategic Priorities:

1. Fiscal Responsibility
2. Infrastructure Renewal
3. Community Safety & Vibrancy
4. Sunshine Hospitality
5. Economic Vitality
6. City Government



# Treasury – CMH External Debt



# Treasury – CMH Dedicated Reserves

(\$ millions)

DESCRIPTION	Projected Balance 31-Dec-18	Projected Balance 31-Dec-22
<b>DEDICATED RESERVES</b>		
Employee Development	2.0	1.1
Victim Assistance	0.02	0.02
Second Street S.E. - Remand Centre	0.1	0.1
Fleet Replacement	6.6	5.7
Art Acquisition	0.1	0.1
Infrastructure	9.5	6.7
Community Capital	5.5	5.2
Heritage Reserve	24.9	83.0
Tax Rate Stabilization	25.0	13.8
Natures Best	0.9	0.9
Gas Depletion	19.6	0.1
Electric Facility and Equipment	25.2	-
<b>TOTAL RESERVES</b>	<b>\$ 119.4</b>	<b>\$ 116.7</b>
<b>Unrestricted Surplus - NGPR</b>	<b>\$ 183.0</b>	<b>\$ 98.1</b>

# Land & Business Support Overview

- 1. Base Direction**
- 2. Capital Budget**
- 3. Operating Budget**

# Base Direction (L&BS)

## 1. Capital & Operating Budgets developed based upon 2019-2022 Business Plan

## 2. Business Plan built from:

- 2019-2022 Council Strategic Priorities
- 2014 Business Model
- Council Approved Policies
- L&BS Strategic Objectives set for Core Services:
  - Cost effective Land Dev't
  - Marketing & Sales
  - Property Management
  - Internal Real Estate Consulting
  - Business Support Functions
  - Staff Engagement, Safety & Succession Planning

# L&BS Capital Budget

## Key Development Nodes 2019-2022

- Residential:
  - Ranchlands 3C (**\$3.6M** added to existing \$12.5M approved)
  - Brier Run (included below)
- Commercial:
  - Airport North Node (**\$2M** added to existing \$2M approved)
  - Brier Run (**\$10M** added to existing \$5.5M approved)
- Industrial:
  - North West Industrial Phase 1 (**\$14M**)
- **Total New Projects Proposed: \$29.9M**

## Future: 2023-2028

- Residential: Riverwalk
- Commercial / Industrial: Airport East / Airport South / NW Industrial Ph2

# L&BS Operating Budget

## Key Assumptions:

- Business Support:
  - DDIP / CCDA / Other Contracted Services – remains @ ~\$1M/yr
  - Funding for Sport & Event Council – add \$75K/yr
  
- Sales:
  - Sales Projections considered by anticipated volumes and pricing in each category
  - R-LD – 40 lots in 2019; 50 per year thereafter
  - R-MD – at least one parcel each year
  - Commercial – 2 acres/yr at Airport
  - Industrial – Brier Run and NWIP sales start in 2021 @ 10 acres/yr

# L&BS Operating Budget

## Key Assumptions (cont'd):

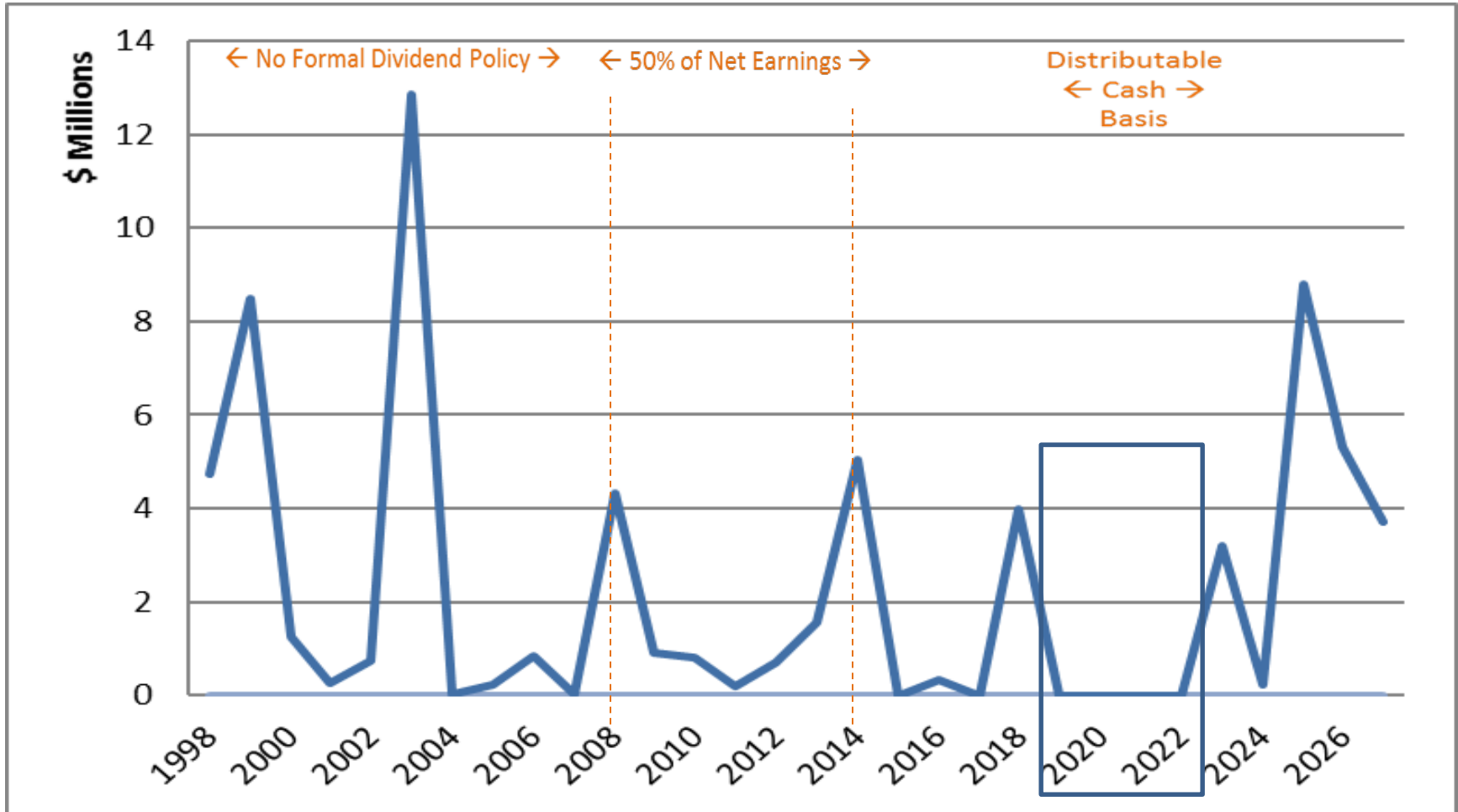
- Property Administration:
  - 2% inflation on Leases
  - No revenue from services to internal dep'ts
  
- Interest computed annually at year-end on any balance "due-to" General Fund and applied to following year
  
- Additional interim Temp Resources (1.4 FTE's) in 2019 & 2020 supporting:
  - Business Support, Marketing and Sales functions
  - Part of succession plan
  
- Other budget guidelines as per Corporate Finance direction

# L&BS Operating Budget Overview

\$Millions	2018 B	2019 B	2020 B	2021 B	2022 B	2023 F	2024 F	2025 F	2026 F	2027 F
<b>Total Rev's</b>	8.6	9.9	11.8	16.1	16.4	17.0	17.0	17.0	17.0	17.0
<b>Total Exp's</b>	7.4	8.2	10.6	14.5	14.8	15.6	15.6	15.6	15.6	15.6
<b>Net Earnings</b>	1.2	1.7	1.2	1.6	1.6	1.4	1.4	1.4	1.4	1.4
<b>Projected Dividend</b>	4.0	0	0	0	0	1.0	0	8.1	4.8	3.2
<b>Due (To) From General Fund</b>	0.7	(3.1)	(12.3)	(12.8)	(5.7)	0.7	0.5	0.8	0.8	0.8



# Land Contributions to Community Capital (Dividends)



**Average dividends 1998-2017 = \$2.2M/yr    Projected Average 2018-2027 = \$2.2M/yr**

# Conclusion

- ✓ Aligned plan with Council Strategic Priorities
- ✓ Met Council approved principles and assumptions
- ✓ Funded Asset Rehabilitation programs
- ✓ Assumptions built into budget left to solve & execute
- ✓ Achieved right balance for Medicine Hat:
  - facilities, amenities, programs and services
  - taxes & fees
- ✓ Preserved the “Medicine Hat Advantage”

# Recommendation

## That City Council Approves 2019-2022 Budgets:

- Municipal – Capital (TCA) and Major Operating Expenditures (MOE)
- Municipal – Operating
- Land & Business Support – Capital (TCA)
- Land & Business Support – Operating

End