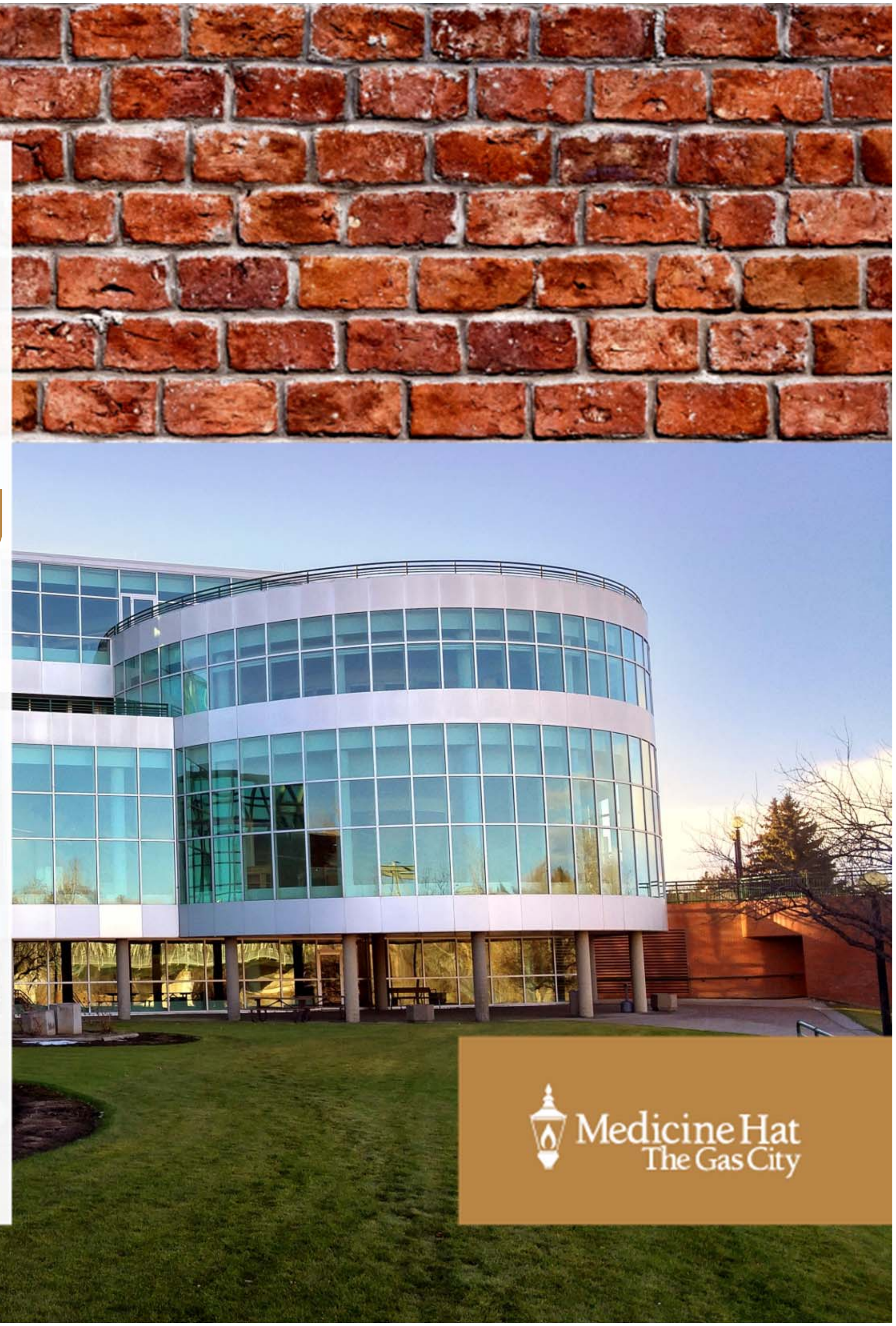
2017 – 2018
Tax Supported Capital & Operating Budgets



Presented to Council

Corporate Services Division
Finance
January 23, 2017

Medicine Hat
The Gas City

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%

	2017	2018
General Revenue Increase	4.0%	4.0%
Less: Assessment Growth	0.5%	0.5%
Net Tax Increase	3.5%	3.5%

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

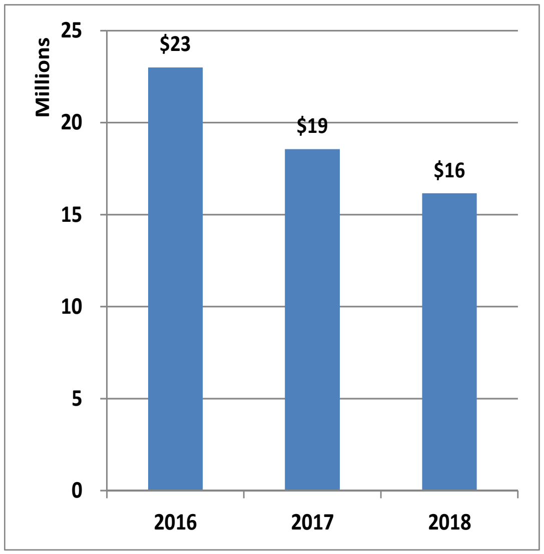
assumptions adopted by Council May 16

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

Not Approved

5. FINANCIALLY FIT RESULTS

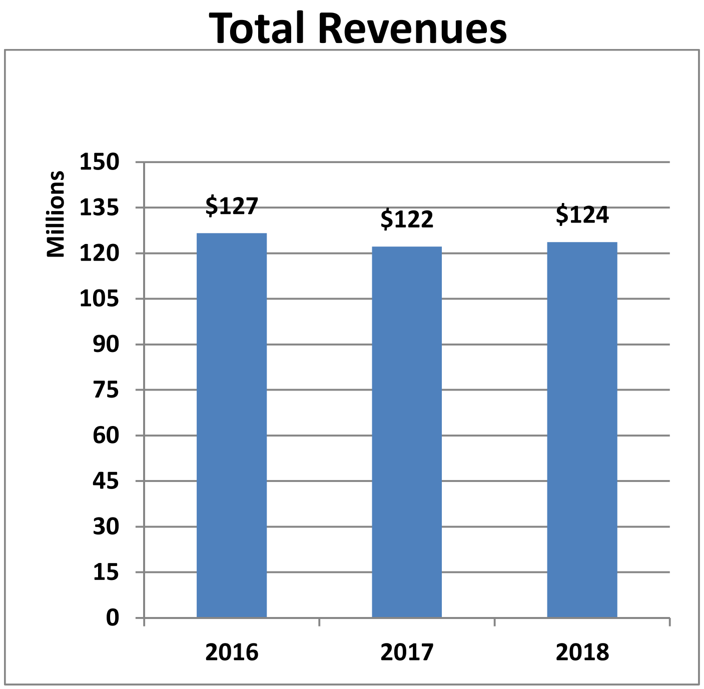
Transfer from Reserves



$7M TARGET

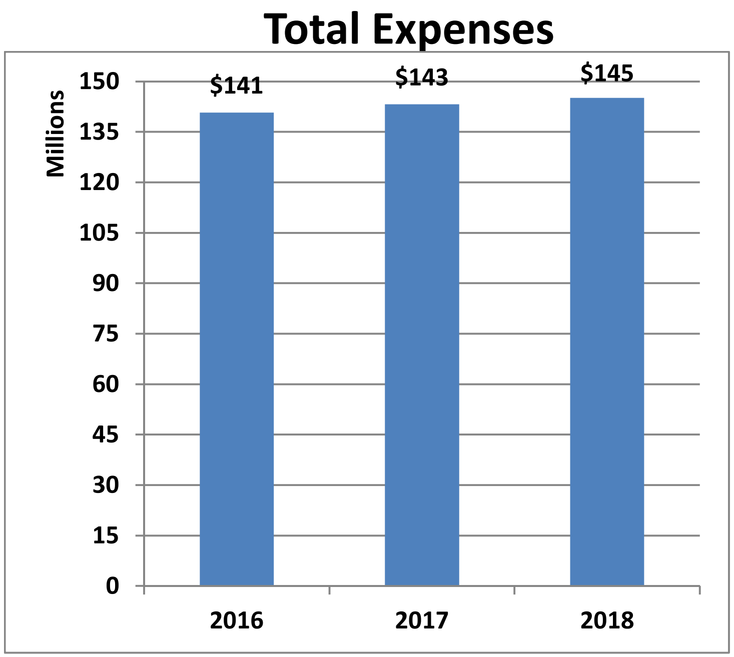
		2017 / 2018 (millions)
Tax Subsidy from Energy - December 31, 2016	**$**	**23.0**
FFI Adjustments		
ECRA (2%)		**(2.8)**
Cost Containment (2%)		**(1.4)**
Capacity Charge		**-**
Municipal Consent & Access Fee		**-**
Service Levels		**(1.0)**
User Fees		**(1.0)**
Other Adjustments		**(0.6)**
Total FFI Adjustments		**(6.8)**
Tax Subsidy from Energy - December 31, 2018	**$**	**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

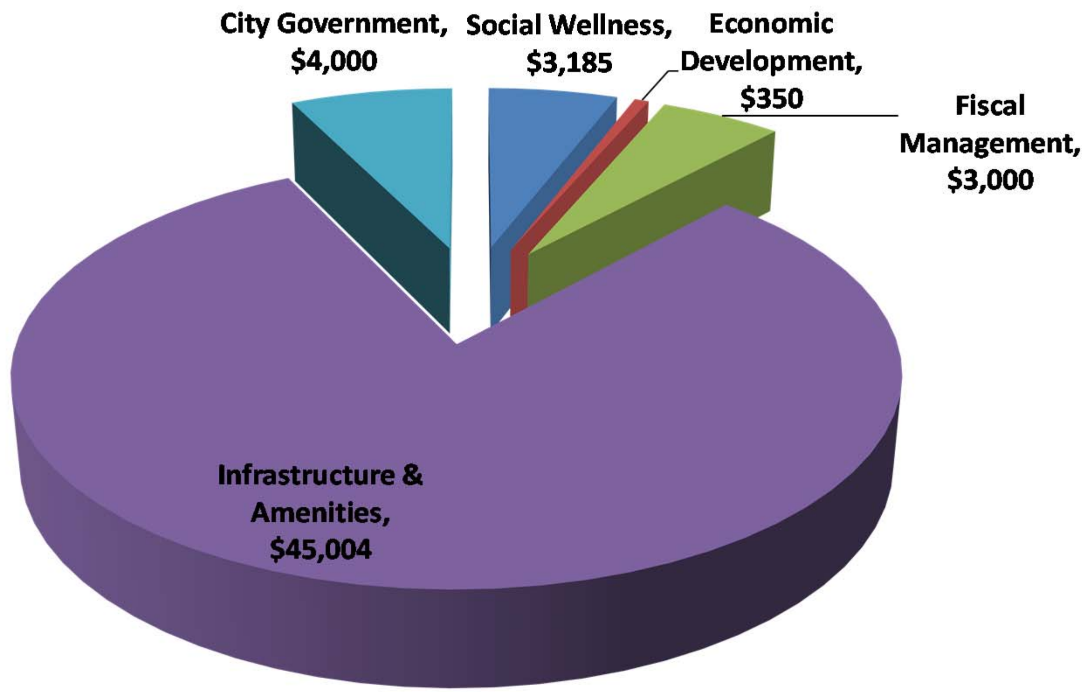
2017 Census & 2017 Election $0.3M
Council & CAO Contingencies $4.0M

2017/2018 TCA Budget

(In thousands of dollars)

Total of $55,539

$35,874 grant funded (65%)



Council Strategic Priorities:

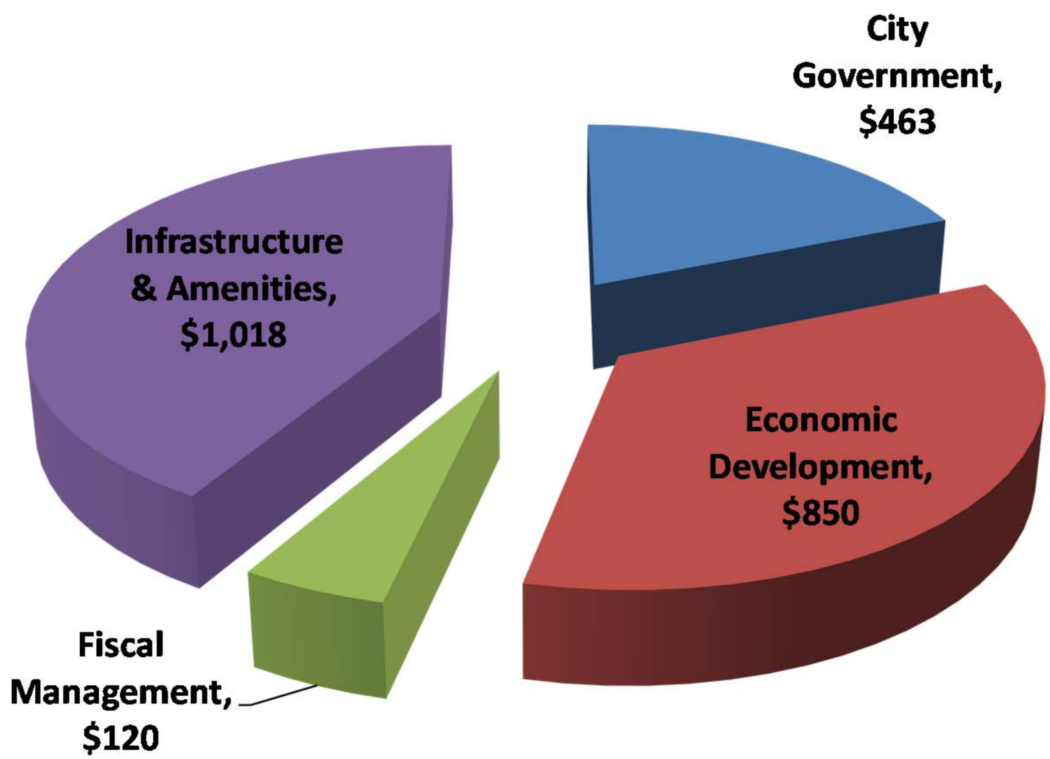
1. Economic Development
2. Infrastructure & Amenities
3. Social Wellness
4. Image & Profile
5. Fiscal Management
6. City Government

2017/2018 MOE Budget

(In thousands of dollars)

Total of $2,451

Operating funded (100%)



Council Strategic Priorities:

1. Economic Development
2. Infrastructure & Amenities
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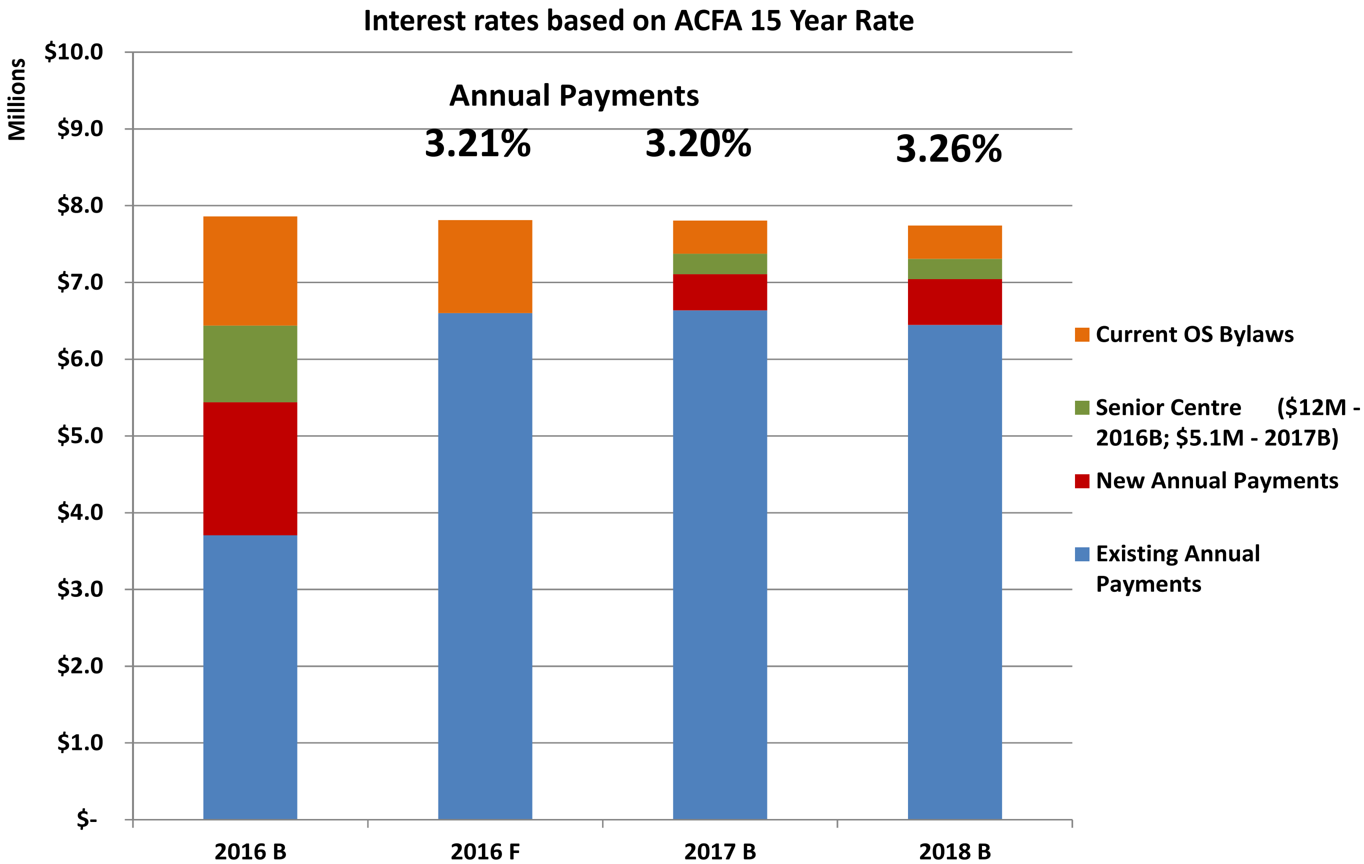
Debt Levels & Service Costs



	2016 B	2016 F	2017 B	2018 B
Tax Impact	1.9%	-0.1%	-0.1%	-0.1%
Total Debt	$70.8M	$62.9M	$60.9M	$51.6M

Treasury Holdings - Forecast

(in millions of dollars)

Major Reserves & Balances:	**Dec.31.2016**		**Dec.31.2018**
Electric Equipment Reserve	68	(40)	28
Gas Depletion Reserve	60	(32)	28
Community Capital	16	-	16
Fleet Replacement Reserve	5	(1)	4
Infrastructure Reserve	9	(2)	7
Unrestricted - NGPR	130	-	130
Committed Funds (working capital, approved capital, unspent grants)	212	-	212
TOTAL	**$ 500**	**$(75)**	**$ 425**

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