

Calgary

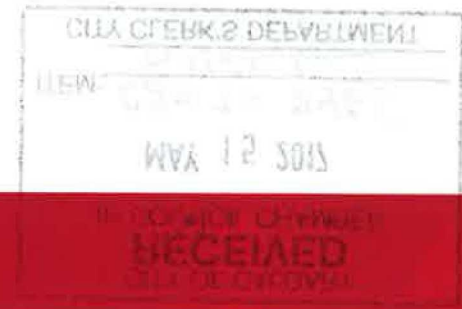


2018 Indicative Tax Rate

CITY OF CALGARY
RECEIVED
IN COUNCIL CHAMBER

MAY 15 2017

ITEM: C2017-0465
Distribution
CITY CLERK'S DEPARTMENT



Purpose

- Understand the starting point for 2018 (budget gap)
- Present the 2018 mitigation plan
- Information on Utility and Drainage rates
- **Decision** on indicative property tax rate for 2018

Guiding Principles for Setting the Tax Rate in 2018

- One City, One Voice
- Limit the impact on 2018 service delivery
- No new debt without identified repayment source
- No new tax increase for the operating costs of service delivery, except where warranted
 - Backing out growth where we can
 - Some growth projects still require operating (e.g. fire, library)
- No new tax increase for the operating costs of capital projects
- Manage bow wave* in 2018 and beyond

* Bow wave refers to the impact created by funding base expenditures through one-time sources. It has also been used to refer to the impact to citizens in the year subsequent to a one-time rebate .

Previous Council Direction

2017 Tax Rate (2016 June 27 & 2016 November 21)

- Approve a tax rate increase of 1.5 per cent for 2017 with a one-time rebate of 1.5 percent funded from the FSR, for a net increase of 0 per cent for 2017
- Administration's interpretation:
 - 1.5% (\$24M) increase is in base revenues and operating expenditures
 - Impact of the 2017 tax increase is deferred until 2018
 - 2017 – FSR rebate = 1.5% (\$24M)
 - 2018 – FSR rebate = 0 (revenues and expenditures still in the base)
- No Council direction to find base solutions for the one-time rebate

Previous Council Direction

2017 Tax Room (2017 April 10)

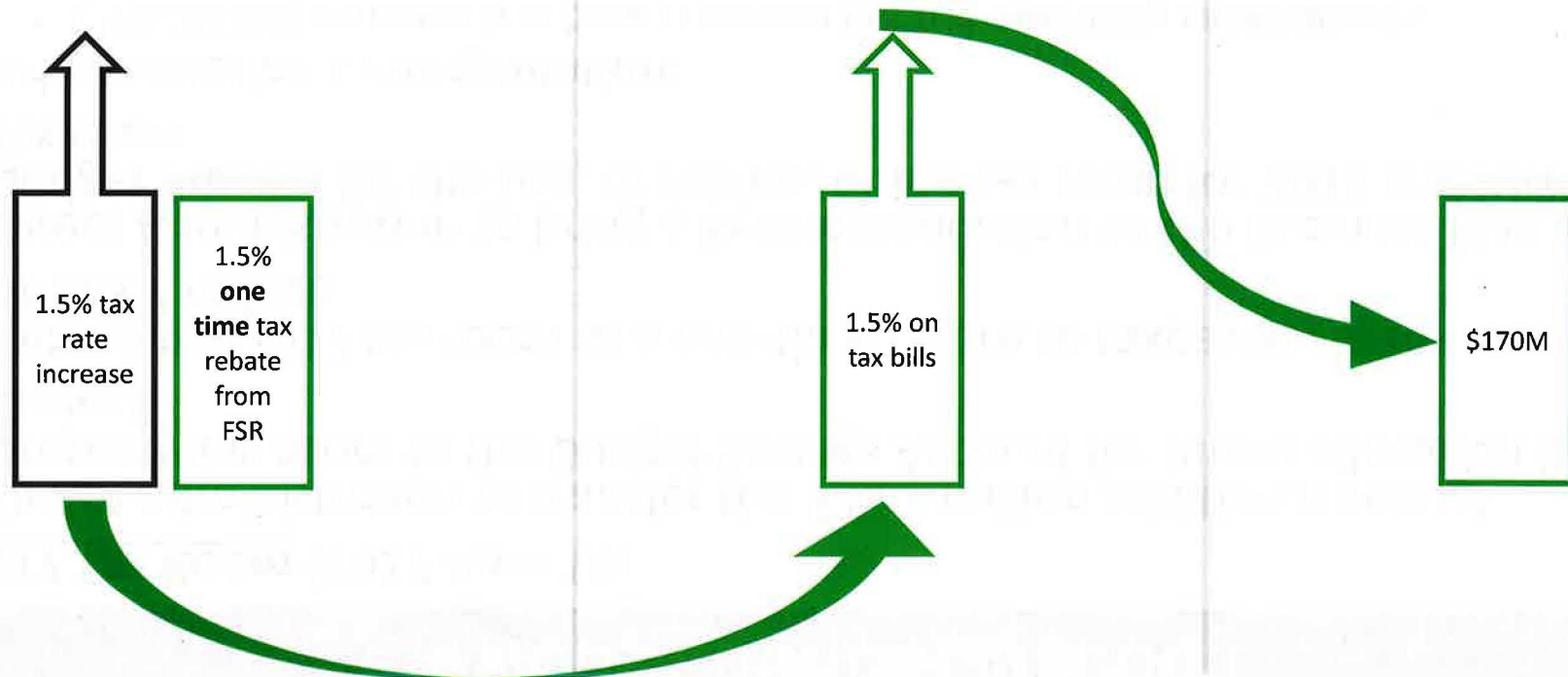
- Direct Administration to transfer the \$23.7 million additional annual property tax room to the Budget Savings Account for future allocation by Council
- Rebate the 2017 tax room as a one-time return to taxpayers, in the amount of \$23.7 million
- Direct Administration to bring a Recommendation to the Business Plan and Budget Process for the use, or rebate, of the tax room for 2018 and further tax years
- Administration's interpretation:
 - 1.5% (\$24M) increase is in base revenues but not operating expenditures
 - Impact of the 2017 tax increase is deferred until 2018
 - 2017 – Tax room rebate = 1.4% (\$23.7M)
 - 2018 – Tax room rebate = no decision required of Council until 2017 November
- Administration will return in November with a recommendation

Previous Council Direction - Municipal Tax Rate

2017 Tax Rate Decisions

2018 Taxpayer Impact

2018 Budget Gap

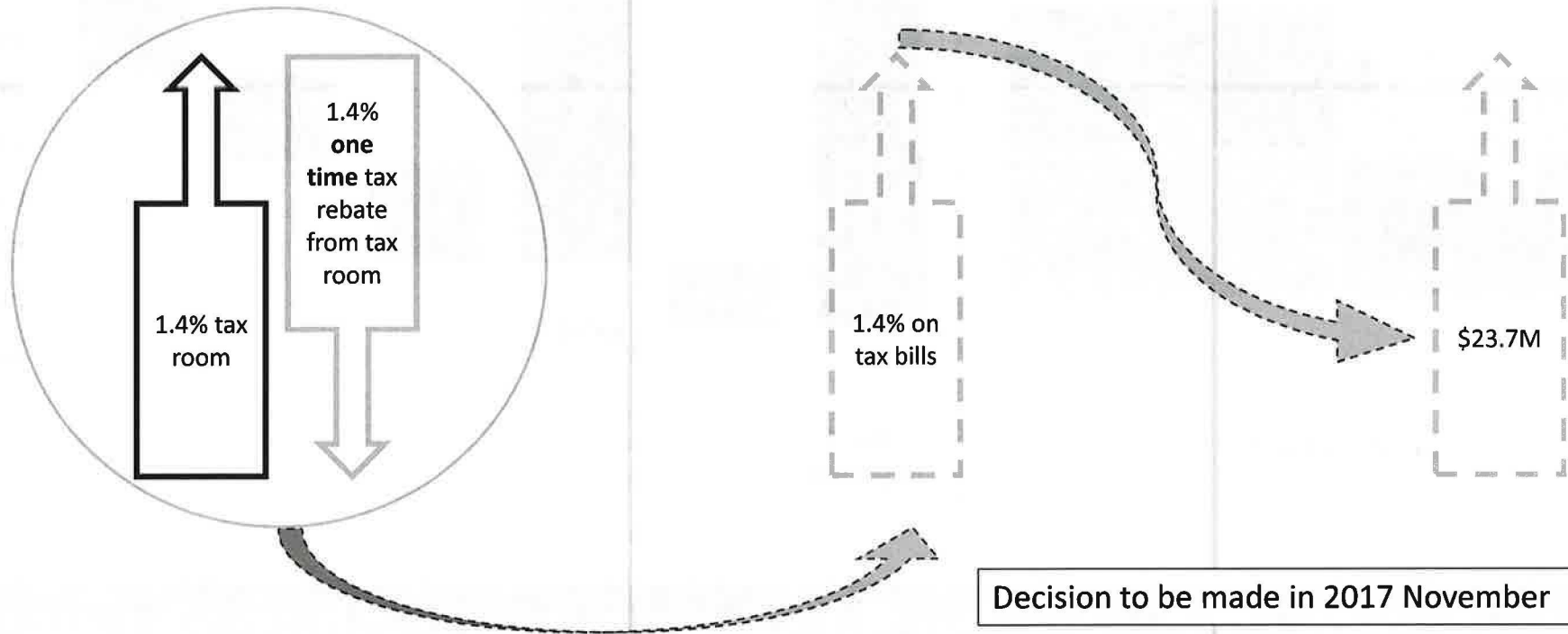


Previous Council Direction – Tax Room

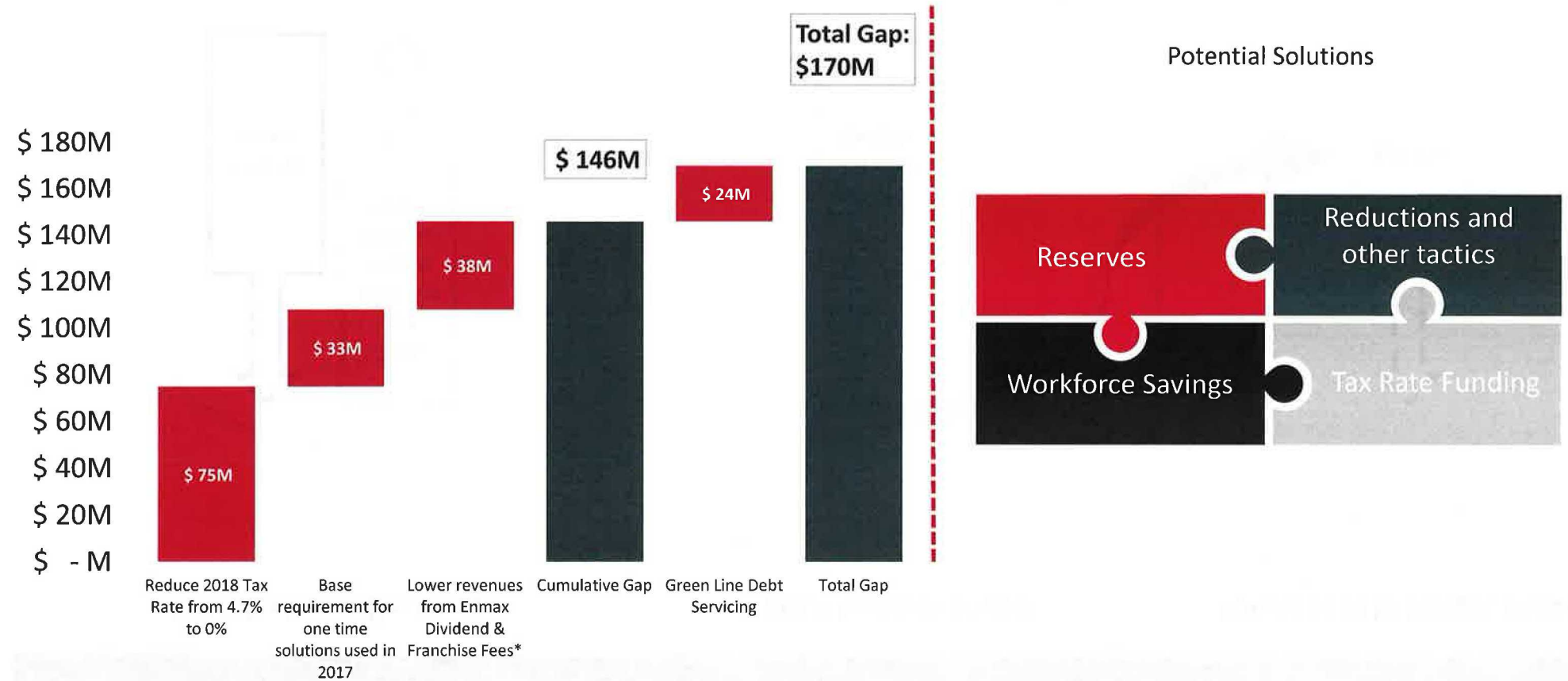
2017 Tax Room Decisions

2018 Taxpayer Impact

Potential 2018 Budget Impact



2018 Tax Supported Operating Budget Gap to 0% - \$170M



2018 Operating Budget Gap to 0% - \$170M

**Recommended Solution -
\$32M**

2% Tax Rate Increase

**Other Potential Solutions - \$138M
(Detail in November)**

Reductions and other tactics

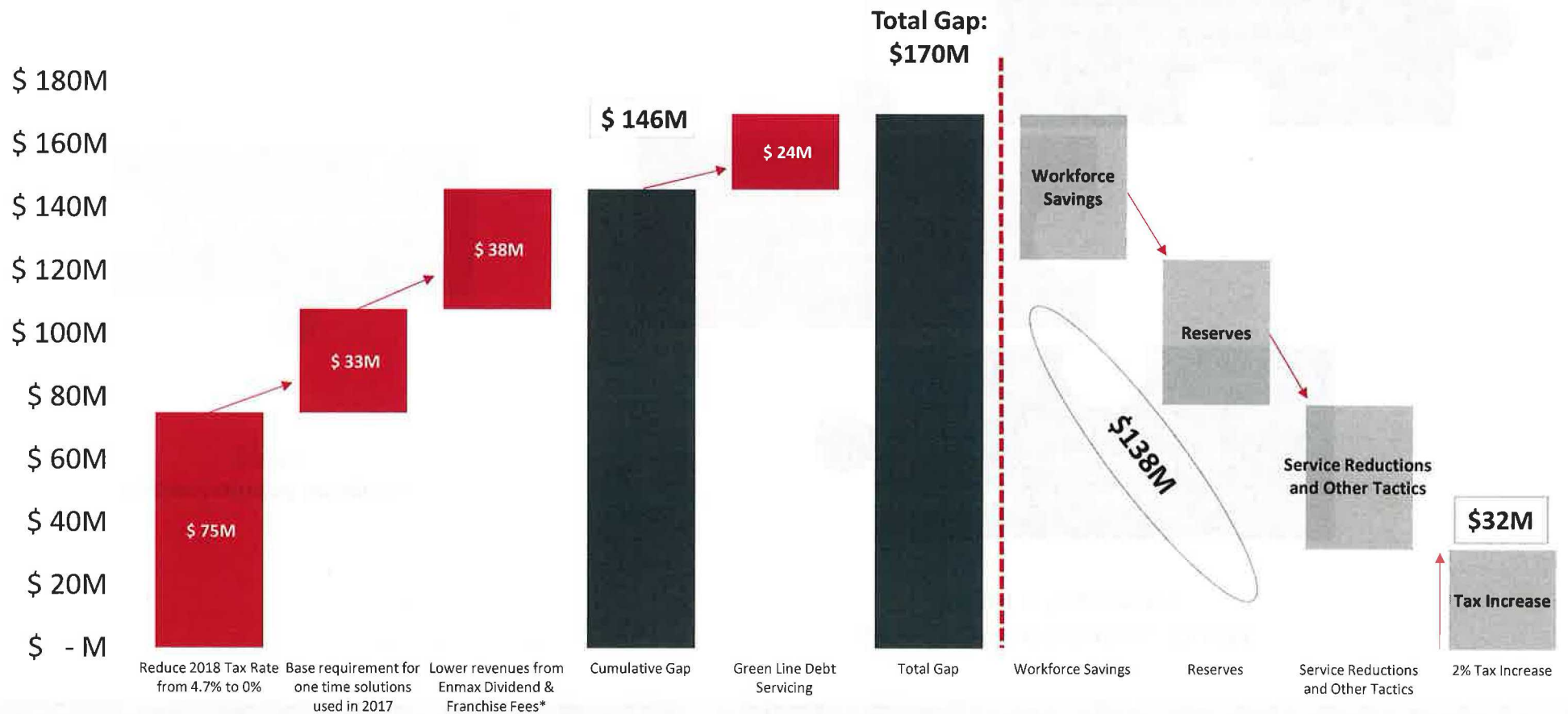
- Service reductions
- Manageable Costs

Enmax Dividend
Stabilization Reserve

Workforce Savings

- Workforce Planning Project
- Previous base labour savings
- 2018 Labour Savings

2018 Operating Budget Gap to 0% - \$170M



Utilities

- Water Utility is experiencing a shortfall in revenue due to significantly less development taking place in 2016 than anticipated
 - lower off-site levies being paid to the utility
- Development expected to be considerably less than previously forecast for an extended period of time
- 2018 Utility and Drainage rate increases as per MCA
 - Utility = 2.5%
 - Drainage = 7.4%

Utilities

- Pressures will push 2019-2022 increases higher
- Financial policy compliance maintained
- OSL shortfall mitigated in Utility rates
- Less than 100% recovery of growth costs from development industry

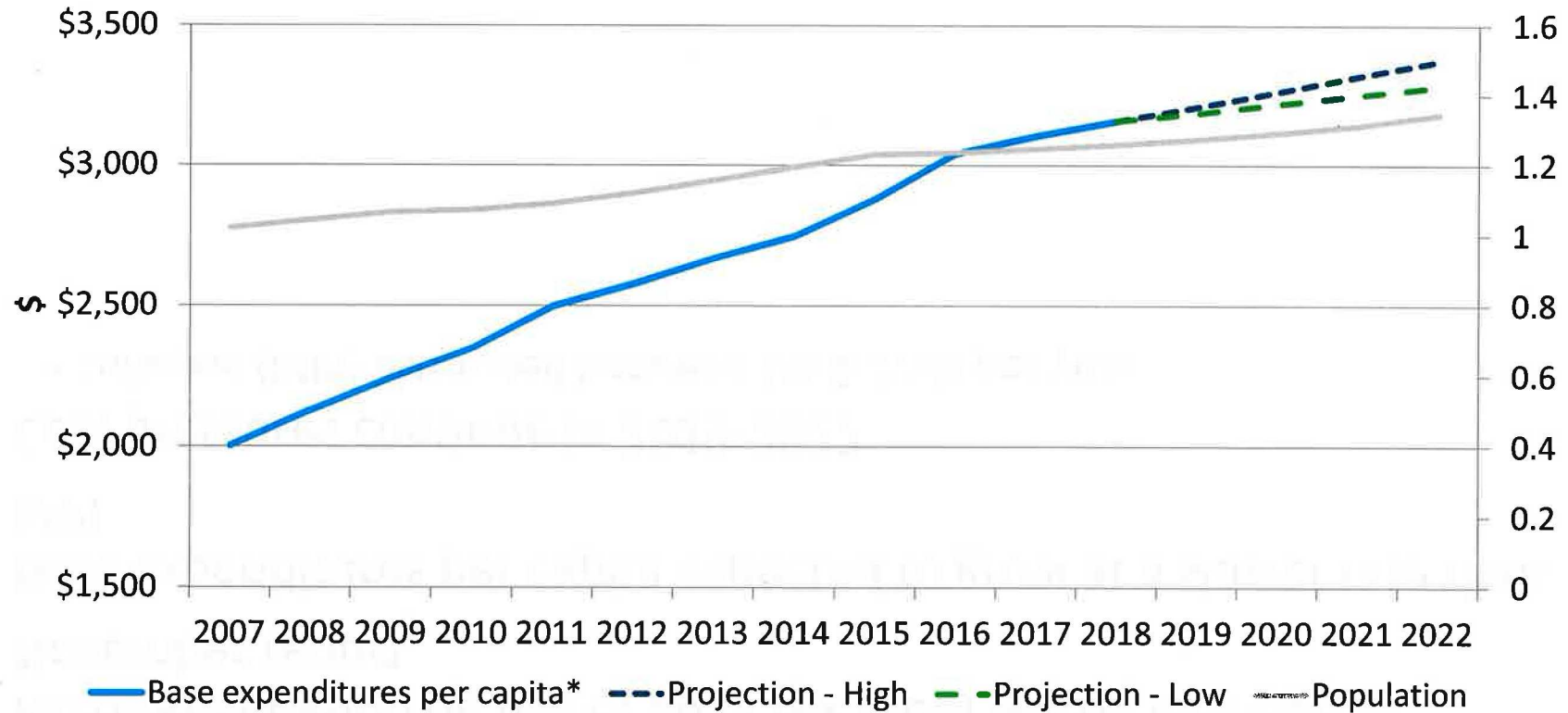
	2017/18 Approved at MCA	2019- 2022 Indicated at MCA	Current 2019- 2022 Indicated (REVISED)
Utility rate increases	2.5 % per year	2.5 – 3.5 % per year	4 – 5 % per year*
Drainage increases	7.4 % per year	Approx. 7.5 - 8.5 % per year	Unchanged from MCA

* can examine opportunities to reduce this with financial policy revisions

Other information

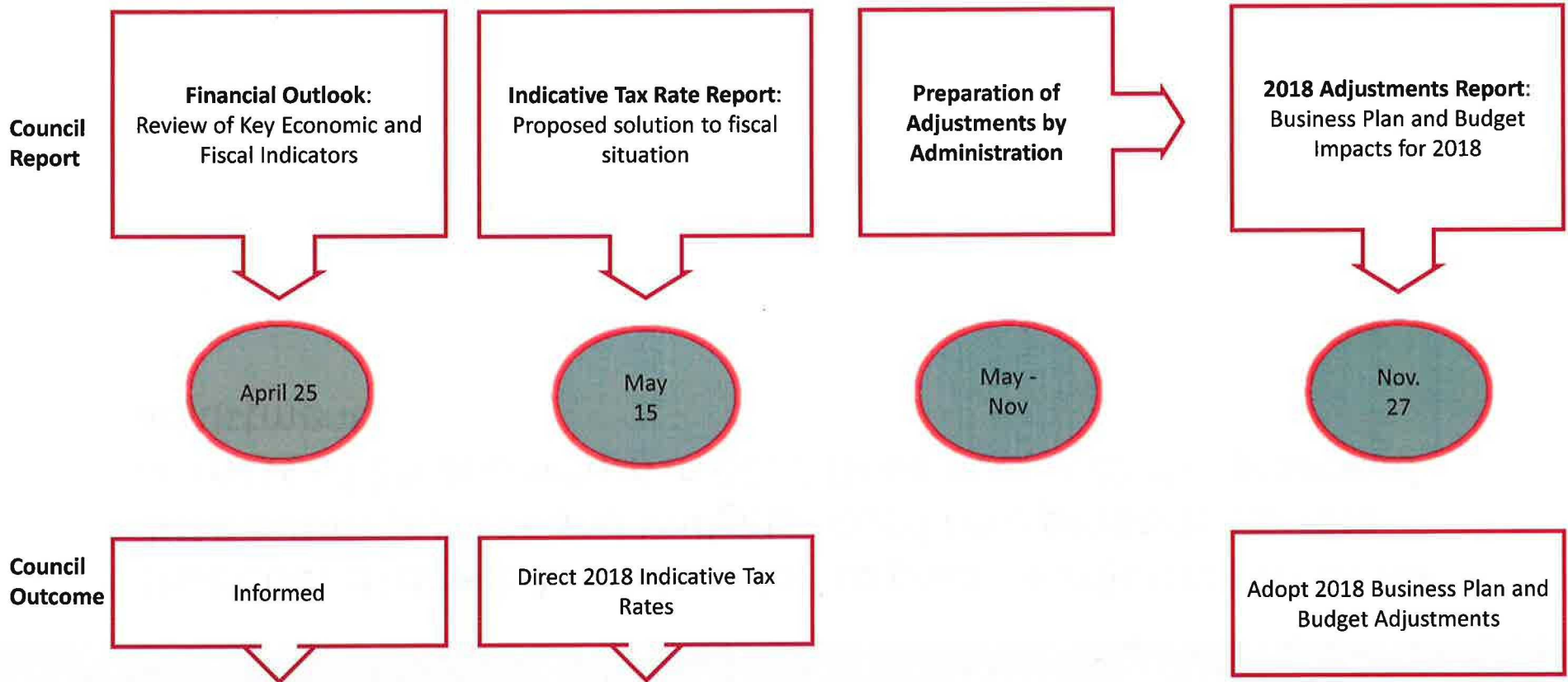
- Recommendation on use of 2017 tax room will be included in November report
- Base expenditures per capita expected to grow at a slower rate than MPI
- Cost pressures continue in 2019-2022
 - Inflation (MPI) estimated between 1% & 2.5% per year

Other information



*2018 based on 2% tax rate increase

2018 Adjustment Process



Recommendation

- That Council direct Administration to prepare adjustments to the 2018 business plans and budgets based on a property tax rate increase of 2% and return in 2017 November with the proposed adjustments.