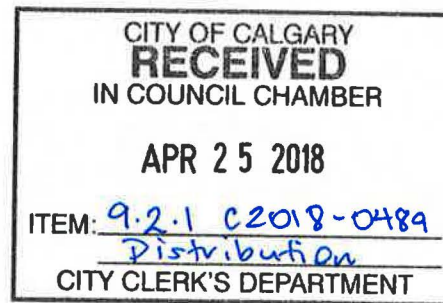


# **C2018-0489 One Calgary: Setting Indicative Rates for 2019-2022**

Strategic Meeting of Council  
April 25, 2018



# Making **life** better every day.

*Better serving citizens, communities and customers in a collaborative and integrated way is what **One Calgary** is all about*



*Together we will develop plans and budgets for 2019-2022 that deliver on what is most important to Calgarians*



## Previously on One Calgary...



**... and coming up next**

## Where we are at in the One Calgary journey

**Nov/Dec 2017**  
Understand  
community  
aspirations and  
expectations



**Jan/Feb 2018**  
Approve  
Council  
Priorities and  
Directives



**Feb 2018**  
Approve the  
"Three  
Conversations,  
One Calgary"  
framework



**March 2018**  
Receive  
financial outlook  
and existing  
public input



**April 2018  
(PFC)**  
Approve The  
City's Strategic  
Plan principles



**April 2018**  
Set indicative tax  
rates and  
indicative rates  
for utility services

**TODAY**



**May 2018**  
Receive results  
of new public  
input, set long-  
term user fee  
recovery rates,  
agree on  
efficiency  
strategy and get  
update on capital  
outlook



**June/July 2018**  
Strategic  
conversations  
on key issues to  
inform Service  
Plans and  
Budgets



**Sept 2018**  
Preview of  
Service Plans  
and Budgets



**Nov 2018**  
Deliberate on  
2019-2022  
Service Plans  
and Budgets

## One Calgary at Strategic Council Meetings April until November 2018



- Means



- Demonstration



- Final Ingredients



- Service Delivery Expectations



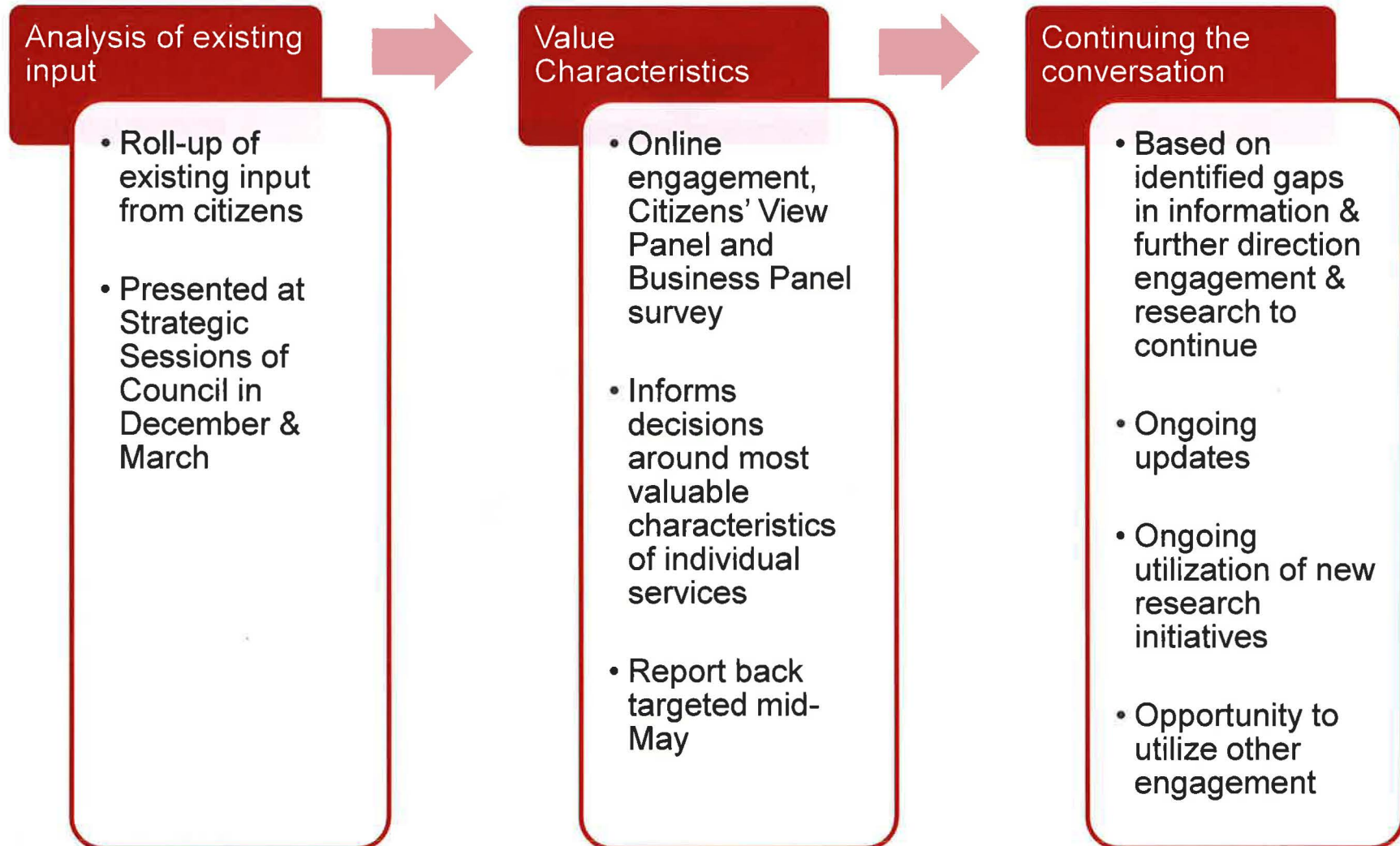
- Sharpen focus



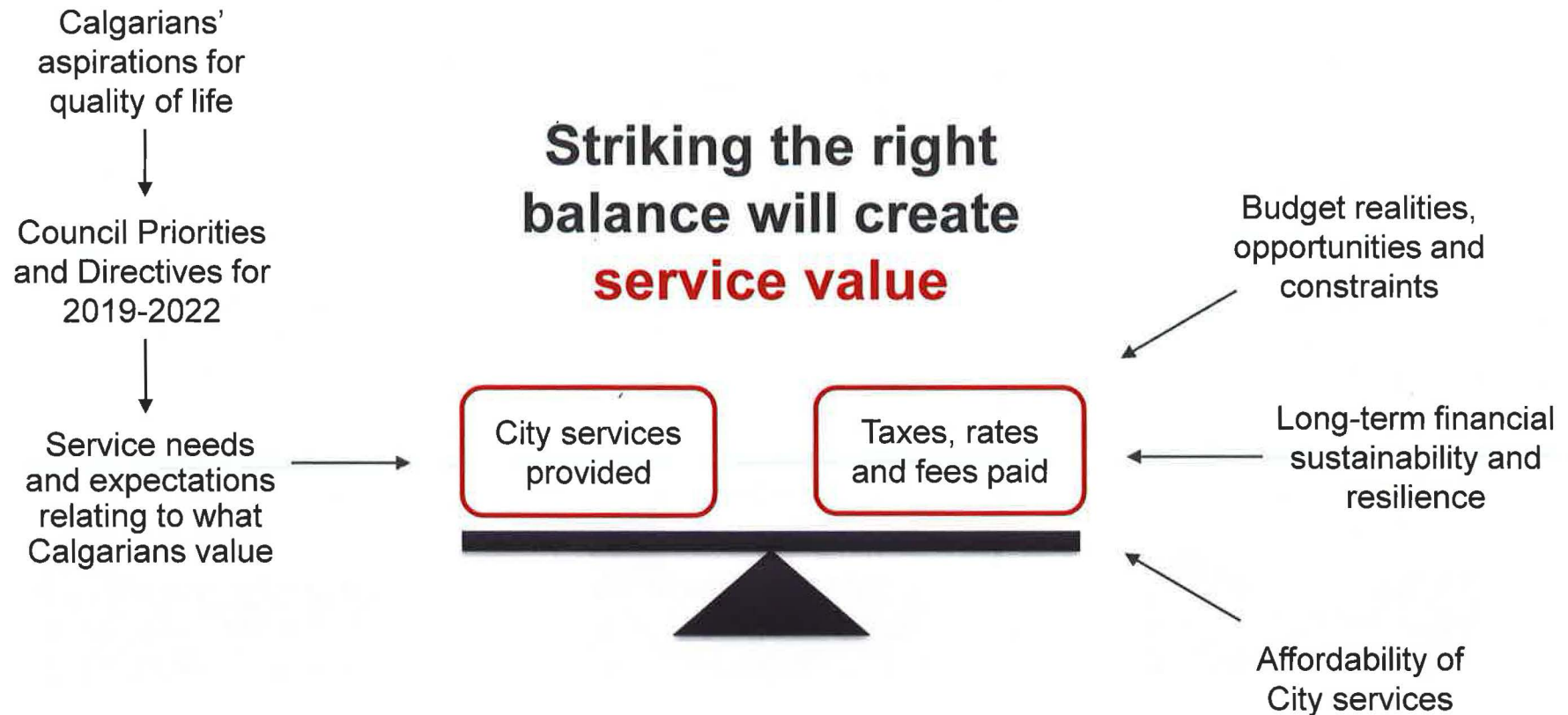
- Service Plans and Budgets Deliberations



# Update on One Calgary Public Engagement



# The challenge: to develop plans and budgets that balance service levels and financial realities



## Council approved a set of five Strategic Plan Principles

**Vision:** Address citizen needs and long-term quality of life aspirations.



**Value:** Focus on what matters most to citizens and customers and maximise their value for City services.

**Strategy:** Use a Council-driven and corporately integrated approach to planning for service delivery.

**Accountability:** Monitor the value generated through services by using performance measures and reporting.

**Continuous Improvement:** Seek to improve services and processes and adjust on an ongoing basis.

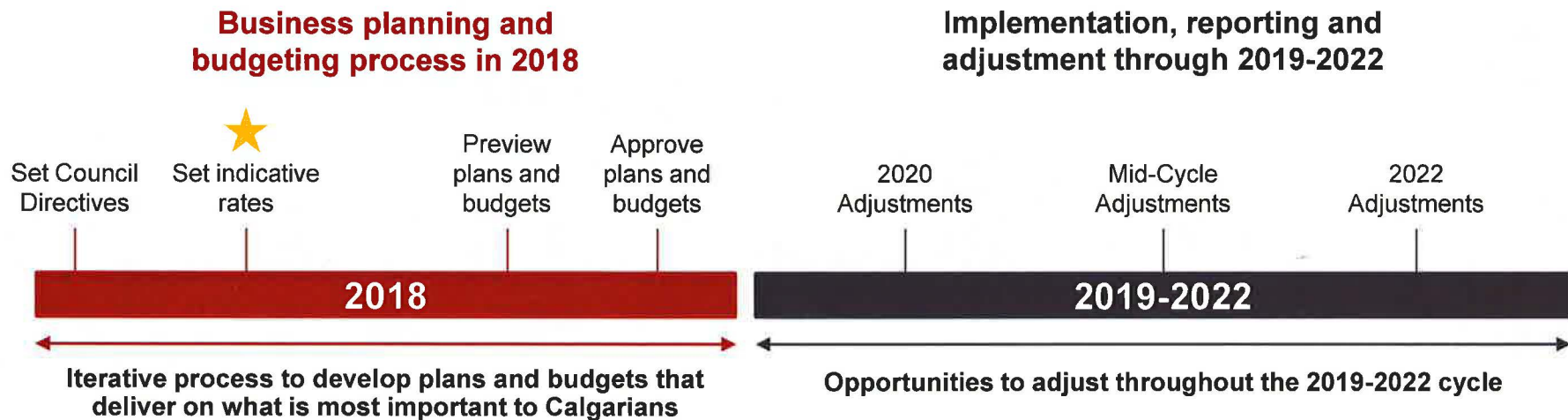
*Approved by Council on 2018 April 23 (PFC2018-0445)*

## Why setting indicative rates early is important

C2018-0489

- Provides an **indication** of available tax revenue for Administration
- Allows more time for Council in May, June and July to discuss key topics or issues that will inform deliberations in November 2018
- Provides time for Administration to build the 2019-2022 service plans and budgets in a cohesive and integrated way
- Setting indicative rates will also determine the extent and depth of other solution strategies Administration will develop

## Today's conversation will set some preliminary boundaries to inform draft plans and budgets



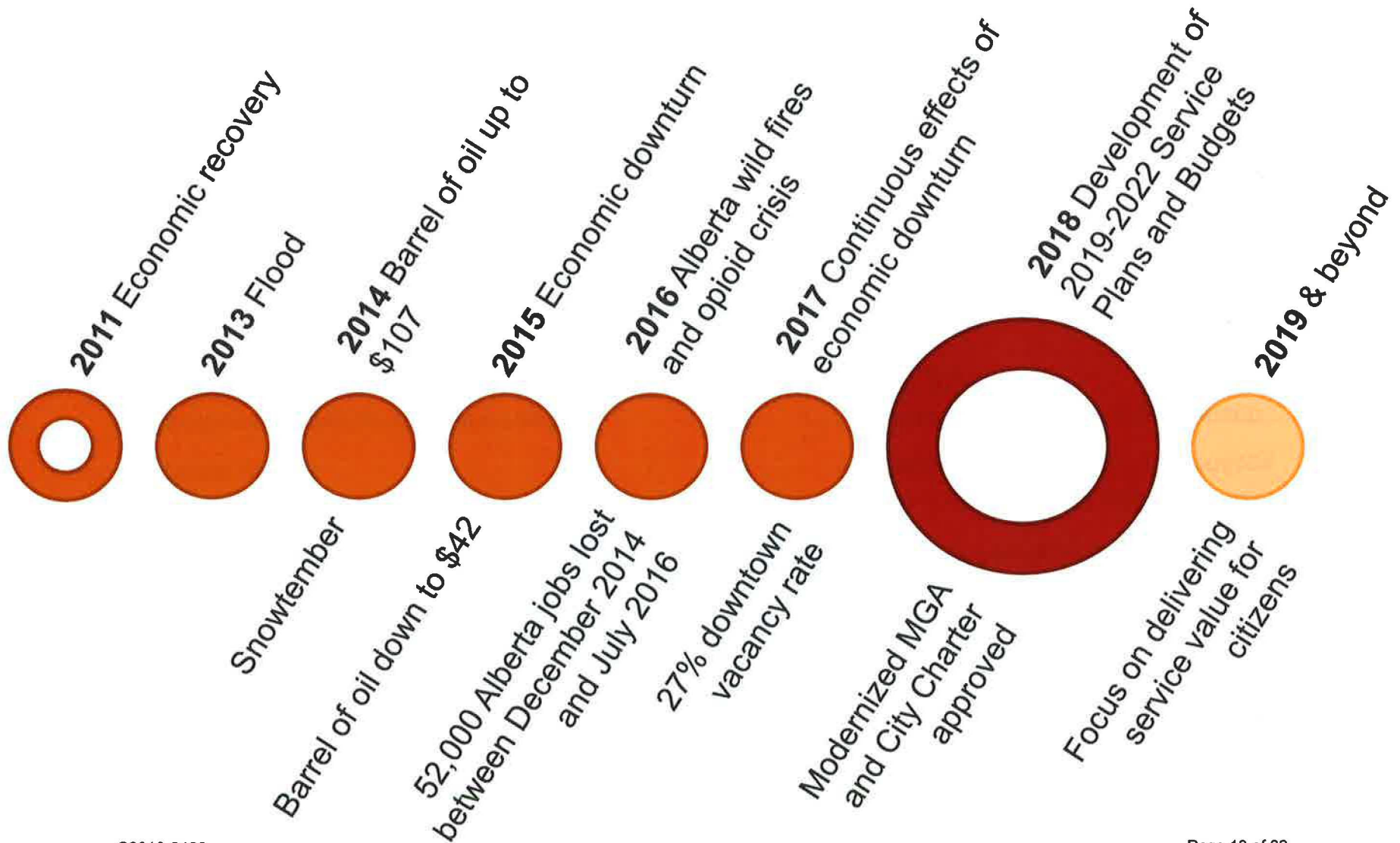
This will enable Administration to draft plans and budgets that are:

- **Aligned** with Council's Directives and expectations
- **Affordable** based on our current financial reality

## Looking Back: Responding to Challenges in 2015-2018



## Calgary has been resilient in the face of stresses and shocks



## The organization responded to significant challenges in 2015-2018



### Demand for Services

- Fluctuating population growth and service volume growth
- Continued expectations to maintain or increase service levels



### Financial Pressures

- Higher unemployment and reduced ability for Calgarians to pay for City services
- Reduced revenues and a significant budget gap

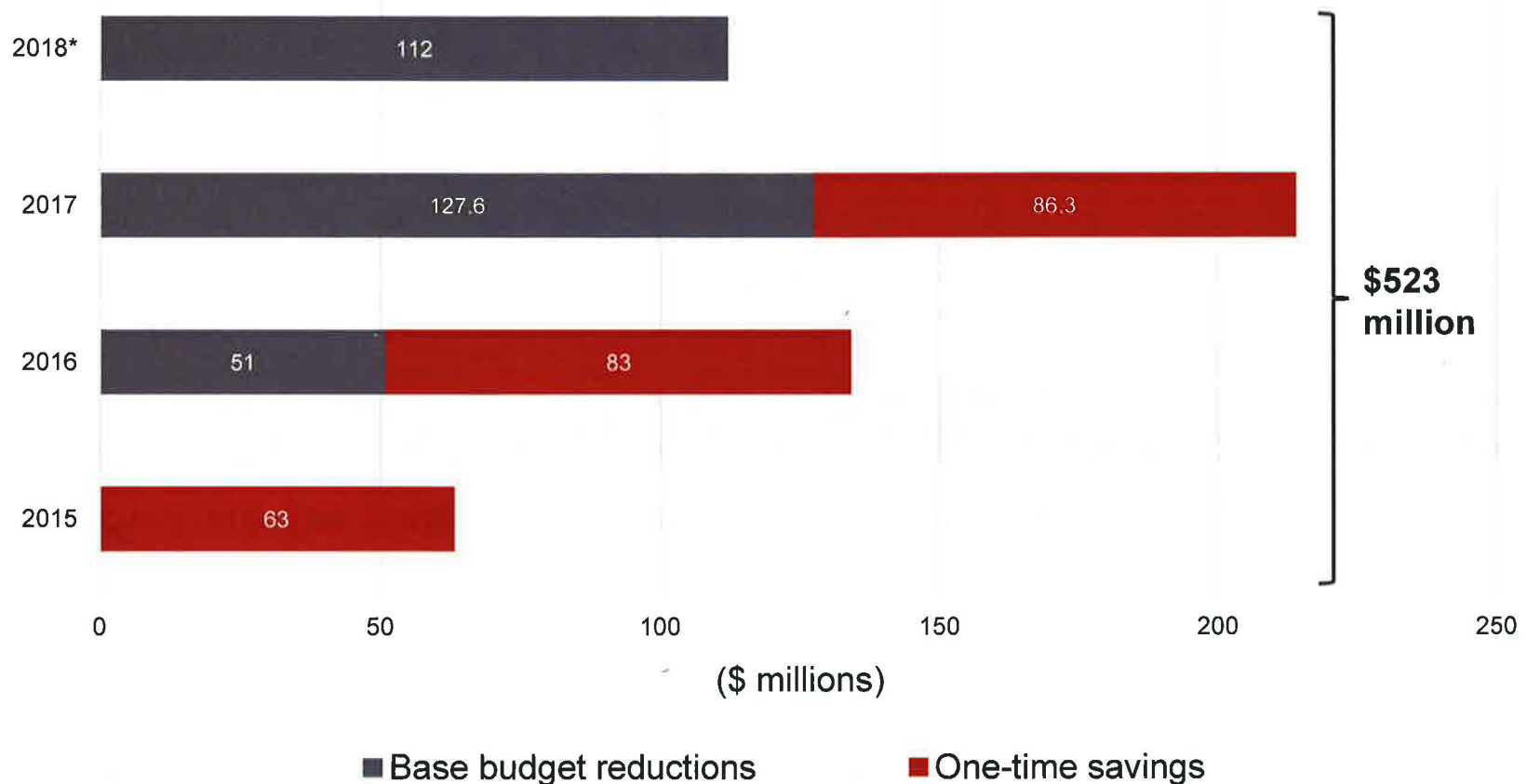
### How we Responded



- Increased emphasis on service efficiency
- Established the Budget Savings Account to incentivize cost savings
- Managed costs (including intentional management of the workforce and reduced increase in pay for exempt employees)
- Implemented some service reductions prioritizing those with the least harm
- Made targeted investments based on service need, including additional support for Calgarians most impacted by the economic downturn

**We achieved a total of \$523 million in cost reductions.**

**Cost Reductions in 2015-2018**



## This enabled The City to maintain affordability of services for Calgarians

### Indicative Tax Rate Approved in 2014 Compared to Actuals

	2015	2016	2017	2018
Tax Rate Approved in Nov. 2014	4.5%	4.7%	4.7%	4.7%
Actual Approved Tax Rate	4.5%	3.5%	2.9%	0.9%

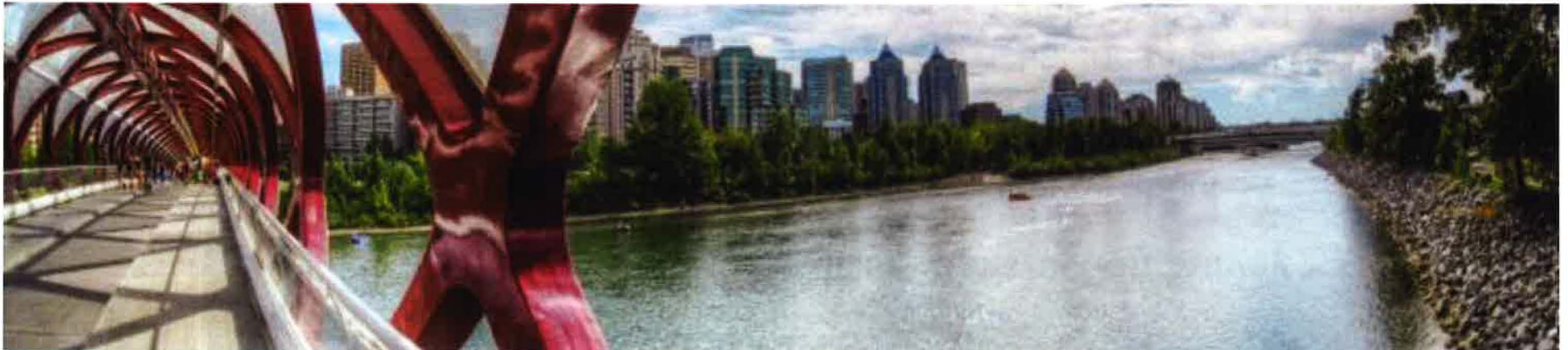
**Taxpayers felt  
0%**

(one-time rebate  
in 2017)

**Taxpayers felt  
an increase of  
3.8%**

(0.9% + 2.9%  
one-time rebate  
from 2017)

## Looking Ahead to 2019-2022



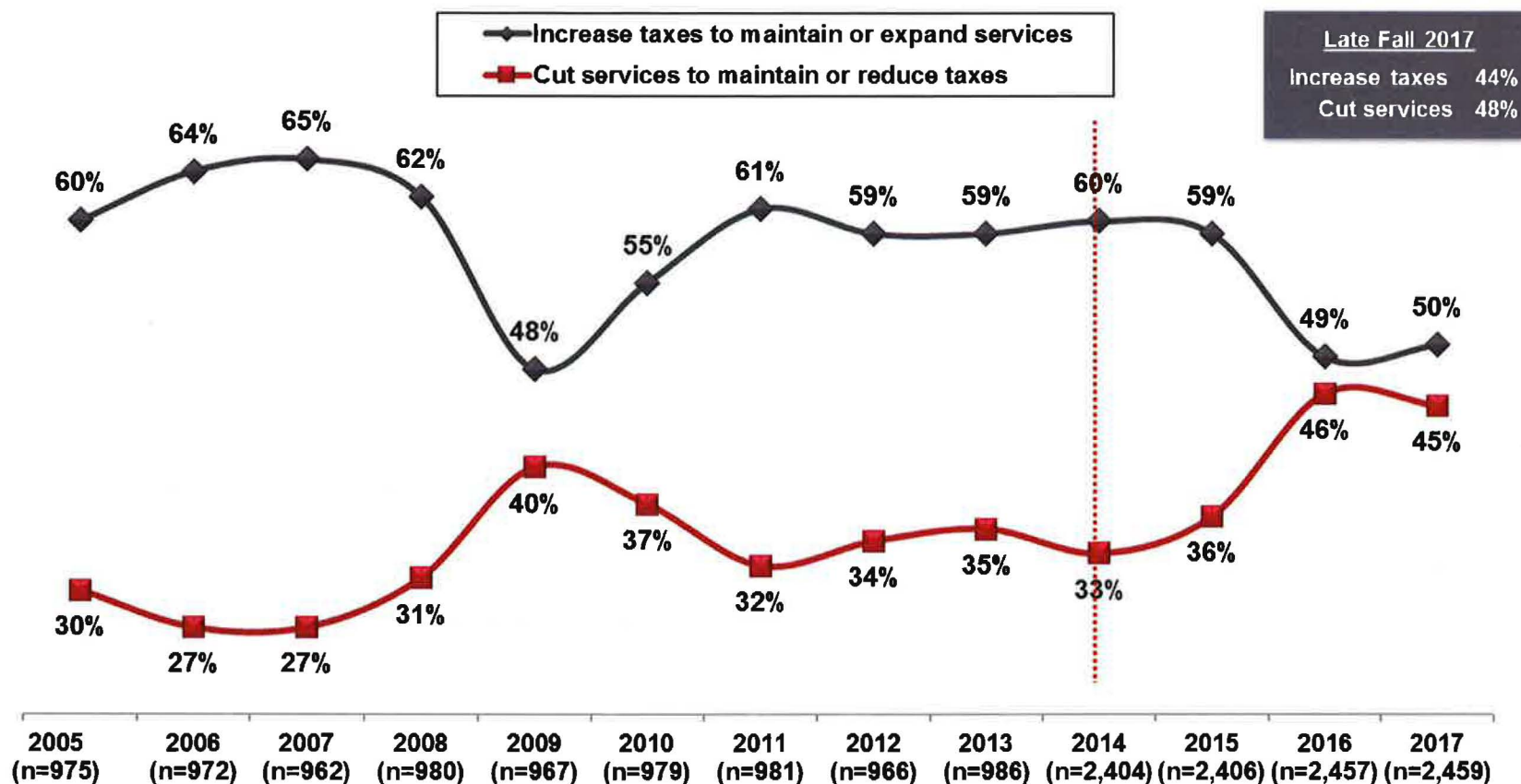
## Going forward, Calgarians are likely to expect the same or higher levels of service



### 2017 Citizen Satisfaction Survey

- We asked Calgarians about 34 different City services
- For all 34 services, the majority of respondents thought The City should invest the same amount or more
- For 31 of 34 services, **at least 85%** of respondents wanted to see the same or more investment

## Calgarians are split on their support for increased taxes to maintain or increase service levels



*"Municipal property taxes are the primary way to pay for services and programs provided by The City of Calgary. Due to the increased cost of maintaining current service levels and infrastructure, The City must balance taxation and service delivery levels. To deal with this situation, which of the following four options would you most like The City to pursue?"*

## Population growth will increase in 2019-2022, but still slower than before the downturn

### Economic Projections (April 2018)

Socio-Economic Indicator	2018	2019	2020	2021	2022	Trend
Population (000s)	1,259	1,272	1,285	1,303	1,323	↑
Population Growth (%)	0.9	1.0	1.1	1.4	1.4	↑
Housing Starts (000s)	4.4	4.1	5.9	8.0	9.6	↑
Unemployment Rate (%)	7.8	7.3	6.6	6.3	5.9	↓

## We currently have 27 actively developing communities with land use approved

	Direct annual operating costs (\$ millions)				
	<i>Incremental Addition</i>				
	2019	2020	2021	2022	2023+
<b>Current Communities:</b>					
27 Actively Developing Communities	\$13	\$6	\$4	\$5	\$44
Cumulative annual operating costs	\$13	\$19	\$23	\$28	\$72*

- Total estimated operating cost obligations in Calgary's current developing communities (2018 dollars)
- Annual figures are incremental additions to reflect the costs of delivering services to developing areas
- Include amounts for direct service delivery in the community, such as snow & ice clearing, street cleaning, parks maintenance and transit service.
- Does not include services delivered regionally or city wide, such as 311 services

C2018-0489

ISC: UNRESTRICTED

Page 21 of 62

\*Estimated direct annual operating costs at build out.

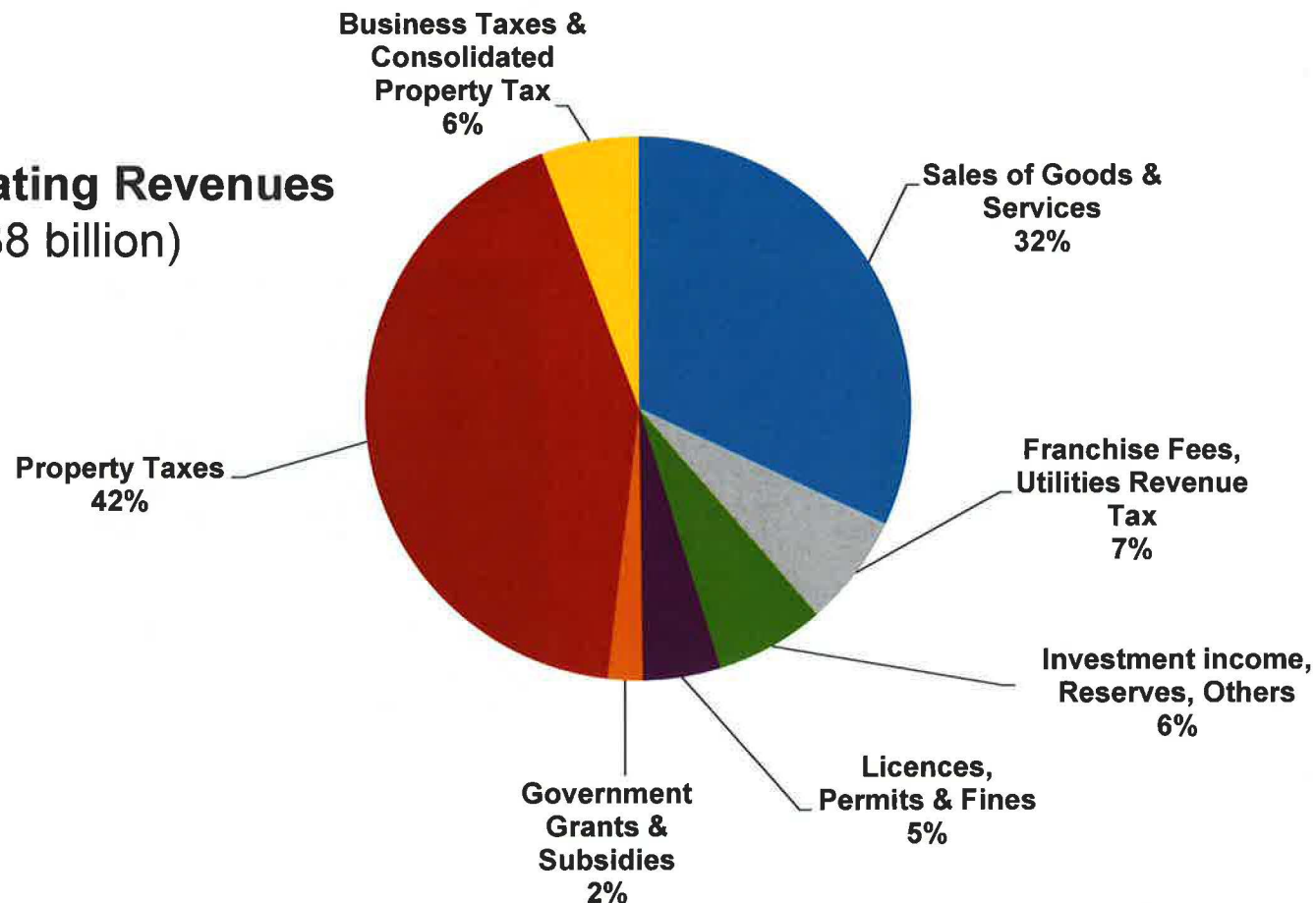
## We currently have 27 actively developing communities with land use approved

	Capital costs to complete communities (\$ millions)		
	Total	2019 – 2022	2023+
<b>Current Communities:</b>			
27 Actively Developing Communities	\$980	\$182	\$798
City funded portion	\$373	\$71	\$302
Developer portion funded by off-site levies	\$607	\$111	\$496

- Total estimated capital cost obligations in Calgary's current developing communities (2018 dollars)

## Less than half of The City's revenue comes from property taxes

### 2018 Operating Revenues (Total \$3.838 billion)

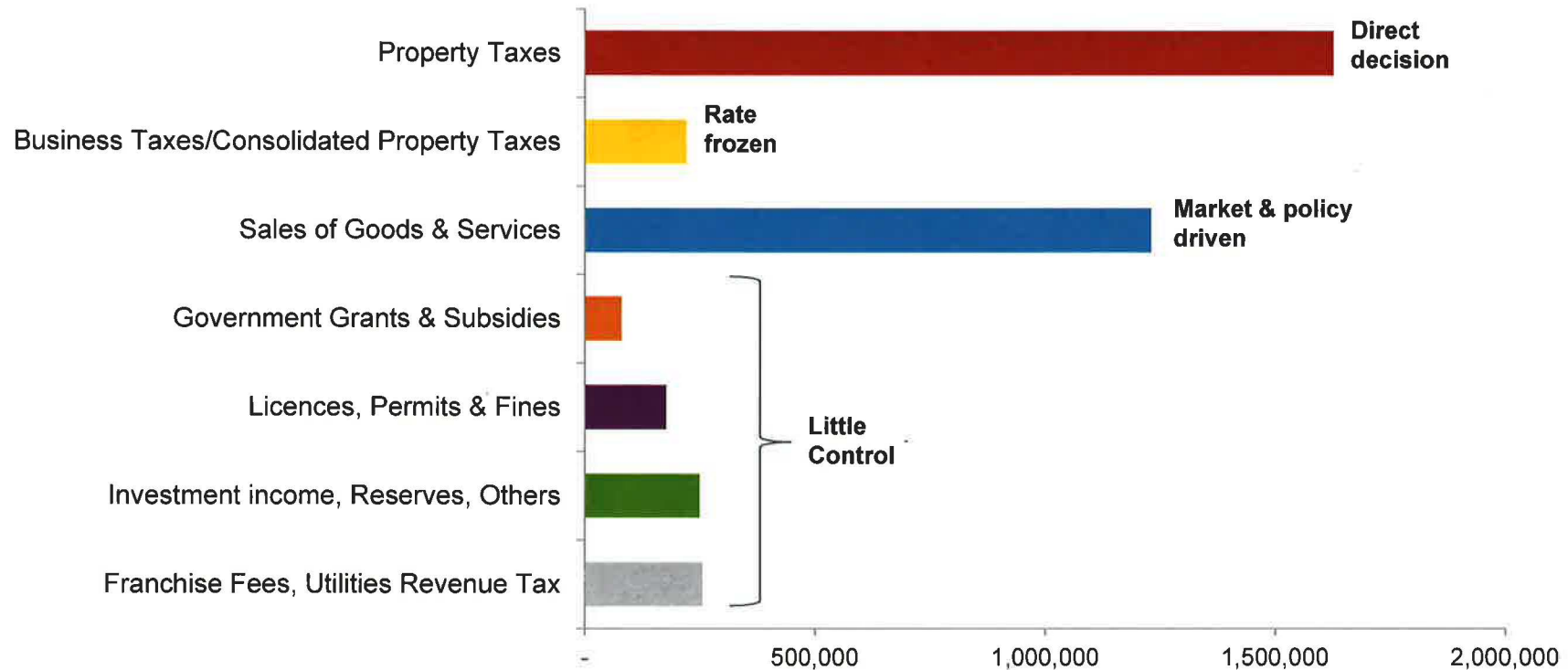


# The structure of revenue and expenditures is a challenge

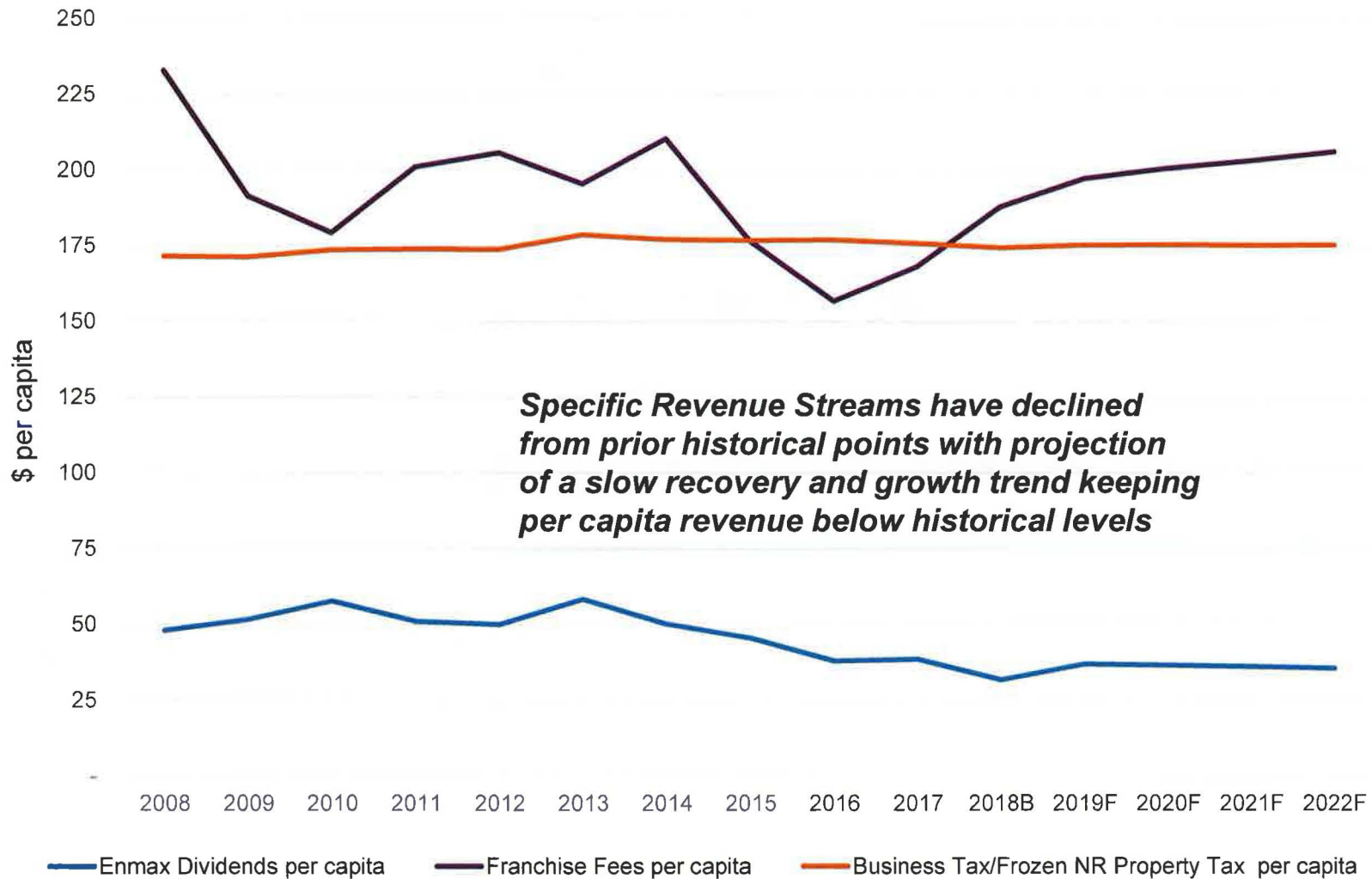


## We have little control over many of our revenue sources

### 2018 Operating Revenues (Total \$3.838 billion)



## Non-tax revenue sources are not keeping pace



## The increasing cost of goods and services has an impact on the cost to deliver City services

### Economic Projections (April 2018)

Socio-Economic Indicator	2018	2019	2020	2021	2022	Trend
Calgary Consumer Price Index (CPI)	2.0	2.0	2.0	1.8	2.2	Stable
Municipal Price Index (MPI) (%)	2.4	1.4	2.1	2.0	2.1	Stable
Natural Gas Price (\$Cdn/Gigajoule)	2.4	2.5	2.9	3.1	3.3	↑
Oil Prices - WTI (\$US/barrel)	58.7	57.9	59.7	61.1	62.1	↑
Oil Prices - WCS (\$US/barrel)	40.5	44	48	51.6	52.5	↑

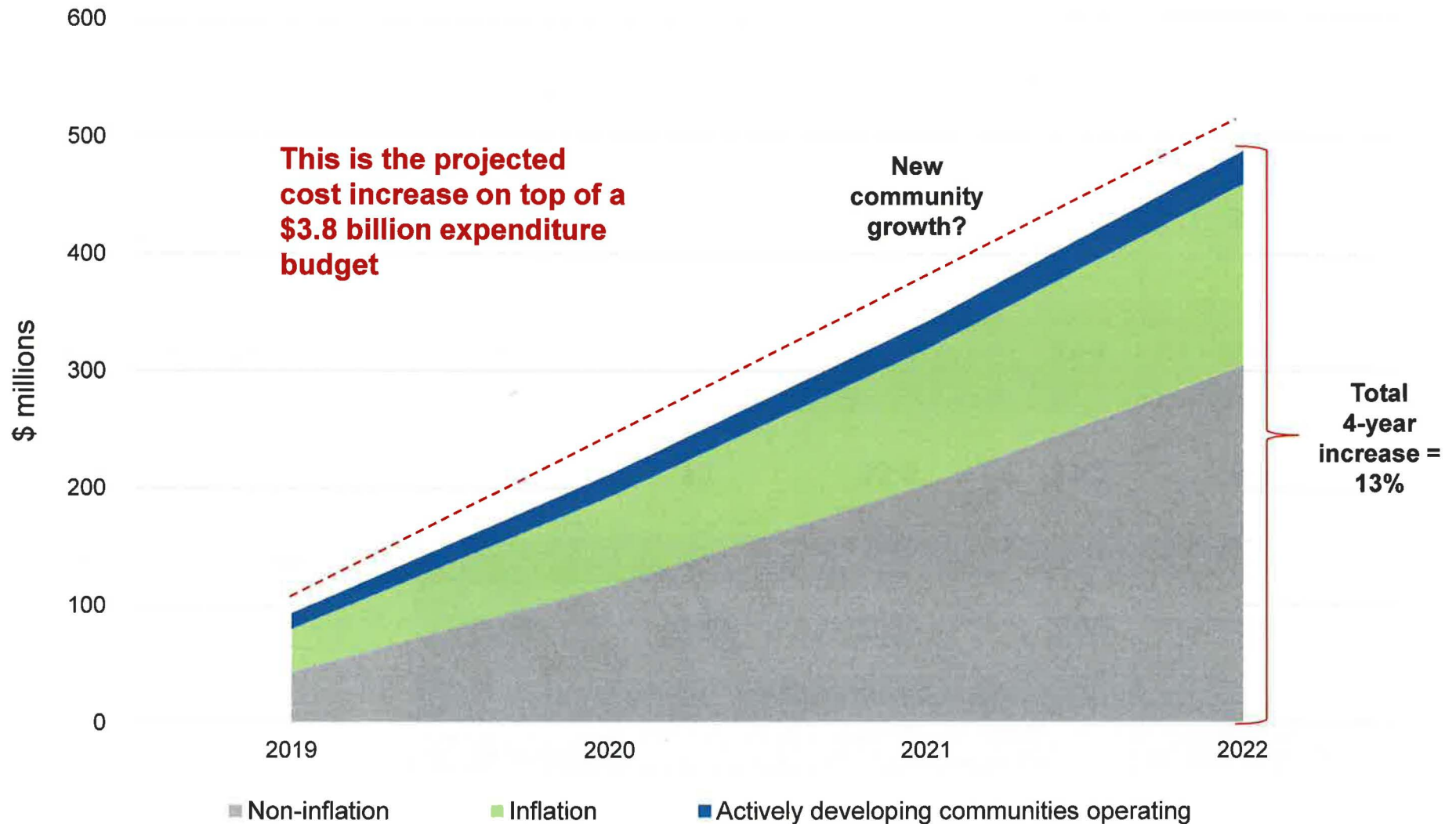
## Another financial pressure is the impact of capital investment decisions

- Operating costs trickle in during project execution or after completion
- Growth decisions have both a capital and operating impact, but not during the same period
- Aging infrastructure requires both capital and operating investments

### Funding alignment between operating and capital

- A portion of operating budget is allocated to capital to fund ongoing capital maintenance projects with a relatively short lifespan and to cover capital costs that are ineligible for grant funding
- Capital funding availability from other funding sources has a direct impact on the capacity for allocation from the operating budget
- Decisions made on capital for 2019-2022 require alignment with the operating impact both in the same budget cycle and future cycles

# Operating Expenditure Pressures in 2019-2022\*



**\* Financial projection excludes Waste & Recycling Services new financial model impact on 2019-2022**

	Direct annual operating costs (\$ millions)				
	Incremental Addition				
	2019	2020	2021	2022	2023+
<b>Future Communities:</b>					
6 communities	\$0	\$0	\$3-8	\$1-2	\$25-35
12 communities	\$0	\$0	\$7-8	\$1-2	\$48-50
➤ <i>Direct Operating Incremental Revenue</i>	\$1.5	\$1.5	\$0.5	\$0.5	\$16-20

- Total estimated operating cost obligations in Calgary's future new communities (2018 dollars)
- Annual figures are incremental additions to reflect the costs of delivering services to newly developing areas

	Capital Costs to initiate communities (\$ millions)*		
	Total	2019 – 2022	2023+
<b><i>Future Communities:</i></b>			
6 communities	\$190-560	\$70 - \$300	\$120 - \$270
12 communities	\$710-910	\$320 - \$490	\$390 - \$420
All business cases	\$940	\$500	\$440

- Total estimated capital cost obligations in Calgary's future new communities (2018 dollars)

\* This is contingent on the growth decision to be made by Council in June 2018

# Off-site levies as a funding source

C2018-0489

Example:  
Interchange



Who benefits?	New development	City wide	MGA requirement
Proportional benefit %	60%	40%	Outlined in the bylaw
\$70 million total capital cost	\$42 million funded from levies	\$28 million funded from other sources	

## Off-site levy funding for capital in new communities

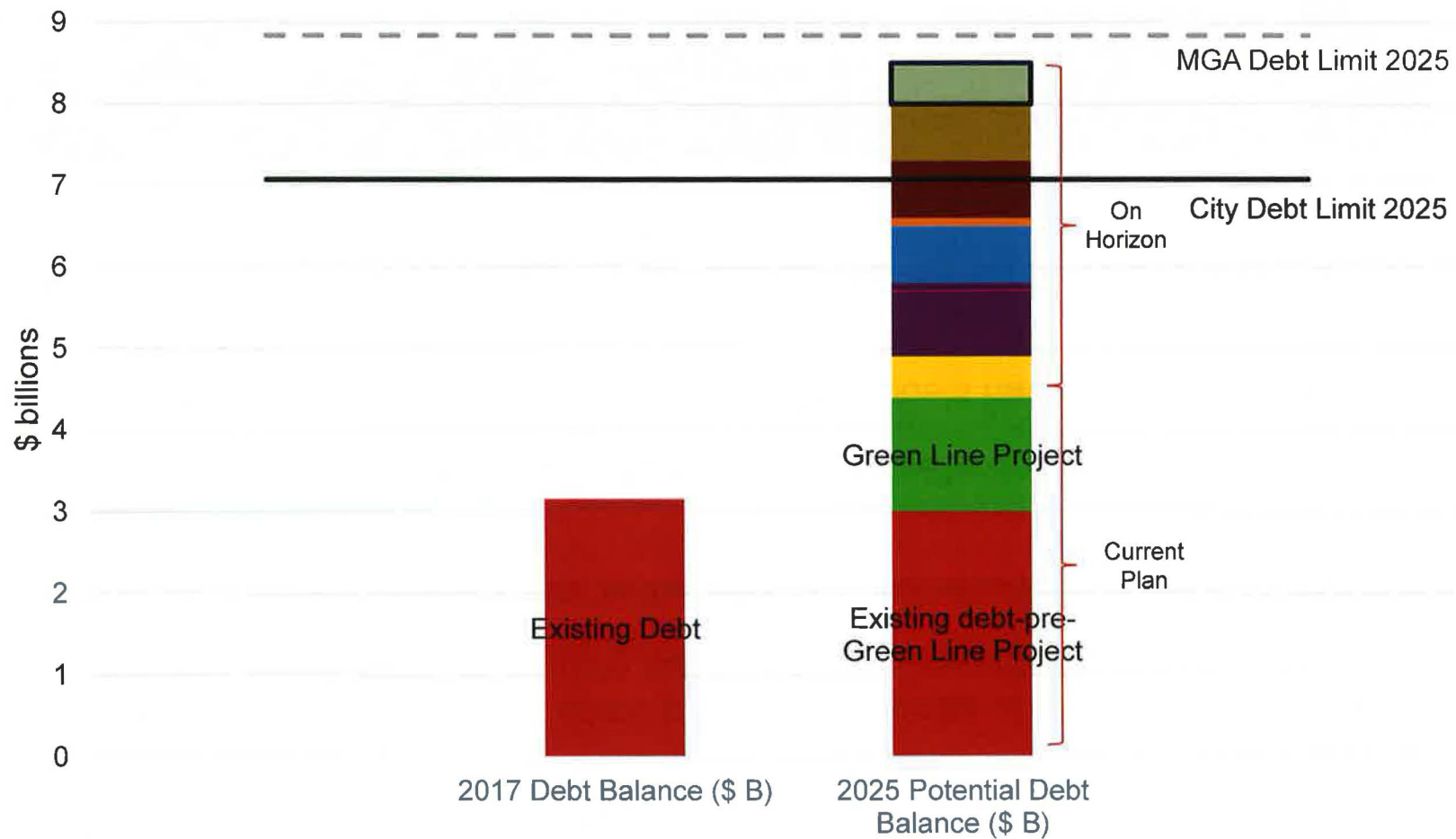
C2018-0489

- While developer levies will fund some of the capital costs of infrastructure in the new communities, significant City funding will also be required (\$millions)
- Some of the Utilities infrastructure in the additional communities is not included in the current levy bylaw
  - Developer funding proportion of this infrastructure is unknown
  - This represents utilities' infrastructure and the costs have been assumed in the utility rates
- Required infrastructure to initiate the community (timing not indicated) and does not include downstream capital requirements

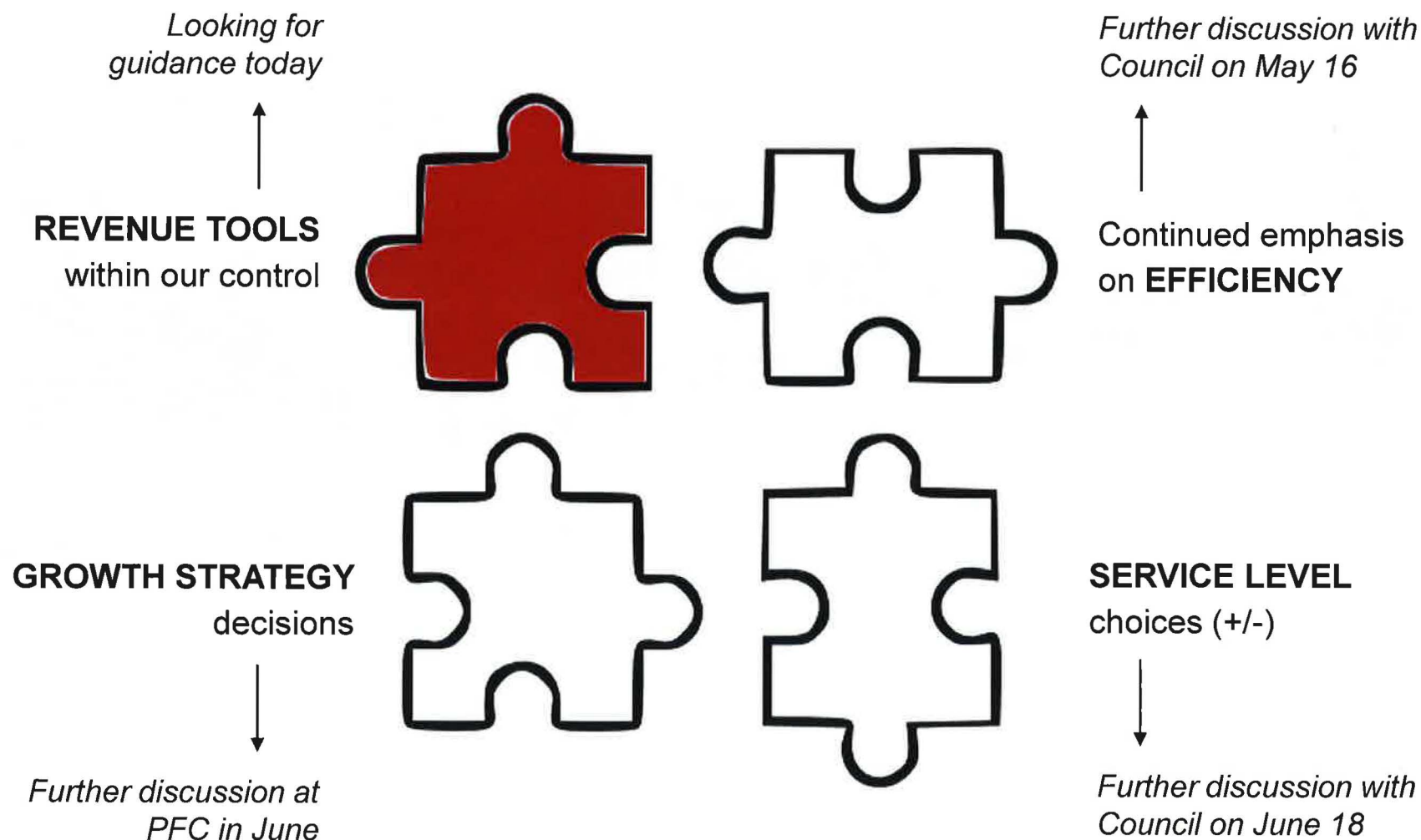
# of communities	Capital Required	Developer portion funded by off-site levies	City funded portion	Utility Infrastructure currently not in the levy bylaw
6	\$190-560	\$95 - \$320	\$25 - \$145	\$70 - \$110
12	\$710 - 910	\$400-\$470	\$180-220	\$130-220
<b>All business cases</b>	<b>\$940</b>	<b>\$490</b>	<b>\$230</b>	<b>\$220</b>

# Debt Impact Outlook

## Debt impact of projects under consideration



## How will we respond to these challenges?



## Setting Indicative Tax Rates for 2019-2022

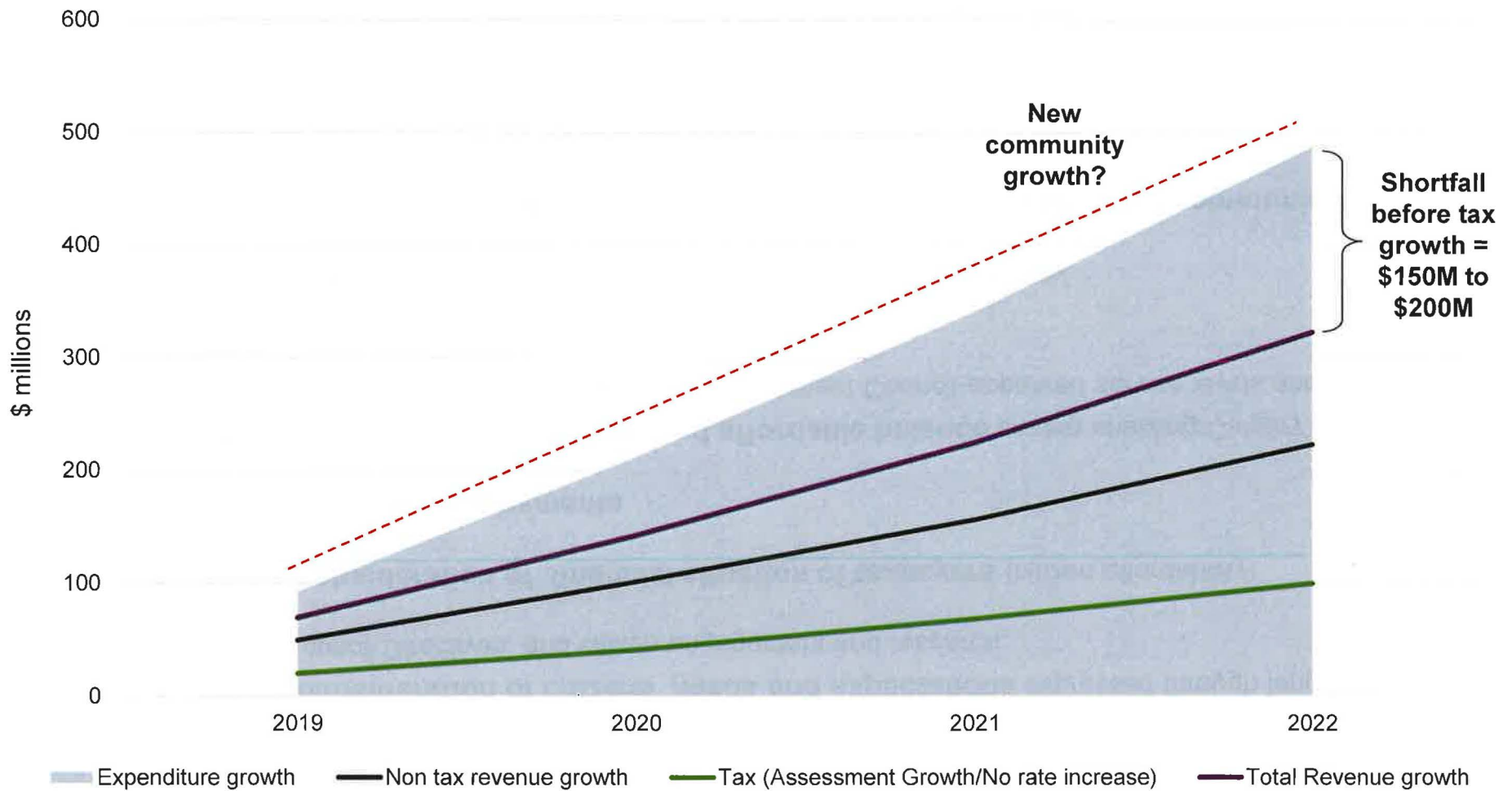


## The approved indicative tax rate principles are consistent with our overarching principles

- Include **consideration of citizens' needs and expectations** expressed through long-term goals, Council Directives, and citizen engagement and research
- Include **consideration of financial situation of taxpayers** (citizen affordability)
- **Meet legislative requirements**
- **Reflect a long-term sustainable and affordable balance** among enabling Calgary's maintenance, growth and service changes that meet Council-approved service levels and further our resilience agenda
- Maintain **approval of four years** with opportunity to adjust annually
- Rationale underlying tax rate decisions should be **easy to understand and communicate**
- Base the rates upon **most recent information available** at the time of approval
- Raise the care and attention that the Administration pays to **restraining expenditures and continually seeking efficiencies** with a focus on service value and intentional management

*Indicative Tax Rate Principles approved on 2018 March 21 (C2018-0304)*

## Operating Pressures in 2019-2022 \*

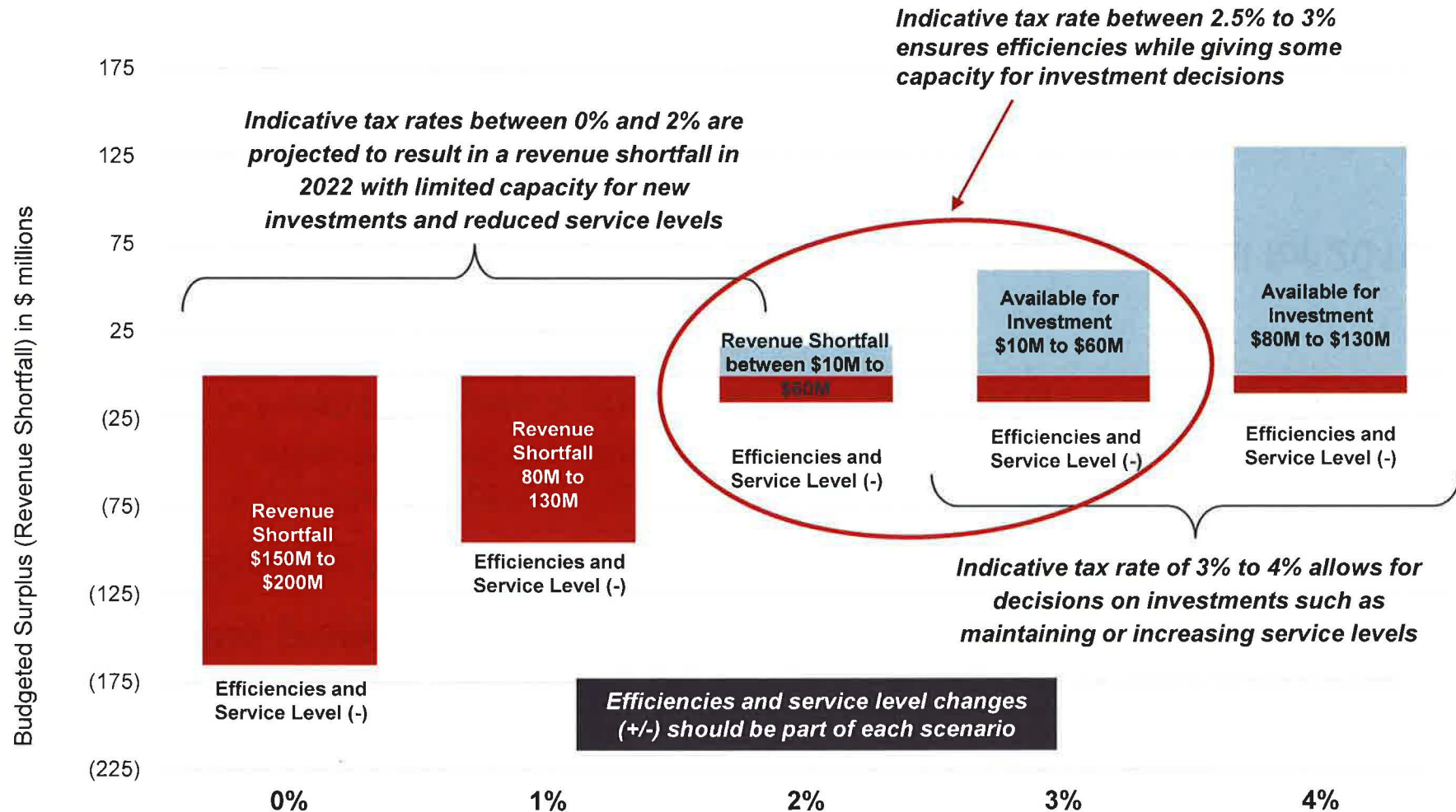


**\* Financial projection excludes Waste & Recycling Services new financial model impact on 2019-2022**

Operating commitments 2019-2022= approx. \$24 million per year

# Indicative Tax Rate Analysis (by 2022)\*

C2018-0489



\* Financial projection excludes Waste & Recycling Services new financial model impact on 2019-2022

Operating commitments 2019-2022= approx. \$24 million per year

## Indicative Tax Rate Proposal for 2019-2022

- Ongoing financial pressures expected for 2019-2022
- Citizens are divided on how best to balance tax rate increases and preservation of service levels
- Strategy to help manage the financial pressures:
  - Combination of cost reductions (ongoing cost management through efficiencies and reduction in service levels)
  - Potential increase in property tax revenue is one of the tools that can assist in balancing the budget
- Today we are asking for an indicative tax rate approval for 2019-2022 based on the financial pressures we anticipate
  - Council will be provided further analysis in the upcoming months to allow for confirmation of the decision or modification
  - The annual review process will allow Council to adjust as required throughout 2019-2022

## Indicative Tax Rate Proposal for 2019-2022

C2018-0489

Proposed Rate Range Per Year	2019	2020-2022
Indicative Tax Rate Range without inflation	1.3% to 1.6%	1.3% to 1.6% per year
Indicative Tax Rate Range inflation	0.8% to 1%	0.8% to 1% per year
WRS Financial Policy change	(1.3%) base impact in 2019	---
<b>Total Proposed Indicative Tax Rate Range without Growth</b>	<b>0.8% to 1.3%</b>	<b>2.1% to 2.6% per year</b>
Indicative Rate for Actively Developing Communities	1.4% base impact in 2019	0.4% per year
Indicative Rate for New Communities*	0.45% to 0.75% base impact in 2019	---
<b>Total Proposed Indicative Tax Rate Range with Growth</b>	<b>2.65% to 3.45%</b>	<b>2.5% to 3% per year</b>

A range is recommended in April 2018 to allow Administration time to further refine our analysis and assumptions to bring back to Council.

\* This is contingent on the growth decision to be made by Council in June 2018

## Impact on the average property tax bill

	2019	2020	2021	2022
Annual impact	\$49 - \$64	\$48 - \$58	\$49 - \$59	\$50 - \$61
Monthly impact	\$4.10 - \$5.30	\$4.00 - \$4.80	\$4.10 - \$5.00	\$4.20 - \$5.10

# Setting Indicative Rates for Utilities and Waste & Recycling





## Services delivered by the Water Utility and Waste and Recycling Services (WRS)



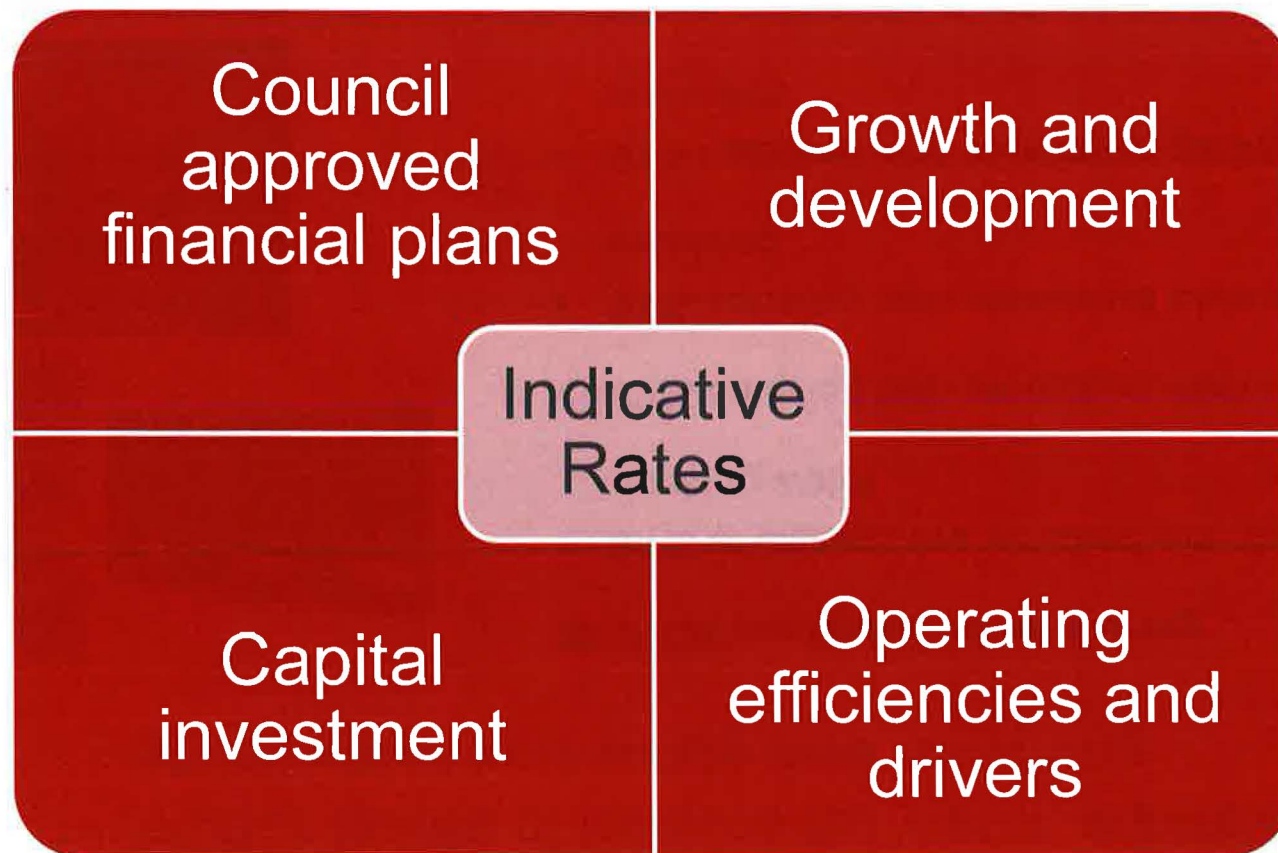
## Going forward, Calgarians will expect the same or higher levels of service for water, wastewater, stormwater and waste and recycling



### 2017 Citizen Satisfaction Survey

- 94% of citizens are satisfied with the quality of drinking water
- 89% satisfied with protection from river flooding
- 93% satisfied with residential blue cart recycling
- 91% satisfied with residential garbage collection
- When asked about options for increasing revenue for services:
  - 49% said expand existing user fees
  - 37% said introduce new types of service fees

## Factors affecting rates and rate increases



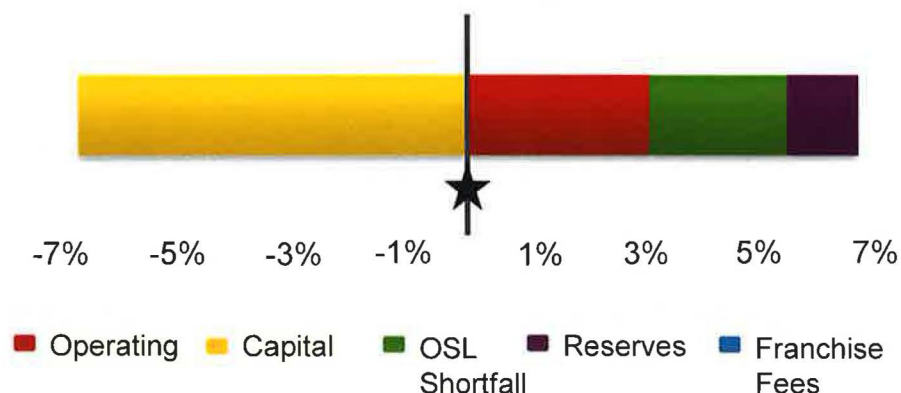
## Water Utility - proposed rate increases

Line of Service	Adjustment for 2017/18 (MCA)	Indicative Rates 2019-2022
Water treatment and supply	0% per year	0% per year
Wastewater collection and treatment	~ 5.0% per year	4.5% - 5.5% per year
Equivalent Blended utility rate	2.5% per year	2.5% - 3.0% per year
Stormwater management	~ 7.4% per year	3.5% - 5.0% per year

## Water treatment and supply drivers/impacts

Water	Estimated total
Estimated rate impact for 2019-2022	0%

Relative Impact of Driver at an Indicative Rate of 0%\*



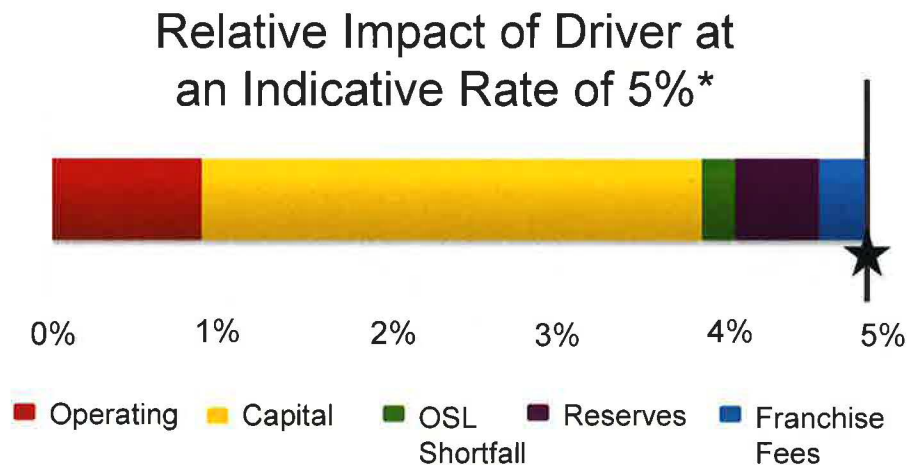
Line of Service	2019	2020	2021	2022
Impact on typical monthly utility bill** \$46.97 in 2018	\$0.00	\$0.00	\$0.00	\$0.00

\*Approximate only – Mid-point of rate impact.

\*\*Impacts will vary based on cost of service recommendations to be presented June 2018.

## Wastewater collection and treatment drivers/ impacts

Wastewater	Estimated total
Estimated rate impact for 2019-2022	4.5 - 5.5%



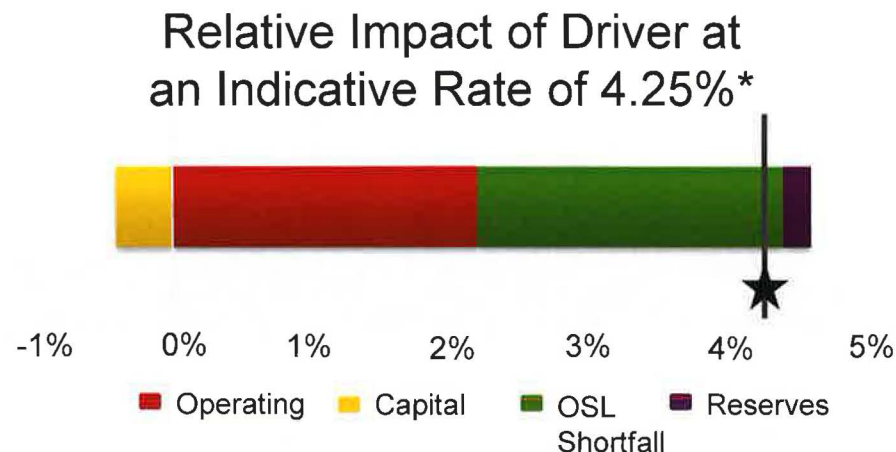
Line of Service	2019	2020	2021	2022
Impact on typical monthly utility bill**	\$2.43 - \$2.96	\$2.54 - \$3.13	\$2.65 - \$3.30	\$2.77 - \$3.48
\$53.91 in 2018				

\*Approximate only – Mid-point of rate impact.

\*\*Impacts will vary based on cost of service recommendations to be presented June 2018.

## Stormwater management drivers/ impacts

Stormwater	Estimated range
Estimated rate impact for 2019-2022	3.5% - 5.0%



Line of Service	2019	2020	2021	2022
Impact on typical monthly utility bill**	\$0.53 - \$0.75	\$0.55 - \$0.79	\$0.56 - \$0.83	\$0.58 - \$0.87
\$15.05 in 2018				

\*Approximate only – Mid-point of rate impact.

\*\*Impacts will vary based on cost of service recommendations to be presented June 2018.

## Approximate impact\* on typical monthly utility bill

Water, Wastewater and Stormwater Lines of Service	2019	2020	2021	2022
Incremental monthly change	\$2.96 - \$3.71	\$3.09 - \$3.92	\$3.21 - \$4.13	\$3.35 - \$4.35
Approximate typical monthly utility bill \$115.93 in 2018	\$118.89 - \$119.64	\$121.98 - \$123.56	\$125.19 - \$127.69	\$128.54 - \$132.04

\*Approximate only, based on residential metered service with 19m3 per month consumption. Impacts will vary based on cost of service recommendations to be presented June 2018.



## Indicative utility service rate impacts with additional new growth

	Indicative rate range* - not including new growth (2019-2022)	Incremental impact of new growth ** (2019-2026)	Total rate impact (2019-2022)
Water	0% per year	+ 0.0 - 0.5% per year	+ 0.0 - 0.5% per year
Wastewater	+ 4.5 - 5.5% per year	+ 0.2 - 0.4% per year	+ 4.7 – 5.9% per year
Stormwater	+ 3.5% - 5.0% per year	+ 0.5% - 1.5% per year	+ 4.0 – 6.5% per year

\* Impacts will vary based on cost of service recommendations to be presented June 2018

\*\* This is contingent on the growth decision made by Council in June 2018

## Approximate impact\* on typical monthly utility bill – with additional new growth

Water, Wastewater and Stormwater Lines of Service	2019	2020	2021	2022
Incremental monthly change without new growth	\$2.96 - \$3.71	\$3.09 - \$3.92	\$3.21 - \$4.13	\$3.35 - 4.35
Incremental monthly change due to new growth	\$0.17 - \$0.68	\$0.19-\$0.73	\$0.22 - \$0.79	\$0.24-\$0.85
Approximate typical monthly utility bill \$115.93 in 2018	\$119.06 - \$120.32	\$122.34 - \$124.97	\$125.77 - \$129.89	\$129.36 - \$135.09

\*Approximate only, based on residential metered service with 19m3 per month consumption. Impacts will vary based on cost of service recommendations to be presented June 2018.



## Waste and recycling program impacts

Incremental Monthly Charge	2018	2019	2020	2021	2022
Waste Management	\$4.90	-\$4.90	NA		
Black Cart Program	NA	\$6.75 - \$6.85	\$0.07 - \$0.14	\$0.07 - \$0.14	\$0.07 - \$0.14
Green Cart Program	\$6.50*	\$2.00 - \$2.20	\$0.08 - \$0.17	\$0.08 - \$0.17	\$0.08 - \$0.18
Subtotal	\$11.40	\$3.85 - \$4.15	\$0.15 - \$0.31	\$0.15 - \$0.31	\$0.15 - \$0.32
Blue Cart Program	\$8.50	\$0.20 - \$0.30	\$0.09 - \$0.18	\$0.09 - \$0.18	\$0.09 - \$0.19

NA – Not Applicable.

\*The cost of this service was \$9.00 per month, funded partly from the Green Cart charge and partly from tax support.

Waste and recycling - approximate impact on monthly bill

Waste & Recycling Lines of Service	2019	2020	2021	2022
Incremental monthly change	\$4.05 - \$4.45	\$0.24 - \$0.49	\$0.24 - \$0.49	\$0.25 - \$0.51
Approximate typical monthly bill (\$19.90 in 2018)	\$23.95 – \$24.35	\$24.19 – \$24.84	\$24.43 – \$25.33	\$24.68 – \$25.84

## Waste and recycling proposed disposal rate changes

Disposal rates at Waste Management Facilities	2019	2020	2021	2022
Basic sanitary rate per tonne \$113 in 2018	\$113	\$113	\$115	\$115
Minimum charge per load less than 250 kg \$20 in 2018	\$25	\$25	\$25	\$25

## WRS Factors affecting rates and rate increases

### Refining Program and customer levels of service

- Every other week Black Cart Program and proposed introduction of variable cart size/ pricing
- First year of Green Cart Program, higher than anticipated tonnes and implementation of every-other-week collection in winter 2019
- New Waste Management Facility schedules

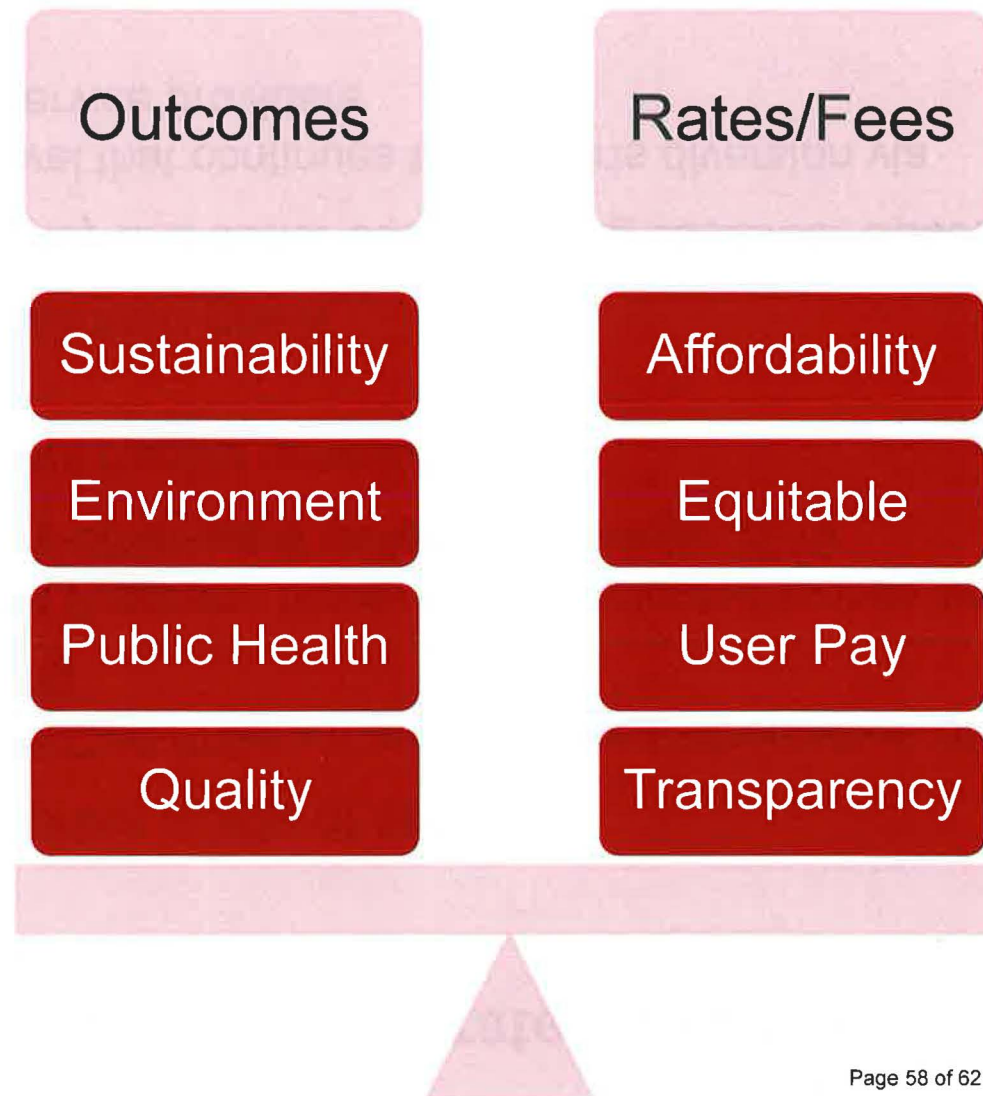
### Financial objectives and diversion goals

- Greater cost transparency and better equity among customer classes
- Set waste rates at a level that continues to supports diversion via existing markets and service providers

### Sources of funding for regulatory/environmental capital projects

## Rationale for recommendation

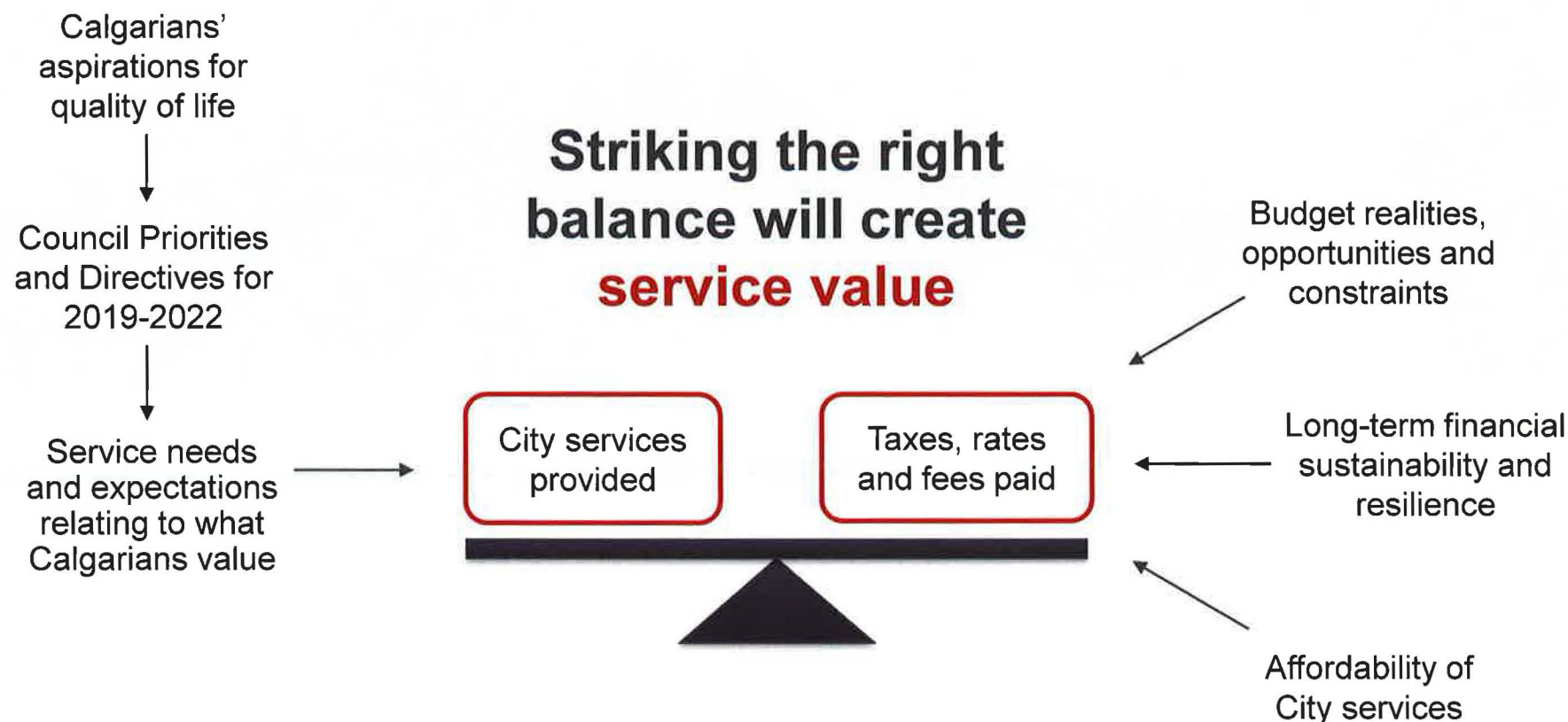
**Striking the right  
balance will create  
service value**



## Summary... today in front of Council



## The challenge: to develop plans and budgets that balance service levels and financial realities



## Typical impacts on household

Incremental Monthly Change (Range) Based on Proposed Rates	2019	2020	2021	2022
Property Tax	\$4.10 - \$5.30	\$4.00 - \$4.80	\$4.10 - \$5.00	\$4.20 - \$5.10
Water, Wastewater and Stormwater Lines of Service	\$2.96 - \$3.71	\$3.09 - \$3.92	\$3.21 - \$4.13	\$3.35 - \$4.35
WRS	\$4.05 - \$4.45	\$0.24 - \$0.49	\$0.24 - \$0.49	\$0.25 - \$0.51
<b>Total</b>	<b>\$11.11 \$13.46</b>	<b>\$7.33 - \$9.21</b>	<b>\$7.55 - \$9.62</b>	<b>\$7.80 - \$9.96</b>

## Administration Recommendation

### **ADMINISTRATION RECOMMENDATION:**

That Council:

1. Approve indicative tax rates as presented to Council through the presentation delivered on April 25, 2018 as part of this report;
2. Approve 2019-2022 indicative rates for Water, Wastewater and Stormwater services including new growth as outlined on slide 52 of the presentation delivered on April 25, 2018; and
3. Approve 2019-2022 indicative rates for Waste & Recycling services as outlined in Attachment 2, page 3, table 1.