



November 17, 2017

Media Backgrounder: Proposed 2018 Adjustments to Action Plan

The City's Action Plan describes how The City will respond to citizen's needs over 2015-2018. It was developed and approved in 2014, and outlines our commitment to make life better every day for Calgarians.

The multi-year approach to business planning and budgeting provides Council the opportunity to make annual adjustments to respond to any emerging or unexpected issues, while maintaining the integrity of the four-year plan.

Today, 2018 Adjustments to the final year of The City of Calgary's Action Plan 2015-2018 will be released to the public. The report responds to direction from Council for Administration to prepare 2018 adjustments to the 2018 business plans and budgets based on a property tax rate increase of 0 to 2 per cent and bring forward a recommendation for use of the 2017 tax room in 2018 and beyond.

The 2018 Adjustments recommendations focus on the operating budget and the need to realign operating expenses with revenues given the new economic reality. Administration has also included information on The City's reserves to provide a complete picture of City finances to Council before they make decisions on the budget.

Context:

- The City's overall financial goal is to maintain financial sustainability and resilience to ensure The City can continue to deliver the level and types of services at acceptable levels of taxation and fees, while proactively managing associated risks. This means balancing revenue and expenditures so The City has the capacity to recover from shocks while continuing to adapt and grow.
- After Action Plan was approved the Calgary economy began to show signs of a significant downturn. The unemployment rate doubled and population growth slowed. While the economy has now begun to recover, the effects of the downturn are still being felt. This has made the 4.7% tax rate increase for 2018 approved in Action Plan, no longer acceptable.
- The need to reduce the 2018 tax rate increase along with revenue challenges stemming from the current economic environment, led Administration to identify a projected 2018 tax supported operating budget gap of \$170 million.
- Administration has worked collectively to find solutions to close the budget gap through a combination of cost savings and service reductions using a least harm approach to help reduce the impact on citizens.
- The City remains in a solid financial position based on recent credit ratings (AA + Standard and Poor's and AA High Dominion Bond Rating Service), which are among the best of Canadian municipalities reflecting consistent fiscal performance, a strong and stable tax base, a low tax burden, sizable financial reserves, as well as, leading economic and population growth over the past decade.

Key elements of the proposed 2018 Adjustments include:

- Closure of the \$170 million operating budget gap through a combination of cost savings and service reductions based on the least harm approach.
- A reduction in the previously approved municipal property tax rate increase for 2018 from 4.7 per cent to zero per cent for property owners.
- Dedication of \$23.7 million in 2017 tax room to fund Green Line financing costs.
- Reductions in all City departments, including removal of 156 full-time equivalent positions.
- \$4 million to continue funding the low income transit pass for Calgarians' in need.
- Reductions to previously approved 2018 basic sanitary tipping fees from \$119 to \$113 per tonne, and Planning & Development fees, to reduce the burden on Calgary businesses.
 - These reductions build on the reductions to the 2018 approved rate increases for water and wastewater utilities to 2.5 per cent, and 7.4 per cent for drainage that were approved during Mid Cycle Adjustments.
- The solutions provide \$8 million in available funding for Council to allocate to additional needs if they choose.

With the proposed tax rate increase at zero per cent, taxpayers would see an average 2.9 per cent increase on the municipal portion of their 2018 property tax bill. This is the result of one-time rebates that Council approved in 2017, which effectively sheltered taxpayers from the 2017 increase by deferring the impact for one year.

The effect of a one per cent increase in the municipal property tax rate would result in an annual increase of about \$18.00 or \$1.50 per month for the average homeowner with a median assessed single residential property valued at \$460,000.

In addition to the 2018 adjustments, the report includes information on The City's reserves at the end of 2016 and the results of the 2017 Triennial Reserves Review.

Timelines & next steps

- Visit www.calgary.ca/2018Adjustments to download a complete copy of the proposed 2018 Adjustments to Action Plan
- Council deliberations on the 2018 Adjustments to Action Plan will begin on November 27, 2017 at 9:30 a.m. in Council Chambers. Public submissions will be heard after an opening presentation.