

# C2019-1392 Provincial Budget 2019-2020 Government of Alberta Budget and City of Calgary implications 2019 October 28 Meeting of Council



# Summary of Budget 2019 Impacts

## Budget 2019 Reductions (\$ millions)

1 Provincial Education Requisition

15.4

Operating Budget (Ongoing)

16.0

Capital Budget (One Calgary Cycle)

732.0

### Long Term Capital (Fiscal Framework)

9 Revenue Sharing - Baseline (Calgary & Edmonton)

Before Budget 2019

\$500M

After Budget 2019

\$455M

10 Revenue Sharing - Growth Rate (starting 2022)

50% increasing to 100%

50% of revenue growth

11 Regional Allocation (starting 2022)

\$50M per annum

\$0M

12 Long-Term Transit Plan (starting 2027)

\$200M per annum

\$0M

## Agenda

- Fiscal Overview & budget assumptions
- Operating Impacts
- Capital Overview
- Fiscal Framework
- Provincial Education Property Tax Requisition
- In-camera discussion

## Fiscal Overview and budget assumptions

## Significant Oil and Gas industry improvement

### Price of WCS Crude Oil (in USD/bbl)

	2019f	2020f	2021f	2022f	2023f	Period Change
Government of Alberta	44.3	38.8	41.6	44.5	49.8	+5.5*
City of Calgary	47.1	44.2	44.1	44.9	45.8	-1.3

\*Rationale for WCS prices is additional pipeline capacity. “*Enbridge Line 3* replacement pipeline is anticipated to start operations *early in 2021*. *Trans Mountain expansion* and *TransCanada Keystone XL* pipelines are expected by the *end of 2022 and in early 2023 respectively*.”

### Price of Alberta Reference Natural Gas (CAD\$/GJ)

	2019f	2020f	2021f	2022f	2023f	Period Change
Government of Alberta (fiscal year)	1.3	1.6	1.9	2.0		+0.7
City of Calgary (calendar year)	1.5	1.8	2.2	2.4		+0.8

Sources:

Budget 2019 for the Government of Alberta, City of Calgary Fall 2019 Outlook

## Stronger pace of economic growth

	2019f	2020f	2021f	2022f	2023f	5-year Change
<b>Alberta Real GDP Growth (%)</b>						
Government of Alberta	0.6	2.7	2.9	3.0	3.0	+2.4 pp
City of Calgary	0.7	2.1	2.4	2.4	2.2	+1.5 pp
<b>Alberta Employment Growth (%)</b>						
Government of Alberta	0.9	1.6	2.0	2.2	2.1	+1.2 pp
City of Calgary	0.8	1.0	1.2	1.7	1.5	+0.7 pp
<b>Alberta Unemployment Rate (%)</b>						
Government of Alberta	6.7	6.5	6.0	5.5	5.2	+1.5 pp
City of Calgary	6.8	6.8	6.8	6.6	6.5	+0.3 pp
<b>Alberta Housing Starts</b>						
Government of Alberta	24,500	27,300	29,700	32,800	35,000	10,500
City of Calgary	24,600	27,000	27,700	30,000	30,600	6,000

Sources:

Budget 2019 for the Government of Alberta, City of Calgary Fall 2019 Outlook

## Balanced provincial budget by 2022/23

<b>1. Government of Alberta</b>	<b>2017-18 (actual)</b>	<b>2018-19 (actual)</b>	<b>2019-20 (estimate)</b>	<b>2020-21 (target)</b>	<b>2021-22 (target)</b>	<b>2022-23 (target)</b>
Total Revenue (\$ billions)	44.9	49.6	50.0	50.1	53.6	57.5
Total Expense (\$ billions)	(54.9)	(56.3)	(56.5)	(55.2)	(55.5)	(55.8)
Risk Adjustment (\$ billions)	(0.5)		(2.2)*	(0.8)	(0.8)	(1.3)
<b>Surplus/ (Deficit), \$ billions</b>	<b>(10.5)</b>	<b>(6.7)</b>	<b>(8.7)</b>	<b>(5.9)</b>	<b>(2.6)</b>	<b>0.6</b>
<b>Taxpayer Debt (as % of GDP)</b>		<b>18.0%</b>	<b>19.9%</b>	<b>21.9%</b>	<b>22.2%</b>	<b>22.5%</b>
<i>*includes a \$1.5 billion expense adjustment for the sale of crude-by-rail contract purchased in late 2018 (at a cost of \$3.7 billion)</i>						
<b>2. Government of Canada</b>	<b>2017-18 (actual)</b>	<b>2018-19 (estimate)</b>	<b>2019-20 (estimate)</b>	<b>2020-21 (target)</b>	<b>2021-22 (target)</b>	<b>2022-23 (target)</b>
Total Revenue (\$ billions)	311.2	332.2	338.8	351.4	366.7	380.7
Total Expense (\$ billions)	(330.2)	(347.1)	(355.6)	(368.2)	(378.4)	(389.8)
Risk Adjustment (\$ billions)	0	0	(3.0)	(3.0)	(3.0)	(3.0)
<b>Surplus/ (Deficit), \$ billions</b>	<b>(19.0)</b>	<b>(14.9)</b>	<b>(19.8)</b>	<b>(19.7)</b>	<b>(14.8)</b>	<b>(12.1)</b>
<b>Debt (as % of GDP)</b>	<b>31.3%</b>	<b>30.8%</b>	<b>30.7%</b>	<b>30.5%</b>	<b>30.0%</b>	<b>29.3%</b>

Sources: Budget 2019 for the Government of Alberta and the Government of Canada

## Operating Budget Impacts

## Reviewing impact on provincial transfers

	Grant/ Agreement	Department	2018 (Actual)	2019 (Budget Estimate)	Status
1	Family & Community Support Services	Community Services	\$29.7M	\$29.7M	Unchanged
2	Municipal Policing Assistance Grant	Calgary Police Service	\$19.9M	\$20.4M	Unchanged
3	New Police Officers Hiring Grant	Calgary Police Service	\$12.3M	\$12.3M	Unchanged
4	Payments in lieu of Taxes - Province	CFOD	\$9.1M	\$8.1M	Reduced
5	911 Cell Phone Grant	Community Services	\$4.8M	\$5.1M	To Be Confirmed
6	Low Income Transit Pass (LITP) Agreement	Transportation	\$4.5M	\$4.5M	Unchanged
7	Housing - Portfolio Deficit	Community Services	\$4.0M	\$4.5M	Unchanged
8	Youth Probation Services	Community Services	\$2.6M	\$2.6M	To Be Confirmed
9	Fuel Tax – Major Roads Rehabilitation	Transportation	\$2.5M	\$2.5M	To Be Confirmed
10	Housing - Debt Amortization	Community Services	\$1.3M	\$1.3M	Unchanged
11	Fuel Tax – Functional Studies	Transportation	\$1.2M	\$1.8M	To Be Confirmed
12	Seniors Home Maintenance	Community Services	\$1.2M	\$1.2M	To Be Confirmed
13	Youth Employment Centre/ Desk Project	Community Services	\$1.1M	\$1.1M	Unchanged
14	Traffic Management Centre (TMC)	Transportation	\$0.7M	\$0.7M	To Be Confirmed
15	Fuel Tax – Regional Transportation Model	Transportation	\$0.4M	\$0.4M	To Be Confirmed
			\$95.3M	\$96.1M	

\* Note: These are recurring provincial transfers of at least \$0.2M (not all transfers). Total 2018 transfers was \$97.5M

†Values may not add up to financial statements due to rounding to the nearest \$0.1M



## Direct Impact to Calgary Police Services

1. **Known Impact on Grants and Transfers:**
  - a) No additional funding following the two-year **Municipal Cannabis Transition Program (MCTP)** grant funding. Funding received through September is being distributed to services including Calgary Police Services.
2. **Known Impact on Revenue Sharing Agreements:** Increase in share of **fine revenue** withheld by province (from 26.7 per cent to 40.0 per cent). Estimated impact is \$10 million per year.
3. **Known Impact on Charges to Municipalities for Provincial Services:** New charges for biological case work analysis (i.e. DNA testing). Estimated impact is \$2 million per year.

## Overview

- Mental Health & Addiction
  - \$100M for mental health
  - \$40M for opioid response
  - \$20M for drug treatment courts
- Low Income Transit Pass funding for budget year (\$9.5M between Calgary and Edmonton)
- Income Supports
  - All programs maintained, but deindexed
  - Personal tax credits and tax brackets deindexed

## Impact

- Needs more analysis
- Continue collaborative work with GoA on Provincial Mental Health & Addiction Strategy
- Awaiting details, but est. \$4.5M
- Minister indicated to media that funding will continue for length of term
- \$6.5M gap remains and closing may mean an increase in low income fares
- Inflationary effects on monthly income
- Higher personal taxes for all groups

# Social & Community Well-being Programs

## Overview

- FCSS: Commitment to maintain

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- Municipal Cannabis Transfer: Not renewed

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- Affordable Housing
  - No 2019 capital funding commitment
  - Housing Management Body - 3.5% avg decrease in op funds
  - Rental Assistance Program – 24% reduction over 3 years from 2020

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- Policing:
  - Grants maintained; under review
  - Grant basis shifting from municipal census to population forecasts

## Impact

- Funding maintained, but growing demand

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- Federal legislation requires admin/enforcement. ongoing costs will need to be afforded though efficiencies/staff reductions or other budget balancing mechanisms for The City

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- Increased wait times for housing
- Possible unit closures
  
- Reduced number of people served by rental assistance, increased waitlists

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- Risks to front-line officer staffing and hiring to address attrition

## Social & Community Well-being Programs

### Overview

- Library Funding: Commitment to maintain
- Heritage Park Society Natural Resources project (*note: capital*)
- Community Initiatives Program - Funding reduced by \$56.8M over 4 years
- Civic Census - Alberta is the only province accepting population # from a muni census to allocate municipal grants. It is shifting to Stats Can population estimates for grant allocations

### Impact

- Funding maintained
- Funding maintained
- Reduction in funding available for The City, civic partners, Community Associations and funded agencies for small programs and projects
- The City's civic census is conducted annually. Less frequently collected and estimated Stats Can census numbers may not accurately reflect the city's true population, and may lead to inadequate funding

## Overview

- Alberta Community Partnership
  - Previous GoA set 2019-23 timeframe—still intact
  - Original funding was \$18.5M/yr
  - Remaining funding reduced \$1.5M/yr or \$6M total

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- Municipal Regional Boards—no budget mention; funding likely cut

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- Water for Life
  - \$40M current budget going to \$51M in 2020-21.
  - \$192M projected 4-yr spend

## Impact

- Needs analysis
- Reduction or elimination of funding will have a financial impact on CMRB
- Doesn't directly impact COC; only regional neighbours are eligible

## Capital budget overview

## Sustains provincial infrastructure in Calgary

Provincial Infrastructure Investments in Calgary (2019/20 to 2022/23)		Budget 2018	Budget 2019	Change
1	Calgary Cancer Centre	942	1,034	92
2	Calgary Remand Centre Divided Living Units	0	2	2
3	Calgary Young Offender Centre - Security Upgrades	1	2	1
4	Complex continuing Care facility	121	105	(16)
5	Courthouse Upgrades & Renovations (Calgary, Edmonton, and Lethbridge)*	1	2	1
6	Deer foot Trail Upgrades	0	110	110
7	Edmonton and Calgary Ring Roads*	1,747	1,873	126
8	Foothills Medical Centre Urgent Power Plant Capacity	7	48	41
9	Foothills Medical Centre (Power Plan Redevelopment - Cogeneration Initiative)	12	0	(12)
10	Jubilee Auditoria Back-of-House Upgrades (Calgary and Edmonton)*	8	9	1
11	University of Calgary – MacKimmie Complex	187	187	0
12	Vivo for Healthier Generations	10	25	15
13	YWCA Calgary Hub Facility	0	1	1
<b>Total</b>		<b>3,036</b>	<b>3,398</b>	<b>362</b>

# Large impact on The City of Calgary

	Fiscal Framework – General Capital	LRT Projects	MSI Capital	Alberta Community Resilience Program	Alberta Community Transit Fund	Fiscal Framework-Regional and LRT
City of Calgary Agreements/ Budget 2018	\$500M* (YEG and YYC)	\$555M	\$162.9M	\$150M (total commitment)	\$99.7M (outstanding)	Regional (\$16.7M p.a.) Cities LRT (\$400M p.a.)
		Reduced			Removed	
City of Calgary Budget 2019 (Revision)	\$455M* (YEG and YYC)	\$75M	\$162.5M	\$69M	\$0M	\$0M
Budget Notes	The City Charter Fiscal Framework would be replaced with Local Government Fiscal Framework	Provincial funding support drops to \$75M. Increase is preliminary federal expectation for cities.	Following the sharp drop in MSI funding to cities in budget 2018. Budget 2019 has followed with cuts to others	The Alberta Community Resilience Program (ACRP) will end prematurely in 2021 rather than in 2024	The Alberta Community Transit (ACT) Fund has ended and will not be replaced with any alternatives	The regional (starting 2022/23) and the LRT component (starting 2027) have also been dropped
City of Calgary Impact	Calgary to split \$455M and share half not all of revenue growth	Provincial funding drops from \$555M to \$75M	Provincial funding in 2019 drops from \$162.9M to \$162.5M	\$5M and \$10M in next 2 years. Total is \$69M out of \$150M plan	\$99.7M is outstanding in provincial funding	Calgary loses out on \$16.7M (regional) and \$200M (LRT) yearly.

## Fiscal Framework



# Local Government Fiscal Framework (MSI Replacement)

## Overview

- Unilaterally replaces the signed MSI/BMTG and City Charters Fiscal Framework Act with Calgary and Edmonton; **Bill 32 to be repealed**
- Applied to all municipalities; no consultation
- Base year \$860M in 2022-2023
- Calgary & Edmonton funding rebased to \$455M, from \$500 (shared cut of \$45M)
- \$16.7M/year in regional funding cut
- Annual increase frozen at 50% revenue growth, rather than 5% annual increase until funding reaches 100%
- \$200M/year long term transit fund (post 2027) cut

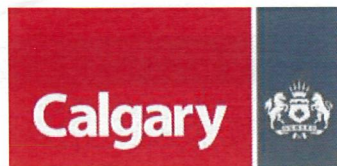
## Impact

- Repeal of Bill 32
- The reduction will impact capital projects across the board
- Council / Administration will need to review current projects to determine reductions



# MSI Funding Summary and Shortfall (000s)

Year	2007 Sept 14 Agreement [A]	2007-2018 Transfers [B]	Funding Shortfall [C = A-B]	2018 Budget Estimates* [D]	Revised Shortfall [C - D]
2007	127,492	127,495	(3)		
2008	143,204	143,168	36		
2009	173,438	114,972	58,466		
2010	406,729	254,174	152,555		
2011	406,729	256,337	150,392		
2012	406,729	256,926	149,803		
2013	406,729	254,155	152,574		
2014	406,729	252,944	153,785		
2015	406,729	264,049	142,680		
2016	406,729	251,905	154,824		
2017		254,577	(254,577)		
2018		280,992	(280,992)		
2019				38,628	
2020				159,810	
2021				151,000	
<b>TOTAL</b>	<b>3,291,237</b>	<b>2,711,694</b>	<b>579,543</b>	<b>349,438</b>	<b>230,105</b>



## Municipal Sustainability Initiative (MSI) Reduction and Funding Optimization

MSI Funding (millions)	2019	2020	2021	TOTAL
Estimate included in One Calgary	163	288	285	736
Estimate after Provincial Budget 2019	163	260	242	665
Estimated Funding Change	-	(28)	(43)	(71)

### Impact

- Since the 2020/2021 MSI reduction changes the overall amount of capital funding available, The City will need to review the total approved capital budget not just the MSI funded projects as this funding source can be reallocated
- The budget for the Event Centre included \$110.1 million in restricted funding sources (including MSI) that is being optimized for more flexible funding within the One Calgary approved budget (C2019-0964). This work is underway and will be assessed as part of the MSI reduction analysis work to be completed
- Total reduction to date of \$300 million from the initial agreement, along with the extension of MSI from 10 years (2008 – 2017) to 15 years (2008 – 2022) and associated financing costs



# One Calgary 2019-2023+ Capital Budget (millions)

CITIZEN PRIORITY	MSI	PAYG	LMUR	RFC	OTHER <sup>1</sup>	TOTAL
A City of Safe & Inspiring Neighborhoods	32	43	100	1	220	396
A City That Moves	539	201	437	33	936	2,146
A Healthy & Green City	50	39	52	32	2,055	2,228
A Prosperous City	63	56	75	3	374	571
A Well-Run City	-	14	25	-	-	39
Enabling Services	24	208	76	18	409	735
<b>TOTAL<sup>2</sup></b>	<b>708</b>	<b>561</b>	<b>765</b>	<b>87</b>	<b>3,994</b>	<b>6,115</b>

1. Other Funding consists of other grants, reserves, debt, developer & other contributions
2. Includes Arts Commons and Fieldhouse but excludes Event Centre budget (\$290M), as funding optimization is in progress and BMO Centre, which resides with CMLC.

## Major Capital projects Approvals to Date– Existing & Future, not including CRL, MSI, and Other Partner Sources

Date	Funding Source	Amount (\$ millions)
2019 April 29 (C2019-0525)	Fiscal Stability Reserve	304.7
	Lifecycle Maintenance & Upgrade Reserve	18.7
	Budget Savings Account Reserve	37.4
	Tax Loss Provision Reserve	37.4
2019 July 29 (C2019-0964)	2019 Corporate Programs Savings	12.4
	2019 Interest Income from Fiscal Stability Reserve	3.0
	Real Estate Services Reserve	10.0
<b>Total Funding Contributions as at 2019 September 30 (Major Capital Project Reserve)</b>		<b>423.6</b>
Date	Other Funding Sources	Amount
2019-2022	Anticipated Interest Income (only estimated up to 2022)	29.0
2019 May 27 (FRA2019-0628)	Off-site levies	19.0
	Pay-As-You-Go	0.8
2019 July 29 (C2019-0964) 2019-2022	Capital Budget Savings & Funding Optimization and prioritization of One Calgary restricted funding sources	131.1
	Asset Optimization	40.0
ACA2019-0948	Municipal Sustainability Initiative (previously approved \$2.5M)	25.0
<b>Total Funding before Council Approved Commitments</b>		<b>\$668.5</b>

2019 September 30

23

## Capital Budget Approved (in \$ millions)

<b>Total Funding before Council Approved Commitments</b>	<b>\$668.5</b>
BMO Centre Expansion (C2019-0349)	(333.3)
Event Centre (C2019-0964)	(290.4)
Multi-Sport Field House (FRA2019-0628)	(19.8)
Arts Commons Transformation Project (ACA2019-0948)	(25.0)
<b>Net Sources after Commitments</b>	<b>\$NIL</b>

# Alberta Community Transportation (ACT) Fund

## Overview

- ACT provided municipalities with funding to:
  - expand Alberta's transit system,
  - green Alberta's transit fleet and
  - increase transit ridership
- \$100M was committed to Calgary
- ACT fund eliminated



## Impact

- Significant impact on operations / capital:
  - \$85M was to replace CTrain cars
    - Old U2s remaining face **reliability, accessibility and customer service issues.**
  - U2 Light Rail Vehicles which cannot operate safely will be removed from service.
    - Without funding for replacement vehicles trains size will be reduced which will create **capacity issues.**
  - A smaller procurement significantly **increases unit costs** / car (\$200K USD)
  - Delay replacement of diesel buses with CNG buses
  - Reduction in transit optimization projects by \$900k

## Overview

- Alberta Community Resilience Program (ACRP) Original program funding for City of Calgary (2015-2024) \$15M/year for 10 years
    - Program now closed at end 2021
    - Limited funding available in 2019/2020/2021
- 
- MSI sustainable infrastructure funding reduced by \$94M across Alberta (as already noted)

## Impact

- Funding to City likely reduced from \$150M to \$69M
  - Overall funding reduction to City of \$81M
  - Reduced funding for in-flight projects and no funding for future projects
- 
- Will affect all municipalities—further analysis needed

# Green Line Stage 1 Funding

## Overview

- Expected funding 2019/20 – 2022/23: \$555 million (signed agreement)
- Alberta Budget 2019 announced funding:
  - 2019/20: \$0
  - 2020/21: \$0
  - 2021/22: \$25 million
  - 2022/23: \$50 million
- **TOTAL \$75 million over 4 years; \$480 million shortfall**
- **Provincial Government has reaffirmed their commitment to the Project and to \$1.53 Billion funding commitment**
- **Potential changes to the Federal Government cash flow have not yet been confirmed**

## Impact

- Significantly reduced cash flow may affect construction progress over the next 4 years
- Current financing funding may not accommodate changed cash flow
- Additional City debt financing may have an adverse credit rating impact
- Will require a comprehensive review by Administration
- Meeting with Province week of October 28, 2019 to understand details
- Will update the newly formed Green Line Committee with details once they are understood

# Provincial Education Property Tax Requisition



# Provincial Education Property Tax Requisition

- What has changed:
  - The provincial property tax requisition is \$15.4 million higher than the value estimated for the 2019 Property Tax Bylaw approved by Council in April.
- Why:
  - The Province froze the **rate** at 2018 level but **not** the **total dollar** amount of the requisition. The requisition was increased by \$15.4 million due to an increase in assessment value.
- Net Impact:
  - No tax rate adjustments can be done for 2019.
  - The City must pay the adjusted balance of \$15.4 million in the December quarterly payment.
  - Tax adjustments will be required on the Provincial property tax rate in the 2020 Property Tax Bylaw calculations to recover the shortfall.

# Provincial Education Property Tax Requisition

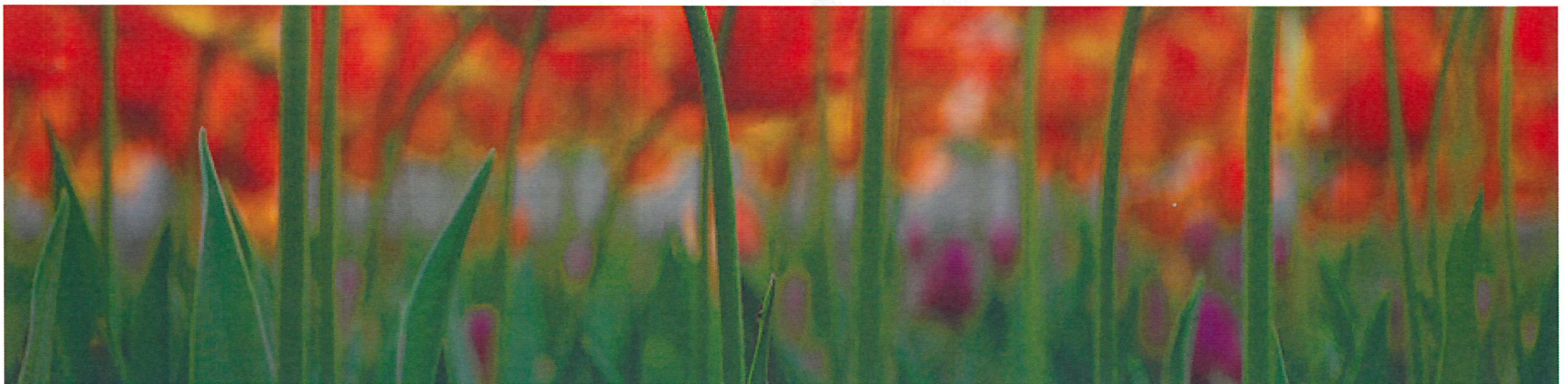
Assessment Class	Basic Rate (1)	2018 Equalized Assessment (2)	Estimated 2019 Education Requisition (3) = (1) x (2) / 1,000	2019 Equalized Assessment (4)	2019 Education Requisition (5) = (1) x (4) / 1,000	Difference from Estimated 2019 (5) - (3)
Residential and Farmland	\$ 2.56	\$206,034,409,948	\$527,448,089	\$215,490,612,240	\$551,655,967	\$24,207,878
Non-Residential	\$ 3.76	\$67,298,483,666	\$253,042,299	\$64,949,598,893	\$244,210,492	-\$8,831,807
<b>Total</b>			<b>\$780,490,388</b>		<b>\$795,866,459</b>	<b>\$15,376,071</b>

Monthly impact\* to the typical household: \$4.45

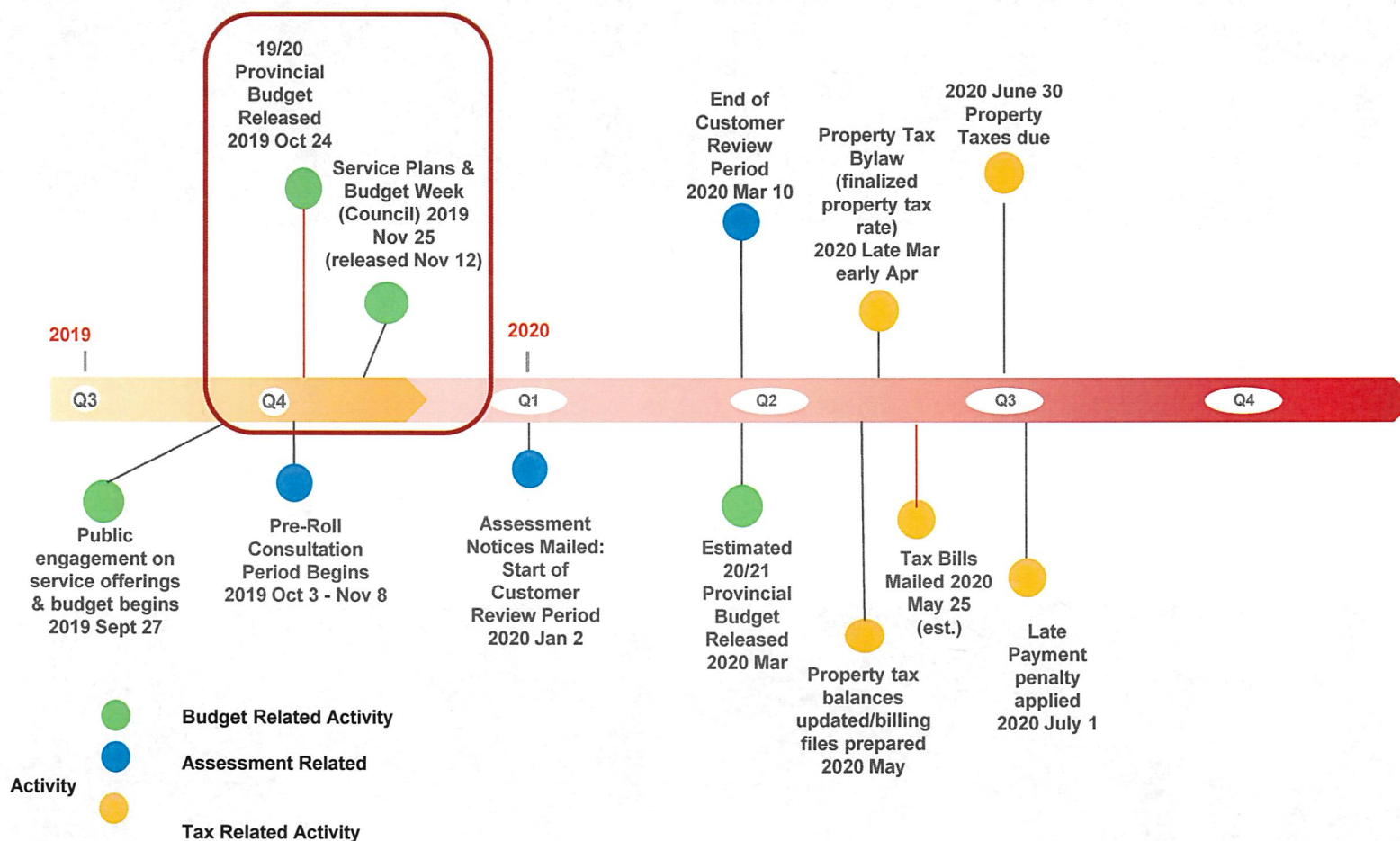
Monthly impact\* to \$5 million non-residential property: (\$62.00)

\* Impacts are in addition to the impacts of the 2020 budget decision and the 2020 provincial education property tax requisition

## Next Steps



# Timeline: Budget, Assessment, Tax





# Summary of Budget 2019 Impacts

## Budget 2019 Reductions

### Operating Budget (One-Time)

(\$ millions)

- 1 Provincial Education Requisition  
(\$4.45/ month impact to average tax bill)

15.4

### Operating Budget (Ongoing)

- 2 Calgary Police Service
- 3 Grants in Place of Taxes (minimum impact)
- 4 Other Operating Grants

12.0

4.0

TBD

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16.0

### Capital Budget (One Calgary Cycle)

- 5 Green Line (4-Year Provincial Funding deferred)
- 6 Alberta Community Transit Fund
- 7 Alberta Community Resilience Program
- 8 Municipal Sustainability Initiative (to be confirmed)

480.0

100.0

81.0

71.0

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732.0

### Long Term Capital (Fiscal Framework)

- 9 Revenue Sharing - Baseline (Calgary & Edmonton)
- 10 Revenue Sharing - Growth Rate (starting 2022)
- 11 Regional Allocation (starting 2022)
- 12 Long-Term Transit Plan (starting 2027)

### Before Budget 2019

\$500M

50% increasing to 100%

\$50M per annum

\$200M per annum

### After Budget 2019

\$455M

50% of revenue growth

\$0M

\$0M

## Questions

