

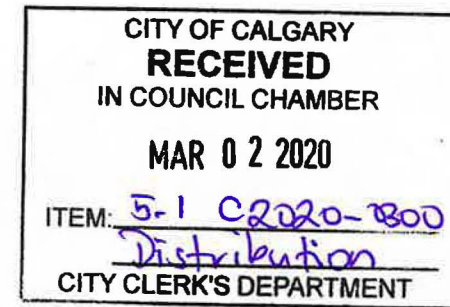
The logo for the City of Calgary, featuring the word "Calgary" in white text on a red rectangular background.A nighttime photograph of a city street. On the right, a large, ornate clock tower is illuminated with warm yellow lights. A street lamp on the left casts a bright blue glow. The background shows blurred lights from buildings and traffic.

C2020-0300 Provincial Budget 2020-2021 Government of Alberta Budget and City of Calgary implications 2020 March 2 Meeting of Council





Agenda



- Intergovernmental Overview
- Fiscal Overview & budget assumptions
- Budget Impacts
- Provincial Education Property Tax Requisition



Intergovernmental Overview

1. 2019 Budget impacts continue
2. Provincial Education Property Tax requisition increase in 2019 and 2020
3. Affordable Housing
4. Indirect impacts due to cuts in other Ministries



Intergovernmental Overview

Challenges ahead:

1. The Mackinnon Report
2. Fair Deal
3. Red Tape



Intergovernmental Overview

Opportunities ahead:

1. Creating a stronger voice through alignment with AUMA and FCM
2. Cross Corporate work
3. Federal



Summary of Budget 2019 Impacts

Budget 2019 Reductions (\$ millions)

Operating Budget (One-Time)

- 1 Provincial Education Requisition
(\$4.45/ month increase to average residential tax bill
\$12/month reduction for \$1M in non-residential assessment)

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

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

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



Summary of Budget 2020 Impacts

	2020 Budget Impact
1 Provincial Education Requisition (Cumulative impact including October increase & catch-up = \$34M \$10.90/ month increase to average residential tax bill \$43/month reduction for \$1M in non-residential assessment)	\$3.2M
Calgary Police Service (operating)	\$4.0M
Affordable Housing (capital)	\$46M
No further capital changes	



Calgary



Fiscal overview and budget assumptions

February 28, 2020





Significant Oil and Gas industry improvement

Price of WCS Crude Oil (in USD/bbl)	2019f	2020f	2021f	2022f	2023f	Period Change
Government of Alberta (Feb 2020)	44.3	38.6	42.1	45.4	50.2	+5.9
Government of Alberta (Oct 2019)	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
Govt of Ab (fiscal year) – Feb 2020	1.4	1.7	1.8	2.1		+0.7
Govt of Ab (fiscal year) – Oct 2019	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 2020 for the Government of Alberta, 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
Alberta Real GDP Growth (%)						
Government of Alberta (Feb 2020)	0.3	2.5	2.8	2.9	2.8	+2.5 pp
Government of Alberta (Oct 2019)	0.6	2.7	2.9	3.0	3.0	+2.4 pp
City of Calgary (Fall 2019 Outlook)	0.7	2.1	2.4	2.4	2.2	+1.5 pp

The province has slightly lowered its forecast for real GDP growth in its February 2020 forecast for each year out to 2023.



Stronger pace of economic growth

2019f 2020f 2021f 2022f 2023f 5-year Change

Alberta Employment Growth (%)

Government of Alberta (Feb 2020)	0.5	1.4	2.1	2.1	2.1	+1.6 pp
Government of Alberta (Oct 2019)	0.9	1.6	2.0	2.2	2.1	+1.2 pp
City of Calgary (Fall 2019 Outlook)	0.8	1.0	1.2	1.7	1.5	+0.7 pp

Alberta Unemployment Rate (%)

Government of Alberta (Feb 2020)	6.9	6.7	6.0	5.5	5.1	+1.8 pp
Government of Alberta (Oct 2019)	6.7	6.5	6.0	5.5	5.2	+1.5 pp
City of Calgary (Fall 2019 Outlook)	6.8	6.8	6.8	6.6	6.5	+0.3 pp

Alberta Housing Starts

Government of Alberta (Feb 2020)	27,300	28,000	28,800	31,900	35,500	8,200
Government of Alberta (Oct 2019)	24,500	27,300	29,700	32,800	35,000	10,500
City of Calgary (Fall 2019 Outlook)	24,600	27,000	27,700	30,000	30,600	6,000

Sources: Budget 2020 for the Government of Alberta, Budget 2019 for the Government of Alberta, City of Calgary Fall 2019 Outlook



Balanced provincial budget by 2022/23

1. Government of Alberta February 2020 Budget	2017-18 (actual)	2018-19 (actual)	2019-20 (forecast)	2020-21 (estimate)	2021-22 (target)	2022-23 (target)
Total Revenue (\$ billions)	44.9	49.6	50.9	50.0	54.0	58.1
<i>(change from Oct 2019)</i>			+0.9	-0.1	+0.4	+0.6
Total Expense (\$ billions)	(54.9)	(56.3)	(57.2)	(56.1)	(56.1)	(56.3)
<i>(change from Oct 2019)</i>			+0.7	+0.9	+0.6	+0.5
Risk Adjustment (\$ billions)	(0.5)		(1.3)*	(0.8)	(0.8)	(1.3)
<i>(change from Oct 2019)</i>			-0.9	0.0	0.0	0.0
Surplus/ (Deficit), \$ billions†	(10.5)	(6.7)	(7.5)	(6.8)	(2.7)	0.7
<i>(change from Oct 2019)</i>			+1.2	-0.9	-0.1	+0.1
Taxpayer Debt (as % of GDP) – Oct 2019		18.0%	19.9%	21.9%	22.2%	22.5%
Taxpayer Debt (as % of GDP) – Feb 2020		18.2%	19.4%	21.3%	21.7%	21.7%

*The \$1.3 billion expense adjustment is for the sale of crude-by-rail contract purchased in late 2018 (at a cost of \$3.7 billion)

† The surplus/ deficit values may not add up due to rounding.

Sources: Sources: Budget 2020 for the Government of Alberta and Budget 2019 for the Government of Alberta



Budget Impacts





Reviewing impact on provincial transfers

	Grant/ Agreement	Department	2018 (Actual)	2020 (City Budget)	Status
1	Family & Community Support Services	Community Services	\$29.7M	\$29.7M	Unchanged
2	Municipal Policing Assistance Grant	Calgary Police Service	\$19.9M	\$20.8M	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	\$9.4M	Down to \$5.0M
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	To Be Confirmed
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	To Be Confirmed
11	Fuel Tax – Functional Studies	Transportation	\$1.2M	\$2.9M	To Be Confirmed
12	Seniors Home Maintenance	Community Services	\$1.2M	\$1.3M	To Be Confirmed
13	Youth Employment Centre/ Desk Project	Community Services	\$1.1M	\$1.1M	To Be Confirmed
14	Traffic Management Centre (TMC)	Transportation	\$0.7M	\$0.7M	To Be Confirmed
15	Fuel Tax – Regional Transportation Model	Transportation	\$0.4M	\$0.8M	To Be Confirmed
			\$95.3M	\$99.5M	

* 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

	Annual impact (\$ millions)
2019 Budget	(-13)
<i>Fine revenue withheld</i>	<i>(-10)</i>
<i>Municipal Cannabis Transition Program (MCTP) grant funding</i>	<i>(-1)</i>
<i>DNA testing</i>	<i>(-2)</i>
2020 Budget	(-4)
<i>Fine revenue withheld</i>	<i>(-4)</i>
Total since October	(-17)



2020 Provincial Budget: Calgary Housing Highlights

Budget Type	Required Budget	Approved Budget	Gap	Impact
Operating	\$18.2M	\$16.5M	-\$1.7M	CHC received a reduction of 8.3% in 2020 Province wide reduction was 3.5%. With inflation this leaves gap of 9.3%.
Rental Assistance	\$19.8M	Unknown	Unknown	Province wide 24% reduction over. 3 years (announced in October)
Capital and Grant	\$21.1M	\$10M	-\$11.1M	100 affordable homes may close in 2020 Urgent repair is delayed
New Development	\$46M	\$0 (to be confirmed)	-\$46M	Over 15,000 new units of affordable housing are still needed in Calgary Budget 2020 contains no new funding for affordable housing beyond commitments Request for \$46M to develop 475 new affordable homes remains unfunded



Flood Mitigation and Resilience

- \$15M was committed to the continuation of the Bow River Reservoir Options Project.
- An additional \$70M was provided in emergency response contingency, including floods, for a total of \$750M.
- \$57.9M is allocated for water management infrastructure in 2020-21, including Springbank Off-Stream Reservoir (SR1) consultation and construction. This is a \$12.05M reduction over 2019.
- 2019 budget reduced Alberta Community Resilience Program funding for Calgary by \$81 million



No other changes from October

	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.



Sustains provincial infrastructure in Calgary

Provincial Infrastructure Investments in Calgary (2020/21 to 2022/23)		Budget 2019	Budget 2020	Change
1	Bow River Options Project [†]	0	15	15
2	Calgary Cancer Centre	802	802	0
3	Calgary Remand Centre Divided Living Units	0	1	1
4	Calgary Young Offender Centre - Security Upgrades	0	2	2
5	Complex continuing Care facility	102	103	1
6	Courthouse Upgrades & Renovations (Calgary, Edmonton, and Lethbridge)*	0	1	1
7	Deer foot Trail Upgrades	110	110	0
8	Edmonton and Calgary Ring Roads*	1,385	1,434	49
9	Foothills Medical Centre Urgent Power Plant Capacity	36	38	2
10	Jubilee Auditoria Back-of-House Upgrades (Calgary and Edmonton)*	3	2	(1)
11	Peter Lougheed Centre Redevelopment (Emergency, Mental Health, Lab) [†]	0	137	137
12	University of Calgary – MacKimmie Complex	92	92	0
13	Vivo for Healthier Generations	15	21	6
Total		2,545	2,743	213

* Note: These are infrastructure projects that are not exclusive to Calgary.

† Note: These are net new projects (valued at \$152M) and are part of the \$772M in new infrastructure investments.

Public Private Partnerships

- Public Private Partnerships (P3s) were mentioned several times in Budget 2020
- Included is the Deerfoot Trail Upgrades
- No announcement included, but may point to greater emphasis on P3s in the future
- The City's updated P3 policy will be presented to Council later this year

Provincial Education Property Tax Requisition

2020 Adjustments – Municipal Tax Rate Impacts

	Residential		Non-Res (no BTC)	Non-Res Total
	%	\$	%	%
Impact of \$60 million reductions	-	-	(7.41%)	(5.81%)
November Decision				
<i>1.5% Scenario</i>	1.50%	\$30	1.50%	1.18%
<i>\$13M Flow-through</i>	0.75%	\$15	0.75%	0.59%
Total Budget Increase	2.25%	\$45	2.25%	1.77%
<i>Revenue shift</i>	6.76%	\$135	(7.70%)	(6.04%)
Total decision before rebate	9.01%	\$180	(5.45%)	(4.27%)
Bylaw rate (before rebate)	9.01%	\$180	(12.86%)	(10.08%)
Less rebate	(1.50%)	(\$30)	(1.50%)	(1.18%)
Net Impact	7.51%	\$150	(14.36%)	(11.27%)

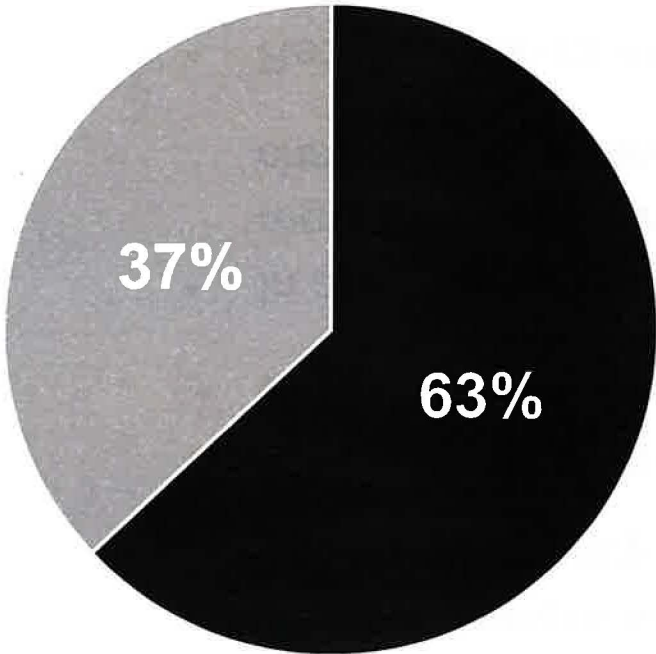


2020 TIPP Recalculation

- All TIPP accounts are reviewed each November
- Property owners with changing monthly instalment beginning January 1 receive a letter with the new amount
- Approximately 110,000 of the 278,000 TIPP participants were mailed recalculation letters at end of November
- In accordance with Canadian Payment Association regulations we give TIPP participants 30 days' notice of a change to their payment
- Recalculation must be done by mid-November
- Letters must be mailed by the end of November
- Recalculation did not include Council's November decision

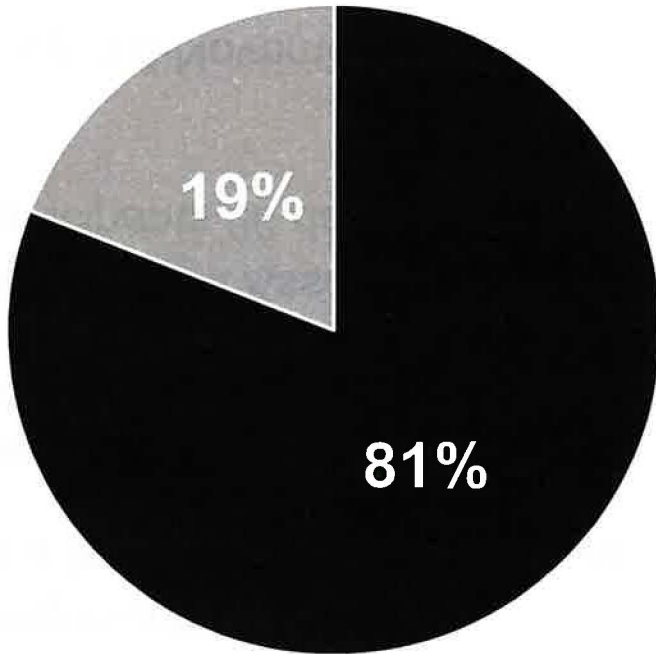
2020 Property Tax Distribution

Residential



■ Municipal ■ Provincial

Non-Residential



■ Municipal ■ Provincial



2020 Provincial Education Property Tax Requisition

- What has changed:
 - The provincial property tax requisition is \$3.2 million higher than the 2019 October requisition.
 - With the \$15.4 million in October, The City is seeing a total increase of \$18.6 million from the 2019 property tax bylaw (\$34 million cumulative increase including the catch-up)
- Why:
 - The Province raised the education tax rates by 3.1% in 2020.
 - Impacted by population growth plus inflation.
 - Since March 2019, Residential equalized assessment increased by 5.1%, Non-Residential decreased by -13.0%, a net increase of 0.7%
- Net Impact:
 - The new requisition and adjustments will be reflected on 2020 Property Tax bills.
 - Residential properties will see a 11.3% increase in provincial property tax.
 - Non-residential properties will see a 12.2% decrease in provincial property tax.



Provincial Education Property Tax Requisition

Assessment Class	2019 Basic Rate (1)	2019 Equalized Assessment (2)	2019 Education Requisition (3) = (1) x (2) / 1,000	2020 Basic Rate (4)	2020 Equalized Assessment (5)	2020 Education Requisition (6) = (4) x (5) / 1,000	Requisition Change Increase / (Decrease) = (6) - (3)	Catch-up Amount from 2019 October Requisition
Residential & Farmland	\$2.56	\$215,490,612,240	\$551,655,967	\$2.64	\$216,605,038,215	\$571,837,301	\$20,181,334	\$24,207,878
Non-Residential	\$3.76	\$64,949,598,893	\$244,210,492	\$3.88	\$58,572,433,542	\$227,261,042	(\$16,949,450)	(\$8,831,807)
Total			\$795,866,459			\$799,098,343	\$3,231,884	\$15,376,071

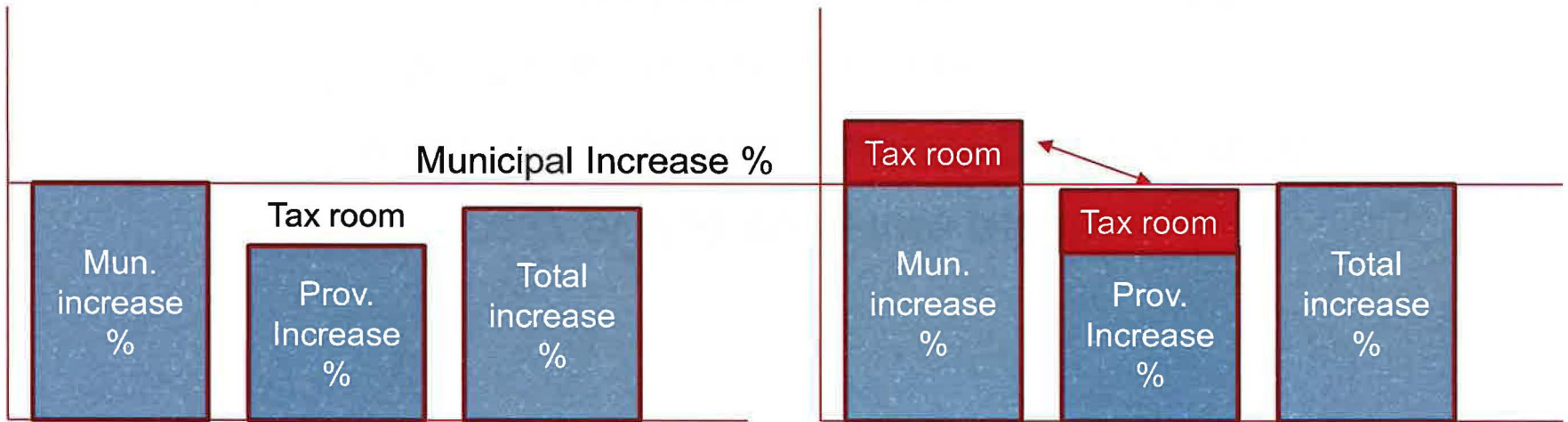
Monthly impact* to the typical household: \$10.90

Monthly impact* to \$5 million non-residential property: **(\$215)**

* Impacts include the catch-up amounts from 2019 October provincial education property tax requisition.

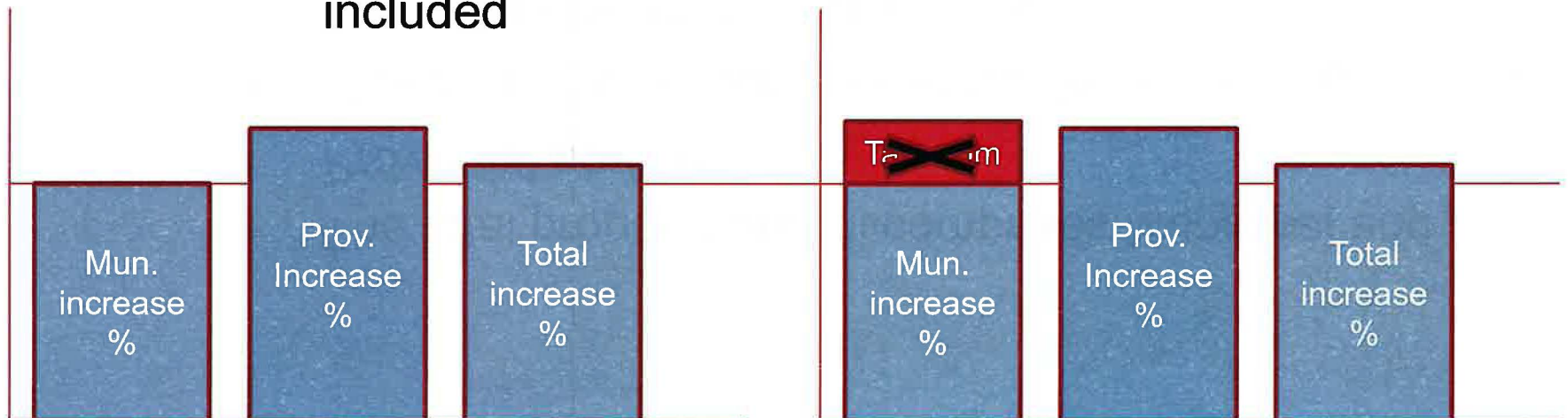
Tax Room

- The total property tax bill comprises Municipal and Provincial portion
- “Tax room” is available when the Provincial increase is lower than the municipal increase



Tax Room

- Historically evaluated before rebate
- Historically evaluated excluding BTC portion
- No residential room available
- Non-residential room is available only if BTC portion is included





Total Impact to Residential Payers

	Municipal			Provincial			Combined		
	Rate %	\$ per Year	\$ per Month	Rate %	\$ per Year	\$ per Month	Rate %	\$ per Year	\$ per Month
Before Rebate	9.01%	\$180	\$15	11.3%	\$130	10.90	9.85%	\$310	\$25.90
After Rebate	7.51%	\$150	\$12.50	11.3%	\$130	10.90	8.90%	\$280	\$23.40

	Municipal	Provincial	Total
Annual bill after rebate	\$2,150	\$1,290	\$3,440
Daily bill after rebate	\$5.90	\$3.50	\$9.40



What is a multi-residential property:

Any residential property with four or more self-contained units under a single title.

- This does not include condominium titled properties. While apartment buildings are sometimes thought of as commercial operations, they fall into the residential tax class.

Assessment & Tax Implications issues:

- 1) Shift within residential class:
 - Multi-Residential properties have increased in overall value by 12% as a result of growth and market value increases (assessment for residential class as a whole decreased by 4%)
 - Multi-residential properties = approximately 2,139 accounts
 - Multi-residential high-rises = approximately 152 accounts
 - Some high-rise properties may see increases as high as 40%
- 2) Reallocation of tax responsibility:

Creates a shift in taxes for all Residential properties.



Multi-Residential High Rise 5 Year Trend

Multi-Residential Downtown High-Rise 98 units	2015	2016	2017	2018	2019	2020
Assessment	17,865,920	17,885,760	15,184,400	13,250,000	13,280,000	16,470,000
Assessment Change Year over Year		0.11%	-15.10%	-12.74%	0.23%	24.02%
Residential Municipal Tax Rate	0.0035409	0.003709	0.0039633	0.0039014	0.0042108	0.0047227
Municipal Taxes	\$ 63,261	\$ 66,338	\$ 60,180	\$ 51,694	\$ 55,919	\$ 77,783
Provincial Tax Rate	0.0022135	0.0024648	0.0025375	0.0024559	0.0024432	0.0028356
Provincial Taxes	\$ 39,546	\$ 44,085	\$ 38,530	\$ 32,541	\$ 32,446	\$ 46,702
Total Taxes	\$ 102,807	\$ 110,423	\$ 98,710	\$ 84,235	\$ 88,365	\$ 124,485
Tax Change Year over Year		7.41%	-10.61%	-14.66%	4.90%	40.88%
\$Tax Change Year over Year		\$ 7,616	\$ (11,712)	\$ (14,476)	\$ 4,130	\$ 36,121
Taxes per Unit per month	\$ 87.42	\$ 93.90	\$ 83.94	\$ 71.63	\$ 75.14	\$ 105.85

Multi-Residential Engagement Strategy

- Oct. 3, 2019: Invited over 200 low-rise and high-rise property owners to 2020 Pre-Roll Symposium.
- Oct. 17, 2019: Over 150 property owners attended an Assessment presentation at the Calgary Residential Rental Association (CRRRA) Luncheon.
- Face-to-Face communications: We continue to collaborate with agents/property owners on multi-residential values. We have to date:
 - 40 signed agreements – securing \$328M
 - 156 pending agreements totaling \$3.88B
 - 36 low-rise/high-rise complaints – 3% of low-rise/high-rise total



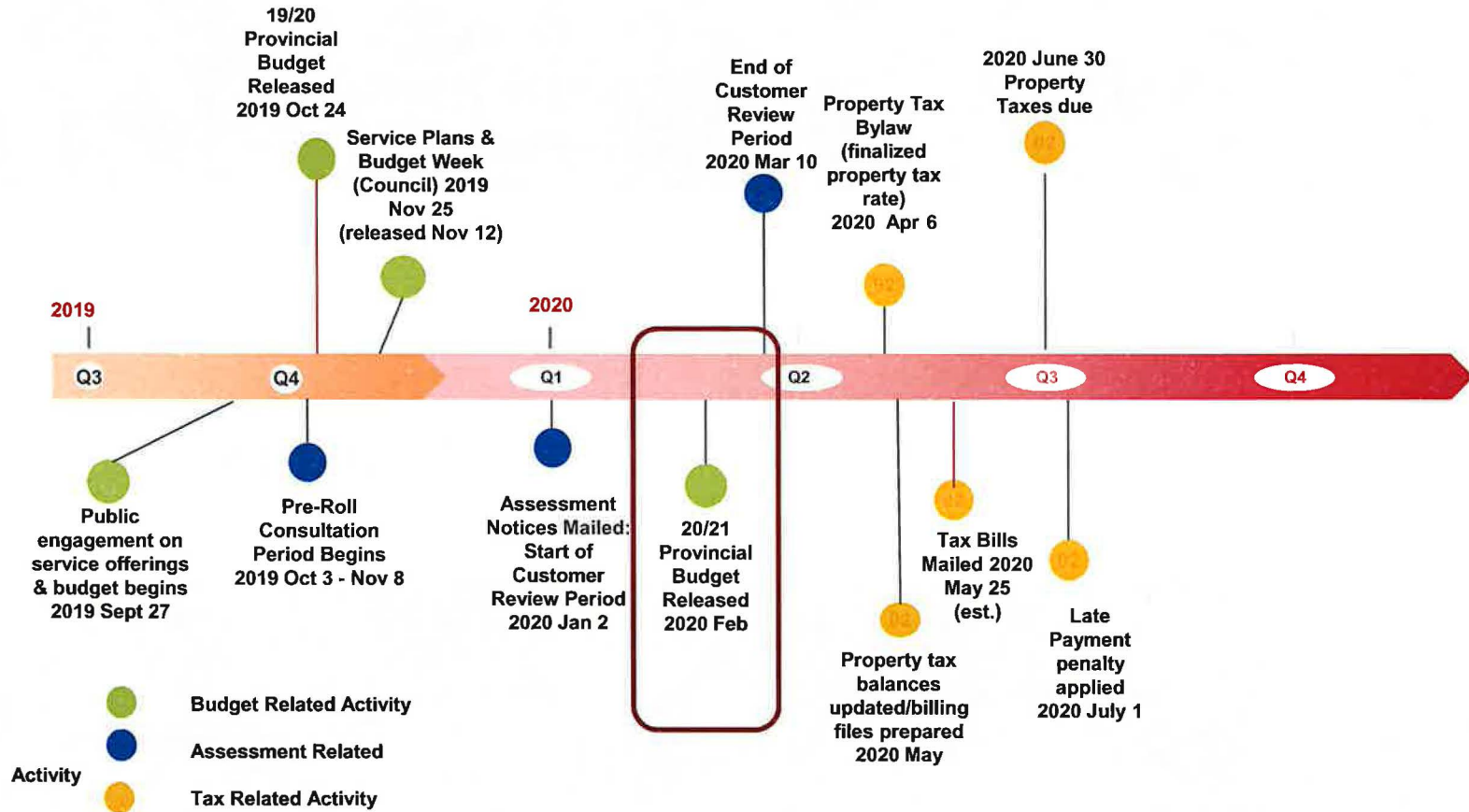
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Next Steps



Timeline: Budget, Assessment, Tax





Questions

