



# Memo

2020 November 19

To: Mayor Nenshi and Members of Council

From: Carla Male, Chief Financial Officer

Re: **Mid-Cycle Adjustments to the One Calgary Service Plans and Budgets:  
Second Memo to Follow-up on Questions**

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Your Worship and Members of Council,

This memo addresses the remaining questions asked during the Special Meeting of Council on 2020 November 9, the questions asked during the Council open houses on 2020 November 10 and 12, and questions raised by members of Council up to 2020 November 17. Any additional questions will be addressed in the next memo.

Please do not hesitate to contact me if you have any questions or concerns.

Carla Male  
Chief Financial Officer  
Mail code #8003

cc: Executive Leadership Team; Chris Stewart; City Clerk



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## General Questions

### **1. What would you highlight? What are some of the cuts that will have a risk?**

We expect highlights will be raised during the departmental presentations, which will begin on 2020 November 24. The departmental presentations are intended to highlight some of the most impactful adjustments both in terms of reductions and investments.

### **2. We are seeing a layering on of crises, do we have the capacity to react to another crisis?**

Yes, but we would have to stop doing certain activities. If another crisis were to occur, we would need to be empowered to delay certain reports or other activities in order to be able to react to the crisis, as we did in response to COVID-19. The approach we adopted then allowed us to deal successfully with that crisis and we are confident this would enable us to be similarly responsive to any future events.

As part of our organizational resilience, we have a focus on understanding the changes that could impact the future of Calgary (City services, communities and businesses). Calgary Scan Club, which includes members from each City department, meets regularly to explore the positive and negative implications of early signals of change. This can help us identify opportunities, risks and gaps for our city so that we may be more resilient to stresses and shocks.

From an emergency management perspective, we are prepared to respond to concurrent emergencies even with the strain that COVID-19 has placed on our Agency and its members. We have contingency plans in place to conduct virtual emergency operations if necessary and have the capacity to expand to meet the needs of emergent situations. Our response partners have adapted their practices to mitigate against the risks of COVID-19. The City's essential services remain robust and business continuity plans are in place.

### **3. Regarding the motion from last year for \$24 million one-time funding, there is still \$18 million left, is that correct?**

Yes, in the proposed Mid-Cycle Adjustments, we allocated \$6 million from the approved \$24 million to a residential rebate for residential property taxpayers in order to bring the projected change in taxes payable for a typical single-family home down to 0%.

### **4. We're in a difficult position financially, but public opinion isn't interested in seeing additional cuts [to services] if they can be avoided. How are you managing this?**

We are pulling on every lever that we can with a number of tactics in play to narrow the base budget gap. Our first-choice strategy is the SAVE program, which is designed to move The City away from across-the-board reductions and take us toward a more strategic approach to savings. It also reflects Council's principles of service value and taking a least harm approach to citizen-facing services.



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Other tools that we are looking at include the re-purposing of corporate capital funding, adjustments to the use of reserves or to corporate programs and minimal service reductions. With the savings found by the SAVE program, we are working to reduce the need for service reductions. Lastly, \$24 million in one-time funding was directed by Council last year to provide a tax rebate. We were able to find permanent reductions to replace three quarters of it, or \$18 million, and only \$6 million is now required for a much smaller rebate for residential taxpayers in 2021. Administration will work to replace this one-time funding with permanent reductions in 2022 through expansion of the SAVE program, thereby ensuring that there is no bow wave into 2022 based on our recommendations.

**5. Do we have additional scenarios?**

No. Council prudently did not direct scenarios, which are time-consuming – and therefore costly – to prepare. Council’s direction was instead for a 0% increase. Administration has worked tirelessly to come up with the maximum reduction possible, which is the proposed 1.66% reduction.

**6. Could you give a succinct presentation to provide clear insight into The City’s forecast position for the 2020 year end?**

Chief Financial Officer Carla Male will give a further presentation on 2020 November 23 which will include a summary of how we expect the year to end for The City’s finances and services.

**7. What’s the plan for the next year if we need to make adjustments in year?**

We will be regularly tracking and monitoring COVID-19 impacts and financial projections. Instead of making adjustments, we will carefully manage variances using a process consistent with what was done in 2020.

**Tax and Assessment Questions**

**8. Can you provide more information on the size of the different property classes (number of properties within the sub-types) and the geographic distribution throughout the city?**

The map provided in Appendix 1 highlights the size of specific property types that were used in the illustrative examples from Attachment 16 in the Mid-Cycle Adjustments report (C2020-1215) and their geographic locations across Calgary.

The Property Types and their respective sample size for additional types not included in the geographical map in Appendix 1 are provided in the table below.

Property Type	Size of Sample
Typical Single Residential Home	321,968
Typical Single Residential Condo	187,354



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Non-Residential \$5M Property	Pure example – number not available
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In Attachment 16, it is important to note that these are specific properties, and although they provide an idea of what is happening to the property type, impacts to individual properties will depend on property type and changes to assessment value.

**9. For the large format industrial class, how much of the tax shift is driven by the market?**

At a high level, the overall non-residential assessment base decreased in value, but large format industrial saw an increase in assessment against that backdrop of an overall decline. Sales of large format industrial warehouses support the 2021 preliminary assessment values and are reflective of the market as of 2020 July 1. The tax shift is a result of the overall assessment value of other non-residential properties declining, while industrial properties experience stability or even an increase in value. Below is a summary of 2021 preliminary non-residential assessment changes:

Property Type	Percent Change from 2020 to 2021
<b>Overall Non-Residential</b>	<b>-5%</b>
Industrial	+5%
Office	-10%
Retail	-9%
Other	-6%

If the market value for large format industrial warehouses moved with the rest of the non-residential inventory at -5%, they would see a revenue neutral tax change of 0%. The illustrative example in Attachment 16 shows the market change for the large format industrial to be +14%, which is higher than the average increase for Industrial.

**10. What options do we have regarding the Potential Phased Tax Program?**

Potential Phased Tax Program (PTP) options will be brought forward to Council during the 2020 November 23-27 deliberations.

**11. Do we have an option to freeze certain assessment classes? For instance, industrial property types?**

Alberta legislates property assessments to be conducted annually in order to best reflect the current market conditions. As such, there is no way to freeze the assessments, especially of just one particular class. This is to ensure fairness and equity for all property owners in property tax distribution. With annual market assessments, those properties that are hardest hit by the pandemic or market conditions will see tax responsibility redistributed from them, and properties that are least impacted by the pandemic and market conditions will see tax responsibility redistributed to them.

In short, when property values are higher for a property relative to another, they pay more tax. Similarly, when property values are lower for a property relative to another,



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they pay less tax. The ability to subclass and/or average property assessments over multiple years to reduce volatility is being explored as part of the Financial Task Force (FTF) recommendations.

## **12. Do we have an option to get more granular with our assessment classes?**

We do have the ability to create a class for small business, but this was explored by Administration and Council was advised that this was unworkable for Calgary. The exploration of sub-classes and the ability to make them more useable for Calgary has been raised by the FTF and will be explored in the future but will require legislative change to be able to apply to non-residential properties.

## **13. Where are we in conversations with the Province on this topic? (see question above) Is it a worthwhile exercise?**

To date, The City has asked the Province to consider changes to the regulation permitting small business subclasses to make it workable in Calgary. The City has also requested that the Province engage in a broader conversation of Assessment and Taxation Reform. To date the province has not accepted these invitations.

The City is working to implement the recommendations of the FTF and will bring forward the first semi-annual update, including a work plan, to PFC on 2020 December 1. The City's Assessment, FTF and Intergovernmental & Corporate Strategy (ICS) teams intend to bring a report to Intergovernmental Affairs (IGA) Committee by Q2 2021 to outline a plan for engagement with the Province and the Calgary Caucus. It would align with our broader engagement on the need for reform of the big city fiscal framework (see, for instance, the 2020 November 12 update to the IGA Committee).

Prior to bringing this to IGA, a great deal of work needs to be completed to ensure that The City is clear in its position and has a good understanding of both the benefits and risks as well as a proposed strategy for implementing any proposed changes to subclasses. The findings of the analysis will help determine the best strategy and content of the advocacy to the Province.

## **Planning & Development Questions**

### **14. Are we looking at doing more remote/virtual inspections?**

Yes. Planning & Development (PD) will continue remote inspections. Although we anticipate an evolution for remote inspections as the pandemic eases and we can re-enter residential homes. Our 2021 plan has a trial of remote video inspections on demand, this would allow certified contractors to call us and we would perform the inspections real time. This would allow the contractor to limit their downtime, enable the contractor to correct any deficiencies immediately (avoiding a return visit to their customer) and negate the need for a homeowner to book the inspection for a later time.



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**15. Is there a possibility of limiting inspections, when they are covered by other trades or professional organizations?**

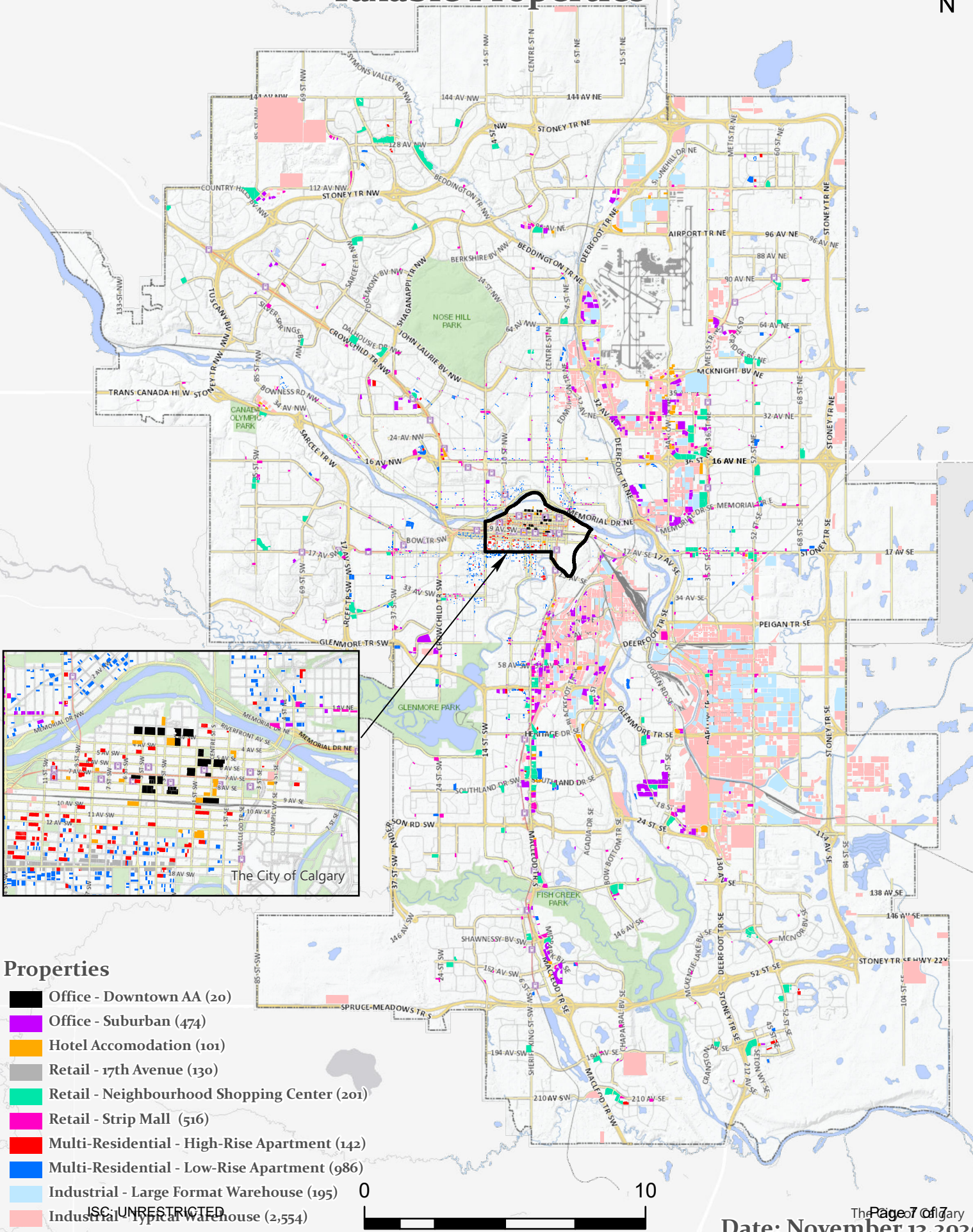
PD's 2021 work plan includes working towards formalizing risk management in approvals and inspections. This involves a program where trades and professionals could qualify for to reduce review and inspections. The program would involve assessing the quality of work already completed by the trades and professionals. The ability for trades and professionals to remain in the program would be based on the ongoing quality of work as measured through audits. We are modelling the program that Edmonton has already launched.

**16. Regarding Calgary's downtown, how are we working toward a recovery?**

Through the Downtown Strategy work and the Greater Downtown Plan project, we are looking at available tools and channels (including social media) to raise the public awareness of the challenges that our downtown faces in light of both the structural changes to our downtown economy and the impacts of the pandemic (both immediate impacts and longer lasting changes such as work-from-home trends). The goal is to create a broader community conversation about the current state and to draw in solutions and ideas from a wide range of stakeholders.



# Location and Count of Select Taxable Properties



## Properties

- Office - Downtown AA (20)
- Office - Suburban (474)
- Hotel Accomodation (101)
- Retail - 17th Avenue (130)
- Retail - Neighbourhood Shopping Center (201)
- Retail - Strip Mall (516)
- Multi-Residential - High-Rise Apartment (142)
- Multi-Residential - Low-Rise Apartment (986)
- Industrial - Large Format Warehouse (195)
- Industrial - Typical Warehouse (2,554)

