



Mid-Cycle Adjustments to the One Calgary 2019-2022 Service Plans and Budgets

Special Council Meeting

2020 November 09



- Mid-Cycle Adjustments support Calgary's economic recovery and COVID-19 response by providing an **overall tax rate decrease of 1.66% for 2021**, exceeding Council's direction for a 0% increase.



- The \$24 million one-time rebate for 2021 previously directed by Council will be replaced with permanent reductions. This means an **overall decrease of 0.55% for non-residential and 0.67% for residential taxpayers** (after a smaller one-time rebate).*



- The City continues to reduce costs and modernize our approach despite **increased demand for City services**.

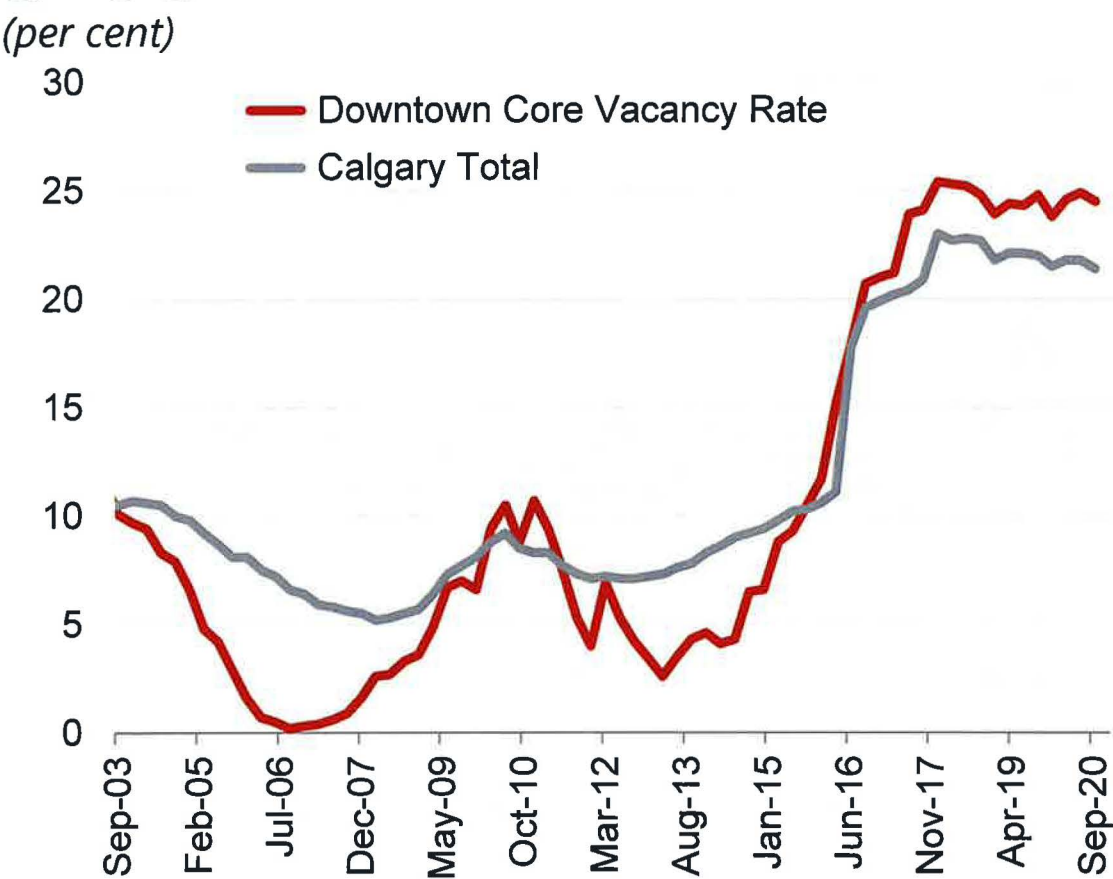


- **The City remains well-positioned to serve Calgarians** due to Council direction promoting prudent management, including creation of the SAVE program and support for priority investments.

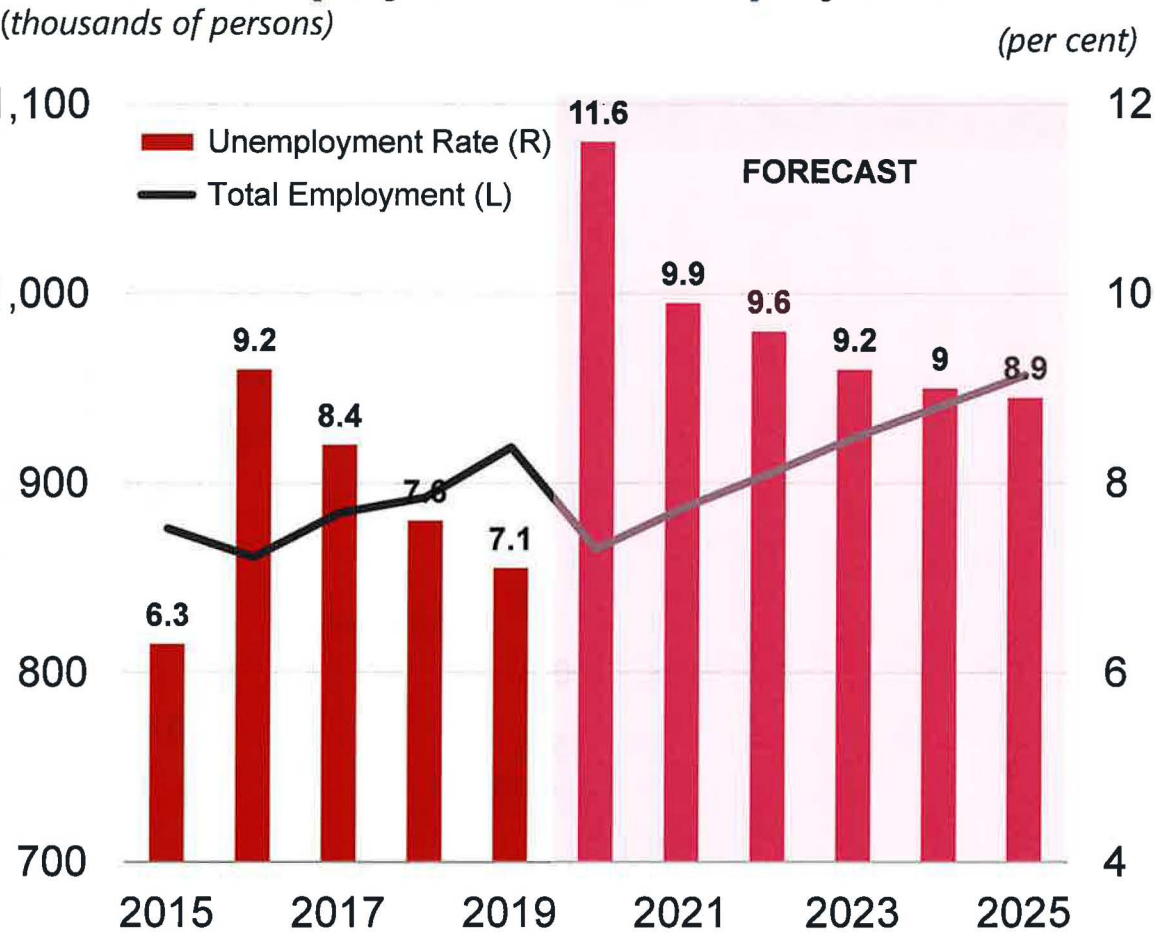
* Impacts to individual properties will depend on property type and changes to assessment value.

Calgary faces several economic challenges, including some that pre-date COVID-19

Calgary Office Market Vacancy Rates: Q3 2003 – Q3 2020



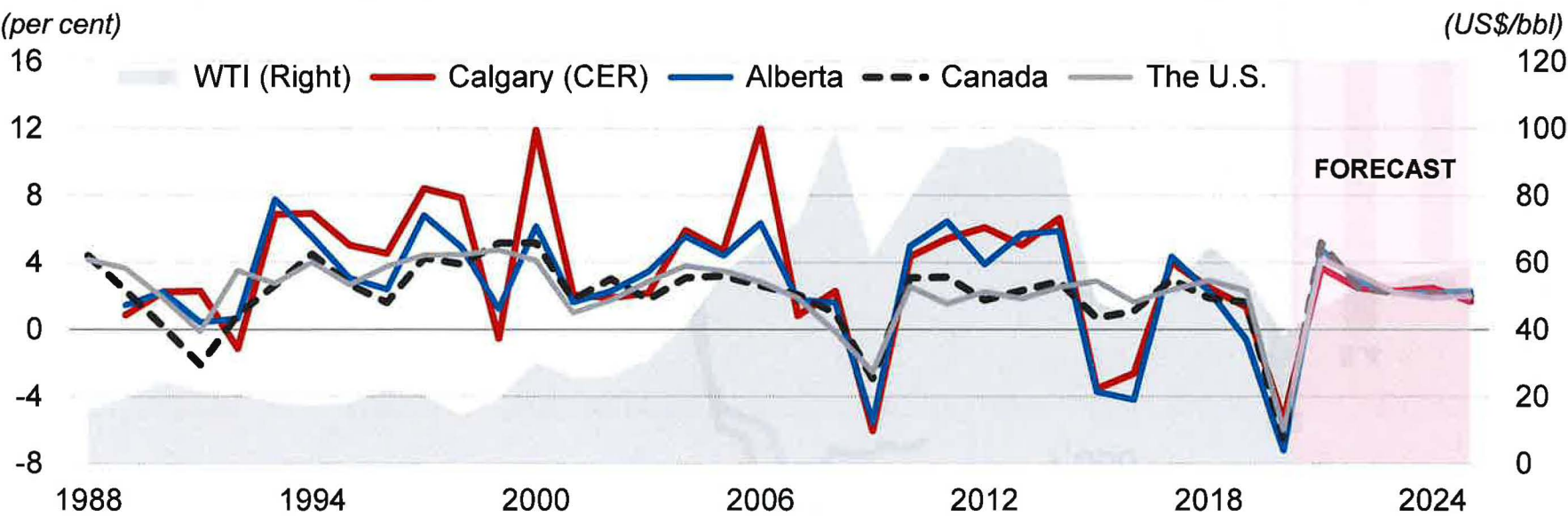
CER: Total Employment vs. Unemployment Rate



Source: Altus Insite, Statistics Canada, CBRE, Corporate Economics

COVID-19 deepened the challenge, and although a rebound in 2021 is predicted, uncertainties persist

GDP Growth Comparison (1988-2024 Forecast)

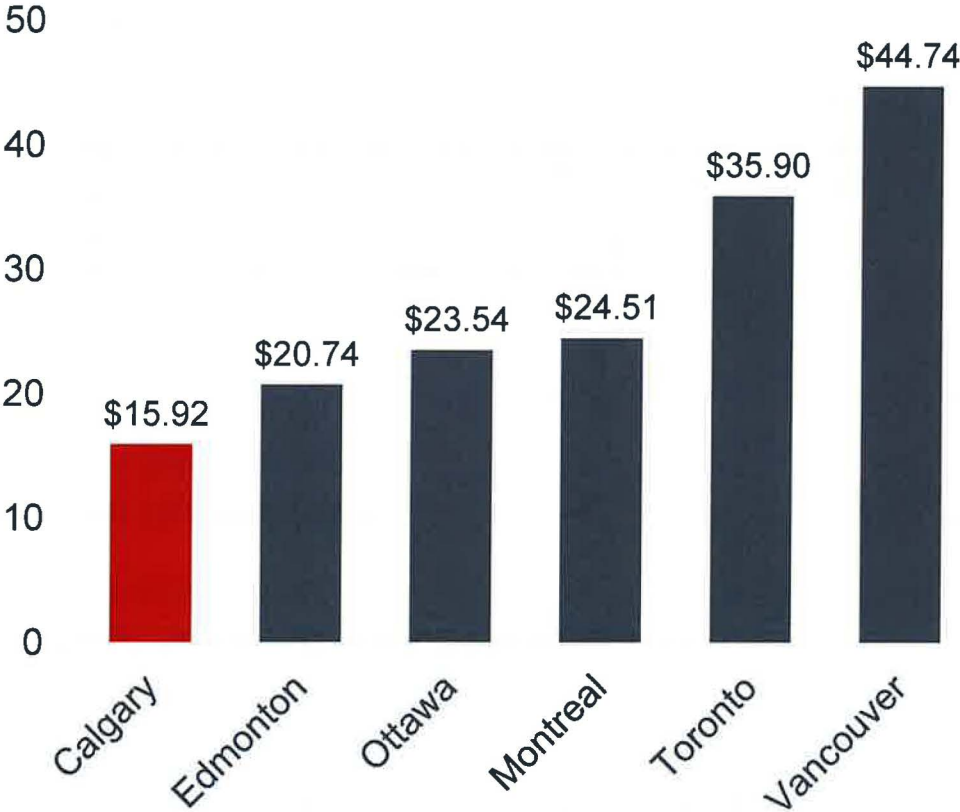


Forecast Table: Selected Key Indicators

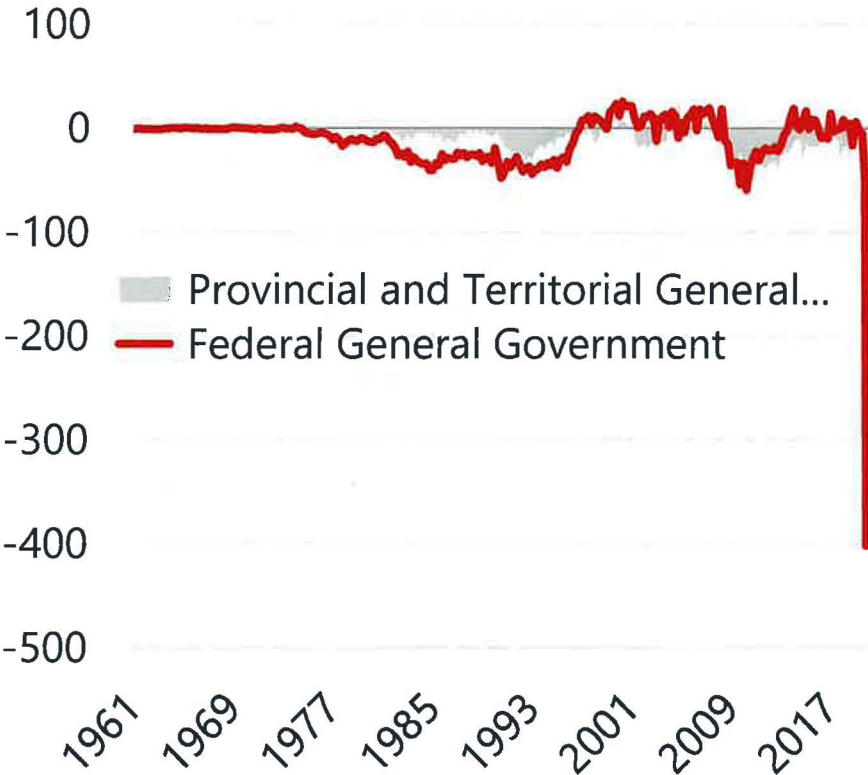
	2019	2020	2021	2022	2023	2024	2025
World: GDP (%)	2.9	-4.9	5.4	2.9	3.3	3.6	3.6
The U.S.: GDP(%)	2.3	-6.0	4.2	3.3	2.2	1.9	2.0
Canada: GDP (%)	1.6	-6.5	5.2	2.5	2.2	2.2	2.0
Alberta: GDP (%)	-0.6	-7.2	4.8	2.9	2.2	2.2	2.3
Calgary Economic Region: GDP (%)	1.3	-5.4	3.7	2.5	2.3	2.5	1.7
Calgary Economic Region: Unemployment Rate (%)	7.1	11.6	9.9	9.6	9.2	9.0	8.9

Certain structural issues may also have lasting impacts on Calgary's economy

Downtown Office Average Class A Net Rent (Q3 2020)
(dollars per sq. ft.)



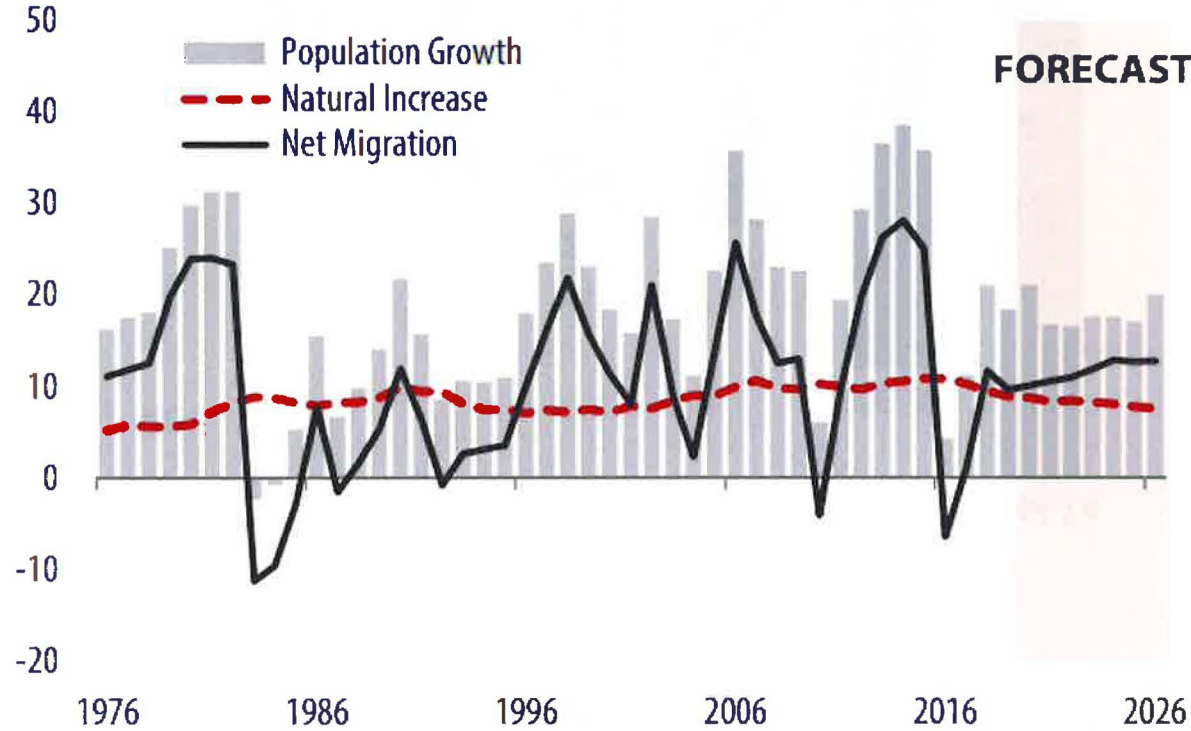
Federal and Provincial Governments Net Lending/Borrowing Positions in Canada
(\$billion, Q2 1961-Q2 2020)



Despite the downturn, population growth and inflation have continued

Population Growth by Components

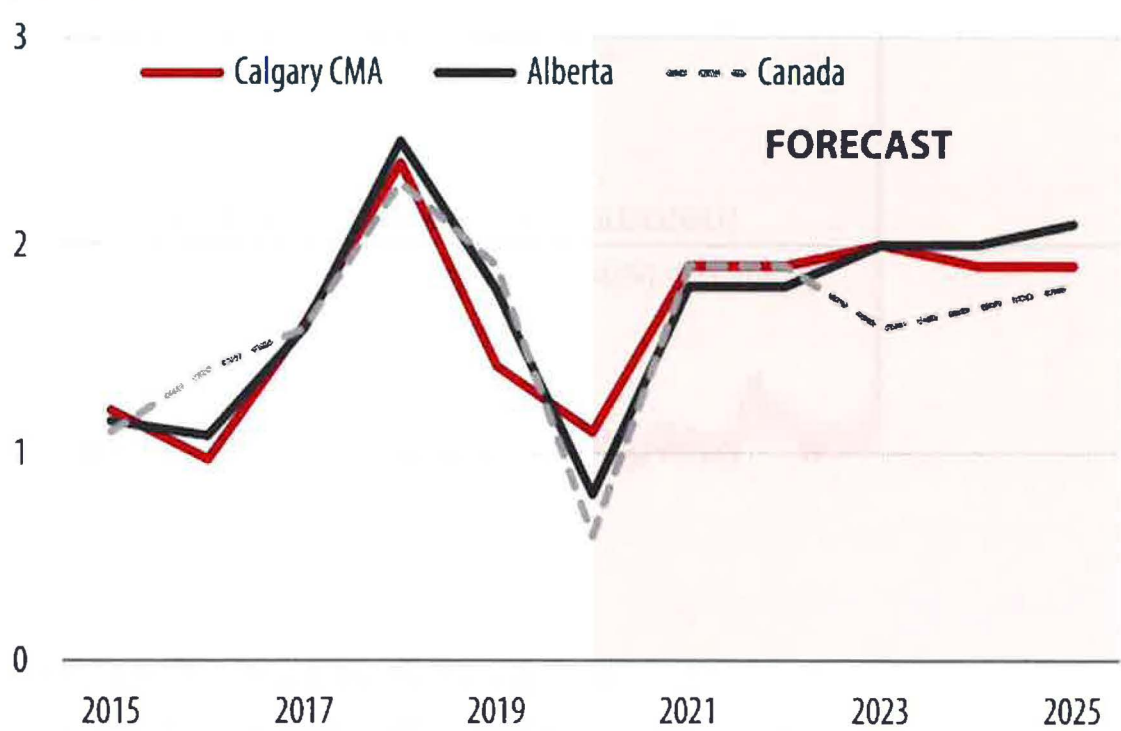
(thousands of persons)



Source: The City of Calgary Civic Census, Corporate Economics.

Consumer Price Inflation Rates

(per cent)



Source: Statistics Canada, Corporate Economics.

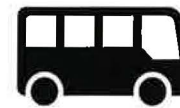
Demand for City services has remained consistent and grown in some areas

Some examples...



FAIR ENTRY

In 2018, 67% of low-income Calgarians were served through Fair Entry. In 2019, that jumped to 72%.



TRANSIT

Yearly ridership grew from 2016-2019, from over 102M annual trips to over 106M annual trips.



WASTE AND RECYCLING

Damaged carts from hailstorms and implementation of Tag-a-Bag, among other factors, resulted in 11% more service requests this year.



POTHOLE REPAIR

Filled 16,658 in all of 2019 vs 20,720 by end of Oct 2020.



PLANNING AND DEVELOPMENT

30% increase in residential improvement projects in 2020, and dramatic increase in non-standard proposals related to development applications.

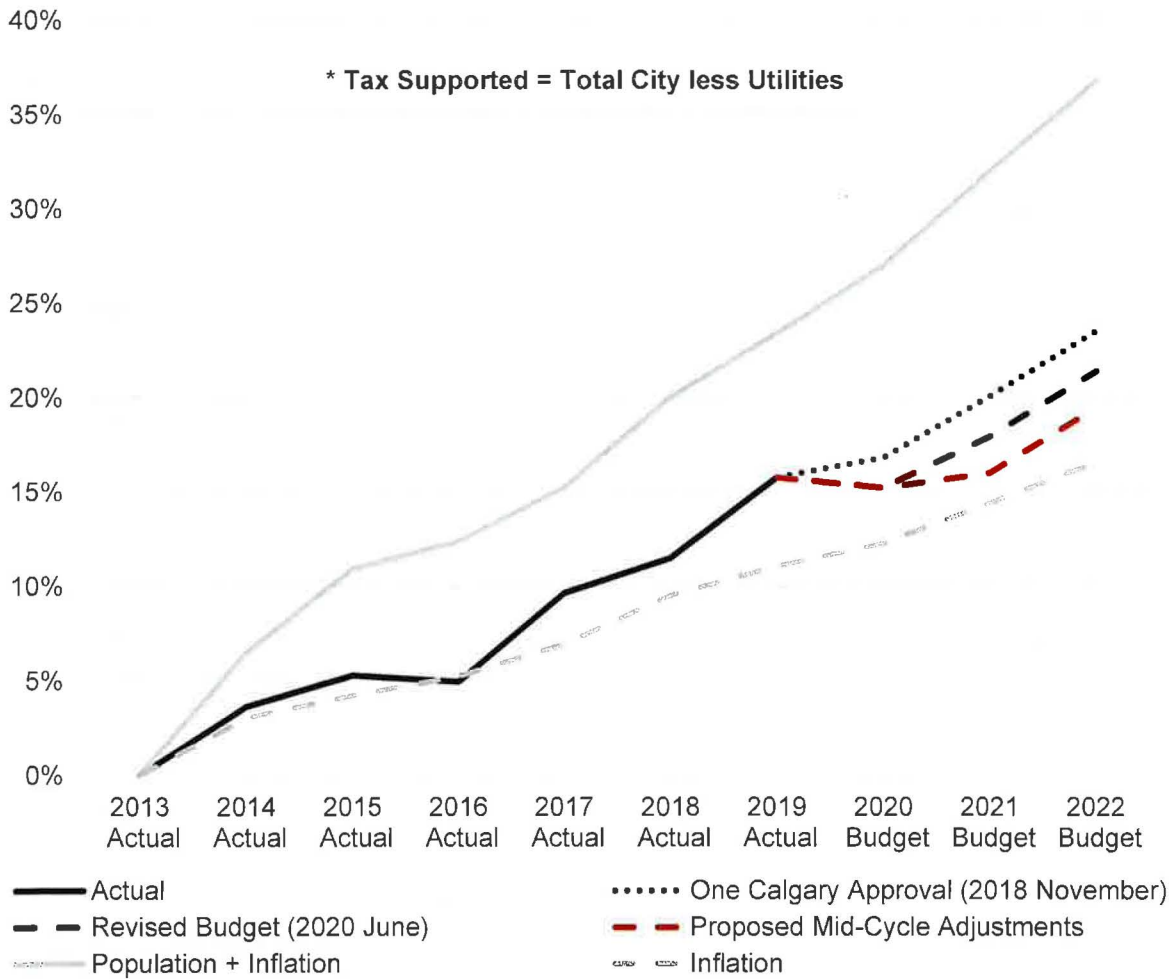


PROGRAM FUNDING

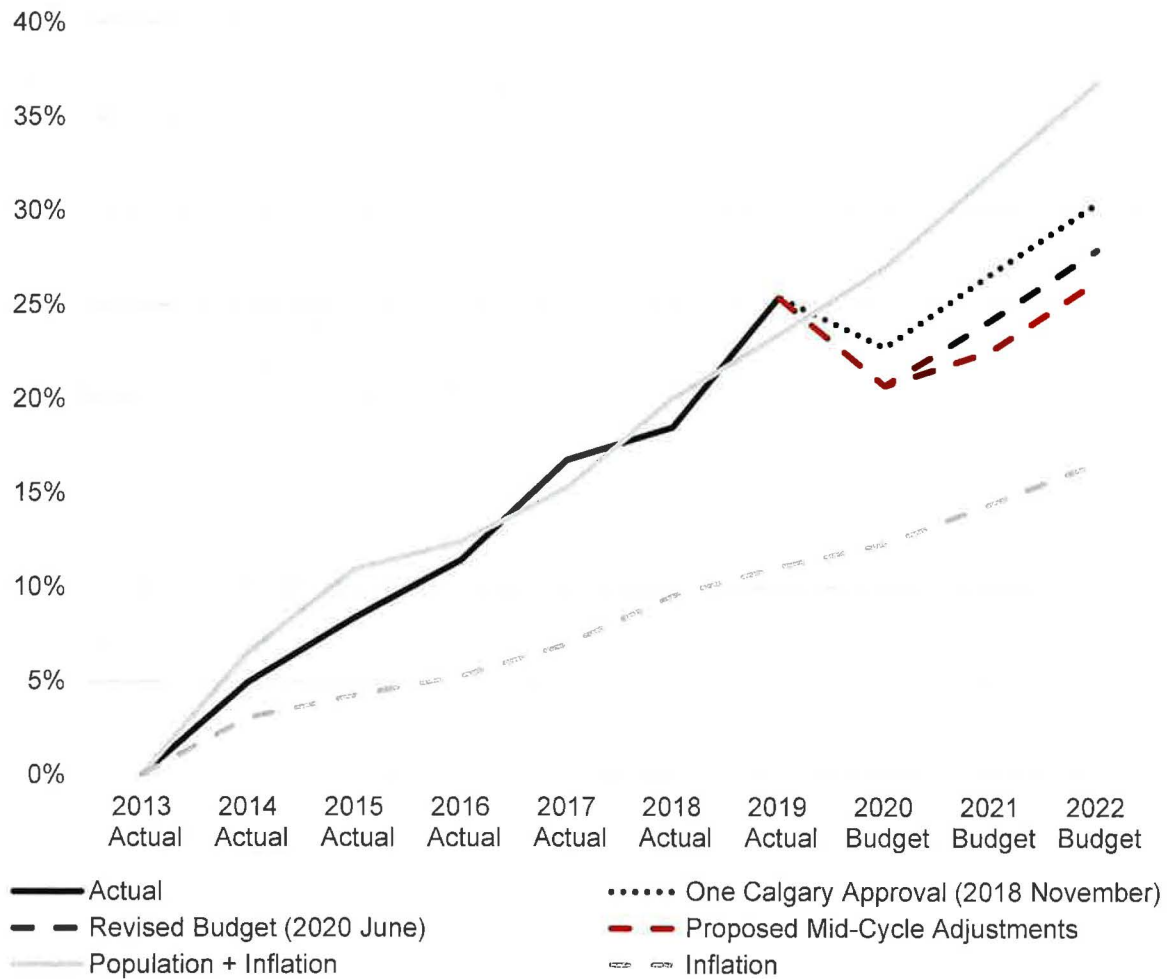
For 2019 Prevention Investment Funding (Mental Health and Addiction), \$12M in requests for available \$3M. For Anti-Racism Capacity Building Funding, \$4.4 million in requests for available \$600K.

Despite this strong demand, The City has reduced costs and “turned the curve” on its expenditures

Cumulative Change in Tax Supported* Operating Expenditures vs. Population + Inflation



Cumulative Change in Total City Operating Expenditures vs. Population + Inflation

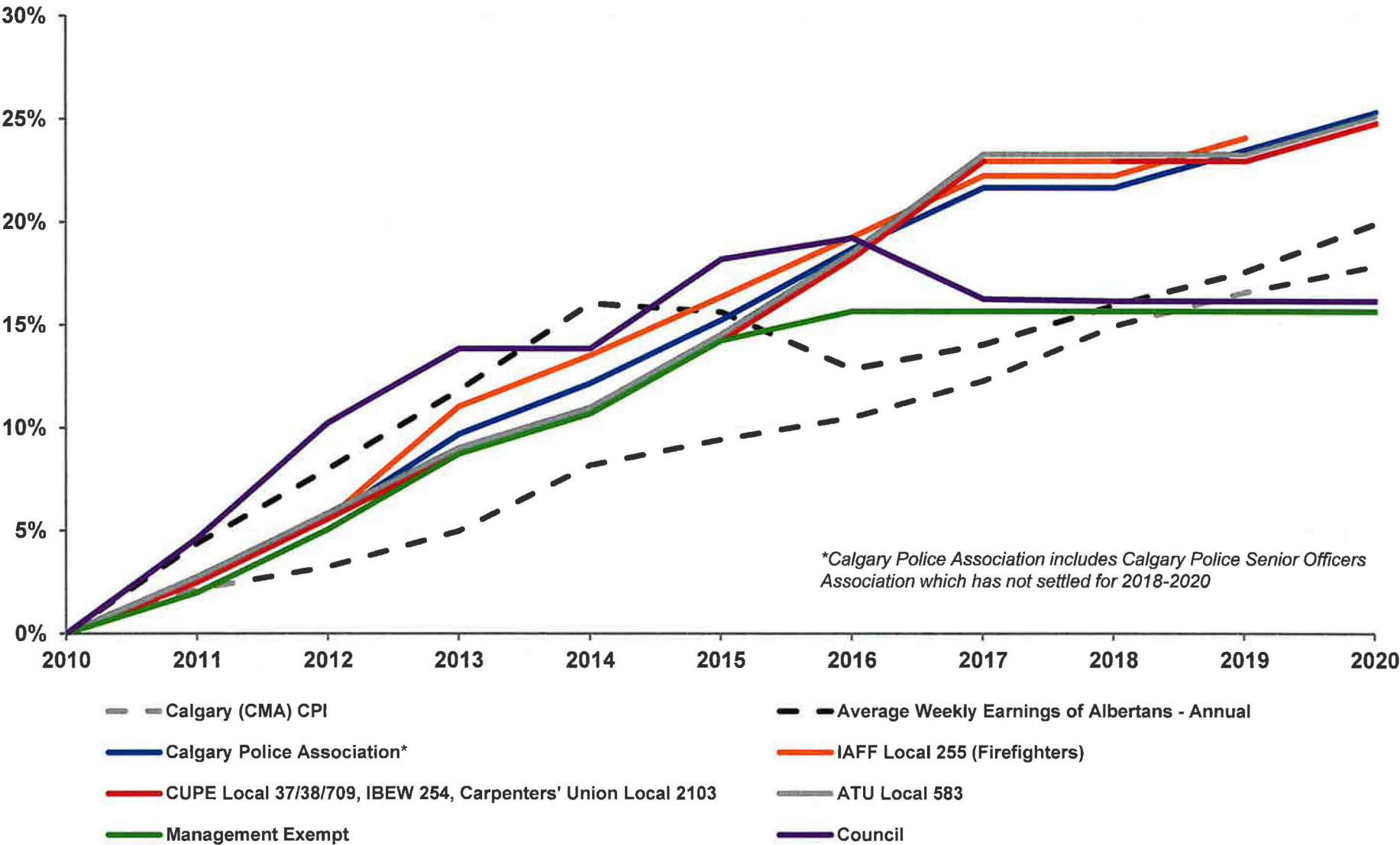




- Despite growing demand for City services, and after adjustments for seasonal workers, **current total headcount is below 2013 levels.**

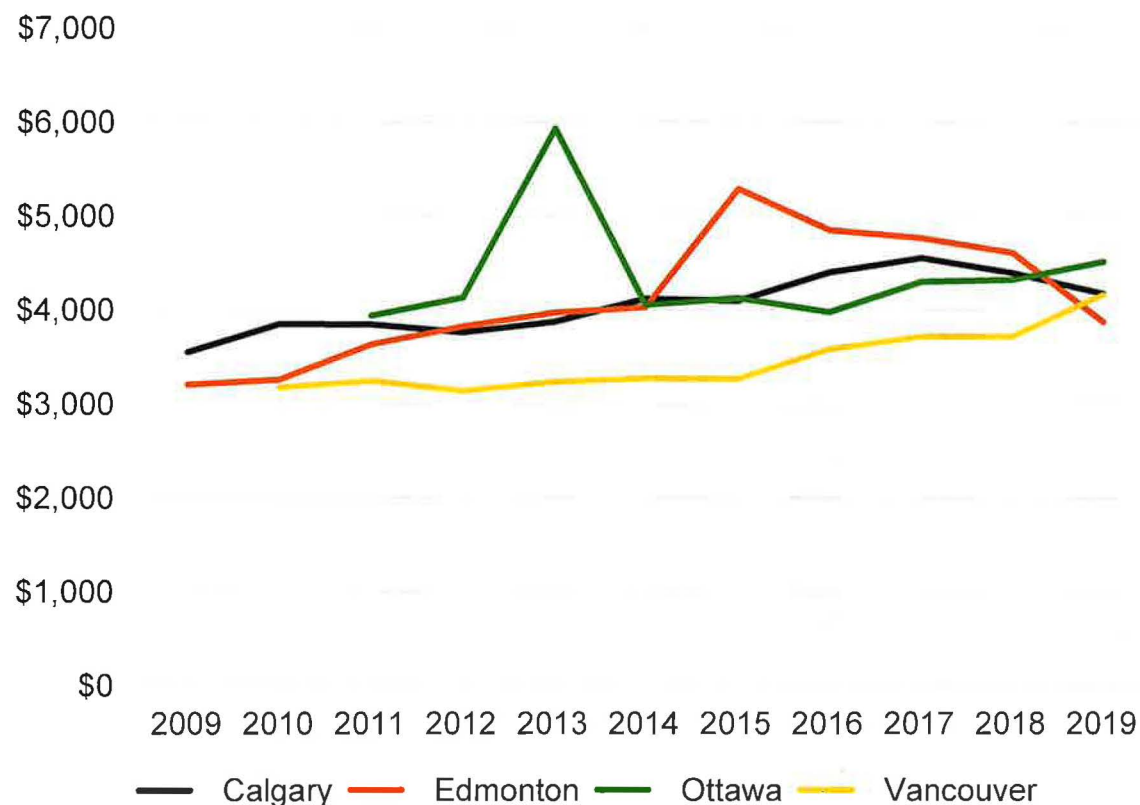


- Including reductions proposed in these Mid-Cycle Adjustments, **total budgeted full-time equivalents (FTEs) will have been reduced by 3.5% in the last 18 months:**
 - 2019 adjustments (approved July 2019) resulted in reduction of 234 FTEs
 - 2020 adjustments (approved November 2019) resulted in reduction of 178 FTEs
 - **2021 Mid-Cycle Adjustments in this report (to be approved November 2020) result in an estimated reduction of 162 FTEs,** including impacts from the SAVE Program and other changes
 - Total reduction of 574 FTEs since July 2019 or 3.5% of the total FTEs budgeted for 2021 in the One Calgary 2019-2022 Service Plans and Budgets

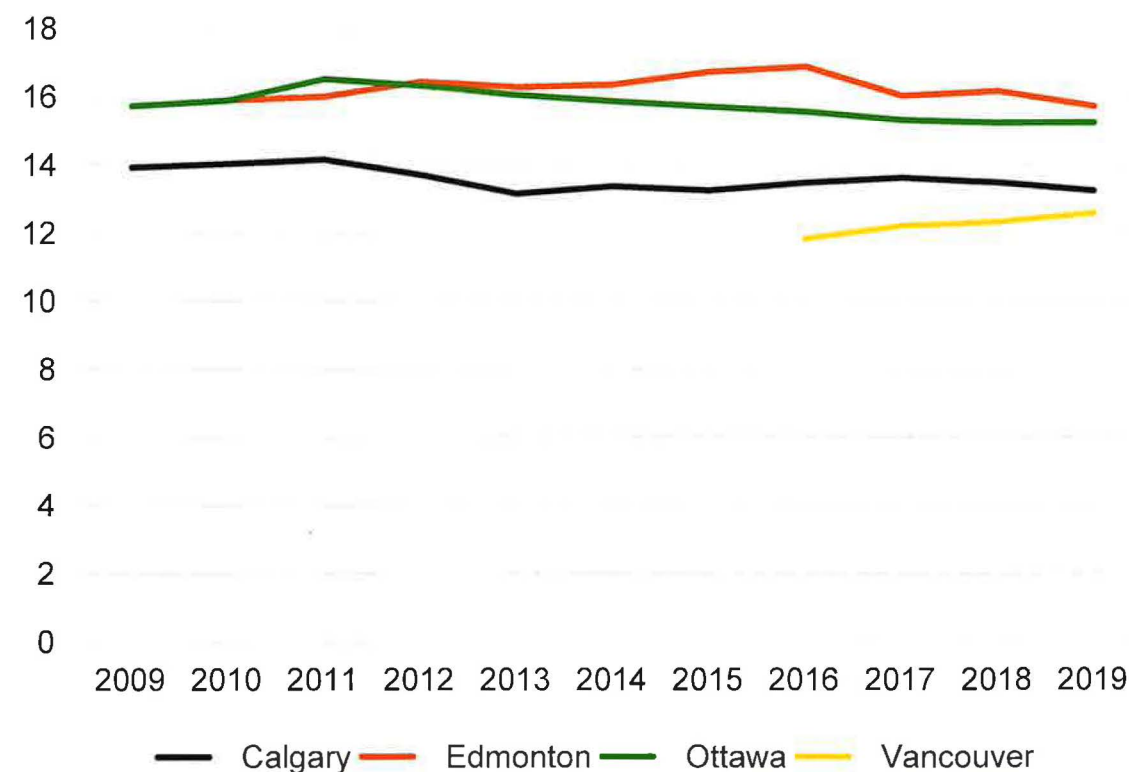


Putting The City's spending and size in context

Total Expenditures per capita*



Full Time Equivalents (FTEs) per Capita
(1,000 people)**



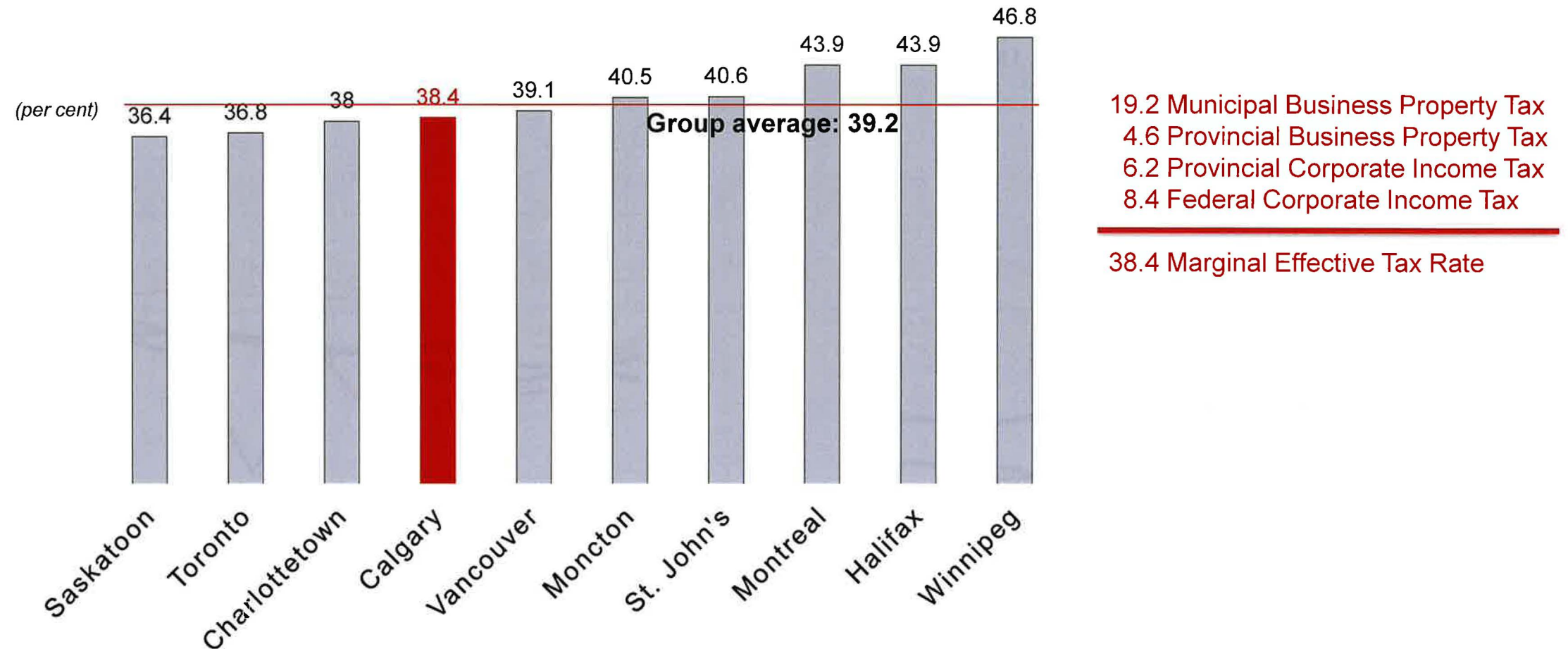
Information sourced from each city's annual report. No adjustments have been made to account for differences in services, service levels or reporting.

*Vancouver expenditure data includes an estimated share of City of Vancouver costs related to Translink and Metro Vancouver.

**Vancouver FTEs represent only City of Vancouver source from budget documents and do not include Translink or Metro Vancouver.

The tax rate on Calgary businesses is also competitive

Marginal Effective Tax Rate on Businesses in Major Canadian Municipalities in 2019



Source: Business Tax Burdens in Canada’s Major Cities: The 2019 Report Card, C.D. Howe Institute, April. 2020



Mid-Cycle Adjustments allow The City to pursue Citizen Priorities while achieving a tax rate decrease in 2021

Modernizing Municipal Government, including:



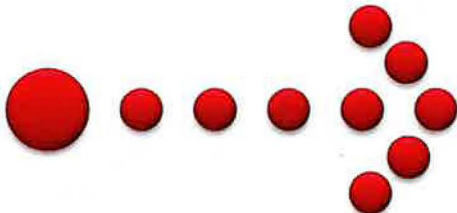
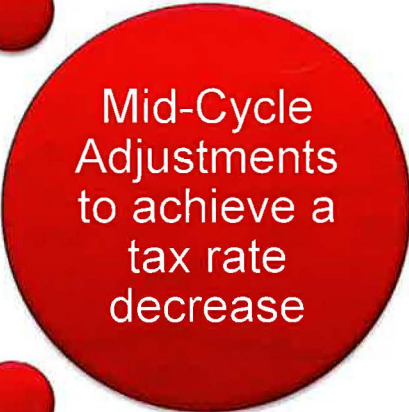
- SAVE business cases
- Base reductions
- Growth-related adjustments



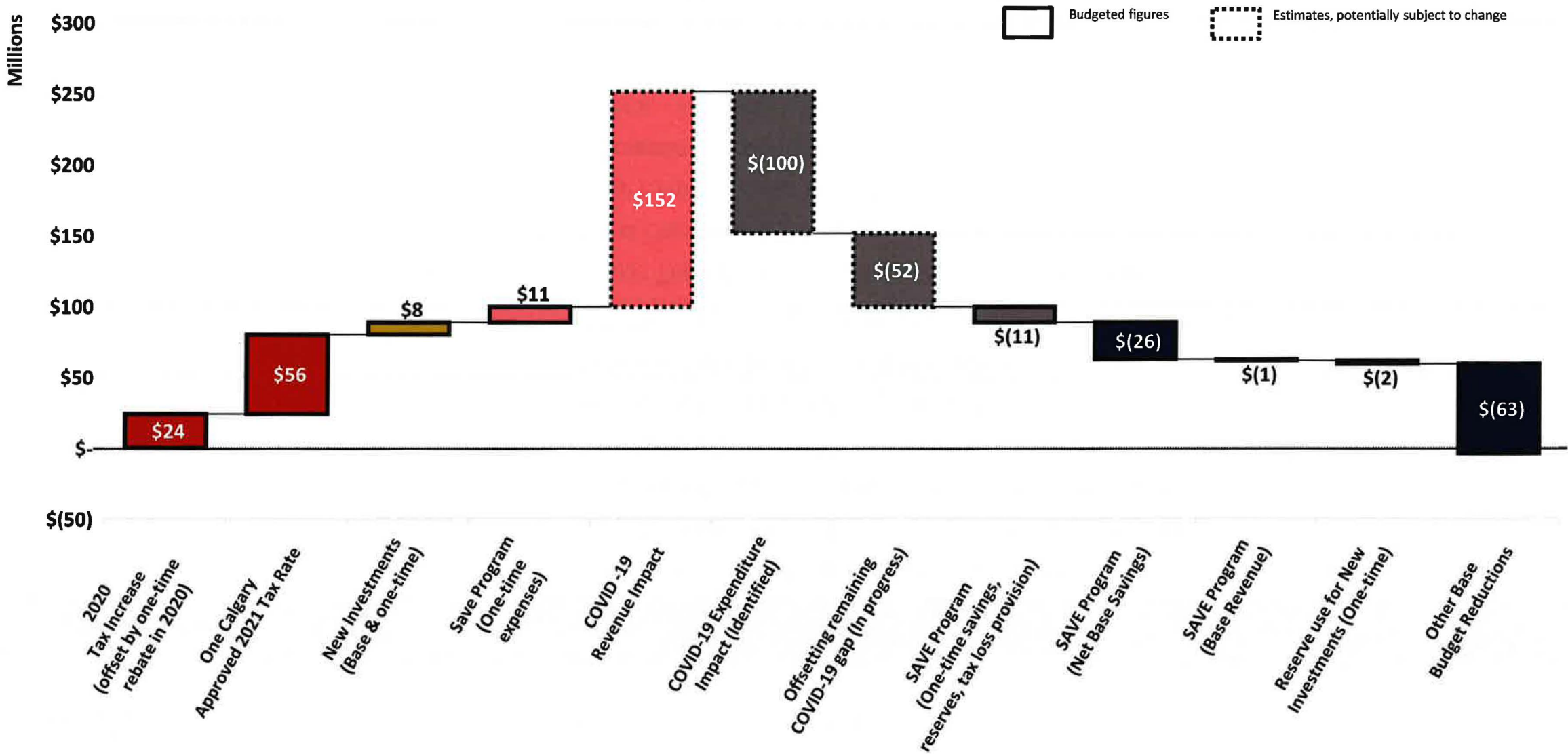
COVID-19 Response and Recovery



Investing in Priorities



Getting below 0% in 2021 requires careful management of many moving parts



The City will continue managing the impacts of COVID-19 in 2021 using similar tools as 2020

Account Category	2021 Projections (\$M)*	Explanation
Revenue	(152)	<ul style="list-style-type: none"> Public Transit – substantially reduced ridership and associated revenue shortfall Land Development & Sales – decrease in industrial sales revenue Corporate Programs – lower franchise fee, penalty and taxation revenue Recreation Opportunities – limited amenity and programming offerings Real Estate – reduction in general land sales, rent reductions and vacancies Police – lower penalty and fine revenue Streets – reduced permit and parking enforcement revenue
Expenditures	100	<ul style="list-style-type: none"> Public Transit – lower cost due to service reduction Land Development & Sales - lower cost of sales and repayment to the reserve Real Estate – lower cost of sales and reduced contribution to reserve Recreation Opportunities - savings associated with reduced service Police – lower contribution to vehicle reserve, use of the court fine reserve Streets – material efficiencies in snow and ice control
Total Unmitigated Gap	(52)	Strategies to close the 2021 projected gap have not been included in this figure. Administration will continue to manage variances through manageable cost savings, temporary service changes (as needed) and Provincial/Federal funding.

*Figures do not include impact in self-supported areas (e.g. utilities) as they manage the impact of COVID-19 within their own operations.



Tactics to narrow the base budget gap



SAVE Program

- 22 business cases



Re-purposing corporate capital funding

- Capitalization of some positions to support operations and infrastructure delivery



Use of reserves

- Reserve funding for community recycling depots and social programs



Corporate programs

- Increasing risk, reducing contingency, and embracing risk as opportunity



Service reductions

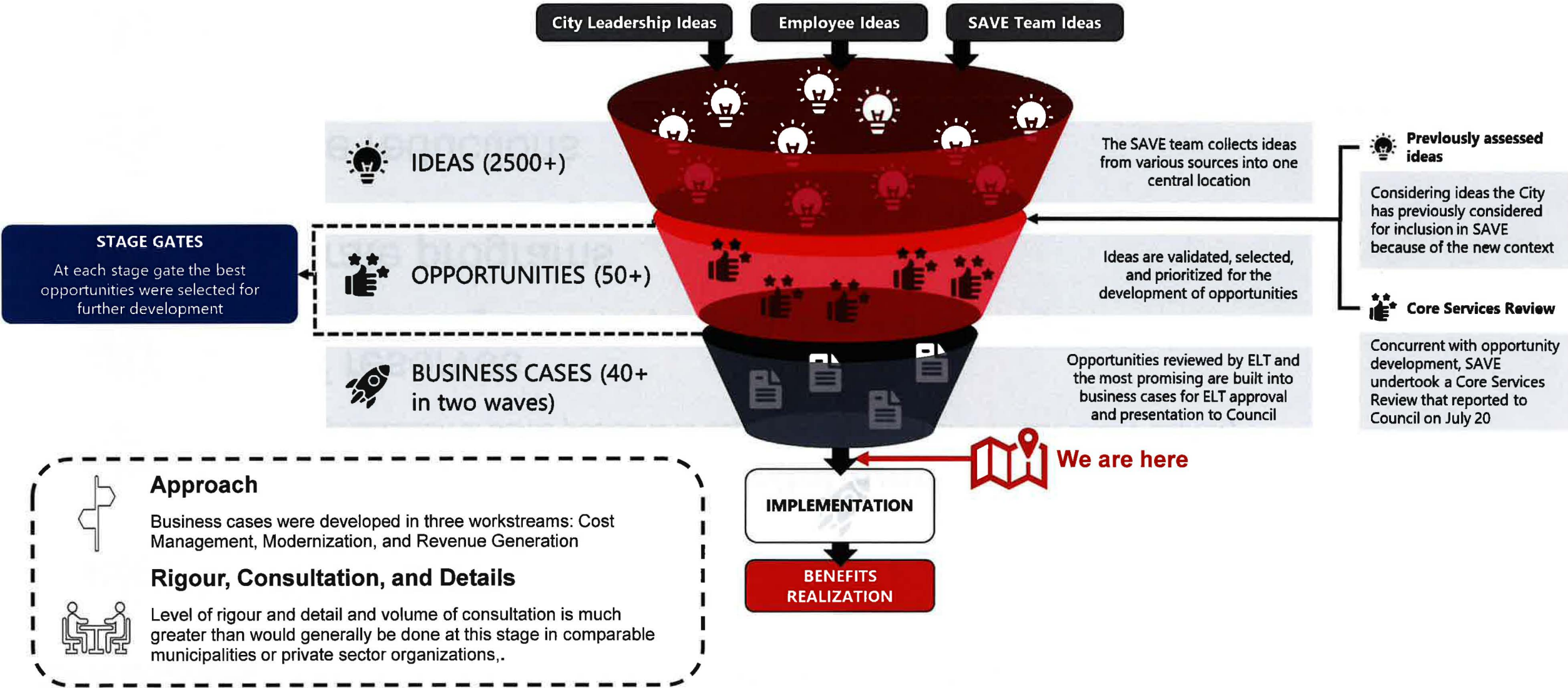
- Avoided where possible; impacts public access to municipal facilities, street light outage response time



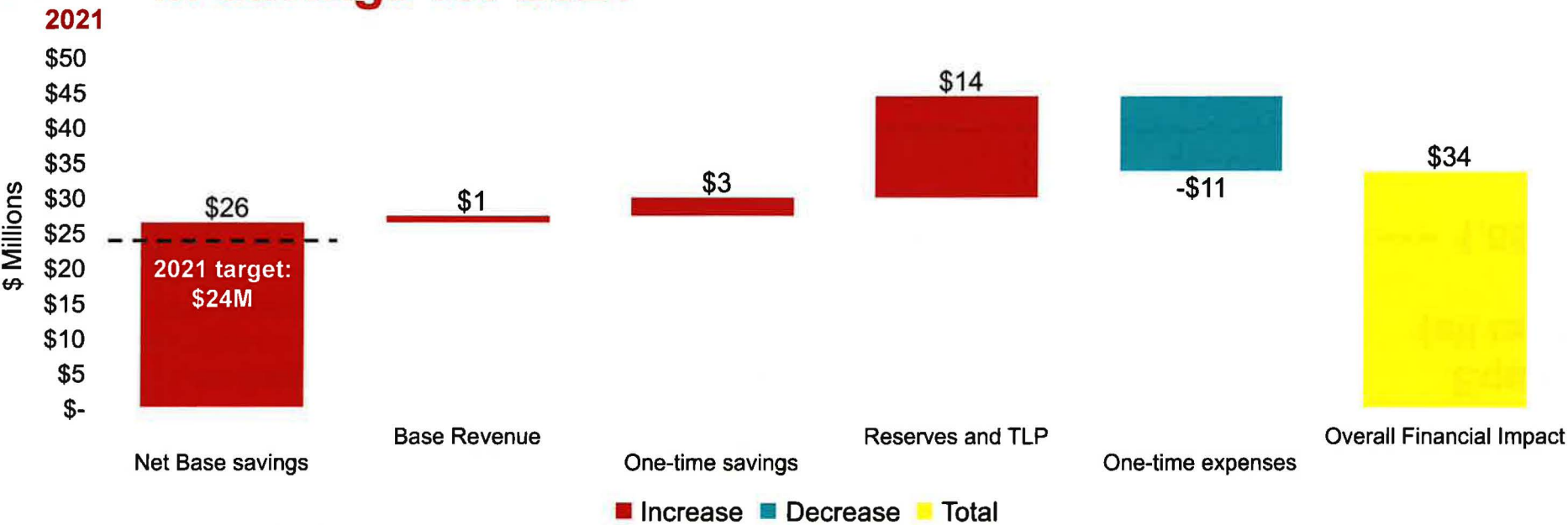
\$24 million in one-time funding

- Previously directed by Council; \$18 million replaced with permanent reductions; only \$6 million required for a 2021 rebate

The SAVE Program has worked diligently to identify opportunities for savings and service improvements



SAVE has exceeded its mandate of identifying \$24 million in savings for 2021



	2021 Financial Impact (\$000s)
Net Base Savings	\$26,401
Base Revenue	\$948
One-Time Savings	\$2,624
Reserve Funding (one-time; does not require budget adjustment)*	\$4,400
Excess tax loss provision (one-time; does not require budget adjustment)*	\$10,000
One-Time Expenses	-\$10,733
Overall Financial Impact	\$33,640

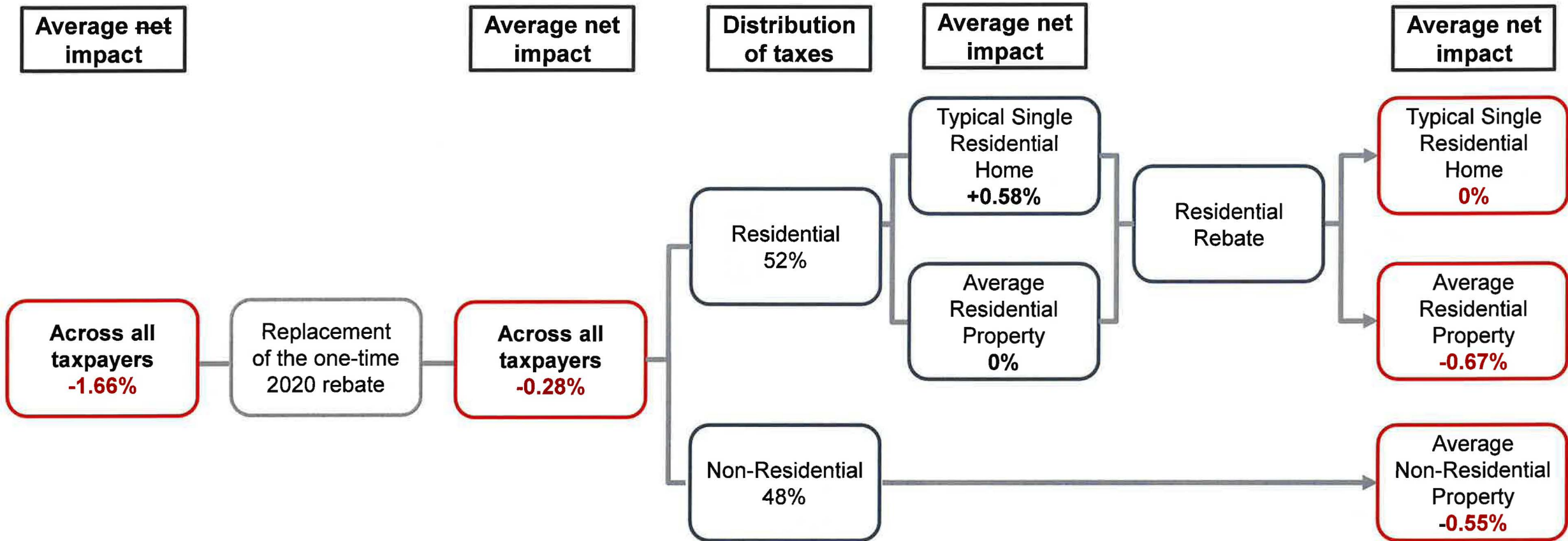
*\$4,400 in reserve funding and \$3,709 in excess tax loss provision required to offset one-time expenses

MCA provides an overall 1.66% tax rate decrease in 2021

Description	Amount (\$000's)	
SAVE Program – Base Savings	(26,401)	
SAVE Program – Revenue	(948)	
Additional Reductions from 34 Services	(23,883)	
Corporate Reductions	(39,500)	
Base Operating Net Budget Reductions	(90,732)	
One Calgary Approved 2021 Tax Rate Increase of 3.23%	56,000	
Proposed New Investments (Base)	5,953	
Base Operating Impact on the Tax Rate	(28,779)	-----> 1.66% ↓
Replacement of One-Time 2020 Tax Rebate	24,000	
Net Impact to Taxpayers	(4,779)	-----> 0.28% ↓

**Tax Rate
Equivalent
(all taxpayers)**

Explaining the Net Impacts to Taxpayers in 2021



- Impacts to individual properties will depend on property type and changes to assessment value.
- Because assessed values for single residential homes have held up better than other residential property types, the typical single residential taxpayer would see a 0.58% increase in their property taxes in 2021 despite the overall tax rate decrease.
- Administration recommends a one-time rebate to the Residential assessment class to bring the typical single residential home to a net increase of 0% in 2021. The rebate would change the net reduction for residential taxpayers overall from 0% to 0.67%.

The tax rate decrease will have different impacts for different types of properties



Single Residential

	2020	2021	Year-over-Year Change
Assessment	\$455,000	\$446,000	-1.98%
Estimated Municipal Taxes	\$2,175	\$2,157	-0.81%
Estimated Municipal Taxes After Rebate	\$2,145	\$2,145	0.00%



High-Rise Apartment

Year-over-Year Change	Year-over-Year Change
-4.08%	10.44%
-2.94%	11.76%
-2.11%	12.67%



Retail – Strip Mall

Retail - Neighbourhood Shopping Centre



Suburban Office

Office - Downtown AA Class



Hotel/Accommodation

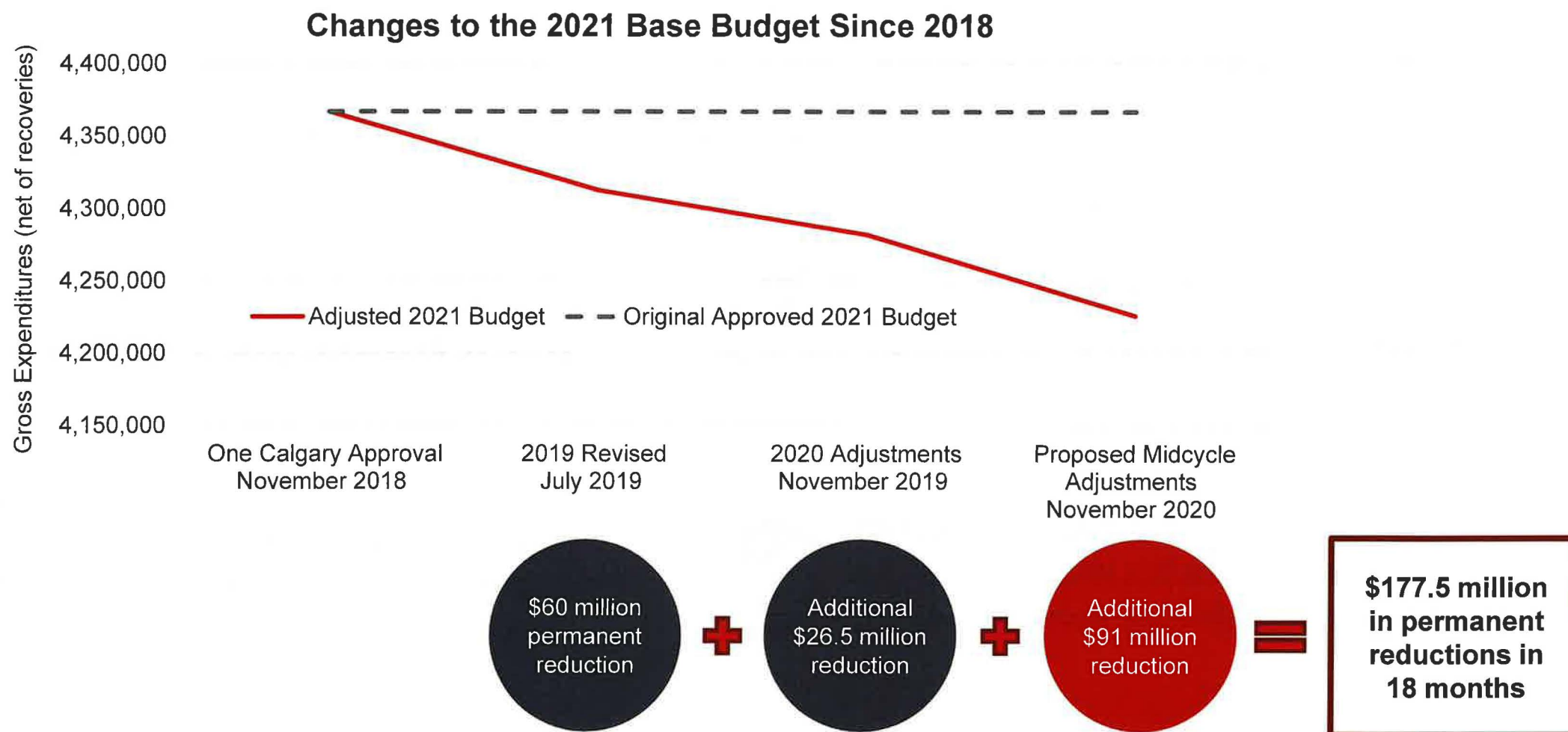


Large Format Industrial - Warehouse

Typical Industrial - Warehouse

	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change	Year-over-Year Change
Assessment	-8.14%	2.14%	-5.11%	-8.94%	-31.20%	14.25%
Estimated Municipal Taxes	-4.68%	5.98%	-1.54%	-5.51%	-28.62%	18.55%
Estimated Municipal Taxes After Rebate	-3.41%	7.39%	-0.23%	-4.25%	-27.66%	20.13%
Municipal Taxes After PTP	2.64%	17.08%	-0.23%	-4.25%	-27.66%	24.98%

This tax rate decrease builds on a series of prudent adjustments to The City's operating budget





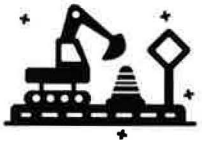
The City also continues to carefully manage its infrastructure projects and funding



Ongoing strategic investment of capital despite the **\$73M reduction in MSI** earlier this year. **Further reductions to capital funding is expected moving forward.**



Continue to look for opportunities and make investments that increase **operating savings** for the organization



Working closely with industry to align and support them, and provide increased line of sight on upcoming procurement



Good project planning has meant an ability to **stay within scope and budget**



Will use stimulus funding to make investments in Calgary with community benefit (**focus on job creation, economic and social benefits**)



Considering investments that will support **needs in a COVID and post COVID environment** (e.g. work space)

That Council:

1. Approve the SAVE Adjustments, Other Base Reductions and New Investments in Attachment 7a;
2. Direct Administration as to the use of any funds released as a result of Recommendation 1 so as to ensure a balanced budget, and implement the balancing budgetary changes necessary to effect that direction;
3. Direct that one-time funds identified in note 4 of Attachment 7a be transferred to the Budget Savings Account and used to fund one-time SAVE implementation costs and reduce the tax loss provision in the 2021 Property Tax Bylaw.
4. Authorize Administration to transfer the budgets in Attachment 7a that are held in Corporate Programs and are related to costs and savings arising from SAVE business cases to the relevant services as required during implementation;
5. Approve the changes to Performance Measures in Attachment 7b arising from the adjustments in Attachment 7a;
6. Direct Administration to:
 - a. Use funds previously allocated in the Fiscal Stability Reserve to provide a one-time rebate to residential taxpayers sufficient to bring the typical single residential home to a 0% increase in net municipal property tax payable in 2021 and release the balance; and
 - b. identify additional savings through the SAVE program to replace this one-time funding with permanent reductions in 2022;
7. Approve the Net Zero Operating Budget Adjustments in Attachment 8;
8. Approve the Carry Forward of Operating Budget from 2020 to 2021 in Attachment 9;
9. Approve the Capital Budget Adjustments in Attachment 11;
10. Approve the Capital Budget Recast in Attachment 12;
11. Approve the Performance Measure Adjustments Not Related to Reductions in Attachment 14;
12. For the proposed 2021 User Fee and Rate Adjustments in Attachment 15:
 - a. Approve the user fee changes in Attachments 15A-15G; and
 - b. Give three readings to each of the bylaws in Attachments 15H-15K.