

Economic Scenarios

Representative Report Back: What We Heard
April 2016

Project overview

The City of Calgary's four-year business plans and budgets for 2015-2018, or Action Plan, was approved by Council in November 2014. At that time, there was strong economic growth in Alberta – oil prices were projected to remain in the US\$90 range, the price of other commodities would remain strong, and Calgary would continue to face strong population growth.

In order to respond to this new economic reality, understand its effect on our citizens and community, and adjust accordingly, The City has developed three economic scenarios – low, moderate, and high – representing alternative futures for Calgary based on a range of updated assumptions of oil prices and other commodities. All three scenarios, including the most optimistic, show depressed projections for key economic indicators compared to those in Action Plan. Unemployment rates in all scenarios are almost double the level predicted in Action Plan. The one exception to these trends is population growth, which remains close to original forecasts.

These scenarios were shared with business groups, community groups and City employees in April 2016, through facilitated workshops. The groups were asked to consider the impacts of the scenarios on their sectors, from the perspective of the people or markets they provide services for, and the programs and services they offer.

While consideration was given to all three scenarios, the groups were asked to focus primarily on the moderate case, which has the highest probability of occurrence, compared to the low and high scenarios.

City Administration will consider all three scenarios when planning for the adjustments to 2017 and 2018 of Action Plan. However, the moderate case scenario will be the basis for bringing forward adjustments that address these impacts as part of the Investment Framework for Council's consideration in November 2016.

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Engagement overview

The engagement process occurred between April 4th and 7th, 2016, and included internal and external representatives from the Calgary community. A workshop was held on each date, which included presentations and then time for small group and large group discussion. Notes for each session were taken, and representatives also wrote down their individual input.

Date	Representatives
April 4, 2016	Business Community
April 5, 2016	City staff
April 6, 2016	Community groups
April 6, 2016	City staff
April 7, 2016	City staff

What we asked

Representatives were:

- asked to consider the impacts of the three economic scenarios (low case, moderate case, high case) on their respective sectors, or lines of business;
- asked to provide input on what the impacts would be to people, programs and services;
- Invited to give input on all three scenarios, with an emphasis on the moderate case, as it has the highest probability of occurring.

Representatives were encouraged to send any follow-up questions or comments to the Project Manager, Jennifer Hardie-Connery.

What we heard

The information gathered from the workshops was reviewed. Similar and/or related comments, mentioned more than once, were grouped into themes, allowing a summary of key themes to be developed for presentation to Council in the form of a Summary report.

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Historically, recessions have been notorious for hitting those already in vulnerable positions the hardest. Similar themes were heard for the current recession. Representative groups serving citizens reported that there is an increase in demand for social and community programs and services. This is particularly true amongst low income families, single parents, children and youth and recent immigrants. Mental illness and domestic violence rates have also increased.

For businesses, there has been a drain of available talent as massive layoffs have forced potential candidates to leave Calgary for other US and Canadian cities. City staff has seen an increase in demand for some City services; and a decline in usage for others. There is also a change in usage patterns (e.g. time of day), requiring City service providers to remain flexible in service delivery.

All representative groups at the workshops noted opportunities, including innovation, collaboration, better coordination, and service improvements.

- ▶ For a detailed summary of the input that was provided, please see the [Summary of Input](#) section.
- ▶ For a verbatim listing of all the input that was provided, please see the [Verbatim Responses](#) section.

Next steps

The information gathered through the workshops will be included in a summary report entitled “What’s Next for Calgary: Economic Scenarios & Community Impacts” that will be presented to Council on May 30th, 2016. This report will also be provided as an attachment to the abovementioned summary report.

Decisions made about mid-cycle adjustments will be made available on [Action Plan Check-in Webpage](#) after May 30th, 2016.

Summary of Input

The following provides a high-level summary of impacts discussed by the various groups at the workshops:

Summary of Impacts felt by citizens:

- Increased unemployment, particularly for vulnerable groups;
- Social and community needs becoming more complex and intense, including increasing demand for:
 - Support with basic needs;
 - Affordable housing and shelter;
 - Support for mental health issues;
 - Support for issues related to domestic violence and family stress.

Summary of impacts felt by the community groups serving citizens:

- Increasing demand for support services, where needs are becoming more complex and intense.
- Reduced funding through donations with the economic downturn.
- Opportunities to:
 - Support program expansion to meet increased demand;
 - Demonstrate better accountability between investments and outcomes;
 - Better coordinate and collaborate efforts across service providers, including The City of Calgary;
 - Communicate successes of other growing sectors in Calgary, other than oil and gas.

Summary of impacts felt by Businesses:

- Loss of talent to other US and Canadian cities, as well as the public sector.
- Massive layoffs may impact availability of leaders for the future.
- Available talent pool lacks skills needed by other industry sectors.
- Opportunities to:

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- Narrow the salary gap between the oil and gas, and other industry sectors;
- Diversify Calgary's economy;
- Attract new talent to Calgary by developing Calgary's cultural, art and urban scene.

Summary of impacts felt by City Service Providers:

- The three scenarios developed do not show any decline in population growth. As such, there will still be an increase in demand for some City services, as previously planned for in Action Plan.
- Changes in demand for certain City services, affecting revenues for some areas.
- Changes in the pattern of use of certain City services.
- Increase in demand for free and low-cost subsidized programming and services.
- Reduced hiring and retention costs, but reduced resources with expectations of the same service levels in low and base scenarios may increase workloads and stress levels for existing staff.
- Increased availability of talent pool from layoffs in the oil and gas sector. However, unsure about future retention of staff when economy picks up.
- Opportunities to:
 - Be flexible with service delivery to meet changing usage and demands of City services;
 - Be more efficient and innovative, and "do more with less."

Verbatim Comments

(REPRESENTATIVES FROM THE BUSINESS COMMUNITY)

- Base case scenario is likely best case.
 - Forecast how oil price will affect industry.
 - Oil needs to be sustained at \$70 per barrel for investment and then there will be a lag before that investment is felt in Calgary.
 - Consult with insider's in the oil industry when planning for the future as they know best how the market is reacting and will react.
 - Need to attract the 20-39 year old group to the City. Must reverse that downward trend.
- I would caution the word diversification as to me that means take something we're good at and walk away from it to try something else. Instead, leverage other strengths and assets to provide more balance.
 - Innovation will be paramount.
 - Need to keep the smart minds that are already here while bringing in more.
 - Culture, vibrancy, etc.
- Oil and gas will come back, but we need to bring in new industry to balance it out. You can't just wait on oil and gas.
- Council needs to roll back/freeze wages like business is.
 - Enmax increased their bonuses and they are taking employees from business. Business is now having trouble competing with government jobs.
- Mindset needs to change. Think and plan long term with regards to the economy and don't waver at the first sign of oil coming back.
- When it comes to taxation, Council needs to be mindful of the fact that there are more incentives to leave and start your business in Saskatchewan or Houston than stay.
- Moderate Scenario – Is this the right thing to be done? Based on these numbers?
 - Is a cost reduction by the government the best strategy? Wouldn't more investment and innovation be more helpful?
- Worst Case Scenario – We believe it will be much worse. If things go bad, they will likely go really bad.
- Short term pain will be longer than anticipated.
- There will likely be a skilled labour gap and Alberta is losing its competitive advantage to other provinces/States.

Verbatim Comments

(REPRESENTATIVES FROM THE BUSINESS COMMUNITY, CONTINUED)

- If I were in Toronto, I would be waiting for the government to act first. However, in Calgary, businesses take risks in the hopes that the Province will join in and help support them. If the government plans to reduce costs rather than invest, it doesn't give business a lot of confidence. By cutting costs, we are losing our best workers, skilled labour and our competitive advantage.
- Worst Case should be Base Case.
 - The delta on Oil between WTI and what Canada sells for is becoming bigger.
 - Transportation of oil and gas is becoming more difficult.
- These demographic changes and the loss of working age people scare us the most.
 - The loss in investment and innovation is a real issue.
 - Need to make Calgary a desired destination for young people. We need to put money into incentivising youth to come to Calgary.
 - Young people want to live, work and play, together.
- All scenarios are too rosy.
- Need to retrain the smart and skilled workers already in Calgary to move them into new jobs.
- Retrain them to keep the talent we have here.
- There's probably a 5 year lag in workers.
- We should be trying to pull youth from expensive markets like Vancouver and Toronto with our access to mountains and the lower cost of housing.
- Resources are necessary to attract youth and make Calgary a desirable destination.
- All people know about Calgary is the Stampede. Need to invest in Culture, Arts and vibrant communities. That's what the youth want.
- There is a lag in foreclosures that won't be felt for years.
- Scenarios provided will be worse.
- Severance and EI hasn't run out yet, so there is a lag between feeling those effects.
- Uncertainty around government spending is an issue.
- Tough for new grads as they are competing with laid off workers with 10+ years of experience.
- Need more cultural investment.
- Salaries are taking a hit, which are affecting attitudes and loyalty.
- Housing and Condo prices are down and will continue to drop. Will start to impact Calgary.

Verbatim Comments

(REPRESENTATIVES FROM THE BUSINESS COMMUNITY, CONTINUED)

HIGH CASE:

- Lag in impact of layoffs as severance & EI haven't run out yet.
- Expect that 2015-2017 impacts will be worse than (not similar to) 2009.
- Attracting new industries (Diversification).
- Re-training of technical talent.
- Multi-national organizational investment – IE GE Startup Zone.

BASE CASE:

- Cutting Senior and middle class management now results in a thin layer of leaders in the future.
- Salary decreases (expectations change) will help from a bottom line but cools the economy.
- Provisions for banks to increase in 2017.
- Uncertainty related to government spending.
- New grads may leave for better career opportunities.
- Foreclosure & Delinquency for financial institutions to increase 2017-2018.
- Lower salaries, no signing bonuses, no salary increases.
- Frozen salaries impacting spending behaviour.
- Increase in PSE attendance (adult education/mature students) – after employment loss.
- Decrease house/condo prices (risk).
- Low interest environment to stay – Not “1980”
- 2017-2018 government investment reduction??
 - Recommendation is cost reduction the only strategy recommendation?
- Insufficient lag time for recovery? – Forecast too rosy.
- Gap of skilled labour (inability to retain top quality).
- Concerned with our 20-39 demographic net migration reduction.
- Short term pain is going to last longer.

Verbatim Comments

(REPRESENTATIVES FROM THE BUSINESS COMMUNITY, CONTINUED)

LOW CASE:

- Worst case will probably be “worse”
- Calgary lacks buzz around innovation.
- Find a way for O&G to embrace tech community innovation.
- Projected growth in jobs will be driven by not for profit (social services) vs 4 profit – Troubling.
- Low cast scenario (worst) is most likely & should be considered base case.
- Promote lifestyle & opportunity for attracting knowledge economy. Find unifying message of Calgary
 - Youthful
 - Energetic
 - knowledge
 - lifestyle (outdoor)
- Visibility of knowledge economy to Calgarians – consolidated message.
- Increase in urban campuses.
- Create accelerators for certain growth
 - Transportation (pipelines)
 - Environment
 - Water
 - Health Care
 - Youth
- Government should curtail spending in line with the economic realities.

Verbatim Comments

REPRESENTATIVES FROM COMMUNITY GROUPS

- Going to see more families in Calgary over the next 10 years.
- Is Council going to pick 1 scenario or all 3?
 - Council will plan around the most likely case.
- Huge increase in the demand for Human Services
 - Some funding is secure, some isn't.
- There is fear of no funding.
- Short term safety period in the non-profits
- Donation dependant (ex: arts) are feeling the pain now.
- Need to capitalize on human intelligence in non-profits now that salaries are lower.
 - Opportunity to add to strategy team, which is difficult when times are better.
- Better coordination and collaboration opportunities exist to improve services.
- Let's not lose this opportunity to fix things if the economy goes back to the best case in the near future.
- Strategy and collaboration are important in these times.
- Increased demand and public understanding during these tough times creates opportunities. Need to take advantage by adding good people with a larger labour pool.
- Due to rapid economic change, many people don't have job search skills and placement agencies are having a hard time staffing those people.
 - People need to re-skill and retrain to get in the door.
- Workforce skillset is out of alignment with what is needed.
- Impact of fear if what's going on.
 - Fear starts to outweigh the rosier outlook that the data shows. People are still fearful waiting for the last shoe to drop.
- Reset needs to take place. There are thousands of jobs out there and we're hearing from people who don't want to take them because they're a pay cut.
- Can we give people more technological infrastructure, like free community wide WiFi or broadband internet?
 - It would be a huge pull to Calgary to be the first large city with free WiFi.
- Oil and gas is huge, but there are a lot of other big sectors out there and we shouldn't just focus on oil/gas.
- Lets re-skill and retrain that engineering force that oil brought in who are sitting there waiting.
- Balance industry (ex: Hotels) so that there aren't huge shortfalls when downturns come.

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

HIGH CASE:

- In the best case, don't let a return to status quo, use this as an opportunity to shift.
- Use this economy to build more multi-level services throughout the community.
- This scenario would be harder on non-profits to attract and retain the best staff.

BASE CASE:

- In Migration from other countries = Focus on early literacy.
- Observation: In this economy Calgarians respond positively to quality services delivered where they are.
- First Nations need to be more a part of the community fabric.
- City Budget can be used to incent.
 - Stronger neighbourhoods.
 - More integrated education system.
- There needs to be a shift to more real collaboration – City schools, health care.
- Population growth will result in more families.
 - Services closer to home.
 - Focus on education.
- Food security & sustainability
 - Calgary's Community Kitchen programs experienced a considerable increase in the last 12 months.
- Financial Security
 - 211 calls peaked in May 2015 after mass layoffs.
- Importance of education as an implication.
- People.
 - Financial stability.
 - Mental/physical health.
 - Ability to meet basic needs.
- Poverty rates increase - what is impact on the Enough for All strategy?
- Increased level of complexity that front-line staff members face.
- Domestic violence incidents rising – 3,800 more files than in 2014.

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

- How do we manage the 3000 people on Calgary Housing wait list?
- Impact on demand for social services.
 - 3 in 5 non-profits reported an increase in the past year.
 - 21% reported their ability to meet the needs and demand of their clients fell (CCVO Survey 2015).
- Impact on charitable donations.
 - Ability to raise revenue by the sector when demand rising.
 - # of donors declining.
- Accessing services at the community level where people live, community focus.
- Mechanisms that support affordable housing childcare.
- Social sector resiliency.
 - Capacity building by funders to support.
- Vulnerable populations needs rise.
 - Recreation and transit fees.
 - Subsidised housing.
- Refugees increase of newcomers.
 - Support needs beyond short term.
 - Supportive mechanisms.
- Role of Community Associations in a downturn.
 - How do we use community assets?
- Small Business Revitalization.
 - Role of BRZ's.
- Collective impact.
 - Pressure to work collaboratively in the sector.
 - Increased coordination.
- Economic Impacts: Some proposed TRC calls to action may have to be reassessed.
- For natural increase Urban Aboriginal communities is one of fastest growing communities (High case).
- Young Aboriginal population is still growing.
- Net migration of urban Aboriginals increase as youth age.
- Subsidization requests increasing.
- Zero funding is an decrease due to increases in fixed costs.
- Working poor more vulnerable.

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

- Need more investment in skills training – People want to invest in their skills but there aren't enough spaces. We had 400 applications for 15 spots.
- Increasing unemployment is leading to demand beyond capacity to respond.
- Non-profit sector may benefit from access to a different employment market with business acumen (MBA's, accountant).
- Contracting economy is making it harder to secure work experience placements for program participants.
- Hiring is easier, great candidates + employees for non-profit jobs.
- Programs higher demand. Eg: Feeding hungry kids in schools up 38% increase in demand.
- Increased demand for post-secondary education for those switching from oil & gas.
- Decreased hourly rates for unskilled labour – Increase in clients living in poverty.
- Increased demand for mental health programs, employment programs.
- Demand for service increases.
- Big increases in demand for programs depending on area, it's between 10-200% increase in demand.
- Increased desperation of program applicants – they don't have other options.
- Programs: Vulnerable teens not able to find employment.
- Increased need of employment type services.
- Increased rates of mental health issues – depression, anxiety, etc.
- Increased rates of divorce and family stress.
- Need for funding to support program expansion is increasing.
- Summary Observation: "Plan for long term growth" Need to invest in infrastructure that would otherwise go untouched (ie: affordable housing).
- Unemployed are used to high incomes(engineers, oil workers). This may have a greater economic impact.
- Need to adapt to new economic environment whether low, mid or high.
- Increased rates of suicide which we are already seeing.
- Increase pressure on local universities as student may not be able to travel out of town.
- Increased need for financial counselling.

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

- Issues will become more complex + intense (ie: Increased domestic violence, Increased isolation, increased impact on children, Increased homelessness, Increased mental illness, Increase of children and youth dropping out of school due to inability of parents to pay for education, Increased demoralization & suicide).
- For Orgs: Increased demands, Increased complexity of issues, decreased resources, increased staff burnout.
- Need to develop more innovative preventative programs and balance with increased services.
- Programs: Will have to be 'solution' oriented and engage communities to participate in program design.
- Increased complexity of issues clients present with.
- Increased demand on services, decreased funding opportunities.
- Increased rates of family violence.
- Increased need for EI and income support.
- Need for more adaptive programs.
- Rental of housing will be more affordable for the unemployed.
- Admin staffing more affordable for agencies not competing with corporate (eg: CFO, reception, etc).
- Impact: Decreased philanthropic giving.
- With business travel down leisure must backfill to sustain industry.
- Clients: New faces of clients (former professionals & from corporate sector).
- With immigration of immigrant population it will continue to support a hospitality industry.
- Short-term increase in affordability of office space for agencies.
- Delays in retirement for those impacted by jobs loss or changed employment.
- Rise of increased homelessness for those unemployed and those struggling to find work.
- Business travel decline is causing contraction in hospitality industry.
- Demand for basic needs increasing eg: food, housing.
- Economic projection of probability of moderate scenario as 50% doesn't seem to be realistic. Best case scenario not better.
- Communication, staff people want to be involved in solutions.
- Threat for funding from Government.
- Increased homelessness.
- Huge increase in demand for services. 20% for fall.

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

- Recruitment practices constantly evolving, narrowing access.
- Public unable to pay fees for use.
- Employers increasing demand of skill sets – have to do it all.
- Misaligned education with real jobs.
- Huge youth unemployment.
- Capacity challenges to provide services.
- Increased demand in financial literacy.
- Issues c Proj: No acknowledgement of diversity in economy ie: tech.
- Social Services: Growth from 375,000 to 435,000 units of services.
 - Increased client diversity stable in elderly growth in young families+ schools
 - Broader geographical reach
 - Increased # of volunteer time.
- Constant concern for funding will increase in base corporate + individual donations.
- Can't start new programs with stable funding (ie: 100% client funding for service).
- Growth mode, demand, internal capacity up to speed.
- Concerned with is the government funding the right programs? How do they decide misalignment? How do you correct?
- Better job of tying investments to outcomes.
- Different strategic alliances would be beneficial.
- Stable funding from government.
- So many social service groups not talking, collaborating.
- New client groups assessing services from non-profits.
- Donations to charities decreases.
- Fear leads to less appetite for risk (creativity).
- Attract talent to NFP.
- Donations decrease.
- Programs: Higher demand, Stressed parents.
- Potential for wage differentials between non profit and public sector to decrease.
- More men unemployed – program changes.
- People: Fear, Anxiety.
- Less donations.
- Childcare demand increase (Long-term).

Verbatim Comments

(REPRESENTATIVES FROM COMMUNITY GROUPS, CONTINUED)

LOW CASE:

- Worst case more issues with mental health and addiction.
- More people + static economy = more demand for service.
- Downtown is an underutilized asset. Use transit to provide more linkage.
- In terms to the policy framework, if the Business units have less resources, they might need to reprioritize.
- Some of the actions 4 the Comms Strat Plan may have to be put on hold.
- As economy recedes into 2017, racism, discrimination likely to increase & experienced.
- Technology is a key response.
 - Think about community wide WiFi.
 - More fibre in Neighbourhoods.
- It's disturbing to see forecast is for recession to be longer – may start to impact the capacity of donors to support us.

Appendix A – Questions and Answers

QUESTIONS FROM REPRESENTATIVES

QUESTIONS FOLLOWING THE CENTRE FOR SPATIAL ECONOMICS (C4SE) PRESENTATION:

1. What will the leading sector be in 10 years? Your notes indicate it will be health.
 - Health Services will get a net increase from aging population.
 - Increased population will be through working age, so their demand will be low, which is the reason for the small gap between high and low scenario.
2. Manufacturing will be low over the next decade.
3. Can you clarify the thought that it may be worse than 2009 while many of the indicators are as bad or worse than 2009?
 - You may be right, some sectors are worse than 2009.
4. Will things be better after 2 years?
 - Projections show 2 years of contraction followed by growth.
 - Lots of capacity builds up through a recession (ex: labour pool) and it will take time to use up that pool before growth can be seen in the economy.
5. An assumption is being made that there will always be a need for oil.
 - For the short term yes, as oil is currently the major driver for the Alberta economy.
6. Can we reverse the process by diversifying the economy?
 - Yes, but that is more of a solution and we're looking at impacts of the current economy for this workshop.
7. Exchange rate.
 - Lower oil prices means lower Canadian dollar.
8. Historically, there have been booms and busts, they're cyclical. Why are the projections so steady?
 - Very difficult to predict where peaks and valleys are going to be. Easier to cut a straight line through the peaks and valleys.

Appendix A - Questions and Answers, continued

QUESTIONS FOLLOWING THE CITY OF CALGARY PRESENTATION:

1. Why is there such a big jump in population growth from 2021-2022?
 - Net migration increase due to reduced unemployment rate. By 2022 the employment rate will decrease against the national average.
2. Why is there a decrease in population in the 20-34 age group?
 - In 2004, there was likely a fall off in birth rates so the number of people in the 20-34 year old cohort will be smaller in 2015-2024.
 - Comment – It would help if the slide showed what the population looks like today so that we know if the drop in cohort is significant.
3. The population rises steadily in slide 13 and yet it dips on slide 15. Why?
 - It may dip on slide 15, but the growth is still positive. So both slides are showing that the population is growing.

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Acronyms and Abbreviations found in this document:

BRZs	Business Revitalization Zones
CCVO	Calgary Chamber of Voluntary Organizations
EI	Employment Insurance
MBA	Master of Business Administration
NFP	Not-for-Profit
O&G	Oil and Gas
TRC	Truth and Reconciliation Commission of Canada
WTI	West Texas Intermediate
i.e.	That is
e.g.	For example
Comms	Communications
Strat	Strategy