

EC2021 - 1489

2021-2032 Long Range Financial Plan

2021 November 9





Structural Challenges:



Limited revenue sources



Legal constraints



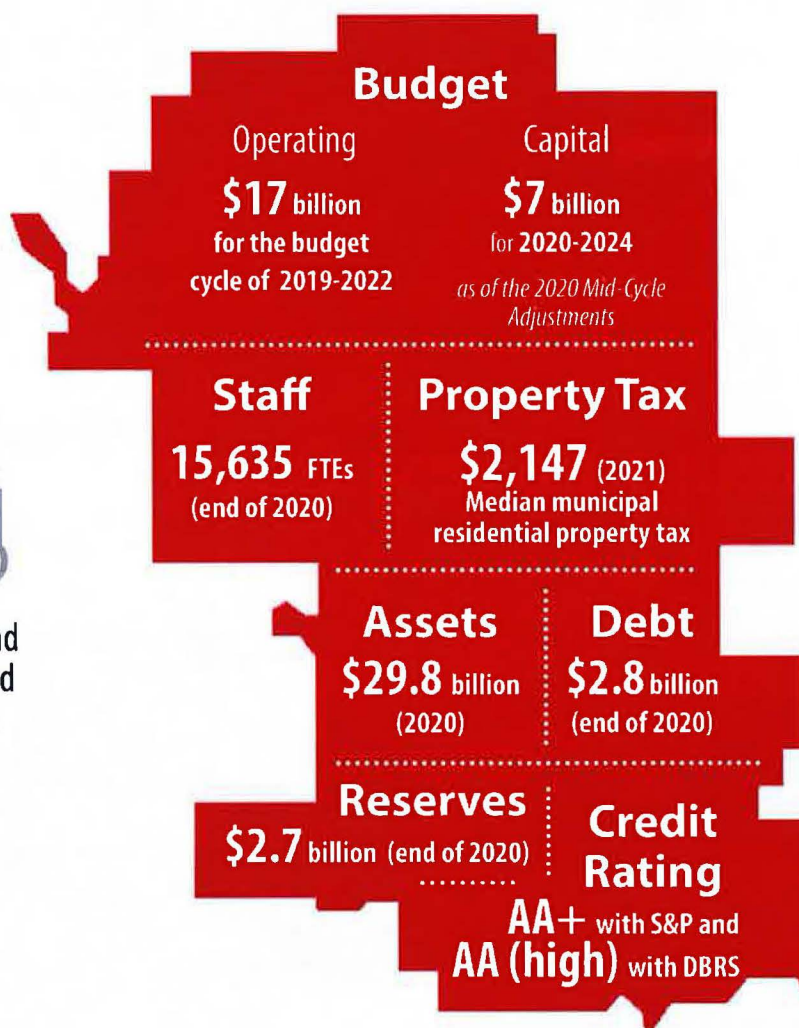
Sharing of the property tax base with the Province



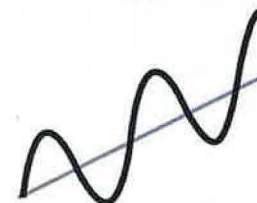
Infrastructure gap and limited ability to fund large infrastructure projects



Tax competition from neighbouring municipalities



Emerging Challenges:



Cyclical and structural changes of economy



Demographic shift



Technological changes



Global economic, political and pandemic impacts

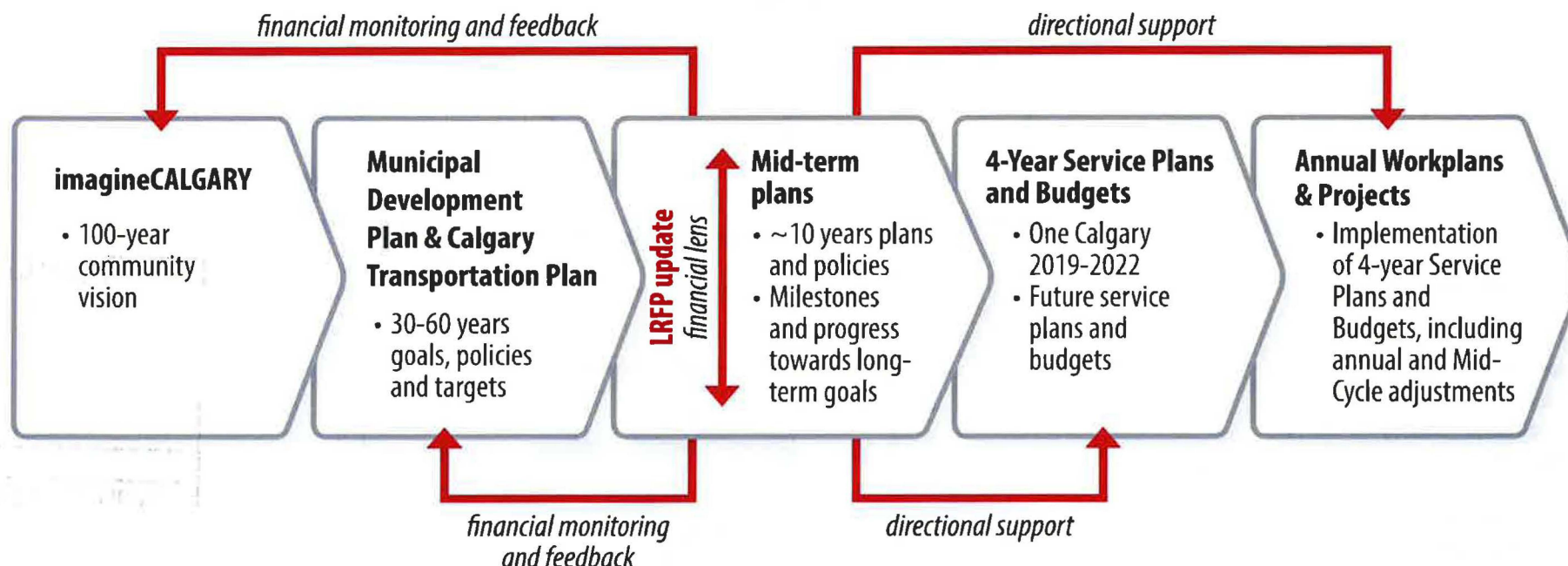


Changing climate and resiliency



Funding uncertainties

Internal Alignment with The City's Planning Initiatives and Policies



External Alignment



Government Finance Officers Association (GFOA) Best Practice



Province of Alberta

Municipal Government Act (MGA) legislative requirements (s283.1)

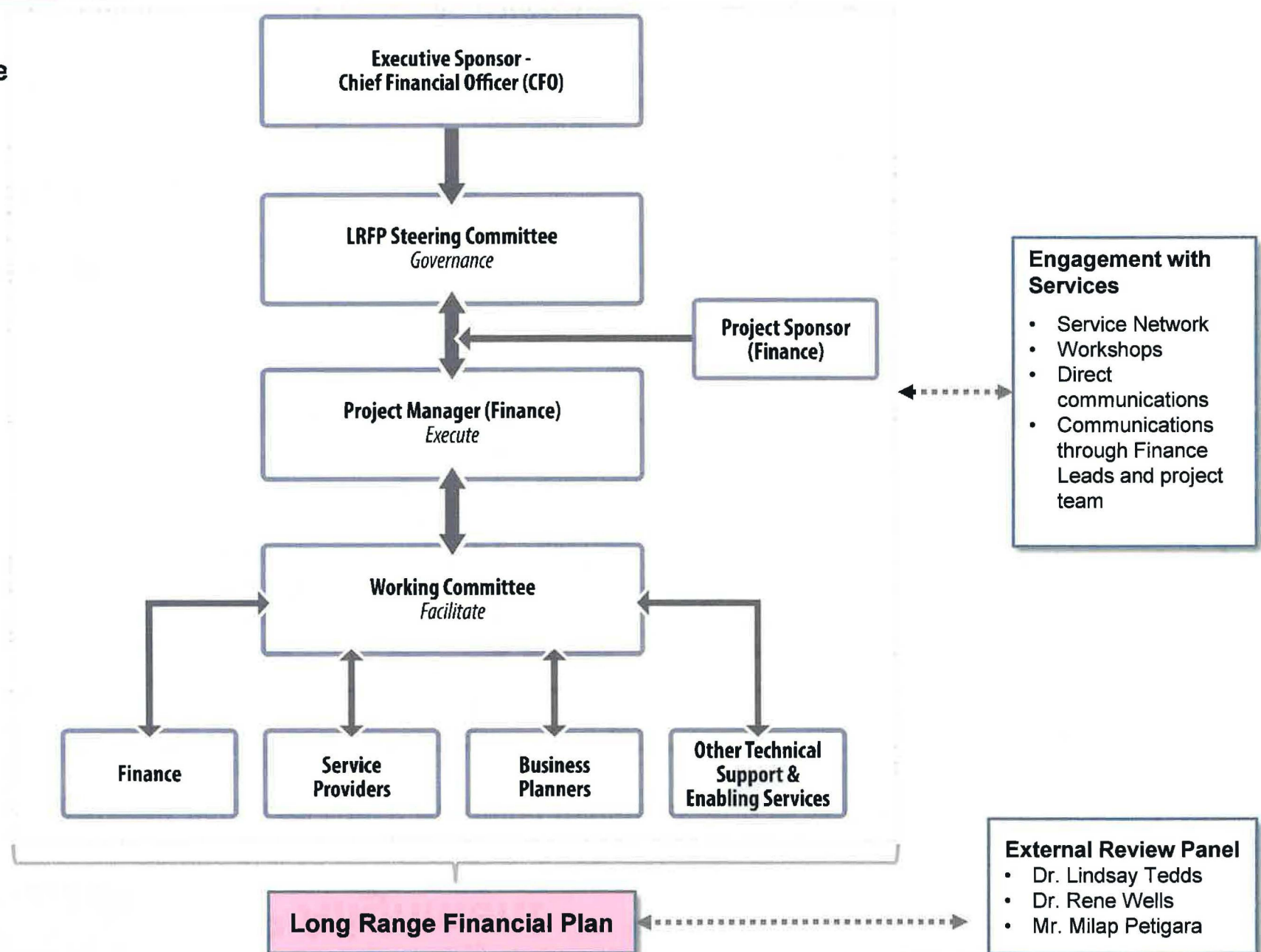


Benchmark with peer cities in Canada and U.S.



Thorough development and validation process

Governance Structure

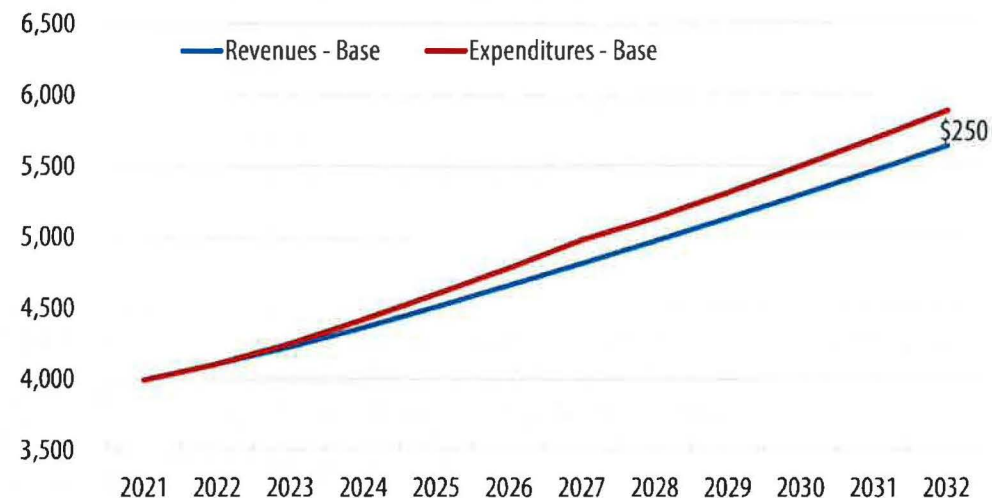




Base case projections

Projected operating revenues and expenditures 2023-2032

(\$millions)

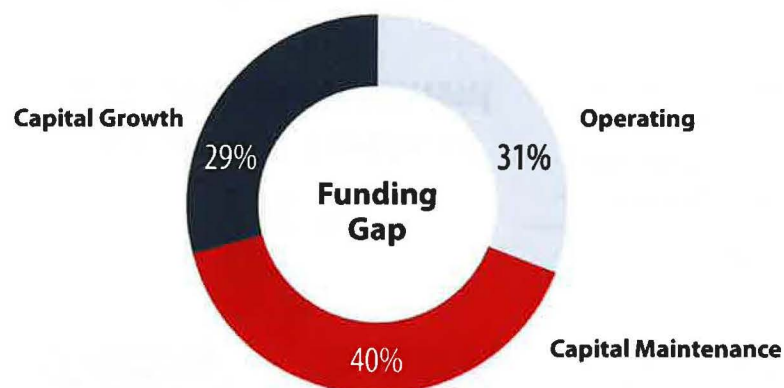


Operating gap:

- Insufficient or inflexible revenue-raising tools
- Property tax growth within constraint of public acceptability
- Other revenues not growing at the same rates of expenditures

Projected infrastructure gap for 2020-2030

Infrastructure Gap: \$7.73 Billion



Capital gap:

- Based on the 2020 Infrastructure Status Report estimation
- Unfunded capital requirement
- Three categories of gap

Data source: The City of Calgary 2020 Infrastructure Status Report.



Scenario Development



Scenario of Workforce Efficiency Improvement

Key Challenges:

- Challenges to long-term service levels and capacity given demand from growing population
- Capital requirement for service automation

Impact on The City:

- Need to consider overall cost savings from workforce, contractual services, and capital expenditures and incremental operating costs



Scenario of Prolonged COVID-19 Recovery

Key Challenges:

- Uncertainty on service requirements
- Challenges in achieving the right balance
- Rigorous cost control may affect service capacity and quality

Impact on The City:

- Services hit hardest will take longer to recover
- Revenue reduction more than offset saved cost
- Operating gap bigger than base case given current cost saving efforts

Key Challenges:

- Property tax base erosion
- Changing demand for municipal services
- Difficulty in adjusting municipal tax regime

Impact on The City:

- Negative impact on property tax revenues
- Services impacted in different ways
- Operating gap bigger than base case



Scenario of Transition to New Economy

Key Challenges:

- Property taxes not growing proportionally with economic growth
- Lack of autonomy in municipal tax regime and alternative revenue tools
- Decreasing ability and willingness to pay by taxpayers
- Pressures to maintain tax competitiveness

Impact on The City:

- Low/zero property tax growth won't absorb enough expenditure increase
- Aggressive property tax growth reduce competitiveness and property tax base in the long run

Key Challenges:

- Increasing use of City services and infrastructure by regional users
- Charging regional users causes incremental administration cost
- Potential non-financial impacts

Impact on The City:

- Many City services partially tax-supported – indirect subsidy to regional users
- Marginal benefit of sharing regional services cost due to additional administration cost
- Calgary's own competitiveness in the region



Property Tax Growth



Scenario of Regional Service Cost Sharing



Financial Strategies

Outcome

A well-run city
Delivering excellent services and infrastructure for Citizens

Risk Management

Financial Goals

Financial Sustainability & Resilience ↔ **Non-financial goals & strategies**

Financial Strategies

Flexibility **Efficiency** **Sufficiency** **Integration** **Credibility**

Tactics

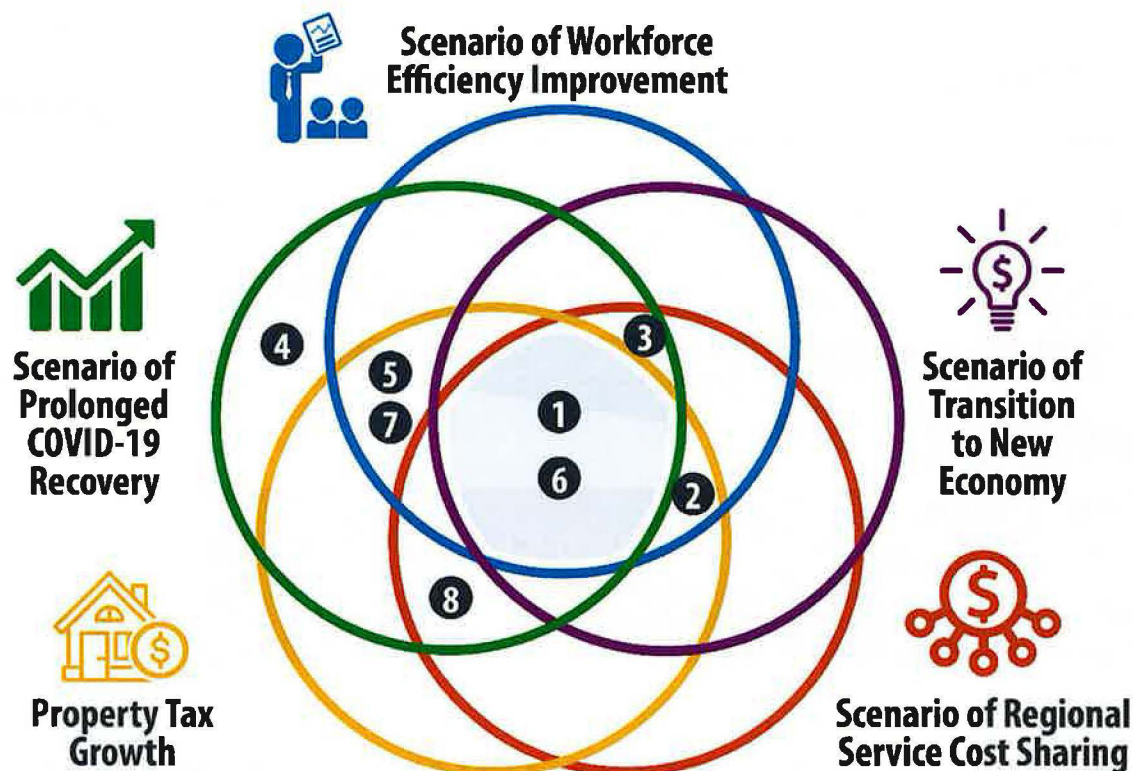
Ensuring adequate funding	Achieving diverse sources of funding	Managing expenditures	Providing for contingencies
Using debt strategically	Operating with prudent foresight	Maintaining sufficient cash flow	Strengthening resilience



Overlap of Scenarios and Tactics

- The City may face challenges from overlap of scenarios, therefore needs to implement multiple strategies and tactics as responding toolkits.
- The City needs to focus on some tactic areas that have the most overlap across different scenarios.

The City's Tactics to Respond to the Overlap of Multiple Scenarios



Tactics:

- 1 Ensuring adequate funding
- 2 Achieving diverse sources of funding
- 3 Managing expenditures
- 4 Providing for contingencies
- 5 Using debt strategically
- 6 Operating with prudent foresight
- 7 Maintaining sufficient cash flow
- 8 Strengthening resilience

Recommendations

That the Executive Committee Recommends Council:

1. Receive the 2021-2032 Long Range Financial Plan in Attachment 3 for information; and
2. Approve the strategies articulated in the Long Range Financial Plan in pages 36-37 of Attachment 3 as directional support for future cycles of the Service Plans and Budget planning process.