

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

RECOMMENDATIONS:

That Council:

1. Approve adjustments to the 2022 Service Plans and Budgets in the Operating Approval Package in the **Attachment 2 - REVISED** and direct Administration to implement the budgetary changes necessary to effect those adjustments;
2. Authorize Administration to transfer the budgets in the **Attachment 2 - REVISED** that are held in Corporate Programs and are related to costs and savings arising from Solutions for Achieving Value and Excellence (SAVE) business cases to the relevant services as required during implementation;
3. Provide direction to Administration as to whether the Police Services operating investment opportunity in Attachment 6 should be incorporated into the tax rate change;
4. For the proposed User Fee and Rate changes in Attachment 7:
 - a. Approve the user fee changes in Attachments 7A-7D; and
 - b. Give three readings to the bylaw in Attachments 7E;
5. Approve the Capital Budget Recast in Attachment 8;
6. Approve the Capital Budget Adjustments in Attachment 9;
7. Approve the Net Zero Operating Budget Adjustments for 2022 in Attachment 13;
8. Approve the Carry Forward of Operating Budget from 2021 to 2022 in Attachment 14;
9. Approve the Performance Measures Adjustments for approval in Attachment 15;
10. Approve the contribution of the anticipated 2021 favourable variance of \$3.85 million from the Fire & Emergency Response service to the Fire segment of the Lifecycle Maintenance and Upgrade & Reserve for Future Capital Merged Reserve to fund one-time lease costs through 2031 and as detailed in the Fire & Emergency Response new operating investment in **Attachment 5 - REVISED**;
11. Approve the contribution of Police Services Anti-Racism and Call Response Funds 2021 favourable variance to the Court Fine Reserve to be used to fund the Police Services 2022 Anti-Racism and Call Response Funds expenditures shown in Attachment 13;
12. Request the Mayor write another letter to the Premier of the Government of Alberta, and a letter to the Prime Minister of the Government of Canada requesting that the provincial and federal governments match The City of Calgary's financial commitment to the Resilient Roofing Rebate Program; and
13. **Direct that one-time funds identified in note 4 of the Attachment 2 - REVISED be transferred to the Fiscal Stability Reserve and Budget Savings Account Merged Reserve.**

HIGHLIGHTS

- 2022 Service Plans and Budgets Adjustments (2022 Adjustments) allow Council to make changes in response to the evolving needs of citizens and businesses.
- These proposed adjustments are for 2022, the final year in a four-year planning and budgeting cycle and reduce the previously approved 3.46 per cent tax rate increase.
- **What does this mean to Calgarians?** The proposed 2022 Adjustments strike a balance between strategic savings and critical investments, resulting in a tax rate increase between 0.64 per cent and 0.99 per cent, depending on Council's direction. This translates into an increase of between one dollar and one dollar and sixty cents per month for the typical single residential property owner, in addition to a monthly increase

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of almost four dollars due to assessment shifts within the residential class (individual cases will vary).

- **Why does it matter?** This is a modest tax rate increase relative to current inflation rates, growing demand for City services, and the need to support modernized service delivery as The City continues to support Calgarians and businesses through COVID-19 and the economic downturn.
- The proposed new operating investment opportunities support citizens and businesses, especially the most vulnerable, while strategically positioning The City for the next planning and budgeting cycle.
- Specific user fee and rate adjustments to freeze or decrease rates are proposed for 2022 which recognize the overall financial challenges faced by citizens and businesses.
- Administration intentionally manages our infrastructure plans and budgets and is proposing capital budget redistribution between 2022 and future budget years to re-align budgets with expectations for spending, along with a net increase to the 2022 to 2025 capital budgets of \$143 million.
- Background and Previous Council Direction is included as Attachment 1.
- Strategic Alignment to Council's Citizen Priorities: A Well-Run City.

DISCUSSION

In 2018, Council approved the four-year 2019-2022 Service Plans and Budgets, including a 3.46 per cent tax rate increase for 2022. On 2021 May 18, Administration provided the Priorities and Finance Committee (PFC) with a verbal Budget Update (PFC2021-0655) stating that it would strive toward a zero (0) per cent change in 2022. Several factors affecting the ability to achieve and maintain this goal were also identified, as was the need to balance competing priorities.

Including the savings identified in this report, \$226.3 million in permanent reductions have been removed from previously approved budgets since 2019. Since 2017, one-time relief has been provided to taxpayers, including a Phased Tax Program (PTP) providing \$223.4 million to non-residential taxpayers, and \$28 million in one-time property tax rebates for both residential and non-residential taxpayers. To further assist businesses, in 2020 overall tax responsibility was shifted from a revenue split of 49/51 per cent residential/non-residential to a 52/48 per cent split.

Administration continues to support direction from Council to reduce costs, modernize service delivery, and improve value for taxpayers. Complex challenges remain, including COVID-19 mitigation and recovery, economic revitalization, and key social concerns such as equity. In addition, forecast population growth for Calgary is 72,800 residents from 2022-2026 and forecast 2021 Consumer Price Index (CPI) inflation is 3.1 per cent. Combined population growth and inflation is forecast at 4.4 per cent in 2021 and 3.9 per cent in 2022. These figures make zero (0) per cent tax rate changes unsustainable as we move into the next cycle.

2022 Adjustments Overview

The current approved 2022 budget with a 3.46 per cent tax rate increase includes significant service commitments. The proposed 2022 Adjustments are designed around strategic savings which enable Administration to absorb cost increases and deliver on those 2022 commitments with a more modest tax rate increase. The proposed tax rate also adds new commitments beyond those originally planned for 2022 through strategic investments designed to help The City adapt to the current environment.

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The table below outlines the main components of the proposed 2022 Adjustments related to operating budgets and the tax rate. **Attachment 2 - REVISED** contains the operating adjustments needed to bring the tax rate increase down to 0.64 per cent.

Base Budget	\$000	Tax Rate Impact
Savings required to decrease the tax rate to 0%	59,885	3.46%
Solutions for Achieving Value and Excellence (SAVE) Program 2022	(53,246)	(3.08%)
Waste & Recycling absorption of tax support into user fees frozen at 2021 rates	(6,500)	(0.38%)
Increase in Investment Income Budget	(5,000)	(0.29%)
New Operating Investment Opportunities	15,951	0.92%
Proposed tax rate change*	11,090	0.64%
Police Service Operating Investment Opportunity	6,080	0.35%
Proposed tax rate change including Police Investment Opportunity*	17,170	0.99%

*Attachment 3 illustrates the impacts of the overall 0.64 and 0.99 per cent tax rate increase on different property types. For most of these example properties, the majority of the change in taxes is the result of assessment shifts within each assessment class arising from relative differences in market value changes, rather than the tax rate change.

The Solutions for Achieving Value and Excellence (SAVE) program was designed to enhance The City's financial sustainability, drive innovation and modernize service delivery. New or improved revenue streams were also targeted. On 2021 July 20, the program presented its final results to the Priorities and Finance Committee (PFC2021-0787) and is now in the implementation phase. Updated figures show that the program has achieved 2022 base savings of \$53.2 million, including \$1 million in revenues, which translates into a total tax rate decrease of 3.08 per cent. **The program also achieved \$2.8 million in one-time savings, as well as transfer of \$5.4 million from restricted reserves to the Fiscal Stability Reserve and Budget Savings Account Merged Reserve.** A program overview and descriptions of the business cases being implemented are found in Attachment 4.

Waste & Recycling will deliver \$6.5 million in tax support savings by absorbing tax supported funding into their user fees, while keeping fees frozen at 2021 levels. This will decrease tax rates by 0.38 per cent. This absorption will leverage Waste & Recycling Services' sustainment reserve as well as refined revenue and expenditure projections and shift historically tax-supported program overhead costs to self-supported fees.

Administration anticipates an ongoing favourable variance in investment income revenues in the amount of \$5 million on an annual basis following the implementation of the revised Investment & Governance Policy approved in 2020 (CP2020-02). These revenues can be redirected to fund new operating investment opportunities. This decreases tax rate requirements by 0.29 per cent.

Having already maximized efficiencies without impacting service delivery, new operating investment opportunities (summarized for information in the **Attachment 5 -REVISED**) are

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needed to help citizens, businesses, and Administration adapt to Calgary's rapidly changing environment and evolving expectations. These investments focus on areas where Council has previously directed work, and on supporting services which enable our overall service delivery. The investments also lay the foundation for actioning Council's direction in 2022 and during the next service planning and budgeting cycle. The 2022 base budget impact of these investments is \$16 million, with an associated tax rate increase of 0.92 per cent. There are also one-time investments of \$10.9 million in 2022, \$2.3 million in 2023 and 2024, and \$0.4 million each year in the 2025-2031 period.

Also, for Council's consideration is an operating investment opportunity from the Police Service of \$6.1 million, with a tax rate impact of 0.35 per cent for 2022 if approved. Attachment 6 outlines the opportunity, including a letter from the Chair of Calgary Police Commission outlining the investment's relationship with past funding and the current operating environment.

Council's acceptance of the Police Service investment in addition to the other proposed adjustments would result in a 0.99 per cent tax rate increase. Approximately 40 per cent of The City's 61 services will still be operating on net base operating budgets at or below 2018 levels if all the proposed adjustments are approved.

User fee and rate adjustments are proposed which minimize financial impacts to Calgarians and businesses. These include: Building Safety and Development Approvals' five (5) per cent reduction of base fees for 2022; Fire Inspection & Enforcement's photograph service fee adjusted to improve value for customers and provide a more efficient process; Parks & Open Spaces' for-profit festival park fee postponed until 2023; and Waste & Recycling's black, blue and green cart rates, and basic sanitary waste disposal rate, held at 2021 levels (Attachment 7).

The City's capital program continues to intentionally manage infrastructure projects. Recasting the capital budgets, which does not change the total budget but redistributes it among the different years to reflect refinements of estimates and cash flow timing as a project progresses, allows the budgets in each year to better reflect expected actual spending. The capital budget recast in Attachment 8 requests deferral of \$347 million from the 2022 capital budget, as well as redistribution of budget within the 2023 to 2025 period, with most of the balance moved into 2026. Green Line Light Rail Transit (LRT) line accounts for most of the budget deferrals.

The recommended capital budget adjustments in Attachment 9 result in a \$12 million reduction to the 2021 capital budget, and a \$143 million net increase to the 2022 to 2025 capital budget.

Included for Council's information are the Operating Budget Continuity Schedule (**Attachment 10 - REVISED**) and Capital Budget Continuity Schedule (Attachment 11). These schedules provide line of sight from the current approved budgets to the adjusted budgets as proposed.

Projected operating impacts of COVID-19

The COVID-19 pandemic has, and will continue to have, a significant impact on The City's services and finances. Attachment 12 shows the 2022 projected operating impact of COVID-19 at approximately \$40 million, mostly due to reduced transit ridership, and lower revenue from parking, penalties and recreation facilities. These impacts are not directly managed through the adjustments process and are provided to Council as context and for information only.

Administration will continue to manage and assess opportunities to reduce COVID-19 impacts, reporting to Council through periodic updates. Mitigation measures which provide savings include reduction of service, lower contributions to reserves, deferral of some expenditures and intentional management of the workforce. Another major management strategy is the COFLEX

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program, which was approved by Council on 2020 November 9 (C2020-1362). Through this program, Administration was directed to use funding from the 2020 Municipal Operating Sustainment Transfer (MOST) to focus on: Coping with COVID-19; Supporting our Partners during COVID-19; Preparing for Uncertainty around COVID-19; and Planning for Life with/ after COVID-19.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder or customer dialogue/relations were undertaken

Building on The City's ongoing financial narrative, Administration will provide coordinated, transparent and proactive communications on the 2022 Adjustments starting November 8. This includes updated and accessible content on Calgary.ca, interactive conversions on social media, and multilingual outreach to diverse communities. Existing communications platforms will be leveraged to share information and reach as many Calgarians and businesses as possible. Proposed adjustments details will be made publicly available on November 8 on the [Council agenda and Minutes page](#).

Citizens, businesses and interested organizations are encouraged to provide feedback to Council. Feedback can be submitted in writing through the [public submission form](#), which can also be used to register for remote participation in the public hearing on November 22. The public hearing is the first day of Council's deliberations week and is designed to inform Council's decision-making on the 2022 Adjustments. Proactive messaging will be delivered across The City's communications platforms to encourage public participation.

IMPLICATIONS

Social

If approved, enhanced resource capacity in targeted areas will leverage prior investments made toward advancing The City's commitments to implementation of the White Goose Flying report, Anti-Racism, the Social Wellbeing Policy, and other equity-supporting activities across the organization. These investments will improve access to programs, services, and amenities for equity-deserving groups and improve community and social conditions for all Calgarians.

Environmental

The proposed 2022 Adjustments support the advancement of Council-approved strategies and initiatives related to the environment, such as the Resilient Calgary Strategy, Calgary's Climate Resilience Strategy and the Watershed Management Plan. For example, increased capacity in the Indigenous Relations Office supports improved incorporation of traditional knowledge and related climate strategies. Investing in Parks & Open Spaces will result in improved park maintenance, healthier green spaces, and greater access to nature for Calgarians.

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Economic

The City recognizes the financial challenges citizens and businesses are facing and Administration has worked hard to limit any tax rate and user fees increases.

In addition, investing in social and environmental initiatives will boost Calgary's economic competitiveness by providing signals and service changes key to attracting talent and business investment in a modern, globalized economy. Increasing Indigenous relations capacity will contribute to greater procurement and economic opportunities for local Indigenous businesses.

Service and Financial Implications

The recommended operating adjustments package is included in **Attachment 2 - REVISED**, which excludes the Police Services investment of \$6.1 million, and represents a net operating base budget reduction of \$48.8 million. This reduces the previously approved tax rate increase from 3.46 per cent to 0.64 percent. The adjustments also include a net one-time operating budget increase of **\$8.1 million** in 2022, one-time operating budget increases of \$2.3 million in 2023 and 2024, and \$0.4 million each year in the 2025-2031 period.

The recommended adjustments in Attachments 13 and 14 represent an increase in 2022 budgeted operating expenditures of \$81.7 million, of which \$50.6 million is due to net zero adjustments and \$31.1 million from carrying forward of unspent one-time budgets from 2021 to 2022. These adjustments have no overall 2022 net budget impact.

The recommended capital budget adjustments to the 2022 and 2023+ capital budgets (Attachment 9) result in a net increase of \$143 million funded by capital reserves, other provincial grants, and developer and other contributions, as well as \$49 million in net-zero transfers of available budget and funding between previously approved projects, with no net impact on the total capital budget.

The proposed capital budget recast (Attachment 8) results in the deferral of \$347 million from 2022, and redistribution of \$1,231 million for the years 2023 to 2025, with most of the balance moved into 2026. The net impact is a reduction to the 2022 capital budget of \$303.9 million, to \$1.2 billion, and an increase of \$446.8 million to the 2023+ capital budget to \$5.6 billion.

Attachment 15 provides Council with the proposed adjustments to performance measures in the 2019-2022 Service Plans and Budgets and one (1) update for Council's information.

RISK

To support Council's decision-making, risks and risk management strategies related to the 2022 Adjustments are provided in Attachment 16. For risks pertaining to the Police Service operating investment opportunity, please refer to Attachment 6. Without Council approval of the proposed 2022 Adjustments, the currently approved tax rate increase of 3.46 per cent would remain in place, resulting in a larger financial impact to taxpayers.

If Council were to approve an alternate tax rate for 2022, clear guidance from Council would be required to help manage uncertainty within services at a time when The City is already facing significant challenges with organizational capacity. Council participation in development of the next four-year cycle of service plans and budgets will begin in the coming weeks and this will provide additional opportunities for strategic direction as part of a more intentional planning and budgeting process.

Chief Financial Officer's Report to
Combined Meeting of Council
2021 November 8

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ATTACHMENTS

1. Attach 1 Previous Council Direction
2. **Attach 2 Operating Approval Package - REVISED**
3. Attach 3 Property Tax Illustrative Examples
4. Attach 4 Solutions for Achieving Value and Excellence (SAVE) Overview and Business Case Summaries
5. **Attach 5 New Operating Investments Summary - REVISED**
6. Attach 6 Police Services 2022 Investment
7. Attach 7 2022 User Fee & Rate Adjustments
8. Attach 8 Capital Budget Recast
9. Attach 9 Capital Budget Adjustments
10. **Attach 10 Operating Budget Continuity Schedule – REVISED**
11. Attach 11 Capital Budget Continuity Schedule
12. Attach 12 2022 Projected COVID-19 Impacts and Mitigation Measures
13. Attach 13 Net Zero Operating Budget Adjustments
14. Attach 14 Carry Forward of Operating Budget from 2021 to 2022
15. Attach 15 Performance Measures Adjustments for Approval
16. Attach 16 Adjustments Risk Analysis

Department Circulation

<i>General Manager/Director</i>	<i>Department</i>	<i>Approve/Consult/Inform</i>
David Duckworth	City Manager's Office	Approve
Chris Arthurs	Deputy City Manager's Office	Approve
Katie Black	Community Services	Approve
Stuart Dalgleish	Planning and Development	Approve
Michael Thompson	Utilities and Environmental Protection	Approve
Doug Morgan	Transportation	Approve

