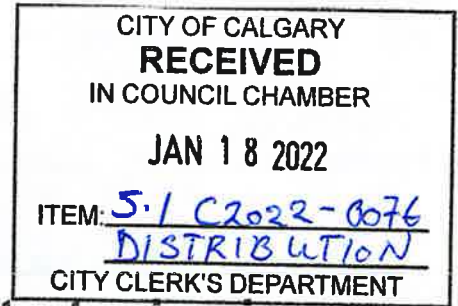




C2022-0076
2021-2032 Long Range Financial Plan
2022 January 18



Key Messages



Council approval of the Long Range Financial Plan strategies is recommended



The Long Range Financial Plan comprises **projections** based on modelling and analysis, and **strategies** to navigate financial challenges



The Plan and its strategies address systemic and emerging challenges facing The City, assess their impacts, provide toolkits to prepare and respond, and support financial sustainability and resilience.

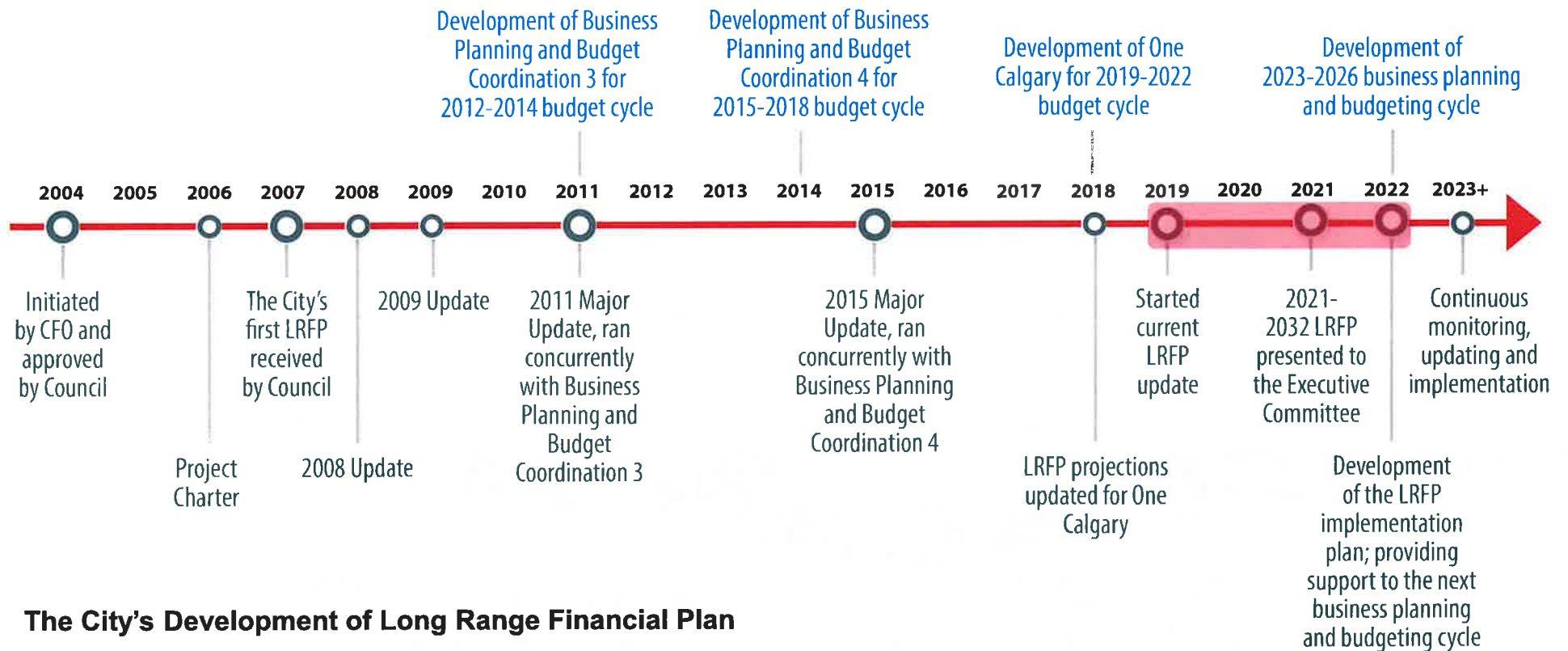


Recommend that Council approve the strategies articulated in the Long Range Financial Plan in pages 36-37 of Attachment 3 as directional support for future cycles of the Service Plans and Budget planning process.



Previous Development and Current Update

The City's Development of Business Planning and Budgeting Cycles



The City's Development of Long Range Financial Plan



Long Range Financial Plan Structure

Outcome



Risk Management

Financial Goals



Financial Strategies

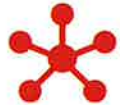


Tactics





Long Range Financial Plan Strategies



Flexibility: building capacity to respond to changing circumstances



Efficiency: providing the best value for money within limited resources



Sufficiency: ensuring sufficient resources for service delivery



Integration: fully considering financial constraints and spending priorities in policymaking and decision-making



Credibility: maintaining and enhancing strong public confidence



The Long Range Financial Plan comprises financial projections and strategies



The strategies support Financial Sustainability and Resilience



The key results include strategies and tactics to address the systemic gaps



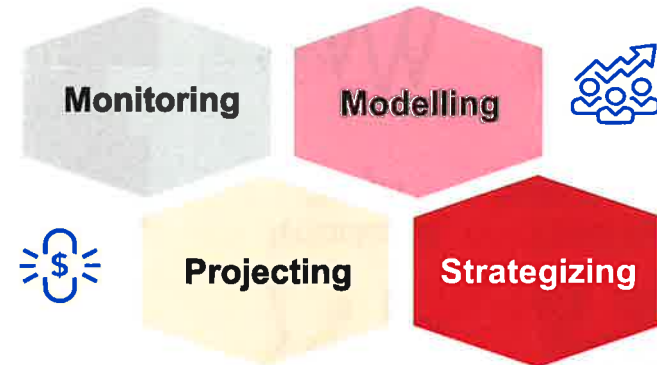
It has been developed and updated through rigorous internal and external review



What is the Long Range Financial Plan?

Definition by Government Finance Officers Association

“LRFP is a plan used to identify future financial challenges and opportunities through financial forecasting and analysis, and then, based on that information, to devise strategies to achieve financial sustainability.”



Long Range Financial Plan Key Components



Projections

- Projected revenues and expenditures
- Projected operating budget gap
- Projected capital budget gap



Strategies

- Financial strategies developed based on projections
- Strategies to navigate financial challenges, support decision-making, and to align financial capacity with long-term service objectives



The City in Strong Financial Condition But Facing Challenges



Structural Challenges:



Limited revenue sources



Legal constraints



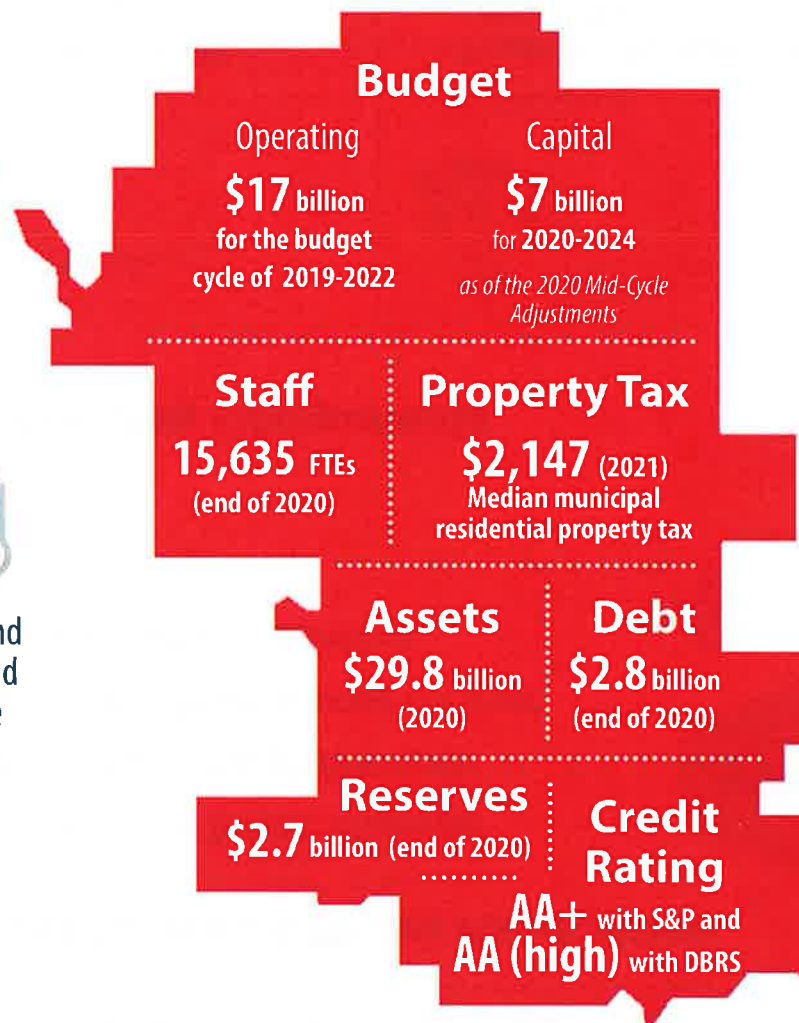
Sharing of the property tax base with the Province



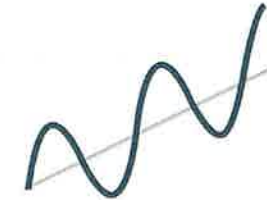
Infrastructure gap and limited ability to fund large infrastructure projects



Tax competition from neighbouring municipalities



Emerging Challenges:



Cyclical and structural changes of economy



Demographic shift



Technological changes



Global economic, political and pandemic impacts



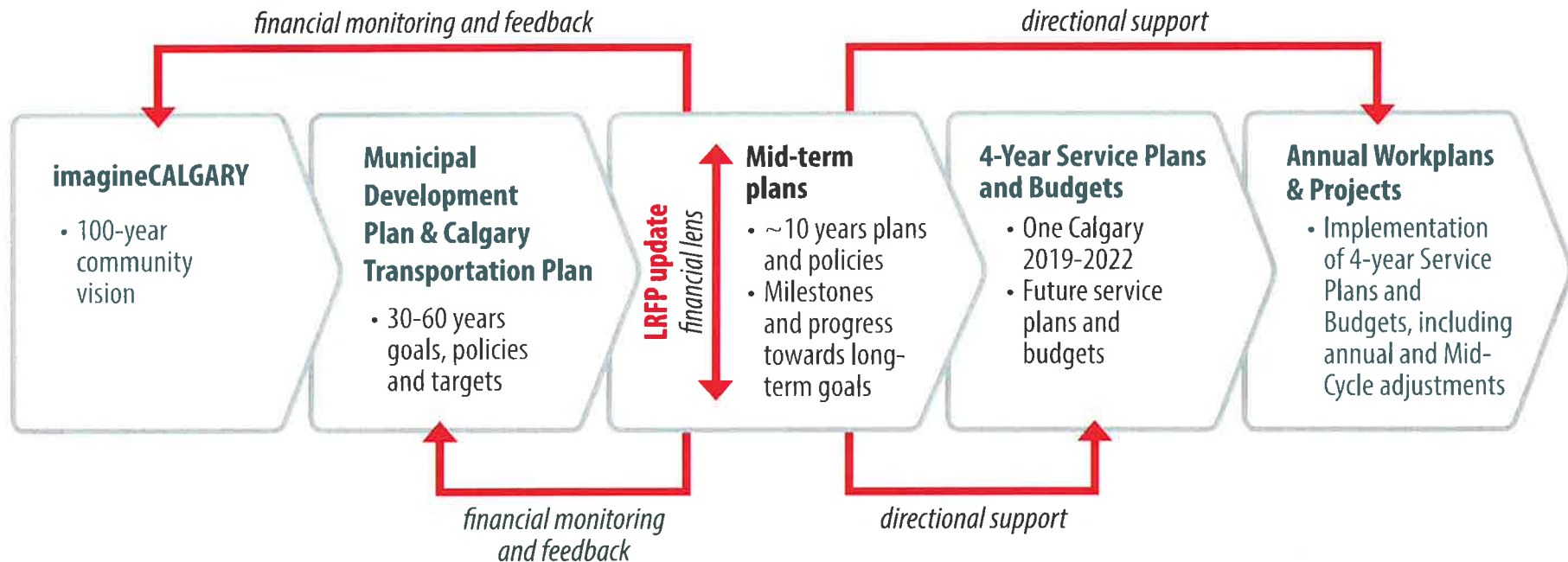
Changing climate and resiliency



Funding uncertainties



Internal Alignment with The City's Planning Initiatives and Policies



External Alignment



Government Finance Officers Association (GFOA) Best Practice



Province of Alberta

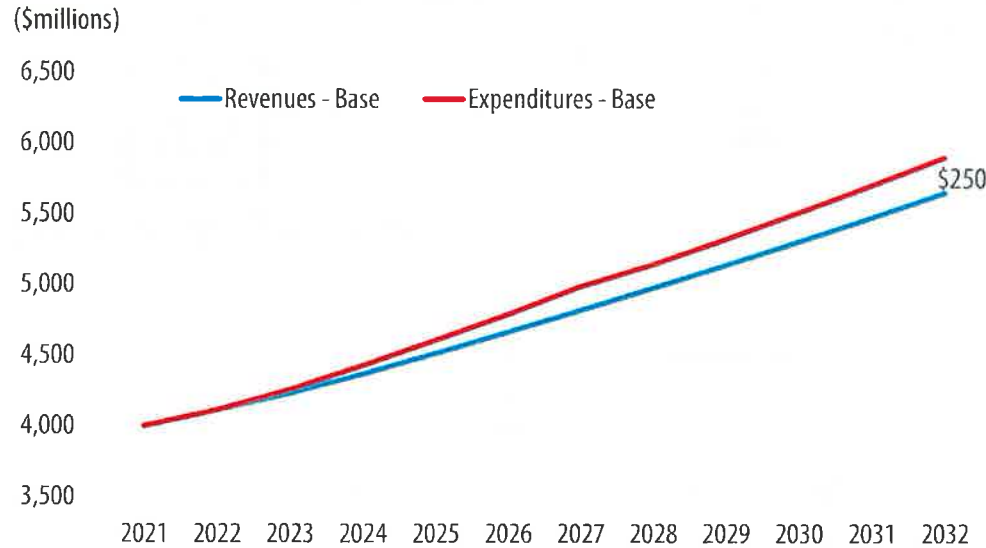
Municipal Government Act (MGA) legislative requirements (s283.1)



Benchmark with peer cities in Canada and U.S.



Projected operating revenues and expenditures 2023-2032



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

Capital gap:

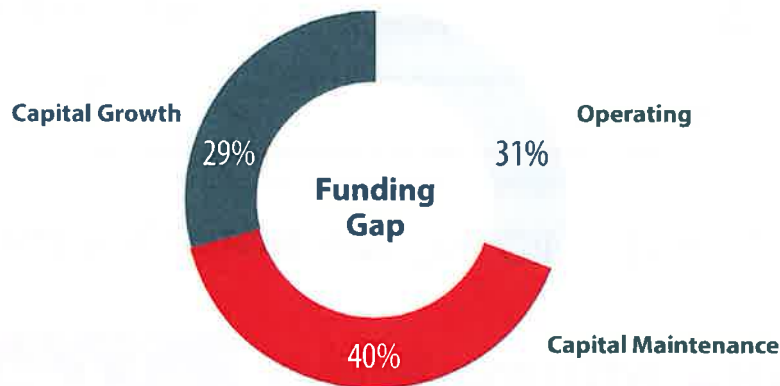
- Based on the 2020 Infrastructure Status Report estimation
- Unfunded capital requirement
- Three categories of gap

Projections instead of forecast:

- **To provide a view** of possible future financial challenges and the relative magnitude of the impacts to inform and act upon
- **Not to forecast** a probable outlook or best estimate on what the next decade will bring

Projected infrastructure gap for 2020-2030

Infrastructure Gap: \$7.73 Billion



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



Scenario of Regional Service Cost Sharing



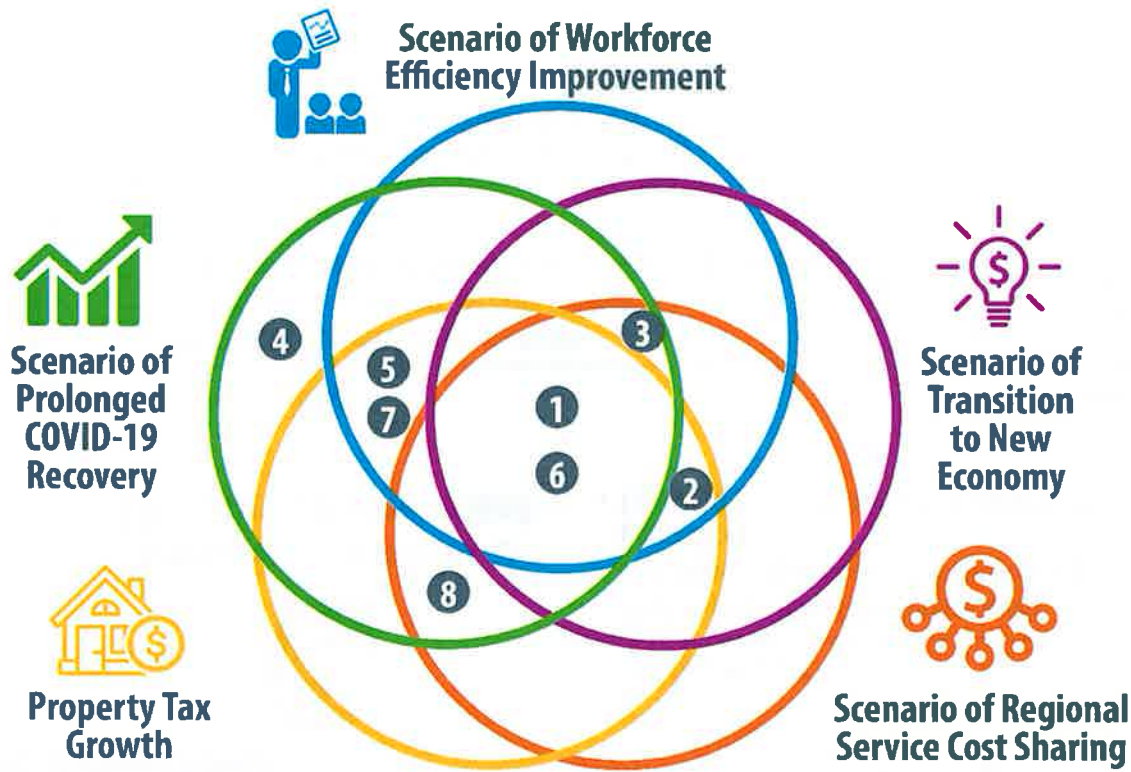
Property Tax Growth



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



LRFP not to solve specific issues, but to provide financial context and strategies to help guide the analyses of issues and recommend courses of action

Analyze Impacts:

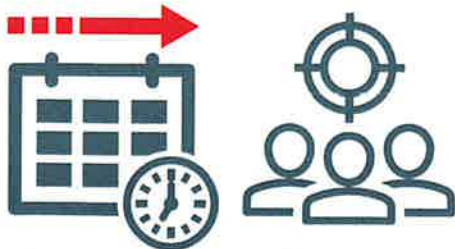
Property tax base sustainability and other revenue projections



Growth of expenditures to meet demand for municipal services and infrastructure



Alignment of financial capacity with long-term service objectives



Examples of City Major Initiatives



1 Climate Change



2 Downtown Strategy



3 Municipal Development Plan & Calgary Transportation Plan updates



4 Metropolitan Regional Growth

Recommend Strategies:



Remain flexible and build capacity to respond to constantly changing circumstances



Provide the best value for money within limited resources



Ensure sufficient resources by maintaining existing revenue sources and exploring new opportunities



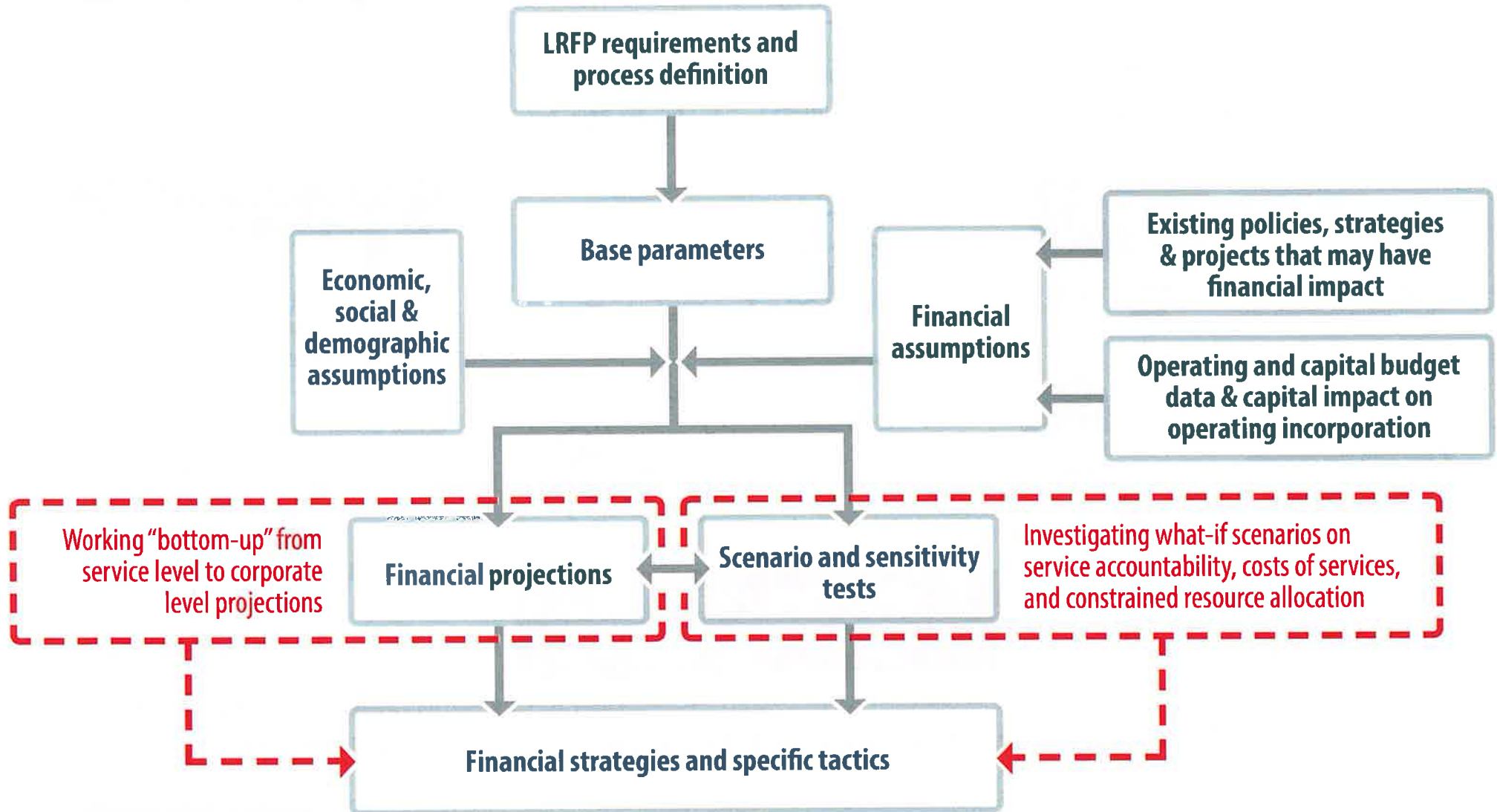
Spending decision and financial constraints fully considered in policymaking and decision-making



Achieve financial performance to maintain strong public confidence



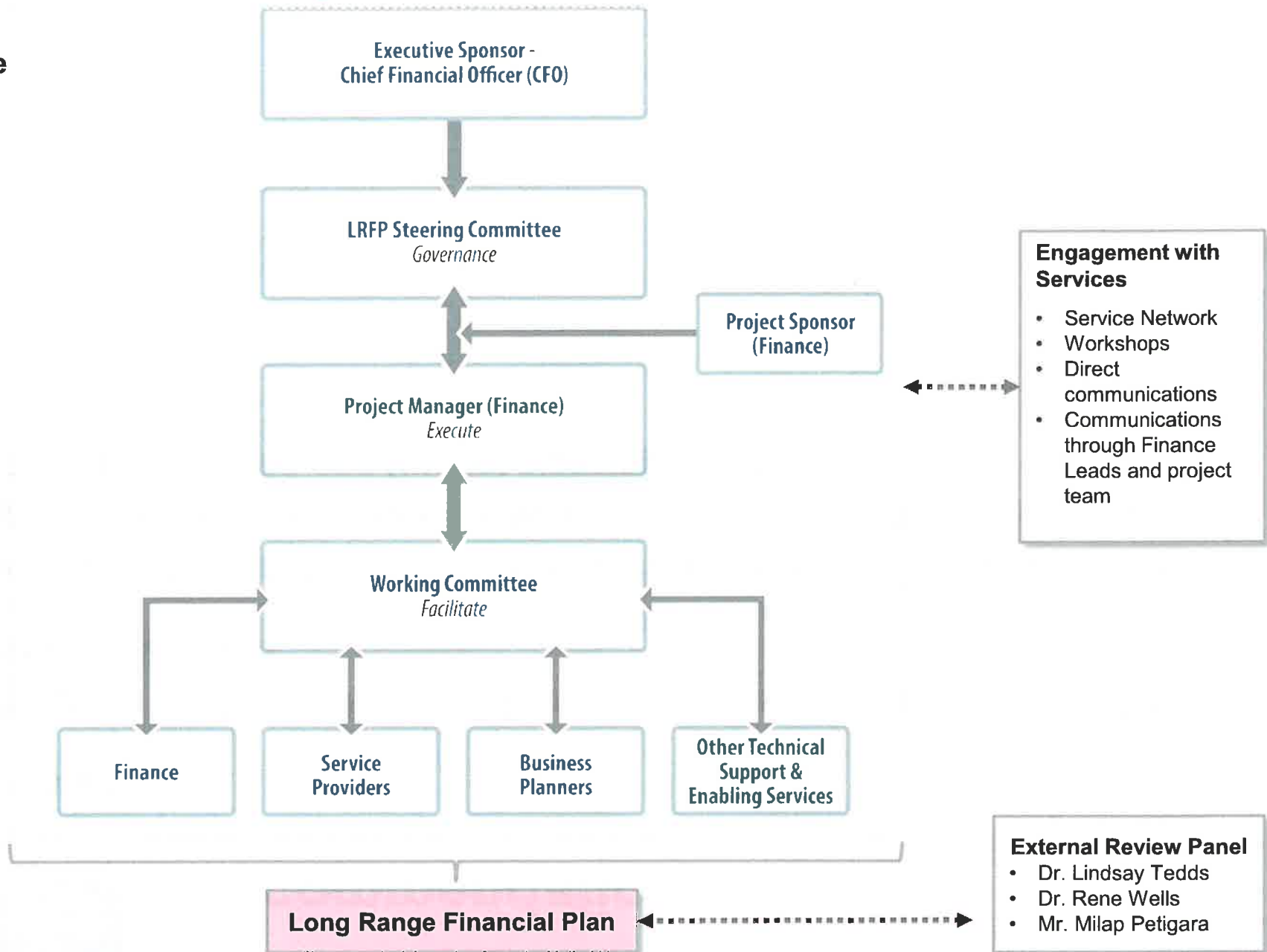
Modelling Structure and Methodology Update





Thorough Development and Validation Process

Governance Structure





Recommendations

That 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.