

## 2017 PROVINCIAL BUDGET SUBMISSION

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### EXECUTIVE SUMMARY

The City of Calgary has the opportunity to provide input to the Government of Alberta as it develops its 2017-18 budget. Administration recommends that this year's submission to the Minister of Finance focus on to the need to continue to work together on mutual priorities that help address our province's economic challenges and ensure quality programs and services for citizens.

### ADMINISTRATION RECOMMENDATION(S)

That the Intergovernmental Affairs Committee approves the approach to The City of Calgary's advocacy efforts around the 2017 provincial budget as outlined in this report.

### PREVIOUS COUNCIL DIRECTION / POLICY

The Intergovernmental Affairs Committee approved the approach to The City of Calgary's submission to the House of Commons Standing Committee on Finance's pre-consultation process and advocacy efforts around the 2017-18 federal budget on 2016 July 21 (IGA2016-0506).

### BACKGROUND

Each year The City of Calgary prepares and submits recommendations to the Government of Alberta to inform the development of the provincial budget. Last year, The City's submission to Finance Minister Joe Ceci communicated the need for provincial investment in municipal capital projects in order to create jobs and meet both governments' economic, social and environmental priorities. Along with this request for infrastructure funding, The City also asked to collaborate with the Government of Alberta on subsidy assistance programs for low income Calgarians.

The Government of Alberta's 2016-17 budget, released on 2016 April 14, placed significant emphasis on infrastructure. However, most of the announced funds were for provincial capital projects in the areas of health, education and post-secondary education, roads and affordable housing, with no significant increases to municipal infrastructure funding or budget allocations for City of Calgary projects like the Green Line. There was also increased funding for affordable housing and green infrastructure but it was unclear if any of this funding would be directed to The City of Calgary. No significant changes were made to operational and social program funding for municipalities in the budget. However, on 2016 May 26 the Government of Alberta announced an investment of \$13.5 million over three years toward Calgary's Low Income Transit Pass.

The Government of Canada's 2016 budget committed a total of \$186 billion in infrastructure funding, including \$95.6 billion in new funding for public transit, green infrastructure and social infrastructure. This includes the additional funds committed by the Government of Canada in its 2016 Fall Economic Statement. This funding will be provided over two phases. Phase 1 consists of approximately \$14.4 billion for "shovel-ready" projects. Phase 2 of the program will provide approximately \$81.2 billion in funding. The City's submission to the House of Commons Standing Committee on Finance's 2017 pre-budget consultation, sent on 2016 July 27, focused on the need for clarity on how and when municipalities will receive this infrastructure funding.

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The Government of Canada signed a bilateral agreement with the Government of Alberta on 2016 September 1 that allocated \$196.7 million to the Clean Water and Wastewater Fund and \$347 million for the Public Transit Infrastructure Fund in Alberta. The province has also received \$94.5 million for social infrastructure. Of this Phase 1 federal infrastructure funding, the Government of Alberta has allocated \$34.2 million to The City of Calgary for public transit projects.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The City of Calgary's Fall 2016 Calgary and Region Economic Outlook forecasts that the Calgary Economic Region's GDP will contract by 3.2 per cent in 2016 and grow by 1.2 per cent in 2017. Economic activity would be weighed down by reduced investment expenditures and job layoffs. Total employment is expected to decline in both 2016 and 2017, falling from 878,000 in 2015 to 855,000 in 2016 and 861,000 in 2017. The available data shows that the average unemployment rate for the first seven months of 2016 is estimated at 8.5 per cent. The unemployment rate for 2016 as a whole is expected to be 8.5 per cent, increasing to 9.0 per cent in 2017 before trending down to 6.0 per cent by 2021.

Alberta continues to face economic challenges heading into the 2017-18 budget. In an October address on the state of the province, the Premier stated that "people providing public services funded by the provincial government need to find innovative ways to do more with the funding they have now," and that "municipal leaders need to understand that exciting new proposals will probably need to be paid for by reallocations — starting a new project might mean ending an old project."

Given the factors outlined above, it is recommended that The City's 2017 provincial budget submission speak to the need to continue to work together on mutual priorities that help address our province's economic challenges and ensure quality programs and services for our citizens.

Administration recommends highlighting the need for continuing collaboration on infrastructure, which remains a priority for all three orders of government and Calgarians. According to The City's 2016 Citizen Satisfaction Survey, "infrastructure, traffic and roads" remains in the top position on the 2016 issue agenda while "transit" continues to hold second place. By working together, The City and the Government of Alberta can develop a coordinated, strategic approach to capital funding that will contribute significantly to job creation in our city and advance Alberta's ability to grow and prosper. Continued collaboration will also help ensure that federal infrastructure investments are benefiting Calgarians, with emphasis placed on a one-third formula for matching federal dollars with provincial and municipal funds. The more we align our investments, the better we can leverage municipal, provincial and federal funding for maximum benefit in our community.

Through the City Charter, the Government of Alberta, City of Calgary and City of Edmonton are building an enhanced, long-term relationship that supports more efficient and strategic program and service delivery. Significant progress was made on the development of regulatory and collaboration proposals for City Charters in 2016. The momentum of this work needs to continue in 2017, with a focus on building a new fiscal framework for Alberta's two big cities. In 2017, the parties also hope to advance the agreed to collaboration tables around environment and climate

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change, social policy and transportation. The intent is to provide a forum to coordinate our strategic efforts when it comes to aligning policy initiatives, planning and development, economic development opportunities, and, potentially, capital investment strategies. Administration recommends that these messages related to the City Charter and our enhanced relationship with the Province be reinforced in the budget submission.

Finally, beyond the positive economic benefits from investments in infrastructure, The City and the Government of Alberta can explore additional economic development opportunities together. The City's 2016 Citizen Satisfaction Survey suggests that Calgarians are looking to all orders of government for leadership on strengthening and diversifying our economy moving forward. The 2017 provincial budget submission is an opportunity to highlight the benefits of working together in this area.

### Stakeholder Engagement, Research and Communication

Intergovernmental & Corporate Strategy coordinated a review of the provincial budget with subject matter experts from across the organization. This review, along with The City of Calgary's Fall 2016 Calgary and Region Economic Outlook, The City's 2016 Citizen Satisfaction Survey, and recent City of Calgary policy and advocacy work with alignment to provincial government activities and priorities informed the recommendations in this report.

### Strategic Alignment

The proposed submission to the 2017-18 provincial budget is in alignment with The City of Calgary's strategic directions and priorities.

### Social, Environmental, Economic (External)

Provincial funding can assist The City in improving social, environmental and economic objectives.

### Financial Capacity

#### Current and Future Operating Budget:

Provincial funding can have a positive impact on current or future operating budgets.

#### Current and Future Capital Budget:

Increased, targeted and coordinated provincial infrastructure funding of infrastructure can have a significant, positive impact on future capital budgets.

### Risk Assessment

By not submitting recommendations to the Minister of Finance, The City risks missing an opportunity to advocate to the provincial government for available funding opportunities.

### REASON(S) FOR RECOMMENDATION(S):

The City of Calgary has an opportunity to share its thoughts with the Government of Alberta and help shape the next provincial budget. The recommendations in this report will enable Administration to prepare The City of Calgary's submission to the Minister of Finance and inform any additional advocacy efforts required around the 2017-18 provincial budget.

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**ATTACHMENT(S)**

None