

Calgary



C2023-1055
PRESENTATION



Municipal Fiscal Gap

2023 September 26

CITY OF CALGARY
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CITY CLERK'S DEPARTMENT



Focus for the session

Financial sustainability challenge

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► Focus for today



Challenges

All municipalities

- Pre-designed fiscal gap
- Differences across all orders of Government
- Requirement to balance the budget
- Requirement to use annual tools
- Long term planning

Calgary

- Becoming a large, mature city, leading Canadian City
- High inflation environment
- Meeting the expectations of a big city
- Adding and Aging Infrastructure
- Significant Population Growth
- Affordability
- Growth and complexity
- Housing



Tools

Existing

- Long Range Financial Plan (10 years)
- Infrastructure Status Report (10 years)
- City wide growth & change strategy
- Service Plans and Budgets (4 years)
- **Annual Budget Adjustments (Annual)**
- Principal Corporate Risks (Semi-Annual)
- Reviewing Service Levels and Offerings (continuous)
- Advocacy program

Emerging

- Enhancing planning & budgeting process
- Focusing on revenue
- Funding potential investments
- **Leveraging the FTF recommendations as related to the revenue options**
- Assessment pre-roll
- Corporate borrowing strategy

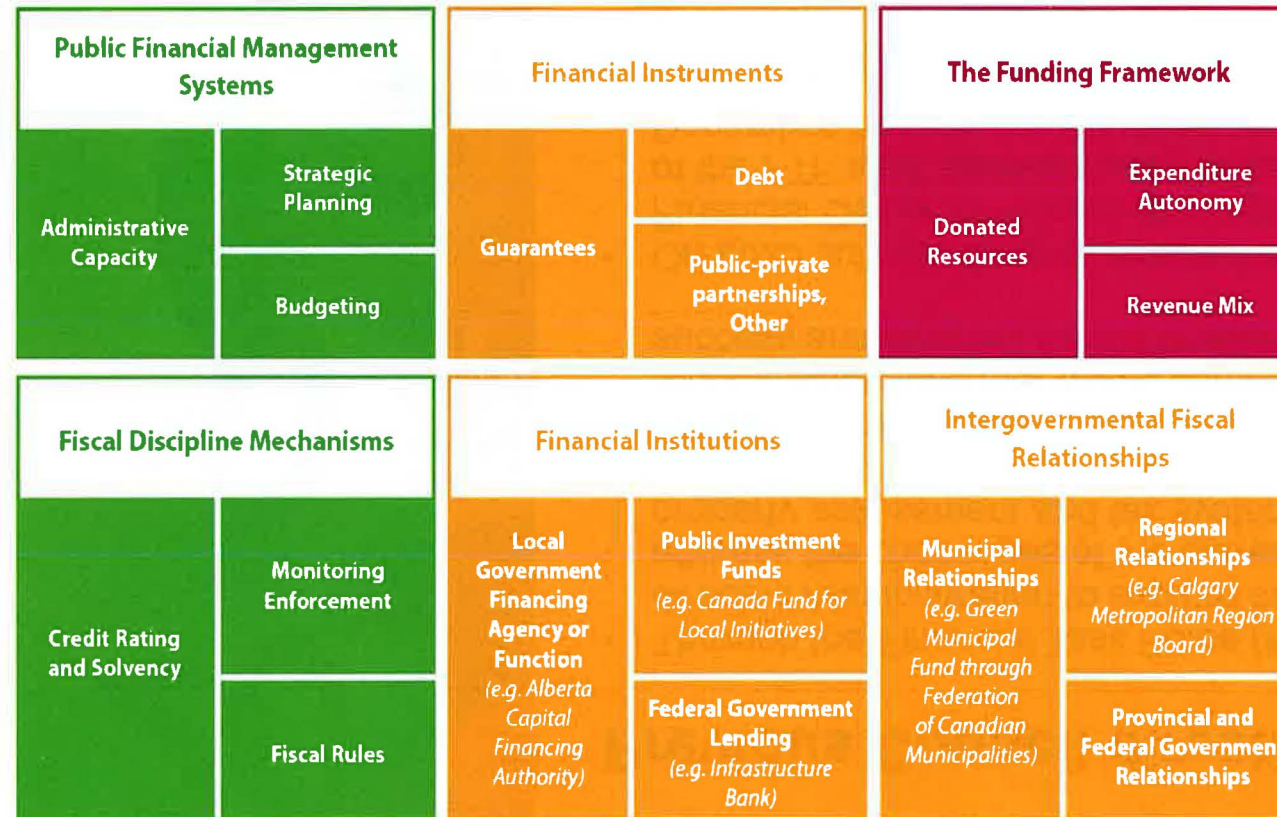


Previous Council direction

- Through the Financial Task Force (FTF), Council directed Administration to explore solutions to address the challenges of the current municipal property assessment and tax system.
- On 2020 June 29, Council accepted 35 recommendations that would contribute to achieving success and directed Administration to action them.
- On 2020 July 27, Council directed the Chief Financial Officer to monitor and report on progress of the FTF work semi-annually in June and December through the Priorities and Finance Committee.



Ease of Enhancing Financial Capacity





Emerging and Established Tools: Plan and Payoff

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Chapter	Policy & analytical question	Title of report chapter
I	Why are cities (like Calgary) facing fiscal challenges?	Cause and Severity of The Municipal Fiscal Gap [Fiscal Imbalance because of a Persistent Municipal Fiscal Gap]
II	What revenue options or solutions are available?	The Role of Alternative Revenue Sources to Close the Gap
III	Where are most cities turning for remedies?	Brief Review of Emerging Developments in other Municipalities
IV	How do we know proposed remedies will deliver value?	Framework and Assessment of the Net Benefit of New Revenue Tools
V	What does City Administration propose next steps from the analysis?	Approaches for Achieving Progress in Securing a New Funding Framework



Inflation



Affordability



**Climate
change**



**Aging
infrastructure**



**Social
disorder**

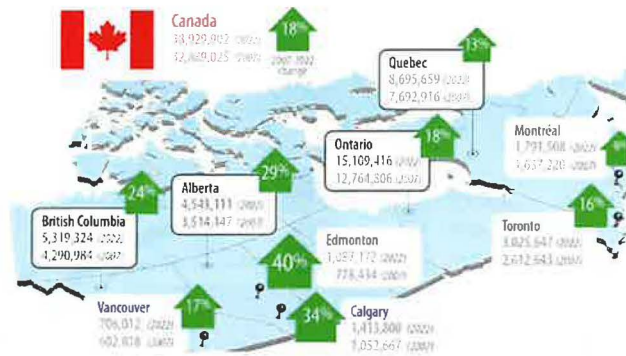


Growth



Population growth, aging, urbanization and inflation Increased government spending

Calgary's Population is One of the Fastest Growing across Canadian Big Cities



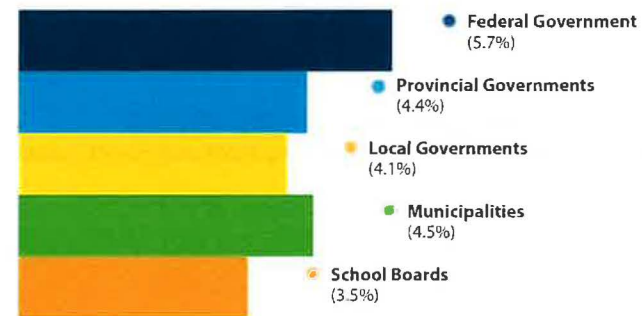
Increased Provincial Government Reliance on User Fees



Calgary's population growth is fast across the board (for all age cohorts)

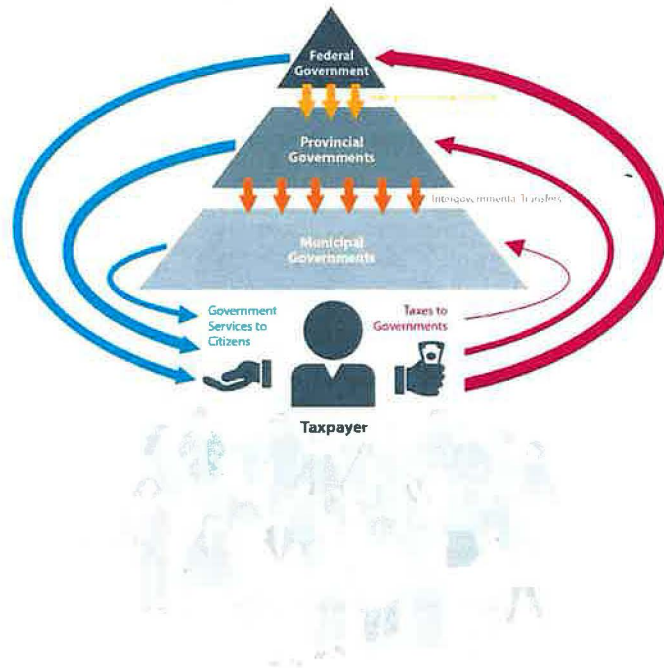


Canada's Federal Government has increased spending the most in 15 years

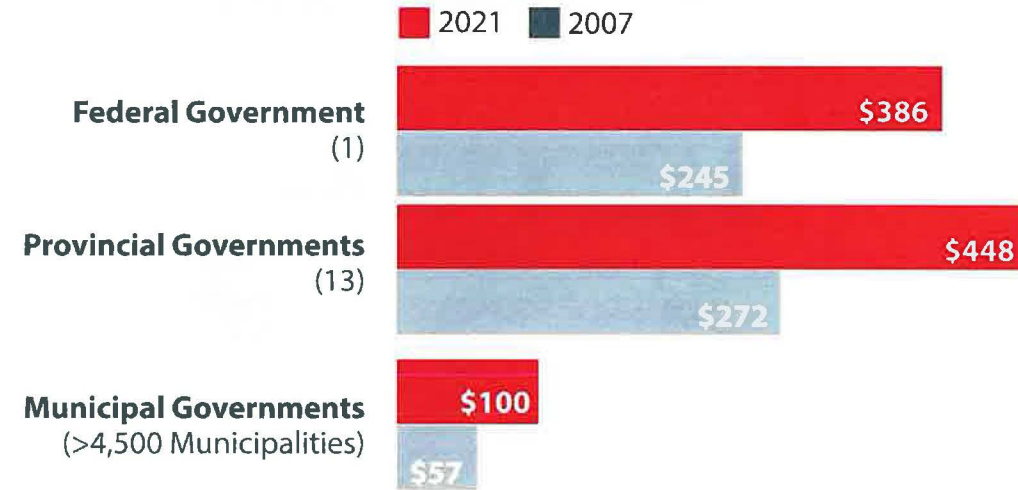


There is only one taxpayer

How tax dollars flow - between taxpayers and governments and among the three levels of government



Taxpayers' contributions to the three levels of government in Canada (2021 vs. 2007, \$billions)



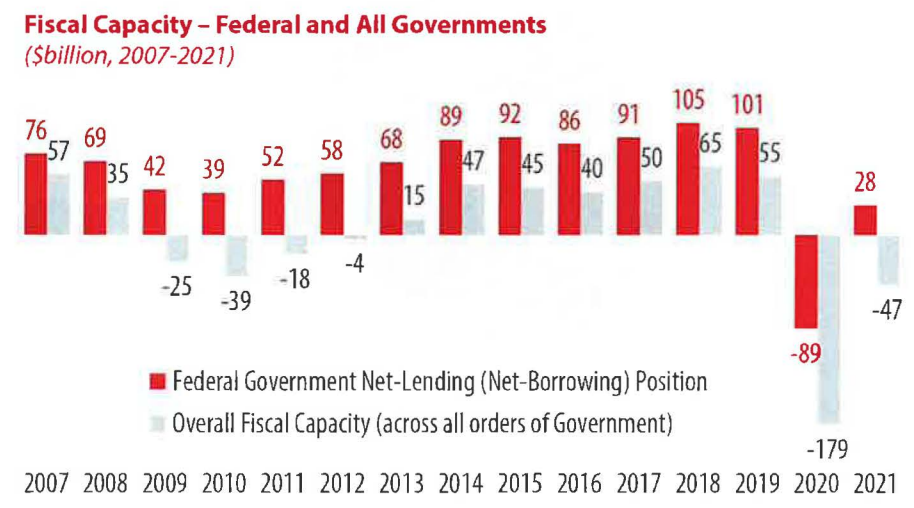
Source: Statistics Canada. Table 36-10-0450-01 and custom data Table 18



The municipal gap is a result of federal and provincial legislation



Source: Statistics Canada. Table 36-10-0450-01 and custom data Table 18

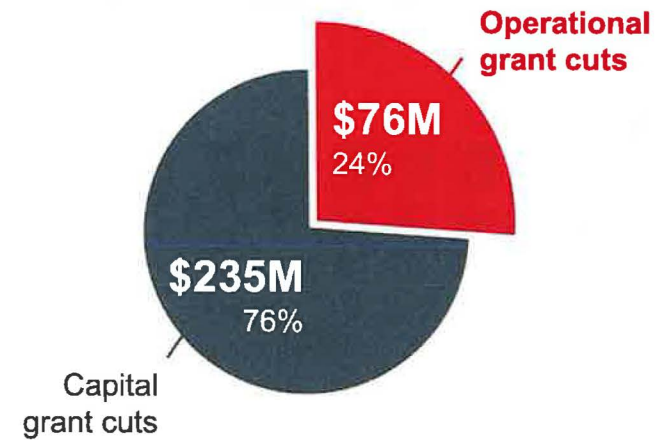


Source: Statistics Canada. Table 36-10-0450-01 and custom data Table 18

The result of added responsibilities on municipalities



Downloading has both capital and operating impacts





Potential revenue tools to close the gap

Tools related to property taxes, user fees and City assets		Additional tools that will need legislative change			
Revenue Category	Revenue Tool	Revenue Category	Revenue Tool	Revenue Category	Revenue Tool
Taxation	1. Surtax on High-value Residential Properties* 2. Non-resident Speculation Tax (NRST) and Property Speculation and Vacancy Tax (SVT)*	Taxation – Taxes on Income	9. Personal Income Tax 10. Corporate Income Tax	Taxation – Current Transfers from Households	26. Vehicle Registration Tax 27. Insurance Premium Tax
User Levies	3. Differential User Fees by Residency 4. Differential Permit Fees using Application Processing Time 5. Extension of Home Occupation and Non-resident Business Permits to Online Firms 6. Differentiate Fines using Ability to Pay	Taxation – Taxes on Production	11. Real Property Tax: Discontinuation of Provincial Property Tax Collection 12. Occupational Privilege Tax 13. Road Pricing 14. Advertising Tax 15. Telecommunications Franchise Fees	Taxation – Taxes on Non-renewable Resources	28. Royalty Revenue 29. Carbon Tax
Other Revenue	7. ENMAX Dividends 8. Revenue from Calgary Parking Authority Assets	Taxation – Taxes on Products	16. Municipal General Sales Tax 17. Accommodation Tax 18. Parking Tax 19. Fuel Tax 20. Tobacco Tax 21. Amusement Tax 22. Land Transfer Tax 23. Alcohol Tax 24. Cannabis Tax 25. Gaming Revenue	Taxation – Taxes related to the New Economy	30. Cloud Computing Tax 31. Digital Sales Tax 32. Ridesharing Tax 33. Digital Amusement Tax 34. Online Marketplace Accommodation Tax 35. Tax on Shared Mobility Services 36. Autonomous Vehicle Registration Tax
				User Levies – Levies related to the New Economy	37. Monetization of City Data as an Asset 38. Investing in Digital Connectivity Infrastructure 39. Regulatory Charges for 5G Infrastructure

Note: * Tools 1 and 2 need legislative changes in Alberta.
Tools 3 to 8 can be implemented within The City's Authority.

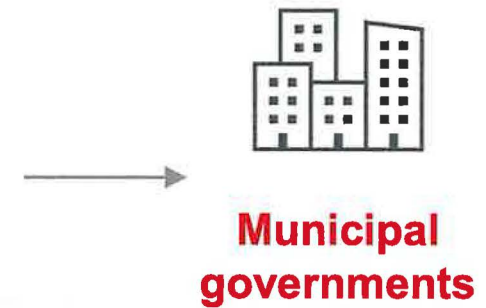
Revenue management channels



1 **Revenue sharing**
No municipal autonomy

2 **Provincial-municipal agreements**
Partial municipal autonomy

3 **Municipal-run tax system**
Full municipal autonomy



1

Potent

The primary purpose is to collect revenues to address the municipal fiscal gap. New revenue tools should be potent.

2

Fairness

Fairness means that the distribution of revenue responsibility is socially desirable. Describing a revenue option as fair is perception based. Measuring fairness relies on assessing equity.

3

Reliability

The revenue options should have appropriate levels of predictability, stability, and reliability to enable the government and citizens to determine the timing and amount of revenues for collection.

4

Adaptability

It is desirable to build adaptability to the municipal revenue system by adding – (a) revenue diversity and (b) revenue options that respond quickly and countercyclically to economic conditions.

5

Efficiency

The addition of new revenue generation should not unduly impede or reduce the economy's productive capacity.

6

Neutrality

Neutrality means that the revenue options should not unduly influence citizens' decisions. Their decisions should reflect the economic merits of the associated activity.

7

Reinforcement

Governments sometimes wish to promote certain behaviours and discourage others, and revenue collections may support or impede this.

8

Inexpensive

The operating costs for assessing and collecting revenue should be minimized.

9

Simplicity

Simplicity means that the revenue collection amounts should be known in advance, the rules should be simple and easy to understand, and the amount owing should be easy to pay and easy to enforce.

10

Transparency

Transparency means the revenue information is highly visible and not hidden. Transparency helps to achieve accountability to citizens.

11

Accountability

Accessibility and visibility of the information on revenue collection laws and their development, modification, and purpose are necessary for citizens to hold governments accountable for their money.

12

Protection

Revenue collection administration must protect private information from all forms of unintended and improper information disclosure.



Working with the public and orders of government

- The opportunity to address fiscal imbalances from a comprehensive approach has the potential for better municipal finance outcomes.
- Addressing them on an ad hoc basis is likely less efficient, effective and leads to unsustainable municipal finances.
- There needs to be collaboration between all orders of government.
- Dialogue and work with Calgarians will also be needed.



Next steps and context

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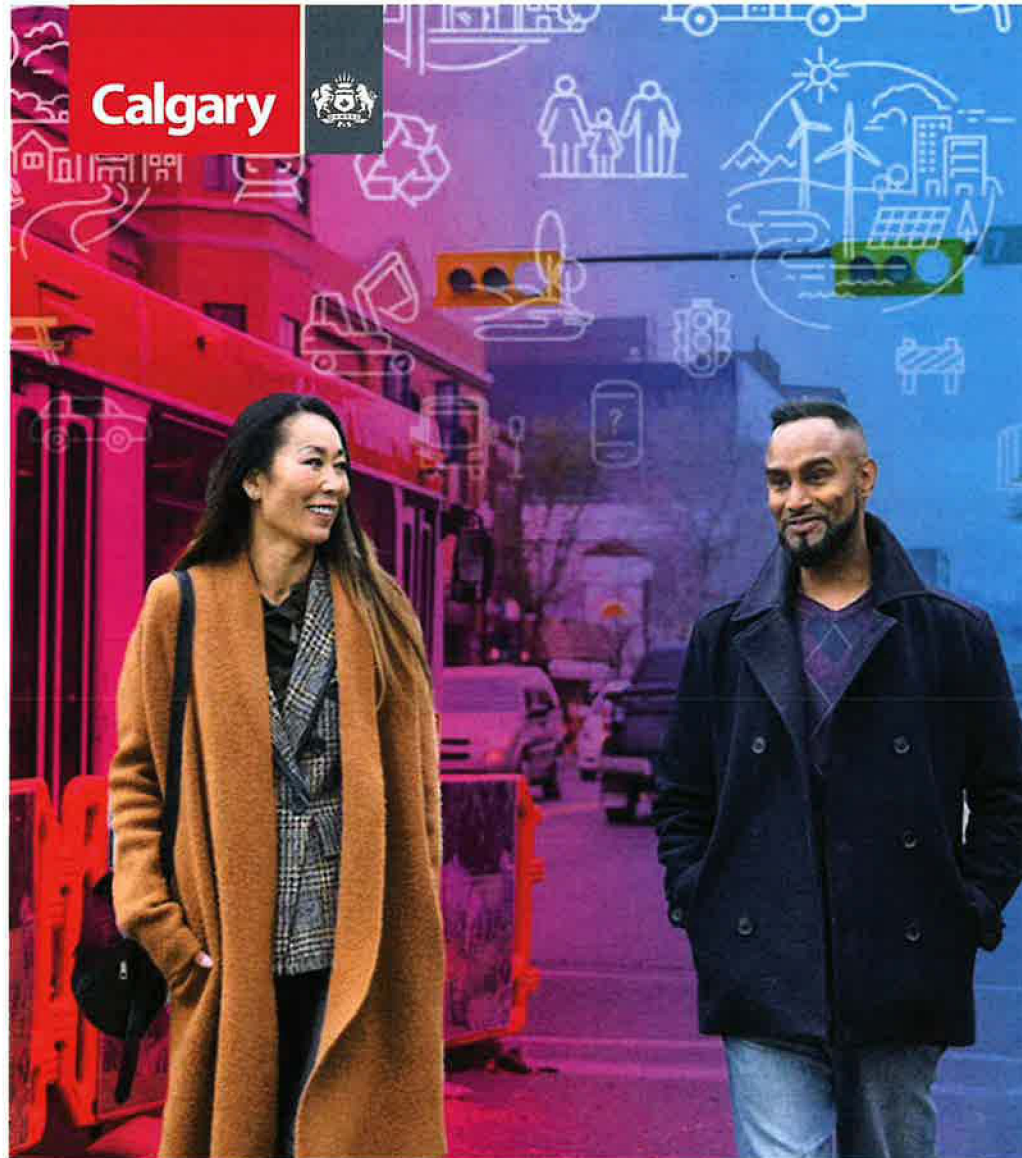
NEWS

**FCM Board of Directors
issues a national call for a
new Municipal Growth
Framework**



Strategic Discussion on Service Plans and Budgets

2023 September 26



Previous Council direction

- In 2022 December, Council requested the addition of a standing agenda item on service planning and budgeting at Executive Committee, which Administration has been delivering since that date.
- On 2023 July 4, Council directed Administration on which investment options to further develop and bring back to the 2023 September 6 Executive Committee Meeting (C2023-0633), leading up to the 2023 November Adjustments to the 2023-2026 Service Plans and Budgets.



**Purpose of today:
Preview of Council's investment decision for the 2023 November
Adjustments to the 2023-2026 Service Plans and Budgets**

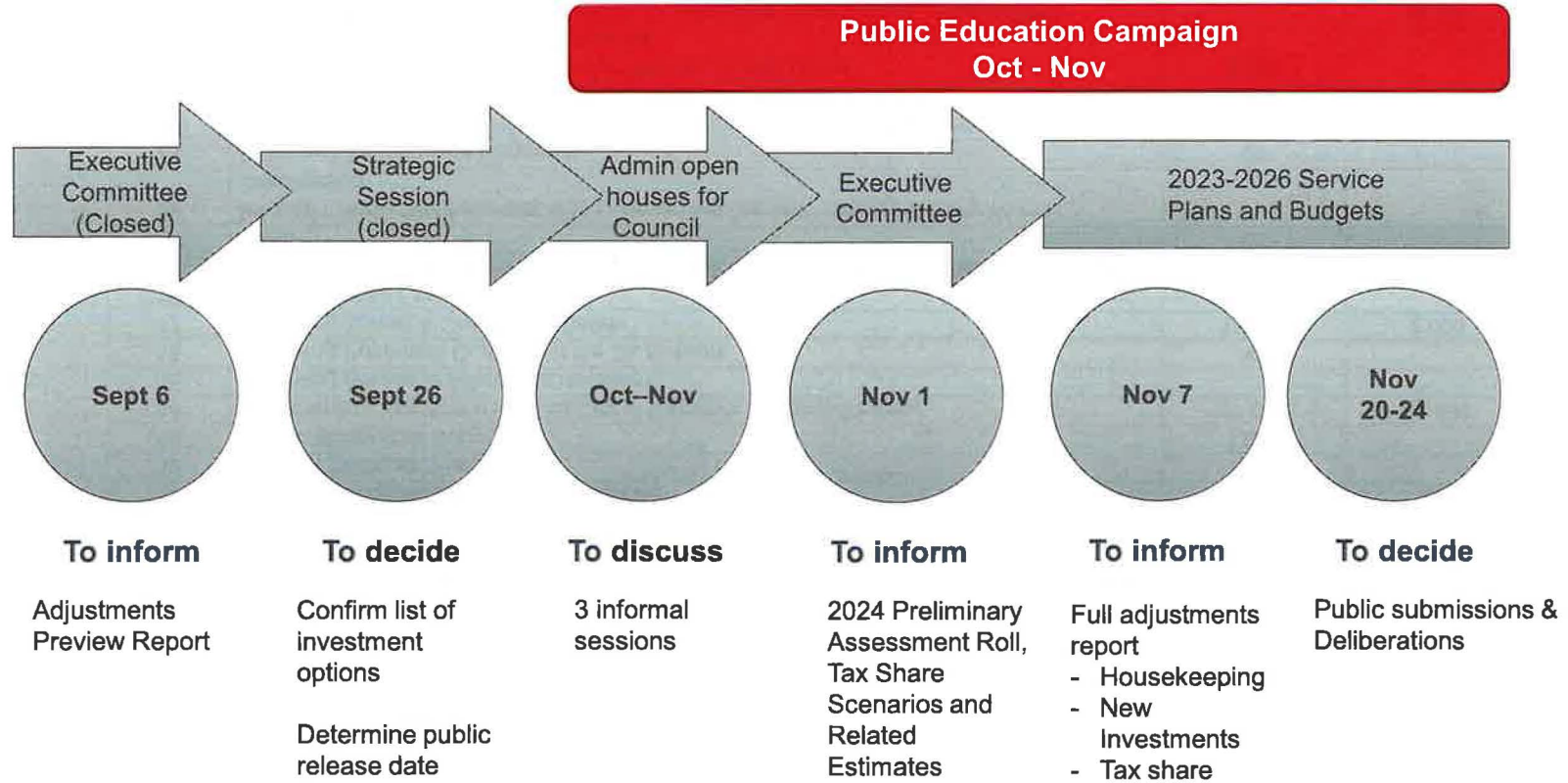
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List of New Investment Options

Option Number	Investment Name	Base 2024 (\$000s)	One-Time 2024-2025 (\$000s)	Capital for 2024 – 2028 (\$000s)
1	194 and 210 Aves and Macleod Trail Interchanges			260,000
2	Accelerating Capital Projects while Preparing for Green Line Operations	8,000		
3	Additional 5A Network Improvement Plan			31,400
4	Additional Facility Sustainment			35,400
5	Addressing Vehicle Noise and Community Traffic Safety Through Enforcement	1,340		350
6	Airport Transit Connection (east leg) - Design & Engineering			10,000
7	Blue Line Extension to 88th Ave NE - Design & Engineering			9,000
8	Building Strong Community Connections Through Asset-Based Community Development		2,444	
9	Capital Cost Escalations			200,000
10	Corporate Inflationary Pressures	27,000		
11	Council Compensation Review Committee		100	
12	Foothills Multisport Fieldhouse			18,000
13	Human Resources Support	1,949		
14	Implementing Key Actions of The City of Calgary's Housing Strategy	27,000	54,500	
15	Improving Access to Affordable Housing			90,000
16	Improving Pavement Quality and the 5A Network	40		60,000
17	Improving Transit & Community Safety	15,000	2,000	
18	Limiting Transit Fare Increases	3,000		
19	Managing Problem Properties Through Expansion of the Coordinated Safety Response Team	1,169		69
20	MAX 301 North (North Central BRT) Convertible Corridor - Design & Early Works Construction			60,000
21	Parks and Playgrounds Upgrades	50		18,000
22	Permanently Funding Additional Fire and Emergency Response Resources	3,400		
23	Permanently Funding Calgary's Mental Health and Addictions Strategy	6,000		
24	Permanently Funding Free Transit for Children 12 and Under	3,000		
25	Planning for Corporate System Upgrades			7,000
26	Providing Emergency Financial Support to Calgarians Experiencing Vulnerabilities		10,000	
27	Strategic Improvements to Transit Service	4,000		
28	Symons Valley Centre Comprehensive Site Development – First Phase Sage Hill Library and Public Infrastructure			18,000
29	Ward Boundary Commission		176	
30	Ward Budget Adjustments for Population Growth	1,620		
	Total	102,568	69,220	817,219





Additional investments can accelerate what matters most to Calgarians



Safer, more reliable and more frequent transit
Free Transit for Children 12 and under
Limiting fare increases
Preparing for the next generation of Transit projects

Transit



Reducing housing insecurity and homelessness
Permanently funding Mental Health and Addictions Strategy

Social Equity



Sustaining fire services
Addressing problem properties
Improving community traffic safety

Public Safety



Making sure that the right people with the right skills are delivering City services
Enhancing productivity
Reflecting the diversity of Calgary in City Administration

Modernizing Government



Managing inflation pressures
Enhancing flexibility of ward budgets
Taking care of our current infrastructure

Managing Operational Risk