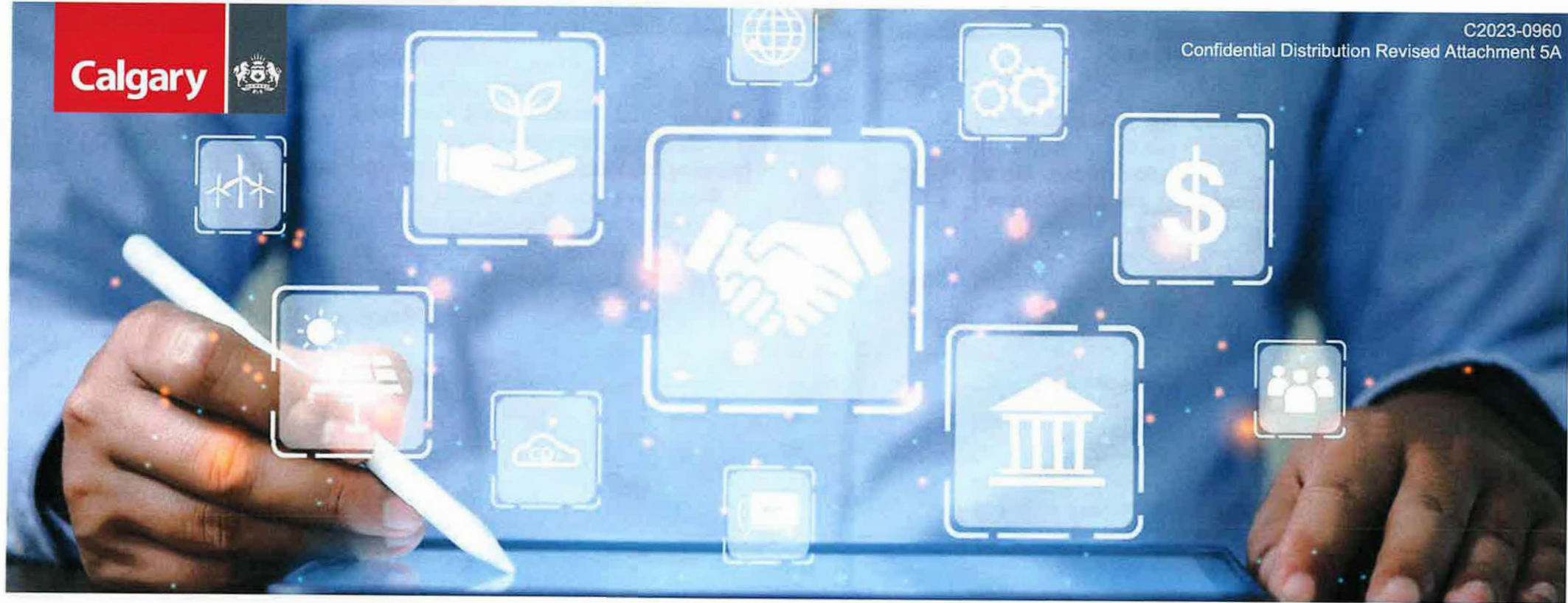


Calgary



C2023-0960

Confidential Distribution Revised Attachment 5A



Municipal Fiscal Gap

2023 September 26

CITY OF CALGARY
RECEIVED
IN COUNCIL CHAMBER

SEP 26 2023
ITEM: 6.1.1 C2023-0960
Distrib-Confidential revised attachment
CITY CLERK'S DEPARTMENT 5A



Focus for the session

Financial sustainability challenge

► 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

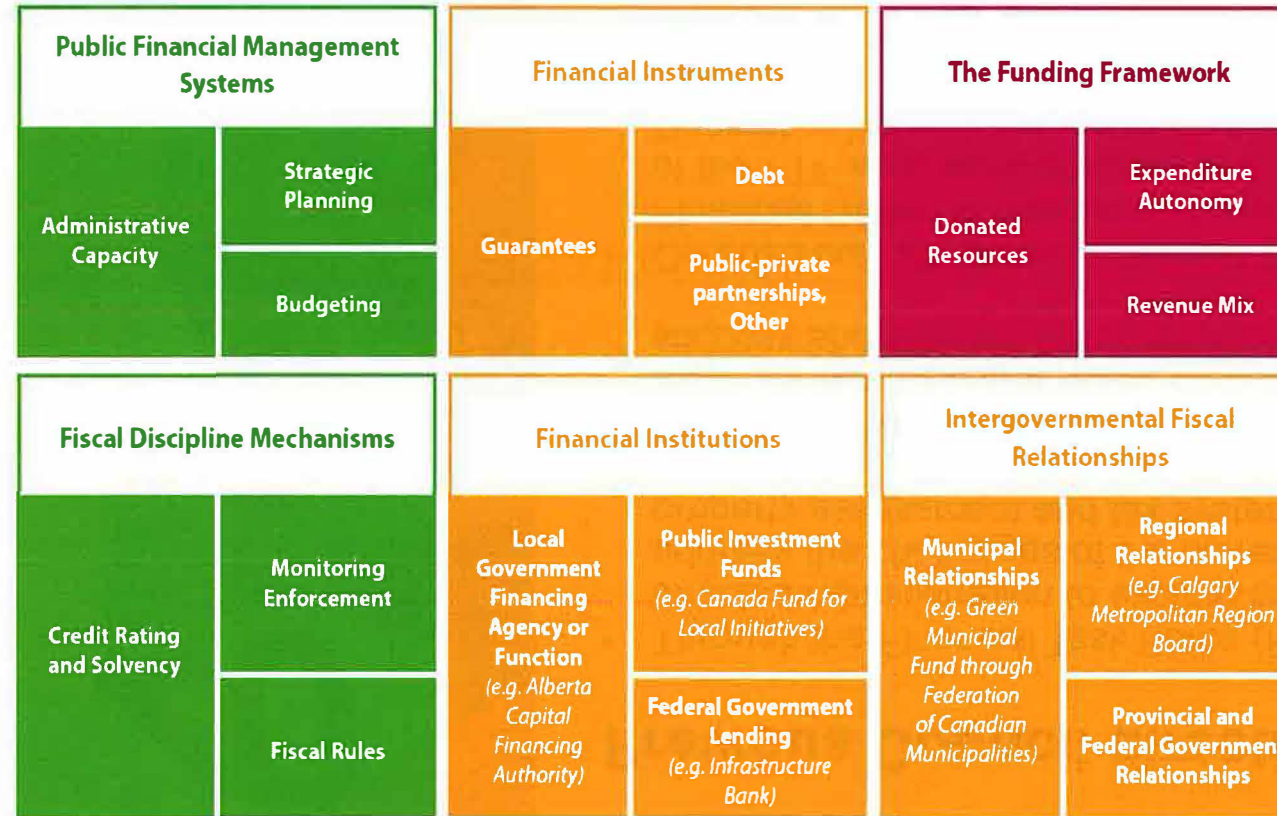


Previous Council direction

- 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

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



Pre-existing and new challenges for Calgary



Inflation



Affordability



**Climate
change**



**Aging
infrastructure**



**Social
disorder**



Growth

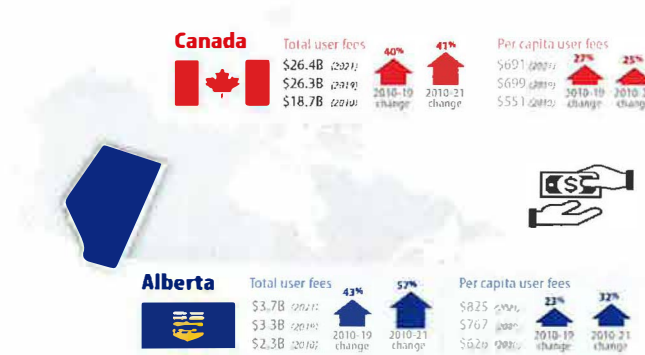


Population growth, aging, urbanization and inflation Increased government spending

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



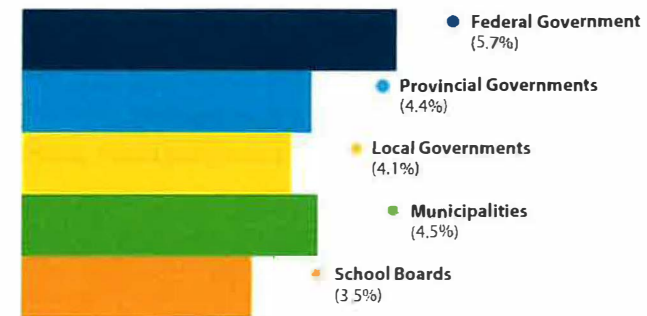
Increased Provincial Government Reliance on User Fees



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

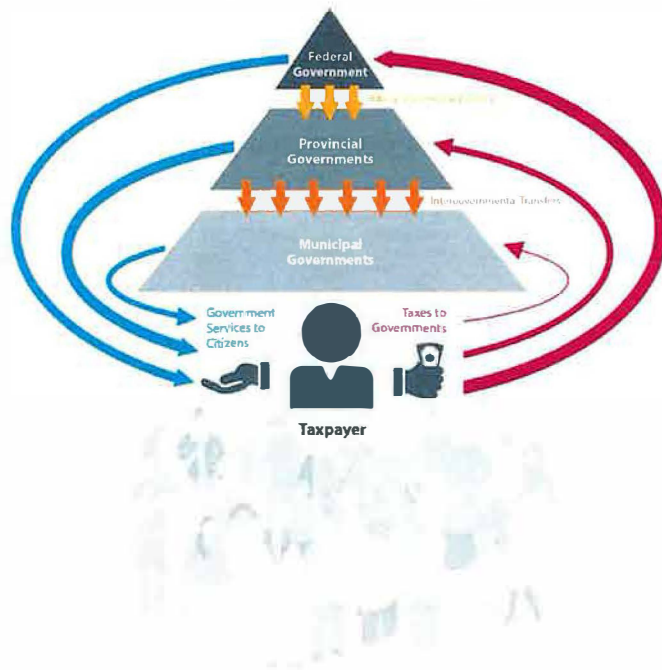


Canada's Federal Government has increased spending the most in 15 years

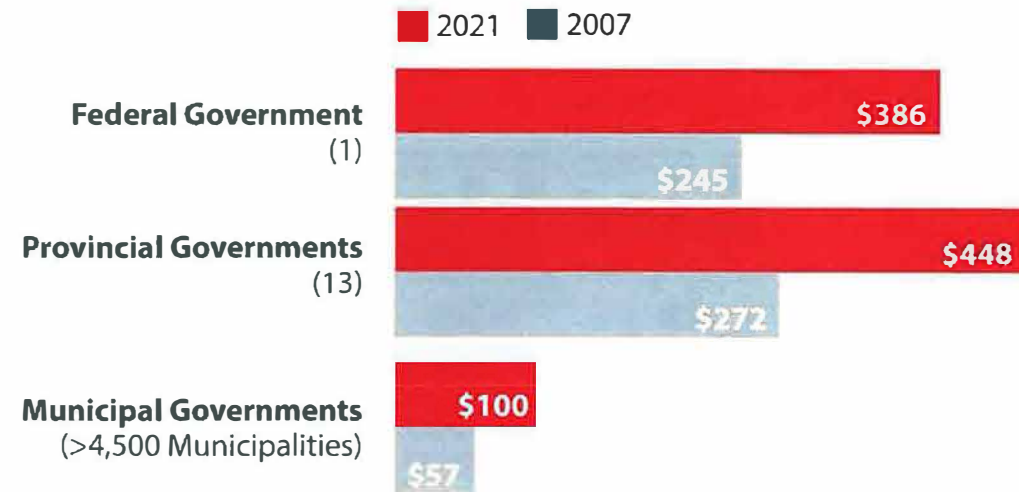


There is only one taxpayer

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)

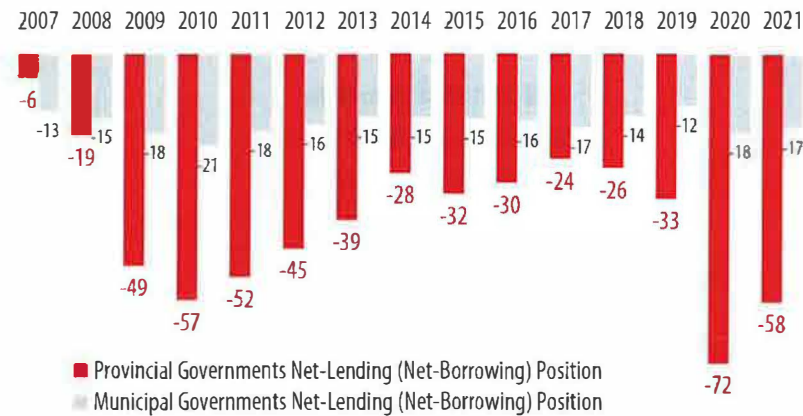


Source: Statistics Canada. Table 36-10-0450-01 and custom data Table 18



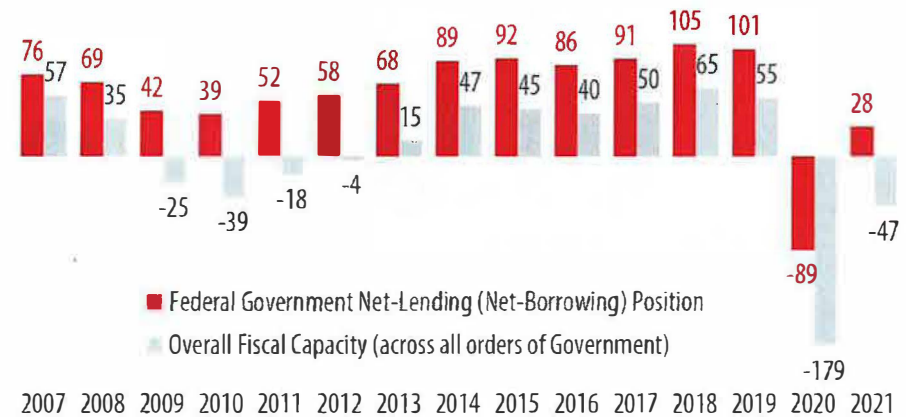
The municipal gap is a result of federal and provincial legislation

Fiscal Capacity – Municipal and Provincial Governments
(*\$billion, 2007-2021*)



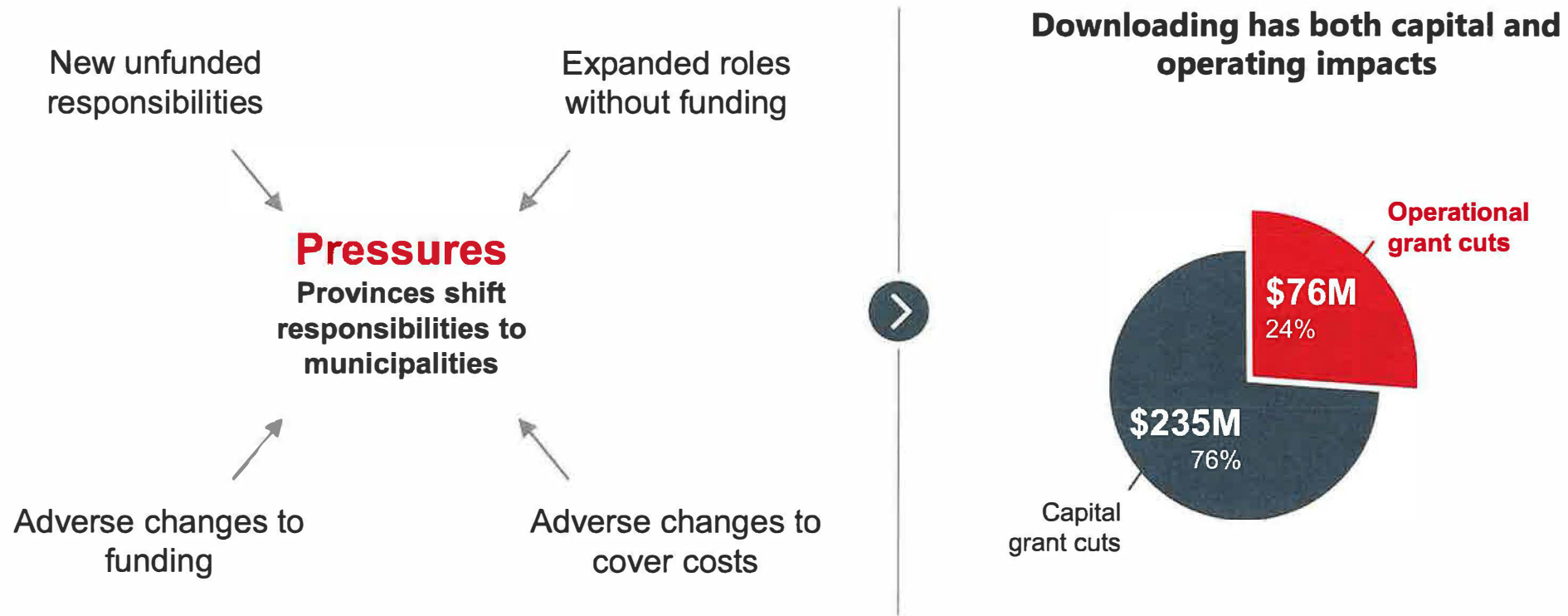
Source: Statistics Canada. Table 36-10-0450-01 and custom data Table 18

Fiscal Capacity – Federal and All Governments
(*\$billion, 2007-2021*)



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

The result of added responsibilities on municipalities





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

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

Channels to manage the revenue tools

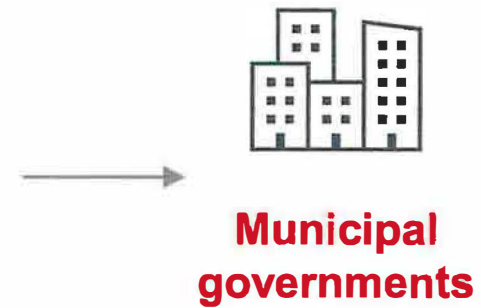
Revenue management channels



1 **Revenue sharing**
No municipal autonomy

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

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





Next steps and context

C2023-0960
Unrestricted Distribution Revised Attachment 5A



NEWS

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



Evaluation criteria

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.