

**Corporate Planning & Financial Services Report to  
Strategic Meeting of Council  
2024 June 25**

**ISC: UNRESTRICTED  
C2024-0619**

**Report Title (Do not use all caps)**

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**PURPOSE**

The purpose of this report is to update Council on the municipal fiscal gap and the tools immediately available to The City to generate additional revenue if required.

**PREVIOUS COUNCIL DIRECTION**

On 2024 May 28, Council received the report Understanding The City of Calgary's Financial Position and Funding Shortfall from the Province (C2024-0552) and approved four recommendations directing Administration further with respect to the motions adopted on 2024 March 19 (EC2024-0371). Council was also informed that Administration would return in 2024 June with updated estimates of the annual funding gap. Further details of previous Council Direction are provided in Attachment 1.

**RECOMMENDATION(S):**

That Council:

1. Receive this report for the Corporate Record.
2. Direct that the Closed Meeting discussions, Confidential Report and Confidential Attachments, be held confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act*, to be reviewed no later than 2026 December 31.
3. Direct Administration to publicly release the Confidential Report and Confidential Attachments immediately following the 2024 June 25 Regular Meeting of Council.

**CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS**

Carla Male, Chief Financial Officer and General Manager of Corporate Planning & Financial Services concurs with this report.

**HIGHLIGHTS**

- Overall, government fiscal conditions in Canada and Alberta improved significantly in 2022 while municipal fiscal gaps widened.
  - In 2022, Federal and Provincial government positions improved due to economic growth and tax base expansions. Meanwhile, municipal positions worsened due to inflation and higher local demand for government services.
  - Municipalities in Canada continue to experience a mismatch between their own revenues and spending responsibilities.
  - Municipalities across Canada continue to rely on intergovernmental transfers from the federal and provincial governments, mostly grants, to balance their budget.
- The municipal fiscal gap in Canada is a structural issue and cannot be resolved by municipalities acting alone.
- This 2024 update includes the most current data available for municipalities in Canada, which is the 2022 fiscal year.

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### DISCUSSION

The City of Calgary, like other Canadian municipalities, faces significant social, economic, and environmental transformations and demographic shifts. These external changes have intensified the pressure on municipal budgets, creating a widening gap between spending responsibilities and funding opportunities.

This Municipal Fiscal Gap Update provides preliminary details of changes since the original 2023 September report, based on the work in progress towards a fuller update to Council in 2024 September. Key facts for Council's early awareness include:

- **Escalating Expenditures:** Municipal spending, particularly in major cities, continues to rise due to population growth, inflation, and the increasing complexity of service demands, such as affordable housing and diverse social services.
  - In Canada, the country's total population grew by 1.8 per cent in 2022 compared to 0.6 per cent in 2021. Consumer Price Index inflation was 6.8 per cent in 2022, higher than 3.4 per cent in 2021.
  - In Alberta, the province's population grew by 1.8 per cent in 2022 compared to 0.5 per cent in 2021. Consumer Price Index inflation was 6.4 per cent in 2022, higher than 3.2 per cent in 2021.
  - In Calgary, the population is estimated to have grown by 2.0 per cent in 2022 compared to a 1.1 per cent estimate in 2021. Consumer Price Index inflation was 7.2 per cent in 2022, higher than 3.2 per cent in 2021.
- **Stagnant Revenues:** Meanwhile municipal revenues (mainly property taxes) in Canada are not designed to automatically keep pace with the growth.
- **Structural Imbalance:** This disparity between rising expenditures and stagnant revenues is the core driver of the municipal fiscal gap. While federal and provincial governments enjoy more fiscal flexibility, municipalities are increasingly reliant on intergovernmental transfers to balance their budgets.
- **Federal/Provincial Advantage:** In Canada, the federal and provincial governments have more flexibility related to their expenditures and revenues than municipalities, thus they do not have the same pressures. In fact, in 2022, while the federal and provincial governments benefited from large revenue increases, they also had the option to decrease expenditures.

The municipal funding gap is a structural issue that requires collaboration among all orders of government. To effectively serve Canadians amidst high growth and inflation, municipalities need new revenue options, enhanced efficiency, and greater accountability. By working together, the three orders of government can ensure that the fiscal benefits of economic growth are shared equitably, without increasing the tax burden on citizens.

The City has few revenue tools, including potential revenue tools, to close the gap. Property taxes, which are less correlated with economic growth but are driven by other factors such as population, and inflation, are legislated by the Province. The collection of Local Access Fees/Franchise Fees requires approvals from the Alberta Utilities Commission (AUC).

The full Municipal Fiscal Gap Update will follow in September.

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**EXTERNAL ENGAGEMENT AND COMMUNICATION**

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input type="checkbox"/> Dialogue with interested parties was undertaken                |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

Many of our publications are available on the internet at [www.calgary.ca/economy](http://www.calgary.ca/economy).

**IMPLICATIONS**

**Social**

The City's ability to address the municipal funding gap directly impacts the well-being of Calgarians. Provincial downloading—through unfunded mandates, expanded City responsibilities without funding, or unfavorable changes to funding agreements—can exacerbate budget pressures. This can strain the City's ability to address essential public needs like affordable housing, critical infrastructure, and social services, even when public reliance on government support is high. Lack of adequate provincial cooperation further compounds these challenges.

**Environmental**

Not Applicable

**Economic**

This report contains a high level update to the analysis of revenues and expenditures of the municipal, provincial, and federal governments in Canada and considers the economic pressures and levers available to The City.

**Service and Financial Implications**

**No anticipated financial impact**

**RISK**

The municipal funding gap represents a significant risk to The City of Calgary. It puts strain on our financial sustainability as an organization and serves as a root cause, or underlying pressure, on multiple risk exposures. It serves as a stressor for risks related to intergovernmental relations, our trust and reputation from the public, our financial capacity, and ultimately our ability to deliver services that meet the needs and expectations of Calgarians. This report supports the ongoing monitoring and management of this risk.

While key aspects of this risk are external to The City and we have limited options to reduce the risk unilaterally, the recommendations in this report are designed to help reduce this risk to The City through collaboration and advocating changes to systemic root causes.

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**ATTACHMENT(S)**

1. Background and Previous Council Direction
2. Presentation - Municipal Fiscal Gap Update

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male, Chief Financial Officer and General Manager	Corporate Planning & Financial Services	Approve
Chris Stewart, Director	Corporate Planning & Performance	Approve

Author: Corporate Economics Team, Corporate Planning and Performance