




Municipal Fiscal Gap Update

C2024-0619
2024 June 25



Financial
Capacity
Overview

For information



Strategic
Approach to
Mid-Cycle
Adjustments

For direction



Municipal Fiscal
Gap Update

For information

Recommendations

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(1)(a) & (b) 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.

Key Messages

- Overall, government fiscal conditions in Canada and Alberta improved significantly in 2022 while municipal fiscal gaps widened.
 - In 2022, Federal and Provincial governments 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. The full update will follow in 2024 September.

Previous Council Direction

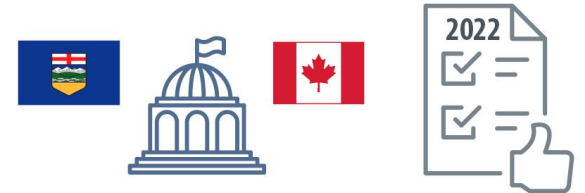
On 2024 May 28, Council received the report Understanding The City of Calgary's Financial Position and Funding Shortfall from the Province (C2024-0552) and approved four recommendations directing Administration further with respect to the motions adopted on 2024 March 19 (EC2024-0371).

Council was also informed that Administration would return in 2024 June with updated estimates of the annual funding gap.





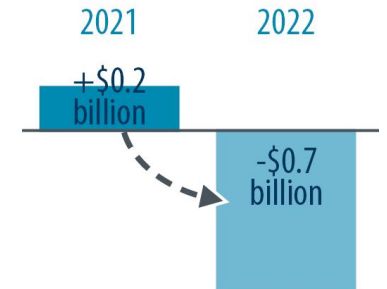
1 Overall government fiscal conditions in Canada and Alberta improved significantly in 2022 while **municipal fiscal gaps widened**.

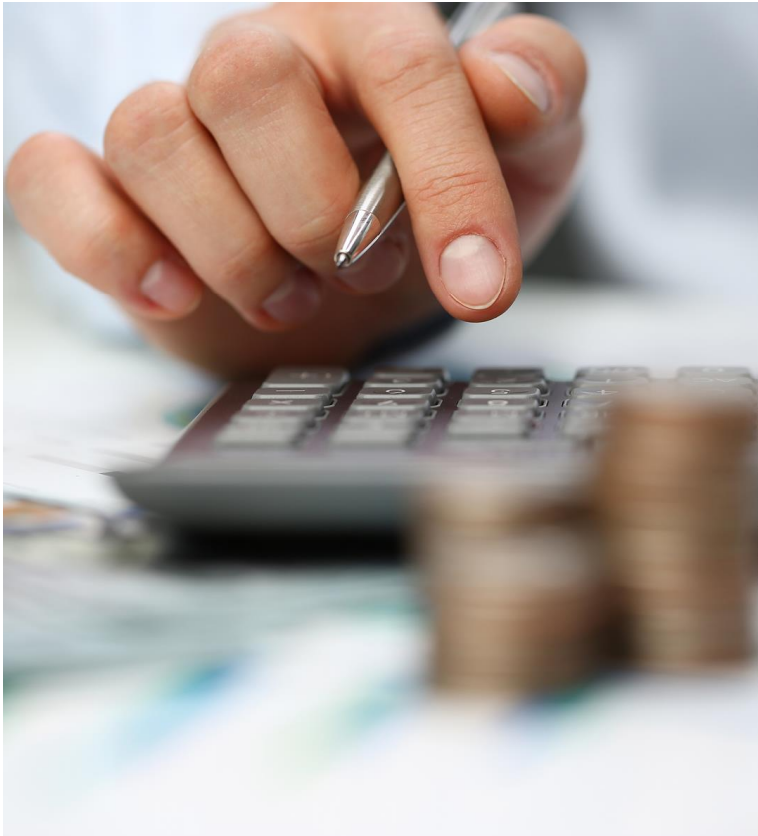


The Alberta Government's fiscal capacity went from a net-borrowing position in 2021 to a net-lending position in 2022.



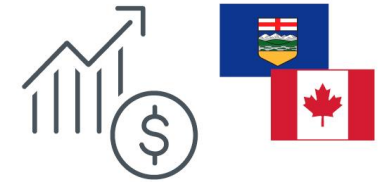
Alberta municipalities' fiscal capacity declined to a net-borrowing position of **-\$0.7 billion** from a position of **+\$0.2 billion** in 2021.





2

In 2022, Federal and Provincial governments positions improved from economic growth and tax base expansions. Meanwhile **municipal positions worsened** due to higher local demand for government services and inflation.



Personal income taxes



Oil and Gas royalties



Property taxes
(shared by both provincial and municipal governments)

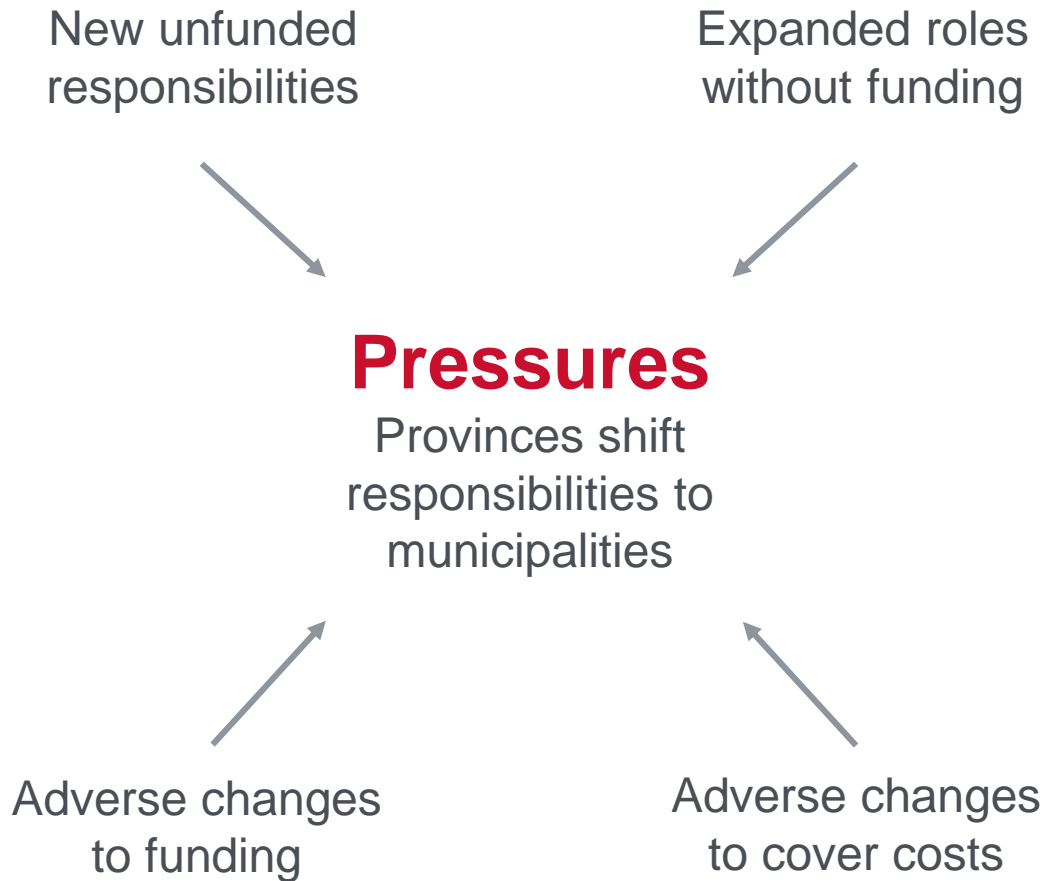


Property taxes
(shared by the province and municipalities)

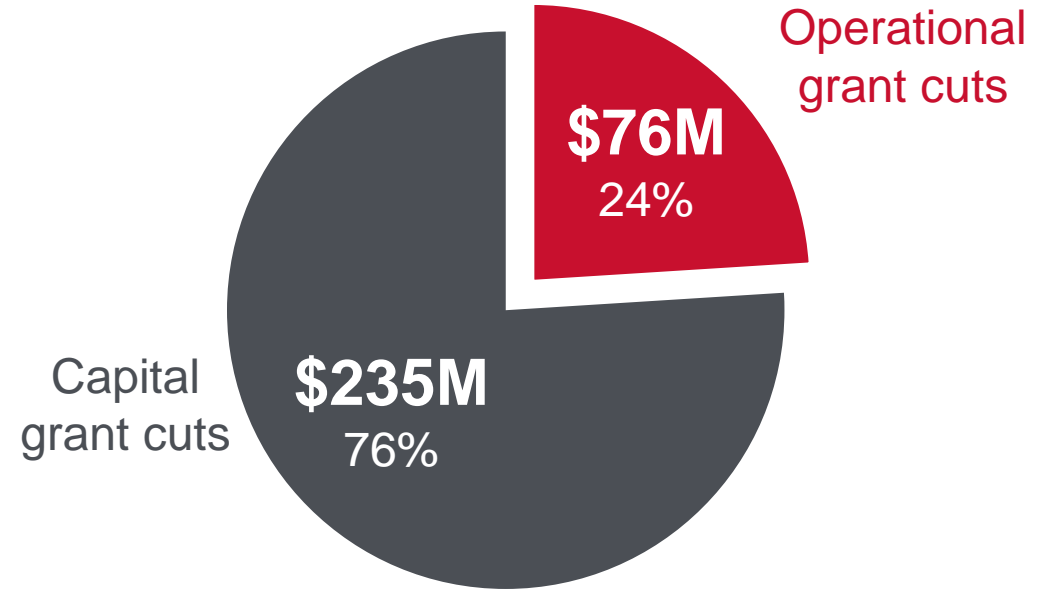




The result of added responsibilities on municipalities



Downloading has both capital and operating impacts



1. These are estimates from 2007 to 2023 of downloading from the Province to the City of Calgary (on page 21 of the [Municipal Fiscal Gap](#) report, C2023-0960 Attachment 3).
2. We will provide an update of these numbers in the September Municipal Fiscal Gap update.

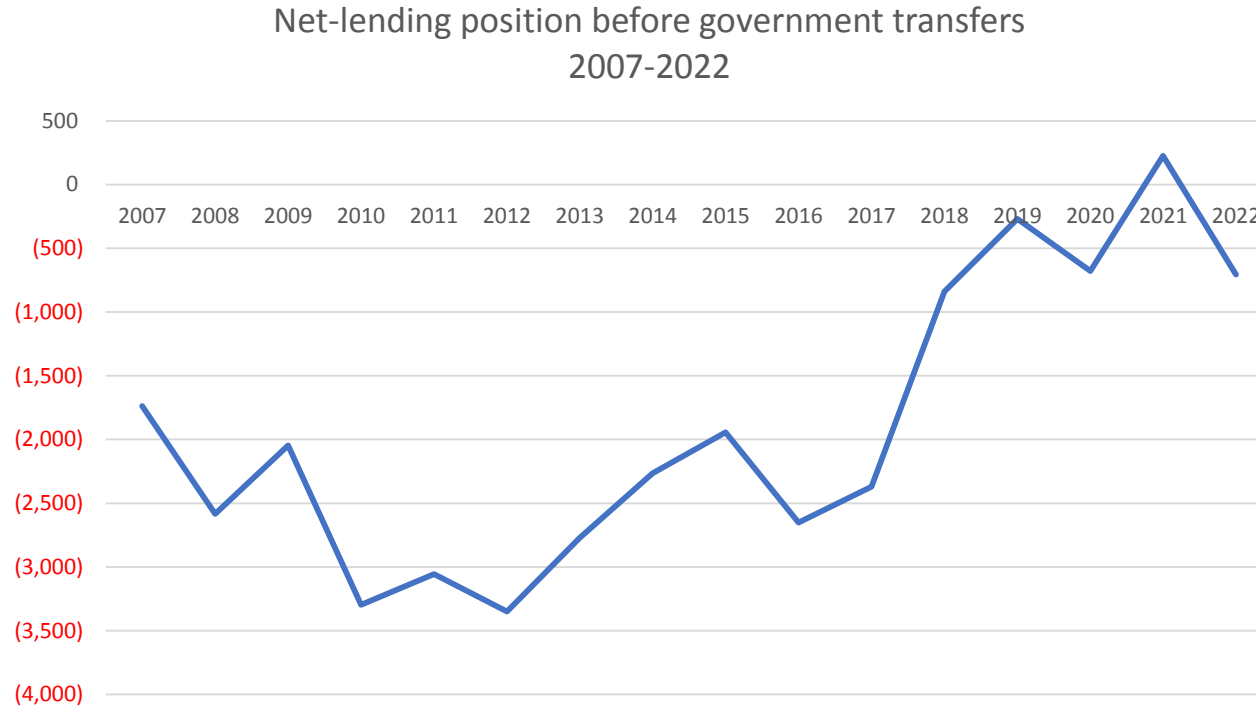


3 Municipalities in Canada continue to experience a mismatch between their own revenues and spending responsibilities.

4 Municipalities across Canada continue to rely on intergovernmental transfers from the federal and provincial governments, mostly grants, to balance their budget

5 The Municipal Fiscal Gap in Canada is a structural issue and cannot be resolved by municipalities acting alone.

Sources: Statistics Canada and Corporate Economics



The 2023 estimates will be available in the September update report.

Preliminary rough estimate based upon inflation estimates puts the 2023 Alberta Municipal Fiscal Gap Before Government Transfers at about **(\$0.8 Billion)**.

Sources: Statistics Canada and Corporate Economics

Calgary's future revenue generation and cost management faces increasing challenges in 2024, and the full impact of them is unknown right now.

The Province just passed 3 bills,

- Bill 18 (Provincial Priorities Act; The City must get prior approval from the Province before dealing with the Federal Government)
- Bill 19 (Utilities Affordability Amendment Act; changes how Calgary's Local Access Fees can be calculated)
- Bill 20 (Municipal Affairs Statutes Amendment Act - The Province can make a municipality repeal a bylaw that broadly "exceeds the authority granted a municipality")

The Province recently removed support for the City's Fair Entry Low Income Transit Pass, but quickly stated they would continue funding the program. As this was done without consultation cautions the City over future supports from the Province.

The Province has stated light rail transit (LRT) funding is now subject to 2 conditions: 1) no more money will be provided regardless of inflation or design cost changes, and 2) the Green Line must fully integrate with a plan which the Province won't have ready for another year.



Potential future revenue tools to close the gap

Important Revenue Tools

Tools

Property Taxes
(Legislated by the Province)

Local Access Fees/ Franchise Fees
(The City requires AUC approvals)

Tools related to property taxes, user fees and City assets

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)*
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
Other Revenue	7. ENMAX Dividends 8. Revenue from Calgary Parking Authority Assets

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

Additional tools that will need legislative change

Revenue Category	Revenue Tool	Revenue Category	Revenue Tool
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
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
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

Recommendations

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