

Understanding The City of Calgary's Financial Position and Funding Shortfall from the Province - C2024-0552

Regular Meeting of Council

2024 April 30



Previous Council Direction

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- **2024 March 19:** Council approved a Notice of Motion Managing the Costs Linked to Downloading of Provincial Responsibilities to Municipalities, EC2024-0371, directing Administration to prepare recommendations to address The City of Calgary's funding shortfall from the Government of Alberta, and to bring those recommendations to the 2024 April 30th Regular Meeting of Council.



Highlights

- According to the Municipal Fiscal Gap report, The City of Calgary faces a \$311 million annual shortfall due to persistent cuts in capital and operating funding from the Government of Alberta.
- The Local Government Fiscal Framework doesn't consider population growth and inflation, leading to an estimated \$1 billion funding gap for all municipalities.
- The Government of Alberta is increasing provincial property tax collection from Calgarians by \$95.5 million in 2024, a 12% increase over 2023.
- The provincial government has reduced funding and offloaded responsibilities such as housing, emergency response, and mental health programs to municipalities.
- To maintain a high quality of life and services, The City of Calgary must address the funding shortfall created by the Government of Alberta.
- The 2023 Progress Update report identified a 2023 positive operating variance by service. Researching the root causes will identify if positive operating conditions may continue to recur in 2025 and can contribute to reductions or efficiencies in the 2025 base budget.



2023 Variances

- May be the result of 1-time events or efficiencies
 - Efficiencies create capacity for base budget reductions or redeployment
- Uncommitted operating variance (\$137.7 million), uncommitted Franchise Fees variance (\$35 million) & ENMAX dividend variance (\$35 million) can be used to fund capital cost escalation
 - ENMAX dividend variance currently held in the Legacy Parks Reserve
- Reserve for Future Capital (RFC) is preferred to Fiscal Stability Reserve for capital funding



Recommendations

That Council:

Direct Administration to:

1. Review the 2023 operating variances for recurring and non-recurring events and determine if 2025 base budgets can be reduced where recurring events causing efficiencies (or positive variances) continue into 2025
2. Commit to reductions to the 2025 base budgets correlated with services that have created efficiencies in the 2023 operating budget, or redeployment of the funds achieved through efficiencies, and
3. Prepare identified reductions and efficiencies for Council's consideration during the 2024 November Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets.
4. Commit the following transfers for capital cost escalations on existing capital projects:
 - a. \$137.7 million as the uncommitted balance of the 2023 positive operating variance from the Fiscal Stability Reserve to the Reserve for Future Capital;
 - b. \$35 million the 2023 ENMAX dividend variance from the Legacy Parks Reserve to the Reserve for Future Capital; and
 - c. \$34.6 million for the 2023 Franchise Fee variance.