

Unpacking Council's "budget freeze" motion

On 2019 April 1, Council approved the following motion:

That Council direct the Administration to provide operating budget reduction options/scenarios (equating to a budget freeze) as part of the One Calgary mid-cycle budget deliberations.

Since that time, Administration has done further work to better understand Council's motion and the expectations behind it, and tactically how this work could be implemented.

Assumptions

How Administration is interpreting Council's motion

- **Timing:** Council's expectation is to have these budget and service reduction options in November 2019 to inform the 2020 adjustments. (Note: Per Council Policy CFO004, "mid-cycle adjustments" is typically used to describe the adjustment process that happens halfway between the four years. For example, in the 2019-2022 cycle, "mid-cycle adjustments" would happen in November 2020.)
- **Budget freeze:** The budget freeze would be equivalent to freezing the budgeted operating expenditures (net of recoveries) at 2019 levels. It does not apply to capital budgets.
- **Options/scenarios:** Council is expecting multiple options or scenarios for how to freeze the budget, not just one recommendation from Administration.

Implementation in 2019 (not recommended)

How this would look if implemented in 2019 for 2020 adjustments

- **Magnitude:** The difference between the approved total 2019 and 2020 gross expenditures (net of recoveries) is \$148 million for the total City, including Police, Fire and Utilities. This includes increases in non-discretionary expenses such as capital-related expenditures included in some operating budgets. Freezing total expenditures could therefore result in significant decreases in discretionary operating expenses.
- **Scope:** A budget freeze would impact all City services and operations regardless of funding source, and therefore a freeze would have a corresponding reduction in property taxes, Utility rates and user fee revenues.
- **Approach:** With limited time to prepare reduction options by November 2019, Administration would likely need to take an "across-the-board cut" approach, rather than corporately prioritizing reductions in areas that will have the least harm on citizens. This would lead to less strategic cuts and would risk undoing the One Calgary approach of taking thoughtful, cross-corporate decisions on our plans and budgets. Resources are not available to provide multiple scenarios within the timeframe.

- **Impact on service:** The “low-hanging fruit” opportunities to reduce the budget without impacting service were taken in 2015-2018 resulting in over \$600 million in savings, efficiencies and reductions. With those opportunities gone, and limited time to develop more innovative solutions, immediate reductions for 2020 would result in significant impacts to service plans, which could include elimination of some strategies, reduced service levels, and an expected decrease in citizen satisfaction. In addition, plans included in the recently approved 2019-2022 Service Plans and Budgets would need to be revisited and some Council Directives may not progress as planned.

Implementation in 2020 (recommended)

How would this look if implemented for the mid-cycle adjustment in November 2020, per Administration’s recommendation

- **Timing:** Bring forward budget reduction information to Council for the mid-cycle adjustment in November 2020.
- **Magnitude and scope:** Work with Council to determine an appropriate magnitude and scope for the budget reductions.
- **Approach:** Work collaboratively across the organization to identify targeted reductions that have the least harm on citizens and the achievement of Council Directives.