21 Ways to Cut Council's Spending in 2021

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Canadian Taxpayers Federation

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Background

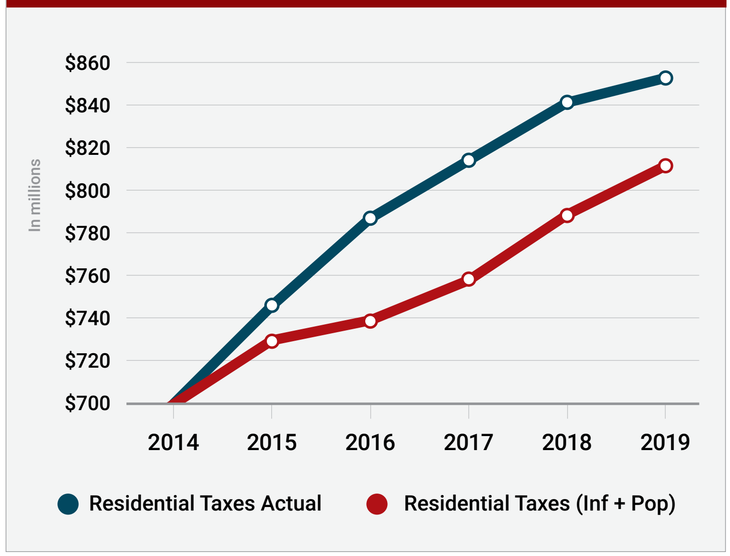
While Calgary families and businesses have been tightening their belts for the last five-plus years, councillors have continued to increase spending and hike taxes. Even during the downturn, taxes on families increased by faster than the combined rate of inflation plus population growth.

In his 2020 property tax letter to Calgarians which accompanied the recent 7.5 per cent tax hike, Mayor Nenshi claimed that council has kept taxes "below inflation and population growth since the beginning of this latest downturn in 2014." However, residential property tax increases (22 per cent) have outpaced inflation and population growth (16 per cent) since 2014. Taxpayers would have saved $216 million between 2014 and 2019 if the city's residential property taxes had actually increased only with inflation plus population growth as claimed by the Mayor (Figure 1).

This Budget report will prove that there is still fat left to cut at city hall by outlining 21 ways council could cut spending to reduce property taxes in 2021.

Recommendations include both general across-the-board savings and specific cuts to wasteful spending programs.

FIGURE 1 Tax increases vs inflation + population growth



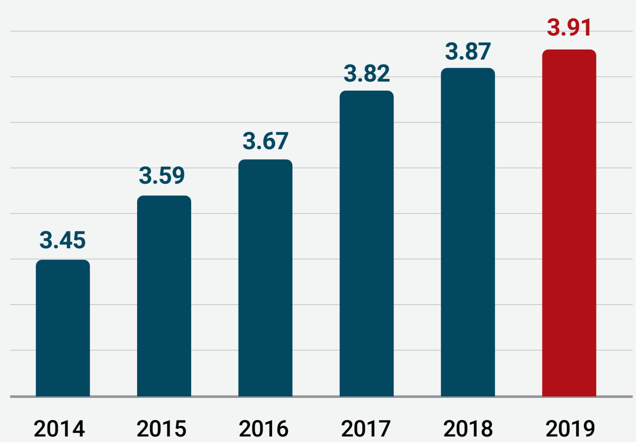
Source: City of Calgary Annual Reports

1.

Across the board cuts – bring spending back down to 2014 levels

Although Nenshi claimed that council "has identified over $740 million in cuts and savings," in his 2020 property tax letter to Calgarians, the truth is that the city's budget has increased every single year since the downturn. As Figure 2 illustrates, spending has increased by $460 million since the end of 2014.

FIGURE 2 Spending increases through the downturn (billions $)



Source: City of Calgary Annual Reports

This recent spending increase followed many more years of spending hikes before the economic downturn as well. Between 2010 and 2014, city spending increased every single year, according to the city's 2014 annual report. In fact, between 2010 and 2014, spending increased by more than $550 million.

When looking at the city's annual reports, it's clear that large spending increases occurred during the Calgary flood of 2013. However, instead of going back to pre-flood levels of spending the following year, council used that one-off higher level of emergency spending as their new normal baseline and continued to increase spending levels even further.

All this extra spending means council increased its budget by more than $1 billion or 35 per cent over the last decade.

Calgarians – families and businesses – need tax relief.

Council should direct administration to find savings to bring the city's spending back to 2014 levels, which is when the downturn began in Calgary and when families and businesses began tightening their belts.

Table 1 outlines the growth in spending since the downturn began at the end of 2014.

TABLE 1 City spending, 2014 vs 2019

	2019	2014	Change	Difference
Overall	$3,913,569,000	$3,450,882,000	13.4%	$462,687,000
Police	$517,498,000	$451,116,000	14.7%	$66,382,000
Fire	$297,449,000	$279,354,000	6.5%	$18,095,000
Transit	$607,382,000	$513,009,000	18.4%	$94,373,000
Roads, traffic and parking	$445,867,000	$433,444,000	2.9%	$12,423,000
Water services and resources	$529,891,000	$435,912,000	21.6%	$93,979,000
Waste and recycling services	$163,761,000	$136,664,000	19.8%	$27,097,000
Community and social development	$76,842,000	$61,784,000	24.4%	$15,058,000
Social housing	$136,777,000	$127,251,000	7.5%	$9,526,000
Parks and recreation facilities	$279,505,000	$257,178,000	8.7%	$22,327,000
Societies and related authorities	$108,926,000	$103,315,000	5.4%	$5,611,000
Calgary Public Library	$69,150,000	$52,898,000	30.7%	$16,252,000
General government	$330,169,000	$319,922,000	3.2%	$10,247,000
Public works	$303,494,000	$199,408,000	52.2%	$104,086,000
Real estate services	$46,858,000	$83,978,000	-44.2%	-$37,120,000

Source: City of Calgary Annual Reports. Note: 2014 total and budget items may not be exact as 2014 total has been restated in 2019 annual report.

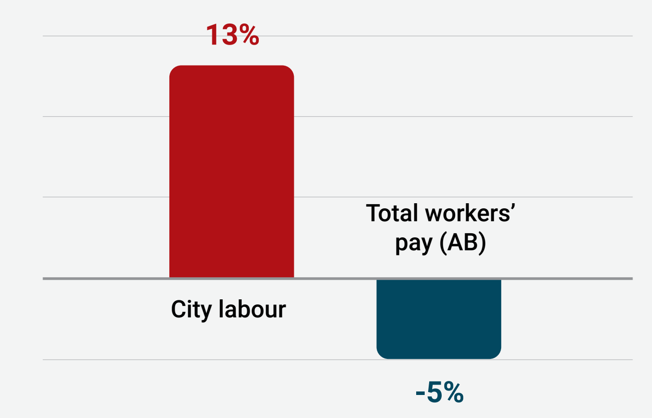
2.

Reduce labour costs to 2014 levels, saving $228 million

Given labour costs make up more than half of city spending, any meaningful attempt to provide tax relief must include reducing spending on labour costs.

While many Calgarians working outside of the government have lost their job or have taken significant pay cuts, the city's labour costs have increased by about $228 million. As Figure 3 illustrates, the city's labour costs increased while total compensation paid to all Albertans declined by 5 per cent between 2014 and 2019.

FIGURE 3 City labour costs vs total workers' pay in Alberta (2014-2019)



According to research from Secondstreet.org, there have been zero pay cuts for the city's unionized employees dating back to at least 1974. And while many Calgarians outside of city hall have taken pay cuts recently, many city employees received salary increases, including:

- CUPE: 4% in 2017, 3.5% in 2016, 3.2% in 2015 and 1.8% in 2014
- Firefighters: 2.5% in 2017
- Police: 2.5% in 2017

Not only have city employees received raises, but annual reports show that the city has added more than 1,000 full time employees since the end of 2014.

Similar to the general recommendation 1, council should direct administration to determine how to bring labour costs back to 2014 levels using the method of least harm. That is, start with salary cuts and attrition then move to job cuts if needed.

In addition to these substantial general savings, the rest of the report will outline other labour-related cost savings that should be made to reduce spending and to bring compensation more in line with reality facing taxpayers who are paying the bills.

3.

Scrap the mayor's second pension

Calgary's mayor is the only council member eligible for the Supplementary Pension Plan for Elected Officials, which tops up the standard council pension plan and is completely taxpayer-funded.

Taxpayers contributed $329,177 towards this second pension plan while council members contributed $0, between 2008 to 2016.

Calgary's mayor is the only mayor of a major Canadian city that is eligible for two pensions, as Table 2 illustrates.

TABLE 2 Cities that offer two pensions for their mayor

City	Two pensions?
Calgary	Yes
Brampton	No
Edmonton	No
Hamilton	No
Mississauga	No
Montreal	No
Ottawa	No
Toronto	No
Vancouver	No
Winnipeg	No

4.

Cut council's salary by 20 per cent

Calgary's mayor and councillors receive salaries that are significantly higher than salaries received by elected municipal officials in other provinces, according to data published in the independent citizens committee report.

At $200,586, Nenshi's salary is nearly $15,000 higher than Premier Jason Kenney's salary, and is higher than big city mayors in other provinces. A 20 per cent pay cut would still mean the mayor would take home more than $160,000 per year, before benefits. A 20 per cent cut to council's salary would result in a salary of more than $90,000 annually, before benefits.

Alberta's business executives responded to the current economic downturn by taking large pay cuts, including:

- Trican executives = 20%
- Cenovus = 25% cut for CEO + 15% cut for other executives
- West jet executive team = 50% cut

If private sector leaders can set a good example, why can't Calgary's politicians?

Furthermore, this type of pay cut isn't unprecedented. To show solidarity with their struggling taxpayers New Zealand's Prime Minister, cabinet and top government employees took a 20 per cent pay cut.

5.

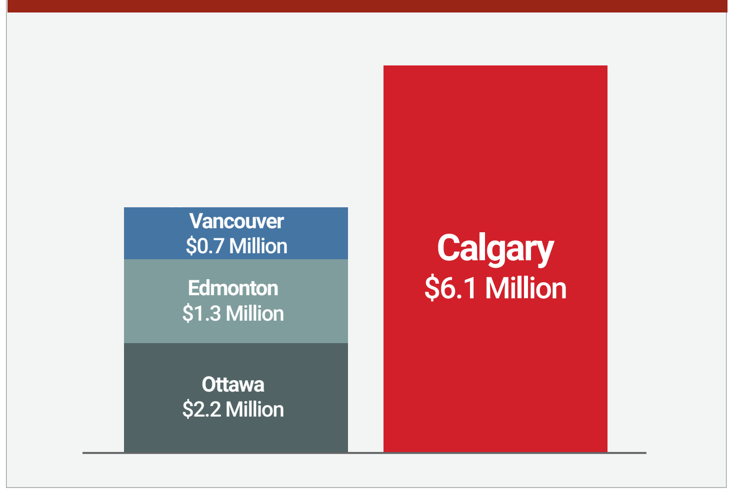
Turn councillors' pensions to RRSP-style plans

On top of lucrative salaries, Calgary councillors are also entitled to a defined benefit pension plan, which places extra risk on taxpayers to fund potential pension fund shortfalls.

From 2007 to 2016, council's pension benefits cost taxpayers $6.1 million while council members only contributed $1.2 million towards their pension benefits. And as Figure 4 illustrates, council pension plans cost Calgary taxpayers more than in Edmonton, Vancouver and Ottawa combined.

Instead of their existing lucrative defined benefit pension plan, Calgary city councillors should transition to an RRSP-style pension plan which is fairer to taxpayers and similar to what Edmonton councillors receive.

FIGURE 4 Cost to taxpayers of council pensions



6.

Scrap council's transition allowance

Currently, councillors are able to receive a transition allowance when they leave office, which grows at the rate of two weeks of pay for each year of service with a maximum one year's salary.

As the independent citizens' committee on council pay noted, there is no parallel for these parting gifts anywhere else outside of Canadian politics and provincial politicians lost this perk in 2012.

Unfortunately, the independent citizens' committee's recommendation to scrap these benefits were rejected by previous city council members who voted to keep their perk.

As reported by the Calgary Herald, here are some examples of the big payouts some councillors are eligible for if they leave office after the next municipal election:

- Ray Jones = $113,325
- Diane Colley-Urquhart = $91,532
- Druh Farrell = $87,174
- Naheed Nenshi = $84,863

Current members of Calgary Council should undo the mistake of their predecessors and vote to abolish this extravagant benefit.

7.

End second and third pensions for city employees

As of 2017, there were 236 city employees that were eligible for three pensions and 979 employees eligible for two pensions, according to freedom of information requests obtained by the Canadian Taxpayers Federation. The cost to taxpayers for providing second and third pensions to city employees is about $5.2 million per year.

Calgary taxpayers have the dubious honour of living in the only major Canadian city that offers some of its employees three pensions, according to research from Secondstreet.org.

8.

Put new city employees into RRSP-style pension plans

While the vast majority of working Albertans outside of government don't receive a workplace pension, city employees are able to receive a defined benefit pension plan through the Local Authorities Pension Plan. A defined benefit plan guarantees payments in retirement and puts taxpayers at risk of having to cover shortfalls in the pension plans' funds.

LAPP itself recognizes that the plan is "quite generous" and "is a substantial workplace benefit at a time when most Canadians have no workplace pension at all."

To eliminate the risk of taxpayers having to cover shortfalls in pension plans, city councillors should move all new city employees into an RRSP-style pension plan, which would still be a generous benefit considering most Albertans outside of government do not receive a workplace pension.

9.

Scrap Calgary's corporate slush fund

Calgary councillors originally took $100 million from taxpayers and put it into a corporate slush fund, known as the Opportunity Calgary Investment Fund, to give out to hand-picked businesses. Even during the best of times, using tax dollars collected from current Calgary businesses to fund their potential competitors is bad policy. But during this economic downturn, it's not fair for the small-business owners who may never fully recover to see their money doled out to city hall's favourites.

There is currently $61 million left in the slush fund, which should immediately be returned to Calgarians through tax relief. City councillors should get the remaining $39 million back from businesses that have not spent this money or cannot prove that jobs have been created with the funds that have been doled out.

10.

Don't give the Flames' owners $300 million

After only about a week of consultation during the middle of summer, Calgary council rubber-stamped an approximately $300 million handout to the owners of the Flames. This decision should have never been made in the first place, given the fact that many professional sports teams – including NHL teams – can and have paid for their arenas privately in the past. But continuing with this $300 million subsidy during the COVID-19 economic downturn, while so many Calgarians are struggling to stay afloat is reckless.

11.

Rethink the Green Line

The CTF estimates the capital costs for the Green Line LRT will cost the average Calgary household about $4,780 and an Alberta household (outside of Calgary) about $1,030.

This calculation takes in to account the proportion of federal, provincial and municipal taxes required to pay for only the first stage of the project. The CTF's estimates only consider the cost of the first stage of the project.

The estimate does not consider the cost to build later stages of the line, interest costs, or operating costs.

12.

No Arts Commons Expansion

As reported by LiveWire Calgary, the city has $25 million set aside for the Arts Commons expansion. All funds put aside for the Arts Commons expansion should instead be used for tax relief.

In 2019, city council created the Major Capital Projects Reserve with $424 million in it. All money allocated for the Arts Commons expansion should be redirected for tax relief.

13.

No tax dollars for a fieldhouse

Last year, the city approved about $20 million for planning and designing Foothills Athletic Park, which would include a new fieldhouse. The city should drop plans to use tax dollars to fund the fieldhouse.

14.

No tax dollars for public art

After public outrage on bungled art projects, city council voted to suspend its art program in 2017. But instead of completely ending the program, council accumulated millions of dollars in an art reserve that should be redirected for tax relief.

The city should immediately and completely stop using tax dollars for public art and redirect any accumulated funds for tax relief. Calgarians need tax relief, we don't need any more pretty poop palaces, giant blue rings or art that burns taxpayers.

15.

Sell all city-owned golf courses

The city should not be putting taxpayers on the hook for golf courses. Data obtained by the CTF shows the City of Calgary lost over $2 million through its ownership of golf courses between 2015-2017. And if we exclude Shaganappi Point (the only course that regularly turns a profit), the city lost more than $3 million.

What these figures don't account for, however, are opportunity costs. The City could yield property tax revenue to help pay for city services – helping to ease the burden on the rest of us.

16.

Reduce CED spending to 2014 levels

The city of Calgary spent more than $10 million funding Calgary Economic Development in 2019, which is a 108 per cent increase from 2014. The city should return to pre-downturn levels of funding, saving taxpayers more than $5 million.

17.

Calgarians don't need high-priced garbage snoopers

The city has hired garbage snoopers to peek into residential waste bins to ensure the proper refuse is being deposited. The city put out an ad to hire a head of the program for up to $53 per hour, or about $110,000 a year.

18.

Limit the number of councillors attending out-of-town trips

A lot of media coverage has rightly focused on Coun. Joe Magliocca's expense debacle at the 2019 Federation of Canadian Municipalities conference in Quebec City. However, a less known fact about the conference was that 10 council members attended the trip, which cost taxpayers more than $30,000 in council expenses alone. Moving forward, only a few council members (two max) should be attending these types of trips. The rest of councillors can videoconference or phone-in, as many businesses are doing during COVID-19.

19.

Stop the crazy expenses

Councillor Magliocca's 2019 FCM expense debacle is a prime example of a councillors racking up frivolous expenses on the taxpayer dime.

With the current state of the economy, there is no better time for councillors to stop wasting taxpayers' money on frivolous expenses. Here are some examples of frivolous expenses, according to Save Calgary:

- Councillor George Chahal expensed $555 for his Alberta Professional Engineers Membership (2018)
- Councillor Evan Woolley expensed $358 on a gift from fashion designer Kate Spade for a staff member (2018)
- Councillor Jeff Davison expensed $18,000 to get communications advice from his former campaign manager (2018)
- Councillors expensed $10,000-plus on hockey tickets (annual)

20.

Sell the Calgary Parking Authority

The city's venture into parking is a good example of the city risking taxpayers' money on business ventures.

The Calgary Parking Authority's facilities alone were valued at $290 million in 2017 according to the city Auditor's Report to the Audit Committee in 2019.

The CPA has also engaged in inappropriate behaviour using taxpayers' money. For example, CPA had been offering a retirement bonus program for up to six weeks' pay, depending on years of service.

21.

Re-evaluate $2.5 billion reserves

The city has nearly $2.5 billion in its various reserve accounts, according to the city's most recent annual report. The city's largest reserve is the Fiscal Stabilization Reserve which has $426 million in it as of 2019. The FSR is "a contingency reserve for urgent situations with significant financial implications." In 2019, council also created the Major Capital Projects Reserve and stashed $424 million in it for the BMO Centre, the Flames' arena, Fieldhouse and Arts Commons.

A few city councillors should be tasked with going through the reserves and the budget line-by-line to determine which projects are not immediately necessary and where money can be used to provide urgent tax relief or plug the city's leaking finances.

In addition to reviewing all reserves, any money that hasn't already been spent from the $424 million Major Capital Projects Reserve should be used to lower taxes.