



Memo

2020 November 24

To: Mayor Nenshi and Members of Council

From: Carla Male, Chief Financial Officer

Re: **Mid-Cycle Adjustments to the One Calgary Service Plans and Budgets:
Third Memo to Follow-up on Questions**

Your Worship and Members of Council,

On behalf of all my colleagues, thank you for your continued interest and questions leading up to the Mid-Cycle Adjustments. General Managers and service owners across the organization have responded to the remaining questions captured up to 2020 November 20.

This memo concludes our series of memos responding to Council questions. However, please do not hesitate to contact me if you have any further questions or concerns.

Carla Male
Chief Financial Officer
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cc: Executive Leadership Team; Chris Stewart; City Clerk

1. What are some of the steps that Calgary Transit has taken to adjust service levels while prioritizing safety and minimizing service impacts to customers?

Since mid-March 2020, Calgary Transit (CT) has experienced severe impacts to its ridership due to COVID-19. Service was changed multiple times to align with reduced ridership. The temporary service changes were done while prioritizing the safety of customers and minimizing impacts to service levels. As a result, about 450 Calgary Transit employees were laid off this year. The reduced service levels were not directly aligned with reduced ridership, and were influenced by some of the following considerations/ initiatives that were undertaken along with temporary service changes:

- Reduced capacity on CT vehicles due to physical distancing.
- Continued support for the customers working in critical sectors such as healthcare, supply chain, grocery stores, etc.
- Supporting the mask bylaw, CT distributed approximately 500,000 masks.
- Enhanced cleaning measures for CT vehicles.
- Rear door boarding enabled to protect staff and customers, required more service to be in place to support customers.
- Zero COVID cases were reported to be contracted while using transit service for any staff or customers from approximately 25 million riders since March 2020.
- Supporting vulnerable Calgarians with no other means of transportation.

Although ridership is slowly returning, the resulting revenue gap is projected to be approximately \$105M for 2020. Approximately \$55M of this gap will be mitigated through cost reduction initiatives at Calgary Transit, including not investing in any growth-related service. These temporary cost reduction and cost avoidance measures initiated by Calgary Transit have helped with reducing the revenue shortfall.

Additionally, the following are key initiatives to help Calgary Transit cover some of the anticipated revenue shortfall and at the same time contribute to the Mid-Cycle Adjustments:

- Contracting out the service lane function of Calgary Transit.
- Continued service adjustments to optimize expenditures.
- Freeze user fees at 2020 levels and relinquish 2020 service growth to adjust the resulting budget deficit.
- No service investments in actively developing communities as the growth budget will be utilized to offset revenue gap.

2. What is the SAVE program working on into the future?

In 2020 July the ALT approved development of nearly 50 business cases. The list of business cases was shared with Priorities and Finance Committee on 2020 September 8 ([PFC2020-0891 Attachment 2](#)). The SAVE program then prioritized business cases into Wave 1 to meet the savings target for 2021. The 22 business cases summarized in Attachment 5 are the results of Wave 1. Next steps include further developing the remaining business cases ALT approved and generating ideas for additional business

cases to achieve the 2022 savings target of \$50 million (plus the additional \$6 million proposed in the Mid-Cycle Adjustments report).

3. Clarify what capitalization means for item R16: Fire & Emergency response in Attachment 7a?

The term capitalization used in this reduction package means the identified salary & wage and equipment costs will move from the operating to capital budget.

4. What does Corporate Programs include (Attachment 7: R45)?

Corporate Costs & Debt Servicing manages costs that are incurred for the corporation as a whole rather than specific to a service and include:

- Transfers of tax support to capital
- Management of servicing costs for tax supported debt
- Management of employee benefits costs
- Centralization of some costs until they are finalized and identified to/needed by services, including contingencies for costs and events that are anticipated but not fully known yet

5. What is meant by *Net Zero Operating Budget Adjustments* in [Attachment 8 – Net Zero Operating Budget Adjustments](#)? Please clarify the changes to Building Safety in this attachment.

A net zero operating budget adjustment is a change in operating expenditures, revenue and/or recoveries that does not impact the total city net operating budget. This type of adjustment can increase or decrease expenditures within a service (with an offsetting increase or decrease in revenue or recoveries) or transfer expenditures, revenue or recoveries between services to better align with business needs.

Building Safety: \$37.62M decrease in expenditure/ decrease in revenue

Former practice was for fee revenues to be collected through Building Safety and transferred to the Planning & Development Sustainment Reserve (expenditure #1), then Development Approvals would draw from the Planning & Development Sustainment Reserve and provide the service (expenditure #2). The practice change is for Building Safety to re-allocate fee revenues directly to Development Approvals, thereby eliminating expenditure #1, which was simply an internal transfer.

Building Safety: \$4.99M decrease in expenditure/ decrease in revenue

Due to current economic situation, Building Safety is projected to see a decrease in revenue in future years. To better align budget to current economic situation, Building Safety is looking to reduce revenue budget by \$12.5M. To offset revenue reduction, Building Safety will be reducing expenditure by \$4.99M and increasing withdraw from the

Planning and Development Sustainment Reserve by \$7.51M, which is consistent with the purpose of the reserve.

6. For Sidewalk and Pathways Service, can we tap into the growth levy funding or other options such as the 5A Network?

Off-Site Levy: The use of existing off-site levy funds is only permitted for projects and purposes that are currently identified in a levy bylaw. For established areas, this means that it would only be for projects already identified, which are limited to interchanges, road widenings, pedestrian overpasses, and BRT infrastructure. It does not appear that the 5A (always available for all ages and ability) Network would qualify under the current Bylaw.

Centre City Levy: The Centre City levy fund may be able to support growth-related Sidewalk & Pathway improvements in the Centre City area, as there are funds collected for the purposes of 'alternative transportation'. Funds from this account have been used in the past to support cycle tracks and pedestrian improvements.

Off-Site Levy Bylaw Review: The City Charter provides the ability for the City of Calgary to define growth-related infrastructure, and through the off-site levy bylaw review work, we can evaluate both if and how much of the 5A infrastructure is eligible for off-site levies. Stakeholder consultation is required throughout the bylaw development as well.

Alternatively, **bonus density funds** could be used if they exist in areas where investment is being considered. These decisions involve a group of stakeholders with an identified project list to be considered. They would have to endorse the identified project/spend.

In most cases, infrastructure requires both levy funding and city funding from property taxes.