

2023 – 2026 Service Plans and Budgets

RECOMMENDATIONS:



That Council:

1. Approve and adopt the 2023-2026 Service Plans and Budgets, including the community indicators, service performance measures, and associated operating and capital budgets as identified in Attachment 4.
2. Provide Administration with direction regarding the residential/non-residential property tax shares to use in calculating property taxes for 2023-2026, based on the information in Attachment 5.
3. For the proposed user fees and utility rates in Attachment 12:
 - a. Approve the user fee and rate changes in Attachments 12A – 12Q; and
 - b. Give three readings to each of the bylaws in Attachments 12R – 12Y.
4. Authorize the one-time withdrawal of \$1.000 million in 2023 and \$1.005 million in 2024 for a total of \$2.005 million from the Planning & Development Sustainment Reserve to execute the Calgary Plan.
5. Approve the capital budget recast in Attachment 13.
6. Direct Administration to return in Q4 of 2023, 2024 and 2025 with adjustments to the 2023-2026 Service Plans and Budgets, and direct that these annual adjustments shall not be deemed to be a reconsideration of the decisions made at the 2022 November 8 Regular Meeting of Council with respect to the approval and adoption of the 2023-2026 Service Plans and Budgets.

HIGHLIGHTS

- The 2023-2026 Service Plans and Budgets lay out the roadmap for advancing *Resilient Calgary: Council's Strategic Direction 2023-2026* while keeping ongoing expenses in line with inflation and population growth.
- **What does this mean to Calgarians?**
 - We will continue to deliver the services Calgarians rely on over the next four years, while investing in Calgary to make it an even better destination and great place to live, work, grow and raise a family.
 - Administration is recommending an average annual increase of 3.7 per cent over the next four years in the total amount of tax collected from existing properties.
 - With household expenditures expected to increase by 7.2 per cent in Calgary this year, Administration has worked hard to align with Council's guidance to keep ongoing expenses in line with inflation and population growth.
- **Why does this matter?** Calgary, like the rest of the world, has experienced a lot of change, impacting people and businesses. With these service plans and budgets, Calgary will be a more economically, socially and climate resilient city, continuing to improve the quality of life for all Calgarians.
- The recommended 2023-2026 Service Plans and Budgets balance multiple objectives: continuing to deliver the services Calgarians rely on, maintaining affordability by keeping City expenditures as low as possible, and investing in Calgary.
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

Calgary is an amazing place to live, work, grow and raise a family. Whether you were born and raised here, or are being welcomed for the first time, Calgarians know they can rely on The City of Calgary (The City) to deliver the services they need. It's rare that a city can be both affordable and livable, and Calgary is proud to be just that.

Just like the rest of the world, we have experienced a lot of change that has had profound and lingering impacts on our services and affordability. Despite this, we have continued to perform well in delivering valued services to Calgarians, streamlining the cost of government, and implementing innovative and customer-focused improvements throughout the pandemic.

Similarly, Calgarians' expectations of our services also change. We cannot do all the things that are being asked of us right away and still keep taxes affordable, so we've made choices. With the service plans and budgets, we will make Calgary an even better place for everyone from 2023-2026 and beyond. Calgary will be a more economically, socially and climate-resilient city. This will truly make life better every day for all Calgarians.

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Resilient Calgary: Council's Strategic Direction 2023-2026 and our shared strategic agenda provided the vision and strategy for delivering services to Calgarians and contributing to quality of life in our city for the next four years. Attachment 2 highlights our corporate, collective response to Council's direction and a summary of what Calgarians value in our services.

Administration's recommended 2023-2026 Service Plans and Budgets optimize the value of investments within the total operating expenditures that were directed by Council on 2022 July 5. The result is an average annual tax increase of 3.7 per cent (net of new development and redevelopment), in line with increases in The City's two major cost drivers, population growth and inflation. Investments will advance our contribution towards Council's Foundations and Focus Areas through improvements in service delivery and service performance and maintain the services Calgarians rely on.

In addition, the 2023-2026 Service Plans and Budgets enhance evidence-based decision making. For the first time, The City has identified three community indicators we want to positively influence over the next four years to advance quality of life for Calgarians now and for generations to come. As well, over 80 per cent of performance measures will allow us to monitor how well we are delivering City services and our impact on Calgarians. Over 90 per cent of services have also included benchmarking data for meaningful comparison, and metrics which provide context on the demand for or use of the service. Together, these changes support greater accountability and transparency in the next 4 years.

The funding pressures for both operating and capital budgets are significant. For operating budgets, the long-term impacts from the pandemic on City revenues, including property taxation, parking revenues and transit revenues will be an on-going challenge. The City remains in a fortunate situation compared to many other municipalities, and many investments will be made in the community. Our proposed operating investments will improve transit service levels and traffic safety, improve emergency response performance across The City and continue to support the ongoing delivery of services Calgarians and businesses rely on. We will continue to make progress on city-defining infrastructure investments that we have already committed to including the Green Line, BMO Centre Expansion and Arts Commons Transformation. For 2023-2026 new capital investments will primarily focus on maintaining existing infrastructure

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and addressing critical needs including safe, affordable housing redevelopment and new affordable housing units; effective and reliable emergency response and critical infrastructure upgrades; and climate sustainment to improve our environmental footprint and reduce greenhouse gas emissions. Many infrastructure opportunities remain unfunded, however, until additional funding becomes available.

While all City service budgets will be maintained over the next four years, difficult choices have been required. To make these choices, a strategic, collaborative process involving leaders from across the organization provided proposals to the Executive Leadership Team on which investments would deliver the greatest value for Calgarians. As a result, some services will receive higher levels of operating investment than others, and priority was given to capital investments needed to meet legal, regulatory, health and safety requirements, provide critical infrastructure, critical asset risk mitigation and minimize service delivery costs. Attachment 3 provides service level details of these investments for each service, including performance measures, initiatives, and operating and capital budgets for 2023-2026.

We are recommending the 2023-2026 Service Plans and Budgets to take care of our community and drive our city's success today and in the future, while considering the economic and financial realities. Our recommendations balance multiple critical objectives: continuing to deliver the services Calgarians rely on, maintaining affordability by keeping City expenditures as low as possible, and investing in Calgary. Attachment 4 summarizes specific details for Council's approval.

Tax share

The appropriate distribution of total tax responsibility between residential and non-residential properties is a values-based Council decision. The current share of 52 per cent residential and 48 per cent non-residential was set by Council in 2019. There is support from research on tax policy, and from comparative analysis with other jurisdictions in Alberta and nationally, that Calgary has a higher proportion in the current share of taxes paid by non-residential taxpayers. Attachment 5 provides information to support Council's decision on the appropriate tax share for 2023-2026, including scenarios and benchmarking.

Supporting Information

Finally, this report includes additional information and details to support Council's decision on the proposed 2023-2026 Service Plans and Budgets:

- Attachment 6 - Council and Committee Referred Items: provides a summary of Council and Committee direction that formally referred items for consideration as part of the deliberations, as well as Administration's response. All items on this list have been addressed through the proposed plans and budgets or have been or will be addressed through other mechanisms.
- Attachment 7 – Administrations Response re: Revenue and Expenditure Reporting by Community: outlines a Project Scoping Report for exploring a comprehensive approach toward more directly attributing the taxes and user fees paid to cover expenditures by community - with a focus on outcomes, project scope, budget, and timelines.
- Attachment 8 - Supplemental Information for 2023-2026: provides additional and background information on the 2023-2026 operating and capital budgets; the assumptions in preparation of the budget; and consolidation of service and departmental

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budget information. Also included is information on the financial policies governing the preparation of the budget and the structure of The City's financial operations.

- [Attachment 9 - Capital Business Cases](#): includes summary business cases for proposed capital investments.
- [Attachment 10 - 2023-2026 Climate Implementation Plan](#): describes the prioritized programs over the next business cycle, in alignment with the 2023-2026 Service Plans and Budgets, that will accelerate action in improving energy use, reducing climate risk and working towards net-zero greenhouse gas emissions by 2050 as outlined in The City's Climate Emergency Declaration, Council's Climate Resilience foundation and the Calgary Climate Strategy.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

There were two phases of public engagement and research. In the first phase from 2022 February 2 to 2022 March 7, Calgarians were asked what they value most in City services. The results were compiled and shared in the following documents:

- [What We Heard: Results from Phase 1 of public engagement](#)
- [2022 Service Value Dimensions: Results from Phase 1 of research](#)

The recommendations in this report are founded on the themes that emerged and consider other sources of research and engagement such as the [2021 Fall Citizen Satisfaction Survey](#) and 2022 [Spring Research results](#).

A second phase of research and engagement was conducted from 2022 September 1 to 2022 October 19, and targeted Calgarian and business perceptions regarding service prioritization and delivery. This included five focus groups with Calgarians and five focus groups with business leaders in Calgary, plus an online engagement portal and in-person events for every ward. The results in 2023-2026 Service Plans and Budgets Research and Engagement Final Report (Attachment 11) include additional feedback and themes for Council's consideration.

IMPLICATIONS

Social

The Council-approved Multi-Year Planning and Budgeting *Equitable* Principle, "We consider Calgarians' diverse needs, strengths, and social realities, recognizing that different barriers exist for diverse individuals and groups, and delivering services in a way that all people have the opportunity to benefit equally," guided the development of the investments within the service plans and budgets which contribute to advancing The City's progress in this area.

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Environmental

The proposed investments within the service plans and budgets will contribute to advancing The City's progress in this area which are outlined in the 2023-2026 Climate Implementation Plan.

Economic

The proposed investments were developed while acknowledging the current and foreseeable economic circumstances of The City and Calgarians. The plans and budgets reflect an effort to foster a strong and diverse economy, as well as removing barriers for business success, growth and investment.

Service and Financial Implications

The 2023-2026 service plans and budgets represent a total public investment of \$28 billion over four years to provide services to Calgarians and the infrastructure required to support its delivery. The budgets constitute the financial plan to support the service plans.

Section 247 of the Municipal Government Act and The City of Calgary Charter Regulation requires Council to "adopt" an annual budget to pass a property tax bylaw.

Operating budget and funding sources

The City's recommended total annual operating budget will reach \$4,901 million by 2026. The recommended plans and budgets respond to Council's direction to "...develop the 2023-2026 Service Plans and Budgets to align with estimated total target revenues to afford estimated total expenditures." They deliver the targeted 3.7 per cent average tax increase on existing properties with a similar increase in ongoing expenses. They also align non-tax revenues and expenditures, based on the most up-to-date projections of demand (and therefore revenues) and contributions to and from reserves in fee-supported services such as Public Transit, Recreation Opportunities, and the Utilities.

Table 1: Operating budget for 2023-2026 (\$ millions):

	2022	2023	2024	2025	2026	Average Annual Change
Total Revenue	4,577	4,684	4,660	4,792	4,901	
<i>Change in revenue</i>		2.3%	-0.5%	2.8%	2.3%	1.7%
Total Expenditures (net of recoveries)	4,577	4,684	4,660	4,792	4,901	
<i>Change in expenditures</i>		2.3%	-0.5%	2.8%	2.3%	1.7%

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Table 2: Breakdown of total revenue for 2023-2026 (\$ millions):

	2022	2023	2024	2025	2026	Average Annual Change
Total Revenue	4,577	4,684	4,660	4,792	4,901	
<i>Change in revenue</i>		2.3%	-0.5%	2.8%	2.3%	1.7%
Non-tax Revenues (excluding Contributions from Reserves)	2,274	2,214	2,254	2,272	2,292	
<i>% Change in non-tax revenue</i>		-2.7%	1.8%	0.8%	0.9%	0.2%
Contributions from Reserves	298	346	179	180	163	
<i>% Change in reserves</i>		16.2%	-48.3%	0.3%	-9.4%	-14.0%
Property Tax revenues	2,005	2,124	2,227	2,340	2,446	
<i>% Change in property tax revenue</i>		5.9%	4.8%	5.1%	4.5%	5.1%
<i>% Change property tax from development & redevelopment</i>		1.5%	1.4%	1.3%	1.2%	1.3%
<i>% Change additional property tax required after development & redevelopment</i>		4.4%	3.4%	3.8%	3.3%	3.7%

Table 3: Breakdown of expenditures for 2023-2026 (\$ millions):

	2022	2023	2024	2025	2026	Average Annual Change
Total Expenditures (net of recoveries)	4,577	4,684	4,660	4,792	4,901	
<i>% Change in expenditures</i>		2.3%	-0.5%	2.8%	2.3%	1.7%
One-time expenses	157	169	38	39	28	
<i>% Change in one-time expenses</i>		7.8%	-77.8%	4.7%	-29.3%	-35.1%
Contributions to Reserves*	847	772	760	761	756	
<i>% Change in contribution to reserves</i>		-8.9%	-1.5%	0.2%	-0.7%	-2.8%
Ongoing Expenses	3,573	3,743	3,862	3,992	4,117	
<i>% Change in on-going expenses</i>		4.8%	3.2%	3.3%	3.1%	3.6%

*Contributions to reserves are primarily contributions to capital reserves and support existing approved projects or capital recommendations.

The City has limited revenue sources to fund operations. Property tax revenues, the main source of the service net budgets for approval, will constitute 45 per cent of operating revenue in 2023. The proposed property tax revenues are expected to increase by an average of 5.1 per cent per year, of which 1.4 per cent represents the average annual increases from development and redevelopment. The single largest non-tax revenue source (about 27 per cent of the

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corporate total) is the sale of goods and services. Forecasted revenues comprising this category, along with licenses and permits, are based on user fees and rate changes outlined in Attachment 12 for Council approval. For 2023-2026, most will average a zero to four per cent annual increase keeping pace with inflationary pressures and comparable municipal fee and market rates. Other funding sources include franchise fees, investment income, contributions from operating reserves and fines.

Leveraging our operating reserves

The City will continue active management of reserves to fund the operating and capital budgets. As of 2021 December 31, total operating, capital and sustainment reserves equaled \$3.5 billion, including commitments ([EC2022-0815](#)). Projections for 2022 indicate that \$1.2 billion is expected to remain uncommitted at the end of the year. These uncommitted funds continue to be restricted to their intended purpose and reserve terms, awaiting specific project approval. \$374 million, or 30 per cent of the uncommitted reserves are sustainment reserves, which are restricted to fee supported operations or are partner directed funds.

The recommended operating budget includes plans to transfer over \$3 billion to reserves over the 2023-2026 business cycle. Almost half of these are transfers to reserves for corporate capital in terms Pay-as-You Go funding & other transfers held in the Reserve for Future Capital/Lifecycle Maintenance & Upgrade merged Reserve, and the Debt Servicing Reserve, as well as the Community Investment Reserve and the Green Line Reserve. The majority of the remaining transfers to reserves reflect the use of reserves for sustainment operating and capital funding for self-funded services.

A total of \$4.6 billion is budgeted to be drawn from reserves in the recommended plans and budgets. Of this, \$3.7 billion is budgeted for capital projects, with the balance used to support operations. Based on the budgeted activity for 2023 to 2026, reserves would see a net reduction of \$1.7 billion, although a substantial part of this is already reflected in the current commitments. Uncommitted balances are expected to remain within levels for adequate risk management.

The use of reserves for operating provides an opportunity to accelerate initiatives and activities in the next four years beyond what would be possible through available tax funding in the earlier years. These budgets include a total of \$317 million of one-time funding from the uncommitted balance of the Fiscal Stability Reserve and Budget Savings Account Merged Reserve (FSR). Of this, approximately \$31 million will be used to bridge on-going budget needs until sufficient tax revenue is available. In addition, \$60 million will be used to help fund capital projects in the next cycle. The reserve has sufficient capacity to provide this funding while still maintaining a balance above the minimum required five per cent of The City's tax-supported gross expenditures (net of recoveries), although this use will bring that balance to about eight per cent, well below the target of fifteen per cent recommended by the Financial Task Force.

The Calgary Plan is a one-time project to harmonize and update the Municipal Development Plan and the Calgary Transportation Plan. It offers planning and mobility statutory guidance, has a significant impact on downstream approvals with a total cost of \$5 million. To fully fund this work, \$2.005 million is recommended to come from the Planning & Development Reserve. Council approval is required for an exception to the terms of use as the reserve's purpose is to fund budgets for the continuity of development approvals and building safety services. The reserve's use for this project has a strong relationship and benefit to development in the city.

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Capital budget and funding sources

The 2023-2027+ capital budget includes the total investments that are anticipated to commence or continue during the 2023-2026 business cycle that may continue in 2027 and beyond. The capital budget is shown for a five-year period to indicate the level of capital spending that continues past the 2023-2026 cycle. The Municipal Government Act (MGA) requires The City to maintain a capital plan extending a minimum of five years. The proposed five-year capital budget for the cycle is \$10.2 billion including \$5.7 billion that was previously approved in 2019-2022 (\$4.3 billion for Green Line, \$1.3 billion for other tax-supported operations and \$102.7 million for Utilities) and \$4.4 billion in new capital requests.

Table 4: Capital budget for 2023-2027+ (\$ millions):

	2023	2024	2025	2026	2027+	Total
Expenditures	1,458	1,969	1,344	2,340	3,047	10,158
New Investments	904	1,277	1,065	1,178	12	4,436
Previously Approved	1,010	635	390	819	2,868	5,722
Recast	(456)	57	(111)	343	167	-
Funding from Reserves	750	957	631	910	431	3,679
Other Funding	708	1,012	713	1,430	2,616	6,479
Total Funding	1,458	1,969	1,344	2,340	3,047	10,158

The proposed recast of previously approved capital budget includes a shift of \$456 million and \$111 million out of 2023 and 2025, and moved to the other years. The capital budget recast does not change the total budget amount but redistributes it among different years allowing the budgets in each year to better reflect expected actual spending. Details of the recast are included in Attachment 13 for Council approval.

Leveraging our capital reserves

The City funds its capital investments through a combination of external and internal sources. External sources include federal and provincial programs and grants, local improvement levies, and debentures, while internal sources include contributions from operations (Pay-As-You-Go) and specific reserves, as noted above.

RISK

As the 2023-2026 Service Plans and Budgets were developed, key risks to Calgary and to The City were identified as an input to the planning process. The Service Plans and Budgets incorporate our strategic responses to these risks. Attachment 14 highlights some key residual risk areas that will receive ongoing attention.

There are also risks to the effective execution of the service plans and budgets. Leveraging one-time carry-forward funds to close the base operating gap presents financial risk if the anticipated tax revenue increases are adjusted by the Council in future years. Leveraging reserves reduces the funds available to respond to unexpected costs in future. Funding constraints create the risk that some services may not meet the expectations of Calgarians as

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investments proposed by services cannot be funded or can only receive part of the amount requested. There is a strong likelihood that staff morale may also be impacted due to these limitations. Capital constraints create a risk of infrastructure and maintenance gaps, lost efficiencies to time investments appropriately and right-size infrastructure and not meeting the Council's directions to their fullest extent. In terms of climate related goals, there are pressures on The City's ability to achieve the strategies and goals to better address climate change and doing its part to limit global warming to 1.5 degrees Celsius and reducing emissions.

Administration's recommendations consider the factors identified and reported by the Integrated Risk Management program and the risk analysis supports the recommendations in the 2023-2026 Service Plans and Budgets. The City will use a robust Enterprise Risk Management approach to proactively manage these residual risks.

ATTACHMENTS

1. Background and Previous Council Direction
2. Highlights of the 2023-2026 Service Plans and Budgets
3. 2023-2026 Service Plans and Budgets
4. Approval Items from the 2023-2026 Service Plans and Budgets
5. Tax Distribution Research, Benchmarking and Scenarios
6. Council and Committee Referred Items
7. Administration's Response re: Revenue and Expenditure Reporting by Community
8. Supplemental Information for 2023-2026
9. Summary of Business Cases for Proposed Capital Investments
10. 2023-2026 Climate Implementation Plan
11. 2023-2026 Service Plans and Budgets Research and Engagement Final Report
12. User Fee and Rate Changes
13. 2023-2026 + Capital Budget Recast
14. Strategic Risk Analysis to Inform the 2023-2026 Service Plans and Budgets
15. 2023-2026 Service Plans and Budgets Presentation

Department Circulation

General Manager	Department	Approve/Consult/Inform
David Duckworth	City Manager's Office	Approve
Katie Black	Community Services	Approve
Carla Male	Corporate Planning & Financial Services	Approve
Doug Morgan	Operational Services	Approve
Michael Thompson	Infrastructure Services	Approve
Jill Floen	Law, Legislative Services & Security	Approve
Chris Arthurs	People, Innovation & Collaboration Services	Approve
Stuart Dalgleish	Planning & Development Services	Approve