



2019 November 8

To: Councillor Keating

From: Carla Male, Chief Financial Officer and Troy McLeod Director Roads

Re: Administrative Inquiry – Back Alley Maintenance

1. Was the back alley maintenance program significantly impacted by our emergency budget reduction in July?

- As part of the 2019 July budget reductions, the Streets Service recommended a slight reduction to the Lane Repair Program (LRP) and Council approved this service reduction amounting to \$509K, which equates to approximately 10% of the LRP budget. As a result, there were some service impacts and gravel lanes were prioritized based on the severity of repairs needed. While all lanes are inspected annually, a more rigorous method for prioritization was used to decrease material, equipment and staffing costs to meet the reduced budgets.
- There are approximately 1,800 linear kilometres of alleys in Calgary, of which 73% (1,310km) have a gravel surface and the remainder are pavement or concrete surfaces. The average cost to maintain an alley in poor condition is \$2,000 per kilometre. As the payback period for paving an alley is greater than 25 years, grading and spot repairs are considered more cost-effective and provide good drainage for normal precipitation events.

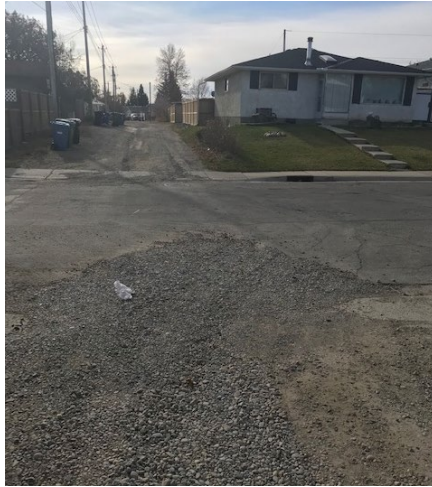
2019 Lane Repair Program Spend	\$3,480,000
YTD SRs received	5,600
YTD Lanes Inspected	5,163
YTD Calcium Treated	2,073
YTD Gravel Treated	3,245

2. How has the back alley maintenance program been impacted by this summer's weather?

- One contributing factor to the delays in the scheduled gravel lane maintenance program was the amount of rainfall received during the summer months. When gravel lanes are wet, it is not possible for crews to complete repairs so the program is delayed until lanes are relatively dry. From June 1 through August 31, there were 43 rain days out of a possible 92 days. This equated to 24 of 52 (46%) regularly scheduled lane repair days being impacted by weather (2018 was 38%).



- There were seven high precipitation storm events during this timeframe that caused wash outs of gravel material in many parts of the city. As a result, crews had to reprioritize and delay planned work to address safety and environmental issues associated with these washouts which extended the typical timeframes for the program. As of October 15, the estimated spend on addressing washouts was approximately \$325,000. The severity of these washouts was much higher compared to previous years and were a significant contributing factor to the delayed completion of the lane repair program. In total, almost half of the scheduled days were lost due to rain or severe weather cleanup activities.



Example of a gravel washout

	Rainfall (mm)		311 SRs	
	2019	2018	2019	2018
September	2	35	940	777
August	52	50	855	582
July	84	35	1,035	548
June	134	67	940	556
Total	272	187	3,770	2,463

3. Will Administration, in general, be providing an assessment of the impact of this summer’s \$60 million cuts on frontline services?

- The Year-End Accountability Report will be presented to Council in 2020 March. It will provide an update of performance against all City-approved plans and budgets, for citizen-facing and enabling services. This will include the impact of the \$60M reductions made in 2019 July; however, note that it is often not possible to split out the impact of different factors that affect performance.
- The short timelines of the requested budget reductions for 2019 July necessitated an across-the-board approach. Citizen-facing services took a significant portion of the reduction due to the relative size of their budgets. From the 2019 July 22 report (C2019-0901): “Significant savings can only be achieved with contributions from the largest budgets. Of the total property taxes Calgarians pay, 14% is spent on Police, 7.8% is spent on Fire & Emergency Response and 8.2% is spent on Transit. By comparison, 9.8% funds all the enabling services combined.” With that, approximately \$11.3M was found in efficiencies and approximately \$7.5M in reductions was attributed to enabling services.



4. In light of the cuts being more cross the board percentage based rather than strategic, is administration undertaking to review more strategic budget reductions that will result in less harm to residents than what has been experienced to date?

- Historically, Administration has been able to find strategic ways to control costs and reduce budgets. Currently, Administration is in the process of expanding the scope and scale of this activity responding to Council's requirements. The Strategy for Improving Service Value was introduced to Council on 2019 July 16 (C2019-0883), to coordinate both existing and new initiatives to identify efficiencies and deliver savings. Also in July, Administration initiated sub-service reviews and began developing a Request for Information to gather market related information to identify possible external advice/strategies that may be available to support Administration in accelerating this ongoing work. The Priorities and Finance Committee received a briefing on these cost reduction activities on 2019 October 8 and a further update on the Strategy for Improving Service Value will be provided to Council in 2020 Q1.
- Administration has prepared two reduction scenarios for the 2020 Plan and Budget Adjustments process, which are more strategic than those offered in July. Strategic reductions take time, both to identify and implement. In preparing these reductions, Administration was guided by Council's guiding principles, as outlined and followed for the 2019 reductions.

5. If conducted, will this strategic review of budget reductions have the potential to reallocate budget space to front line business units with more direct impact on residents' daily lives?

- Yes, any budget reduction creates the option for the savings made to be reallocated elsewhere. As in any year, Council has the authority to increase budgets to particular programs and services or increase reserves. If reallocating budget between services, it is important to recognize the impact internal services have on customer experience. The call centres that connect citizens to information and assistance, the back-end IT systems that control traffic flow, or process applications and payments, and the warehouses that enable a flow of parts to keep buses and trains moving are just a few examples.

6. Will alternative solutions be provided to Council to ensure that the least-harm approach is implemented, limiting budget reduction impacts on residents and businesses?

- In 2019 July, Council indicated the scale of reduction to be consider in November deliberations for 2020 adjustments to the Service Plans and Budgets. As directed, Administration prepared two options for budget reductions, equivalent to reducing the overall tax rate to 1.5% and 0%. Administration used the 'least-


harm' approach in creating these options, which as before, includes significant efficiencies and reductions in areas of our operations that least impact citizens. Council will have the opportunity to decide which of the alternatives presented strikes the best balance of rapid savings and least impact to residents and businesses, as part of their deliberations.

- Another goal of Administration in November is to continue the conversation with Council about longer-term approaches to delivering savings, and achieving financial sustainability. As Administration develops plans for 2021+ the longer timeline will permit the use of more strategic approaches and allow Council increased input into shaping that strategy to ensure Administration delivers on the strategic priorities identified by Council.

Should you have any further questions regarding this topic, please do not hesitate to contact us.

Sincerely,

Carla Male
Chief Financial Officer



Troy McLeod, P.Eng.
Director, Roads