



Results of the 2019 Sub-Service Reviews

Strategic Meeting of Council – 2019 November 12

Background

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Sub-Service Reviews:

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- Citizen Engagement Page 18
- Sailing Programs & Activities Page 24
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Note: sub-service order in this report is aligned with order of sub-services presented in C2019-0883 Attachment 3 - Sub-Service Review Work Plan

Background - Sub-Service Initial Definitions

Golf Programs and Activities

Parent Service: Recreation Opportunities

Led by: Calgary Recreation

Description:

Golf Programs and Activities provide Calgarians affordable and accessible outdoor opportunities to learn how to and play golf, offering an effective way to connect with others, and stay healthy and active.

Output Type:

Recreation & Culture

Outputs:

Golf lessons; Tee time access; Driving range access; Special event rentals; Golf special events.

Service Rationale:

Uses municipally-owned land with minimal opportunities for other development to offer golf as part of a broad range of affordable, fee-based recreation opportunities to Calgarians. This is usually land that would otherwise be park or open space.

Sub-Service Start Date:

1915

Bus & CTrain Operations

Parent Service: Public Transit

Led by: Calgary Transit

Description:

Operating buses and rail vehicles, and supporting management and professional functions such as supervising, training hiring and dispatching.

Output Type:

Movements

Outputs:

Bus service; CTrain service; Low Income Transit Pass Program;

Service Rationale:

This service is required to deliver transit service every day.

Sub-Service Start Date:

1909

Citizen Engagement

Parent Service: Citizen Engagement & Insights

Led by: Customer Service & Communications

Description:

This sub-service facilitates conversations with citizens on behalf of The City by providing opportunities for meaningful input into City decision-making.

Output Type:

New Knowledge or Intellectual Property

Outputs:

In person engagement events; online engagement; reports on citizen input (What We Heard Reports, What We Did Reports)

Service Rationale:

This sub-service is responsible for the execution and adherence to Council's Engage Policy; ensuring community aspirations and feedback help shape City decision-making. Engagement is a planned activity that enables the delivery of long term plans.

Sub-Service Start Date:

2003

Sailing Programs and Activities

Parent Service: Recreation Opportunities

Led by: Calgary Recreation

Description:

Sailing Programs and Activities provide Calgarians with active leisure opportunities including sailing lessons, camps, recreational racing and access to watercraft and stall rentals.

Output Type:

Recreation & Culture

Outputs:

Sailing lessons; Sailboat, canoe, kayak rentals; Stall/Rack rentals; Racing opportunities; Special events.

Service Rationale:

Provides affordable, fee-based opportunities to develop skills, learn boating safety, and use the reservoir recreationally.

Sub-Service Start Date:

1964



Background - Sub-Service Initial Definitions

Community-wide Waste Management Programs and Initiatives

Parent Service: Waste & Recycling

Led by: Waste & Recycling Services

Description:

Community-wide programs offers recycling, composting and garbage disposal and diversion services to a range of customer groups for community-wide benefit.

Output Type:

Movements

Outputs:

Collection; tax-supported diversion programs (festivals and events, community clean-ups, spring and fall yard waste, Christmas tree drop off); Community Recycling Depots; Household Hazardous Waste Depots, education; outreach; governance; policy development.

Service Rationale:

Waste & Recycling Bylaw via the MGA. The City provides a "public utility" to provide waste management. Community programs support progress towards the 70 per cent waste diversion across all waste sectors by 2025. Major cities offer these programs.

Sub-Service Start Date:

1991

Boulevards & Naturalization

Parent Service: Streets

Led by: Roads

Description:

Providing permeable surface and environmental features adjacent to Streets for integration, drainage and aesthetics.

Output Type:

Movements

Outputs:

Permeable surface;

Service Rationale:

This function is carried out in most areas with man-made infrastructure.

Sub-Service Start Date:

1894

Corporate Research

Parent Service: Citizen Engagement & Insights

Led by: Customer Service & Communications

Description:

Provides citizen and customer research for service owners and the Corporation, delivering data, analysis and insights based on inputs received.

Output Type:

New Knowledge or Intellectual Property

Outputs:

Corporate research and data (citizen satisfaction surveys, citizen and business panels, customer journey maps and segmentation); Corporate Research and Engagement Library; Customer Experience Index.

Service Rationale:

This sub-service addresses The City's need for insight into quality of life, citizen and customer perspectives, measurement of City performance and provides research for enabling and citizen services. It is delivered by virtually all large municipalities.

Sub-Service Start Date:

1995

**Direction:**

2019 July 16 Council approved (C2019-0883) that 6 sub-service reviews would be conducted in 2019.

Task:

Each review includes two change scenarios for each sub-service:

- 1) Addressing issues related to whether The City should provide a sub-service (elimination scenario).
- 2) Addressing the impacts and trade-offs of implementing a material reduction in level of service (for example, 20% reduction of the tax-supported operating budget for the sub-service).

Implementation:

- Administration has created the two scenarios for each sub-service and leveraged existing or ongoing work to complete the tasks.
- Changes to reviews since 2019 July 16:
 - Low-Income Transit Pass review was merged into an existing report being prepared for T&T 2019 October 23 (TT2019-1004).
 - The Research sub-service (under the Citizen Engagement and Insights Service) was added to the list of sub-service reviews being conducted, bringing the total reviews to 7.

Report Structure:

- Sub-Service Reviews have been consolidated into a single report to allow Council the benefit of evaluating all options together.
- Each review articulates the current state of the sub-service along with two additional scenarios; a material reduction scenario, and an elimination scenario.
- The reviews were led by Corporate Initiatives with extensive involvement from sub-service subject matter experts, Human Resources, Finance, and Law.
- They are intended as information for Council and it is up to Council discretion whether to pursue any budgetary changes resulting from this information.



Financial Considerations:

- The table on page 7 of this report summarizes the potential operating savings from the various scenarios evaluated.
- The graphic on page 8 summarizes the capital considerations in each sub-service review.
- Each of the scenarios evaluated represents certain trade-offs between service delivery to Citizens and budgetary considerations.
- Service budgets came into existence late in 2018. Sub-services came into existence in 2019 July – at the time of selection of sub-services for review, the work to identify related budgets had not yet begun. Administration was able to create sub-services budgets for this project, including projected budgets to 2022. However, in most cases the work involved to recast sub-service budgets before 2019 is disproportionate to the benefit of having this information available.

Review Approach:

- Administration first brought the Sub-Service list (245 sub-services) to Council on 2019 July 16. Because some sub-services were recently segmented into functional units, the availability of data varied from sub-service review to sub-service review.
- Pages 3 and 4 illustrate the initial information that was brought to Council describing each of the 7 sub-services which were reviewed in 2019.
- While Council may choose not to pursue any of the financial savings presented in this report, the information contained within will allow Councillors to become more familiar with the operations of the sub-services reviewed.
 - The Community-Wide Waste Management Programs & Initiatives sub-service review, which focused on Community Recycling Depots (CRD's), contains information on in-flight reductions that are included in Attachment 1a (package #53).



Summary of Sub- services tax supported operating costs

Sub-service Names	Page #	2019 Tax Supported Operating Costs (\$M)	Tax Supported Operating Cost Savings after Material Reduction (\$M)	Tax Supported Operating Cost Savings after Service Elimination (\$M) ⁵	Additional Notes
Golf Programs & Activities	10	\$0.7	\$0.7 ¹	(\$1.0-\$3.0) ²	Another material reduction scenario (third-party operator) was reviewed, but no significant savings found.
Transit – Low Income Transit pass	16	Update provided on Page 16 in accordance with recommendations from the SPC on Transportation and Transit (TT2019-1004)			
Citizen Engagement	18	\$2.1	\$0.4*	\$2.1*	
Sailing Programs & Activities	24	\$0.0	\$0.0	\$0.0*	
Community-Wide Waste Management Programs & Initiatives	30	\$5.0	\$0.7 ³	\$4.5*	Ongoing operational costs would be transferred to other programs for monitoring and collection of Illegal dumping, and staff support for community-wide programs.
Boulevards & Naturalization	35	\$2.1	\$0.4	\$2.2*	Elimination scenario may leave The City in contravention of the Alberta Weed Control Act
Corporate Research	41	\$1.8	\$0.4	\$1.8*	
TOTAL		\$11.7	\$2.6	\$10.6⁴	

Notes:

* 2020 Implementation costs not included. These are detailed in the attached scenarios

1- Based on golf sustainability work plan (PFC2019-1227)

2- Elimination scenario projected to result in additional operating costs to The City

3- Reduction scenario going from 27 to 18 locations already being implemented

4- Excludes additional costs of eliminating golf services (see Note 2)

5- Savings calculated using 2020 budget numbers



Capital Considerations

Golf Programs & Activities

- Future lifecycle capital requirements for identified facility upgrades are roughly \$750K per year, currently unfunded. Facility upgrades are required to maintain or improve revenues as well as to keep expenses to a minimum. If amenities do not receive sufficient lifecycle maintenance or upgrades, tax support for operations will need to increase over time.
- Long range capital planning last done in 2014 and requires reforecasting.
- Capital cost of elimination not yet estimated.

Citizen Engagement

- Citizen Engagement has no capital expenditure budgeted.

Sailing Programs & Activities

- Capital is MSI funded through Council's Sports Facility Renewal program dedicated to recreation activities and the Lifecycle Maintenance Upgrade Reserve.
- Capital spend over Action Plan (2015-2018) was \$800K related to dock & boat upgrades.
- Planned spend in the 2019-2022 cycle is \$1.6M focused on deferred maintenance, accessibility improvements facility upgrades.

Community Recycling Depots

- Annual capital costs of \$75K include bin container welding, repairs and maintenance.
- Capital program for CRD Standardization of \$750K (planned for 2020 and 2021) has already been delayed by one year and may be delayed further or reduced based on WRS' optimization program, further budget reductions and the outcome of this sub-service review.

Boulevards & Naturalization

- There is no capital budget. The vehicles are all leased/rented (expenditures are part of the operating budget). The mowers, trimmers and blowers are purchased using operating expenditures.

Corporate Research

- Corporate Research has \$376K in capital expenditures budgeted.



Lessons Learned

The review team identified the following improvement opportunities for consideration should sub-service reviews be conducted in the future;

1. **Selection Criteria** – Additional screening criteria will help identify targets with greater potential to yield savings.
2. **Capacity & Support** – Advance planning and the dedication of resources from areas under review and enabling services will increase the speed and quality of reviews.
3. **Uncovering opportunities** – Sub-Service reviews have proven to be an effective tool in identifying potential follow-up opportunities to drive cross-corporate efficiencies.

Golf Programs & Activities

Sub-Service Review



Golf Programs & Activities Summary



City courses are designed for introductory level golf as well as adaptive golf for persons with physical disabilities, in a family-friendly, casual atmosphere



Golf operations cost on average \$10.3M per year (2014-2017), 93% of which was self-funded, leaving only \$0.7M in average annual tax support.



Council has directed 5 reviews of golf course operations since 2014, meaning less time has been devoted to accelerating cost saving or revenue generation initiatives.



The Golf Course Sustainability Workplan is already being implemented to eliminate operations tax support by 2022. Future lifecycle capital requirements to sustain revenue generation are estimated at \$750K/year, currently unfunded.



The Alberta Labour Code presents some significant challenges in terms of the ability to attract a third party owner or operator.



Majority of land is not suitable to be sold or redeveloped due to land use restrictions and water reserves.

Scenarios Evaluated

Current State

\$0.7M annual tax support (operating), \$750K annual capital requirements unfunded

Sustainability Work Plan

Impact: \$0.7M operating savings by 2022, no change to capital requirement

Lease or Contract Operations

Impact: Increased Risk

Elimination

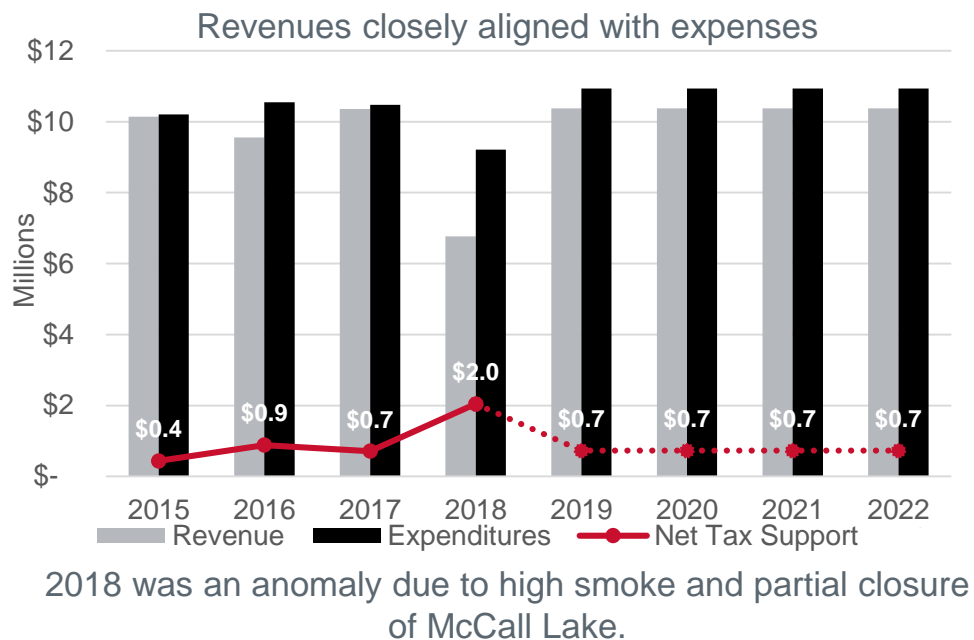
Impact: \$1-3M more expensive (operating), capital costs not estimated



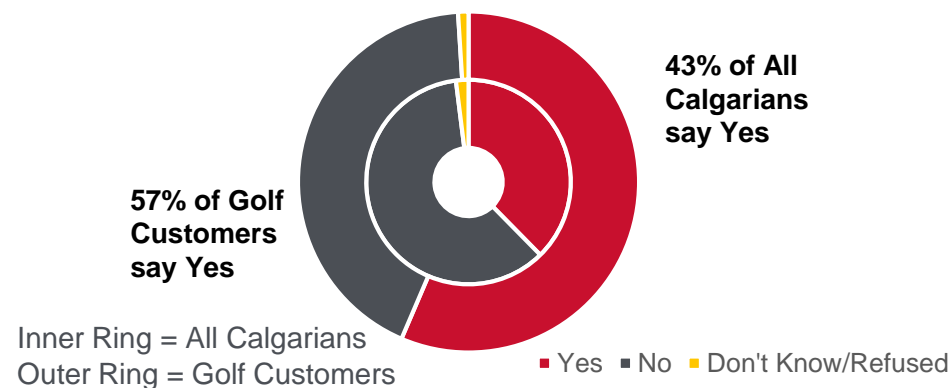
History & Background

- Service value proposition: provide affordable and accessible outdoor opportunities to learn how to play golf, and offer a way to connect with others and stay healthy and active.
- From 2015-2017, an annual average of 235,019 rounds were played and 65,476 driving range buckets sold.
- Was a fully self-supported service from 1995 to 2012, contributing \$200K to Corporate Revenues each year; transitioned to partially tax-supported in 2012 in order to address shortfalls.
- Adjusted fee structure in 2015.
- Council has directed 5 reviews of golf course operations since 2014, meaning less time has been available for accelerating cost saving or revenue generation initiatives.
- Council directed closure of Richmond Green as of end of 2019, budget reduction applied in 2019.
- No approved budget increase or decrease for the 2019-2022 cycle.
- Future capital of roughly \$750K/year required to maintain revenues as well as to keep expenses to a minimum, currently unfunded.

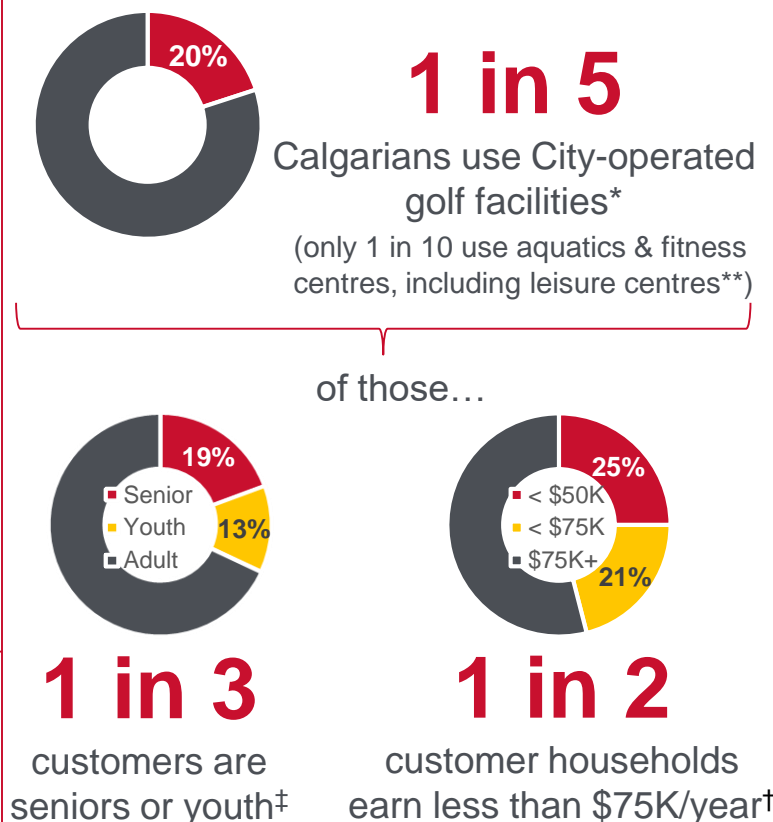
Financial Performance



Should Tax Dollars be Spent on Golf?*



Customers & Demographics



aligned with Recreation's strategy to support youth, seniors & low-income customers

*2019 Citizen Perspectives Survey Report on Sub-services

**2017 Recreation ZBR work product

†2018 City of Calgary Golf Course Customer Satisfaction Survey

‡2018 Golf Sales Data



Golf Programs & Activities

Material Reduction: Sustainability Work Plan

Summary of Scenario

- This scenario is the Golf Course Operations Sustainability Work Plan that was updated in PFC2019-1227 on 2019 October 8.



Positive Financial Impact

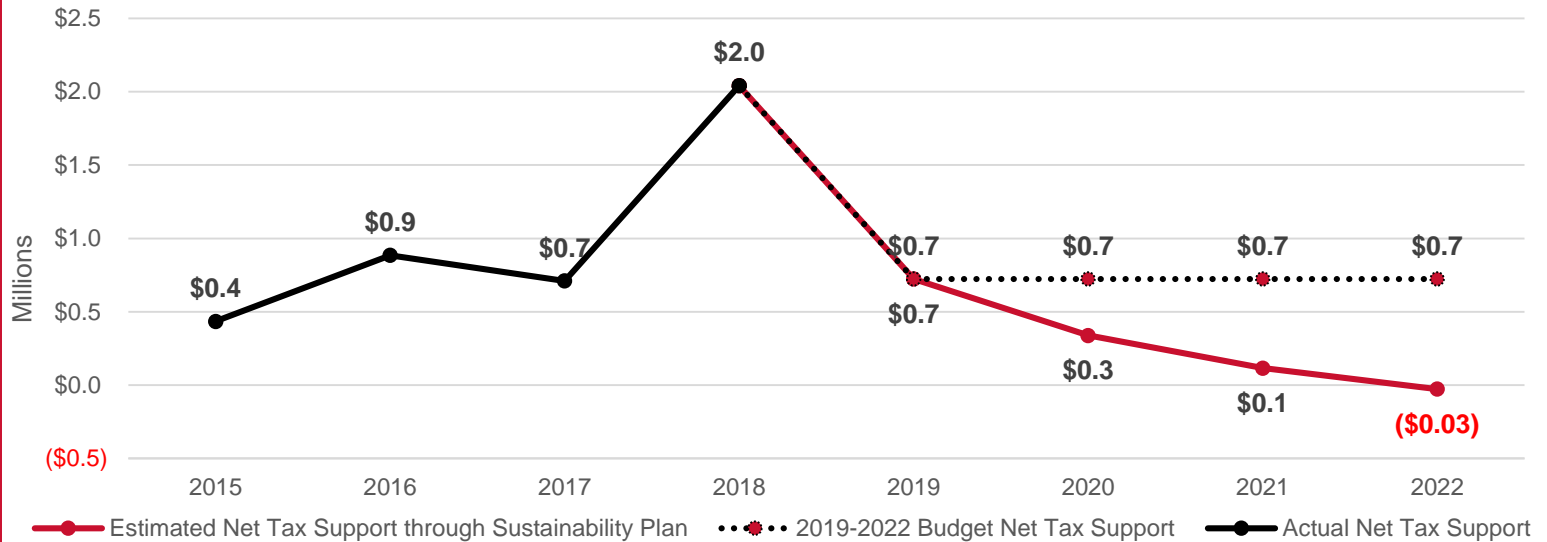
Eliminate tax support by 2022, no change to capital requirement



Positive Customer Impact

Improved pricing and booking options, playability improvements

Financial Impact of Sustainability Workplan



How Sustainability Will Be Achieved

Work plan actions include:

- Increased standardization and optimization of operational practices;
- Implementation of an improved technology solution;
- Re-opening the McCall Lake 18-hole course;
- Contracting of selected services;
- Annual fee adjustments; and
- Debt fulfillment – completion of Maple Ridge debt payments.

\$8.7M spent 2015-2019 (not including 2013 flood recovery):

- Meter replacement \$0.2M
- McCall Lake Upgrade \$6.7M (MSI funded)
- Shaganappi Bridge \$0.3M
- Lakeview Cart Paths \$0.6M
- Confederation Drainage \$1M (in progress)

Capital

- Future lifecycle capital of roughly \$750k/year to maintain or improve market share and revenue, currently unfunded.
- Long range capital planning last done in 2014 and requires reforecasting.
- Additional enhancement projects will be brought forward as individual business cases (eg Clubhouse ROI)

Risks

Financial/ Operational Risk

Uncertainty around implementation timelines and impact of work plan actions remains a risk, despite best estimation efforts. If amenities do not receive sufficient capital for lifecycle maintenance or upgrades, tax support for operations will increase over time.



Golf Programs & Activities

Material Reduction: Lease or Contract Operations

Summary of Scenario

- Options for leasing or contracting out have been reviewed.
- One-time costs required to initiate bid process to gauge interest (est. \$150K).
- Any interested parties likely required to maintain union agreements in accordance with Alberta Labour Code.



Negative Financial Impact

Contracting out likely to cost more (if contractor wants profit)



Negative Risk Impact

Increased financial risk



Leasing or Selling the Business & Assets

- City pays no fees and collects only lease revenue.
- City unions would be successful on a Successorship application under Labour Code.
- Third parties would be obligated to comply with union contracts.
- Third parties may find it challenging to bid on a lease or sale arrangement due to the cost and administrative requirements related to union contracts.



Contracting Out the Operation

- The City remains the owner, collects operational revenues and pays a fee to the third party operator for the service – no profit sharing.
- Likely to give rise to a Successorship and/or Common Employer declaration unless strict conditions are met.
- Increased risk that operator would be obligated to comply with union contracts.
- In order for a third party to make a profit, the fee charged for the service is likely to be at a higher cost than current operations.

Risks

Financial Risk

The financial impact of either leasing/selling or contracting out would only be determinable by going through the process to call for and evaluate bids from third parties. There is a cost to go through this process, which would be redundant if no bidders found or the bidder walks away from the agreement due to the complexities associated with a unionized environment. There is risk of damage to capital assets if third party does not maintain appropriately, with a repair cost likely higher than existing capital requirements.

Labour Relations Code

City unions can apply under the Alberta Labour Relations Code for two types of declarations:

- Successorship:** When there is a sale, lease, transfer or disposition of a business (or part of a business) to a third party so that control passes to the third party, the third party will be obligated to comply with union contracts.
- Common Employer:** When associated or related activities are carried on under common control or direction by or through The City and the third party, the third party will be obligated to comply with union contracts.



Summary of Scenario

Eliminating the sub-service entirely means:

- Ceasing golf operations and laying off or redeploying golf staff;
- Divesting or redeveloping golf course lands where possible; and
- Converting remaining golf courses to parks.



Negative Financial Impact

300% increase to tax support, unknown capital requirement, one time implementation not estimated



Negative Customer Impact

Low-cost golf opportunities limited



Neutral Citizen Impact

Some citizens negatively impacted, others positively impacted

Capital

Capital costs not estimated; would include redevelopment costs and cost to convert to park lands. Costs would depend on which courses are selected for redevelopment vs. conversion to parks. Land with redevelopment potential could have offsetting land sale or property tax revenue to mitigate costs, but land converted to park space will not.

Risks

Reputational Risk

Past proposals for redevelopment of golf course lands have all faced significant public outcry, including concerns re: loss of green space and impacts to adjacent properties. Risk may be partially mitigated if the majority of the former golf course lands are converted to publicly accessible park lands.

Location	Total Area (Acres)	Area with Redevelopment Potential (Acres)	Area with No Redevelopment Potential (Acres)	Operating Cost to Maintain Area with No Redevelopment Potential as Park Space (\$/year)
Confederation	104	0	104	\$0.7M
Lakeview	40	0	40	\$0.3M
Maple Ridge	173	TBD*	0 - 173	\$0 - \$1.2M
McCall	256	117.4	138.6	\$1M
Richmond	20	20	0	\$0**
Shaganappi	139	TBD*	0 - 139	\$0 - \$1M
Total	732	137.4	594.6	\$2M - \$4.1M

*Real Estate analysis is in progress regarding redevelopment potential for Maple Ridge and Shaganappi courses. Preliminary insights reveal that while some portion of these lands may have redevelopment potential, it will not be the entire area. A portion of the Maple Ridge course area is held in reserve for a future interchange expansion, and there are complex caveats on the land titles for Shaganappi Point.

**Assuming that maintenance cost of relocated playfield facilities to former Richmond Green course will cost the same to maintain as playfield facilities in current location.



Low Income Transit Pass (LITP)

Sub-Service Review



Low Income Transit Pass



The Sub-Service review of the Low Income Transit Pass (LITP) Program was completed through a separate process in combination with work by Calgary Transit that was already underway.



The results of that review were presented to the Standing Policy Committee of Transportation and Transit on 2019, October 23 (TT2019-1004)








The report as well as the recommendations from the Standing Policy Committee are included among the options presented to Council for discussion during the budget adjustment deliberations on 2019, November 25

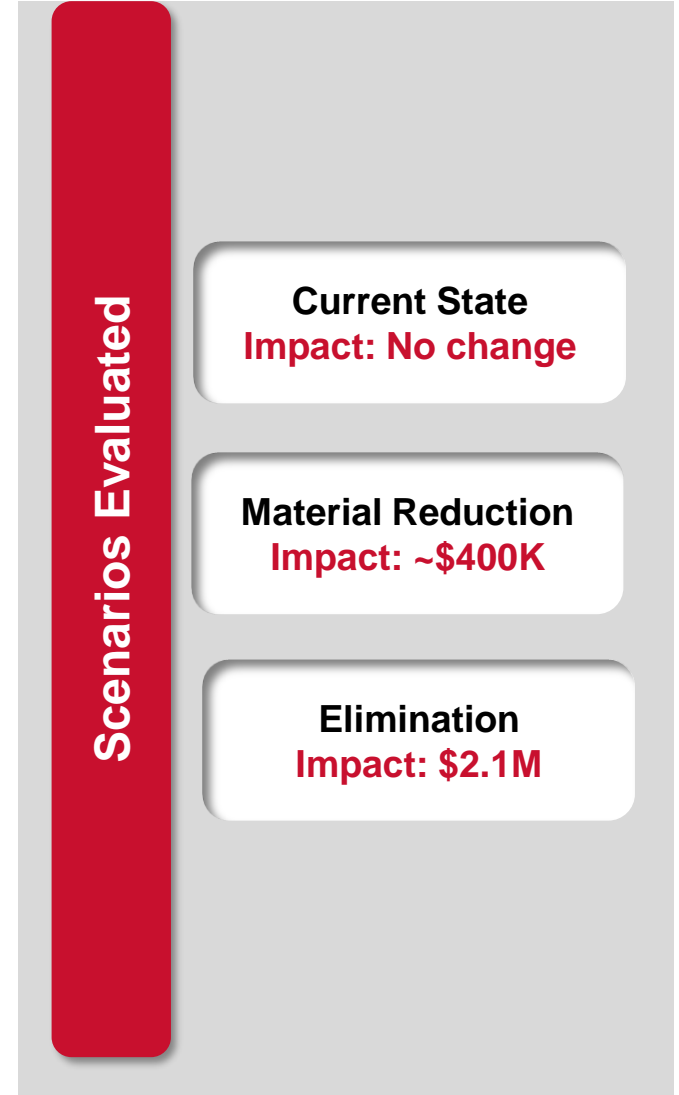


Citizen Engagement

Sub-Service Review



-  Citizen Engagement facilitates purposeful dialogue between The City, citizens and stakeholders to gather information and provide citizens with opportunities for meaningful input and influence on corporate decision making.
-  Service capacity was increased by restructuring service delivery (2017-2019) to accommodate increases in demand for engagement activities while decreasing service costs by about 25% (\$2.8M to \$2.1M).
-  Demand for citizen engagement activities is expected to rise by 20% per year (based on 2017 through 2019 demands). At current funding levels, citizen engagement is unable to keep up with this growing demand. Further restructuring of service delivery is not expected to accommodate growing demand nor yield additional cost savings.
-  Many business units rely on accessing resources available within the Citizen Engagement sub-service. As such, reductions to this sub-service may result in future additional funding requests from other business units wishing to engage citizens.
-  External vendor fees for Engagement activities done on behalf of The City is higher than City Engagement service costs; Data based on Request for Standing Offers paid by Business Units (2017-2019).



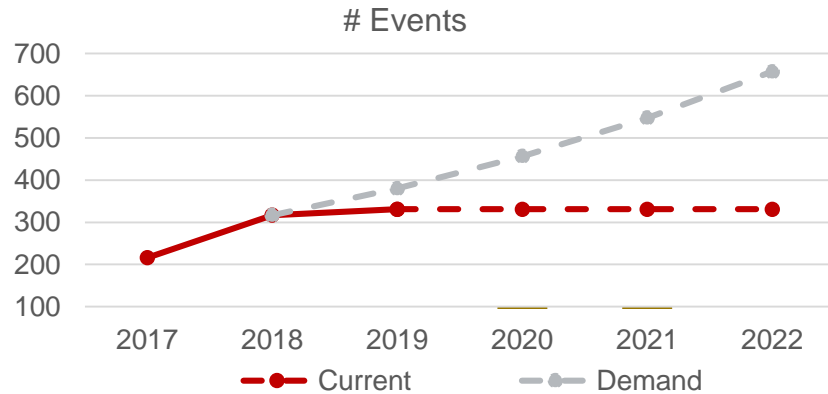


Citizen Engagement Current State



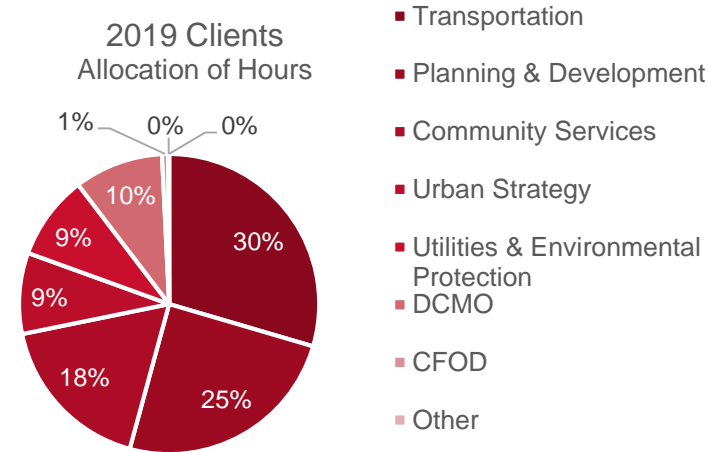
How much did we do?:

Hosted a range of engagement events to collect information including Pop Ups, Open Houses, Online Surveys, Meetings, Info Sessions and Workshops.



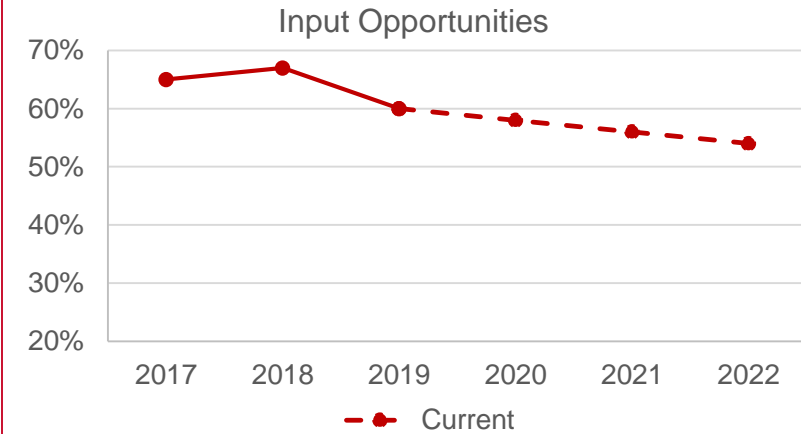
How much did we do?:

Provided Engagement support for clients across Departments.

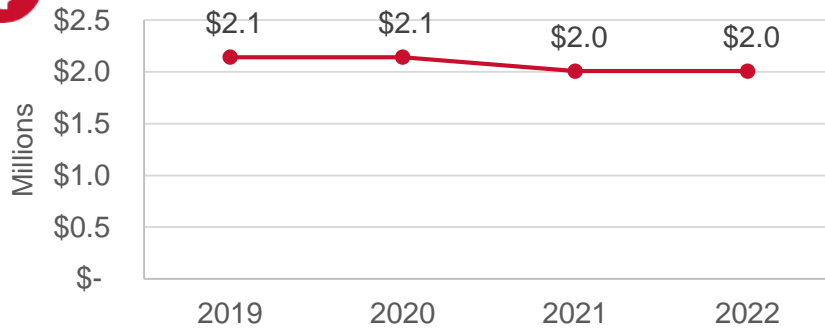


Is anyone better off?:

The Citizen Satisfaction Survey asks: Do citizens agree that 'the City provides input opportunities'?



Operating Budget



Notes* from 2017-2019, the sub-service has decreased its Operating Budget by about 25% from \$2.8M to \$2.1M.
* here growth allocation is assumed to be immaterial.

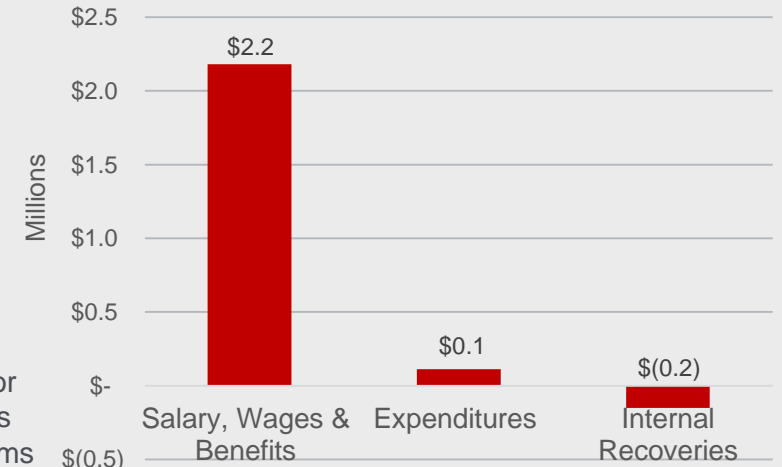


2020 Budget \$2.1M (Operating budget net recoveries)

Salaries, Wages & Benefits:
18 FTE

Expenditures: printing & other
Internal Recoveries: from clients

Please note: This graph does not include any costs incurred by clients across Departments for engagement activities. Also excludes managers salary as well as salary and wage costs for teams that work across more than one sub-service.



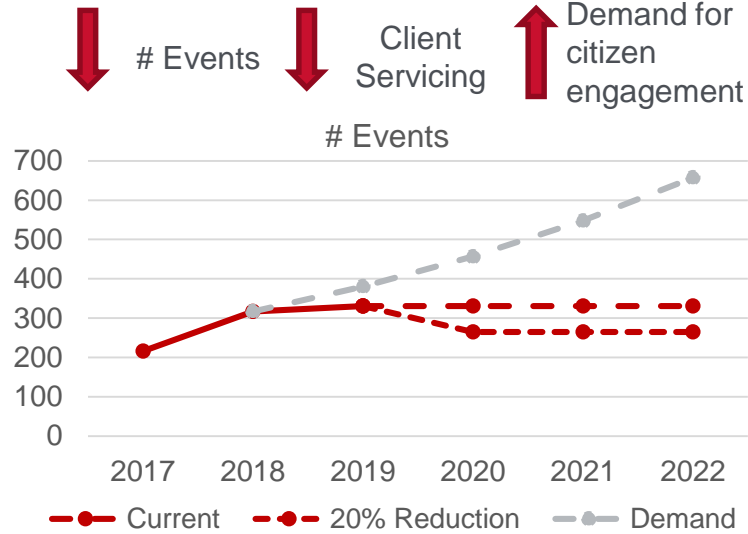
Scenario: 20% reduction in 2020

Risks:

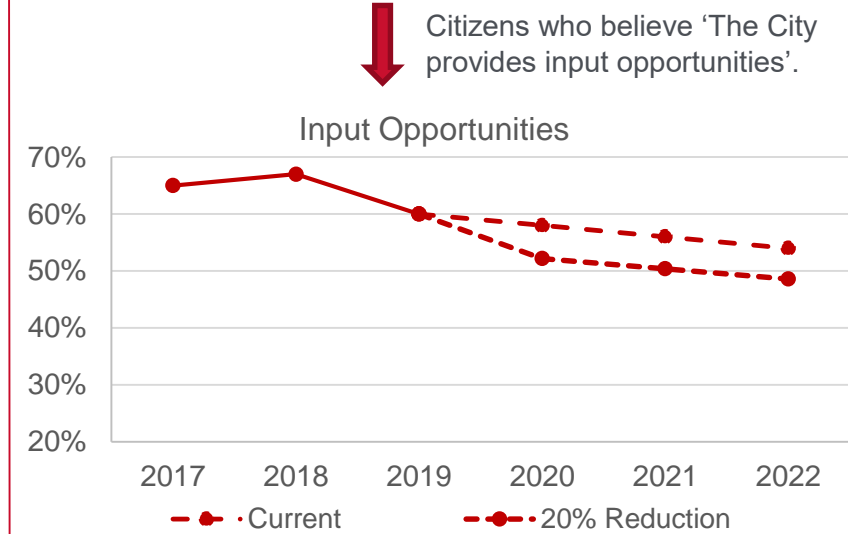
- Financial Risk: Direct customers may still require and seek funding to complete engagement needs.
- City's reputational risk: Elimination of the sub service would decrease citizen's confidence that The City uses input in projects and decision making resulting in decreased opinion that The City practices open and accessible government.
- With reduced citizen engagement capacity, BUs and Services may lack the information needed to make the best decisions for citizens.



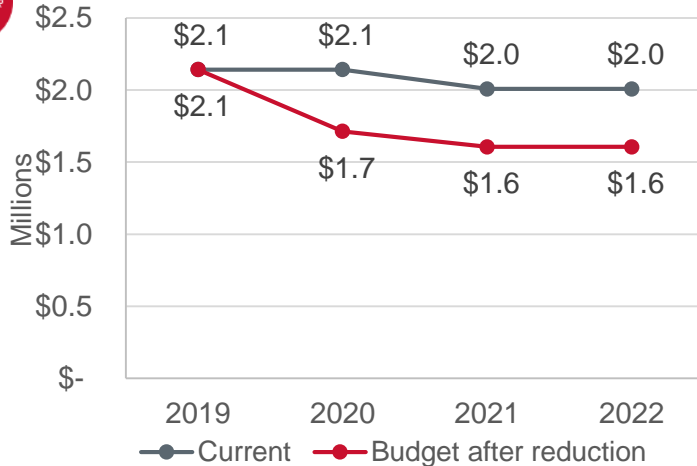
How much?: Impact of Reduction



Is anyone better off?: Impact of Reduction



Operating Budget

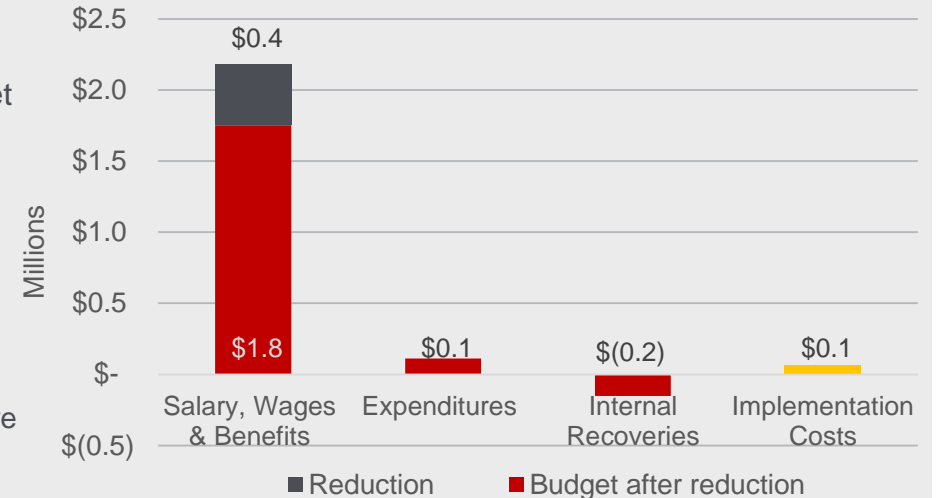


Cost Savings:
\$0.4M in Salaries,
Wages & Benefits,
minus
implementation
costs of **\$0.1M**



2020 Budget \$1.7M after reductions (Operating budget net recoveries)

Please note: This graph does not include any costs incurred by clients across Departments for engagement activities. Also excludes managers salary as well as salary and wage costs for teams that work across more than one sub-service.



Scenario: Elimination in 2020

Risks:

- Financial Risk: Direct customers may still require and seek funding to complete engagement needs.
- City's reputational risk: Elimination of the sub service would decrease citizen's confidence that The City uses input in projects and decision making resulting in decreased opinion that The City practices open and accessible government.
- Without citizen engagement capacity, BUs and Services may lack the information needed to make the best decisions for citizens.
- The City would need to create a different policy to fulfill its stakeholder engagement obligations under the MGA

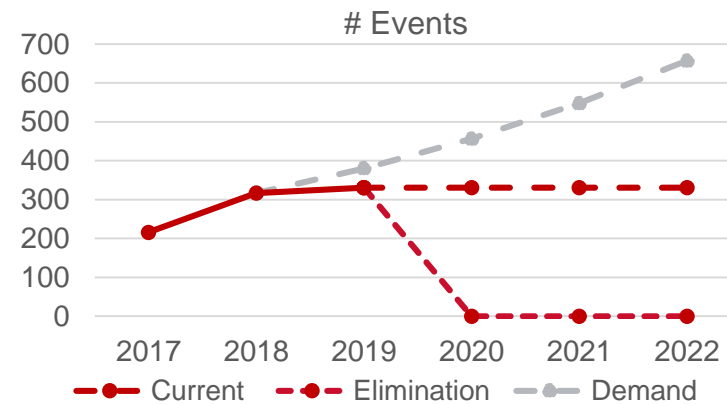


How much?:



Events

If the subservice was eliminated the ERU team would cease all engagement events

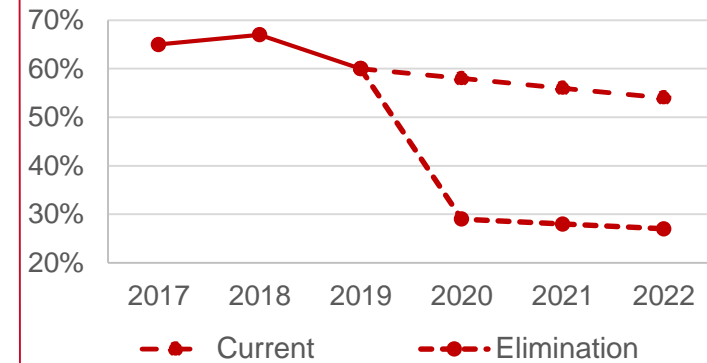


Is anyone better off?: Result of elimination:

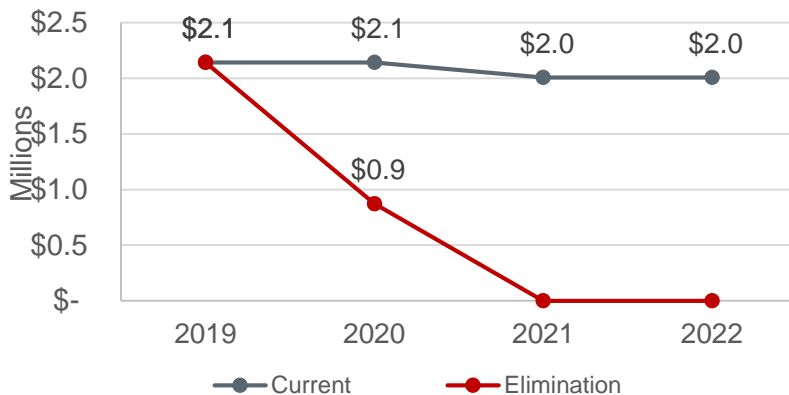


Citizens who believe 'The City provides input opportunities'.

Input Opportunities



Operating Budget



Cost Savings:

Elimination of Citizen Engagement would result in **\$2.1M** in savings, **minus** implementation costs of **\$0.9M**

Feasibility of outsourcing:

Since elimination of engagement activities may not be feasible, Administration examined available information related to outsourcing this work to external vendors.

Using existing contract scope and amounts from a City RFSO, it is estimated that the cost of using external vendors to plan, implement and report on all engagement activities currently being scheduled would be (at least) three times the current sub-service expenditures for this work.

Factors that contribute to this cost differential include:

- Lower hourly rates for City staff
- City Staff familiarity with client needs, processes, strategies and mandates as compared to external vendors
- Citizen Engagement is able to structure its staff complement and work to achieve synergies across the corporation and multiple concurrent engagement opportunities

Citizen Engagement

- Not all engagement activities done by The City are coordinated through the Citizen Engagement sub-service. Some internal clients conduct their own engagement activities. These expenditures are not managed or tracked by the Citizen Engagement sub-service.
- The funds for this work are provided by the internal clients as outlined in the table. The costs shown are not the extent of the engagement expenditures made by internal clients of the Citizen engagement team.
- An opportunity may exist to achieve greater efficiency and effectiveness by coordinating all of the City's engagement activities and projects through a single source whenever possible while also examining the balance between the use of external and internal resources

Corporate Costs - Engagement Activities Initiated by Business Units		
2017	2018	2019*
\$0.72M	\$1.03M	\$0.51M

*Note: Costs as of 2019 August 31



Sailing Programs & Activities

Sub-Service Review



Sailing Programs & Activities Summary



The Sailing Programs & Activities sub-service provides an inclusive recreational opportunity to 1,100 or more customers annually, primarily those under 18.



Operating costs related to the School are offset by revenues from programming. Capital needs are funded by the MSI Sport Facility Renewal (SFR) program & the Lifecycle Maintenance Upgrade Reserve (LMUR).



Therefore, a reduction of programming or elimination of the sub-service will not have a material impact on mill-rate but may free up some capital earmarked for recreation.



Administration has developed a plan to optimize current operations & decrease the likelihood of a mill-rate draw in the future.



Alternative options, such as third-party operation, are possible. However, Administration has not had any direct dialogue with interested third-parties.

Scenarios Evaluated

Current & Optimized State

Impact: Improved Financial Resiliency

Material Reduction (i.e. 20%)

Impact: Limited Financial Change

Third-Party Operation

Impact: Limited Financial Change

Elimination

Impact: Limited Financial Change



Sailing Programs & Activities

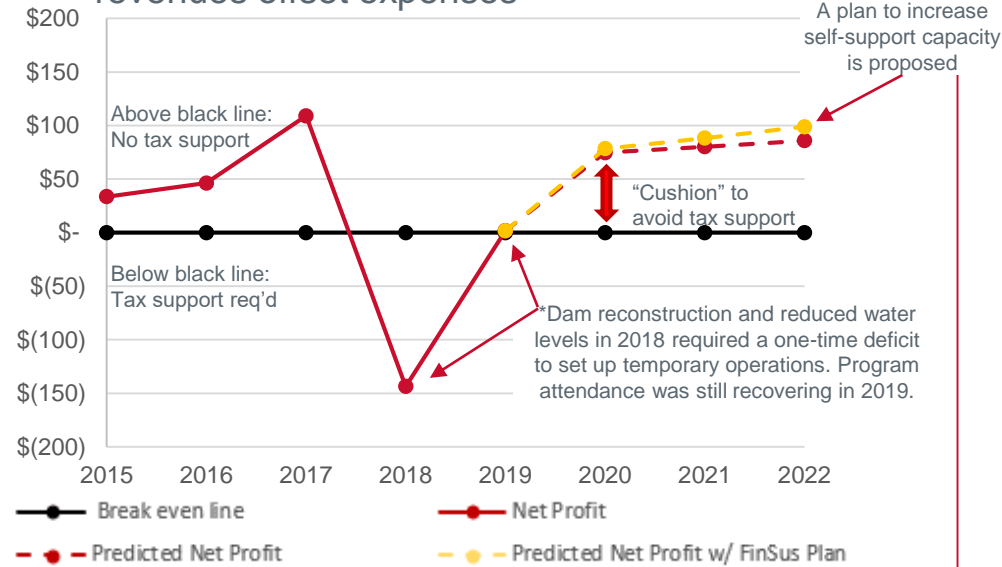
Current State & Optimization Plan

History & Background

- The Glenmore Sailing School aims to provide affordable, fee-based opportunities for Calgarians to develop skills, learn boating safety & use the reservoir recreationally
- Services offered include: lessons, day camps, recreational racing, rentals & storage of watercraft
- Partnerships with other reservoir users include the Glenmore Sailing Club, Calgary Canoe Club & the Disabled Sailing Association

Financial Performance

- The Sailing School does not draw on tax support*; revenues offset expenses



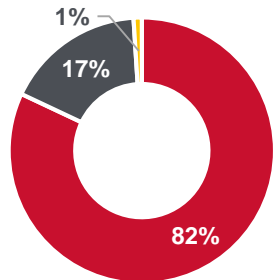
PROPOSED - Optimized Current State

- Calgary Recreation has identified additional tactics to decrease the likelihood of need for future tax support based around three principles:

- 1 Improve Financial Independence**
Pursue opportunities to increase revenue, decrease expenditures & manage extraordinary events
- 2 Track Financial Performance**
Monitor financial performance on a rolling four year average with a target of \$0 tax support
- 3 Improve Cross-Corporate Integration**
Work closely with other services to plan, mitigate & manage impacts to the Sailing School

TARGET:
Avg. <\$0
Tax Support
over 4 years

Ages of Sailing School Customers



■ 0-17 ■ 18-64 ■ 65+

Customers & Programming

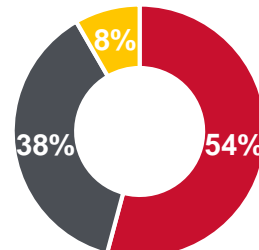
In 2019, there were 1,100 customers of the Sailing School across 75 programs & school board sailing lessons

82% of customers are under 18

54% of programming is Beginner level

Aligned with Recreation's strategy to support youth, seniors & low-income customers

Sailing School Programming by Level



■ Beginner ■ Intermediate ■ Advanced

Operational Information

- 2019 Operating Expenses: \$293,000; Revenues: \$295,000
- Capital is MSI funded through Council's Sport Facility Renewal program and the Lifecycle Maintenance Upgrade Reserve – Dock & boat upgrades required an \$800K spend in the last cycle - \$1.6M of additional funding is expected over the next cycle for maintenance, accessibility improvements & facility upgrades. A portion of this spend is shared with the Boat Patrol operation
- Assets includes: 143 sailboats (4 types), 1 30'x30' main facility, 1 trailer, boat storage & 3 docks
- 23 part time, non-union, on-call sailing instructors, & 3 management staff shared with other areas

Summary of Reduction Scenario

- A 20% reduction of expenses is possible through program reductions
- However, because the operation is not mill-rate supported, this change would not impact the mill-rate. Capital requirements may decrease immaterially with proposed reductions
- Therefore, the result is less programming for no material financial gain



Neutral Financial Impact

No mill-rate / Immaterial capital impact

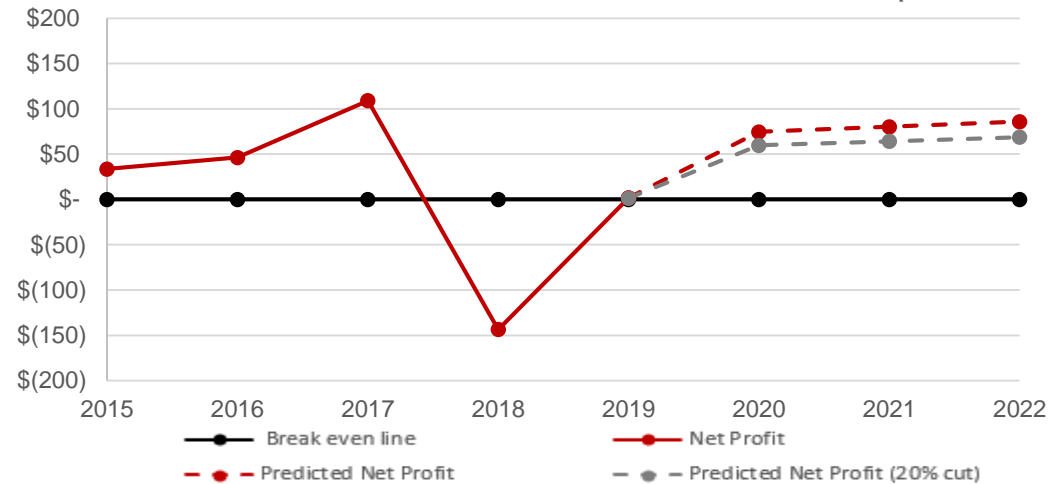


Negative Customer Impact

Reductions to availability & diversity of all program types

Financial Impact

- Revenues move in near-lockstep with expenses at the 20% reduction level; therefore, the result is a shift of the financial situation, not an improvement



What would be Reduced?

- Three levers exist to reduce \$59,000 (20%) of expenses:



Cut programming & staffing levels



Reduce hours of operation



Reduce length of season

- A least harm approach would prioritize cuts & reductions to specialty, advanced & intermediate programming to reduce expenses by approximately \$15,000
- The remainder would come from core beginner programming (see *risk*) & the optimization & reduction of staffing related to school and boat maintenance

Example of Reductions

Cut Cruising & Junior Sail Development Programs	Approximately \$15,000 reduction to operating expenses
Cut CANSail 5 Programming	
Reduce availability of core Programming: Daycamps, School Board programs, Wet Feet & CANSail 1, 2, 3 & 4	Approximately \$44,000 reduction to operating expenses
Reduce staffing hours & material costs (Optimize)	

Capital: Immaterial reductions to capital may be possible where costs are tied to the number of sailors (e.g. boats)

Risk



Sustainability / Safety Risk

The Sailing School accounts for 80% of instructor-level certifications in Alberta, cuts to programs that certify instructors (primarily CANSail 4 & 5) could meaningfully reduce curriculum integrity & availability / quality of instructors for core programming (CANSail 1, 2 & 3) province-wide



Sailing Programs & Activities Third-Party Operation

Summary of Third-Party Operation Scenario

- The City has the option to involve other third-party groups in the operation, offer a takeover or shift Sailing School programming elsewhere
- Without active City support it is estimated that limited programming would shift to other groups over the long-term
- If The City were to partner with other groups, key support needed by them would likely include:
 - 1 Arrangements for third-party use of the existing Sailing School facility
 - 2 Continued capital funding
- These two factors are the largest drivers of cost for The City now & in this scenario (as operations are forecast to be breakeven or better)
- Benefits to The City might be found in improved focus in the Calgary Recreation service due to fewer services offered

Financial Impact



No operating cost benefits are anticipated

- Revenues currently offset expenses thus no benefit is expected
- Risk of future mill-rate draws decreases (however, requests may still come from third-party operators)
- Productivity gains are uncertain depending on level of support offered

Long-term Capital Requirements would likely still fall to The City

- Based on current operations, it is unlikely that these expenses could be covered through operational revenues without significant changes to the focus of the school

Is there Interest & Ability from Third-Parties?

- Other operators currently exist (in partnership & under leases held by Recreation)
- Administration has not engaged in direct dialogue with any interested third-parties
- No attempts to materially expand sailing programming have been observed from existing or new service providers
- Programs offered across all providers appear balanced – The Sailing School actively attempts to avoid overlaps in programming
- Partnerships between the Sailing School exist or are developing where goals align (e.g. Disabled Sailing Association)
- To further explore the potential, The City could passively encourage the market to take on additional sailing programs or actively and formally solicit the market via RFP (with associated costs)



Summary of Elimination Scenario

- Closing the Sailing School is possible
- As operational revenues offset expenses no material impact to mill-rate is anticipated
- Capital commitments of \$1.6M dedicated to the Sailing School are planned through 2022 that could be reallocated

Financial Impact



- No material mill-rate impact
- Reduced risk of future mill-rate draws, although currently unanticipated
- Implementation and ongoing costs expected that may cause a mill-rate draw due to lack of revenue to cover them – E.g. Empty facility security, maintenance and/or demolition



- Future capital costs avoided - \$1.6M until 2022



- Some Department-wide productivity gains related to freeing up the time spent on the Sailing School by shared staff

Customer Impact of Closing the School



- 1,100 recreation opportunities reduced
- 75 program opportunities reduced
- 60% of sailing activity in Alberta reduced

Long-term Market Recovery?



- It is uncertain, but to some degree likely, that other agencies may voluntarily increase program offerings to meet the resulting unmet demand
- Current desire to do this by the market has not been observed (*see next scenario*)

Risks Related to Closing the School



Safety Risk: Fewer training opportunities resulting in lower aptitude of on-water reservoir users may increase safety risks



Market/Community Risk: Program reduction will result in a significant initial decrease to sailing activity in Alberta causing disruption to this community



Security Risk: Reduced City presence on the reservoir may slightly increase risk to the reservoir asset



Community Recycling Depots

Sub-Service Review



Community Recycling Depots (CRDs) are part of the Community-wide Waste Management Programs and Initiatives Sub-Service. They include no-fee drop-off locations across Calgary. 57% of Calgarians used CRDs in the last year.



CRDs continue to be a valued recycling option for:

- Single family homes with excess or oversized recyclables; and
- Smaller multi-family complexes and businesses who do not have private recycling services.



Materials from the CRD network account for 13% of recyclables collected by The City annually making them a material contributor to The City’s waste diversion target of 70% by 2025.



Since 2016, Waste and Recycling Services (WRS) has actively monitored and adjusted service levels of the CRD network to match customer demand.



WRS accelerated plans for reductions to the CRD program in 2019 October to realize savings immediately and to align reductions with seasonal layoffs. Council was notified of reductions on 2019 September 25.

Scenarios Evaluated

Current State

Impact: No Change

Material Reduction
Implementing in 2019

Impact: \$700K

Elimination

Impact: \$4.5M



Current State - Start of 2019:



Fully Tax
Supported at
\$5M



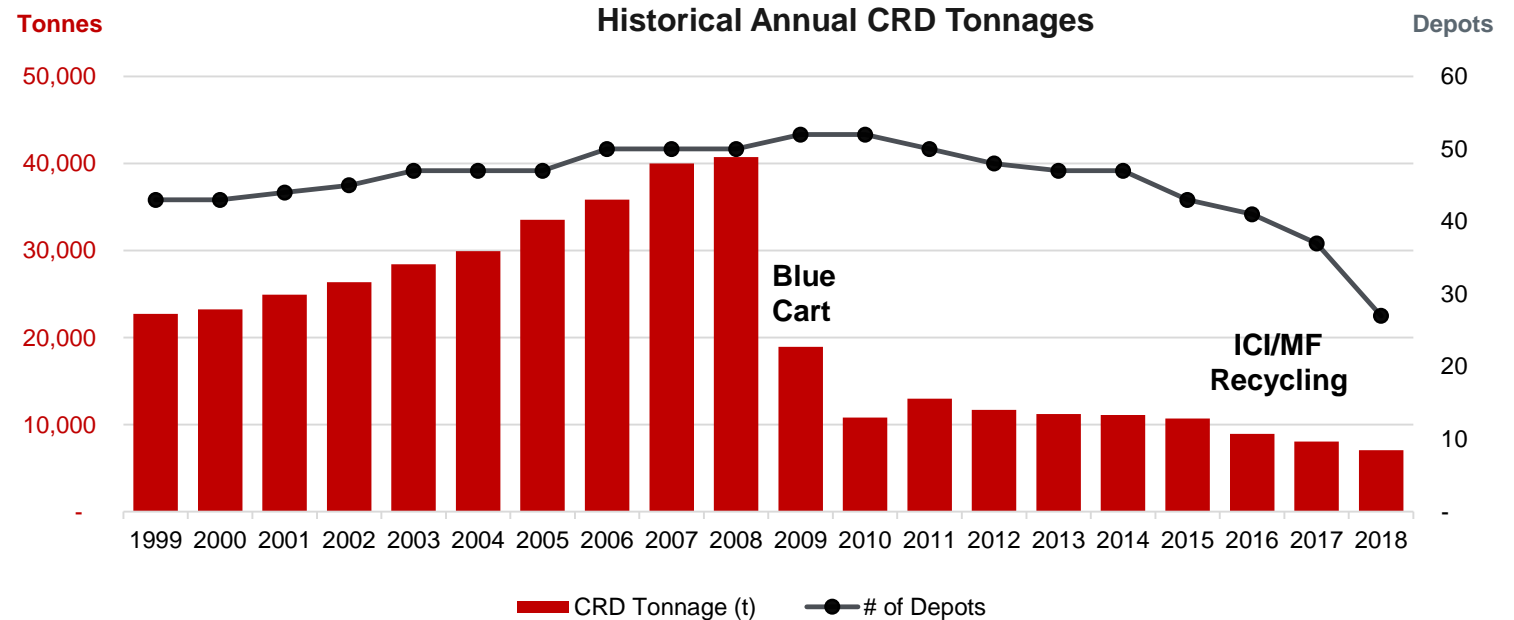
27 Depot
Locations



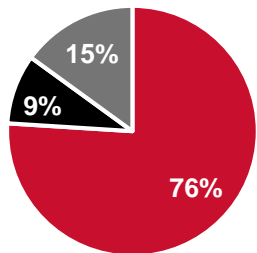
7,000 Tonnes
Collected
(in previous year)

Natural Decline in CRD Usage

- Calgary's recycling program started in 1991 as a pilot with five depots.
- Highest number of CRDs was in 2010 with 52 sites.
- Demand for CRDs naturally declined as the Blue Cart Program and multi-family and Industrial, Commercial and Institutional (ICI) recycling bylaw came into effect.
- Reductions to the numbers of depots has been taking place since 2011 to reflect decreasing demand.



Customer Usage (2019 Survey)



- Residential (single-family and multi-family)
- Business
- Residential - Outside Calgary



- The CRD network provides an important complement to the residential Blue Cart Program for excess and oversized recyclables.
- If CRDs were not available, residents would have less convenient choices such as cutting down or storing materials, or throwing into the waste stream.



- Many smaller multi-family complex and business customers currently use the CRD network to comply with recycling bylaw requirements.



- Outside Calgary customer usage has declined from 20% in 2018 as other municipalities develop recycling programs.

CRD Program Costs vs Performance (2018)

CRD program costs as a percentage of overall costs of City-collected recycling = **12%**

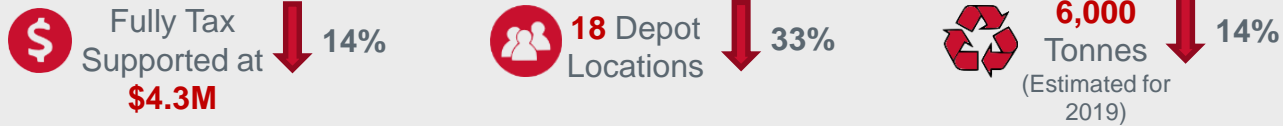


Material collected from CRDs as a percentage of overall City-collected recycling = **13%**



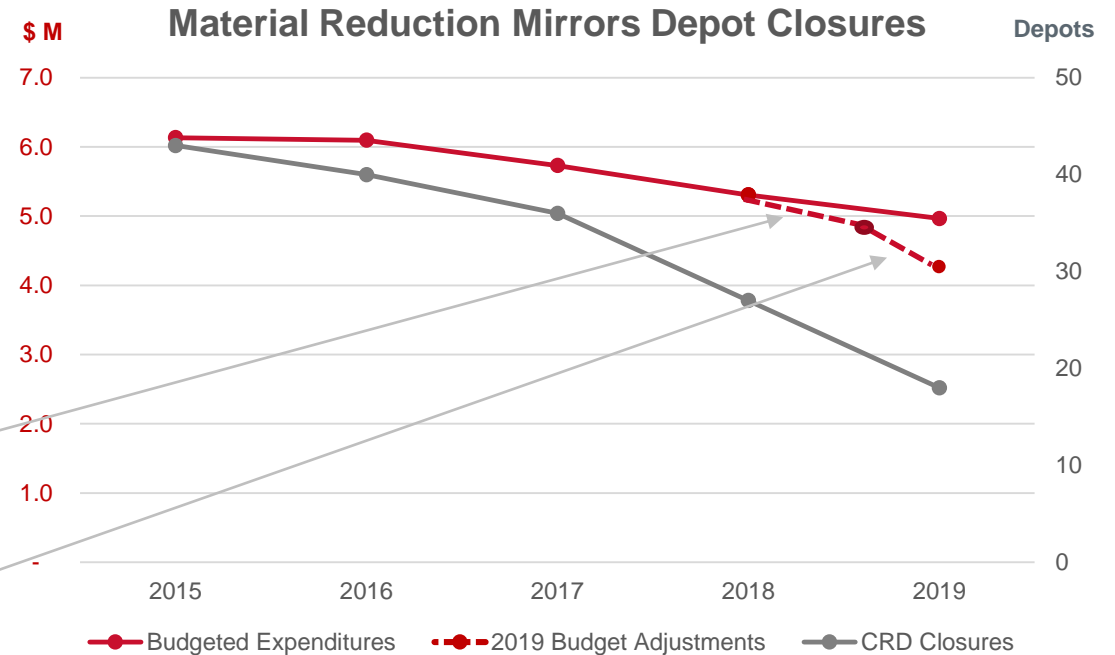
Community Recycling Depots Material Reduction

Material Reduction – Implementing in 2019:



Summary of 2019 Budget Reductions (\$694K savings in total)

July Reduction (\$16.5M)	\$120K	1 position reduced, recyclable processing costs reduced.
July Reduction (\$60M)	\$10K	Reductions in corporate fleet lease rate.
October Reduction (Phase 2 CRD Optimization)	\$564K	8 depots closed, 4 positions reduced, 1 vehicle and route reduced, recyclable processing costs.



Previous Council Direction - UCS2019-0363 CRD Optimization Project (2019 March 20)

WRS has been optimizing the CRD program since 2016 to align with decreasing demand. During the 2015 – 2018 business cycle, \$1.4M in savings was found through intentional management, operational efficiencies, closures to depots and reduced maintenance. The ongoing project goals are to:

- Monitor usage through customer and composition studies;
- Optimally locate and size depots based on demographics that support usage, sized for consistent service levels, and ideally located on City-owned land for occupancy stability; and
- Balance the ongoing community need for this recycling program with program costs.

Administration Recommendation (Approved): Council directed Administration to continue to optimize the CRD network and report back to UCS no later than Q1 2021 with an update.

Customer Impact:



- Since closures began, CRD-related 311 calls remain relatively low compared to other WRS programs with a total of 146 for 2018.
- 311 calls have increased over the last month (October 2019) in response to depot closure signage, with customers advocating for their depot locations to remain.



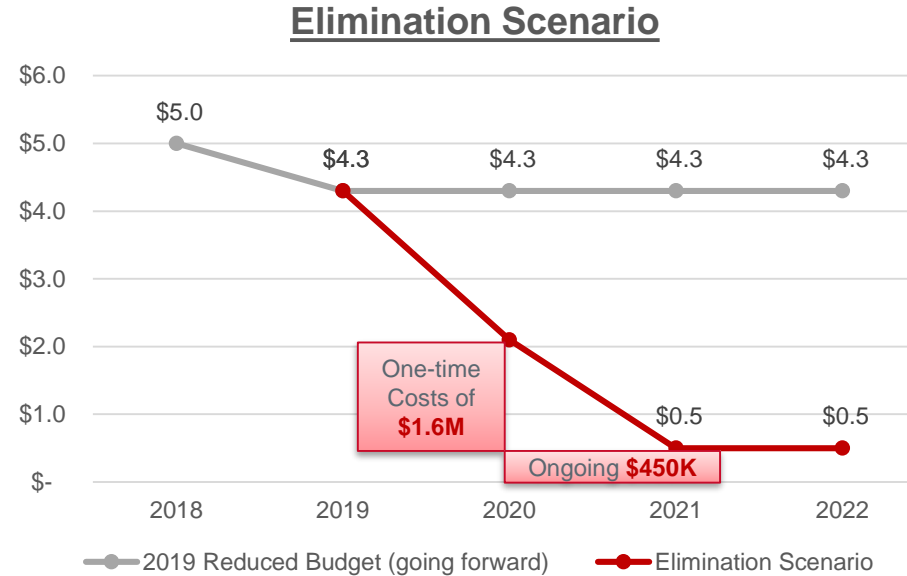
- Over the past 5 years, the media has not covered depot closures. However, this fall there were three short neutral news articles.



Elimination Scenario

- 2020 Reduced tax-supported budget by **\$4.5M***
- Less one-time costs incurred in 2020 of **\$1.6M**
- 0 Depot Locations
- 0 Tonnes Collected through CRDs.

*\$4.5M is calculated by 2019 starting budget of \$5M, less \$450K ongoing costs that cannot be eliminated.



One-Time Implementation Costs for Elimination:

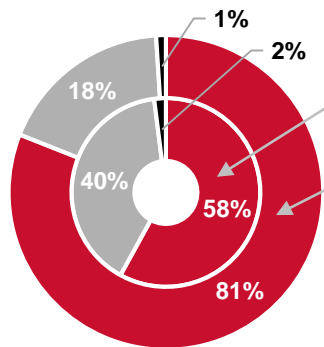
- If elimination was selected, it would take 3 months to implement.
- Implementation costs (one-time) would amount to **\$1.6M** for:
 - Staff costs, operations, site removal and repair; and
 - Early return fee of between \$625K and \$800K for specialized CRD trucks.

Ongoing Operational Costs: All costs cannot be fully eliminated. Ongoing annual costs of **\$450K** would be transferred to other tax-supported programs for:

- Monitoring and collection of Illegal dumping. At previously closed sites illegal dumping can continue for years. Services impacted are WRS, Bylaw Education and Compliance and Streets; and
- Staff support for community-wide programs such as community clean-ups, fall yard waste, and community education and outreach.



Should Tax Dollars be Spent on CRDs?



■ Yes ■ No ■ DK/Refused

Inside circle represents all Calgarians.
The outside circle represents CRD users (last 1 year).

Source: Citizen Perspectives Survey for Sub-Service Reviews. 16 September 2019.

Risks:

1. Customer risks include reduced recycling alternatives for three customer groups:
 - single-family residents with excess or oversized recyclables (a blue bag program for excess and oversized recyclables was investigated in 2018, but was found to be more expensive than CRDs); and
 - smaller multi-family complexes and businesses who will incur additional costs to manage their recyclable materials to remain bylaw compliant.
2. Reputational risk of not meeting The City's target of 70% waste diversion by 2025.
3. Environmental risk of increased recyclables ending up in the landfill.

Other Impacts to Self-Supported Programs:

- Potential for increased program costs (collection, processing and disposal) as recyclables that would have been in the CRDs are moved into the black, blue and green carts.

Capital Costs

- Annual capital costs of \$75K include bin container welding, repairs and maintenance.



Boulevards & Naturalization

Sub-Service Review





Boulevards & Naturalization Summary



Boulevards and Naturalization involves the management of green space along major roadways to meet regulatory compliance obligations, facilitate safe travel & access, manage the visual landscape, and provide a wide array of environmental benefits.



This sub-service reduced the number of mowing cycles in 2017 from 5 per year to 4 per year.



311 service call requests have been trending upward between 2016 to 2019.



62% of the work is contracted out.



11% of the boulevards open space inventory is currently un-mowed and left natural (with weed control and minor maintenance occurring).



This sub-service forms one part of the lawn/turf maintenance work done by The City (25% of total expenditures). Opportunity for a holistic approach to turf and lawn maintenance (including flowers, shrubs, trees etc.) may reduce duplication and build a coordinated maintenance and naturalization strategy across The City.

Scenarios Evaluated

Current State
Impact: No Change

**Material Reduction
(20%)**
Impact: \$440K savings

Elimination
Impact: \$2.1M savings

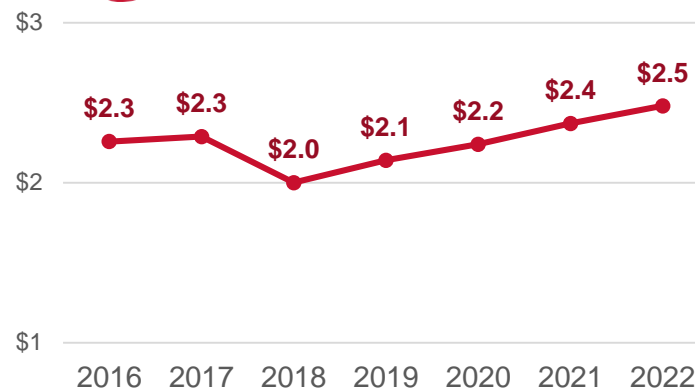


History & Background

- **Area:** 918 hectares (of these, 99 hectares (11%) are unmowed and left natural)
- **Number of mowing cycles/year:** Reduced from 5 to 4 in 2017
- **Legislation:** Alberta Weed Control Act and Regulation, Federal Migratory Bird Convention Act and Regulation
- **Policy:** The City's Biodiversity Policy (CSPS037)
- **Bylaw:** The City's Traffic, Streets, and Community Standards bylaws
- **People:** 2.5 full-time technical staff and 8 seasonal (6 months)



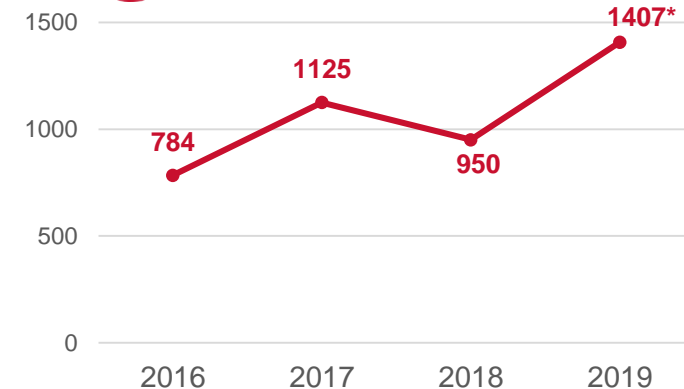
Operating Budget (Millions)



Projected budgetary increases are due to inflation.



311 Service Request Calls



Reported numbers include service requests submitted related to the long grass and weeds.
*Service requests submitted as of October 17, 2019.

Naturalization

May achieve lower operating costs and additional environmental benefits:

Current practice: As a gradual process with less intervention and less maintenance; may take a few decades; 11% of the Roads area as of 2019

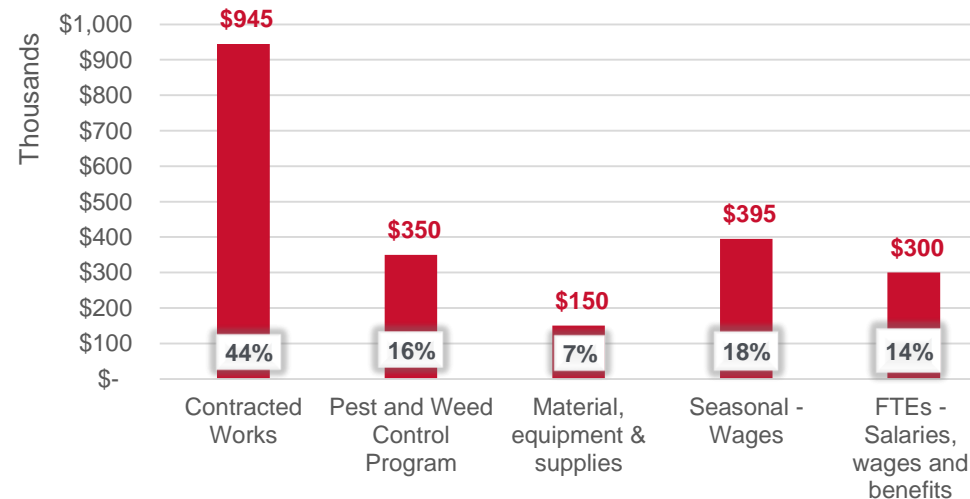
Current aspiration: As a more rapid process through restoration activities (e.g. reintroducing native grasses); requires capital investment to contribute to the Biodiversity Strategy targets



The related Corporate target is to naturalize 20% of the City's open space by 2025 as per the Biodiversity Strategy



Operating* Budget 2019 (\$2.1M)



*Note that the sub-service does not have capital budget.

Contracted Works: mowing, trimming, boulevard lowering and enhanced landscaping, garbage collection

Pest and Weed Control Program: contracted to Parks



20% Cut: Description

Reduction
(\$000's)

Reduce Contracted Works including mowing, boulevard drainage repairs, & enhanced landscaping treatments/restoration.

\$215

Reduce contracted Pest and Weed Control Program.

\$150

Reduce material & supply costs by adopting loam and seed as the City standard for repairing damaged boulevards.

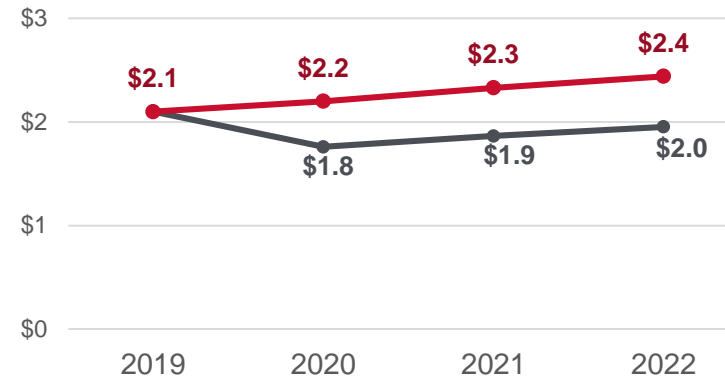
\$75

TOTAL

\$440



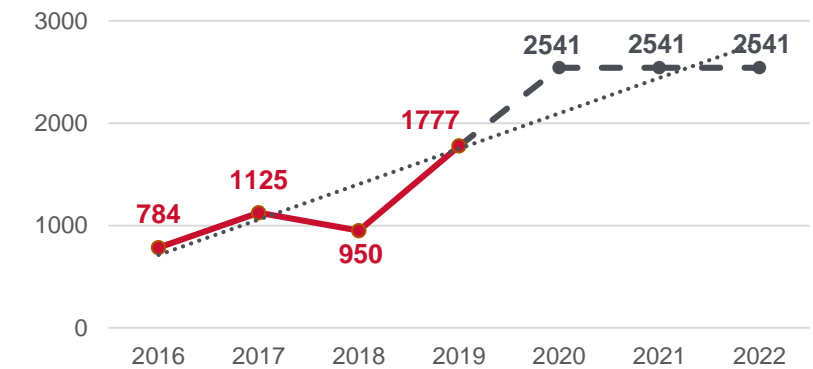
Operating Budget (Millions)



Original vs 20% Reduction



311 Service Request Calls – Projected*



*Increase in service requests is projected based on historical service requests increase after mowing cycles were reduced from 5 to 4 cuts per year in 2017.

Key Corporate Risks

1

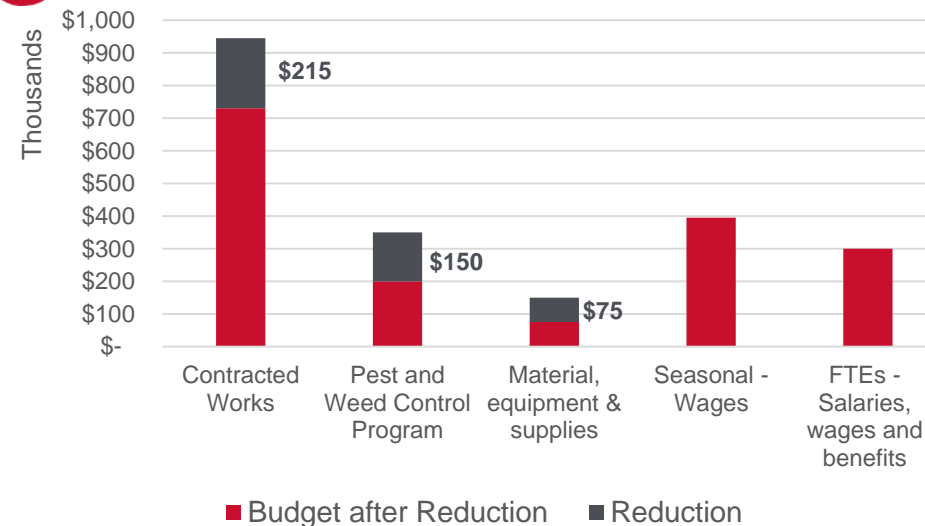
Meeting regulatory compliance under Alberta Weed Control Act and Regulation may be more difficult.

2

Public perception: reputational risk in that The City's maintenance practices do not align with the Community Standards bylaw which may result in an increase in service requests.



2019 Operating Budget after 20% Reduction (\$1.7M)



Implementation Proposal

- Mowing cycle frequency would remain at 4 times per year. The areas mowed would be reduced.
- The scope of the Pest and Weed Control Program will be reduced to focus on satisfying regulatory compliance obligations.
- Reduce material and supply expenditures by adopting lower cost material as the City standard for boulevard surface treatments.



Cost Savings

\$2.1M (\$2.2M minus \$140K implementation costs)



Applicable Legislation that will be contravened

- Alberta Weed Control Act and Regulation
- Calgary Traffic Bylaw

Key Corporate Risks

Alberta Weed Control Act and Regulation will be violated. The penalty for The City for this violation is currently unknown. The cost of the minimum service provision required to meet these legal obligations is also unknown.

1

Increased risk to public safety including wildlife moving into unmowed areas, increased fire hazard, and obstructed sight lines beyond the original intent of roadway design.

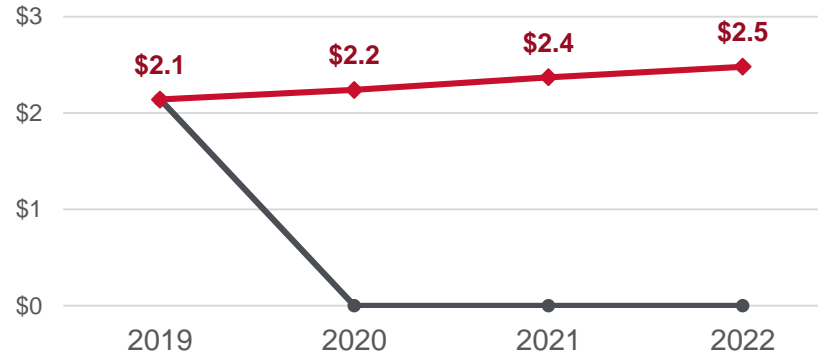
2

Public perception: reputational risk in that The City's maintenance practices do not align with the Community Standards bylaw which will result in an increase in service requests and calls to Ward offices.

3



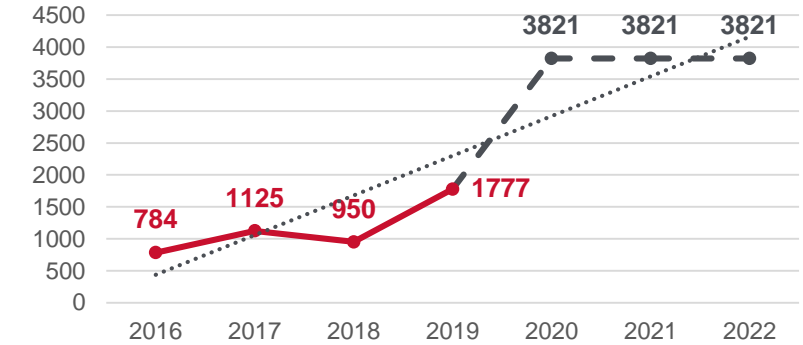
Operating Budget (Millions)



Original vs 100% Reduction



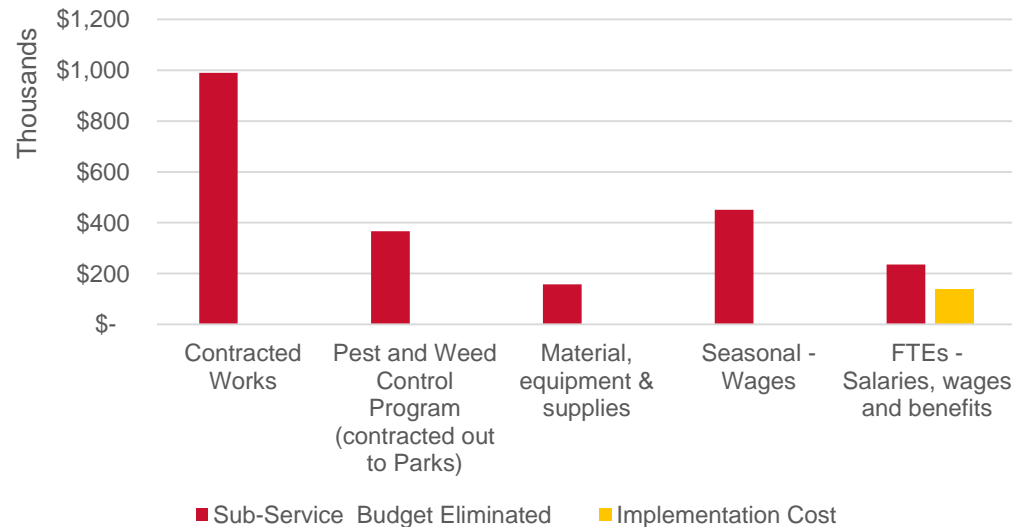
311 Service Request Calls – Projected*



*Increase in service requests is projected based on historical service requests increase after mowing cycles were reduced from 5 to 4 cuts per year in 2017.



Operating Budget 2020 (\$2.2M)



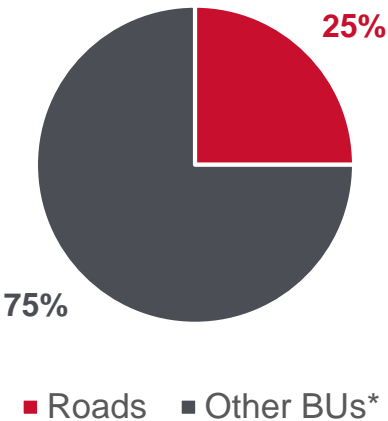
Elimination Considerations



The vehicles (which are leased/rented) and equipment (mowers, trimmers and blowers) would be transferred to other city operations that do similar type of work.

Boulevards & Naturalization (Roads)

Corporate Picture: Percent of the Total Budget for Mowing/Turf Maintenance



*Other BUs include: Parks, Calgary Transit, REDS, Facility Management, and Recreation.

Total Budget and Total Area for Mowing/Turf Maintenance

Budget	Area (Ha)*
\$8.5M	4273

*REDS and Facility Management do not report related activities in hectares.

- Several Business Units provide mowing/turf maintenance and other landscaping work as part of their service to Calgarians.
- The level and type of service provided may differ for each based on the purpose of the work (e.g. aesthetic, safety, legal compliance, function, environmental stewardship).
- There is limited consistency in approach or management of these similar pieces of work across The City, including how (or even whether) to achieve consistent “naturalization” objectives with consideration given to associated benefits and costs.
- Greater efficiency and effectiveness across these similar services may be possible by coordinating mowing and related horticultural and weed control activities across all business units. This work would also include:
 - Flowers and flower planters and landscaping in the public realm including transit platforms, parks, and main streets
 - Flower and flower planters along the downtown cycle track
 - Weed control along light rail transit track-and-way
 - Landscaping/mowing/weed control at Storm water facilities

This work would be undertaken in alignment with the Corporate Habitat Restoration program to create added value from open space as it relates to enhanced bio-diversity and eco-system services.

Corporate Research

Sub-Service Review



Provides citizen and customer research (surveys, questionnaires, other research activities) for Council, CMO, ALT and Service Owners, delivering data, analysis and insights based on inputs received. Customers include the Corporation, Service Owners, Citizens, Communities, and Cultural Groups.



Operating Budget reduced by about 26% (2016-2019) from \$2.4M to \$1.8M with corresponding reductions to the number of surveys conducted. There are further reductions (\$300K) planned for 2020-2022 as a result of the July 29th Meeting of Council.



Cost reductions to this service are linked with corresponding reductions in the number of surveys conducted.



To maintain same level of service outside vendor costs would be \$3M - \$4M based on current comparable survey work and invoicing.

Scenarios Evaluated

Current State
Impact: No Change

Material Reduction
Impact: \$350K savings

Elimination
\$1.8M savings



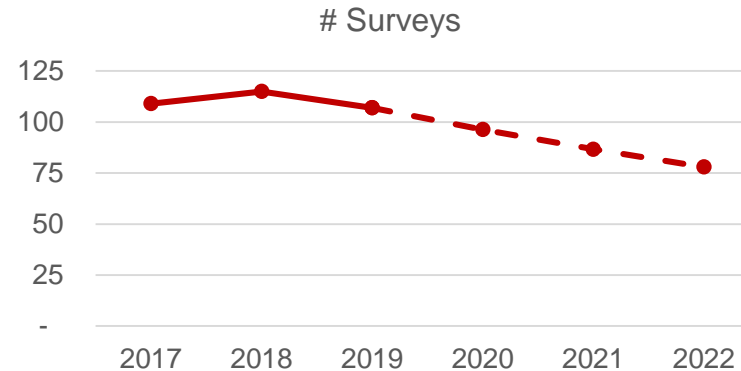
Background:

Since 1995, Corporate Research has conducted corporate surveys (ex. Citizen Satisfaction Survey & Spring Pulse), surveys for individual business units and questionnaires for Council and the Corporation to ask Calgarians how satisfied they are with City performance, programs, services and overall quality of life for Calgarians. Through such research, inputs are analyzed to provide performance measurement data, benchmarking data, and analytics that discern unique segmentation including gender, age, education level, new citizens, aboriginal and other minority groups.



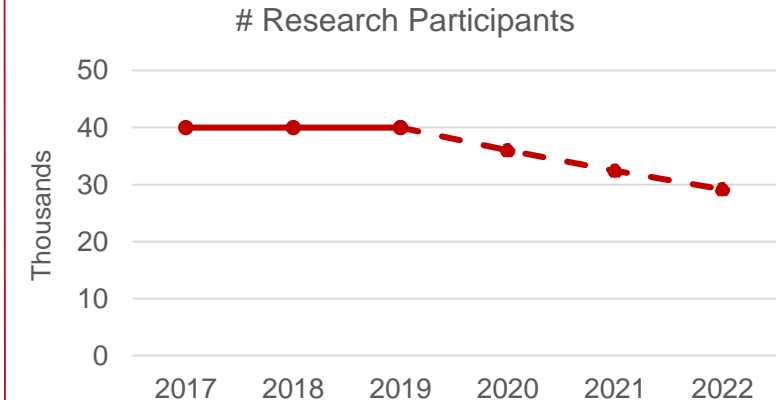
How much did we do?

Total # surveys conducted for the Corporation & individual Business Units using in-house support + external vendors. The # surveys declined by 7% from 2018–2019 due to budget reductions.

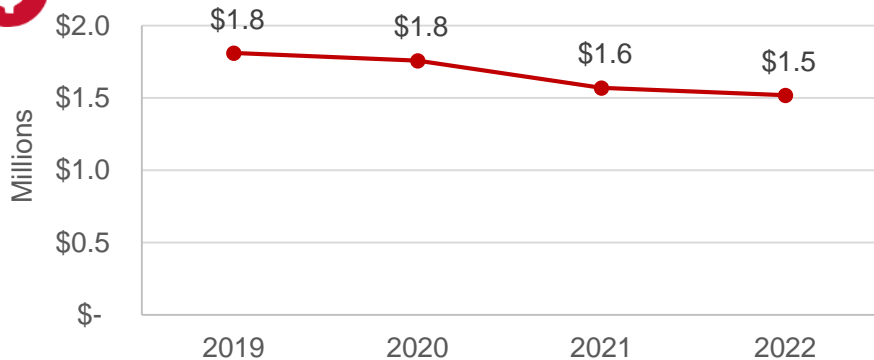


How much did we do?:

Total # research participants included in surveys expected to decline as the result of budget cuts.



Operating Budget



Note from 2016-2019, the sub-service has decreased its Operating Budget by 26% from \$2.4M to \$1.8M. In 2019, the sub-service absorbed a \$315K reduction resulting from the 2019 July 29 meeting of Council. Growth allocation is assumed to be immaterial. Excludes managers salary as well as salary and wage costs for cross functional teams.



2020 Budget (\$1.8M)

Salary, Wages & Benefits: 7 FTE

Vendor Costs, plus other costs:
other costs include licenses, bulk survey costs, etc. and are <\$20K.

Please note: chart excludes managers salary as well as salary and wage costs for cross functional teams.



*numbers don't add to \$1.8M due to rounding.



Scenario: 20% reduction in 2020

Risks:

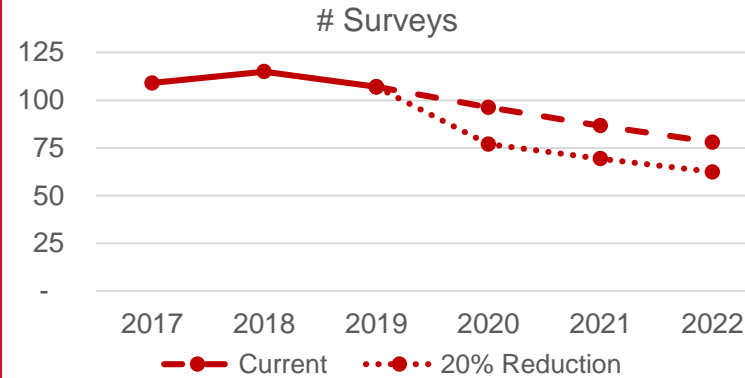
- Direct customers may seek additional funding to complete research needs through external consultants.
- The reputation of The City could be at risk as teams without expertise conduct surveys that do not meet the City's standards for quality and are not compliant with Canadian Anti Spam Legislation and FOIP legislation.
- With reduced research capacity, BUs and Services may lack the information needed to make the best decisions for citizens.



How much?:
Result of reductions:

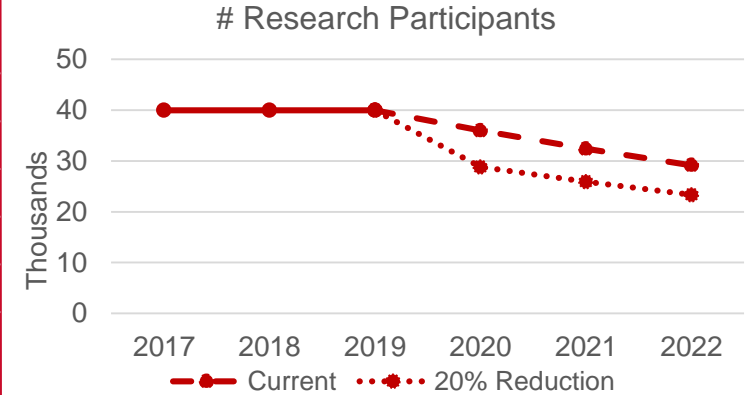
BU
Surveys

Corporate
Surveys

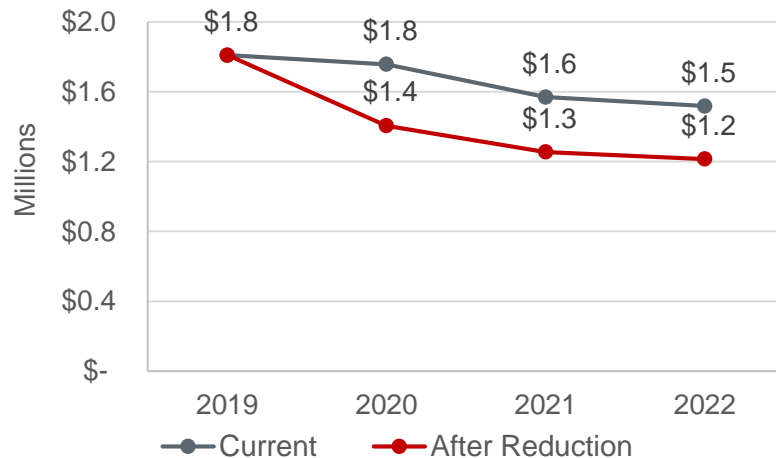


How much?:
Result of reductions:

Research
participants



Operating Budget



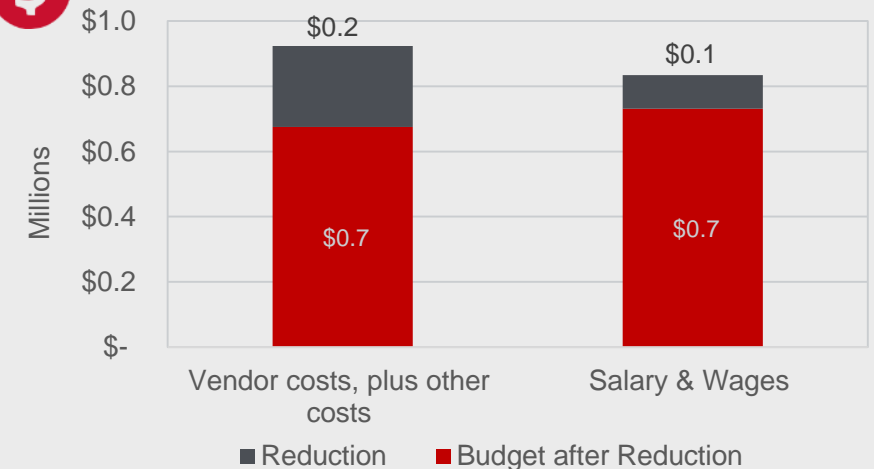
Cost Savings:

	# Cut	Cost Savings
Spring Pulse Survey (Vendor costs)	1	\$ 186.5K
Citizen Perspective Survey (Vendor costs)	4	\$ 62.2K
Salary & Wages	TBD	\$ 102.8K
Total		\$ 351.5K

Please note: chart excludes managers salary as well as salary and wage costs for cross functional teams.



2020 Budget \$1.4M (after reductions)





Scenario: Elimination in 2020

Risks:

- Direct customers may seek additional funding to complete research needs through external consultants.
- The reputation of The City could be at risk as teams without expertise conducting surveys that do not meet the City's standards for quality may not be compliant with Canadian Anti Spam Legislation and FOIP legislation.
- Without research capacity, BUs and Services may lack the information needed to make the best decisions for citizens.



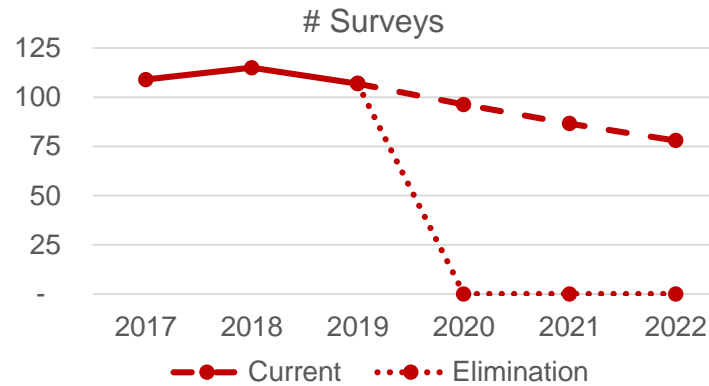
How much?:
Result of elimination:



BU
Surveys



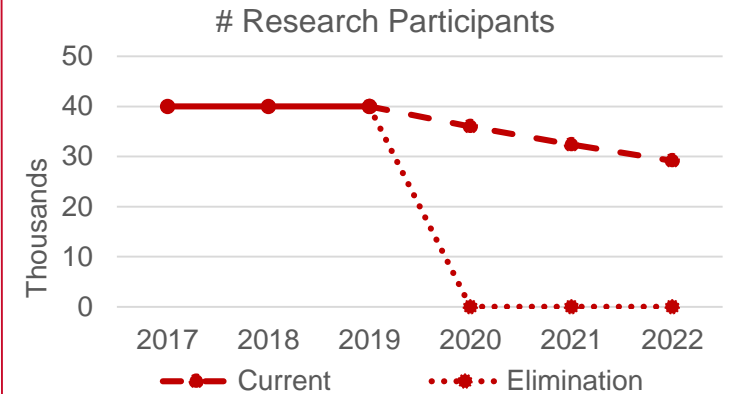
Corporate
Surveys



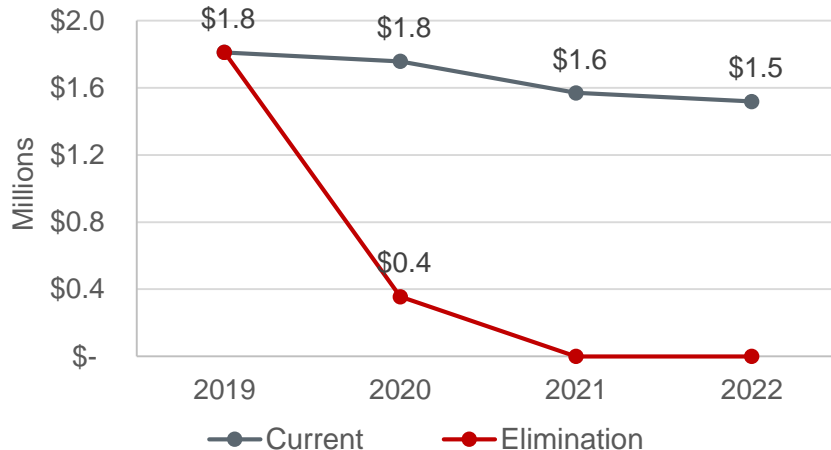
Is anyone better off?:
Result of elimination:



Research
participants



Operating Budget



Cost Savings:

Elimination of Corporate Research would result in **\$1.8M** in savings (\$0.8M in Salary & Wages, \$0.9M in Vendor and other costs), **minus** one time implementation cost of **\$0.4M**.



Since elimination of research activities may not be desirable, Administration examined market information related to outsourcing part of this work to external vendors. The chart below uses the known prices charged by vendor's previously hired by The City for one element of this type of work.

Citizen and Business Panel Maintenance and Support

	Survey & Focus group costs	Maintenance / Support of Panels	Internal Resource requirements	Total
Vendor	\$120-\$190K	\$105K	\$45K	\$270K-\$340K
In House	\$43K	\$2K	\$90K	\$135K