

Overview: Addressing the Water Utility Revenue Shortfall

- Considering both risk and impact to customers, we have made a number of decisions that reduce costs and position us to be a more efficient and effective public service as we face a future of economic uncertainty.
- This budget review process was challenging for everyone involved, but we were able to build on strengths established through past financial management practices, leverage our historical commitment to making investments in our assets to reduce operating costs and accelerate process and business improvements we had already identified. Facing this revenue shortfall has reinforced across the Water Utility that every expenditure, no matter how small, is important and needs to contribute to outcomes for customers. The overall operating budget reduction was comprised of 180 individual and cross utility adjustments with an additional 100 potential reductions being further explored throughout 2017 and into 2018.
- While the reductions we have made this year do not pose significant risk in 2017, we don't want to stretch capacity and planning to a margin that leaves us vulnerable in the longer term. We will continue to revisit our progress to guide our conversations with Council and customers.
- We are committed to continue this journey of business improvement. Ongoing cost control monitoring, budget accountability and operating adjustments will be required throughout 2017 to stay on track, inform the 2018 budget and the next Action Plan. The way we will work in the future won't be the same as how we've worked in the past.

How has the Utility decided to respond?

Addressing the shortfall will require us to look at multiple options over multiple years.

1. We will manage risk differently.

As a Water Utility, it is appropriate that risks to public health and the environment are managed conservatively. However, this approach does not need to apply to all aspects of our business. Going forward we will manage some risks differently, adjusting our operating practices along with additional controls to ensure our approach is sustainable and the right amount of risk mitigation is applied. Some of these ways include:

- Taking a more risk-based approach to maintenance practices, as highlighted in the Water Services Zero-Based Review (ZBR).
- Reconsidering certain operating practices, i.e. running our Actiflow units at our water treatment plants more efficiently, leaving 3 units in standby mode, which will allow us to save energy and use less chemicals while still ensuring they are available in an emergency or high demand.
- Doing less lab analysis of rain events, and reducing the number of stormwater samples for water quality monitoring sites.

2. We are increasing our focus on the delivery of core services to citizens.

This is an excellent time to think critically about what we do, and why we are doing it. In the past, we have, for the most part, been able to provide services to meet customers' needs and wants. We recognize there is likely a gap between what Calgarians are expecting from us and what they are willing to pay for. To create capacity within the Utility, we are going to look at our

service levels and be clearer about our customer commitments. As we focus on efficiency in the delivery of our core services, there may be some changes in service to customers, but we anticipate that those reductions will not be significantly felt at this time. For example:

- Limiting service to customers for private sanitary issues. We need to clearly delineate responsibilities of the property owner and The City and ensure City resources are committed to public infrastructure, not private. This is work we had already planned to do, but now will be accelerating.
- Some limitation of outreach within the community (tours, changes to water efficiency programs, etc.).
- Changing landscaping practices at treatment plants and secondary facilities. This could mean aesthetic changes that are seen by citizens.

3. We are embracing new ways of doing things

We are engaging our leaders and staff on ways to do things differently and the creativity and initiative shown by our staff is heartening. We have seen some impressive thinking and a desire to adopt new ways of working, while keeping the customer at the heart of our business. For example:

- Over 200 ideas were generated by employees at three Innovation Café brainstorming sessions. The majority of the recommendations were longer term ideas that won't deliver savings in the short term, but ideas collected will be directed to the appropriate areas to review and implement as appropriate. We want to continue with formal and informal opportunities to include all staff in generating cost savings ideas.
- Many energy savings ideas have come forward, large and small. At Bonnybrook, we are increasing the reliability of the power generation on biogas, so that we spend less on traditional energy, while also supporting Corporate environmental efficiency targets.
- We are thinking differently about how we deliver on our commitment to riparian restoration sites. Building partnerships, looking for volunteer opportunities, leveraging erosion sites and bioengineering opportunities and capturing those as riparian sites to put towards riparian targets will support a reduction in our investment in the riparian program.

4. We are adjusting our operating practices to create opportunities to right size our resources

We will support staff to deliver work differently in many ways, from changing some operating practices to changing vehicle and equipment management practices to assessing the level of data collection required to make good decisions. Many of these actions were already planned as part of existing organizational improvement work but will now be accelerated through the budget review process to reach cost savings sooner. This includes:

- Consolidation and increased use of vehicles and equipment to reduce the numbers and types of different units.
- Reconsidering how many storm ponds need to be cleaned due to improved understanding and knowledge from the stormwater pond assessment program.
- Re-thinking how we manage seasonal programs and workload. As seasonal workers were not hired for this summer, staffing of seasonal programs, such as the Anode Retrofit Program, will be resourced from existing staff resulting in adjustment across the work unit.

5. We are reprioritizing and deferring some of our work

In response to changing growth projections for Calgary, we have reprioritized some of our infrastructure and growth plans, changing the speed at which we are required to complete work,

however we will continue to revisit growth forecasts to ensure that we are responding appropriately to Calgary's needs. In other cases, we were able to reprioritize work that had less risk or customer impact, in order to free up resources to handle the most critical service delivery needs. Additionally, with some of the capital projects being deferred further into the capital budget window, there are less short-term operational demands than originally forecasted. This includes things like:

- Prioritization of work to align with what is essential to maintain service, including investments required to realize future savings, like piloting of the Biogradex technology at the Bonnybrook Wastewater Treatment Plant. This technology has the potential to increase the capacity of current infrastructure at a cost substantially less than other upgrade options or a plant expansion.
- Utilization of in-house resources instead of external consultants on projects like the development of a Stormwater Strategy and a Watershed Health Indicator. This is anticipated to increase development timelines.
- Adjusting the timing of delivery for certain work packages of the Bonnybrook Plant D expansion to optimize the capital budget and aligning our operating budget to the new timing; delaying some long range linear infrastructure plans like Ogden feedermain, phase 2 of the Northridge feedermain and Inglewood sanitary trunk.

6. We will have a limited number of impacts to our workforce complement.

A great deal of work has been done to manage vacant positions and we will continue to be vigilant about not hiring or refilling vacancies unless essential. We also did not rehire the majority of our seasonal staff this summer. These two decisions have already allowed us to make significant savings this year. While we cannot close the shortfall gap in 2017 without adjustments to our salary and wage budget, it is anticipated that staff reductions will be limited.