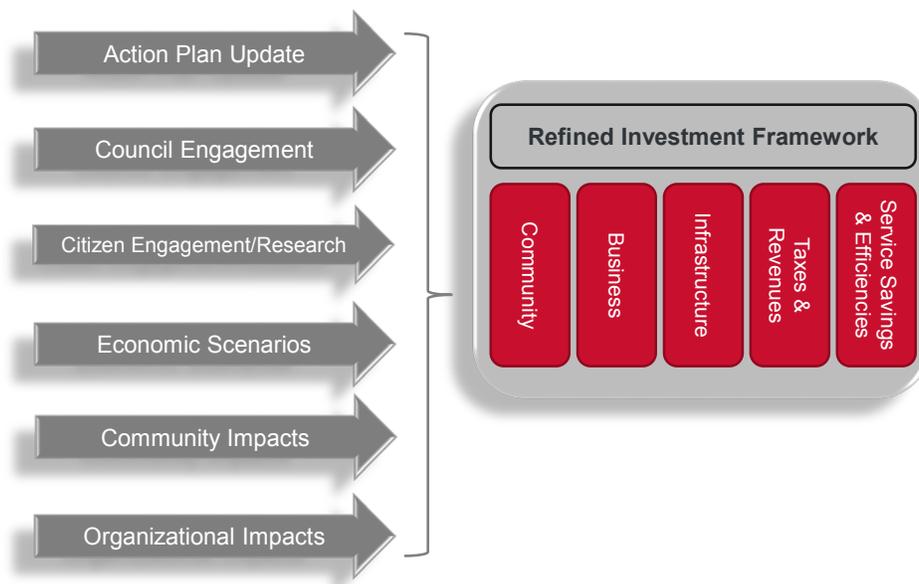


REFINED INVESTMENT FRAMEWORK

The purpose of the Investment Framework is to:

- act as a strategic driver for the preparation of adjustments that will address emerging needs arising from the economic downturn;
- encourage cross-departmental discussions and solutions; and
- present adjustments to Council for approval in November in a way that is meaningful and relevant.

The key to ensuring that the Investment Framework acts as a strategic driver is in developing specific questions that will spur ideas and proposals where they are most needed. For this reason, the Investment Framework questions have been refined, based on information from a variety of sources, as shown below. The questions reflect a synthesis of the main themes that have emerged from citizens, Council, community organizations, businesses, public policy research and City staff.



The refined investment framework categories and questions are provided for Council approval on page 2. The remaining pages of this Attachment, provided for Council's information, show in greater detail the link between the research and stakeholder information and the Investment Framework questions. Each Investment Framework Category is addressed in turn, and includes the recommended refined Investment Framework Questions and a summary of the background key findings.

Refined Investment Framework

Community

- What can we do to ensure continued access to City services for low-income earners or those feeling financial pressure?
- How can we respond to an expected increase in housing insecurity and homelessness through the operating budget?
- How can existing partnerships or programs be leveraged to address emerging community needs like food insecurity and social isolation?
- What can we do to address expected increases in social program demand?

Business

- What can we do to support the city's cultural, recreational and physical landscape to enhance overall livability?
- How can we build an environment that supports a more diverse set of businesses?
- How can we make it easier for new businesses to get started and grow?
- What investments can we make in grass-roots economic development?
- How can we help facilitate growth and development?

Infrastructure

- What projects respond to emerging business and community needs?
- What projects can help to improve operating efficiencies and/or have limited operating costs?
- What low-cost micro-projects can deliver outsized returns on investment in terms of community impact?
- What projects will provide the most economic stimulus (e.g., local job creation)?
- What is the linkage to the Capital Infrastructure Investment Plan (including recast, reprioritization, and groupings)?

Service Savings & Efficiencies

- What savings can be achieved with no impact to service?
- What efficiencies can be achieved with a modest up-front investment?
- If necessary, what are the least harm ways of reducing services?
- What can we do to off-set declines in user volume and associated user fee revenues?

Taxes & Corporate Revenues

- What are the changes to the corporate cost and revenue estimates?
- What impacts in 2017 and 2018 can be managed through Corporate Programs vs. business unit budgets?
- To what degree can the Budget Savings Account be used?
- How will the base impacts be addressed for 2018 and beyond?
- What is the source and amount of funding for Investment Framework one-time projects?



1. INVESTMENT FRAMEWORK CATEGORY: COMMUNITY

Adjustments in this category are designed to respond to emerging community needs, specifically related to the effects of the economic downturn.

Revised Focus Area Questions:

1. What can we do to ensure continued access to City services for low-income earners or those feeling financial pressure?
2. How can we respond to an expected increase in housing insecurity and homelessness through the operating budget?
3. How can existing partnerships or programs be leveraged to address emerging community needs like food insecurity and social isolation?
4. What can we do to address expected increases in social program demand?

Investment Framework: Community – Key Findings from Stakeholders	
Source	Key Findings
Citizen Engagement	<p>The priority rankings of the “Calgary’s Communities” priority category went from the 2nd ranked priority in 2014 to the 3rd ranked priority in 2016, behind Calgary’s Economy, Getting Around Calgary, and Growing Calgary.</p> <p>The priority ranking within the “Calgary’s Communities” category did not change significantly from 2014 – 2016.</p> <p>“Crime prevention and enforcement” once again topped the priority ranking for the Community category, with “Recreation and social programs” coming after that, followed by a “Variety of affordable housing options”.</p>
Citizen Research	<p>“Calgary’s Communities” was the 4th ranked priority in the citizen panel research behind “Calgary’s Economy”, “Getting Around Calgary” and “Growing Calgary”. As reflected in the citizen engagement, “Crime prevention and enforcement” (57%) was the top priority for the category, with “Recreation and social programs” (52%) and “Variety of affordable housing options” (44%) coming after that.</p>



Investment Framework: Community – Key Findings from Stakeholders	
Source	Key Findings
Council Engagement	<p>The Mayor and Councillors mentioned the following when addressing the community category:</p> <ul style="list-style-type: none"> • Important to maintain accessibility to city services like transit and recreation. • Community associations are struggling to fundraise and are in danger of abandoning their licensed facilities. • Liveability will impact our ability to cope with the current economic climate and continue to attract top-notch talent.
U of C Research Summary	<p>In brief, the <i>Social impacts of an Economic Downturn</i> identified the following community impacts from historical trends / the published literature:</p> <ul style="list-style-type: none"> • Increased food insecurity. • Increase in housing insecurity and a related increase in demand on the homeless service system. • Anticipated increase in informal housing strategies (e.g., more joint housing arrangements and possibly more illegal suites). • Increase in domestic violence. • Increased demand for formal agency-based emotional/psychological support. • Effects of a downturn can be buffered by strong social networks and strong social programs.
Community Workshop	<p>Community Groups anticipated the following impacts:</p> <ul style="list-style-type: none"> • Increased demand for their services <ul style="list-style-type: none"> ○ 211 saw an increase in calls after layoffs in May 2015. • Decline in donations and a consequent difficulty in maintaining current service levels. <ul style="list-style-type: none"> ○ Especially pronounced in the arts sector. • Possibility of attracting and retaining best talent. • Potential cost-savings arising from decreased office rental rates. • Continued focus on the most vulnerable populations (e.g., First Nations, recent immigrants/refugees).
Business Workshop	<p>The Business Workshop participants were more focussed on the economy but had the following comments with respect to the impact of the economic situation on communities:</p> <ul style="list-style-type: none"> • Housing prices (both rental and sale) are going down and will continue to drop. • Expect increase in demand for adult learning/education programs. • Need to make Calgary a more desirable place to live and work through investments in culture.



Investment Framework: Community – Key Findings from Stakeholders	
Source	Key Findings
City staff workshop	<p>City staff identified the following impacts on community:</p> <ul style="list-style-type: none"> • Higher weekday daytime usage of city facilities. • Increased demand for Community Services based services including: <ul style="list-style-type: none"> ○ Fire and Police Services. ○ Services for vulnerable populations (e.g., youth-at-risk, new immigrants, First Nations). • Decreased corporate demand for recreation facilities (fields / arenas). • Reduced annual pass purchases / increased day pass sales.

2. INVESTMENT FRAMEWORK CATEGORY: BUSINESS

Adjustments in this category are designed to respond to emerging business needs, specifically related to the economic downturn.

Revised Focus Area Questions:

- 1. What can we do to enhance the city’s cultural, recreational and physical quality of life that will help retain and attract top-notch talent and business?**
- 2. How can we build an environment that supports a more diverse set of businesses?**
- 3. How can we make it easier for new businesses to get started and grow?**
- 4. What investments can we make in grass-roots economic development?**
- 5. How can we help facilitate growth and development?**

Investment Framework: Business – Key Findings from Stakeholders	
Source	Key Findings
Citizen Engagement	<p>The priority ranking of the “Calgary’s Economy” priority category went from the 4th ranked priority in 2014 to the 1st ranked priority in 2016.</p> <p>The priority ranking within the “Calgary’s Economy” category reflected a significant increase in interest in the “Attract new business and industries” priority. The second and third priorities were “A diversified local economy” and “Small business growth and development”.</p>



Investment Framework: Business – Key Findings from Stakeholders

Source	Key Findings
Citizen Research	<p>“Calgary’s Economy” was the top-ranked priority in the citizen panel research from March 2016. Calgarians recognize that the economic situation in the city has been worsening with 75% describing the current economic situation as “bad”, a 14% increase since November 2015 (61%).</p> <p>While most respondents accepted that The City does not have a huge influence on the economy, when asked how The City could impact the economy, the top four answers were “Create more jobs” (22%), “Lower / reduce taxes” (16%), “Build / improve infrastructure” (12%) and “Promote business investment / attract / retain businesses” (11%).</p>
Council Engagement	<p>The Mayor and Councillors mentioned the following when addressing the impact of the economy on business:</p> <ul style="list-style-type: none"> • Want to see Calgary as a destination for investment <ul style="list-style-type: none"> ○ Leverage our strong talent pool and low Canadian dollar. ○ Creative city with arts, culture, good public spaces (urban design) and public facilities as a means to attract businesses and people. ○ Efficient planning and development processes. • Concern about the business impact of provincial policies like minimum wage increase and carbon levy. • Vacancy rates in downtown are a great concern. <ul style="list-style-type: none"> ○ Need to draw new business and/or consider reuse of space for other purposes (such as affordable housing). • Need to think about how to facilitate business success.
U of C Research Summary	<p>While the <i>Social Impacts of an Economic Downturn</i> focussed on community impacts there were also insights on how the economy might affect business:</p> <ul style="list-style-type: none"> • Decreased intentions to migrate to Calgary, meaning less population growth. • Employment will be more precarious (e.g., part-time, contractual). • Increased informal livelihood strategies like bartering.
Community Workshop	<p>Community Groups were primarily focussed on the social/community impacts but also identified the following business impacts:</p> <ul style="list-style-type: none"> • As private sector wages decline, there will be more competition for top talent among all sectors of the economy. • Decline in business travel must be filled in by leisure travel to sustain industry (lower dollar helpful in that respect).



Investment Framework: Business – Key Findings from Stakeholders	
Source	Key Findings
Business Workshop	<p>The Business Workshop participants identified the following business impacts:</p> <ul style="list-style-type: none"> • Expect business impacts to be much worse than 2009 and potentially on the lower end of the economic scenarios. • Expect wage deflation for those that maintain employment. <ul style="list-style-type: none"> ○ Government wages becoming much more competitive vis-a-vis private sector wages. • Focussing on liveability will increase the attractiveness of the city to potential employees and for business relocations. • Retaining current labour force is very important and will be a challenge. • Expect more foreclosures and delinquencies into 2017/2018. • Low interest rate climate expected to persist. • Lower housing costs may improve attractiveness of city when compared to Toronto/Vancouver.
City staff workshop	<p>City staff identified the following impacts on business:</p> <ul style="list-style-type: none"> • Fewer housing starts / permit applications and overall decrease in demand for Planning and Development services are expected.

3. INVESTMENT FRAMEWORK CATEGORY: INFRASTRUCTURE

Adjustments in this category are designed to prompt thinking about infrastructure projects, specifically related to the economic downturn.

Revised Focus Area Questions:

- 1. What projects respond to emerging business and community needs?**
- 2. What projects can help to improve operating efficiencies and/or have limited operating costs?**
- 3. What low-cost micro-projects can deliver outsized returns on investment in terms of community impact?**
- 4. What projects will provide the most economic stimulus (e.g., local job creation)?**
- 5. What is the linkage to the Capital Infrastructure Investment Plan (including recast, reprioritization, and groupings)?**



Investment Framework: Infrastructure	
Source	Comments
Citizen Engagement	<p>While the engagement did not include questions particular to infrastructure investments, it is clear that Calgarians value mobility, recreation and affordable housing as public infrastructure. The following infrastructure-themed priority areas were in the top three of their respective priority categories: “Accessible Public Transit”, “Vehicle Traffic Flow” and “Local Green Spaces”.</p>
Citizen Research	<p>The “Calgary’s Economy” priority category was the highest priority category with 71% of respondents identifying the category as a priority. When asked about how The City could positively impact the local economy, 12% of respondents identified “Build/Improve Infrastructure” as a priority. This was the 3rd highest priority after “Create more jobs” (22%) and “Lower/reduce taxes” (16%).</p> <p>The “Getting Around Calgary” priority category has historically been the highest rated category but was displaced to 2nd this year by “Calgary’s Economy”. Among those that identified “Getting Around Calgary” category as a priority, “Reliable and Accessible Transit” (62%) and “Vehicle Traffic Flow” (52%) were the top priorities.</p> <p>Under the “Growing Calgary” priority category “Local Parks, green spaces, sports fields” and “Reinvesting in older community infrastructure” were the 2nd and 3rd ranked priorities behind “Communities with a variety of housing choices”.</p>
Council Engagement	<p>Councillors had the following comments with respect to infrastructure matters:</p> <ul style="list-style-type: none"> • Would love to see each Ward get \$1 million to decide what gets done in that Ward – little projects like left turn lanes, park benches, more trees etc. • There has got to be better way to do things, seems like we focus on large projects, small projects get overshadowed. The public is interested in the smaller projects. • Transportation and recreation are key areas. • Dealing with growth pressures more than lifecycle issues. • Focus on investment that lowers operating costs (e.g., lifecycle maintenance, refurbishments that lower energy costs that also correspond with the Provincial government’s goals for carbon reduction). • Focus on the cash flows and shovel ready projects, but more investment comes with the possibility of higher operating costs – we don’t want to have to fund a big increase in operating costs. • Reprioritizing capital dollars is important. • Capital projects related to economic resiliency and the provincial/federal budgets will heavily inform adjustments. • Look at operating costs. Leverage capital expenditures to reduce operating costs. • Need to develop a framework whereby the operating costs of capital expenditures (e.g., lawyer who works on various capital projects) can come from the capital budget. • Need to experiment with low cost micro projects and see what works.



Investment Framework: Infrastructure	
Source	Comments
Council Engagement (continued)	<ul style="list-style-type: none"> • Capital projects are huge (especially Green Line). We have the pressure to do things, need to show that the projects are benefiting the community. (e.g., job creation) • Think about what could be delayed / put on hold. Don't be afraid to reallocate funds and do things later. • Citizens in the suburbs don't agree with what we're investing in downtown (e.g., cycle track), need to strike a better balance between all quadrants.
U of C Research Summary	N/A
Community Workshop	Comments in the community workshop tended towards addressing emerging operating / program-related issues rather than infrastructure.
Business Workshop	<p>Again the business workshop tended towards operational considerations rather than capital expenditures.</p> <p>The business group did, however, comment that where capital should be invested where it is believe that it can act as accelerator for private sector growth.</p>
City Staff Workshop	<p>City Staff had the following comments with respect to the Infrastructure category:</p> <ul style="list-style-type: none"> • Increased capital investment is great but we may not have the operating costs to match. • Land acquisition costs expected to be lower. • Expect a decrease in costs associated with construction (e.g., lending, materials, etc.).

4. INVESTMENT FRAMEWORK CATEGORY: SERVICE SAVINGS AND EFFICIENCIES

Adjustments in this category are designed to continually increase service efficiency and reduce service costs.

Revised Focus Area Questions:

- 1. What savings can be achieved with no impact to service?**
 - 2. What efficiencies can be achieved with a modest up-front investment?**
 - 3. If necessary, what are the least harm ways of reducing services?**
 - 4. What can we do to off-set declines in user volume and associated user fee revenues?**
-



Investment Framework: Service Savings and Efficiencies – Key Findings from Stakeholders

Source	Key Findings
Citizen Engagement	<p>A “well run city” was the lowest ranked among six broad categories in the Mid-cycle check in. However, the highest priority item <i>within</i> in a “well-run city” was spending efficiency and cost saving.</p> <p>Efficiency and cost reduction was also the single largest theme in the written comments from the Mid-Cycle engagement.</p> <p>Concern about the economy is the highest priority in citizen engagement; within this, the most identified way that The City can support the local economy is “Create more jobs”. It is not clear if this refers to City jobs, private sector jobs, or both.</p> <p>Maintaining service levels is also a priority; while there is little interest in improving service levels if it results in a tax rate increase, there is also little appetite for service reductions.</p>
Citizen Research	<p>“How The City Works” was the lowest ranked priority by the citizen panel research. Within this priority area, however, spending efficiency and cost savings measures were the most often mentioned (70%).</p>
Council Engagement	<p>The City needs to be “lean”, to continue to find efficiencies. Some acknowledge that it will be increasingly difficult to do this.</p> <p>Be clear about how cost savings are being achieved. If Administration is proposing cost cuts with service impacts, be mindful about impacts. Don’t just “nibble away”. Be willing to make difficult choices.</p> <p>We may see opportunities for cost savings through lower [inflation] costs – but be ready for a rebound when the economy recovers.</p>
U of C Research Summary	<p>n/a</p>
Community Workshop	<p>Few direct comments related to efficiency and cost savings. Many noted expected increased demand for service in selected areas (e.g. social services) and also that community not-for profit organizations will suffer financially as donations decrease.</p> <p>The contracting economy is making more difficult to secure work-experience placements for students [with potential long-term consequences for talent retention].</p>
Business Workshop	<p>Distinguish between reducing inefficiency and cost-cutting. Support for continued improvements in service efficiency.</p> <p>Mixed messages on government spending. Many don’t see cost-cutting as forward-looking. Risk of cost-cutting is that it creates uncertainty, the best staff leave and it becomes more difficult to stay competitive in the long term.</p>



Investment Framework: Service Savings and Efficiencies – Key Findings from Stakeholders

Source	Key Findings
Business Workshop (continued)	<p>If the government plans to reduce costs rather than invest, it does not provide, it will not give business a lot of confidence. Loss of investment and innovation is a serious threat.</p> <p>Others say that government should curb spending in line with the current economic reality. Council needs to be mindful of the fact that there are more incentives to leave and start a business in Saskatchewan or Houston than to stay in Calgary.</p> <p>Some comment on wage and salary rates, and the need to reset expectations.</p>
City staff workshop	<p>See and understand the need to continue to become more efficient. Doing more with less can also drive change and open doors for innovation.</p> <p>Efficiencies often require investment in technology, etc. up front, with benefits realized later.</p> <p>Focus efficiencies on the operating budget.</p> <p>City services have experienced mixed results from a slower economy: demand is increasing in some areas, falling in others, and in some cases is largely independent of the state of the economy.</p> <p>Civic partners are seeing increased demand, as more people stay in Calgary for vacation, leisure.</p>



5. INVESTMENT FRAMEWORK CATEGORY: TAXES & CORPORATE REVENUES

Adjustments in this category are designed to corporately manage part of the impact of a decrease in corporate revenues, and possible changes in the tax rate.

Revised Focus Area Questions:

1. What are the changes to the corporate cost and revenue estimates?
2. What impacts in 2017 and 2018 can be managed through Corporate Programs vs. business unit budgets?
3. To what degree can the Budget Savings Account be used?
4. How will the base impacts be addressed for 2018 and beyond?
5. What is the source and amount of funding for Investment Framework one-time projects?

Investment Framework: Taxes & Corporate Revenues – Key Findings from Stakeholders	
Source	Key Findings
Citizen Engagement	<p>The single largest theme to come out of participant comments and feedback was clearly concerns about taxes, spending & efficiency. Opinions and suggestions varied widely on what specific things Council should do to ensure that taxes remain competitive, that spending provides value for citizens, and that the Corporation operates efficiently.</p> <p>“Lower tax increases rather than new or enhanced services” was ranked much higher than in 2014 (ranked 5th) and now sits second behind “Spending efficiency and cost savings measures”.</p> <p>The “Other funding sources” priority was ranked much lower in 2016 (5th) as compared to 2014 (2nd).</p>
Citizen Research	<p>“How The City Works” was the lowest ranked priority by the citizen panel research. As reflected in the citizen engagement, “Lower tax increases rather than new or enhanced services” (45%) was the second highest priority behind “Spending efficiency and cost savings measures” (70%).</p>
Council Engagement	<p>Some members of Council were interested in using current year savings to lower the tax rate.</p> <p>Those Councillors that mentioned the Fiscal Sustainability Reserve (FSR) were not in favour of using it to lower the tax rate.</p> <p>Some Councillors wanted to see zero per cent increases, others wanted to see the a tax rate closer to the Consumer Price Index (CPI), still others wanted to “stay the course”.</p>



Investment Framework: Taxes & Corporate Revenues – Key Findings from Stakeholders

Source	Key Findings
U of C Research Summary	n/a
Community Workshop	Generally few comments with respect to taxes and corporate revenues from this workshop although community groups expected their reliance on government sources of funding to increase as private funding sources decline.
Business Workshop	Reduction in spending not necessarily the best option, holding the course can communicate confidence to businesses / citizens. Concerned about taxation levels in other orders of government and the impact of increased taxation at the municipal level noting that Alberta is becoming less competitive than other jurisdictions (e.g., Saskatoon and Houston).
City staff workshop	Uncertainty of capital funding from City/Province is an issue. Franchise fee revenue declining with commodity prices.