

## 2021 – 2032 Long Range Financial Plan

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### RECOMMENDATION(S):

That the Executive Committee recommends that Council:

1. Receive the 2021-2032 Long Range Financial Plan in Attachment 3 for information; and
2. Approve the strategies articulated in the Long Range Financial Plan in pages 36-37 of Attachment 3 as directional support for future cycles of the Service Plans and Budget planning process.

### HIGHLIGHTS

- **Reasons for Recommendations:** This Long Range Financial Plan update builds awareness of The City's current financial situation and trends, monitors the systemic and emerging challenges it faces, and assesses their impacts on municipal finance over the next 10 years beyond the current budget cycle. This Long Range Financial Plan proposes financial strategies and tactics that will guide future actions leading to The City's long-term financial sustainability and resilience; and provides background and directional support for Council and Administration for preparation of future plans, budgets and policies.
- **What does this mean to Calgarians?** The Long Range Financial Plan aligns The City's financial capacity with the long-term service provision expected and valued by Calgarians. A financially sound City of Calgary is critical to the local economy and the well-being of Calgarians.
- **Why does this matter?** While The City is currently in a strong financial situation, it is also facing existing issues and emerging challenges. By taking definitive action in developing this plan, The City is proactively seeking to protect the services and infrastructure that Calgarians expect and value.
- The essence of the Long Range Financial Plan is to provide a plan to support the achievement of The City's long-term financial goals of sustainability and resilience. Financial sustainability is the enduring ability of The City to ensure that it can deliver the level and types of services expected by the community, and the ability to balance long-term revenue and expenditure constraints. Resilience is the capacity of The City to recover from shocks and longer-term stressors, and the ability of not only surviving shocks, but also thriving even under conditions of adversity.
- Using projections and future scenario development, Administration is seeking to balance revenue and expenditure constraints while remaining resilient in the long term.
- The update of the Long Range Financial Plan provides Council with the information to assist them with understanding the City's financial challenges and strategies as financial decisions are made, including those around the next budget cycle.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

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### **DISCUSSION**

The City of Calgary has been developing and updating its Long Range Financial Plan since 2004. Significant changes have happened to Calgary's economy and its impact on municipal finance since the previous updates. The changes include both short- to mid-term factors, such as the economic downturns, downtown office vacancy and assessment value reductions, tax shifts, the COVID-19 pandemic and its disruptive impact on Calgary's market and municipal services; and long-term factors including potential opportunities and threats, such as demographic shifts, growth of knowledge economy, and technological changes. The 2021-2032 Long Range Financial Plan provides an update to reflect the changes and their impacts on municipal finance.

This Long Range Financial Plan provides projections of The City's operating and capital requirements over the next 10 years beyond the current budget cycle, and a plan of strategies and tactics based on the projections and through the development of future scenarios to help The City navigate the financial challenges.

The development of this Long Range Financial Plan has included extensive internal engagement with services and gone through a thorough validation and review process with both internal stakeholders and external reviewers. The Long Range Financial Plan projection model is based on the One Calgary 2019-2022 Service Plans and Budgets and subsequent adjustments including the 2020 Mid-Cycle Adjustments. It projects 10 years beyond the end of the 2019-2022 budget cycle into the future. The Long Range Financial Plan projection model estimates that The City will face significant annual operating and cumulative capital budget shortfalls over this period unless other budget balancing measures are employed, including the strategies and tactics identified in the plan.

The key message taken from the operating and capital projections is not the value of the gap, but the trend: that the gap is significant and grows continuously throughout the projection period, indicating the difference between revenue and expenditure growth under the current financial structure and the growth of the capital funding gap which reinforces the challenges facing The City for its long-term service provision. The City will ensure the gap closes, as required by the multi-year business planning and budgeting policy (CFO004). The Long Range Financial Plan assists in anticipating the gap and the risks based on scenarios.

Sensitivity tests and alternative scenarios have been developed to demonstrate how differing assumptions can affect projections, and to help assess the financial impacts of diverse sources of risks. This supports the Long Range Financial Plan strategies development by identifying the key challenges and impacts of multiple influencing factors on municipal finance and demonstrating the importance and benefits of proposed financial strategies.

Attachment 3 provides greater detail on the financial goals which are supported by the five main financial strategies through eight specific tactics.

The Long Range Financial Plan provides Council with an ongoing, longer-term perspective on The City's financial prospects. The Long Range Financial Plan assumptions will continue to be refined, its projections will build on more customized data and scenarios, and its strategies will continue to be tested by changing circumstance and evolve as appropriate.

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### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

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

An external peer review was conducted to reinforce the validation process of the Long Range Financial Plan. The recommendations provided by the external reviewers have been discussed and incorporated in the Long Range Financial Plan report.

### **IMPLICATIONS**

#### **Social**

Financial sustainability and resilience are required to effectively deliver the social services and infrastructure required by citizens over the long-term. An inability to address the financial challenges will lead to uncertainty in funding and program service level insecurity. The Long Range Financial Plan is developed to enhance The City's awareness of financial challenges and to achieve long-term sustainability and resilience in its service provision for Calgarians.

#### **Environmental**

Adequate financial resources are necessary to allow The City to meet its environmental stewardship goals and commitments.

#### **Economic**

The ability to deliver necessary services and infrastructure with restrained revenue growth is key to remaining competitive and attracting the private sector investment and in-migration necessary to drive economic growth. The City's long-term financial sustainability and resilience is critical to the local economic development and the well-being of Calgarians.

### **Service and Financial Implications**

#### **Tax-supported funding**

\$150,000

A one-time funding request of \$150,000 is included in the 2022 Adjustments to the 2019-2022 One Calgary Service Plans and Budgets (C2021-1436) to develop an implementation program for the Long Range Financial Plan.

### **RISK**

The Long Range Financial Plan is a risk management tool to assist in overcoming the challenges to financial sustainability and resilience.

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The Long Range Financial Plan identifies risks associated with the financial challenges of the next decade. First and foremost, there is risk that if these challenges are not addressed comprehensively and systematically, The City will be forced to address them on an ad hoc basis, which will likely lead to less efficient outcomes. The City faces both systemic issues and emerging challenges from multiple sources that may impact its long-term sustainability and resilience. The City’s financial goals, strategies, and tactics establish a mechanism of risk management to support the outcome of a well-run city by delivering excellent services and infrastructure for citizens. The importance of The City’s proactive risk management culture is acknowledged by the Long Range Financial Plan process. The resources asked for implementation act as a mitigating factor for this risk.

This Long Range Financial Plan connects with The City’s long-term vision and policies, medium-term plans, and short-term priorities and projects. It supports the Corporate risk management efforts by assessing and managing the Principal Corporate Risks including financial risk, economic risk and capacity for change risk to ensure financial sustainability.

**ATTACHMENT(S)**

1. Attachment 1: Previous Council Direction, Background
2. Attachment 2: 2021-2032 Long Range Financial Plan Report Overview
3. Attachment 3: 2021-2032 Long Range Financial Plan Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer’s Department	Approve