

2015-2018 ACTION PLAN PROPOSED BUSINESS PLANS AND BUDGETS

EXECUTIVE SUMMARY

This report is intended to seek Council approval of the 2015-2018 proposed business plans, operating budgets, capital budgets, user fees and utility rates. The proposed business plans and budgets form the path that The City of Calgary will take over the next four years, to provide the services and programs that Calgarians have asked for. The budget is The City's financial roadmap, created in concert with the business plans that have been developed to achieve the Strategic Actions set forth by Council Priorities.

Administration is recommending an overall operating budget of approximately \$3.8 billion per year and a capital budget of \$7 billion (\$4.7 billion for approval) for the 2015-2018 cycle.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Approve the 2015-2018 business plans as well as the associated operating and capital budgets as identified in Attachment 1.
2. Adopt the 2015 corporate operating budget.
3. Adopt the 2015 corporate capital budget.
4. Approve the recommendations contained within Attachment 2: User Fee and Utility Rate Changes.
5. Receive for information Attachment 3: Omnibus List and Add Package Items.

PREVIOUS COUNCIL DIRECTION / POLICY

Multi-year business planning and budgeting was first introduced in 2005, with the fourth series of this process coming forward for the 2015-2018 four-year business and budget cycle. Each process has resulted in improvements and enhancements to the business planning and budgeting process, including enhanced engagement of stakeholders, improved alignment to Council Priorities and more information to help guide Council decision making.

On 2012 April 09, Council approved the debrief report, Final Debrief: 2012-2014 Business Plan & Budget Coordination Program (PFC2012-33). The debrief recommendations were identified for consideration and continuous improvement in the 2015-2018 business cycle. The report recommendations were considered in the preparation of this process plan.

To accommodate the change to Alberta legislation for a four-year election term, on 2013 April 22, Council approved a modified four-year cycle, as the revised approach to City business planning and budgeting, beginning with the 2015-2018 cycle (PFC2013-0338).

On 2013 November 8, Council approved the comprehensive stakeholder-based engagement strategy for the 2015-2018 *Action Plan* (C2013-0709). Subsequently, on 2013 December 16, Council approved the framework and timelines to deliver the *Action Plan* (PFC2013-0737). The report approved process and governance related structures for decision making and directed Administration to commence the development of priorities at the first strategic session meeting on 2014 January 17.

On 2014 May 5, Council approved the 2015-2018 Council Priorities for Calgary as well as indicative tax rates, utility, drainage and waste and recycling rates and fees, and user fee long-

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term recovery rates. Administration has used these as guidance and direction in preparing business plans and budgets, for Council's review and consideration for approval.

In September of 2014, a series of presentations were made to the Standing Policy Committees (SPC) and other Committees of Council by City departments and various partners. The presentations were a high level overview of draft department business plans highlighting how the department and other partners were proposing to meet Council Priorities within the parameters set out on 2014 May 5.

At the 2014 October 6 meeting, Council approved the Water, Wastewater and Drainage Cost of Service recommendations, providing Administration with the authority to develop the rate design reflected in the Bylaw schedules for those rates.

At the 2014 October 27 Strategic Meeting of Council, The Chief Financial Officer's Report (C2014-0833) included a discussion on scenarios of different population growth forecasts (25,000 to 40, 000 annually) and the potential impact to the 2015-2018 proposed plans and budgets.

BACKGROUND

2015-2018 Action Plan Proposed Business Plans and Budgets

The 2015-2018 *Action Plan* (Attachment 1) begins the fourth cycle of the multi-year approach to planning and budgeting that Council first approved in 2004. The plans, budgets, performance measures and benchmarks are contained within the binder, and organized by department. Additional effort has been made this cycle to provide more plan and budget information by line of service within each department and business unit.

The development of *Action Plan* maintained alignment with the approach to business planning and budgeting approved by Council in 2011. The improvements and enhancements made last cycle have been maintained such as:

- The incorporation of citizen and stakeholder engagement in the development of the plans and budgets.
- Continued focus on demonstrating alignment to Council Priorities as well as long-term plans.
- Enhanced performance measurement information by departments.
- Integration of plans and budgets to emphasize the link between the business plan action or item and the budget required to support it.
- Continued reporting on efficiency gains and improvements.

Additional improvements and enhancements that Council will note for this cycle include:

- Departments have adopted Council's Strategic Actions as the Department Strategies to which each business unit action must align to, showing an improved line of sight to Council Priorities and Administration's contributions to achieving them.

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- Enhanced benchmarking information within the plan.
- Additional budget and business plan information for the lines of service within each department.
- Information on the operating impact of capital over the four-year cycle as well as anticipated future operating impacts of capital for 2019-2024.
- Business cases are included in an online budget dashboard at calgary.ca/actionplan that is available for review during the public release of *Action* Plan. The business cases provide additional information on the capital projects proposed in the plan.
- An overview of the plan is also available online at calgary.ca/actionplan during the public release.

The 2015-2018 *Action* Plan represents Administration's recommendations to Council on how Council Priorities will be achieved over the four-year period from 2015-2018. The plans also address the input and feedback provided by Calgarians during the *Action* Plan engagement process, and demonstrate a focus towards the achievement of Council approved long-term plans. Detailed information on how the inputs were considered is included in the department and business unit sections of the plan.

User Fee Changes

Attachment 2 provides the detailed user fee schedules and bylaws for each business unit, developed as a result of comprehensive research and analyses of full costs, consumer and market factors, and an assessment undertaken by each business unit of the societal benefits of their goods and services. The proposed user fees are set in accordance with the User Fees and Subsidies Policy (CFO010), which was updated and approved by Council in 2008, and are consistent with the long-term recovery rates approved by Council on 2014 May 5.

Omnibus Items and Add Packages

A summary of all the items that Council has asked Administration to report back on is included in Attachment 3. The summary and supporting templates form the omnibus list. In addition, this attachment also contains additional budget requests that are not included in the business plan and budget submission within *Action* Plan but have been previously brought forward at Council as emerging items that have not been accounted for within the 2015-2018 *Action* Plan. These items are classified as add packages. Templates for these requests include background information, a summary of the item and the proposed budget request.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

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In developing the proposed 2015-2018 *Action Plan*, many inputs were considered by Administration.

- Alignment to Council Priorities, Outcomes and Strategic Actions was a primary driver in the development of the plan.
- Incorporation of key themes and ideas heard from the comprehensive stakeholder-based citizen engagement process conducted in 2014 April.
- Examination of key trends and issues impacting the development of the proposed plans and budgets.
- Best practices in financial planning as identified in the Long Range Financial Plan.
- Alignment to long-term plans, including the Council-approved Municipal Development Plan, Calgary Transportation Plan and imagineCALGARY.

The result is a plan that includes a greater focus on responding to citizen feedback, actions that show an improved line of sight to Council Priorities shows alignment to key long-term plans and emphasizes performance measures and benchmarking.

The proposed plans and budgets in Action Plan were developed based on the anticipated forecasted annual growth of 25, 000 annually. Subsequently, in 2014, the population grew by 38,000 and in 2014 August, a new forecast predicted annual growth to be 30,000 annually over the 2015-2018 business plan cycle. Council received a presentation at the 2014 October 27 Strategic Meeting of Council, which included a discussion on different economic scenarios as a result of population forecasts between 25,000 to 40, 000 annually. To manage the potential risk of additional growth, Administration will monitor growth closely and prepare to make adjustments on a yearly basis as appropriate. The four year business plan and budget cycle process is built to adapt to the changing environmental and economic conditions through yearly review and adjustment processes at Council's consideration, as well as ongoing monitoring of the internal and external environment.

Stakeholder Engagement, Research and Communication

From 2014 March 3 - 21, the *Action Plan* engagement reached out to citizens with 21 events in 18 days, as well as providing online and 311 access to the engagement tools. The intention of the engagement program was to educate citizens on City operations and finances, while also inviting their input on the priorities they think The City should focus on over the next four years. The results of the public engagement were presented to Council on 2014 April 28 and considered in the preparation of Council Priorities.

Each business unit has considered the engagement results from the March events as well as other engagement findings from other business unit-specific engagement process in the preparation of *Action Plan*. Included with the proposed plans and budgets in Attachment 1 is detailed information on how the engagement results were considered in the plans in multiple areas including: the corporate summary, department summaries, and business unit summaries.

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Advertising to communicate the release of *Action Plan* to the public was available in both traditional and multi-media channels for the November 4 public release including: billboards, Metro newspaper advertisement, Calgary Herald advertisement, The City of Calgary website, Report to Calgarians on CBC, CTV, OMNI and Cineplex, media technical briefing on November 4, The City of Calgary twitter, facebook, as well as distributed to members of our *Action Plan* e-newsletter mailing list.

Action Plan (Attachment 1) was released on 2014 November 4 for public review and comment. It was available online and in hard copy at 18 local libraries for public review and comment. Comments received by the public will be consolidated and provided to Council throughout deliberations. Public submissions can be submitted to City Clerks in writing or through verbal presentations at the November 24 meeting of Council.

Strategic Alignment

The City of Calgary *Action Plan* supports the objectives of its major policy documents: The Municipal Development Plan, the Calgary Transportation Plan, the Long Range Financial Plan and the 2020 Sustainability Direction. The *Action Plan* is centred on achievement of the five Council Priorities that were established with consideration of long-range plans.

Social, Environmental, Economic (External)

The 2015-2018 *Action Plan* addresses the social, environmental, economic triple bottom line by aligning the business unit actions within the plan to Council's Strategic Actions which address these areas.

Social

Social demographics were considered in the preparation of the plan with resulting actions identified to respond to external factors such as an aging population, net migration, immigrant population, and low income Calgarians. While social considerations are integrated in all Council Priorities, the 2015-2018 *Action Plan* contains 208 business unit actions that contribute to the Council Priority of *inspiring neighbourhoods*, which focuses primarily on addressing community-based needs and promoting positive social outcomes. Two examples of actions in the plan related to achieving social objectives are to "keep communities safe by meeting and maintaining standards for crime prevention, fire response, and enforcement" and to "provide great public spaces and public realm improvements across the city...".

Environmental

Many external factors related to the environment were considered in the preparation of the plan such as trends in increases in annual temperature, forecast increases in local and global green house gas (GHG) emissions, as well as ongoing projections for higher frequency and intensity of extreme weather events. Considerations related to the environment are integrated in all priorities, however the Council Priority of creating a *healthy green city*, in particular has many Strategic Actions that speak to the maintenance and enhancement of the city's environment, as well as helping to promote healthy lifestyles for Calgarians. The 2015-2018 *Action Plan* contains 70 business unit actions that contribute to achieving this Priority. Two examples of actions in the plan related to environment are to "implement a residential Green Cart Program" and to

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"continue to invest in priority flood resilient infrastructure to reduce the impact of and vulnerability to future events".

Economic

Economic forecasts were considered in preparation of *Action Plan* utilizing May 2014 forecast information. Key trends such as the continued strong pace of economic activity, one of the lowest unemployment rates in Canada, and strong population growth are significant factors that influenced the actions identified in this plan. Considerations related to the economy are integrated in all Priorities, however, Council Priorities *a prosperous city*, and *a city that moves* and the Strategic Actions under these two Priorities, contribute, among other things, to the economic well-being and prosperity of Calgary. The Plan contains 163 and 172 business unit actions that contribute to achieving *a prosperous city* and *a city that moves* respectively. Two examples of actions related to the economy are "...business tax consolidation, which foster a supportive business environment" and to "invest to expand service on the Primary Transit Network (PTN)."

Financial Capacity

Current and Future Operating Budget:

The proposed 2015-2018 operating budget of approximately \$3.8 billion per year has been prepared, based on the indicative tax rate set by Council for each of the four years in the cycle. Any expenditure increases that Council directs through its *Action Plan* deliberations may necessitate an offsetting expenditure reduction in order to maintain a balanced position in the operating budget.

Current and Future Capital Budget:

Administration is recommending a \$7 billion four year (2015-2018) capital budget (\$4.7 billion for approval). The five year \$7.6 billion 2015-2019 Capital Plan includes the full budget of projects that are anticipated to continue or commence in the 2015-2019 period. The five-year plan shows the complete impact of multi-year projects, as well as the distribution of expenditures and how funds are spread over time.

Risk Assessment

Integrated risk assessment practices were a key component of preparing the proposed plans and budgets. Business unit actions have been refined to proactively manage risks identified by Administration through the business planning process.

REASON(S) FOR RECOMMENDATION(S):

The proposed 2015-2018 *Action Plan* business plans, budgets, user fees and utility rates work towards achieving Council Priorities over the four-year term, while maintaining focus and progression towards longer-term goals and actions identified in long-term plans such as the CTP, MDP and imagineCALGARY.

The Municipal Government Act, Sections 242 and 245 require Council to "adopt" an operating and capital budget for each calendar year. Therefore while Council has been asked to approve

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the multi-year program budgets, it must formally adopt the 2015 operating and capital budgets. The 2015 adoption must take place during Council deliberations in November 2014 while the 2016, 2017 and 2018 operating and capital budget are adopted as part of the annual adjustment process in each of those years. Recommendations 2 and 3 of this report deal with the adoption requirement.

ATTACHMENT(S)

Attachment 1: *Action* Plan 2015-2018 Proposed Business Plans and Budgets – Limited Distribution (pre-distributed binder)

Attachment 2: User Fee and Utility Rate Changes (Attachments 2A-2U)

Attachment 3: Omnibus List and Add Package Items (Attachments 3 – 3L)