

## PROPOSED COUNCIL STRATEGIC DIRECTION FOR ACTION PLAN 2015-2018

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### EXECUTIVE SUMMARY

The City of Calgary has commenced a new cycle of budget and business planning – *Action Plan 2015-2018*. The first and most important step in this process is Council's determination of its priorities and the setting of spending limits for these four years. The priority policy areas and indicative tax rates identified by Council provide the direction necessary for departments to prepare their 2015-2018 business plans and budgets, which will be presented to Council for review in November.

In addition, user fees and subsidies are an important element of the business plans and budgets that will be brought forward in November. In preparation for this process, the approval of target recovery rates is being brought forward for Council's approval at this time, so that business units can develop specific fees for goods and services to be included in the Action Plan debates in 2014 November.

### ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Approve its priorities for 2015-2018 as reflected in Attachment 1.
2. Provide direction to Administration for the indicative tax rate for 2015, 2016, 2017 and 2018 to be used in *Action Plan 2015-2018* based on information to be provided in the verbal report (Attachment 3).
3. Direct Administration to incorporate Council's priorities and indicative tax rates into the development of the 2015-2018 departmental budgets and business plans, indicating the actions to carry out Council's priorities and the financial impacts of the implementation of these actions, for Council's review in November.
4. Approve the changes in long term recovery rates proposed by business units for Action Plan 2015-2018 and approve the request of those business units that need to defer the setting of their recovery rate targets pending ongoing initiatives (sections shaded in blue in Attachment 2).
5. Recommend that the report and attachments remain confidential pursuant to Sections 23(1)(b) and 24(1)(b) of the *Freedom of Information and Protection of Privacy Act* until Council rises and reports.

### PREVIOUS COUNCIL DIRECTION / POLICY

On 2005 January 18, Council approved an integrated three-year approach to business planning and budgeting, beginning with the 2006-2008 period (C2005-04). The process, now entering the final year of its third cycle (2012-2014), features Council's leadership in setting three-year priorities guiding the development of departmental business plans and budgets, and an annual opportunity to adjust the approved business plans and budgets as required.

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.

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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). The modified four-year cycle builds on maintaining key characteristics of the well-recognized multi-year approach including:

- Approving the longer-term funding that supports the identification and achievement of strategic goals;
- Providing citizens with more certainty about the direction of City services, finances and taxation/utility rate levels;
- Making more strategic use of Council's time in reviewing plans and budgets, and the Administration's time in preparing them; and,
- Allowing the flexibility to adjust approved plans and budgets to respond to changing circumstances.

On 2013 November 18, Council approved the comprehensive stakeholder-based engagement strategy for the 2015-2018 Business Plan and Budget Coordination process (C2013-0709). This item was reconsidered and approved with one-time operating budget of \$550 thousand funded through the Fiscal Stability Reserve for the engagement program at the 2013 November 25 meeting of Council's 2014 budget debates.

On 2013 December 16, Council approved the framework and timelines to deliver the Business Plan and Budget Coordination 4 (BPBC4), now called *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.

During its Special Strategic Planning Meetings on 2013 November 5, 2014 January 17 and 31, 2014 March 17, and 2014 April 7, Council has discussed the development of its strategic direction for 2015-2018. These discussions include financial information on revenues and expenditures and projected revenue requirements based upon various service level scenarios.

On 2014 April 28, Council received *Action Plan* 2015-2018 Citizen Engagement Report (C2014-0349). The report provided a summary of findings from the 2014 Engagement process undertaken by Administration as directed by Council at the 2013 November 18 Regular Meeting of Council.

On 2008 April 28 (FCS2008-13), Council approved the revised User Fees and Subsidies Policy (CFO010). The policy provides a framework for making decisions related to setting user fees for the goods and services that City business units provide. Along with the policy, Council also directed Administration to fully integrate the process of bringing forward user fees for Council approval into the business planning and budget cycles (FCS2008-13).

### BACKGROUND

In the five special meetings, Council's discussion has focused on potential policy and financial considerations for inclusion in its strategic direction for the *Action Plan*. In addition to the special

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meetings, Administration has had one-on-one discussions with the Mayor and Council to obtain input and feedback to the development of Council's priorities for 2015-2018.

In developing its priorities, Council has considered the issues heard from their constituents during and since last fall's municipal election, as well as the social, economic and environmental trends that could impact Calgary and The City in the next four years. Council has also reviewed the strategic plans of other cities.

As another key input into these discussions, Administration outlined for Council the challenges The City faces within the financial structure, along with the expected impacts of growth on the financial structure.

Consistent with the approved User Fees and Subsidies implementation plan, there is a two-step user fee approval process with Action Plan 2015-2018. The two steps include:

- **Step 1:** Recommendation for Council approval of **target recovery rates** for services. "Recovery rates" are the proportion of the business unit's full costs that are expected to be recovered through revenues collected for a City good or service.
- **Step 2:** Recommendation for Council approval of **specific rates and fees**. These approvals will be sought in November 2014, along with the proposed 2015-2018 business plans and budgets.

The information in this report on user fees and subsidies constitutes Step 1 of this process.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Council's deliberation on its priorities for 2015-2018 is reflected in its plan, "Taking Action for Calgary" (Attachment 1). This plan identifies five policy areas that Council and Administration will focus on in the next four years:

- A prosperous, connected and global city
- A city of inspiring neighbourhoods
- A city that moves
- A healthy and green city
- A well-run city

Council's priorities will be incorporated into the departmental business plans for 2015-2018. The financial implication of implementing Council's priorities will be reflected in departmental budgets. Guiding the development of those budgets will be the indicative tax rates for the next four years. A verbal report on indicative tax rates will be shared on 2014 May 5 based on previous presentations at Council's Strategic Planning Sessions in January and April.

The indicative tax rate increases provide Administration with a financial envelope within which Council wants Administration to develop its four year business plans and budgets (2015-2018 Action Plan). Indicative rates are developed with consideration for citizens' needs and service expectations, policy goals, and the financial impact of these constraints on The City's financial capacity. These proposed rate increases are based upon the most recent financial, economic and demographic information available at the time of approval (Attachment 3).

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A user fee recovery rate is the proportion of total service costs that will be recovered through revenues collected for a City good or service. The balance of the costs is covered through general tax revenues, and constitutes the tax subsidy rate. The long-term user fee recovery rate targets (which are before Council today) are the recovery rates that business units plan to achieve within the next 10 years. These set the strategic direction for shorter term user fee revenue budgets and individual fees. Council approval of the long-term recovery rate targets for all business units is important at this time so that business units can develop their operating budgets (including budgeted revenues) and can include the detailed fees and schedules for Council approval in the proposed Action Plan plans and budgets for 2015 to 2018.

### **Stakeholder Engagement, Research and Communication**

From March 3 – 21, the *Action Plan* engagement reached out to citizens with more than 20 events in 18 days, as well as providing on-line 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.

Council approval of user fee long term recovery rates will be communicated to all business units so that Step 2 of the user fee approval process can begin.

### **Strategic Alignment**

Council's strategic direction for 2015-2018 reflects Council's intention to move forward on fulfilling the vision of Calgary that citizens have articulated in imagineCALGARY. Council's priorities support the objectives of its major policy documents: the Municipal Development Plan, the Calgary Transportation Plan, and the 2020 Sustainability Direction.

Administration has evaluated the *Action Plan* engagement results with Council's draft priorities. The priority areas and strategic actions which Council have identified and been discussing is analogous with the main themes from the engagement. Council will have the opportunity on May 5 to determine if additional actions are required to reflect specific engagement findings.

### **Social, Environmental, Economic (External)**

Council's priorities speak to the social, environmental and economic well being of Calgary.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The impact of Council's priorities, user fee recovery rates and indicative tax rates on operating budgets will be reflected in the departmental budgets and business plans that Council will review in November 2014.

#### **Current and Future Capital Budget:**

The impact of Council's priorities and indicative tax rates on capital budgets will be reflected in the departmental budgets and business plans that Council will review in November 2014.

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### Risk Assessment

Council's priorities should reflect community wishes and current realities, while taking into consideration potential future impacts. In developing its priorities and providing indicative tax rates for 2015-2018, Council has taken into consideration the public feedback from the *Action Plan* engagement, the social, economic and environmental trends that could impact Calgary in the coming four years, and the fiscal realities of The City's operating and capital budgets.

### REASON(S) FOR RECOMMENDATION(S):

Council's strategic direction – the setting of its priorities and indicative tax rates – for the *Action Plan* 2015-2018 is required in order for departments to prepare their budgets and business plans in time for review and approval in November. Timely approval of Council's priorities, user fee recovery rates and indicative tax rates will enable Administration to determine the appropriate actions and budget implications to implement Council's direction and to bring forward their recommended detailed user fees and schedules for Council approval during Action Plan 2015-2018 deliberations in 2014 November.

### ATTACHMENT(S)

Attachment 1: Council Priorities for 2015-2018 - Taking *Action* for Calgary  
Attachment 2: User Fees and Subsidies Approval for Action Plan  
Attachment 3: Financial Outlook 2015-2018