

2023 Mid-Year Performance Report

PURPOSE

The purpose of this report is to provide Calgarians and Council with information on The City's performance, including advancement of priorities and service performance, for the time period of 2023 January through June 30. This information is an important input into the 2023 November Adjustments to the 2023 – 2026 Service Plans and Budgets.

PREVIOUS COUNCIL DIRECTION

On 2019 April 29 (PFC2019-0401), Council approved an updated Multi-Year Business Planning and Budgeting Policy (CFO004) directing Administration to provide mid-year and year-end reports on The City's performance relative to the approved Service Plans and Budgets. This 2023 Mid-Year Performance Report is the first one reporting on the 2023 – 2026 Service Plans and Budgets (C2022-1051). Attachment 1 provides additional background.

RECOMMENDATION(S):

That the Executive Committee:

1. Recommend that Council use the 2023 Mid-Year Performance Report as one input to the ongoing discussions leading up to the 2023 November Adjustments to the 2023 – 2026 Service Plans and Budgets; and
2. Direct that the 2023 Mid-Year Performance Report be forwarded to the 2023 September 12 Regular Meeting of Council.

CITY MANAGER/GENERAL MANAGER COMMENTS

Acting Chief Financial Officer and General manager, Les Tochor, concurs with this report.

HIGHLIGHTS

- The Mid-Year Performance Report informs Calgarians and Council on The City's progress, as well as challenges being managed, towards delivering the 2023 - 2026 Service Plans and Budgets during the first six months of 2023.
- Service and financial performance information provided in this report is an important input for Council to consider as part of the upcoming 2023 November Adjustments to the 2023 - 2026 Service Plans and Budgets. These inputs can be used to identify areas for service investment and improvement to help support Calgarians, local businesses and the community. To ensure the information is available to inform Council in their discussions leading up to the 2023 November Adjustments discussions, we are recommending that this report is considered on the 2023 September 12 Regular Meeting of Council.
- We have made important advancements on Council's refined priorities of Transit, Downtown Revitalization, and Land Use & Local Area Planning and in the result areas of Modernizing Government, Social Equity, Public Safety, and Climate.
- Favourable operating variances are common for Canadian Municipalities, which budget and manage finances to ensure they don't run a deficit. Operating variances arise naturally because of budgeted contingencies for unforeseen circumstances that may not materialize,

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and due to circumstances The City has limited or no ability to control, such as prices of energy commodities, which impact The City's franchise fee revenues.

- We continue to manage our finances in a sustainable manner. As of 2023 June 30, we had a year-to-date favourable operating variance of \$165.6 million. The year-end operating variance is currently estimated at \$75 million favourable, with additional \$100 million in franchise fee revenue estimated as a result of higher energy prices. These estimates will be further revised in Q4 2023.
- Despite the challenges of increased service demand, population growth and inflation, we are committed to maintaining fiscal sustainability and delivering results for Calgarians with the resources available.

DISCUSSION

Reporting on our progress relative to the approved service plans and budgets is important for providing Calgarians with information about results delivered and the value of City services. Further, comprehensive reporting demonstrates transparency and accountability, and is essential to supporting decision-making on service plan and budget adjustments by giving insight to the current status of City services.

Performance Highlights

While we have made significant progress during the first six months of 2023 in delivering on our 2023–2026 Service Plans and Budgets, we are managing several interrelated challenges including inflation and financial uncertainties, operational concerns, growing service demand, in part due to a growing population, and resourcing and organizational capacity.

We are undertaking a range of strategies and tactics to minimize the impacts and keep us on course. These include adjusting and prioritizing service deliverables; increasing collaboration and partnership opportunities; transitioning to more technology-based platforms and applications; exploring additional revenue sources and financing strategies; and implementing practices to enhance employee development and wellness.

Transit: We continue returning service to pre-pandemic levels, due to increases in ridership. Safety measures were actioned to address crime and social disorder on the transit system, and Council supported the advancement of the Public Transit Safety Strategy. Further, Council provided support for its update to RouteAhead, a 30-year vision for the future of public transit in Calgary. This will strengthen the service's commitment to evolving community needs and sustainable transportation goals.

Downtown Revitalization: We continue to invest in major civic projects and priority public infrastructure that supports economic development and provides Calgarians with needed amenities. Funding is committed to priority capital projects including Eau Claire Plaza, Olympic Plaza, Stephen Avenue, 8th Street S.W., 1st Street Underpass and Riverwalk West. In support of reducing downtown office vacancies, 10 projects have been approved so far this year through the Downtown Calgary Development Incentive Program. Combined with other office-to-residential efforts 12 projects will create approximately 1,500 new homes and will see the removal of over 1.5 million square feet of vacant office space from downtown Calgary.

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Land Use & Local Area Planning: Recognizing the criticality of providing affordable housing, we are supporting non-profit housing providers by launching the third round of the Non-Market Housing Land Disposition program with three sites that could yield up to 104 new affordable homes. The program is piloting funding support of up to 20 per cent of eligible development and building costs to a maximum of \$75,000 per unit. As well, we are currently working with approximately 80 communities to replace outdated local policy documents with modernized local area plans to support the development of livable, equitable and diverse communities.

Climate: In support of the Climate Implementation Plan we are identifying climate upgrades and retrofits for buildings; are making strides to modernize our municipal fleet; have progressed landfill gas to energy initiatives at the East Calgary and Spyhill sites; and continued work on the implementation of a corporate and city-wide carbon budget and accounting framework, including refinement of the greenhouse gas modelling, and development of tools to better inform City decision-making.

Public Safety: We are investing strategically into our community in support of the complex issues of public safety. Through the Community Safety Investment Framework, we have invested \$9.1 million in 26 community initiatives to improve support for Calgarians in crisis due to mental or emotional distress, or who are a threat to themselves or others' safety. In addition, through a collaboration with the Calgary Police Service, The Alex, and the Distress Centre we launched the pilot of the Community Mobile Crisis Response team to deliver person-centred services to persons in crisis. Our Fire & Emergency Response team has responded to over 36,000 emergency incidents so far in 2023, a 19 per cent increase compared to the same period in 2022. The increase in service demand, especially for critical medical interventions, has been disproportionately greater in the downtown core, where medical calls volumes are 150 per cent greater compared to 2021.

Social Equity: We updated Fair Entry processes to evaluate low-income seniors' eligibility based on their individual incomes, rather than household income. In support of Calgary's Mental Health and Addiction Strategy we made several one-time funding investments. We launched the City of Calgary Anti-Racism Strategic Plan (2023 – 2027) in May. Further, we continued to make progress related to the White Goose Flying Report establishing an Elder's Advisory Committee; approving a ceremonial space at the Municipal Building; advancing work to establish an Indigenous Gathering Place; and continuing critical work on Indigenous Awareness. Additionally, we increased the supply of affordable housing for Indigenous people and delivered bold recommendations to Council address housing challenges being faced by Calgarians through The Housing and Affordability Task Force.

Modernizing Government: We continue to innovate and modernize to find more efficient and effective ways to deliver services that meet the changing needs and demands of Calgarians. An example includes the approval of the Smart Calgary strategy, which helps to ensure The City is well-positioned to adapt to future technology needs of the community. We also are continuing with improvements to online applications and renewals for business licensing that allow customers to self-serve for the entire process. As well, we initiated the Platform Incubator, an 18-month program for scaling startups. The first cohort attracted more than \$1.3 million in capital.

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Financial performance: As of 2023 June 30, we had a year-to-date favourable operating variance of \$165.6 million. This was a combined effect of higher corporate revenues in franchise fee revenue (\$76.7 million) due to higher energy prices, investment income (\$26.2 million) due to one-time gains on The City's investment portfolio, and other revenue (\$10.1 million), lower-than-expected expenditures corporately (\$22.9 million) as well as a favourable variance in tax-supported services (\$29.7 million). The year-end operating variance is currently estimated at \$75 million favourable, with additional \$100 million in franchise fee revenue estimated because of higher energy prices. These estimates are for The City's internal operations and not reflective of the consolidated results presented in the financial statements. We will further revise these estimates in Q4 2023, providing Council more certainty on available funding in preparation for the 2023 November Adjustments to the 2023-2026 Service Plans and Budgets. Canadian municipalities budget and manage finances to ensure they don't run a deficit, making it common to have favourable operating variances. As of 2023 June 30, we made \$0.4 billion in capital investments (15 per cent of the \$2.9 billion budget). We are forecasting an increased capital spend rate increase for the second half of the year.

2023 Mid-Year Performance Report Package

The 2023 Mid-Year Performance Overview Report (Attachment 2) provides a fuller summary of The City's financial and service performance.

Our Service Updates (Attachment 3) provides insights on successes, challenges faced; details on service performance including updates on initiatives, performance measures¹, financial performance; and information on how each service is progressing. It provides transparency about service performance and acts as a reference source that allows Council and Calgarians to dive deeper into any areas that are of particular interest to them.

Performance Reporting Improvements

We are making improvements to all service plan and budget processes and documents, including our performance reporting. This report advances some of these improvements such as making a strong connection between performance information and service plan and budget adjustments. Additionally, this report balances information on the challenges faced by the community and The City with accomplishments and positive results. Improvements will be further advanced in the 2023 Year-end Performance Report and future performance reporting, including:

- Enhancing the way we report, measure, and benchmark based on feedback received from Council members and Administration.
- Leveraging technology to improve efficiency and user experience.
- Further advancing Environmental, Social and Governance (ESG) reporting, including reporting on our commitment to climate action, anti-racism, and equity.

¹ Note that there are currently limitations associated with reporting mid-year performance values, as some accumulate over the course of the year, so the values presented are only representative of the first half of the year while the past and target values are for a full year.

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- Continued reinforcement and application of plain language in keeping with Council's Plain Language Policy (CS014).

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

IMPLICATIONS

Social

This report presents an overview of advancements made in support of social resilience, including social equity and public safety.

Environmental

This report presents an overview of advancements made in support of climate resilience.

Economic

This report presents an overview of advancements made in support of economic resilience, including modernizing government.

Service and Financial Implications

No anticipated financial impact.

RISK

Understanding, assessing, and managing risk is critical to achieving Council's vision for Calgary, and delivering on our service plans and budgets.

The City's 2023 Mid-year Risk Profile (AC2023-0700) outlines nine Principal Corporate Risks, the most strategic and relevant risks facing The City. The City's risk environment has experienced a slight increase in the first half of 2023, as pressures impacting The City led to an increase in the ratings and trends of the Principal Corporate Risks. The four areas of pressure are: employee and public safety, governance and compliance, corporate capacity, and climate.

The City's economy will remain stable and strong in 2023, but there are still some financial risks that need to be monitored. The ongoing financial recovery of The City is uncertain and could be impacted by market risk, inflation, cost fluctuations, and procurement challenges. The City is taking action to address these pressures and manage related risks. Performance reporting supports effective risk management, one of the tools that is supporting the successful delivery of our 2023 - 2026 Service Plans and Budgets to date.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. 2023 Mid-Year Performance Overview Report
3. Service Updates

**Corporate Planning and Financial Services Report to
Executive Committee
2023 September 06**

**ISC: UNRESTRICTED
EC2023-0826
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4. Presentation

Department Circulation

General Manager/Director	Department / Business Unit	Approve/Consult/Inform
Les Tochor, Acting General Manager	Corporate Planning & Financial Services	Approve
Chris Stewart, Director	Corporate Planning & Performance	Approve
David Duckworth, City Manager	City Manager's Office	Inform
Chris Arthurs, General Manager	People, Innovation and Collaboration Services	Inform
Katie Black, General Manager	Community Services	Inform
Stuart Dalgleish, General Manager	Planning & Development Services	Inform
Jill Floen, General Manager	Law, Legislative Services & Security	Inform
Doug Morgan, General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure Services	Inform

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