

The word "Calgary" in white sans-serif font on a red rectangular background.

EC2024-0695
Attachment 2



Long Range Performance Measures Report, EC2024-0695

Long Range Financial Plan Monitoring and Implementation

2024 June 11

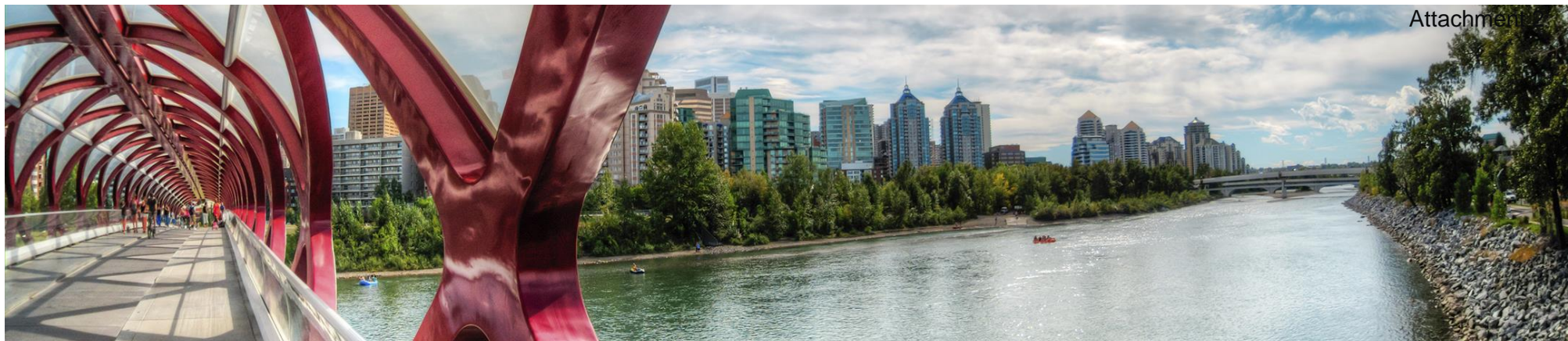


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Introduction

The Long Range Financial Plan (LRFP) 2021-2032 was presented to Council in 2022. As part of the continuing implementation of the LRFP, a set of performance measures has been developed for tracking and monitoring on an ongoing basis.

These performance measures focus on the five financial strategies of the LRFP which are flexibility, efficiency, sufficiency, integration, and credibility. Under each strategy are performance measures designed to provide a fiscal health check of how The City of Calgary is performing in terms of its progress towards the LRFP goals.

The LRFP performance measures are designed to be used primarily by Council and Executive Leadership Team (ELT) as indicators of

financial health and inform decisions which have longer term financial impacts. While targets are identified for measures, they are intended to be evaluated more in terms of the trend rather than absolute value at any point in time. Progress against each one of these measures will highlight enhancements to more integrated decision making within ELT and Council which will lead to better outcomes for Calgarians.

This is a new initiative as well as a work in progress, so changes will occur as the process matures. Measures may be added that are deemed to be more useful or removed if not as relevant. Ranges of progress for measures are also subject to change in response to Council decisions as well as internal and external developments that affect The City financially.

Figure 1: Measures for financial strategy implementation

Financial Strategies	Flexibility	Efficiency	Sufficiency
Proposed Measures	<ul style="list-style-type: none"> Total debt and debt outstanding limit Level of unallocated reserves City credit rating 	<ul style="list-style-type: none"> Total City expenditures per capita Full-time equivalents (FTEs) per 1,000 citizens 	<ul style="list-style-type: none"> Municipal property tax per capita Percentage municipal property tax over operating revenue

Methodology

Many of the performance measures for the LRFP already exist and are being utilized in other areas of the organization. Existing work has been leveraged for the LRFP performance measures to ensure consistency and eliminate duplication of effort.

In gathering the data for the performance measures, an 11-year historical view of the data is utilized to show the progression of the measures over time. While some of the measures have defined targets as established by Council Policy, most of the performance measures quantify success in terms of progress over time. This is shown as progress towards the desired direction of the curve over time and should be viewed in a positive light if year over year progression is made.

While flexibility, efficiency, sufficiency, and credibility have performance measures with historical data that has been tracked over time, the measures suggested for integration do not have existing historical data. These measures will be started in 2023 and built up over time so are considered a work-in-progress (WIP). Figure 2 provides a summary of the current status of the performance measures.

Figure 2: Summary of the Performance Measures by Financial Strategy and Status

	Significant Concern	Room for Improvement	On Track	To be Determined
Flexibility	0	1	4	
Efficiency	0	0	2	
Sufficiency	0	1	1	
Credibility	1	0	0	
Integration *				2
Total Measures by Result/ Progress	1	2	7	2

* 2 Integration measures are a work in progress; targets to be determined (TBD)

The dashboard in Figure 3 shows the progress for each performance measure over the 11-year time frame. Arrows as well as colours are being utilized to show the current status of the performance measure. The direction of the arrow aligns with the recent direction of the curve and the colour denotes where the measure is at in terms of progression.

A green arrow on the dashboard indicates that the measure is on track and that the curve is already headed in the desired direction. The City currently has seven performance measures that are in the green zone which indicates that The City is on track to ensure that the LRFP strategy is successful.

A yellow arrow indicates that the measure is not making progress towards the targeted curve, signaling that there is some room for improvement. The City currently has two measures that are in the yellow zone for the LRFP. These measures suggest that more focus be given to the area. Some suggested future actions have been provided that could help turn the direction of the curve over time.

Currently, there is one LRFP performance measure in the red zone. If a measure is in the red zone, prompt action should be taken to change the direction of the curve so that it will be on the right course for the strategic direction of the LRFP.

Of the 12 total measures, five are related to capital, six are related to operating, and one of the measures tracks against both. Depending on the nature of the funding gaps and challenges, different measures may require attention at different points in time.

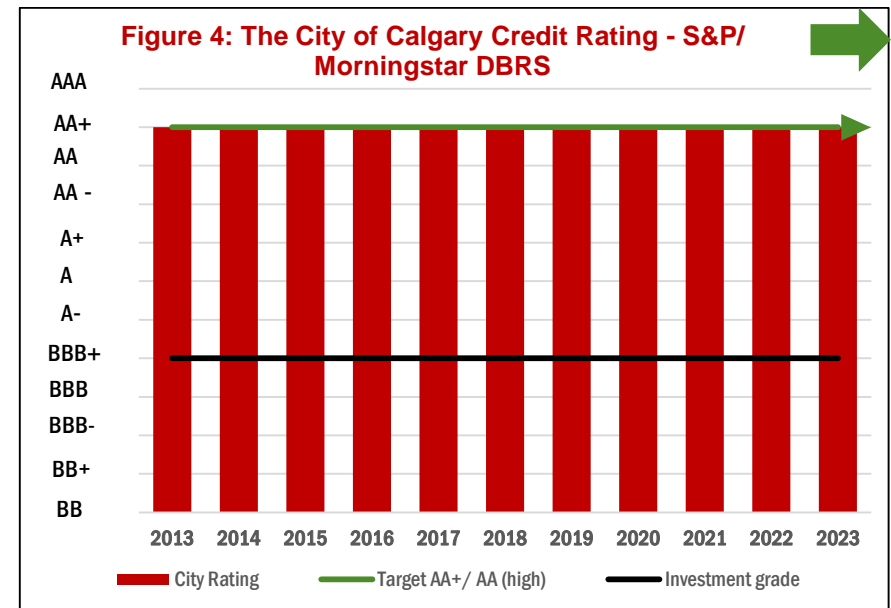
Figure 3: LRFP Performance Measures Dashboard 2013-2023

Strategy	LRFP Performance Measures	Operating vs Capital Measure	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Result/Progress	Significant Concern	Room for Improvement	On Track
Flexibility	The City of Calgary's credit rating (Standard & Poor)	Capital	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	➡	>=BBB+	A- to AA	AA+, AAA
	The City of Calgary's issuer and long term debt rating (Morningstar DBRS)	Capital	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA	➡	>=BBB (high)	A (low) to AA	AA (high), AAA
	Percentage total debt to Council debt limit	Capital	68.0%	65.6%	56.6%	54.0%	50.2%	45.5%	44.7%	47.2%	47.8%	41.0%	40.0%	➡	>=75%	65-74%	<=64%
	Percentage debt servicing cost (Principal + Interest) to Council debt service limit	Capital	90.4%	78.3%	52.1%	32.6%	33.0%	31.4%	31.9%	44.0%	56.5%	48.0%	45.8%	➡	>=75%	65-74%	<=64%
	Percentage of uncommitted Fiscal Stability Reserves to tax-supported gross operating expenditures, net of recoveries	Both	8.1%	9.3%	12.3%	10.8%	13.8%	6.9%	9.9%	5.9%	10.6%	11.3%	10.2%	➡	<=5%	6-14%	>=15%
Efficiency	Total City of Calgary real operating expenditures per capita	Operating	\$ 3,099	\$ 3,204	\$ 3,223	\$ 3,202	\$ 3,176	\$ 3,003	\$ 2,920	\$ 2,759	\$ 2,624	\$ 2,578	\$ 2,502	➡		Increase YOY	Flat YOY
	Full-time equivalents (FTEs) per 1,000 Calgarians - City (incl. CPA)	Operating	13.2	12.6	12.5	12.8	12.9	12.8	12.5	12.3	12.2	12.3	12.4	➡		Increase YOY	Flat to Decrease YOY
Sufficiency	Real municipal property tax per capita	Operating	\$ 1,678	\$ 1,621	\$ 1,714	\$ 1,732	\$ 1,691	\$ 1,696	\$ 1,650	\$ 1,649	\$ 1,616	\$ 1,563	\$ 1,554	⬇	Increase YOY	Flat YOY	Decrease YOY
	Percentage of municipal property tax to operating revenue	Operating	44.4%	43.1%	45.8%	45.9%	44.2%	45.7%	44.0%	45.2%	46.0%	44.0%	44.6%	➡	Increase YOY	Flat YOY	Decrease YOY
Credibility	Perceived value of property tax by Calgarians as good value	Operating	65%	65%	64%	63%	60%	59%	54%	53%	55%	56%	50%	⬇	Decrease YOY	Flat YOY	Increase YOY >=60%
Integration	Percentage of new operating investment approved during November budget deliberations	Operating	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	91.6%	TBD	TBD	TBD	TBD
	Percentage of new capital investment that is reviewed and allocated by Infrastructure Calgary Steering Committee (2023-2026 Budget Cycle)	Capital	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	78.4%	TBD	TBD	TBD	TBD

Flexibility Strategy Measures

The flexibility strategy is defined as being able to effectively respond to changing circumstances. These may relate to the economy, demography, technology, climate change or global trends; social, political or environmental events; or other conditions. This strategy involves reserving some capacity during typical years to be able to respond to significant atypical conditions or events; as well as maintaining flexible organizational capacity and a mindset to be able to pivot quickly and respond to changing circumstances. There are five performance measures that relate to the flexibility strategy.

The City of Calgary’s **Credit ratings** with both S&P (Standard & Poor’s) and Morningstar DBRS (Dominion Bond Rating Service) are grouped together as two of these measures. The ratings provided by these organizations reflect The City’s creditworthiness, capacity to repay loans and provides access to capital markets in an efficient manner. This measure can be used to determine capital capacity as it allows The City to minimize the cost of debt as the higher the credit rating, the lower the cost of borrowing. Per Council Policy CP2020-05, The City is required to maintain an investment grade credit rating in order to issue debt and The City will strive to maintain or improve its current Credit Rating. The City has maintained an AA+ S&P rating and an AA (high) Morningstar DBRS credit rating for the last 10+ years, which is well above the investment grade of BBB+ and puts The City solidly on track for this performance measure.



Capital Measure

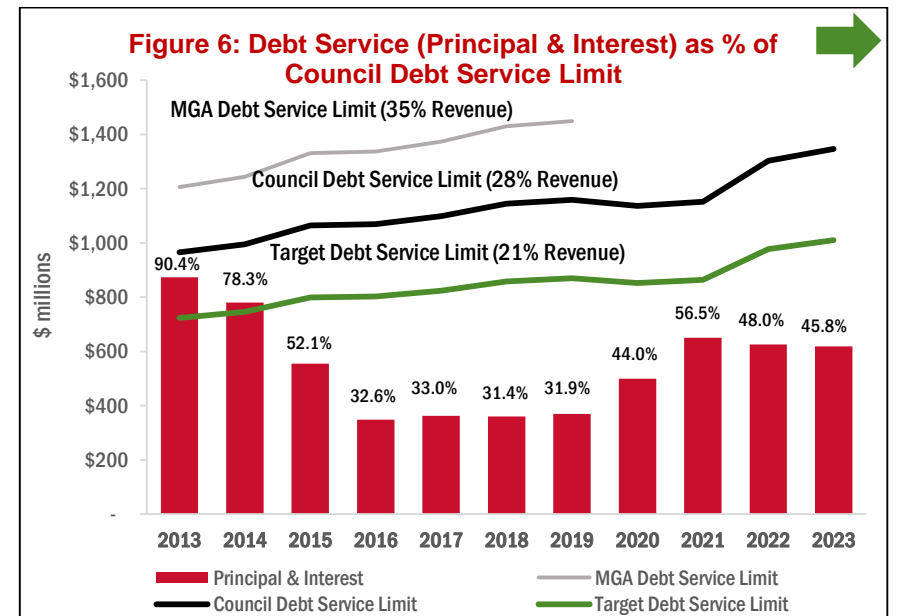
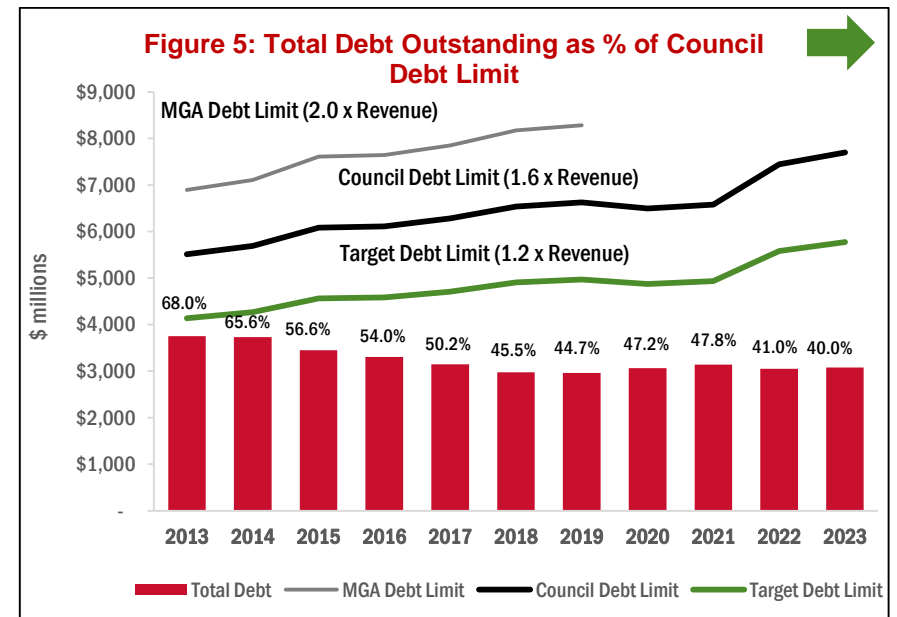


Flexibility Strategy Measures Continued

Total debt outstanding and debt service limits are two measures of flexibility that are grouped together as they provide similar information. They measure available debt capacity under the limits and reflect financial flexibility as a source of contingent financing. High debt levels will increase the cost of borrowing and reduce flexibility. Both measures can be used to determine capital capacity as the amount of available debt impacts available capital.

The City's Debt Policy CP2020-05 has limits on total debt and total debt service that are expressed as a percentage of revenue. The Debt Limit stipulates the maximum amount of debt principal that The City can have as outstanding debt, including loan guarantees, and is calculated as 1.6 times revenue. While the Council limit is the official Debt policy limit, credit ratings model the debt burden metric cap of 1.2 times revenue in addition to other credit ratings factors such as liquidity and capital budget performance. Though debt limit is only one component of the overall credit rating calculation, targeting an upper limit of 1.2 times revenue would align The City with external rating agencies credit outlook.

The City's debt servicing (principal + interest) limit is 28 per cent of operating revenue. As debt service tends to move in tandem with debt limit, a debt service target upper limit of 21 per cent is consistent with the identified debt target. In terms of direction of current trends for these measures, they are both relatively flat and well under Council and target limits. While there is some capacity to increase debt, as well as the potential to drive it down, maintaining the current trend is an indicator of good financial health as part of the flexibility strategy.



Flexibility Strategy Measures Continued

The final measure of flexibility is the **uncommitted Fiscal Stability Reserves (FSR) as a percentage of The City’s tax-supported gross operating expenditures (net of recoveries), excluding utilities**. Unallocated amounts of the FSR measures the flexibility of The City to react to shocks and stressors, provides for operational emergencies, urgent or contingency capital expenditures and compensate for unplanned significant revenue reductions. As the FSR can be utilized for both capital and operating expenditures, this measure can be used to determine the capacity of both funds. The minimum FSR balance is currently set at 5 per cent, and the targeted level is 15 per cent. This balance has not dropped below the minimum 5 per cent but has been below the 15 per cent target over the last five years. The City’s reserve strategy will be reviewed in 2024, which may result in recommended changes to reserve levels based on risk management guidelines.

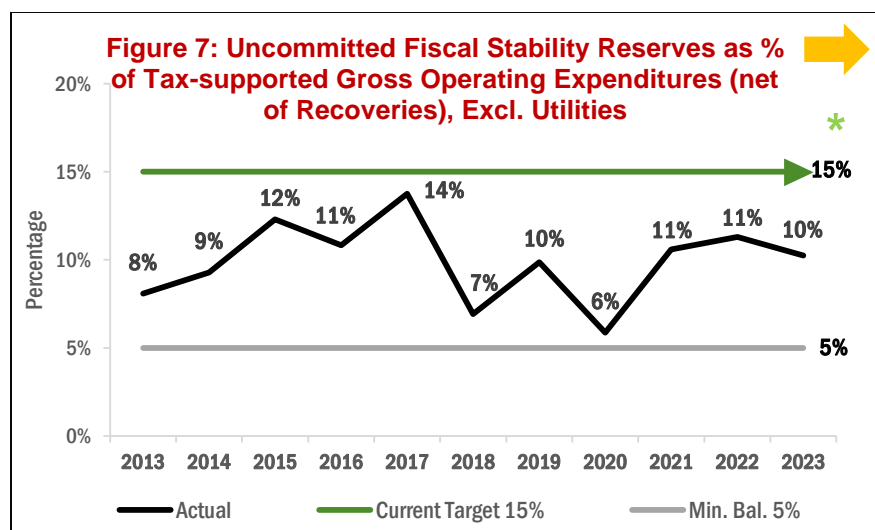


Future Actions for Flexibility Strategy Measures

The flexibility strategy is in good financial health indicating that The City can effectively respond to changing circumstances. Though there are four performance measures that are on track, there should be continued focus on the actions that maintain these measures in the green zone.

This includes continuing to manage debt practices as per Council Policy CP2020-05 to maintain or improve The City’s current Credit Rating of AA+ (S&P) and AA (high) (DBRS Morningstar). It also encompasses monitoring that debt and debt service are under the Council limits and are ideally under the target limits to safeguard low borrowing costs, especially amid a high interest rate environment.

For the flexibility performance measure that is yellow, emphasis should be made to move this measure into the green zone over time. This includes completing the reserve strategy review and implementing recommended reserve balances once they are determined. In the interim, ensuring funds in the uncommitted Fiscal Stability Reserves do not go below the minimum of 5 per cent should continue to be a focus, along with communicating the impact of potential decisions on the 15 per cent target. With continued focus on these actions, The City will maintain flexible organizational capacity.



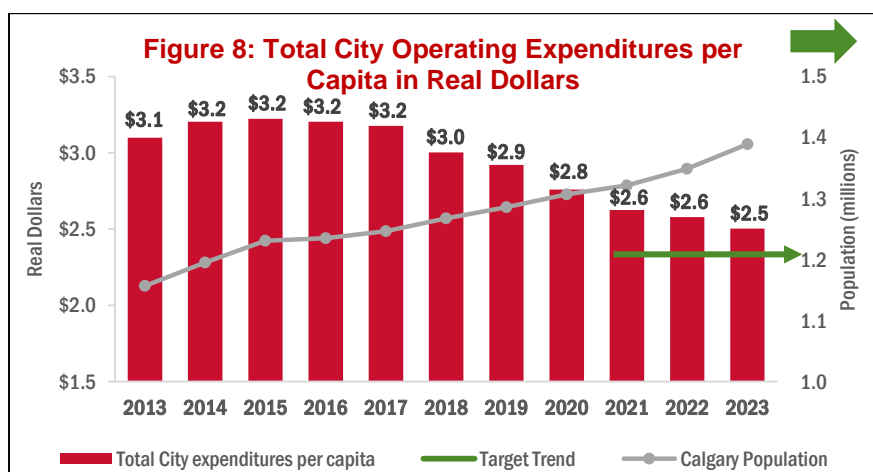
*Target may change pending reserves review

Operating and Capital Measure

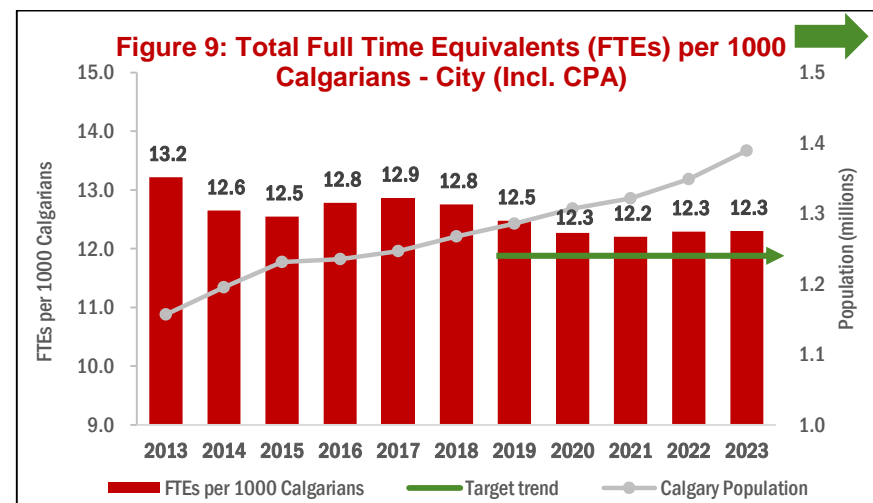
Efficiency Strategy Measures

The efficiency strategy is defined as using public funds in ways that provide the highest level of needed services possible within the amount of funding available. Efficiency should be interpreted on two levels: a service level and a corporate level. At the service level, services and business units need to strive to use the least resources to provide a given level of service. At the corporate level, the corporation targets resources at those services most valued by Calgarians and only provides services that provide sufficient value to Calgarians to justify the costs. The efficiency strategy consists of two performance measures as follows.

Total City expenditures per capita measure is one indication of how efficiently expenditures are being managed and is an operating capacity measure. A constant inflation adjusted number for this target suggests that spending levels are increasing only as population increases. An increasing number year over year indicates that spending is increasing faster than population growth. The City has maintained relatively flat real costs per capita over the last three years as population has increased which is on track for this measure.



The second efficiency performance measure is **the number of FTE employees per 1,000 Calgarians** which measures how effectively The City utilizes employees to deliver services to Calgarians. Spending on employee wages, salaries and benefits is the largest part of the municipal operating expenditures, so maintaining this number at a flat or declining rate relative to population growth can be a good measure of efficiency. This is considered an operating capacity measure and has been relatively flat or declining at The City over the last 11 years.



Operating Measures

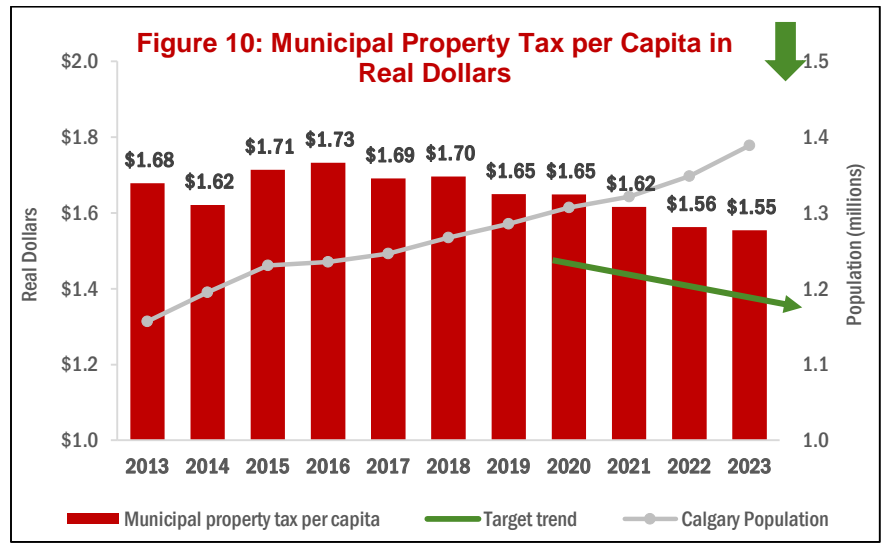
Future Actions for Efficiency Strategy Measures

The efficiency strategy is in very good financial health, positioning The City well to utilize public funds to provide sufficient value to Calgarians. To maintain this level of efficiency, The City should continue to manage costs of services for a given level of service at a flat per capita rate as population grows. In addition, The City should continue to investigate and implement opportunities to leverage technology that result in greater efficiencies.

Sufficiency Strategy Measures

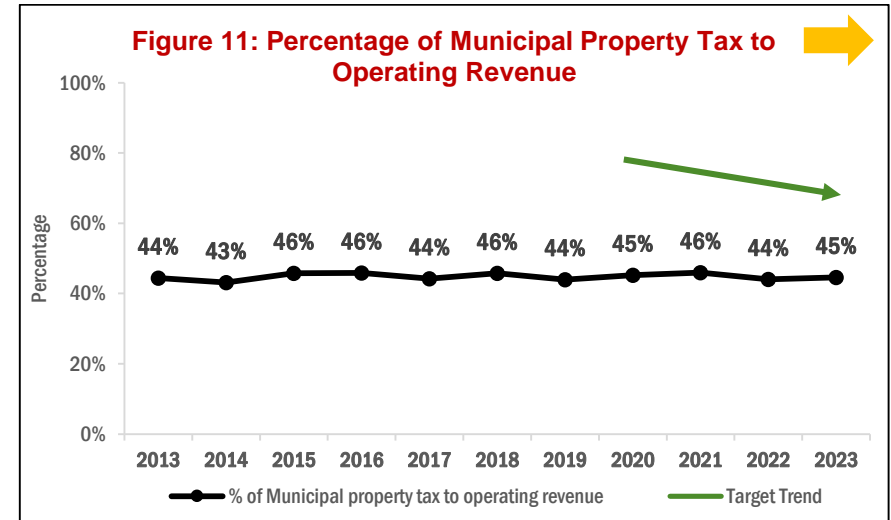
The sufficiency strategy is defined as having adequate resources to support the delivery of services for which The City of Calgary bears responsibility. As it relates to financial sustainability, this strategy refers not just to the amount of funding, but the consistency in funding level changes relative to changes in expenditures and the diversity of funding sources. The sufficiency strategy consists of two performance measures.

Total municipal property tax per capita measures the change of municipal property tax relative to population growth. A decreasing trend on this operating capacity measure indicates a lower burden per resident. The trend has been decreasing year over year in real dollars for the last four years which is a positive result for this measure and indicates that it is on track.



Operating Measures

The percentage of municipal property tax to operating revenue measures the portion of total revenue that is provided by property taxes. This operating capacity measure has been relatively flat for 11 years, indicating that the reliance on property taxes has not changed. Among other factors, this suggests that the search for new revenue sources has not been successful and/ or there are barriers to implementation of new sources.



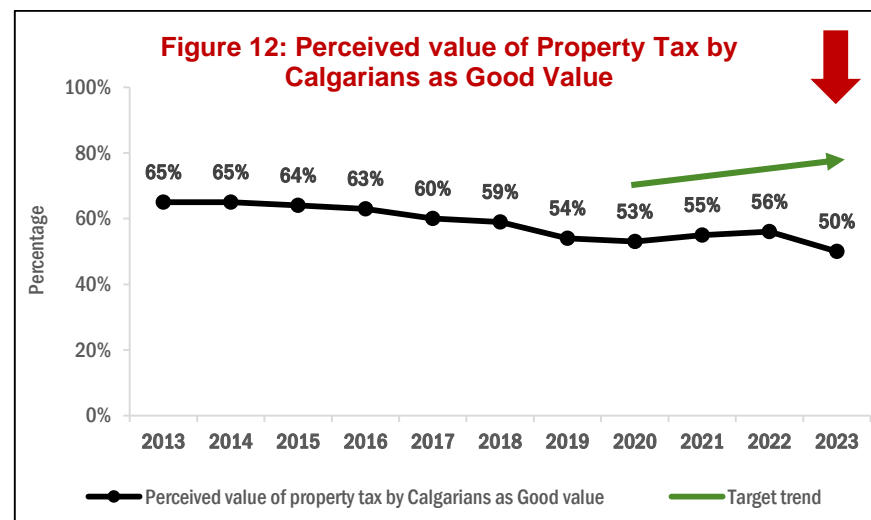
Future Actions for Sufficiency Strategy Measures

The sufficiency strategy is currently in reasonable financial health with one performance measure that is on track and one performance measure where there is room for improvement. In order to preserve a lower burden per resident, operating costs should continue to be managed such that property tax can be maintained at or below inflation and population increases. To support the search for new revenue sources as per the Municipal Fiscal Gap report, The City should consider implementing and continuing to pursue the alternative revenue tools. Increased focus on the search for new revenue sources will enable greater sufficiency through diversity of funding sources.

Credibility Strategy Measure

The credibility strategy is defined as achieving financial performance in a manner that maintains and enhances public confidence in the municipal corporation’s ability to provide services and infrastructure at expected levels. This includes the transparency with which financial decisions are made and the accountability for ensuring these decisions are consistent with the overall goal of financial sustainability. Calgarians value the services they receive from The City and must continue to perceive that the benefits provided by City services are at least in proportion to the municipal taxes they pay.

The **perceived value of property tax by Calgarians as good value**, as captured in the Survey of Calgarians, is the measure being used for credibility. This survey is conducted twice per year, with the more comprehensive survey in the fall, which is the survey utilized for this measure. It measures how Calgarians rate the value of the municipal services they feel they receive for the municipal tax dollars paid. This operating capacity measure has been declining over the last 11 years and has taken a more significant 6 per cent drop from fall of 2022 to fall of 2023. In addition, the trend has been below the 60% target since 2018. From the standpoint of the LRFP, this trend needs to turn to increases in a positive rating, year over year, in order to improve credibility.



Operating Measure

Future Actions for Credibility Strategy Measure

The credibility strategy is one with significant concern. To improve the measure that is in the red zone, The City should continue to measure and report the perceived value of property tax by Calgarians as well as continue to progress the work to address the key drivers that is currently ongoing across The City. This work includes:

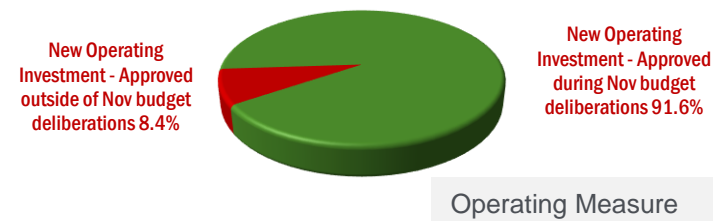
- targeted efforts to improve services and programs in areas that have received lower satisfaction ratings including transit safety and service levels, affordable housing and streets;
- ongoing communication to demonstrate the value of Council’s service investments that are tied to key priorities;
- sharing progress, achievements and good news stories that enhance Calgarians’ lives; and
- moving from a two month to a year round campaign that shares service value stories and communicates value for tax dollars in order to increase reach and engagement with Calgarians.

Integration Strategy Measures

The integration strategy is defined as ensuring that The City prioritizes investment on a corporate basis, considering the interaction of services in meeting outcomes, and that the financial constraints under which The City operates are fully considered when engaging in policy making and decision making. This also refers to decisions across the Corporation being coordinated to ensure consistency and the most cost-effective service delivery. Defining performance for this strategy is difficult as there are no clear, objective measures and little to no existing data. Two measures have been proposed to track progress against the integration strategy for 2023 go forward. However, these measures are an initial attempt, with the area expected to evolve over time.

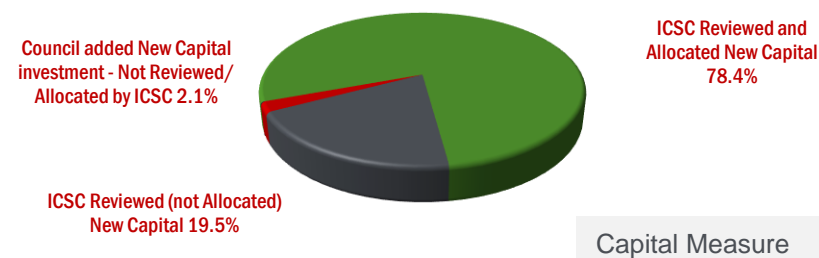
The first measure is **percentage of new operating investment approved during November budget deliberations**. This illustrates the effort to make as many operating investment decisions as possible during the budget cycle as opposed to making less integrated decisions throughout the year and is an operating capacity measure. Cross-corporate decision making is enabled when all of the participants have an opportunity to review and evaluate the new operating investment at the same time. This is constrained when budget changes are submitted as separate considerations throughout the year via individual Council decisions or changes within Administration’s authority. For the 2023 budget, 91.6 per cent of the new operating investment was approved during the November budget deliberations, with 8.4 per cent approved outside of the November Service Plans and Budget cycle.

Figure 13: 2023 % of New Operating Investment Approved During November Budget Deliberations



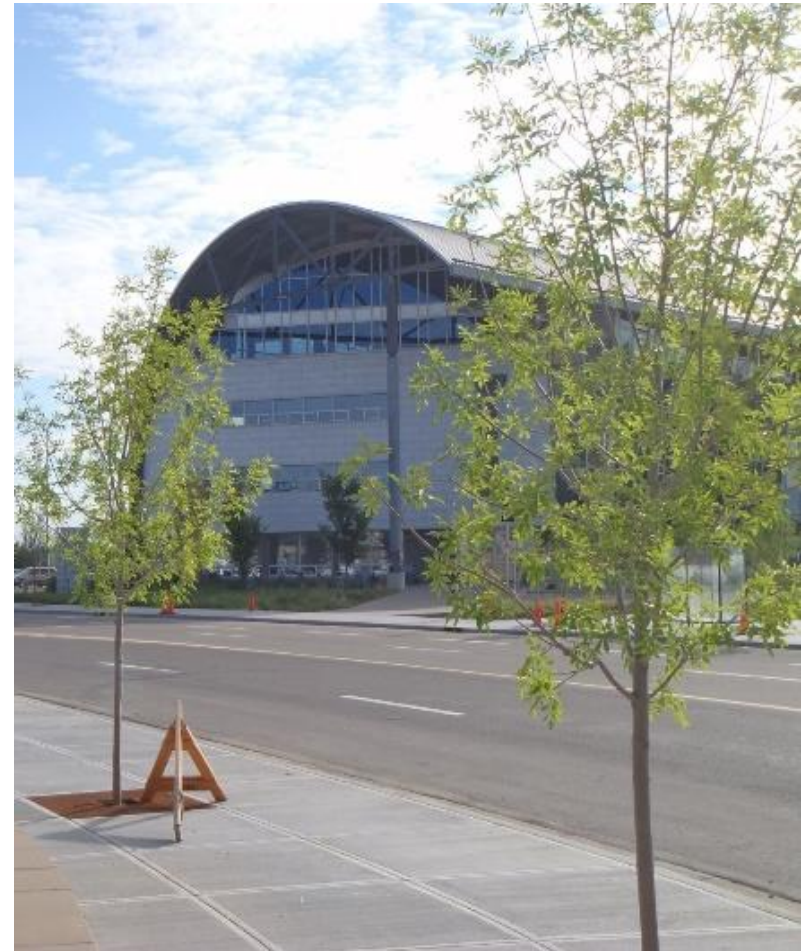
The second measure is **percentage of new capital investment that is reviewed and allocated by Infrastructure Calgary Steering Committee (ICSC)** as this illustrates the level of cross-corporate decision making on capital investment and is consequently a measure of capital capacity. Similar to operating investment, only new capital is brought forward for review and allocation during the 2023-2026 Service Plans and Budgets process, as the rest has been previously approved or carried over from prior years approved budget. In addition, there are a number of large projects such as the event centre, the Green line and Arts Commons that are outside the scope of ICSC review. Of the new capital that is under ICSC purview, ICSC reviewed and allocated 78.4 per cent of the projects in the 2023-2026 budget cycle and reviewed but did not make allocation decisions on 19.5 per cent of the projects. The 2.1 per cent that did not get reviewed was the portion that was added by Council during budget deliberations.

Figure 14: 2023-2026 % of New Capital Reviewed and Allocated by ICSC



Future Actions for Integration Strategy Measures

The current focus of the integration strategy is on developing the measures and targets to be meaningful as an indicator of success of cross corporate decision making. This may include modifying the measures or identifying different measures that may be more appropriate. For the measures in the current state, continuing to review as close as possible to 100 per cent of the new operating and capital investment during the budget cycles is identified to ensure projects are evaluated consistently and optimize the most cost-effective service delivery. For operating investments, it is advisable to limit the amount of new budget investments that are approved outside of November budget deliberations. For new capital investments, an additional step that should be investigated is adding all new investments to the allocation discussions and decisions.



Conclusion

Overall, the current status of the performance measures indicate that The City of Calgary is on track in maintaining the current level of financial sustainability outlined in the Long Range Financial Plan. Nevertheless, Council and ELT should continue to consider the current status of the performance measures as well as the potential impacts on the measures when making long term financial decisions that will impact The City.

Though there are presently seven performance measures that are on track, the actions that are currently being employed should continue in order to ensure that they stay on course for success and the direction of the curve is maintained. Inaction and failure to maintain those standards could result in measures that move into the yellow room for improvement zone over time.

Emphasis should be placed on the two measures identified as room for improvement and one measure showing significant concern in order to turn the curve and improve these measures over time. The following future actions should be investigated further to improve the measures that are currently yellow and red.

1. Complete 2024 reserve strategy review and implement recommended reserve balances once they are determined. In the interim, ensure uncommitted FSR balances do not go below the minimum of 5 per cent and track closer to the 15 per cent current target.
2. As per the [Municipal Fiscal Gap report](#), consider implementing some of the alternative revenue tools.
3. Continue to monitor and measure perceived value of property tax by Calgarians. In addition, continue to progress the work to address the identified key drivers that is currently ongoing across The City.

If the yellow measures are improved over time, it will provide greater financial flexibility and sufficiency for The City of Calgary. Focus and action on the yellow measures will also ensure they don't move into the red zone where there may be more serious consequences around operational and capital capacity. For the measure that is currently in the red zone, prompt action should be taken to change the direction of the curve so that it will be on the right course for the strategic direction of the LRFP.

The integration strategy is a work in progress and focus should be on further developing the measures and the targets to best reflect what success would look like for cross corporate decision making.

As identified in the 2021-2032 LRFP report, The City needs to continually develop and implement actions that support the necessary financial strategies identified in the plan. One of the tools that can be used to accomplish this is the monitoring of the LRFP performance measures. As part of the ongoing implementation of the LRFP, these will be updated annually, and a report provided to Council and ELT to facilitate decision making as needed. This may also encompass changes to the performance measures and modification of the targets as needed to ensure that they reflect Council decisions, changes to the economy and internal and external developments that affect The City financially.