

Corporate Planning & Financial Services Report to
Strategic Meeting of Council
2024 September 16

ISC: CONFIDENTIAL
C2024-0859

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

PURPOSE

The purpose of this report is to provide Council and Calgarians with an early overview of what to expect in the proposed Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets. This is provided in September to allow for Calgarians thoughts to be heard and considered by Council, while preparing Council for November's budget deliberations.

PREVIOUS COUNCIL DIRECTION

In 2024 February, Council approved the plan and schedule for the Mid-Cycle Adjustments and directed Administration to keep property tax increases for existing properties within the previously-approved property tax increase of 3.6 per cent in 2025 and 3.1 per cent in 2026.

In 2024 May, Council directed Administration to consider the capital and operating investments needed to enable four new growth applications as part of Mid-Cycle Adjustments.

This report provides information that was approved for the Green Line Stage 1 program decisions per report EC2024-0809. Until The City understands the next steps on the Green Line Stage 1 program, this document continues to reflect current Council decisions.

RECOMMENDATION(S):

That Council:

1. Receive this report for the Corporate Record;
2. Direct that the Report and Attachments 1, 2, 3, 4, 5, 6, 8 and 9 be held confidential pursuant to Section 23 (local public body confidences) of the *Freedom of Information and Protection of Privacy Act*, to be released publicly when Council rises and reports; and
3. Direct that Confidential Attachment 7 be held confidential pursuant to Section 16 (disclosure harmful to business interests of a third party) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed no later than 2026 December 31.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Calgary's context has quickly changed since the last adjustment to the plans and budget in 2023 November. Given the pressures and the changing needs of Calgarians, extraordinary population growth and inflation, combined with years of revenues not keeping pace with growth and inflation, Administration worked to identify \$107 million in operational budget capacity, as well as \$135 million in capital relinquishments to accommodate new priority investments. This is a significant achievement, but does not accommodate all of the highest priority needs. Administration has reviewed all needs across the organization and recommends a few investments that are beyond Council's direction to maintain the previously approved increase.

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

This package responds to critical needs in our city by investing in transit, public safety and affordability needs like the housing crisis and emergency support to Calgarians experiencing vulnerabilities. The Executive Leadership Team is confident that the proposed 2023 November Adjustment recommendations present bold solutions and fully endorse the recommendations put forward in this report. The investments align with what Calgarians have told us they want and need, as heard through City research. On Council's approval, we are ready to provide the leadership required to implement these recommendations and work together with Council to support Calgarians through 2025 and 2026.

HIGHLIGHTS

- Population growth and inflation outpaced forecasting in the 2023-2026 Service Plans and Budgets, causing The City's total operating expenditures to fall out of line.
- The City is facing pressures that are affecting service delivery and citizen satisfaction. Some of these pressures include population growth, inflation, aging infrastructure, financial constraints, capacity constraints, increase in service demand and service complexity and more.
- Of these pressures, the following have had significant impact:
 - Infrastructure: A critical water main break highlights the need to increase infrastructure inspections & repairs and take care of our assets.
 - Population growth: The significant increase in population over the past two years requires adjustments to meet the needs of development and demand for housing in Calgary.
 - Inflation: Rising costs are impacting new capital projects and city-shaping investments, reducing The City's financial flexibility for new capital investments and risking City credit ratings.
- A total of \$107 million in operating and \$228.9 million in capital funds have been used for priority investments. Multiple strategies were used to find efficiencies, rescope or reprioritize lower-priority work, improve budget estimates and reduce year-end variances to fund key priorities.
- Even with this significant achievement, Administration can't continue to deliver on all key priority projects and maintain service levels within Council's directed overall 3.6 per cent increase. The pressure continues to build, making maintaining the same level of service today even harder.
- Consequently, Administration is proposing to:
 - Increase property tax revenue from existing taxpayers by 0.89 per cent in addition to the previously approved tax increase for 2025 to address the substantial population growth and the resulting increase in demand for City services, including housing development in four new communities and established areas. Altogether, tax changes from this recommendation, plus the previous approval and the tax shift will result in an increase of \$8.86/month to the median residential property tax bill, \$1.90/month higher than the currently approved 2025 budget.
 - Increase user fees for Water and Waste & Recycling will increase in 2025 to address continued population growth and inflation, infrastructure and inspections & repair needs. This will result in a \$5.09/month increase on the typical

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

residential water & waste utility bill in 2025 (based on typical metered water usage of 19m³ per month).

- Administration's proposed plans and budget adjustments aim to strike the best balance between delivering City services, continuing important capital projects and ensuring community development to address Council's priorities for the remainder of the 2023-2026 Service Plans and Budgets.

DISCUSSION

Background

The City of Calgary has worked hard for the past decade to minimize tax increases in a number of ways, particularly in keeping operating expenditures in line with or below the impacts of inflation and population growth. Since 2019, operating expenditures have trended well below inflation plus population growth, avoiding increases of \$1.2 billion dollars by 2026.

During this time, The City has also focused investment on City-shaping projects to prepare for our future. These included significant investments in housing, transit, public safety through the last budget adjustments in 2023 November. These investments will deliver long-lasting benefits to Calgarians. To enable these investments, The City has chosen to use several innovative funding strategies including pre-committing a majority of The City's potential favourable variances until 2031. This approach limited tax increases, but reduced City financing flexibility for other priorities and investments.

Recent Developments

Calgary's population growth and inflation surpassed forecasts used for The City's 2023-2026 Service Plans & Budgets. As of 2024 April 1, Calgary's population is estimated at 1,491,900, representing a population growth rate of 4.9 per cent since 2023 April. This estimated addition of 69,000 residents to Calgary's population represented one of the most significant annual increases in Calgary's history. This increase represents approximately the entire population of the City of Medicine Hat relocating to Calgary. While we always invest and prepare for growth, the volume in the last two years requires attention. This unprecedented growth has strained City services, impacting citizen satisfaction levels now and into the future.

A critical water main break that affected city-wide water usage highlighted the need to increase infrastructure inspections and repairs. Significant inflation has escalated the costs of major capital projects, requiring some project rescoping and new funding strategies. The City is balancing its needs and desires against the financial realities faced by residents and businesses alike.

Proposed Budget Adjustments

The City is focusing on meeting the immediate needs of Calgarians by maintaining services, prioritizing and delivering on approved capital and city-shaping projects. Adjustments in new communities and established areas aim to meet population growth and housing pressures in the city.

Corporate Planning & Financial Services Report to
Strategic Meeting of Council
2024 September 16

ISC: CONFIDENTIAL
C2024-0859

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

Administration worked to prepare a budget adjustment proposal within the previously approved 3.6 per cent increase to tax revenues from existing properties by reviewing and reprioritizing within existing budgets, finding efficiencies, and maximising external funding sources. However, this has proven to be insufficient.

To address the substantial population growth and the resulting increase in demand for City services, including housing development, it is essential to increase property tax revenue beyond the previously approved levels.

Increases to water and waste & recycling rates are essential to meet years of inflation and population growth and to address the need for increased infrastructure inspection. Attachment 2 is a helpful guide for Calgarians to understand what changes are being proposed and why.

Adjustments to Rates

The Water, Wastewater, and Stormwater lines of service (the Water Utility) are provided under a self-sustaining public utility model. All costs are recovered through user rates, levies, fees, and sources other than the municipal tax base. Council previously approved a 0% increase for Water and Stormwater line of service and 2.5 per cent increase Wastewater. The Water Utility is recommending an increase of 6.2 per cent for Water, 4.5 per cent for Wastewater and 4.3 per cent for Stormwater to respond to rising inflation and operating costs, aging critical infrastructure and rapid growth in both the City of Calgary and surrounding Region. The proposed changes would result in an overall increase to the typical residential monthly bill of \$4.08 for 2025 and \$4.31 for 2026.

Waste & Recycling's operating and capital expenditures, and landfill liabilities, are funded primarily by fee revenues, with grants and property taxes making up smaller portions of the service's funding. Council previously approved an overall increase of \$0.70 to the total monthly residential charge in each of 2025 and 2026. Waste & Recycling is recommending an additional \$0.31 in 2025 and \$0.45 in 2026 to respond to growing demand for landfill capacity, capital project and contract cost escalation, vehicle supply chain and inflation challenges, and operational pressures at the Calgary Composting Facility. The proposed changes would result in an overall increase to the total monthly residential charge of 3.9 per cent or \$1.01 for 2025 and 4.3 per cent or \$1.15 for 2026.

Adjustments to Operating and Capital Budgets

Administration is proposing a number of operating and capital investments funded through a combination of reprioritizing and reallocating existing budgets and increase in tax revenue from existing taxpayers of an estimated 0.89 per cent above the previously approved tax increase for 2025. Attachment 3 is a comprehensive list of all proposed investments and how they will be funded. Administration has also identified those items which will not be funded through this plan and budget adjustment.

A letter from the Calgary Police Commission has been provided as an appendix in Attachment 3, outlining the budget requests made for Calgary Police Services.

The combined impacts of the proposed investments on both residential and non-residential property taxes have been detailed in Attachment 4.

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

Highlighting Ongoing Efficiencies

Continuous service improvement is in our DNA, as part of the organization's Performance Management System. Administration is pleased to provide Calgarians and Council with an overview of recent and ongoing efficiency initiatives (Attachment 5). These represent some of the many ways in which Administration works to make our services better, faster, or easier every day.

Reporting on Priorities

At the 2024 June 25 Strategic Meeting of Council, the prototype for measuring progress on Council's priorities was endorsed. Administration has proposed metrics for each Council priority including community indicators, performance measures, and Council investments (Attachment 6). These will be finalized during the Mid-Cycle Adjustments in November. Reporting on Council's priority metrics will start with the 2024 Year-End Progress Update.

Administration will continue to advance our measurement and reporting approach to incorporate Council's feedback, focusing on three main components including Performance Data Measurement and Analytics, Integrated Reporting and Technology. This work aims to build a strong system that connects goals with clear performance data. The proposed reporting framework will provide a comprehensive view, including strategic, operational, financial, and risk data, along with comparisons to other cities. The proposed technology will offer real-time data access and customizable views for everyone involved, making sure all partners have the timely and relevant information they need. These steps will enable timely and prudent decision-making.

Reviewing Capital Commitments

With current budgets being fully allocated, any new projects desired for funding would require trade-offs with existing projects and programs. Should Council wish to reconsider projects that could be rescoped, deferred, or cancelled without contractual penalties, a list of projects that are in concept planning/design stages are included in Attachment 7. This information is provided in response to a question from Council.

EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Administration's proposed plan and budget adjustments have been informed by several key highlights of the Spring Survey of Calgarians:

- Calgarians' top investment priorities remain housing, transit, social services, and emergency response, with some shifts. Over three-quarters prioritize affordable housing, while around two-thirds each favour public transit and social services, the latter up from Spring 2023.
- Calgarians appear to have mixed views when it comes to balancing taxation and service delivery. Nearly one-half (48%) favour an increase in taxes to maintain or expand

Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets

service levels. This is on par with Fall 2023 (45%) but down significantly from Spring 2023 (55%). Within this group, 40% favour increasing taxes at inflation to maintain current service levels, up significantly from Fall 2023 (27%) but down significantly from Spring 2023 (45%). On the flip side, 46% think The City should cut services to maintain or reduce taxes, steady with Fall 2023 (45%) but up from Spring 2023 (39%).

- Two-thirds (63%) of Calgarians are satisfied with the overall level and quality of services and programs offered by The City of Calgary. Overall satisfaction has slipped significantly from Spring 2023 (67%) and Fall 2023 (69%). Longer term trends show that overall satisfaction has fallen considerably since 2015 (80%).
- Compared to Spring 2023, statistically more Calgarians would like to see 'more investment' in Water treatment and supply, including the availability and supply of clean, safe drinking water (43%, up 14 points).
- While seven-in-ten (71%) Calgarians rate their overall quality of life as 'good,' this represents a significant decline from both the Fall 2023 (76%) and Spring 2023 (78%) waves. Moreover, there has been a substantial increase in the proportion of residents who believe that Calgary's quality of life has worsened over the past three years, now at around three-fifths (62%), which is on par with Fall 2023 (59%). Both Spring 2024 and Fall 2023 are up significantly from Spring 2023 (49%).
- Perceptions of Calgary as a great place to make a life and a living have also seen declines. Seven-in-ten (69%) agree that Calgary is a great place to make a life, marking a significant decrease from Fall 2023 (75%) and Spring 2023 (78%). Similarly, more than three-fifths (63%) view Calgary as a great place to make a living, a significant drop from Fall 2023 (70%) and Spring 2023 (73%).

This report itself is a mechanism for public information, by providing Calgarians with an early overview of what to expect in the proposed Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets. This is provided in September to enable Calgarians to ensure their thoughts are heard by their Councillors prior to budget deliberations in November.

IMPLICATIONS

Social

This report is a preview only, and approving the recommendations of this report has no direct social implications. Decisions proposed in this report that would have an impact will be brought forward to the 2024 November 5 Strategic Meeting of Council.

Environmental

This report is a preview only, and approving the recommendations of this report has no direct environmental implications. Decisions proposed in this report that would have an impact will be brought forward to the 2024 November 5 Strategic Meeting of Council.

Economic

This report is a preview only, and approving the recommendations of this report has no direct economic implications. Decisions proposed in this report that would have an impact will be brought forward to the 2024 November 5 Strategic Meeting of Council.

Service and Financial Implications

**Corporate Planning & Financial Services Report to
Strategic Meeting of Council
2024 September 16**

**ISC: CONFIDENTIAL
C2024-0859**

**Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and
Budgets**

No anticipated financial impact

This report is a preview only, and approving the recommendations of this report has no direct service or financial impact. Decisions proposed in this report that would have an impact will be brought forward to the 2024 November 5 Strategic Meeting of Council.

RISK

The City's budget decision process presents both downside and upside risk to the organization and Calgarians. While The City is facing significant external pressures, the recommended approach is designed to best meet the needs of Calgarians, follow Council direction, and continue to deliver quality services. A more in-depth analysis of the risks associated with this report can be found in Attachment 8.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Mid-Cycle Adjustments At A Glance
3. Proposed Investments
4. Estimated Tax Impacts
5. Service Efficiency Initiatives
6. Priority Metrics and Advancing Measurement and Reporting
7. Review of Capital Commitments (Confidential)
8. Risk Analysis
9. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male, CFO & General Manager	Corporate Planning & Financial Services	Approve
Chris Stewart, Director	Corporate Planning & Financial Services	Approve
Les Tochor, Director	Corporate Planning & Financial Services	Approve
Ryan Vanderputten, Director	Infrastructure Services	Approve
Michael Thompson, General Manager	Infrastructure Services	Consult
Deb Hamilton, General Manager	Planning & Development Services	Consult
Matthew Sheldrake, Director	Planning & Development Services	Consult
Chris Arthurs, General Manager	People, Innovation, Collaboration & Technology	Consult

Corporate Planning & Financial Services Report to
Strategic Meeting of Council
2024 September 16

ISC: CONFIDENTIAL
C2024-0859

**Preview of the Mid-Cycle Adjustments to the 2023-2026 Service Plans and
Budgets**

Jill Floen, General Counsel	Law & Legal Services	Consult
Doug Morgan, General Manager	Operations Services	Consult
Katie Black, General Manager	Community Services	Consult
David Duckworth, Chief Administration Officer	Office of the Chief Administrative Officer	Consult
Stuart Dalglish, Chief Operating Officer	Office of the Chief Operating Officer	Consult

Author: One Calgary Program Team

