

**One Calgary Report to
Strategic Meeting of Council
2018 March 21**

**ISC: UNRESTRICTED
C2018-0304
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One Calgary – Resilience, Research, Financial and Capital Update

EXECUTIVE SUMMARY

Making life better every day for Calgarians is our common purpose. The City of Calgary delivers on this purpose by being a service and results-driven, accountable and resilient municipal government, placing citizens, customers and communities at the forefront of our plans, decisions and actions. Three Conversations, One Calgary: The City's Strategic Plan for 2019-2022 ('the Strategic Plan') will deliver on Council's direction through service plans and budgets that will be presented to Council in November. Ultimately, the work ahead is about better service delivery, demonstrating value for tax dollars, building resilience and contributing to quality of life today and for generations to come. This report and the discussion with Council on March 21 is about information and decisions (e.g. resilience context, existing research, a financial update and principles for setting indicative tax rates, and a capital budget update) that will provide a foundation to inform key decisions being requested at the Strategic Meeting of Council on 2018 April 25. At that time, Council will be asked to approve indicative tax rates, long-term user fee tax support rates and indicative rates for utility services.

ADMINISTRATION RECOMMENDATION:

That Council:

1. Receive the Preliminary Resilience Assessment Executive Summary (Attachment 1), and the Existing Research & Data Report (Attachment 2) for information;
2. Approve the updated Principles for Setting Indicative Tax Rates (Attachment 3); and
3. Approve the updated Capital Infrastructure Investment Strategy (Attachment 4).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2005 January 31, Council approved the Multi-Year Business Planning and Budgeting Policy (CFO004). This policy was amended on 2008 January 14 and on 2012 April 9.

On 2011 April 5, Council approved principles for setting indicative tax rates (C2011-31).

On 2014 September 15, Council approved the City Manager's Leadership Strategic Plan: Contract with Council (C2014-0703), which identified service plans and budgets as a key component of The City of Calgary's performance management system intended to support better delivery of services to communities, customers and Calgarians.

On 2015 November 25, the Capital Infrastructure Investment Strategy was approved by Council (C2015-0855) and on 2017 March 6, Council directed that Infrastructure Calgary update this strategy as part of the capital planning for the 2018 budget process (C2017-0214).

On 2017 December 4 (C2017-1213), Council received "Setting your Council Directives for 2019-2022 (One Calgary)". The materials gathered in that document utilized data from multiple citizen engagements and surveys and was an input into setting Council's Directives for 2019-2022.

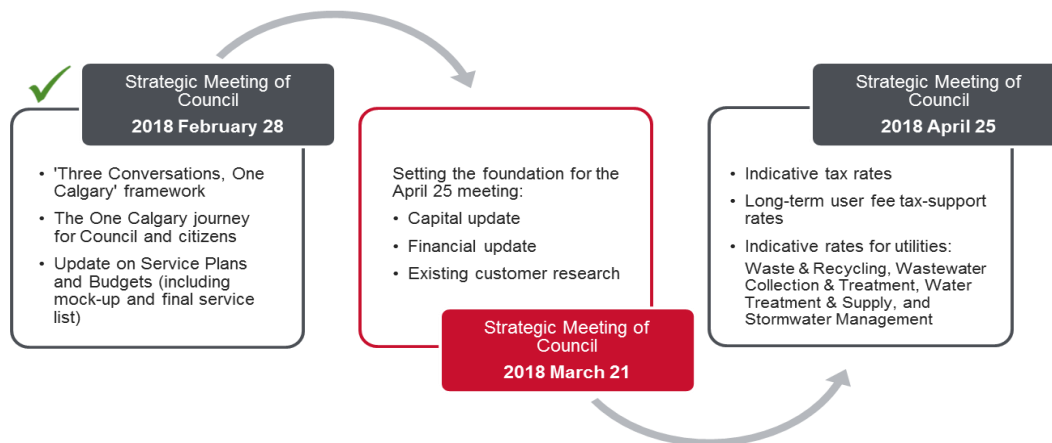
On 2018 January 31 (C2018-0115), Council adopted the "Council Directives to Administration for 2019-2022 One Calgary Service Plans and Budgets". Further, Council adopted a motion arising to direct Administration to bring forward amendments to the Council Priorities.

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On 2018 February 28, Council:

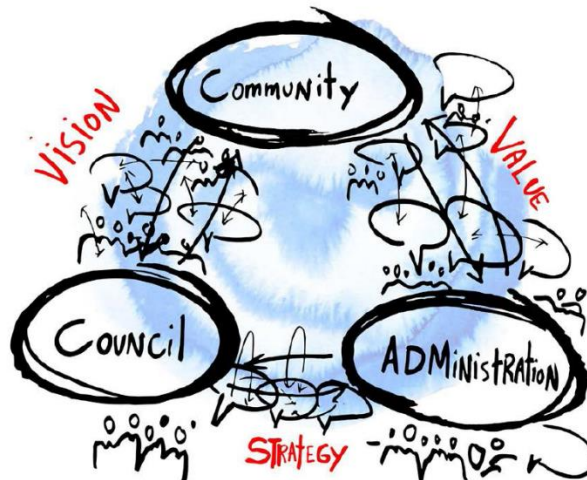
- Adopted the additional amendments to the “2019-2022 Council Directives for One Calgary” (C2018-0201).
- Approved “Three Conversations, One Calgary” as the framework that will guide the development of The City’s Strategic Plan for 2019-2022 (C2018-0224).

This report provides a resilience context, a financial update, a capital update, and a summary report on existing customer research and data. This information and the discussion with Council will provide essential context for the conversation between Administration and Council on 2018 April 25 on indicative tax rates, long-term user fee tax support rates and indicative rates for utility services (i.e. Waste & Recycling, Wastewater Collection & Treatment, Water Treatment & Supply and Stormwater Management). The diagram below reflects the sequence of these discussions with Council.



BACKGROUND

On 2018 February 28, City Manager, Jeff Fielding presented ‘Three Conversations, One Calgary’ as the framework to guide the development of The City’s Strategic Plan for 2019-2022 (‘the Strategic Plan’) including service plans and budgets. As shown in the conceptual drawing of that framework below, there are three sets of relationships, conversations and results.



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With Council's direction for 2019-2022 and the framework to guide Administration's response approved on 2018 February 28 (C2019-0201, C2018-0224), key components of the conversation between Council and Administration have been determined. On 2018 April 25, financial considerations will be the focus of the conversation between Council and Administration (i.e. indicative tax rates, long-term user fee tax support rates and indicative rates for utility services). Council's direction on these financial considerations will form the basis upon which the service plans and budgets for 2019-2022 will be developed.

Additionally, it is worthwhile mentioning that on 2018 February 22 (PFC2018-0200), the Priorities and Finance Committee recommended that Council direct Administration to report back with "recommendations that increase the level of City commitment and investment in new communities" in Q2 2018. Also within that recommendation is direction to include "financial implications for the 2019-2022 budget cycle, future budget cycles, and how any funding gaps for operating and capital would be funded using property tax." Administration will deliver on these recommendations by prioritizing the business cases and identifying the required financial commitment for new community growth in the next and future planning and budgeting cycles. As Council's decisions on this matter will need to be integrated into the 2019-2022 service plans and budgets, Administration is working together to ensure the capital and operating implications (including indicative rates) are aligned and integrated.

One of Council's Priorities for 2019-2022 (C2018-0201) is a Well-Run City which is defined as "Calgary has a modern and efficient municipal government that is focused on resilience and continuous improvement to make life better every day for Calgarians by learning from citizens, partners and others." In keeping with this Priority and its focus on resilience, the Administrative Leadership Team (as the organization's Executive Leadership), agreed that the Resilient Calgary - Preliminary Resilience Assessment Executive Summary (Attachment 1) provides the context for the full conversation scheduled for the 2018 March 21 Strategic Meeting of Council.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

As noted above, the Preliminary Resilience Assessment Executive Summary (Attachment 1) outlines four resilience focus areas to be explored in the development of the resilience strategy for Calgary:

1. Inclusive Leadership and Decision Making
2. Economic Resilience
3. Infrastructure Resilience
4. Environment Resilience

The discussion at the 2018 March 21 Strategic Meeting of Council will cover all four of these focus areas with the first three being outlined in this report and with "environment resilience" being considered as part of a separate report on climate change.

Setting the Stage - Resilient Calgary

The 100 Resilient Cities (100RC) initiative, pioneered by the Rockefeller Foundation, is a global network of one hundred cities working to address some of the biggest challenges facing cities in

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the 21st century. Calgary is one of four Canadian cities in the 100RC network and these cities collaborate on mutual urban resilience challenges and the task of developing a resilience strategy for each respective city. The intended outcomes of the resilience work in Calgary are many: to deliver a resilience strategy for Calgary that meets the requirements of the 100RC membership, to build a network of resilience champions in The City of Calgary organization and in the Calgary community, and to support the skills and knowledge base of our Administration as the 2019-2022 service plans and budgets are developed and implemented.

Being a member of the 100RC network has provided The City with access to tools and resources to help understand our community perception of Calgary's resilience. On 2018 February 18 Calgary completed Phase 1 of the 100RC process by completing and submitting a Preliminary Resilience Assessment (PRA) of Calgary. An Executive Summary of the PRA is attached to this report as Attachment 1. The full PRA is available at <http://www.calgary.ca/CS/Pages/Calgary-Resilience.aspx>.

The resilience team has aligned with other City initiatives and is working collaboratively to include those initiatives in the resilience assessment process. The decision to do this was to honour the resilience work already underway in our city. It helped to optimize both people and funding resources assigned to address resilience challenges, while spreading the value of the 100RC network membership across the organization and into the community. The work aligned within the resilience assessment includes other strategic documents and programs such as: the Climate Resilience Program, imagineCALGARY, the Economic Development Strategy for Calgary, the Hazard Identification and Risk Assessment conducted by CEMA, the Municipal Development Plan, the Calgary Transportation Plan, and Infrastructure Calgary.

The Preliminary Resilience Assessment provides a wide arching overview of Calgary's community resilience. It is presented in five parts:

1. The Calgary context, an actions inventory of the many resilient activities underway in our community;
2. The challenges and opportunities identified through many discussions and analysis of the actions underway;
3. Identification of four Discovery Areas and one cross-cutting theme:
 - a. Economic Resilience
 - b. Inclusive Leadership & Decision Making
 - c. Environment Resilience
 - d. Infrastructure Resilience
 - e. Cross cutting theme: How do we encourage a trusting environment that supports intentional risk taking, innovation and co-creation?
4. To develop the strategy recommendations; and
5. Delivering the next steps of the resilience strategy.

As Calgary moves into Phase 2 of the Resilience Strategy development process, the Discovery Areas will be finalized. This phase will include forming working groups/collaborative circles, work plans, an opportunity assessment, and recommended actions for the Resilience Strategy. Phase 2 will also allow for engagement and informing stakeholders, co-creating, socializing resilience, nurturing a community of resilience practitioners, and identifying community

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leadership opportunities related to this work. Phase 1 work and the delivery of the PRA has intentionally been aligned with One Calgary to support resilience thinking and consideration of shocks and stresses as the service planning and budgeting work is being considered. The PRA work has supported the documentation used by Council to deliver the Council Priorities, the resilience lens is being included into the capital infrastructure planning process, and it is being considered as part of the training modules for staff preparing the service plans. Delivery of the full resilience strategy for Calgary will occur in a phased manner, with resilience remaining a foundational context supporting the One Calgary process and timelines, as well as longer term community involvement in the development and implementation of a resilience strategy for Calgary being realized throughout 2019-2022 and possibly beyond.

This report addresses three of the four focus areas: inclusive leadership and decision-making, economic resilience, and infrastructure resilience. Together, it is intended that this information will support the One Calgary work. Further, it will provide context to set the foundation for the conversation between Administration and Council on 2018 April 25 on indicative tax rates, long-term user fee tax support rates and indicative rates for utility services as part of the development of the 2019-2022 service plans and budgets.

Inclusive Leadership and Decision Making – Existing Research and Data

Attachment 2 is a summary report of existing research and data provided for Council's information. Metrics included in this report are not exhaustive and are meant to be a representative snapshot of current citizen perceptions on service and service value. Research in this report was conducted over the past two years and it is part of a comprehensive plan for ensuring public and stakeholder input is sought and incorporated at multiple points as the 2019-2022 service plans and budgets are developed. As noted on 2018 February 28 (C2018-0224), this plan focuses on:

- Using the most cost-effective methods to maximize participation and return on investment;
- Leveraging existing citizen and stakeholder research, data (e.g. 311, web analytics) and engagement; and
- Targeting 'net new' engagement and research to fill specific gaps in existing knowledge.

Additionally, as outlined in C2018-0224 and as shown in the table below, Attachment 2 complements the research report received by Council in 2017 December. It is similarly organized by Council Priority, but it focuses more specifically on citizen perceptions on City services and service value to support Council's discussions and Administration's work on service plans and budgets over the next few months. As shown in the prototype of the service pages provided to Council on 2018 February 28 (C2018-0224, Attachment 3), what we heard (customer & citizen research & engagement results) will be specifically addressed for each of The City's services. Information such as that in Attachment 2 will be an important part of understanding what Calgarians value with respect to City services.

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Timeframe	Informs	Public Input Focus	Approach/Format
December 2017 ✓	Council's Directives for 2019-2022	<p>What did we hear on the campaign trail?</p> <p>What are citizen perceptions of quality of life?</p> <p>How is the community doing on key indicators?</p>	Existing research report provided to Council as input to the 2017 December 4 Strategic Meeting of Council (C2017-1213).
March/April 2018	Service Plans and Budgets for 2019-2022	<p>What have we heard from the community about City services?</p> <p>Focus of Attachment 2</p>	Research report to Council summarizing existing customer research from the past two years (focusing on services and service value), including but not limited to Citizen Satisfaction Survey results.
		<p>What is most important to you with respect to City services?</p>	<p>Rank value characteristics of public-facing services to determine what is most important to customers.</p> <p>Online engagement tool open to all members of the public (also available through 3-1-1) and online Citizens' View Panel (from April 2 to April 22).</p>
September 2018	Service Plans and Budgets for 2019-2022	Are we focused on the things that you said were most important?	Public submissions at Standing Policy Committees following presentations of the preliminary service plans and budgets.
November 2018	The City's Strategic Plan for 2019-2022, including service plans and budgets	Have we developed a Strategic Plan that reflects Council's direction and input from the community?	Public submissions during Council deliberations.

As noted above, the next steps in this comprehensive plan is to engage members of the public and stakeholders through on-line tools and research methods. Through robust and inclusive marketing and social media, Calgarians and City of Calgary employees will be encouraged to participate from April 2 to April 22 by going to calgary.ca/yourservices. An information package has been sent to members of Council in preparation for this engagement.

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Economic Resilience – Financial Update

One of the most important milestones in the journey to develop 2019-2022 service plans and budgets is setting indicative tax rates, long-term user fee tax-support rates, and indicative rates for utility services. Council will be asked to consider these items at the Strategic Meeting on 2018 April 25. If approved on this date, Administration will have indicative rates one month earlier than in the preparation of Action Plan (2015-2018). This extra time is important for several reasons. First, it provides additional time in May, June and July for Council to discuss key topics or issues that will inform deliberations in 2018 November including topics such as the new community growth strategy. Second, it provides additional time for Administration to build the service plans and budgets in a cohesive and integrated way such that they collectively will respond to and deliver on Council's Priorities and Directives for 2019-2022.

A financial update will be presented to Council on 2018 March 21. It will show that economic indicators for Calgary are moving in the right direction and The City has made significant progress managing expenditures during the current planning and budget cycle. However, there are still significant challenges ahead as a gap between operating expenditures and revenues is expected to emerge. This challenge will require balancing between the pressure to keep tax increases low in 2019-2022 and the continued expectation for more investments in either services or in growth infrastructure (such as both new communities and redevelopment).

Administration is currently developing more up to date economic information to be published in the Spring Outlook in early April. This updated information will be available prior to the 2018 April 25 Strategic Meeting of Council when indicative tax rates will be discussed.

The work to develop the 2019-2022 service plans and budgets will need to respond to these challenges, so key strategies will include:

- A cross-corporate approach to prioritizing service investments and divestments (for both operating and capital).
- Explicitly linking Council's decisions around growth with the impact on costs in 2019-2022 and beyond to ensure the costs of growth are well understood and funded.
- Continuing to set efficiency targets as part of the planning and budgeting process and maintaining the focus on managing costs.
- Supporting the organization and service owners (one for each of The City's 62 services) to work across service lines and prioritize strategies for responding to Council Directives that maximize limited resources.

Attachment 3 includes the proposed updated principles for setting indicative tax rates. These were previously approved on 2011 April 5 (C2011-31). The updated principles are reflective of the current financial situation, demonstrate further integration and build upon the originally approved principles. These are provided for Council's approval.

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Infrastructure Resilience – Capital Update

The purpose of this capital update is to share the updated Capital Infrastructure Investment Strategy, with a request for Council approval, and provide information on the new capital budget process for 2019-2022.

Capital Infrastructure Investment Strategy (Attachment 4)

The Capital Infrastructure Investment Strategy was approved by Council on 2015 November 25 (C2015-0855). It is a nine-point tactical strategy intended to support the economy and intentionally manage The City's capital investment. The strategy directed a recast of the capital budget's cash flows, reprioritized projects to reflect a corporate view of the current circumstances and removed constraints to increase the capital budget spend rate within approved tax levels. Administration has:

- critically examined and re-casted cash flows;
- aligned with federal and provincial priorities and continues to monitor and align;
- reviewed funding sources to allocate to new priority projects;
- implemented new processes and continues to work towards standardization; and
- funded additional resources through the Acceleration of Capital for Economic Resilience (ACER) program.

On 2017 March 6, Council directed that Infrastructure Calgary update the strategy as part of the capital planning for the 2018 budget process (C2017-0214). The original intentions of the strategy remain, but the updated version also seeks to entrench the role of capital infrastructure planning and investment in creating a resilient and sustainable city. It guides investment activities to further optimize The City's capital, and is consistent with the new Council Directives. Where the strategies from the original Capital Infrastructure Investment Strategy remain relevant and opportunity for improvements exists, they have been incorporated into the new updated strategy.

A key change in the capital budget process for 2019-2022 service plans and budgets is the creation of a Corporate Infrastructure Investment Plan. This Plan is a consolidation of departmental Infrastructure Investment Plans, which will be evaluated against corporate criteria to capture the overall capital priorities by service. A corporate process for prioritization and the allocation of capital funds is part of the work identified in the original Capital Infrastructure Investment Strategy. The strategy forms one part of the corporate capital prioritization criteria.

The corporate approach to capital funding will build off the Corporate Infrastructure Investment Plan. Each capital request will identify funding eligibility to be considered through the corporate review process. Infrastructure Calgary will work with Finance and operations to develop an allocation process that optimizes restricted sources, effectively utilizes the 2019-2022 capital funding capacity, and supports the delivery of City services at service levels determined by Council.

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This is a departure from timing and process in previous cycles, where capital envelopes were provided to departments while they were developing their Infrastructure Investment Plans and prioritization was influenced by the available funding. The shift to corporate infrastructure investment planning, prioritization and allocation supports a service-based approach as service need is the primary criterion for identifying, prioritizing and funding capital investments.

Infrastructure Calgary has identified that anticipated capital funding will be less than what was available in the previous cycle. This capital funding amount will continue to be refined as more information becomes available and Infrastructure Calgary works with business units to identify the capacity within reserves and capital deposit balances. Implementing this approach is a significant advancement towards optimizing the value of The City's investment and maximizing benefit to Calgarians.

Looking Ahead to the 2018 April 25 Strategic Meeting of Council

The information in this report will support Council's consideration of three important items on 2018 April 25:

1. Indicative tax rates that provide a financial envelope within which Council will want Administration to develop the 2019-2022 service plans and budgets. Attachment 3 provides an update on the principles for setting indicative tax rates. Direction from Council on 2018 March 21 will provide the basis for the work that will return to Council on 2018 April 25.
2. Long-term user fee tax support rates. The Council approved User Fees & Subsidies Policy (CFO010) is a key component of service plans and budgets and forms part of the overall revenue picture for 2019-2022. Similar to past business planning and budgeting cycles, a two-step approach will be used where first long-term user fee tax support rates will be proposed in April with user fee schedules being provided in November as part of the deliberations on the 2019-2022 service plans and budgets.
3. Indicative rates for utility services (Waste & Recycling, Wastewater Collection & Treatment, Water Treatment & Supply, and Stormwater Management).

The meetings on 2018 March 21 and April 25 are important parts of the 'Three Conversations, One Calgary' framework as they are key discussions between Council and Administration. This report provides contextual information to support these conversations.

Stakeholder Engagement, Research and Communication

As noted on pages 5 and 6 of this report, there is a comprehensive plan for ensuring public and stakeholder input is sought and incorporated at multiple points as the 2019-2022 service plans and budgets are developed.

Several methods were used to invite and include community, citizen, stakeholder and City staff perceptions in the development of the Preliminary Resilience Assessment. These include but are not limited to the Agenda Setting Workshop and the Downtown Economic Summit (held 2017 March), focus group sessions, workshops and face-to-face interviews with City

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employees. The City of Calgary Trends and Beyond Trends workshop held 2018 January 9 created an opportunity for employees to contribute their resilience thinking to our future stresses and shocks. At the workshop, City staff confirmed that some of our long-range assumptions about our community are or may be fragile: our social fabric and connections, insurance coverage availability and affordability, frequency of flood events, access to fresh surface water, and relying on protective services and other orders of government to help us during and after an emergency. Assumptions that were strong included: the evolution of traditional to new lifestyles; the pace of technological changes and their impacts on City service provision; change forced by a weak economy; and integrated infrastructure planning critical to value for investment. These reflections resonate with the resilience assessment and support the Discovery Areas and focused questions will help us better understand these resilience topics.

Strategic Alignment

The development of Three Conversations, One Calgary: The City's Strategic Plan for 2019-2022, including service plans and budgets, is one of the most significant pieces of work that The City undertakes as it advances our common purpose and helps to deliver on Calgary's vision for the future. The work aligns with Council policy and long-term planning and demonstrates where The City will focus over the next four years.

The resilience strategy development aligns with Council Directives for 2019-2022. There is also strong alignment with Calgary Economic Development's Focus Areas as set out in the *Building on Our Energy; An Economic Strategy for Calgary (November 2014)*, Climate Resilience Program, and several other Calgary initiatives and programs. Program leaders and peers from sustainability and climate programs have formed a collaborative working relationship with a view to align the resilience strategy development with their respective programs. There have been intentional efforts to train city employees to support the resilience assessment process and to build a working knowledge of resilience qualities. Staff have been equipped with resilience tools such as raising awareness of the 100RC City Resilience Framework, training in the use of Perceptions and Actions tool, strategic foresight and the resilience lens, and application of these tools to the planning of operating and capital service delivery is underway. The resilience work is aligned with the imagineCALGARY targets specifically through the sections titled Economy, Financial capacity, Community wellbeing and Safety & resilience.

Social, Environmental, Economic (External)

Service plans and budgets are a tool that allows consideration of the social, environmental and economic environment during the business planning and budgeting process. The plans and budgets will be developed using a results-based performance framework. This includes information on how each City service contributes to quality of life for Calgarians and their aspirations for the community.

Financial Capacity

Current and Future Operating Budget:

As noted earlier in this report, this is a key point in the process to develop 2019-2022 service plans and budgets. A financial update will be presented to Council on 2018 March 21.

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Current and Future Capital Budget:

As noted earlier in this report, this is a key point in the process to develop 2019-2022 service plans and budgets. Attachment 4 provides a capital update.

Risk Assessment

As with previous business planning and budgeting cycles, consideration of risks is a key factor informing the development of plans and budgets. Given the city's current economic context, risk will need to be considered in a different way, including re-thinking assumptions, and placing considerably more emphasis on weighing the costs as well as the benefits of risk mitigation strategies, to ensure that they provide good value. In other words, the organization may want to consider higher levels of tolerance for some types of risks, where the trade-offs between risk reduction and cost indicate that this is warranted. This resilience mindset builds on recent developments where decisions have been made to embrace or accept some risk to improve service value.

The City's development of a resilience strategy and actions is providing an opportunity to align resources and leverage the resilience lens to corporate programs and priorities such as Infrastructure Calgary and the Climate Resilience Program. This approach will contribute focus and actions and in turn mitigate some of the reputational, corporate and financial risks faced by The City given the increasingly diverse population, impacts of the current state of the economy, infrastructure requirements, Greenhouse Gas Emissions (GHG) targets, and the impacts of severe weather events. As observed after the 2013 flood, demonstrated examples of resilience planning, initiatives and actions will mitigate risk and influence rates and insurability of City and community assets. The resilience strategy and actions, once developed, will provide a lens to identify opportunities to align, focus and leverage efforts resulting in a tangible resilience dividend.

REASON(S) FOR RECOMMENDATION(S):

Consistent with Council Policy CFO004, this report provides information and context in preparation for the April 25th discussion on indicative tax rates, long-term user fee tax support rates and indicative rates for utility services. Council is being asked to approve an updated version of indicative tax rate principles that were previously approved by Council on 2011 April 5 in order to better reflect the current financial situation. Council is also being asked to approve an updated Capital Infrastructure Investment Strategy.

ATTACHMENT(S)

1. Attachment 1 – Resilient Calgary Preliminary Resilience Assessment Executive Summary
2. Attachment 2 – Existing Research & Data Report
3. Attachment 3 – Principles for Setting Indicative Tax Rates
4. Attachment 4 – Capital Infrastructure Investment Strategy