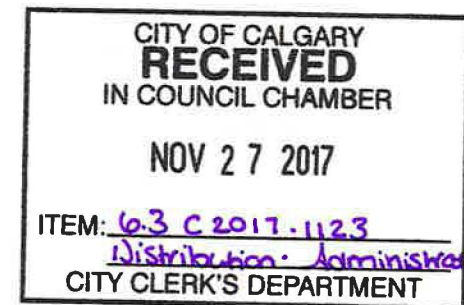




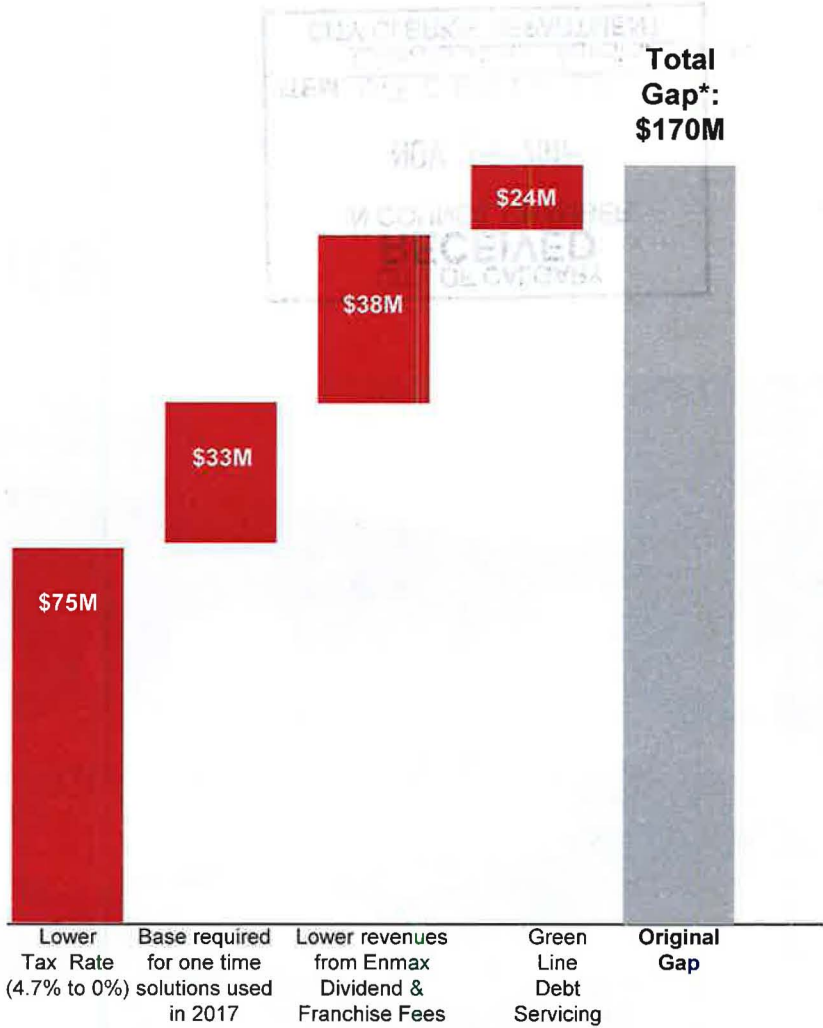
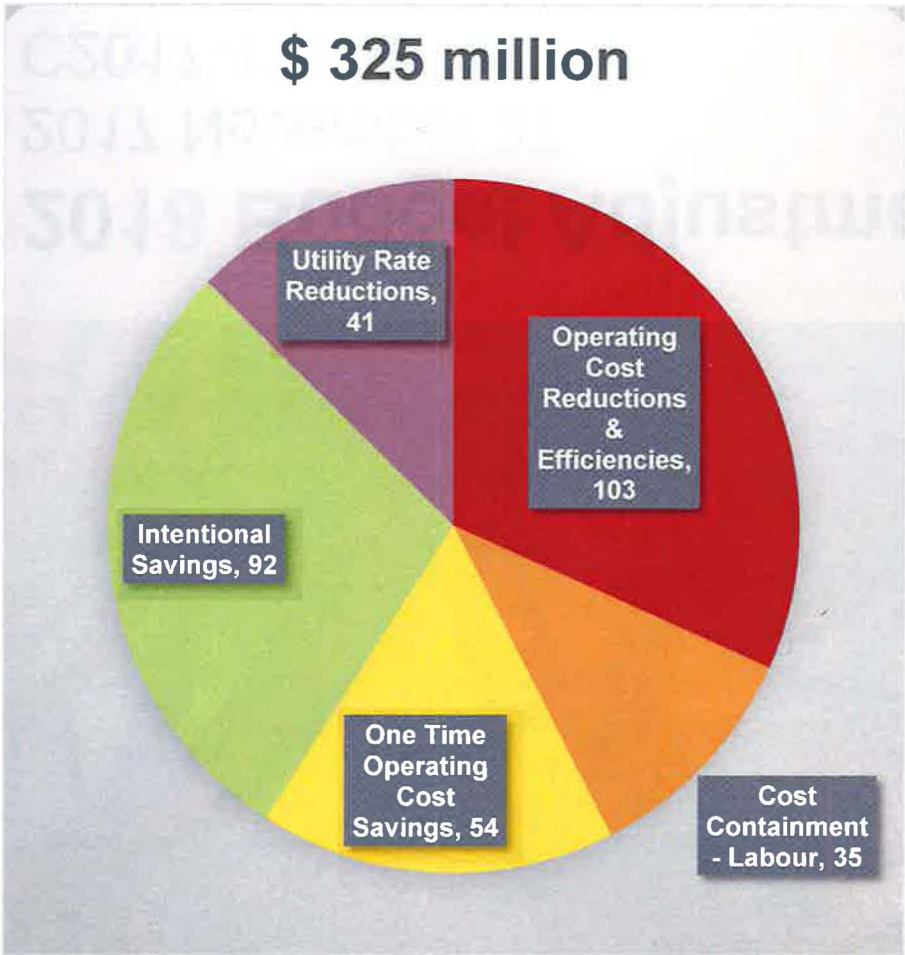
# 2018 Budget Adjustments

2017 November 27

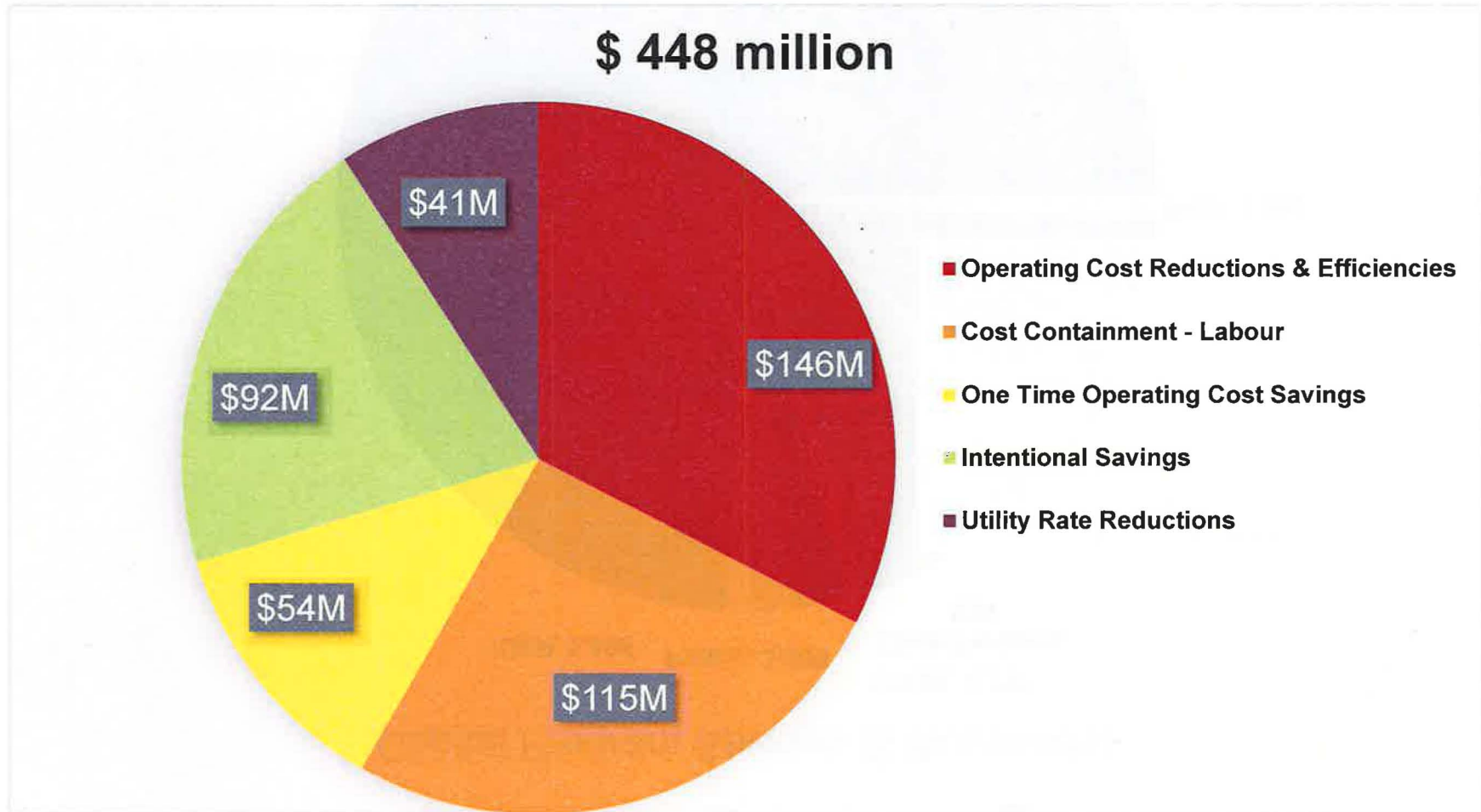
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# Operating Savings & Efficiencies 2015-2017



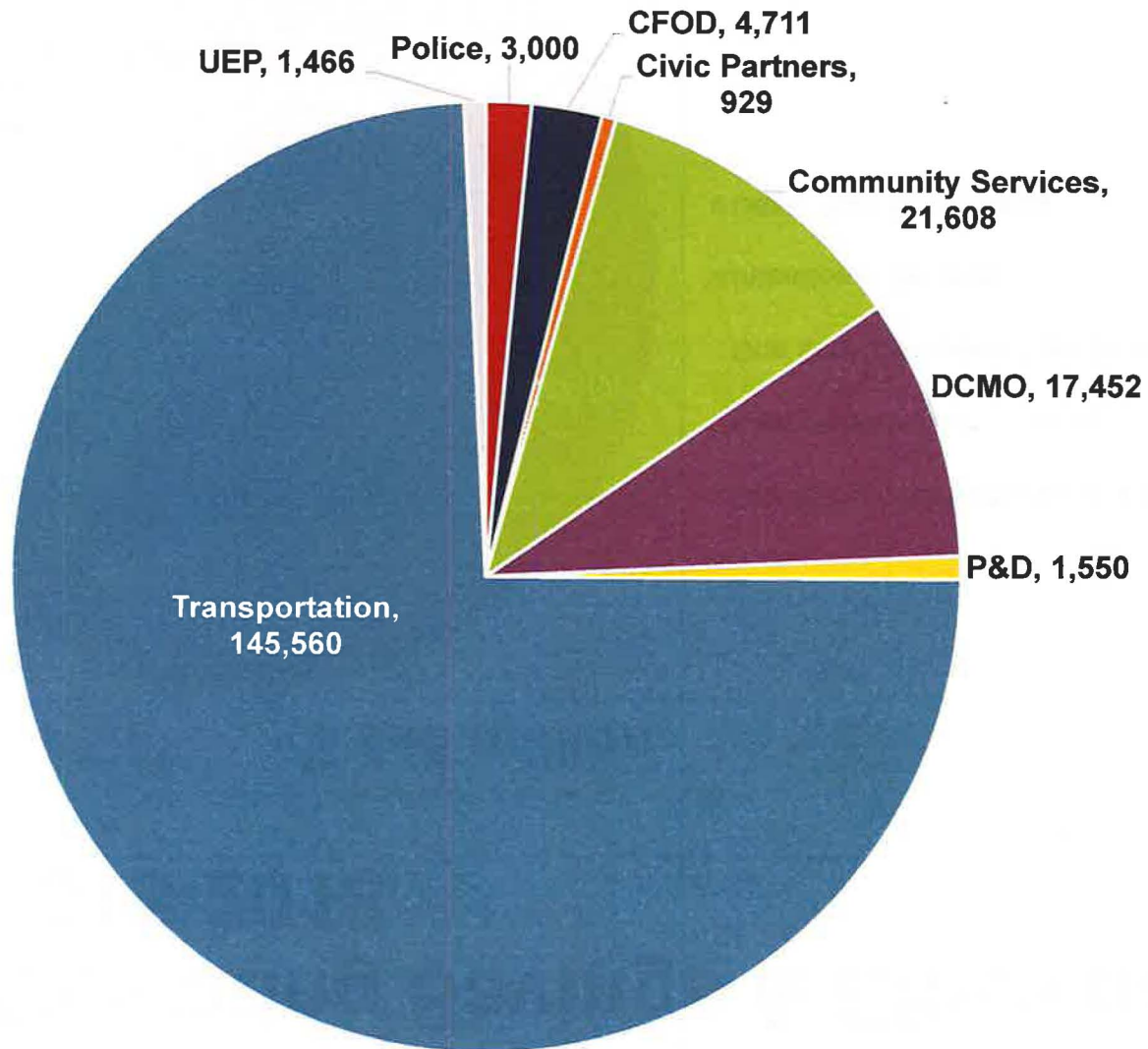
# Operating Savings & Efficiencies 2015-2018



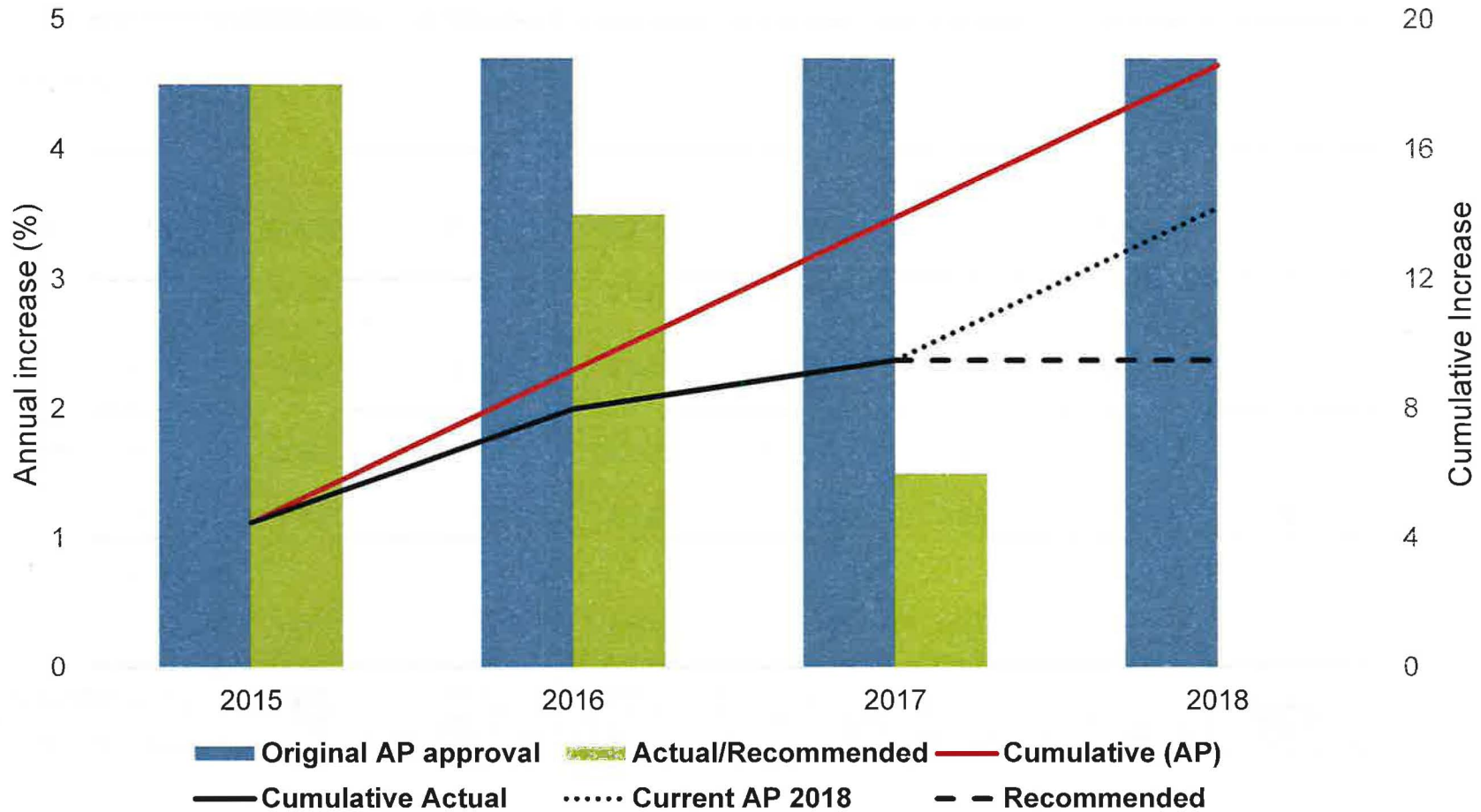


# Capital Budget Savings Account

Capital Program Savings (\$ thousands)



# Action Plan Tax Rate increases





# Economic Assumptions

Indicator	2015		2016		2017		2018	
	Action Plan	Actual	Action Plan	Actual	Action Plan	Current	Action Plan	Forecast
<b>Calgary Region</b>								
GDP Growth	3.2%	-3.7%	2.7%	-1.2%	2.6%	3.0%	2.6%	2.4%
Cumulative GDP	2.5%	-3.7%	4.8%	-4.9%	7.1%	-1.9%	9.4%	0.5%
Unemployment	4.5%	6.1%	4.4%	9.0%	4.5%	8.8%	4.5%	6.7%
CPI	2.1%	1.2%	2.1%	1.0%	2.1%	1.6%	2.1%	2.3%
Oil Price (WTI US\$/bbl)	\$90.00	\$48.70	\$92.70	\$43.30	\$95.00	\$49.80	\$95.70	\$50.80
<b>City of Calgary</b>								
Population	1,196,000	1,231,000	1,223,000	1,235,000	1,251,000	1,246,000	1,274,000	1,259,000
Housing starts	9,400	10,600	10,000	7,700	10,800	6,300	12,000	4,400
Building permits (\$ billions)	\$6.1	\$6.3	\$5.6	\$4.7	\$4.5	\$4.5	\$4.4	\$3.6



## Challenges

- Recovery has begun, but will be slow
  - Employment and GDP will not be back to 2014 levels until 2019
- Some service demand/revenue is down
  - e.g. Transit ridership down 8–9 million from 2014
- Demand for some services is up
  - e.g. Affordable housing
- Office vacancy is high
  - Will keep construction activity down

Calgary



# Context



# Operating Budget changes to date (Total City)

Indicator	2015	2016	2017		2018			
	YE Actual	YE Actual	Action Plan	Current	Action Plan	Projected*	Adjusted (without Police)**	Adjusted (with Police)***
Operating Budgeted base expenditures (net of recoveries) - millions	3,720.4	3,816.5	3,952.9	3,836.6	4,165.8	3,990.7	3,902.3	3,923.1
Population - millions	1.231	1.235	1.251	1.246	1.274	1.259	1.259	1.259
Operating Budgeted base expenditures (net of recoveries) per capita	3,022	3,090	3,160	3,079	3,270	3,170	3,100	3,116

\*Current 2018 budget is based on a 4.7% tax increase

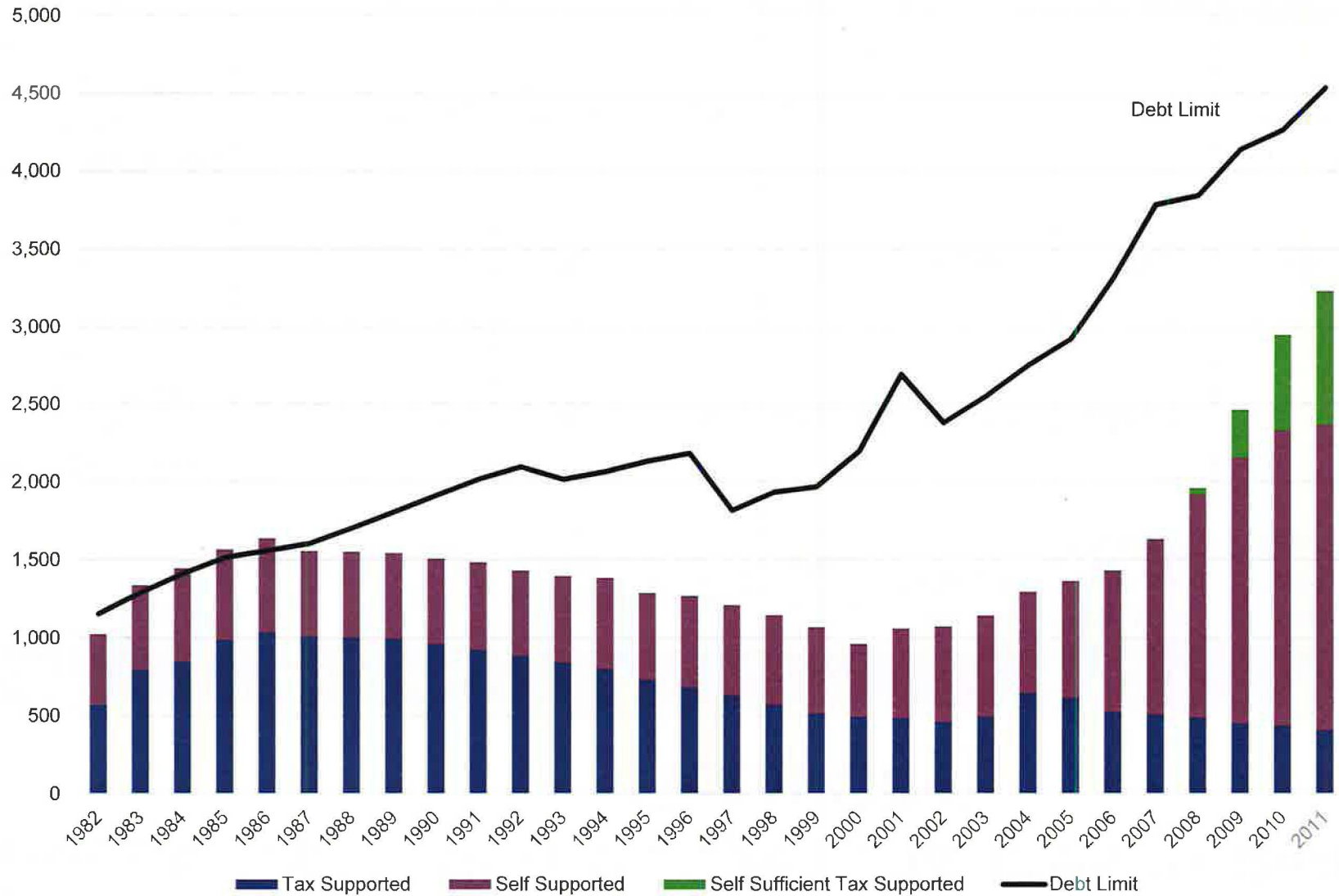
\*\* Recommended 0% increase

\*\*\*With Police add 0.8% increase

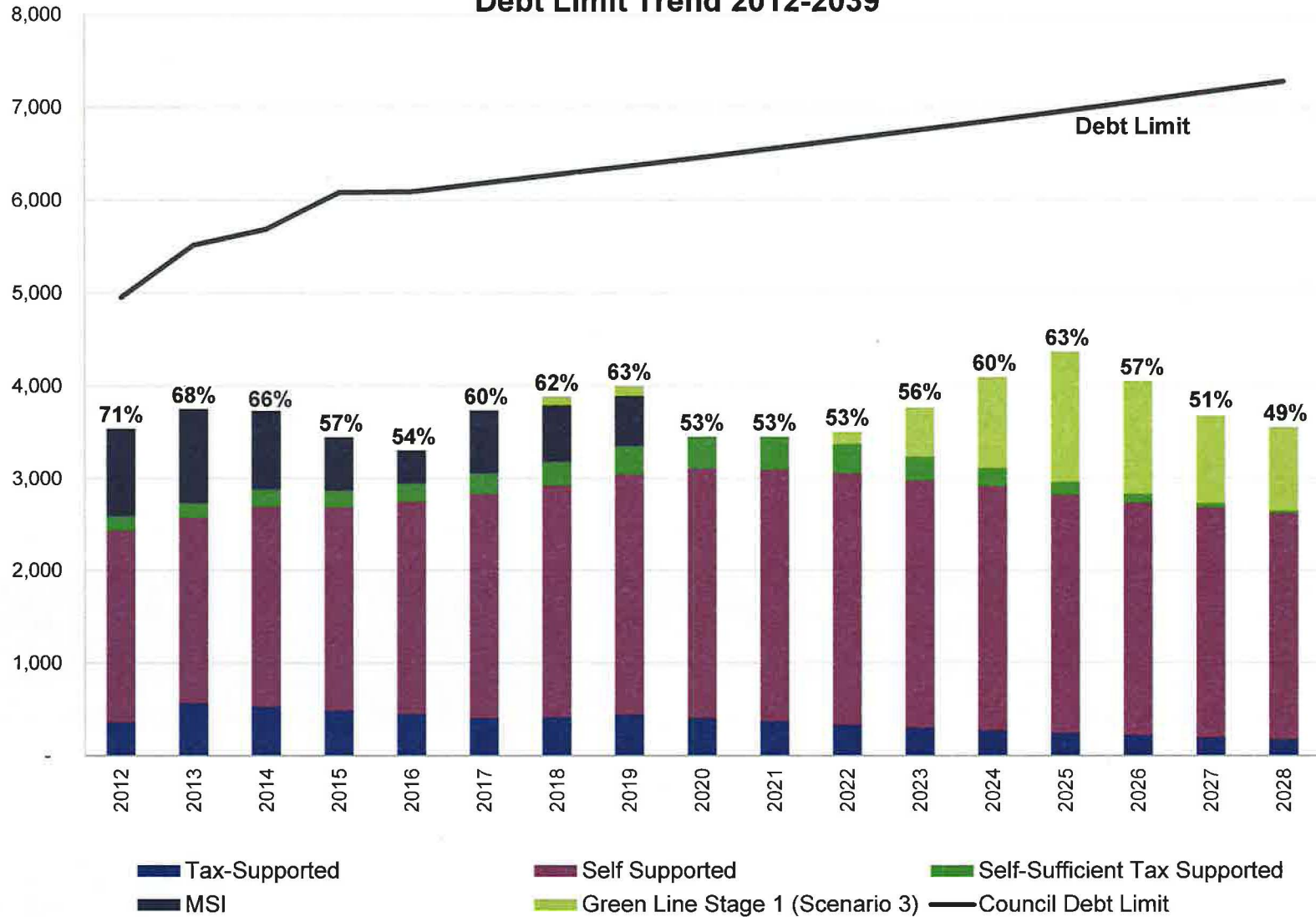


# Debt history

City Historical Debt Levels 1982-2011



**City Forecast Debt Levels  
Debt Limit Trend 2012-2039**





# Debt Impact Forecast

Scenario D	2025 Debt Balance (\$ B)	% Limit utilized	Cumulative % of Limit utilized
Existing debt-pre-Green Line Project	3.0	44%	44%
Green Line Project	1.4	19%	63%
Prospective projects: (not ranked in order of preference or timing)			
Projects A	0.5	7%	70%
Projects B	0.8 – 0.9	12% - 15%	82% - 85%
Projects C	0.4 – 0.7	5% - 9%	87% - 94%
Projects D	0.1	2%	89% - 96%
Projects E	0.6 – 0.7	9% – 10%	98% - 106%
Projects F	0.7	11%	109% - 117%



# Annual Operating Contributions to Capital

2018 - \$ millions

Pay As You Go	\$96
Lifecycle Maintenance & Upgrade Reserve	\$58
Debt Servicing Reserve	\$55
2011 Tax Room	\$42
2013 Tax Room	\$52
GST Rebate	\$9
<b>Total</b>	<b>\$312</b>



# Tax Room History

Year	Amount	Purpose
2011	\$42 M	History, principles and projects 2011–2016 funding for priority community infrastructure \$13M for Recreation Centre debt until 2033, \$29M for additional projects starting 2019
2012	\$10.2	2012-2017 for various capital projects Operating in 2018 and beyond (Council directed \$8.8m in user fee freezes)
2013	\$52.1	2015 GreenLine funding commitment of \$1.56B for the next 30 years
2017	\$23.7	2018 Recommend GreenLine financing costs for the next 27 years



## Council Direction

- Direct Administration to prepare adjustments to the 2018 business plans and budgets based on a property tax rate increase of **0% to 2%, with a maximum of 2%**, and return in 2017 November with the proposed adjustments.
- Direct Administration to bring a Recommendation to the Business Plan and Budget Process for the use, or rebate, of the 2017 tax room for 2018 and further tax years.



# Guiding Principles 2018 Budget Adjustments

- 2018 is the last year of Action Plan 2015-2018
- One City, One Voice
- Limit the impact on 2018 service delivery
- No new debt without identified repayment source and consideration of Debt Limits
- No new tax increase for the operating costs of service delivery, except where warranted
  - Backing out growth where we can
  - Some growth projects still require operating (e.g. fire, library)
- No new tax increase for the operating costs of capital projects
- Manage bow wave in 2018 and beyond
- Everyone will contribute to the reduction (it may not be equal and may not be at the same time)
- Engage leadership in finding and advancing solutions
- Continued investment to ensure long-term business sustainability



# Process & Timelines

What	When
\$325 savings & efficiencies	March 7
\$170 Gap	April 25
Council Direction	May 15
Roll out of instructions to BUs*	July 12
Operating submissions due	September 15
Evaluation of submissions	September 18 – October 17
Report release & media briefing	November 17
Council deliberations	November 27



# 2018 Operating Budget Context

**Current 2018  
Base Budget  
Expenditures**

**\$3.99B**

**Available Base  
Funding  
(0% tax  
increase)**

**\$3.82B**

**Issue to  
resolve**

**\$0.17B**

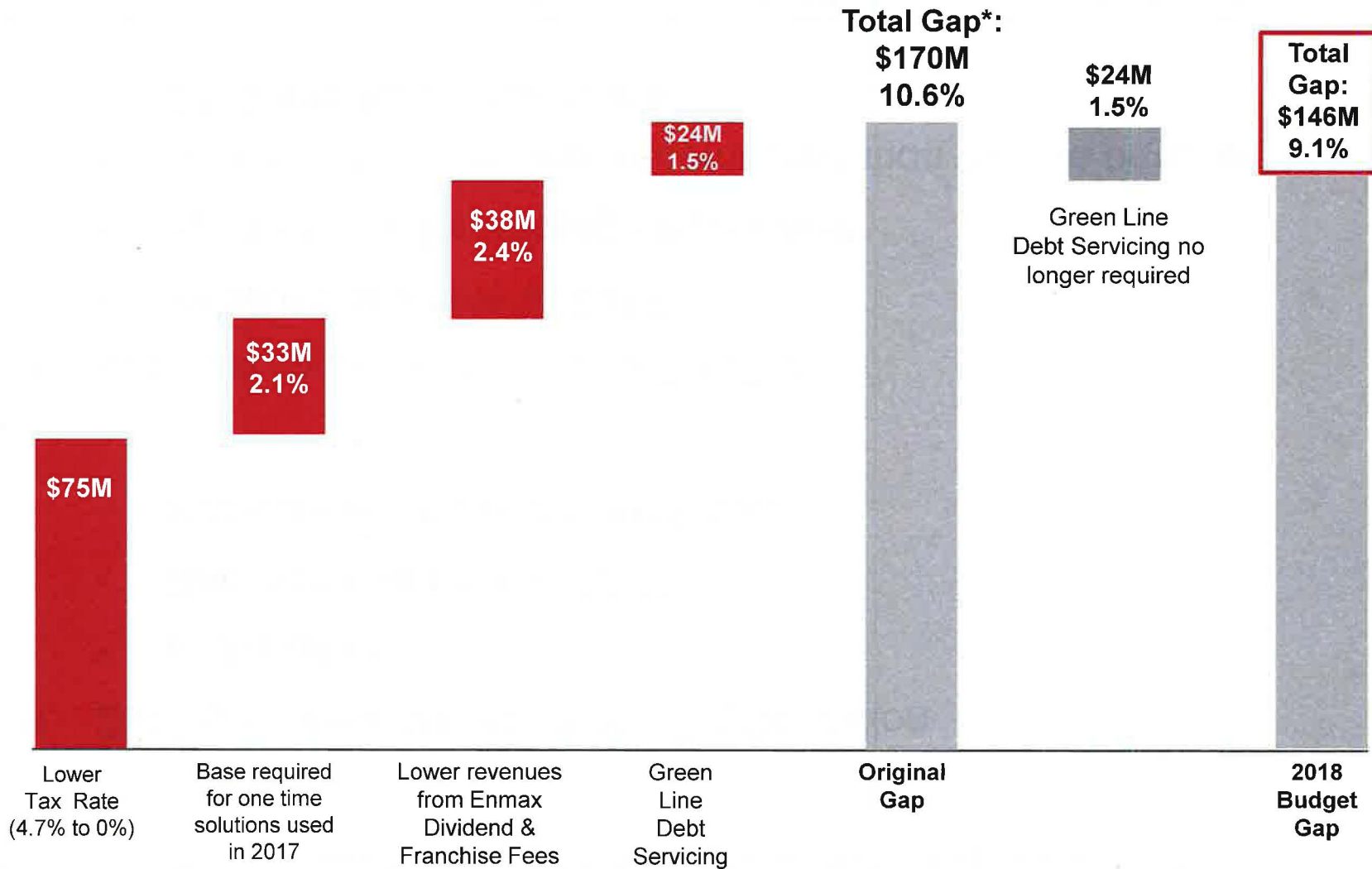


# 2017 Tax rate decisions

- 2017 tax rate increase (1.5%) = \$24 million
  - In the base
  - Rebated one time in 2017
  - Increase will show on 2018 bills
  
- 2017 tax room (1.4%) = \$23.7 million
  - Rebated one time in 2017
  - \$2.05/month for average household
  - Direction to return with recommendation for use or rebate in 2018 and future tax years

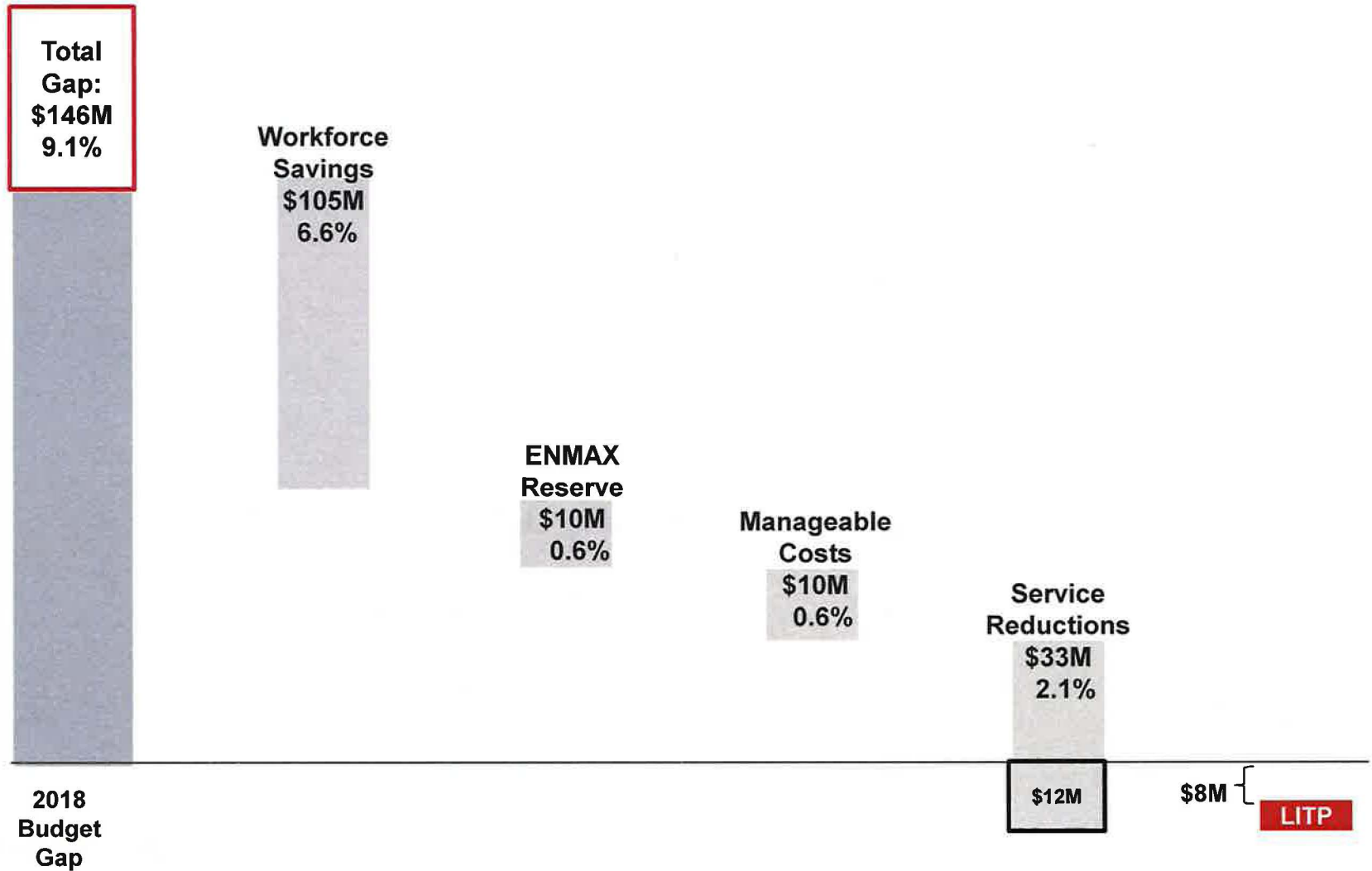
**Administration recommends retaining 2017 tax room in 2018 and future years and use to fund Green Line financing costs**

# What makes up the \$170M?



\*Assumes 2017 1.5% tax rate rebate expires

# Addressing the gap





# Workforce Savings

Corporate Workforce committee

- Savings from the past
- Savings from future

**Workforce  
Savings  
\$105M  
6.6%**

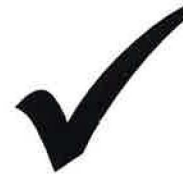




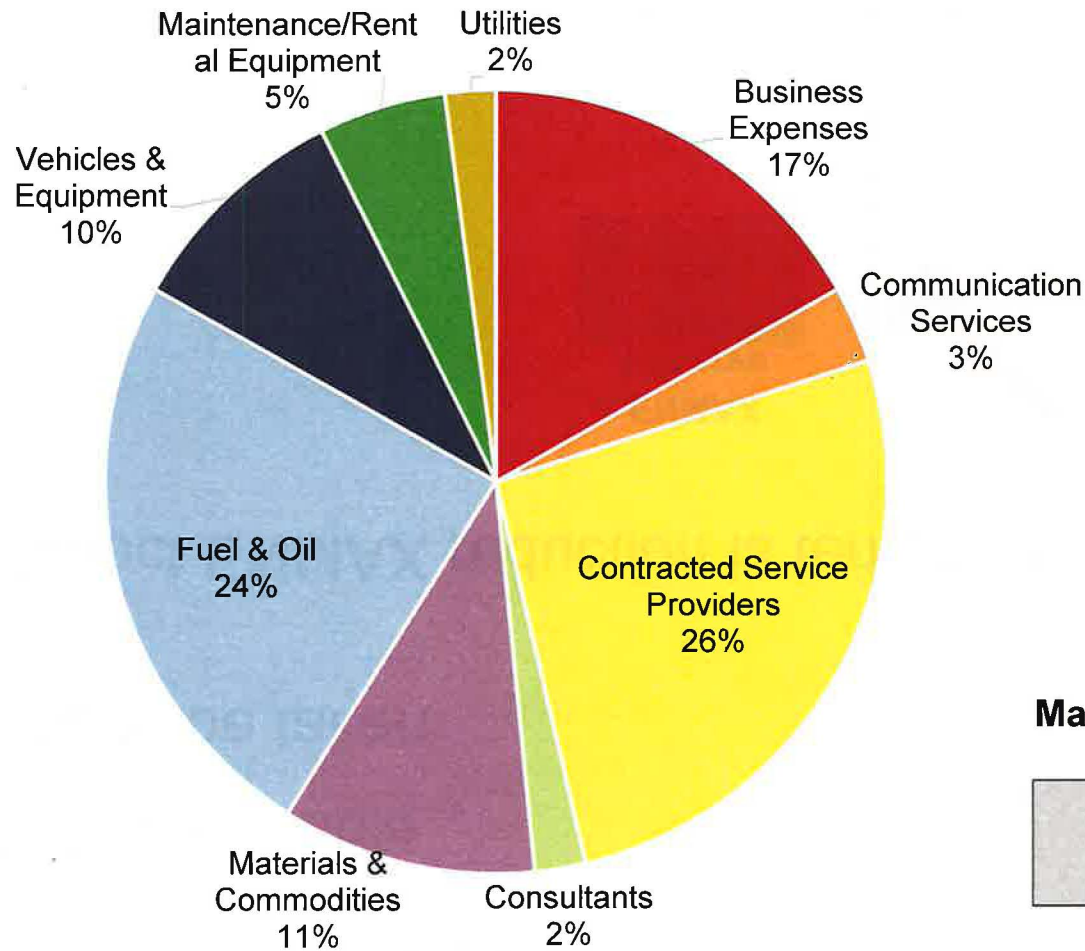
# ENMAX Dividend Stabilization Reserve

- \$20M available
- \$10 to be taken
- Expect ENMAX reduction is temporary

ENMAX  
Reserve  
\$10M  
0.6%



# Manageable Costs



**Manageable Costs**  
**\$10M**  
**0.6%**







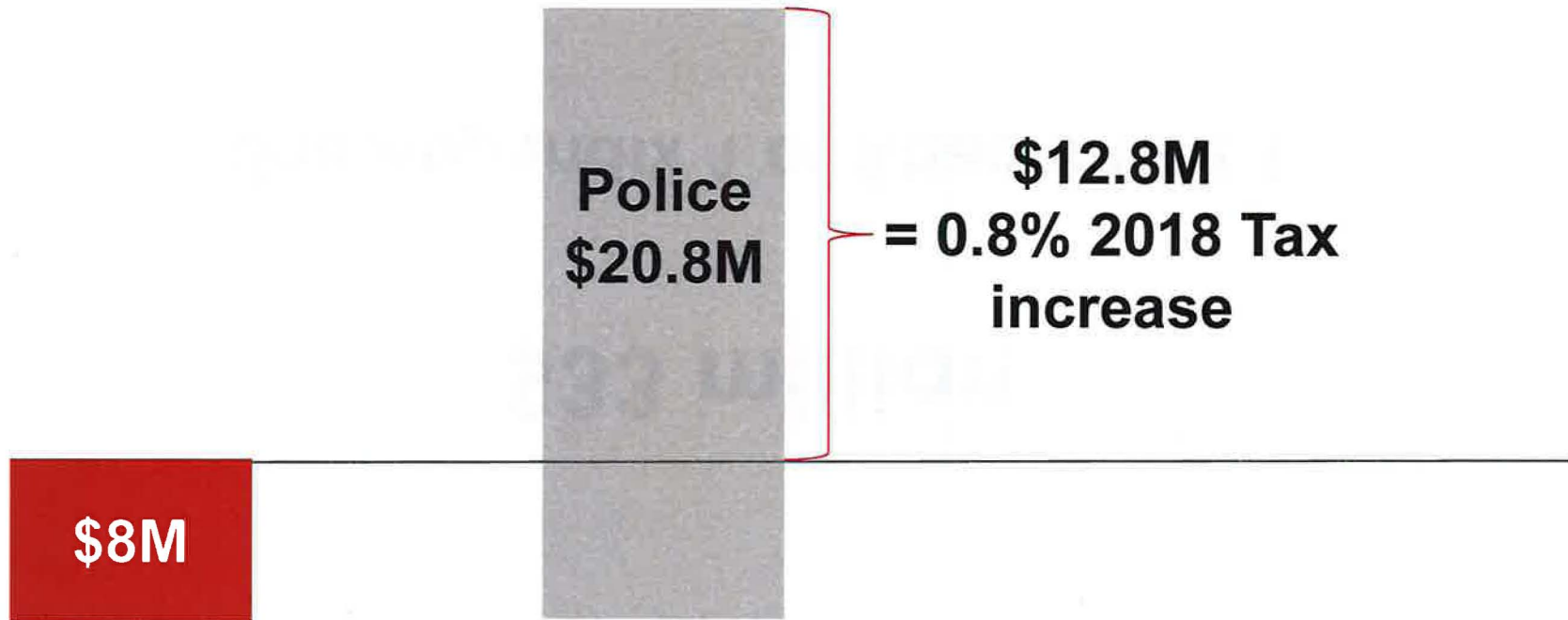
# Service Level Reductions

**\$33 million**

**See Appendix 1 of Attachment 1**



# Add package



## Operating Budget changes after adjustments (Total City)

Indicator	2017		2018			
	Action Plan	Current	Action Plan	Projected*	Adjusted (without Police)	Adjusted (with Police)
Operating Budgeted base expenditures (net of recoveries) - millions	3,952.9	3,836.6	4,165.8	3,990.7	3,902.3	3,923.1
Population - millions	1.251	1.246	1.274	1.259	1.259	1.259
Operating Budgeted base expenditures (net of recoveries) per capita	3,160	3,079	3,270	3,170	3,100	3,116

\*Projected 2018 budget is based on a 4.7% tax increase



# Decisions Today

- Service reductions
- Capital adjustments
- Operating carryforwards
- Revised performance measures
- Fee levels
- Triennial Reserve Review recommendations



# 2018 Capital Adjustments

## Capital Recast (attachment 2):

Includes the reallocation of \$477M capital expenditures from 2017:

- \$417M to 2018
- \$39M to 2019
- \$21M to 2020
- Timing difference only - total project budgets stays the same



## 2018 Capital Adjustments

### Capital Budget Adjustments (attachment 3)

- Relinquishments = \$200M
  - Mainly Budget Savings Account capacity reallocated to Infrastructure Calgary \$126M
  - Parkade (CPA - \$32M)
- Increases = \$39M
  - Ring Road connections (\$14M)
  - Bridge replacement (\$12M)

### Capital Budget (attachment 4)

Includes total revised budget in 2018 of \$1.714B and a revised budget in 2019-2021 of \$2.121B



# 2018 Capital Adjustments

## Adjusted Capital Budget (attachment 4)

**\$Billions**

2018				2019-2021			
Current Budget	Recast	Other Adjust.	Adjusted Budget	Current Budget	Recast	Other Adjust.	Adjusted Budget
\$2.352	(\$0.477)	(\$0.161)	<b>\$1.714</b>	\$1.676	\$0.477	(\$0.032)	<b>\$2.121</b>

**Administration recommends approval of the Capital Recast in Attachment 2 and Capital Adjustments in Attachment 3**



## 2017 Operating Budget Carry-forward (000's)

Funding Source	2017 Approved Revenue	2017 Approved Expenditures	2017 carry-forward Revenue	2017 carry-forward Expenditures
Fiscal Stability Reserve	\$11,700	\$23,946	\$3,300	\$7,263
Public Housing Reserve	\$(1,500)	\$1,500	\$(664)	\$664
Community Economic Resiliency Fund	-	\$10,173	-	\$6,215
Budget Savings Account	-	\$1,630	-	\$750
<b>Total</b>	<b>\$10,200</b>	<b>\$37,249</b>	<b>\$2,636</b>	<b>\$14,892</b>

**Administration recommends approval of the proposed carry-forward of unspent operating budget to 2018 in attachment 5**





## 2018 Bylaw amendments & fee schedules

- Attachment 7 – Approval of Amendments to Waste & Recycling Bylaw (20M2001) and give 3 readings to Bylaw 45M2017
- Attachment 8 – Approval of Planning and Development fee schedules
- Attachment 9 – Approval of Amendments to Bylaws 64M94, 63M94, 46M2014, 33M2005 and give 3 readings to Bylaw 46M2017



# 2018 Net Zero Adjustments Requests

**Administration recommends Council receive for information the net zero adjustment requests for 2018 in attachment 10**



# 2017 Triennial Reserve Review and 2016 Report on Reserves & Long- Term Liabilities

## Administration recommends that Council:

1. Approve changes to reserves recommended by the 2017 Triennial Reserves Review as outlined in attachment 11.1 and 11.2
2. Approve the list of reserves to be reviewed in 2018 as outlined in attachment 11.3
3. Approve the amendment of the Community Sustainability & Public Art Reserve as outlined in attachment 11.4
4. Receive for information the 2016 Report on Reserves and Long-Term Liabilities in attachment 11.5

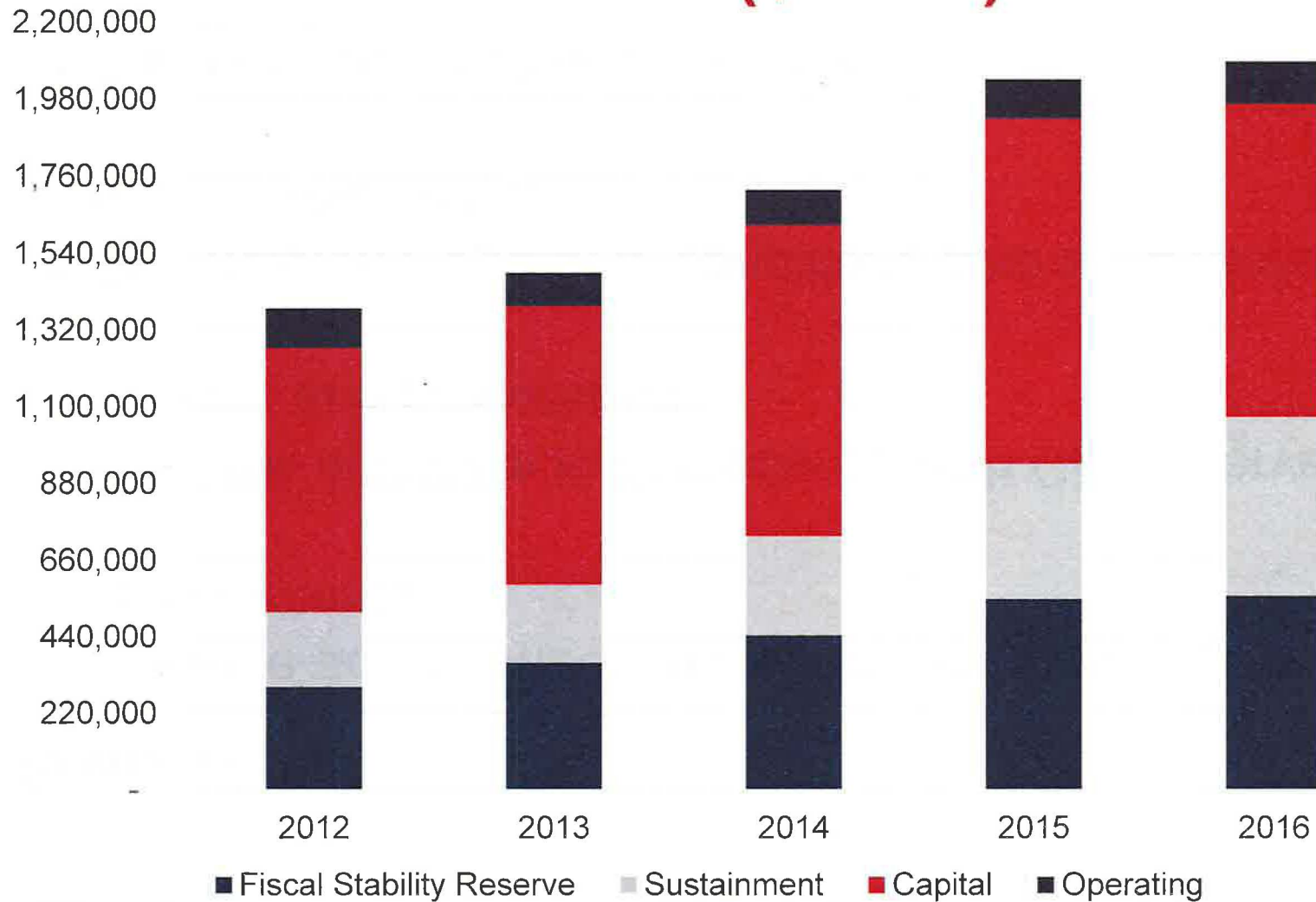


# 2016 Report on Reserves and Long Term Liabilities

## The Importance of Reserves:

- Feature of most large cities in Canada and the US
- Reserves are part of prudent fiscal management
- Allows for funds to be spent over time by matching funding sources with underlying expenditures
- Allows greater predictability
- Allows flexibility to react to unexpected budget shortfalls or significant unexpected issues
- Key component of The City's credit rating review
- Long Range Financial Plan strategies include ensuring ready access to funds for unforeseen & urgent needs

# Reserves, December 31, 2016 (\$000's)





# Purpose of Triennial Reserve Review

## To ensure that:

- Reserve activity meets all authorizing documents requirements;
- Reserve activity is in accordance with City reserve policies and procedures;
- The reserve's purpose, conditions and/or restrictions are still relevant; and
- The reserve is still required in its current form.



# Reserves Reviewed in 2017

Reserve Name	Reserve Type	Balance as of 2016, December 31 (in thousands)
Calgary Police Service Court Fine Revenue Operating Reserve	Operating	\$4,000
Calgary Police Service Helicopter Maintenance Reserve	Operating	\$2,390
911 Communications Centre Capital Financing Reserve	Capital	\$24,141
Calgary Police Service Capital Reserve	Capital	\$40,254
Fleet Services Capital Reserve	Capital	\$14,326
Information Technology Reserve	Capital	\$20,746
Lifecycle Maintenance and Upgrade Reserve	Capital	\$116,122
Reserve for Future Capital (RFC)	Capital	\$327,014
Golf Course Levy Reserve	Sustainment (operating & capital)	\$1,712
		<b>\$550,705</b>



## Review Findings

- Reserves are being administered as intended
- Reserves are in accordance with City reserve policies and procedures
  - Some clerical changes are recommended to improve clarity of the Report on Reserves and Long Term Liabilities
- The reserves' purposes, conditions and/or restrictions are still relevant
  - Instances where a reserve's purpose, conditions and/or restrictions are recommended for update
- No reserve recommended for closure





# Summary of Recommendations

Reserve Name	Attachment 11.2 Page Number	Balance 2016 (in thousands)	Clerical Changes to Reserves	Substantive Changes to Reserves
Calgary Police Service Court Fine Revenue Operating Reserve	1	\$4,000		
Calgary Police Service Helicopter Maintenance Reserve	2	\$2,390		
911 Communications Centre Capital Financing Reserve	3	\$24,141	★	★
Calgary Police Service Capital Reserve	4	\$40,254	★	
Fleet Services Capital Reserve	6	\$14,326	★	★
Information Technology Reserve	7	\$20,746	★	★
Lifecycle Maintenance and Upgrade Reserve	9	\$116,122	★	
Reserve for Future Capital (RFC)	11	\$327,014	★	★
Golf Course Levy Reserve	13	\$1,712	★	★

**Notes:**

Clerical changes are changes in the presentation of information on the reserves template, including the addition of previously-omitted authorizing documents, that do not require a substantive change.

Substantive changes are revisions to the reserve's purpose, conditions, restrictions and funding sources, and to the approval of one-time transfers to or from the reserve.



# Reserves to be Reviewed in 2018

Reserve Name	Reserve Type	Reserve Balance as of Dec 31, 2016 (in \$ thousands)	Previously Reviewed Year
Calgary Heritage Authority Reserve	Operating	1,765	2015
Children's Reserve Fund	Operating	4,693	2015
ENMAX Dividend Stabilization Reserve	Operating	20,000	2015
Family & Community Support Services (FCSS) Stabilization Fund	Operating	5,504	2015
Fiscal Stability Reserve	Operating	556,561	2015
Group Life Reserve	Operating	1,685	2015
Health, Safety and Wellness Reserve	Operating	15,984	2015
Heritage Incentive Reserve	Operating	965	2015
Mall Programming Fund	Operating	788	2015
Self-Insurance Reserve	Operating	7,000	2015
Snow and Ice Control (SNIC) Reserve	Operating	15,000	2015
Asphalt and Crusher Plant Lifecycle Capital Reserve	Capital	7,500	2015
Corporate Housing Reserve	Capital	29,885	2015
Downtown Improvement Fund	Capital	3,684	2015
LED Street Light Re-Lamping Reserve	Capital	5,688	2015
Parking Land Acquisition Reserve	Capital	40,772	2015
Budget Savings Account	Sustainment	130,103	N/A
Real Estate Services	Sustainment	63,969	2015
<b>Total</b>		<b>911,546</b>	

The word "Calgary" is written in white, sans-serif font on a red rectangular background.A large white rectangular box with the word "End" centered in a bold, black, sans-serif font. The background of the slide is a photograph of the Peace Bridge in Calgary, showing its distinctive red, curved steel structure over a river, with a city skyline in the distance under a blue sky with white clouds.