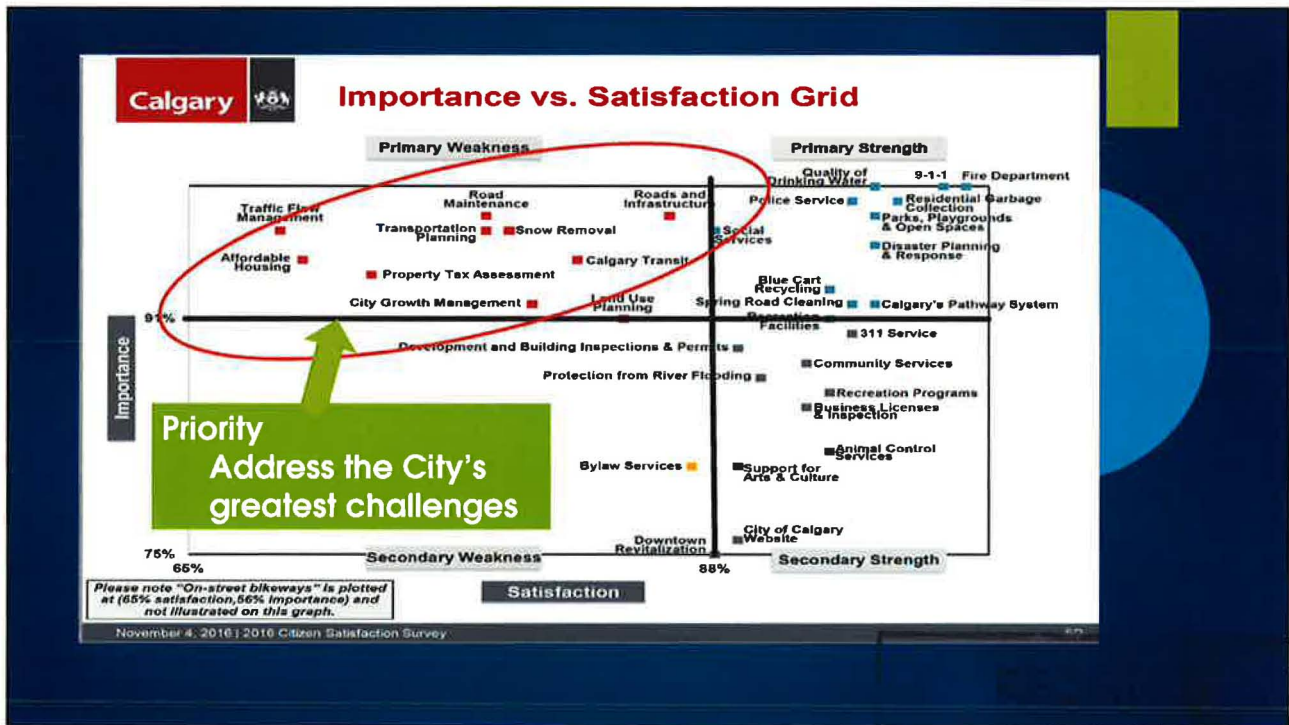


Submission

Action Plan 2018 Adjustments C2017-1123

Bob Morrison

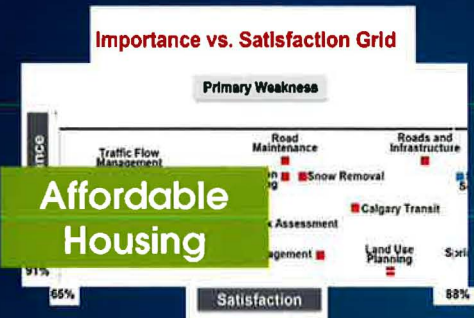


NOV 27 2017

ITEM: 63 C2017-1123

Distribution - Public

CITY CLERK'S DEPARTMENT



Importance vs. Satisfaction Grid


Primary Weakness

Affordable Housing

Importance: 91%
Satisfaction: 65%

Grid categories: Traffic Flow Management, Road Maintenance, Roads and Infrastructure, Snow Removal, Calgary Transit, Assessment, Management, Land Use Planning, etc.

- ▶ Do not delay \$36 million for Calgary Housing.
- ▶ Affordable housing for low-income families is Calgarians' #1 choice for greater City investment.
- ▶ The federal and provincial governments have put tax dollars on the table.
- ▶ Step up. Don't step back.



Importance vs. Satisfaction Grid

Primary Weakness

City Growth Management

Land Use Planning

Importance: 91%
Satisfaction: 65%

Grid categories: Traffic Flow Management, Road Maintenance, Roads and Infrastructure, Snow Removal, Calgary Transit, Assessment, Management, Land Use Planning, etc.

- ▶ Maintain service levels for Corporate Analytics.
 - ▶ Your eyes on, among other things, sustainable development.
- ▶ Re-instate increases in Planning & Development fees.
 - ▶ Benefits of decreasing fees have not been demonstrated.
- ▶ Maintain full-cost water service developer levies.
- ▶ Eliminate the remaining sprawl subsidies.

Importance vs. Satisfaction Grid

Primary Weakness

Route Ahead & TODs



Calgary Transit

- ▶ Do not approve
 - ▶ \$4.8 million service reductions to Calgary Transit.
 - ▶ \$13 million reduction to Calgary Transit's 2018 capital budget
 - ▶ \$29 million delay in *Route Ahead & TODs*
- ▶ Transit is becoming less competitive with cars.
 - ▶ More difficult to manage road congestion
 - ▶ Not the high quality transit service users want
- ▶ Develop a cost-recovery policy for roads.

Other Key Budget Items - Support



- ▶ Additional funding for the Low Income Transit Pass
- ▶ Renegotiation with Airport Authority for increased fire response
- ▶ Roads: Service reductions

Other Key Budget Items – Do Not Support

- ▶ **Service reductions:**
 - ▶ Youth, seniors, and sports organizations
 - ▶ By-law enforcement capacity
 - ▶ Fire Department
 - ▶ Engagement
 - ▶ Police Service
 - ▶ Civic Partners
- ▶ **Capital spending reductions:**
 - ▶ Fire Department
 - ▶ Utilities
 - ▶ Police Service
 - ▶ Civic Partners
- ▶ **Fee reductions:**
 - ▶ Landfill tipping fees
 - ▶ Water, wastewater, and drainage fees
- ▶ **Police: Service: \$14 million exclusion**

Revenue Options for Accommodating These Changes

- ▶ **Operations: Within 2% tax increase**
- ▶ **Capital: Re-assess/re-prioritize other expenditures, e.g. City Centre Parkade, Infrastructure Calgary projects, and Innovation Fund projects with limited innovation potential**
- ▶ **Variety of other options available**

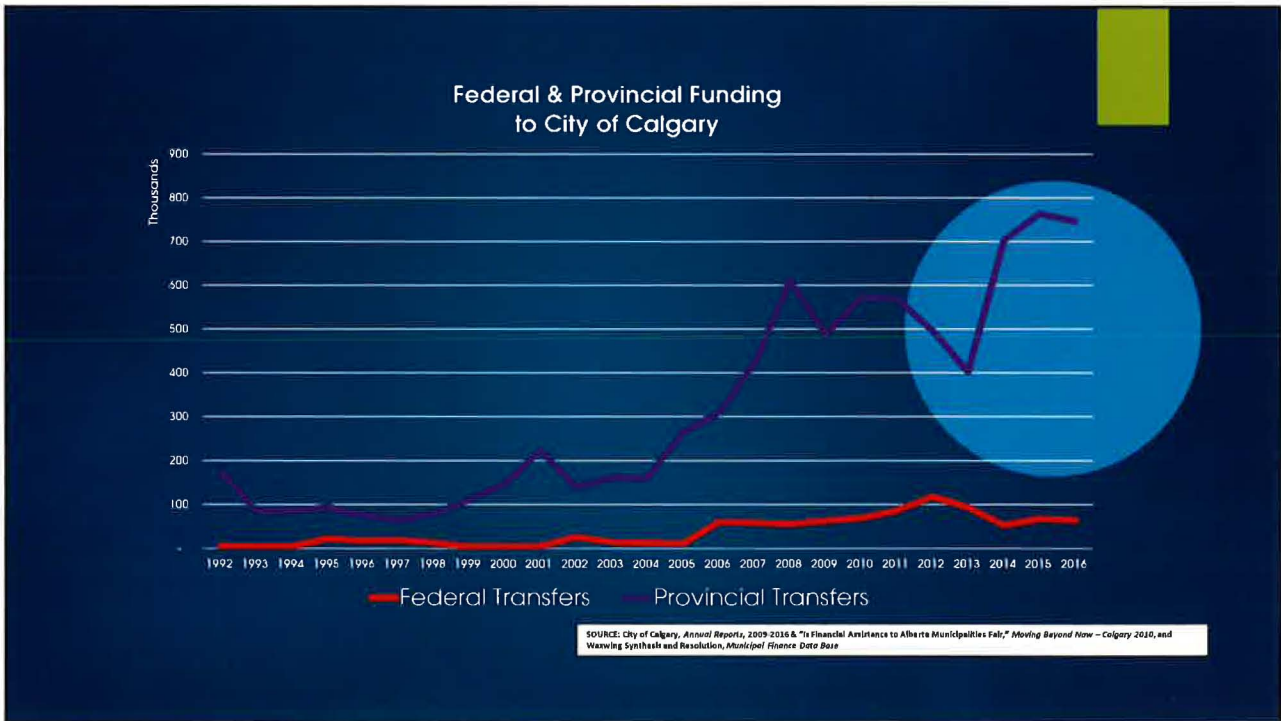
Performance Measures

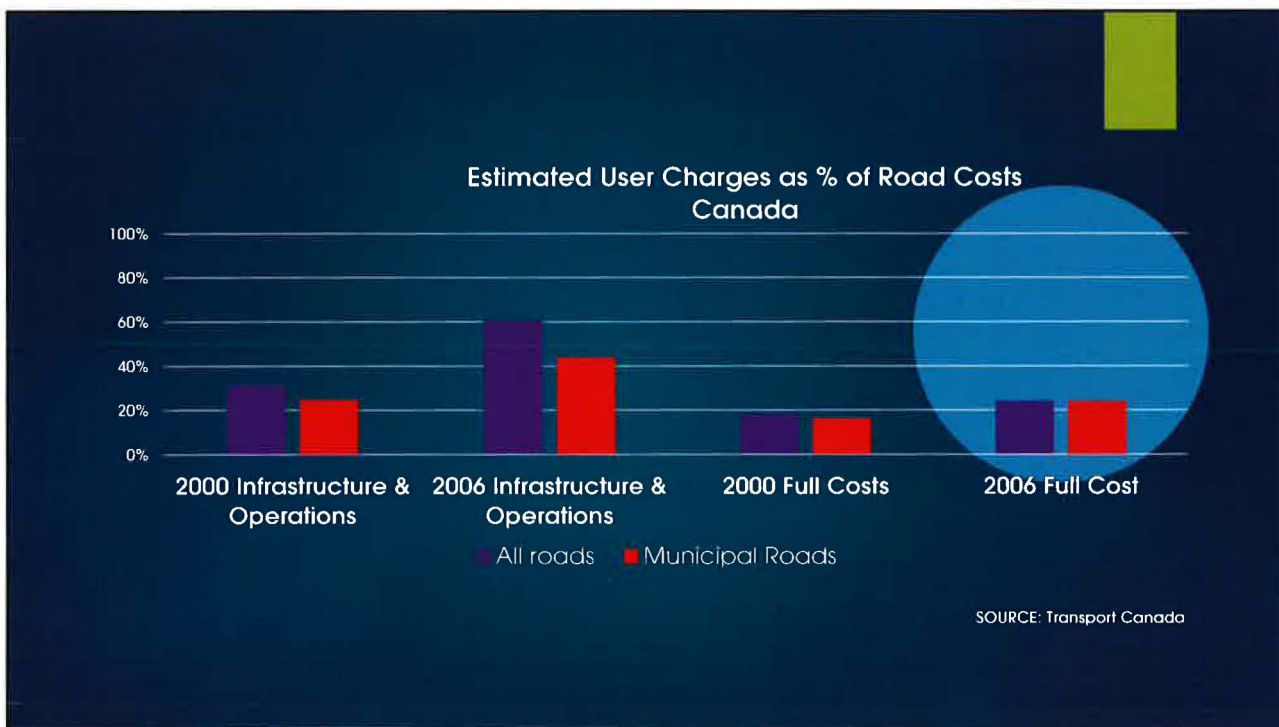
- ▶ Do not reduce performance measures because they are a challenge to meet (Attachment 6)
- ▶ Good progress being made on some key City targets
 - ▶ Water use
 - ▶ Land use diversity
 - ▶ Buffer index
 - ▶ Debt
- ▶ Challenges remain to stay successful

Performance Measures (continued)

- ▶ Some key targets have not been achieved
 - ▶ Feeling safe walking in neighbourhood
 - ▶ Regional relationships
 - ▶ Restructuring governance
- ▶ Other key targets need more work
 - ▶ 2020: Per capita transit service
 - ▶ 2036: Property taxes as 25% of revenue
 - ▶ 2036: General revenue based on principle of progressive taxation

BACKGROUND





Submission on 2018 Adjustments to Action Plan: 2015-2018

I have reviewed the proposed adjustments to the 2018 budget. In this submission, I provide my views on items I support and do not support. I also

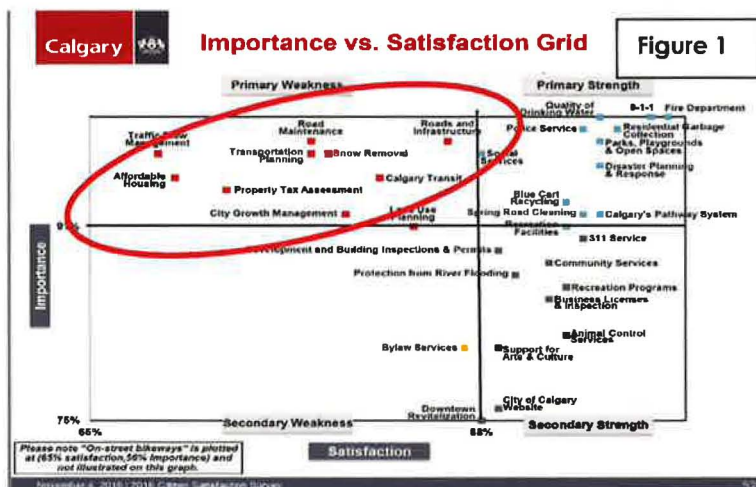
- recommend ways in which spending and revenue can be successfully aligned and
- request that work on critical longer-term needs begin.

KEY	
Support	
Do Not Support	
AR	City of Calgary Annual Reports, 2009-2016
ATT	Attachment
C2020	Calgary 2020
CSS	2016 Citizen Satisfaction Survey
iC	imagineCalgary Plan
YE	2016 Year-End Accountability Report, supplemental

I begin with the three areas that are highly valued but where service delivery needs significant improvement (Figure 1):

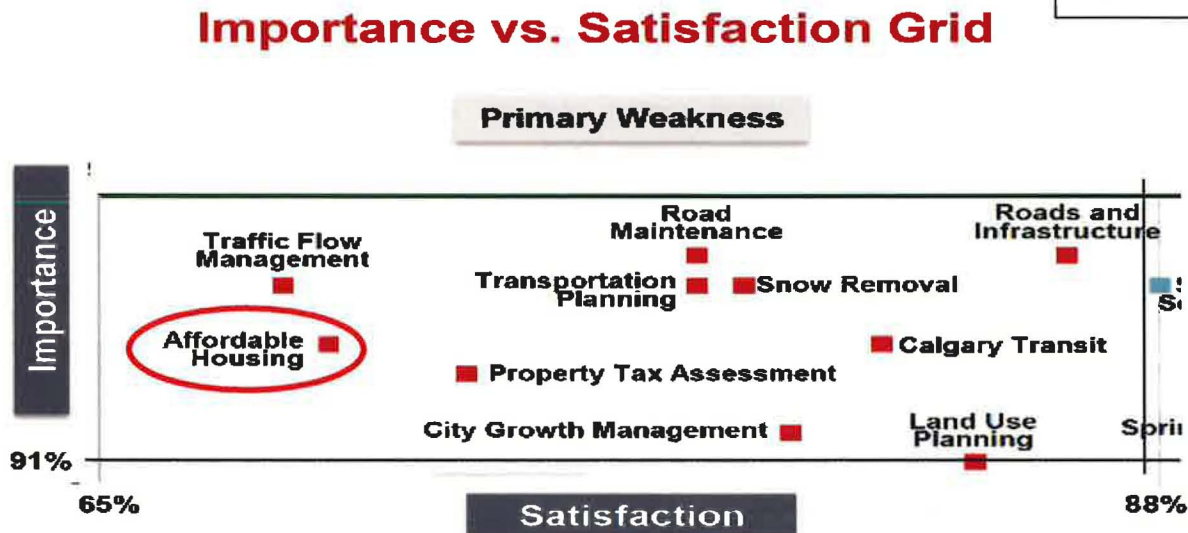
- Affordable housing
- Planning & Development
- Transportation

These areas present the greatest challenges to the City.



Affordable Housing

Figure 2



I do not support the \$36 million delay in capital budget for Calgary Housing (ATT 3, p.1). It is contrary to what Calgarians want.

- o Affordable housing for low-income families is Calgarians' #1 choice for greater investment by the City (CSS, p. 49).

This from a sample that had 2/3 with income over \$75,000, 72% living in a single-family home, and 77% who owned their home.

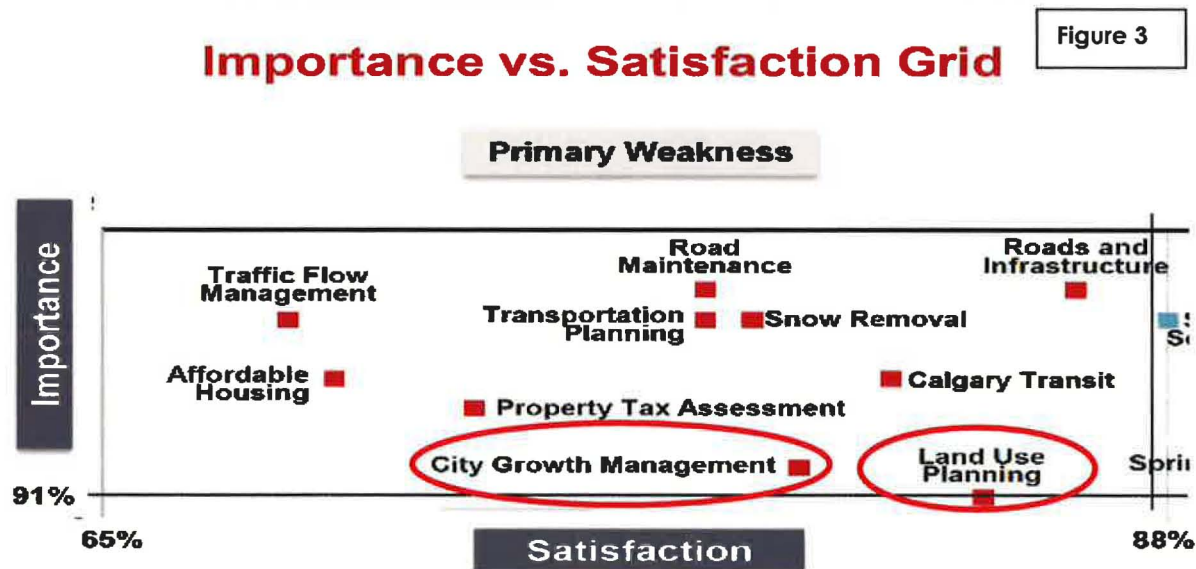
- o The federal and provincial governments have put tax dollars on the table for affordable housing.

Don't use their commitments to reduce what the City can do. It's time for the City to step up, not take another step back.

The economic downturn has been hardest on those who depend the most on what the City does. The drop in the City's affordable housing funding along with the reduced service to youth, seniors, and sports organizations will make it more difficult for those on the margins to achieve success and security.

Like many delays in capital expenditures, this "recasting" of affordable housing has been done to match budgets to expected cash flows. In cases of lower priority services, this is appropriate. However, for top priority services, reduced cash flows mean that other ways need to be found – as outlined later.

Planning & Development



I do not support the

- **\$563,000 reduction in Corporate Analytics & Innovation** (ATT 1, p. 20)
- **Reduced Planning and Development fees** (ATT 8)

Calgary is a complex city. The proposed reductions in corporate analytics will hurt the City, particularly in its ability to deal effectively with growth. Efficiency improvements, infrastructure inspections, and ability to respond to the unexpected will be affected. In particular, corporate analytics are Council's "eyes" on sustainable urban land use and development. Do not allow the City to be blind to evolving opportunities and blindsided by issues.

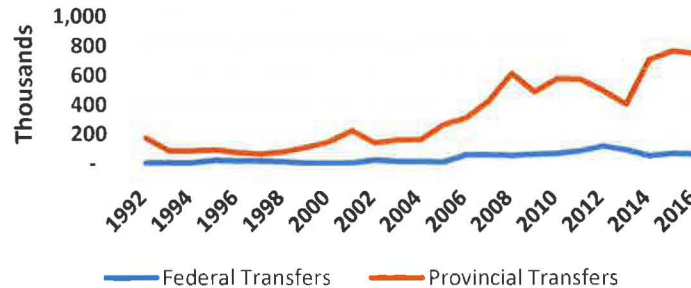
As well, reducing the Planning and Development fees does not make sense. The City's fees are reasonable, especially given the potential threat to the high-quality service that area provides. It has not been demonstrated that the fee reductions will have a measurable impact on supporting and stimulating development and building nor that the fees are a significant deterrent.

I recognize that the lost revenue from reduced fees will be made up by taking money from the Calgary Building Services Sustainment Reserve. In my view, this is not in the spirit or intent of a sustainment reserve.

Far more significant is the impact of lost revenue on the City's ability to manage growth and land use. This missing money has been the primary reason for the debt the City has had to incur. Although there may not be much that can be done for the 2018 budget, I will outline my concerns.

Figure 4

Federal & Provincial Funding to City of Calgary



SOURCE: City of Calgary, *Annual Reports, 2009-2016* & "Is Financial Assistance to Alberta Municipalities Fair," *Moving Beyond Now – Calgary 2010*, and Waxwing Synthesis and Resolution, *Municipal Finance Data Base*

- Calgarians need a greater return on the money Calgary sends to Ottawa and Edmonton.
 - A key reason the City has had to increase its debt is because the Province slashed its funding to the City after 1992.
 - It was only last year that provincial funding finally caught up with what was needed to keep pace with economic growth (Figure 4).
 - The Province is still behind in funding as a share of provincial revenue – a \$1.5 billion deficit (2016\$). The Province's proposal to replace the capital grant system with funding based on provincial revenues is a positive step.
 - Federal funding has kept pace with growth, but is tiny compared with what the Province contributes to the City and what the City needs.
 - Council's job is to obtain a fairer share of Calgary's tax dollars from the provincial and federal governments.
- The sprawl subsidy has dramatically increased the City's debt load. It needs to be eliminated - completely.
 - The previous Council made a major contribution to the effort by promising to make developers of new subdivisions pay the full cost of water and wastewater infrastructure. You need to keep that commitment.
 - New subdivisions are still subsidized by not being required to pay their share of the costs for social housing, the LRT and the ring road. Developers are also not required to pay the cost of schools, hospitals, and other federal and provincial services for new subdivisions. These are significant subsidies that transfer wealth from taxpayers in existing communities.
 - The *City Charter* and improvements to the *Municipal Government Act* will help.
 - Council will need to resist the pressure from developers and home builders and work with the School Boards, the Province, and the federal government to eliminate all of these subsidies.

Transportation

Figure 5

Importance vs. Satisfaction Grid



I do not support the

- **\$4.8 million service reductions to Calgary Transit.** (ATT 1, p. 21)
- **\$13 million reduction to Calgary Transit's 2018 capital budget** (ATT 4, p.1)
- **\$29 million delay in Route Ahead and TODs** (ATT 2, pp. 1-2).

The proposed service reductions average 128 hours per day, hurting the people who need transit the most.

Hours per capita of transit service has declined by 5% during the last five years and is not on course to meet the City's 2020 target (C2020, p.26). Combined with an 8% drop in the length of transit routes since 2007, transit is becoming less competitive with cars, making it even more difficult to manage road congestion and achieve the high quality transit service existing and potential users are looking for.

Calgarians recognize this. According to the 2016 *Citizen Satisfaction Survey*, traffic congestion ranks among the most important issues (11%) but transit ranks considerably higher (21%), indicating that Calgarians know the importance of encouraging people to use transit instead of driving. Transit also ranks #2 in "top-of-mind" services (36%) behind recreation (44%). Roads come in at 15%.

I also strongly recommend that the City put road financing on a level playing field with transit. Across Canada, user charges (fuel taxes and licence/registration fees) account for an estimated 30% to 60% of the cost of building, maintaining, and policing roads.* For municipal road systems, the contribution of users drops to 25% to 44%.

* Transport Canada, *Estimates of the Full Cost of Transportation in Canada, 2008* and *Estimates of the Full Cost of Transportation in Canada in 2006, 2011* (unreleased – Freedom of Information Request A201600816). The wide variation in the percentage contribution from users is due primarily to differences in how much road construction occurs in a year. Build more and the percentage drops. Build less and the percentage rises.

When the costs of accidents, delays, and pollution are taken into account, the contribution of user charges drops to 18% to 24%, similar to the 16%- 24% at a municipal level.

Unlike transit, the City does not have a policy on cost-recovery for roads. It needs such a policy to help pay for keeping up with maintenance and enforcement as well as promoting transit, other modes, and smart development to take the load off the roads.

A note for future reference regarding the Southwest and West Ring Road Connections (\$14.1 million). This money is coming from the Province. Since these are regional, not just City connections, the Province and City have missed an opportunity to reduce their spending by having other municipalities in the area contribute according to the benefits their residents will receive. This type of cost-sharing will hopefully be an issue the Metropolitan Regional Board can resolve.

Other Budget Items

These are the other items in the budget that I support or do not support.

Community Services

I Support:

- **Additional funding for the Low Income Transit Pass** (ATT 1, p. 19, Calgary Neighbourhoods)
- **Renegotiation with Airport Authority for increased fire response** (ATT 1, p. 19, Fire Department)

I Do Not Support

- **Reduced level of service to youth, seniors, and sports organizations** (ATT 1, p. 19, Calgary Neighbourhoods)
- **Reduced by-law enforcement capacity** (ATT 1, p. 19, Calgary Community Standards)
- **\$4.6 million in service reductions for the Fire Department**, particularly safety oversight, safety education, and fire investigation capacity (ATT 1, p. 19)
- **\$2.9 million cut to the Fire Department's capital budget** (ATT 4, p. 1)

These are activities that save all Calgarians in the long-run – financially, in terms of quality of life, and, more importantly, in terms of safety. As well, the budget will further reduce the ability of the City to educate residents, achieve compliance, and determine why things go wrong.

Transportation

I Support

- **Roads service reductions**

Utilities and Environmental Protection

I Do Not Support

- **Reductions to Environmental & Safety Management** (ATT 1, p. 21) unless it can be demonstrated that:
 - occupational health & safety will increase
 - greater reliance on external consultants will be more efficient and effective
- **Reducing the landfill tipping fees**

I know that a small minority of businesses and residents in the Calgary region are not responsible about safely disposing of the waste they create. The solution is to

ensure that bylaw officers have the mandate and resources to resolve illegal dumping when it occurs.

- **Continuing the moratorium on water, wastewater, and drainage fees.**
- **Delaying or recasting \$50 million in capital expenditures for the Department** (ATT 4, p.1)

Waste and Recycling and Water Services are already struggling from the drop in landfill disposal and off-site levies because of the downturn in the economy. Calgarians and the regional customers Calgary serves can afford to pay more for these essential services – is there any other choice? Holding back on fee increases and capital expenditures will only hurt the City, in particular further threatening Calgary's "water advantage." Don't make the situation worse.

Chief Financial Officer's Department

I Do Not Support

- **Reductions in engagement funding growth** (ATT 1, Customer Service and Communications, p. 22)

The City's engagement programs are the City's "ears" to hear how best to design and improve services to meet residents' needs. The City's strategy is to "Ensure all people have equal opportunities to participate in decision-making processes before a decision is made" (iC, p. 47). These reductions do not meet the strategy. The City will fall behind in keeping up with the public's interest in and views on issues.

I Support

- **Removal of Citizen Satisfaction ward analysis** (ATT 1, Customer Service and Communications, p. 22)

Calgary Police Service

I Do Not Support

- **The \$6.5 million reduction in the Service's operating budget** (ATT 2, p. 22).
- **Exclusion from the budget of the \$14 million for additional officers and body cameras**

This will decrease the level of service in prevention, intervention, and investigation. All key areas. As well, body cameras are a key element in improving enforcement and accountability. The City can do better.

Civic Partners

I Do Not Support

- **The \$2.1 million service reductions for Civic Partners and moving \$5.4 million in capital spending to 2019** (ATT 1, p. 22 & ATT 4, p.1).

The operational cutbacks will reduce operating hours, programs, services, and staff levels and defer or reduce maintenance of facilities. The facilities themselves will deteriorate from lack of upgrades or not be augmented to meet growing customer and technological needs. This is particularly important for the vital services provided by the Public Library, the Zoo, Fort Calgary, and the cultural organizations sponsored by the City.

I Support

- **Moving the Convention Centre, Flood Partners, Lindsay Park, and St. Mary's University College to a self-sustaining basis.**

Olympics

As you are aware, **I do not support using government funds for an Olympic bid.** I question why the Fiscal Stability Reserve has been and apparently will be used to fund the City's involvement. The idea that the Olympics contributes to fiscal stability has been severely questioned and, in my view and the view of economists, has been discredited. The Fiscal Stability Reserve is not an appropriate source for Olympic funding.

Recommended Changes to Budget

My recommendations for changes to the budget are summarized below. The recommendations for the operating budget fit comfortably within a 2% tax increase. The recommendation for the capital budget should, if possible, be funded by examining other commitments, for example, the Civic Centre Parkade, Innovation Fund projects with limited innovation potential, and the confidential Infrastructure Calgary projects to determine where projects can be re-prioritized to delay or scaled them back.

If a 2% tax increase and/or capital re-prioritizing are not considered desirable, then I recommend that a mix of the other potential revenue sources listed in the table be used.

Recommended Budget Revisions		
Operations		
Expenses	\$ 000s	Other Potential Revenue Sources
Calgary Neighbourhoods: Restore Service Reductions (ATT 1, p. 19)	1,100	Fiscal Stability Reserve
		FCSS Stabilization Fund
		Health, Safety and Wellness Reserve
		Children's Reserve Fund
Calgary Community Standards: Restore Service Reductions (ATT 1, p. 19)	1,224	Fiscal Stability Reserve
		FCSS Stabilization Fund
Calgary Fire Department: Restore Service Reductions (ATT 1, p. 19)	4,555	Fiscal Stability Reserve
Corporate Analytics & Innovation: Restore Service Reductions (ATT 1, p. 20)	563	Fiscal Stability Reserve
Calgary Transit: Restore Service Reductions (ATT 1, p. 21)	4,761	Fiscal Stability Reserve
Customer Service & Communications: Restore Service Reductions (ATT 1, p. 22)	653	Fiscal Stability Reserve
Calgary Police Service: Restore Service Reductions (ATT 1, p. 22)	6,481	Fiscal Stability Reserve
Civic Partners: Restore Service Reductions (ATT 1, p. 22)	2,079	Fiscal Stability Reserve
Calgary Police Service: Additional Officers & Body Cameras (Executive Summary)	14,300	Fiscal Stability Reserve
		Council's Innovation Fund
		Calgary Police Service Capital Reserve: Designate body cameras as infrastructure requirement
Total Operations	35,716	
Capital		
Expenses	\$ 000s	Other Potential Revenue Sources
Calgary Housing: Restore Capital Funding (ATT 3, p. 1)	36,709	Lifecycle Maintenance and Upgrade Reserve
		Reserve for Future Capital
		Corporate Housing Reserve
		Community Economic Resiliency Fund
		Infrastructure Calgary
Calgary Fire Department: Restore Capital Funding (ATT 4, p. 1)	2,850	Reserve for Future Capital
		Acreage Assessments
Calgary Transit: Restore Capital Funding (ATT 4, p. 1)	13,000	Lifecycle Maintenance and Upgrade Reserve
		Reserve for Future Capital
		Acreage Assessments
		Federal Gas Tax Fund
		Infrastructure Calgary

Recommended Budget Revisions (continued)		
Capital		
Expenses	\$ 000s	Other Potential Revenue Sources
Utilities: Restore Capital Funding (ATT 4, p. 1)	49,689	Retain increases in water, wastewater, and drainage fees
		Use a sliding scale for water, wastewater, and drainage fees based on consumption
		Retain increases in landfill tipping fees
		Utility Sustainment Reserve
		Waste and Recycling Sustainment Reserve
		Reserve for Future Capital
Transportation: Restore Route Ahead, Chinook TOD, & U of C TOD funding (ATT 2, pp. 1-2)	28,815	Acreage Assessments
		Federal Gas Tax Fund
		Infrastructure Calgary
Civic Partners: Restore Capital Funding (ATT 4, p. 1)	5,427	Community Investment Reserve
Total Capital	136,490	

Performance Measures

I Do Not Support

- **Downgrading performance measures simply because service levels may deteriorate** (ATT 6).

The City has a good set of performance measures. Don't change them because they are a challenge to meet with the limited budget provided and make service seem better than it is. Calgarians do not deserve to have their expectations misrepresented by metrics that are below what they expect.

Reduced Performance Measures (ATT 6):

BU / Program Name	PM #	Performance Measure Description	Original 2018 Performance Target	Revised 2018 Performance Target	Performance Measure Change
Calgary Parks	M.PM2	Per cent of citizens satisfied with Calgary's pathway system.	90	89	Potential citizen dissatisfaction along pathways.
Calgary Transit	M.PM3	Transit service hours per capita	2.31	2.22	Decline accounts for the reduction in population, compared to current levels.
Calgary Transit	W.PM11	# of transit routes that perform below minimum expectations	5	32	Increase accounts for ridership productivity due to service at levels (which are above 2017 levels).
Calgary Transit	M.PM4	Passenger trips per transit service hour	40	34.9	Decline accounts for the reduction associated expected decline current levels.
Calgary Transit	W.PM13	Cost per transit trip	3.63	4.03	Increase accounts for reduced ridership associated with this compared to current levels.
Calgary Transit	M.PM5	Annual CT ridership	120.5 million	99.8 million	Decline accounts for the expected current levels, as a result of service reductions.
Calgary Transit	W.PM14	Operating cost per hour	146	147	Increase accounts for reduced service hours associated with compared to current levels.
Customer Service & Communications	P.PM4	Percentage who agree The City practices open and accessible government.	90	86	Revise performance measure maintained given these reductions.
Customer Service & Communications	W.PM10	Percentage of citizens who say that The City allows citizens to have meaningful input into decision-making.	75	73	Revise performance measure maintained given these reductions.

Performance Measures

Good progress is being made on some of the City's key targets:

- Residential water use is heading toward the 2020 target of 210 litres per person per day (YE, p. 3 & C2020, p. 23).

However, progress may not be sustainable. Decisions by previous Councils on the developer levy for water and wastewater has put the City's "water advantage" at risk. As well, as water use becomes more efficient, revenue for water services will decline, increasing the challenge of maintaining Calgary's world-class systems.

- The 2020 population target for Activity Centres and Urban & Neighbourhood Corridors (YE, p. 15 & C2020, p. 26) has been reached during the past two years.

The target needs to be re-assessed to determine if that is enough to meet the City's long-term goals.

- The City's debt is better controlled dropping below 50% of the debt limit during the past two years. Tax-supported debt has also remained well below the 2020 target since 2005 (AR).

However, the revenue deficits that have driven the City's debt higher have not been resolved.

- The Fiscal Stability Reserve has for the last five years remained in the 2020 target range of 10% to 15% of Gross City Expenditures (AR & C2020, p. 33).

The issue now is whether the target for the FSR should be increased and targets established for other reserves.

- In terms of the land use diversity index, the City is currently on target for the 2020 goal of 0.56 (C2020, p. 25).

Land use diversity, though, is well below the MDP target of 0.70. Achieving 0.56 has been due to several factors: a high growth rate, having large parcels of inner city land available for re-development (e.g., East Village, Currie, University City), and more new subdivisions matching the requirements of the MDP.

High growth is unlikely at least in the near future, while bringing on large parcels for redevelopment will be much more challenging since the most feasible options have been exploited. A more intense focus will be needed on re-developing nodes and corridors in a way that support and

is in harmony with existing communities. The budget needs to be beefed up to make that happen.

- The buffer index – measuring the extra time needed to ensure on-time arrival of goods (C2020, p. 27) has been reduced.

The buffer index has not been measured over the long term, so it is not known if the improvement in the buffer index will continue. It should be noted that the buffer index is above 50% which essentially means a driver will need to add an extra 50% to the normal time for travelling to a destination to ensure on-time arrival.

Some key targets have been missed:

- The City has made progress, but not achieved the 2010 target of co-operative, supportive and mutually beneficial relationships with governments in the region (*iC*, p. 8).

The creation of the Calgary Metropolitan Region Board offers hope, particularly if common agreement can be reached on paying for growth. The City needs to actively and diligently advance its needs and the benefits it provides to the region. Budget cutbacks can not be allowed to weaken the ability to represent the interests of Calgarians.

- The 2016 target of 95% of Calgarians feeling safe walking alone in their neighbourhood (CSS, p. 24 & *iC*, p.10) has not been reached.

Eighty-four per cent feel some degree of safety when walking alone, but only 42% feel reasonably safe.

- The 2016 target to restructure governance to create or reallocate authority to the geographical scale that matches the processes involved (*iC*, p. 8) has not been achieved.

Some progress has been made through re-assignment of staff and continued reliance on and some support for the "little democracies" of community associations, homeowner/resident associations, condominium corporations, and non-profit organizations. Much of this has happened without a clear strategy from the City and a "meeting of the minds" among the City, the little democracies, and residents on both authority and budgets.

For other targets, the City is not doing well:

- Hours per capita of transit service has declined by 5% during the last five years (*AR*) and is not on track to meet the 2020 target (C2020, p. 26).

Combined with the 8% drop in overall length of transit routes since 2007 (AR), transit is becoming less competitive with cars, making it even more difficult to manage road congestion and achieve the high quality transit service existing and potential users are looking for.

Calgarians recognize this. According to the 2016 *Citizen Satisfaction Survey*, traffic congestion ranks among important issues (11%) but transit ranks considerably higher (21%), indicating that Calgarians know the importance of encouraging people to use transit instead of driving. Transit also ranks #2 in "top-of-mind" services (36%) behind recreation (44%). Roads come in at 15%.

The lack of progress towards the mid-range targets (2036) is particularly worrisome.

- Property taxes remain well above the 2036 target of 25% of revenue (AR & iC, p. 8).

According to the 2016 *Citizen Satisfaction Survey*, Calgarians are in a dead heat between increasing taxes (49%) and cutting services (46%).

It is clear that Calgarians want alternatives to property taxes. Consistently in the *Citizen Satisfaction Survey*, over 70% want the City to introduce new types of service fees or expand existing user fees.

- Except for the preferential pricing provided to low income residents, persons with disabilities, and seniors, there has been no movement towards the 2036 target to base general revenue on the principle of progressive taxation (iC, p. 8).

Although 2036 appears to be a long way off, these are structural problems with the way the City raises and spends money. A long lead-time is needed to achieve them efficiently and with minimal disruption to businesses and residents.