

## **One Calgary: Further Program Components**

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### **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 will deliver on Council's direction through service plans and budgets (presented to Council in November 2018), and forms the foundation of any information, discussion or decisions brought forward to Council in the context of One Calgary.

The work ahead is about better service delivery, demonstrating value for tax dollars, and contributing to quality of life today and for generations to come. This report continues the important discussion that started with the approval of Council Priorities and Directives on 2018 January 31, approval of the Capital Infrastructure Investment Principles, and the approval of indicative rates on 2018 April 25, as it outlines additional components for the development of the next four-year budget.

On 2018 May 16, Council will receive a presentation on the results of the recent public engagement and research that asked citizens what they value most about The City's 43 external-facing services (Attachment 1). This will support Administration to determine where we can provide the greatest service value to citizens in 2019-2022.

Further, Council will be asked to approve long-term tax support rates for services that have mixed funding, meaning a combination of user fees and tax support (Attachment 2). This information will provide guidance to Administration to develop detailed user fee schedules that will be included with the plans and budgets in November.

Finally, Council will receive a presentation on the overall Capital Investment Process, in response to their direction for a Strategic Session of Council to be held in May or June to discuss Capital Infrastructure Management, including addressing City-owned assets, short and long-term infrastructure risks and addressing the infrastructure gap. This comprehensive look at the entire Capital Investment Process will highlight business unit, department and portfolio alignment to the service plans and budgets process and the role Council plays in capital investment.

### **ADMINISTRATION RECOMMENDATION:**

That Council:

1. Receives this report and the presentation from Infrastructure Calgary on 2018 May 16 entitled 'Capital Investment Process Overview' for information;
2. Approve long-term tax support rates as outlined in blue on Table 2 on page 7 of Attachment 2; and
3. Approve the deferral of long-term tax support rates for Appeals and Tribunals to the 2019 service plans and budgets adjustments process.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

Council has made many decisions that inform the development of the 2019-2022 service plans and budgets. Previous Council Direction leading up to One Calgary prior to 2018 is provided in Attachment 4 of this report, with the most recent direction provided below.

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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.

On 2018 February 28, Council adopted amendments to the 2019-2022 Council Directives (C2018-0201) and approved “Three Conversations, One Calgary” as the framework that will guide the development of The City’s Strategic Plan for 2019-2022 (C2018-0224).

On 2018 March 19 (PFC2018-0200), Council directed Administration to report back to Council, through the Priorities and Finance Committee in Q2 2018, with strategic growth recommendations that increase the level of City commitment and investment in new communities. Beginning with the 2019-2022 budget cycle, Administration was further directed to prioritize future growth areas, including financial implications for 2019-2022, future budget cycles, and how any funding gaps for operating and capital would be funded using property tax.

On 2018 March 21 (C2018-0304), Council approved the updated principles for setting indicative tax rates and the updated Capital Infrastructure Investment Strategy. Council renamed this document the Capital Infrastructure Investment *Principles*. With respect to report C2018-0304, Council adopted the Motion Arising to direct Administration to return to the April 10 Priorities and Finance Committee with updated principles reflecting the incorporation of elements of value to citizens.

On 2018 April 18 (UCS2018-0116), the Utilities and Corporate Service committee received The City of Calgary 2017 Infrastructure Status Report. The committee requested that a Strategic Session of Council be held in May or June 2018 on Capital Infrastructure Management, including addressing City-owned assets, short and long-term infrastructure risks and addressing the infrastructure gap. Council approved this recommendation at their 2018 April 23 meeting.

On 2018 April 23 (PFC2018-0445), Council approved The City’s Strategic Plan Principles, which introduce a set of five overarching principles and associated value dimensions for One Calgary which will guide the development of the 2019-2022 service plans and budgets.

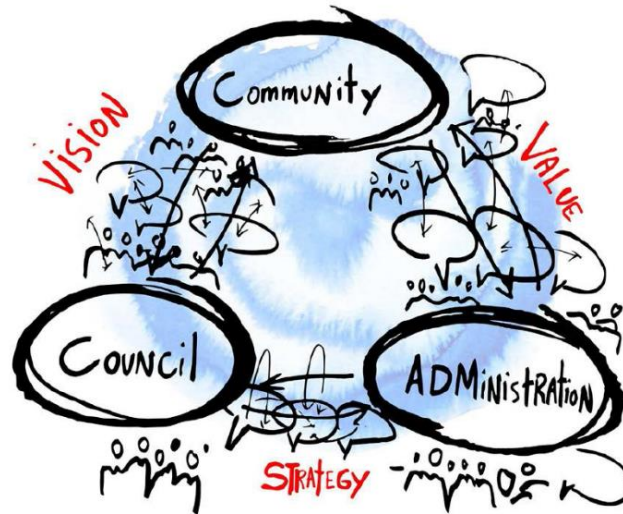
On 2018 April 25 (C2018-0489) Council approved the indicative property tax rate and the indicative rates for the Waste & Recycling service. At the same meeting, Council deferred the decision on indicative rates for Water Utilities (Water, Wastewater and Stormwater) to the 2018 June 18 Strategic Council Meeting.

## **BACKGROUND**

Three Conversations, One Calgary: The City’s Strategic Plan for 2019-2022 is the foundation for the development of the service plans and budgets. The three conversations, as illustrated below, outline the relationship and related expectations between Community and Council (vision), Community and Administration (value), and Council and Administration (strategy).

Looking back to previous decisions on One Calgary, City Council has already touched upon every dimension of these relationships and conversation. From November 2017 to January 2018, Administration supported Council in defining the vision for the 2019-2022 service plans and budgets, and developing Council’s Priorities and Directives, which were approved at the Strategic Meeting on 2018 January 31.

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Council then approved Three Conversations, One Calgary: The City's Strategic Plan for 2019-2022 in February 2018, which is a key component to define the strategy between Council and Administration. Approving indicative tax rates and indicative rates for Waste & Recycling in April was an important milestone to provide the financial framework for creating service value between Administration and the Calgary community.

The information presented to, and the decisions asked of Council on 2018 May 16 build upon this foundation, and continues to address the different conversations:

- Public engagement and research results;
- Long-term tax support rates for user fee supported services; and
- Capital investment process overview

The figure below illustrates how these items relate to different aspects of the three conversations.



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The report on public engagement and research results relates to the conversation between Administration and the Community, which is focused on value. The 2019-2022 service plans and budgets aim to provide a more transparent delivery of City service, which will make it easier for citizens to understand how their tax dollars are invested and the consequent service value that is created by this investment. This is a cyclical process, where our service delivery then contributes to the long-term quality of life results and ultimately helps achieve our vision.

The other two agenda items of 2018 May 16 Strategic Meeting relate to the conversation between Council and Administration, that is the strategy for Administration's response to Council's direction.

Approval of long-term tax support rates for services that have mixed funding (combination of user fees and tax support) will inform Administration's strategy for these rates over the next 10 years. This will provide the organization with guidance to develop detailed user fee schedules, which in turn address the service value created for citizens. The specific fee schedules will be included with the delivery of 2019-2022 service plans and budgets in November.

The presentation on the Capital Investment Process, in response to Council direction for a Strategic Session of Council to be held to discuss Capital Infrastructure Management, including addressing City-owned assets, short and long term infrastructure risks and addressing the infrastructure gap, is a comprehensive look at the entire Capital Investment Process, from asset management planning through to investment results, and highlights alignment to the service plans and budgets process, including the role Council plays in the process. This will inform the conversation around strategy

Also linked to Three Conversations, One Calgary: The City's Strategic Plan for 2019-2022 is the set of five strategic plan principles that were approved by Council on 2018 April 23.

The previous Strategic Council Meeting on 2018 April 25 achieved a milestone in the delivery of the One Calgary program by approving indicative rates for property tax and Waste & Recycling. By addressing the outlined items on 2018 May 16, Council will provide Administration with the direction needed to take the next steps in the One Calgary process.

During past Strategic Meetings, Council was reminded of the iterative nature of the One Calgary process and that Council will be provided with many opportunities for input, both up until November 2018 and beyond. The Strategic Council Meetings in June and July will provide opportunity for such input, including:

- 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. The decisions on indicative rates for Water Utilities will be coming back to Council on 2018 June 18.
- Grouping of The City's 62 services by Council Priority.
- A One Calgary approach to prioritizing service investments and divestments (for both operating and capital).
- 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 Priorities that maximize limited resources.

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### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The 2018 May 16 Strategic Meeting of Council marks the halfway point of the One Calgary process. As mentioned during the April Strategic Council Meeting, the decision on indicative rates informs the depth and extent of other strategies Administration is developing to guide the delivery on 2019-2022 service plans and budgets. Becoming an organization that continually identifies and delivers substantial service improvements requires the coordination of multiple levers for change, which together create an integrated system for managing the performance of the corporation. Administration will continue its ongoing efforts throughout the 2019-2022 budget cycle, and will pursue to identify efficiencies and effectiveness to cover service growth up to \$15 million each year for the next four years.

### **Public Engagement and Research**

Understanding what citizens perceive as providing value from City services better enables the organization to focus efforts and resources to the things that are most important to Calgarians.

Administration conducted public engagement and research in April 2018 to better understand citizen expectations and priorities for service value dimensions to help inform decisions on the 2019-2022 service plans and budgets. Using both research and engagement approaches for this project is critical for inclusiveness and maintaining a balanced and complete picture of Calgarians' perceptions.

During the April public engagement, Calgarians were asked to rank, in their opinion, the value dimensions associated with each public-facing service. This ranking, along with other research and Council Directives, will help services develop performance measures that are tied to key value dimensions and inform further service refinements to be presented in the fall.

For the Citizens' View Panel, Calgarians were also asked to rank value dimensions associated with each service as well as evaluate the importance of each service value dimension on a scale from *very important* to *not important at all*. Both ranking and perceptions of importance gives us depth of insight into each service value dimension, and allows us to better understand how these service value dimensions are seen by Calgarians.

Attachment 1 provides a summary report of the research and engagement results, and the full detailed reports are available online at [engage.calgary.ca/yourservices](https://engage.calgary.ca/yourservices).

Consistent with the Council-approved Strategic Plan Principles (PFC2018-0445), service plans and budgets will incorporate feedback received from citizens to help in strategy development and delivery of services over the next four years. These will be monitored and adjusted throughout the cycle.

### **Long-Term Tax Support Rates for User Fee Related Services**

User fees are payments made by the user of a good or service that recover, in whole or in part, the cost of providing that specific good or service. The Council-approved User Fees & Subsidies Policy (CFO010) guides decisions related to the pricing of user fees. While user fees form part of the overall revenue picture, they are primarily influenced by considerations of equity and market. User fees are a tool to help achieve broader public policy decisions that reflect a balance between individual and societal benefits that arise from the consumption of a service. Once the mix of individual and societal benefits has been determined, The City can then proceed to employ user fees and tax support to:

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- encourage or discourage use of certain City services, and
- ensure that the costs of a service are distributed fairly, based on who benefits from consumption of the service.

One example of a user fee is transit fares. To encourage transit ridership (which has many societal benefits such as reduced greenhouse gas emissions, reduced traffic, etc.), the cost of the trip is partially funded by general tax support.

Like past business planning and budgeting cycles, a two-step approach will be used. On 2018 May 16, Council will be asked to approve long-term tax support rates as outlined in Attachment 2. A “long-term tax support rate” is the proportion of the full costs of a service (or service output) that is funded from municipal tax revenues. Given that the long-term tax support rate is a target, it means that services may not achieve the proposed targets within this four-year cycle. This initial approval will be followed by detailed user fee schedules (step 2) being provided in November as part of the deliberations on the 2019-2022 service plans and budgets.

In most cases, Administration is recommending that fees cover a higher proportion of the cost of service over the long-term (i.e. higher long-term tax support rate). The effect, however will be small as those services that require the most tax support in absolute terms (Recreation Opportunities and Public Transit), are keeping relatively close to their current tax support rates. The greatest change is in the streets service where the recommendation is to substantially reduce the amount of tax support over the long-term. Environmental Management has not had previous approval to have user fees cover the full cost of the Environmental Agreement Application Service, and there is included (and is calling for a zero-tax support rate). In addition, Appeals and Tribunals service is requesting a deferral to the 2019 Adjustments to allow time to complete a strategic review.

The approval table (on Page 7 of 29 in Attachment 2) includes a column that identifies the approximate percentage increase that the long-term tax support rate, once approved, will have on fees. The range of fee increases generally ranges from 0-3% except for Street Use permits which sits at 9%.

### **Capital Investment Process**

Capital investments play a pivotal role in supporting The City of Calgary’s services and building a great city. Through Council Priorities, Council Directives and the Capital Infrastructure Investment Principles, Infrastructure Calgary is positioned to provide greater alignment and coordination to support service delivery.

The Capital investment process for 2019-2022 has evolved from previous cycles. While much of the asset planning and investment planning still happens at the business unit and departmental levels, Infrastructure Calgary now plays a key role in overall enterprise management, and has introduced some key changes in how Administration prioritizes, coordinates and allocates funding to projects.

An integrated and coordinated approach to capital planning, prioritization and funding – administered at the corporate level by Infrastructure Calgary – helps coordinate and align investments by service, identify efficiencies and achieve economies of scale, optimizing funding

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and value to citizens. This approach is aligned with the organization's service approach to better respond to citizen needs and expectations and help achieve value for tax dollars.

These functions, along with those listed below, will be presented and discussed in detail at the May 16 Strategic Meeting of Council.

Function	Key Activities
<u>Investment Need</u>	<u>Identify and mitigate risk</u> <u>Evaluate service needs and costs</u>
<u>Investment Planning</u>	<u>Create business cases within common repository</u> <u>Build infrastructure investment plans</u>
<u>Investment Optimization</u>	<u>Prioritize and coordinate investments</u> <u>Allocate funding according to capacity</u> <u>Recommend capital investments by service</u>
<u>Investment Delivery</u>	<u>Execute capital investment to support service delivery</u> <u>Continuous improvement through best practices</u>
<u>Investment Results</u>	<u>Monitor and report on investments</u> <u>Evaluate and adjust to maximize value</u>

## **Stakeholder Engagement, Research and Communication**

Attachment 1 provides Council with the results of the One Calgary public engagement and research conducted in April 2018. Administration is currently developing a strategy for further, targeted engagement prior to September 2018 to validate service value dimensions and what matters most to Calgarians. This additional engagement will not only enhance the opportunities for citizens to get involved with the development of 2019-2022 service plans and budgets, it will also help to ensure that seasonal influencing factors regarding what citizens value about City services are minimized.

## **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 policies for User Fees and Multi-Year Business Plans and Budgets, as well as the Strategic Plan Principles.

## **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

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information on how each City service contributes to quality of life for Calgarians and their aspirations for the community. In addition, the user fee long-term tax support rate process includes a societal benefit assessment that is based on triple bottom line and smart growth.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

As mentioned above, setting indicative tax rates and indicative rates for Waste & Recycling was an important milestone in the journey to develop 2019-2022 service plans and budgets. The decisions on indicative rates for Water Utilities will be coming back to Council on 2018 June 18. Approval of these rates determines a key component of the financial envelope within which The City will develop its service plans and budgets. The setting of long-term tax support rates for user fees will guide the development of user fee schedules that will be brought forward in November. User fees are an important revenue source for some services.

#### ***Current and Future Capital Budget:***

As noted earlier in this report, Council will be presented with an overview of Administration's capital investment process. Capital investments play a pivotal role in supporting The City of Calgary's services and building a great city. The Capital investment process for 2019-2022 has evolved from previous cycles. An integrated and coordinated approach to capital planning, prioritization and funding helps coordinate and align investments by service, identify efficiencies and achieve economies of scale, optimizing funding and value to citizens.

### **Risk Assessment**

As with previous business planning and budgeting cycles, consideration of risks is a key factor informing the 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 user fee policy provides a standard means for assessing the balance between how much of a service should be tax supported versus user fee supported. This increases transparency, equity and fairness in how user fees are set which will help develop trust and confidence with citizens and reduce reputational risk.

#### **REASON(S) FOR RECOMMENDATION(S):**

The decision on indicative rates made on 2018 April 25 informs the depth and extent of other strategies Administration is currently developing to guide the delivery of 2019-2022 service plans and budgets. The decisions asked of Council during the 2018 May 16 Strategic Meeting build upon previous decisions and provide Administration with key strategies and components to build the service plans and budgets in a cohesive and integrated way such that they collectively will propose an affordable way to respond to and deliver on Council's Priorities and Directives for 2019-2022.



**One Calgary Report to  
Strategic Meeting of Council  
2018 May 16**

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**ATTACHMENT(S)**

1. Attachment 1 – Service Value Dimensions: Public Engagement and Research Results
2. Attachment 2 – Long-Term Tax Support Rates for User Fee Related Services
3. Attachment 3 – Presentation to Council on 2018 May 16
4. Attachment 4 – Previous Council Direction