

**Planning & Development Report to
Priorities and Finance Committee
2018 September 04**

**ISC: UNRESTRICTED
PFC2018-0974**

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

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.

The 2019-2022 plan and budget is being developed in an environment of constrained resources and less flexible funding sources, including both operational and capital funding, when compared to previous business cycles that were approved during more positive economic times. Administration continues to work to integrate operating and capital budgets and balance the next four-year budget within the indicative tax rate range set by City Council on 2018 April 25.

Regardless of the financial context, a high performing organization must always strive to develop strategies that maximize value and return on investment and provide strategic focus, building on direction from City Council, citizens, communities and customers.

The result of this work – partly already completed during the summer months, partly still ongoing – will result in a 2019-2022 corporate strategic plan and budget that identifies areas of investment emphasis and reduced emphasis in accordance with Council Directives, The City's long-term policies and plans, and citizen expectations.

Acknowledging that we are still eight weeks away from deliberations of the 2019-2022 service plans and budgets in November, Administration seeks to engage City Council in a series of successive conversations throughout September to support Council's expressed desire to be strategic about resource decisions. These conversations are not designed for Council members to make final decisions. Rather, throughout September Council will receive information on all 61 City services, and a preview of their intended emphasis and preliminary service level for 2019-2022. Council will also receive an update on the financial outlook for context and will be asked to provide feedback on the September preview, which will be used to shape the ongoing conversation through the fall toward approval of the 2019-2022 service plans and budgets in November.

On 2018 September 04 Priority and Finance Committee will receive two reports from Administration:

1. A corporate introduction to the 2019-2022 plan and budget which is the focus of this report; and
2. A preview consisting of information for the services grouped under the citizen priority "A Well-Run City", and a service-by-service overview with the intended emphasis and preliminary service level for each service (PFC2018-1023).

The preview of the 2019-2022 plan and budget suggests a certain investment focus while staying within the set indicative tax rate range. Additionally, Administration was able to identify some opportunities for efficiencies to support the goal of The City covering service growth up to \$15 million each year for the next four years.

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

ADMINISTRATION RECOMMENDATION:

That the Priority and Finance Committee:

- (1) receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Please note that, for legibility purposes, only previous Council direction from the last three months are listed below. Additional Council direction/policy related to One Calgary that predate April 2018 is listed in Attachment 1.

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 referred the decision on indicative rates for Water Utilities (Water, Wastewater and Stormwater) to the 2018 June 18 Strategic Council Meeting.

On 2018 May 16 (C2018-0586) Council approved the long-term tax support rates, and the deferral of long-term tax support rates for Appeals and Tribunals to the 2019 service plans and budgets adjustment process.

On 2018 June 18 (C2018-0755) Council approved the application "Improving Budget Transparency" to the Council Innovation Fund. Also, on 2018 June 18 (C2018-0787) Council approved indicative rates for the Water Utility (Water, Wastewater, and Stormwater).

On 2018 July 30 (C2018-0900) Council – with regard to the New Community Growth Strategy – approved that (a) as part of One Calgary 2019-2022 four year plan and budget, a property tax rate increase of up to 0.75% in 2019 to fund the capital and direct incremental operating budgets necessary to support development of 14 new communities; approved that (b) as part of One Calgary 2019-2022 four year plan and budget, a water utility rate increase of up to 0.5% per year to fund the specific capital budget necessary to support development of these communities; confirmed (c) its intention to provide, through 2023 and future years' capital and operating budgets, the necessary public infrastructure and services to serve and support these communities; and approved to (d) in 2022, use the Fiscal Sustainability Reserve (FSR), to a maximum of \$4 Million, to fund the cost of capital for the New Community Growth Strategy included in the One Calgary 2019-2022 budget, if required; and approved to (e) use the capacity that is created from the use of the FSR to fund, on a one time basis, the shortfall in operating cost in 2022 attributable to South Shepard.

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

BACKGROUND

The journey to service-based plans and budgets

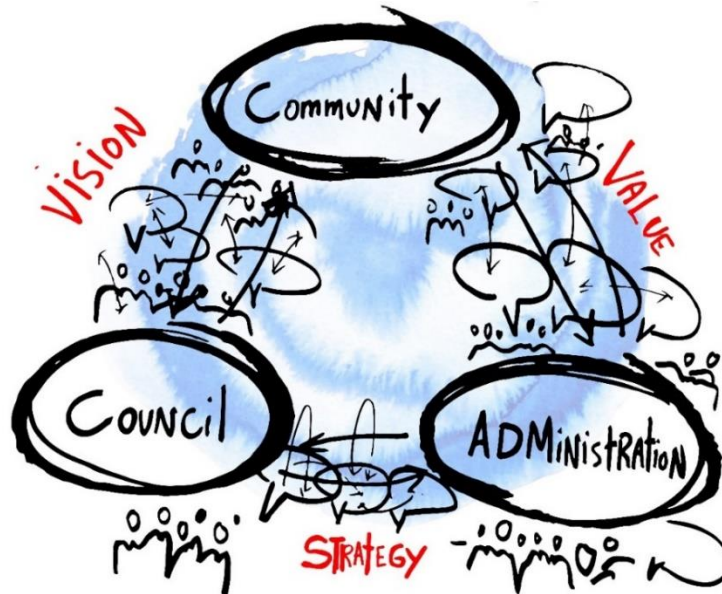
In 2014, Administration embarked on a journey to shift the focus of our four-year business plan from who delivers services and how, to *what* we deliver, *how well*, and *why*. Developing The City of Calgary's first service-based plan and budget for 2019-2022– instead of the traditional department-based approach – will lead to better serving our citizens, communities and customers. It will also enable Council to make decisions about service levels and expectations, as well as service value and costs. This means a transformational change within the organization to create a public service culture and focus on investment and value.

Developing the service portfolio was a cross-corporate, collaborative effort between business units over the course of two years. The result is a made-in-Calgary list of 61 services, based on industry best practice, input from other cities' findings on similar initiatives and Calgary's unique perspective. The list of services, of which 43 are public facing and 18 are internal facing was presented to Council in 2017 (C2017-0375). The change to service-based plans and budgets is significant and the journey is an ongoing one. The list of services, and our understanding of them, will continue to evolve during the 2019-2022 cycle and beyond.

The program and processes of One Calgary to date have allowed The City to develop a more thorough understanding not only of its services, but also the interaction and interdependencies between these services. For the One Calgary 2019-2022 plan and budget everything has been centered around the 61 services The City provides. Both operating and capital budgets have been integrated along these services, as well as growth considerations for Calgary's actively developing and new communities. Prioritization of operating and capital investments has been determined according to service needs and in the context of anticipated continued resources that are also more restrictive in their application to service support. Additionally, One Calgary has applied, and helped to embed, our growing culture of collaboration across departmental and organizational structures. This will lead to better integrated service delivery, which in turn responds to the expectations set by Council's Five Guidelines to Administration.

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 the Community and Council (vision), Council and Administration (strategy), and Community and Administration (value).

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews



Financial context for 2019-2022

On 2018 April 25 (C2018-0489), Council approved indicative tax rates of 2.65 per cent to 3.45 per cent for 2019, and 2.5 per cent to 3.0 per cent for 2020-2022. Within this rate range are dedicated amounts of operating and capital for actively developing and new communities of 1.85 per cent to 2.15 per cent in 2019, and 0.4 per cent for 2020-2022.

In addition, Administration is committed to continue its ongoing efforts to identify efficiencies throughout the 2019-2022 budget cycle, and to cover service growth up to \$15 million per year for the next four years in this way (C2018-0586).

It is essential to understand the economic and fiscal context within which the 2019-2022 plan and budget is being developed. While the indicative tax rate approved by Council, and the efficiencies Administration is committed to generate, will provide some capacity for investment decisions, the 2019-2022 budget can be characterized as a budget of constrained resources, including both operational and capital funding, when compared to previous business plan and budget cycles that were approved during more positive economic times.

Process toward 2019-2022 plan preview – from turf to trust

For the 2019-2022 plan and budget, Council's service and funding decisions will be made in the context of a more constrained spending. Service demands that include previous commitments will need to be balanced with new requirements identified by citizen expectations and Council Directives, and emerging funding needs. The transition to service-based plans and budget has allowed Administration better articulate the value each service offers for citizens, communities and customers, and supports our efforts to continually increase that value.

Administration's approach to developing the 2019-2022 service plans and budgets maximizes our capacity to deliver on Council's and citizens' expectations. This includes:

- a 2019 budget starting point equivalent to 2018 base funding less one-time budget,
- integration of operating and capital planning,

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

- prioritization and funding to align investments by service,
- optimizing funding source eligibility to capital plans,
- targeting ongoing efficiencies, and
- a citizen centric focus that supports improved effectiveness within and across services.

Given the 2019 budget starting point, each of the 61 services was asked to develop a strategy of what to do less of, more of, and stop doing. In some cases, this results in a need to find efficiencies or absorb cost increases through service reductions. In some cases, certain service level reductions will be required to balance the budget in our constrained revenue environment.

The preview presented to Committee at 2018 September 04 PFC meeting and subsequent committee meetings reflects the best available knowledge to date about what these services will be able to deliver over the next four years with regard to citizen priorities, Council Directives, The City's long-term plans and policies and citizen service expectations. Work is continuing to refine the service plans and budgets.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The information and associated material provided in this report suggest a strategic focus for the service plan for 2019-2022. Considering citizen priorities and Council Directives, The City's long-term plans and policies, and what citizens value, Administration reviewed The City's 61 services during July and August 2018. The integration and prioritization of operating and capital budgets, as well as considerations of the cost of growth in actively developing and new communities for these services led to emerging cross-corporate strategies. These strategies are listed below. The strategies not only combine different services but also deliver on multiple Council Directives making them excellent tools to focus the next four-year service plan and budget, create multi-dimensional benefits, and maximize the creation of service value for citizens.

Additionally, the strategies showcase the power of One Calgary which lies in the integration of, and "cross-pollination" between, services. It becomes clear that the aspirations behind each citizen priority cannot be achieved by only the service that most closely aligns with that priority. Services offered collaboratively across citizen priorities will together achieve the long-term goals and aspirations of each of the citizen priorities and the Council Directives that have been established to guide The City's service delivery for the next four years.

Emergent cross-corporate strategies are (in alphabetical order):

- Build a resilient transportation network that supports all modes of streets, walkways and pathways;
- Build a more resilient and sustainable city;
- Develop a dynamic and diversified economy;
- Develop strategies to manage greenhouse gas emissions and reduce climate change risks and vulnerabilities;
- Foster diversified communication and engagement with all Calgarians;
- Increase accessibility to Transit for Calgarians;
- Manage growth in a way that achieves the best possible social, environmental and economic outcomes within financial capacities;
- Protect historic resources and promote arts and culture;

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

- Provide sufficient supply of affordable housing;
- Reduce corporate risks and strengthen safety and insurance;
- Strengthen indigenous relations; and
- Support the delivery of City of Calgary services through enabling services.

Work is ongoing to integrate operating and capital budgets and prioritize investment for certain City services.

Council will be engaged in a series of Standing Policy Committee (SPC) meetings during September that have been designed to flow as one ongoing conversation. The first five meetings (September 04 Priorities and Finance Committee, September 05 Community and Protective Services Committee, September 06 Transportation and Transit Committee, September 12 Utilities and Corporate Services Committee and September 13 Planning and Urban Development Committee) will each focus on one Citizen Priority and the services related to that Priority. Attachment 2 provides an overview of the schedule, including the services under each priority and the respective service owners.

The sixth meeting – 2018 September 17 special Priorities and Finance Committee – will provide an opportunity to hear from Civic Partners. Seventeen Civic Partners, that receive operating funding, leverage The City's investment to support the delivery of eight City services included in One Calgary. Civic Partners are invited to present to Committee and provide an overview of their alignment with the One Calgary 2019-2022 preliminary service plans. The Partners will provide detailed information about their priorities and actions for the next four years, and how they align with citizen priorities and Council Directives, performance measures, operating and capital budget projections, and key risks and challenges.

The September service plan preview is completed by the presentation of The City's Enabling Services during the Strategic Council Meeting (currently scheduled for 2018 September 19) and culminates in a strategic discussion during this meeting to review the input and themes from the first six meetings and receive guidance from Council to inform the plan and budget deliberations ahead.

Each September SPC meeting will follow a similar format. The meetings will begin with a presentation from Administration outlining the draft 2019-2022 Service Plans. The public will then have an opportunity to give feedback and provide comments. The meeting will then shift into a facilitated conversation for Council Members, focused on a few key questions.

Importantly, the September service plan preview is not a budget conversation. Financial information will not be presented until the proposed One Calgary 2019-2022 plan and budget is tabled in November. The September conversation is also not a decision-making process. Rather, Council Members are asked to provide feedback on the 2019-2022 service plans and have a strategic discussion about whether the degree of alignment between Administration's direction of travel and Council's expectations.

Given the strategic nature of the September Preview discussions, One Calgary has engaged an external facilitator to guide the conversation. This will allow all Members of Council to fully participate and enable a more 'workshop' style format to the discussion.

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

The feedback gathered during the September service plan preview will be used to determine which of The City's 61 services in principle meet Council's expectations and which require further discussion. One Calgary is suggesting an extra Strategic Council Meeting in October to provide Council with a final opportunity to provide feedback before the 2019-2022 plan and budget is tabled in November. The purpose of this October meeting would be to "in principle" agree on those services that don't need further conversation (similar to a consent agenda, based on the Service Plans identified as meeting expectations during the September Preview conversations) and also strategize how to address those services that do not meet expectations, as well as fund investment initiatives that are currently unfunded. This approach will help to free up valuable time during the budget deliberation week in November to provide City Council with the opportunity for more in-depth conversations on potentially controversial issues.

On 2018 November 14 Administration will release the draft 2019-2022 plan and budget to City Council and the public. This release is followed by budget deliberation from 2018 November 26 to 2018 November 30. The budget will include service plans and budgets for all 61 City services with detailed information about the service, research and engagement results, benchmarking and performance measures, how the service is performing and strategies what to do more of, less of and stop doing, and the operating and capital budgets per service for approval.

Stakeholder Engagement, Research and Communication

An important part of determining The City's focus for the 2019-2022 service plans and budget is gathering citizen input from the Community's conversations with Council, and Administration's conversations with the Community. One Calgary has developed a unique citizen engagement strategy that is woven throughout the entire development of the next four-year service plan and budget. The ongoing effort to involve citizens is continued during the September preview of the draft services plans at each Standing Policy Committee. Citizens have been invited to provide strategic feedback on the service plan previews. The input gathered will inform Committee as they provide feedback to Administration.

Internally, the work of One Calgary involved service leaders from every City department and engaged on a regular basis with service owners for all 61 services lines. Results from the One Calgary public engagement and market research conducted to date were used throughout the Service Leaders Forum deliberations and considered throughout the decision-making process. Communication about the process in general and specific aspects were provided to service owners and city staff on a regular basis.

Strategic Alignment

The One Calgary program implements The City's strategic plan "Three Conversations, One Calgary" and follows Council's Five Strategic Plan Principles (PFC2018-0445). The program directly addresses the commitment to service-based plans and budgets and contributes to Council's Five Guidelines to Administration approved by Council on 2018 February 28 (C2018-0201): integrated service delivery, engaged leadership, trust and confidence, investment and value, and cooperative alliances.

The draft One Calgary 2019-2022 plan as presented during the September preview includes strategies that advance all of the Citizen Priorities and Council Directives and contribute to

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

multiple directives where similar outcomes are sought. In addition, the recommendation includes several strategies to help advance The City's long-term plans and policies.

Social, Environmental, Economic (External)

Financial Capacity

Operating and capital budgets have been integrated under the umbrella of One Calgary.

Current and Future Operating Budget:

The service levels that will be recommended in November for the 2019-2022 service plans and budgets will be expected to be attainable within the indicative tax rate range set by Council on 2018 April 25. Due to ongoing work to balance the operating and capital budgets, specific budget information will not be provided during the September service plan previews.

Current and Future Capital Budget:

Infrastructure Calgary is currently reviewing capital investment requests and working to optimize the capital funding resources available for the 2019-2022 plan and budget cycle. The recommended capital budget will be presented to Council in November.

Risk Assessment

The One Calgary 2019-2022 service plan and budget has to be considered in the context of realistic external changes that can have a significant impact on The City's financial capacity. The areas of focus and strategies captured within this report and the attached material should be part of a long-range plan with focus on a four-year increment. It will be important to ensure sufficient contingency and resiliency within the next four-year plans and budget for The City to react to changes due to a potential new provincial government, ever-fluctuating natural resources prices and other external factors.

Risk management has been a consideration throughout the implementation of the One Calgary program. By providing Council and the public with a preview of service plans in September, ahead of deliberations in November, Council and the public become more familiar with the service-based approach and the service plans and budgets that will be presented for decision in November. Integration of risk management supports the organization by including proactive identification and assessment of risks into the planning process. Risks will continue to be evaluated in an ongoing manner throughout the business planning and budgeting cycle.

REASON(S) FOR RECOMMENDATION(S):

The September 2018 preview of service plans allow Administration to gather feedback from City Council that will be used to guide the finalization of the One Calgary 2019-2022 service plans and budgets which will be tabled for approval in November. As such no decision is required from Council during this preview.

It is suggested to committee members to keep this report for future reference at the subsequent Standing Policy Committee meetings throughout September.

Planning & Development Report to
Priorities and Finance Committee
2018 September 04

ISC: UNRESTRICTED
PFC2018-0974

One Calgary 2019-2022. Corporate Introduction to Service Plan Previews

ATTACHMENT(S)

1. Attachment 1 – Corporate overview presentation
2. Attachment 2 – September Schedule
3. Attachment 3 – Public Input Journey
4. Attachment 4 – Previous Council Direction