

**One Calgary Report to
Special Meeting of Council
2018 October 11**

**ISC: UNRESTRICTED
C2018-1149**

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

EXECUTIVE SUMMARY

As part of a continued effort toward better demonstrating value to Calgarians, The City of Calgary is moving to service-based plans and budgets, progressing to results-based accountability, increased integration between capital and operating budgets within each service plan and budget, and a more collaborative, integrated and strategic approach to the planning and budgeting process. This includes continuing opportunities for Council members and Calgarians to provide input into The City's proposed 2019-2022 service plans and budgets before they are submitted and presented to Council for consideration in 2018 November.

This report targets three areas for discussion with Council in advance of Administration, on November 14, submitting and presenting to Council the proposed 2019-2022 service plans and budgets. These three areas are:

1. Current status of 2019-2022 service budgets [(a) capital and (b) operating] to support service plans;
2. Specific issues/services for potential additional investment; and
3. Potential material unfunded investments.

As the planning for the 2019-2022 service plans and budgets progresses along, Administration is now in a position to provide a preview of the preliminary budget to compliment the service plan preview already provided to Council in September. The budget preview presented in this report includes the preliminary operating (new base and one-time) and/or new capital investments currently proposed for the 61 services for 2019-2022. This information is provided to support our ongoing engagement with Council to determine if the level of proposed investments for the next four years meets Council's expectations. In circumstances where Council has identified a desire for more investments above what is proposed within the current available funding capacity, or an amendment to what is being proposed, Administration can be directed to prepare additional investment options for Council's consideration during the November plan and budget deliberations.

This report also includes a consolidated list of the issues and services identified through our ongoing engagement with Council that may require further discussion, to determine the potential impacts on the 2019-2022 service plans and budgets. Some issues identified has already been included, either fully or partially in the service plan previews, while others have not. The purpose of providing the list of issues in this report is twofold: first, to confirm that the issues identified align to the feedback received; and if so, to further explore and prioritize these issues so as to reach a clear understanding of the expected level of service. This will provide further insight and direction for Administration to develop potential additional investment options, and associated funding proposals, that can be brought forward for November plan and budget deliberations for Council to consider.

Finally, information is provided in this report along with a presentation to Council on October 11, 2018 relating to potential material unfunded investments that may impact 2019-2022 to provide Council with additional context, leading up to the November deliberations. Feedback is required from Council on these potential material unfunded investments so that Administration can continue to analyze financing options to report back to Council.

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

ADMINISTRATION RECOMMENDATION:

That Council:

1. Receive this report for information.
2. Direct Administration to include in the 2018 November 14 One Calgary report to Council advice on potential additional investments and financing required in regard to the issues identified on Page 2 of Attachment 2 to C2018-1149, or, if information is not yet available for any of the issues, a status update and date when the information will be provided.
3. Direct Administration to provide, by no later than 2018 Q4, a priority investment and financing plan for the potential material unfunded investments identified on page 15 of C2018-1149, or, if information is not yet available for any of the potential material unfunded investments, a status update and date when the information will be provided.

PREVIOUS COUNCIL DIRECTION / POLICY

There have been numerous reports and direction provided by Council related to One Calgary over the past few years, including the following recent reports in 2018 September:

On 2018 September 25, Council received for information a report (C2018-1024) which introduced service plan previews for the 14 enabling services. (These 14 services were the remaining services, out of 61 total services, where service plan previews had yet to be provided, pursuant to the six September 04-17 meetings).

On 2018 September 25, Council received for information a report (C2018-1080) summarizing all the information obtained through the 47 service plan previews, and 18 civic partner business plan and budget presentations, that took place during September 04-17, as well as further analysis and conclusions developed by Administration. As part of this report, Council also directed Administration to proceed with the citizen research and engagement proposal to be undertaken in 2018 October and November. In this same report, a commitment was made by Administration to provide Council, at their 2018 October 11 meeting, with a “roll-up of all City research and engagement over the past year with a focus on service delivery”.

At six committee meetings that took place during September 04-17, each committee received for information the respective report that introduced the service plan previews for 47 services, and 18 Civic Partner business plan and budget presentations. The respective reports received for information are PFC2018-0974 (September 04 Priorities & Finance Committee), CPS2018-1018 (September 05 Community & Protective Services Committee), TT2018-1019 (September 06 Transportation & Transit Committee), UCS2018-1020 (September 12 Utilities & Corporate Services Committee), PUD2018-1021 (September 13 Planning & Urban Development Committee), and PFC2018-1038 (September 17 Priorities & Finance Committee). The first five committee meetings each heard services falling within each of the five citizen priorities, and the sixth (PFC) committee meeting heard from 18 civic partners, and four services that had yet to be heard, following the September 04 PFC meeting.

A consolidation of Council direction prior to 2018 September pertaining to the 2019-2022 service plans and budgets is provided in Attachment 4.

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

BACKGROUND

During the past year, Council and Administration, with the input of Calgarians, have been undertaking the work to prepare 2019-2022 service plans and budgets, which Administration will propose and recommend to Council in 2018 November. New to the 2019-2022 business cycle is a move to a “service-based” approach, which provides a more citizen-oriented and transparent view of The City’s plans and budgets, enhancing the integration of operating and capital budgets within those service plans and budgets, and the further integration of results-based accountability. When coupled with The City’s new cultural norms, these changes are planned to support improved service value for citizens, communities and customers during 2019-2022.

Key work and deliverables during the past year include:

- Citizen research and engagement (2017 Q4 and throughout 2018);
- Citizen Priorities and Council Directives (2018 January/February);
- Strategic plan principles (2018 April);
- Indicative property tax rates (2018 April);
- Long-term tax support rates (2018 May);
- Indicative utility rates (2018 June);
- Capital funding availability (2018 July);
- New community growth decisions and funding (2018 July); and
- Presenting information on potential material unfunded investments (2018 July and September).

This work and associated deliverables were used to guide Administration during the past few months in the development of 61 service plans and budgets, which include 18 Civic Partners. The results of this work were presented during the One Calgary service plan previews, which took place over the course of seven Council and Committee meetings between 2018 September 04 and 25.

At the September 25 Special Meeting of Council, through report C2018-1080, Administration provided analysis and conclusions in regard to 47 service plan preview discussions, and 18 Civic Partner presentations on proposed business plans and budgets, which took place during the September 04-17 period. The remaining 14 “enabling services” previews were presented to Council on September 25. Administration’s follow-up to these specific 14 enabling services can be found in report C2018-1148, which is also on today’s meeting agenda.

In response to all service plan preview discussions, Administration is incorporating feedback into proposed service plans and budgets, which will be presented to Council on 2018 November 14. Some issues raised during service plan preview discussions continue to merit Council’s further attention. For the September 04-17 period, these issues were brought to Council’s attention on September 25 through report C2018-1080, Attachment 1 and Attachment 4, page 1. This information has been combined and updated to incorporate the September 25 “enabling services” service plan preview discussions and is included in Attachment 2.

**One Calgary Report to
Special Meeting of Council
2018 October 11**

**ISC: UNRESTRICTED
C2018-1149**

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

At the September 25 Special Meeting of Council, through report C2018-1080, Council approved a plan for further citizen engagement, regarding the One Calgary 2019-2022 service plans and budgets, to take place in October. The results of this engagement will be provided to Council on November 14, as part of Administration's presentation and submission of the proposed 2019-2022 service plans and budgets. Report C2018-1080 also included a commitment to providing to Council, at this October 11 meeting, a "roll-up of all citizen research and engagement over the past year with a focus on service delivery." Administration's report on this commitment and deliverable is provided through report C2018-1150, which is also on today's meeting agenda.

To complement service plans with the financial resources needed to deliver the service plans, Administration has been continuing to work on proposed operating and capital budgets that would be recommended to Council. The current status of this budget information, which is still at a "proposed" stage and has yet to be finalized, is now ready to be provided to Council as a further preview and status update (see Attachment 1).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report provides an update on the following three areas:

1. Current status of 2019-2022 service budgets [(a) capital and (b) operating] to support service plans;
2. Specific issues/services for potential additional investment; and
3. Potential material unfunded investments.

These updates provide information to Council in advance of Administration finalizing recommendations regarding the 2019-2022 service plans and budgets, and support Council in the deliberations and decision-making that is planned for November.

At the end of this Investigation section, "next steps" for the 2019-2022 service plans and budgets are provided for Council's information.

1. Current status of 2019-2022 service budgets (capital and operating) to support service plans

In addition to moving to a service-based approach for planning and budgeting, another key feature is the enhancement of the integration of capital and operating budgets within each service plan and budget. This integration is important since it is one or both budget types together that support the delivery of services to citizens. In addition, investment decisions in either capital or operating may in some cases impact one another and therefore it is critical that both are considered together.

The service plan previews, presented at Committee and Council meetings during the September 04-25 period, were based on Administration working cross corporately to align to Council Directives and Citizen Priorities. The proposals presented in the service plan preview were also based on the indicative property tax and utility rates approved by Council in 2018

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

April and June, as well as capital funding availability, of which Council received updates in 2018 July and September.

While the proposed service plans and budgets are currently being finalized based on feedback from the service plan previews, the draft proposed capital and operating budget by service is provided below and in Attachment 1, organized by (a) capital and (b) operating. This information is provided in advance of the November deliberations to provide Council the mechanism to discuss further, and/or consider changes, to what Administration has proposed to date.

(A) *Capital*

i. **Process**

Funding and financing availability continues to evolve on both the tax supported and self supported (utilities) sides of the capital budget. The 2018 September 25 Infrastructure Calgary Capital Update to Council provided an overview of the process to identify investment priorities and noted a significant reduction from the previous business cycle. Given the discussion at that Special Meeting of Council, this October 11 update provides further information on how the essential investment priorities were identified, how the essential investment is addressing the infrastructure gap and provides an update on some of the investment areas that Council expressed interest in discussing further - flood recovery and resilience and the infrastructure gap.

ii. **Funding Availability and Constraints**

As noted on September 25, capital funding constraints are an important factor impacting investment. Given this, priority was given to investments that met the essential criteria as presented and discussed with Council previously. Business cases identified through the Infrastructure Investment Plans (IIPs) were assessed by service owners, their teams and Infrastructure Calgary against the corporate prioritization coordination criteria. The investments were then categorized into essential, current or enhanced categories. The categories facilitated the prioritizing of investments by identifying those most essential to the organization and therefore the highest priority to receive funding (as per the criteria).

Programs or projects aligning with essential criteria as discussed on September 25 are those that:

- Address legal, regulatory, health and safety requirements necessary to meet The City's legal obligations arising from Provincial and Federal legislation, addressing service delivered by municipalities, agreements, court decisions and other decision makers;
- Maintain the delivery of critical services that are necessary to health, safety or well-being of Calgarians, the environmental health of Calgary, and the effective functioning of government (temporary failure, impairment or disruption for 48-72 hours would result in catastrophic loss of life, adverse economic or environmental effects, or significant harm to public confidence);

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

- Address critical assets, meaning those most crucial for service delivery or have a high consequence in the event of failure caused by operational failures, climate impacts or other stressors; and
- Investments that reduce the delivery costs of services by reducing operational costs, minimizing the unit of service provisions (e.g. spend to save) without increasing absolute operational costs to meet gaps in service, extending or enhancing the life of capital assets, generating revenue through user fees, or aligning investments to benefit multiple services.

Investments that align to the current criteria enable the delivery of existing levels of service whereas enhanced investments are those that introduce a higher level of service.

iii. Status of Currently Recommended Investment Areas – Highlights

Attachment 1 shows the current estimated capital budget. The proposed service budgets to be presented to Council in November are still being finalized, but the order of magnitude in Attachment 1 should be close to what the recommended budget will be. Also see Figure 1 in the Capital Summary section below.

The most essential capital investments are being recommended, while incorporating Council feedback and investment interest areas where possible. Attachment 2 provides a consolidated list of the issues and services identified for further discussion, and in some cases potential further investment in 2019-2022.

The October 11 meeting with Council is another opportunity to provide more detailed capital information to Council by service and receive feedback to finalize Administration's recommendations for the November deliberations.

Also, at the September 25 meeting, Council asked for an update on flood recovery and resilience as well the infrastructure gap, which are provided below.

2013 Flood Recovery and Investment in Flood Resilience

In 2013 June, Calgary was impacted by a flood disaster resulting in significant municipal infrastructure damage. A Recovery Operations Centre (ROC) was established to oversee five recovery pillars, two of which were Infrastructure and Funding, with ROC coordination activities ceasing in the Fall of 2015. A Municipal Infrastructure Recovery Program (MIRP) was established to track, monitor and report on City of Calgary infrastructure and asset recovery and funding progress. This team of city staff continue to oversee the project completion and financial recovery of DRP (DRP) eligible flood impacted infrastructure and asset projects. Funding reimbursement is offered through the DRP until 2019 June 20. The City of Calgary is on track to complete the majority of recovery projects and submit financial statements to the Government of Alberta by the closure of the DRP funding program. Additional details regarding the recovery progress and finances are available in Attachment 3.

**One Calgary Report to
Special Meeting of Council
2018 October 11**

**ISC: UNRESTRICTED
C2018-1149**

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

The Infrastructure Calgary Steering Committee continues to apply a resilience lens while reviewing and prioritizing capital investments. Resilience is a key element within The City of Calgary Capital Infrastructure Investment Principles approved by Council (C2017-0214), is embedded within The City of Calgary corporate investment prioritization criteria and is a main incentive behind the Calgary Resilience Strategy being developed.

Resilience – the ability to withstand chronic stresses and acute shocks – remains an area of focus of infrastructure investment within the 2019-2022 service plans and budgets.

Addressing the Infrastructure Gap

As noted by the essential criteria explanations included above, and highlighted during the September 25 Special Meeting of Council, it is important for The City to ensure sufficient funding to address critical assets and the infrastructure gap.

A more detailed explanation of critical assets, used in the prioritization of essential investments for the 2019-2022 cycle, follows:

Investment in critical assets, which if not addressed, would lead to a service disruption of one or potentially many of The City of Calgary services. Critical assets (as identified in their asset management plan) are identified as those most crucial for service delivery, or, have a high consequence in the event of a failure caused by operational failures, climate impacts or other stressors. Investment is therefore focused to identify, assess and target appropriate treatments / interventions (e.g. upgrades, maintenance, replacement etc.) to mitigate risk, minimize service disruption, and address health, safety, legal and financial risks associated with an asset failure. Infrastructure risk is assessed through asset management plans and integrated infrastructure risk management frameworks. Upfront investment that strengthens The City's infrastructure, natural systems (including water) and people against severe weather events are included as part of mitigating risk.

Deteriorating or failing infrastructure pose significant risks to The City. These risks include the inability to provide appropriate level of service, the loss of ability to provide service, and injury or death. The Infrastructure Status Report is one mechanism for monitoring and reporting on the status of The City's infrastructure health. Successful implementation of the asset management program and use of the Infrastructure Status Report, as a risk management strategy, can help mitigate these risks.

As noted in the 2017 Infrastructure Status Report, over the next ten years, currently The City of Calgary requires an additional investment of \$5.67 billion to fund infrastructure maintenance, growth and operating requirements. This is the 10-year infrastructure funding gap. It is made up of three components: capital growth gap, capital maintenance gap and the operating gap.

The 10-year infrastructure funding gap has decreased from \$7.04 billion in 2013 to \$5.67 billion in 2017.

The City of Calgary will require an additional investment of \$3.19 billion to fund service growth requirements. This represents the capital growth gap, which has decreased slightly from the

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

\$3.23 billion reported in 2013. The capital maintenance portion of the infrastructure funding gap has decreased from \$1.7 billion in 2013 to \$ 1.41 billion in 2017.

Conditional assessments tell us that 88% of The City's infrastructure assets are in good or very good physical condition and 9.70% are in fair condition. Approximately 2.30% of The City's assets are in poor or critical physical condition.

A recent report by the Canadian Centre for Economic Analysis indicates that a city should be investing approximately 5.1% of Gross Domestic Product in municipal infrastructure, of which 22% of that should target maintenance. Additionally, The City of Calgary has relied on a general rule of thumb from the National Research Council that a municipality should invest approximately 1% to 2% of its total Current Replacement Value (CRV) on maintenance. These estimates indicate that we should be investing approximately \$1.5 billion per year on maintenance.

To better understand and prioritize investment needs and document what business units are doing to manage their infrastructure risk resulting from this gap, the Corporate Asset Management team worked with the various asset managing business units to develop the Corporate Asset Management Plan (CAMP).

Since the production of the CAMP and risk profile, Corporate Asset Management has been working with its business unit partners to hone in on details of service lines where asset risk may occur, including those assets that may pose imminent risk to public safety or the disruption of critical services. Asset Stewards for the buildings asset class (the asset class that is of highest risk) have plans in place to undertake building condition and lifecycle analysis, and to develop management plans to monitor assets that may become an imminent risk. When a building poses an immediate public safety risk it is taken out of service and funds are sought or redistributed to deal with the immediate risk. The Corporate Asset Management Program will work with Service Owners and Asset Stewards and service owners to develop lifecycle and risk management plans based on Building Condition Analysis to prioritize investments.

The City of Calgary continues to place value on investment in, and maintenance of, assets. The minimum necessary funding required to proactively support lifecycle management plans over the next four years is insufficient. This may result in an increased operating and maintenance infrastructure gap and impacts to service levels. The City will continue to monitor building asset condition and performance, and any imminent risk to public safety or performance will be addressed.

iv. Capital Summary

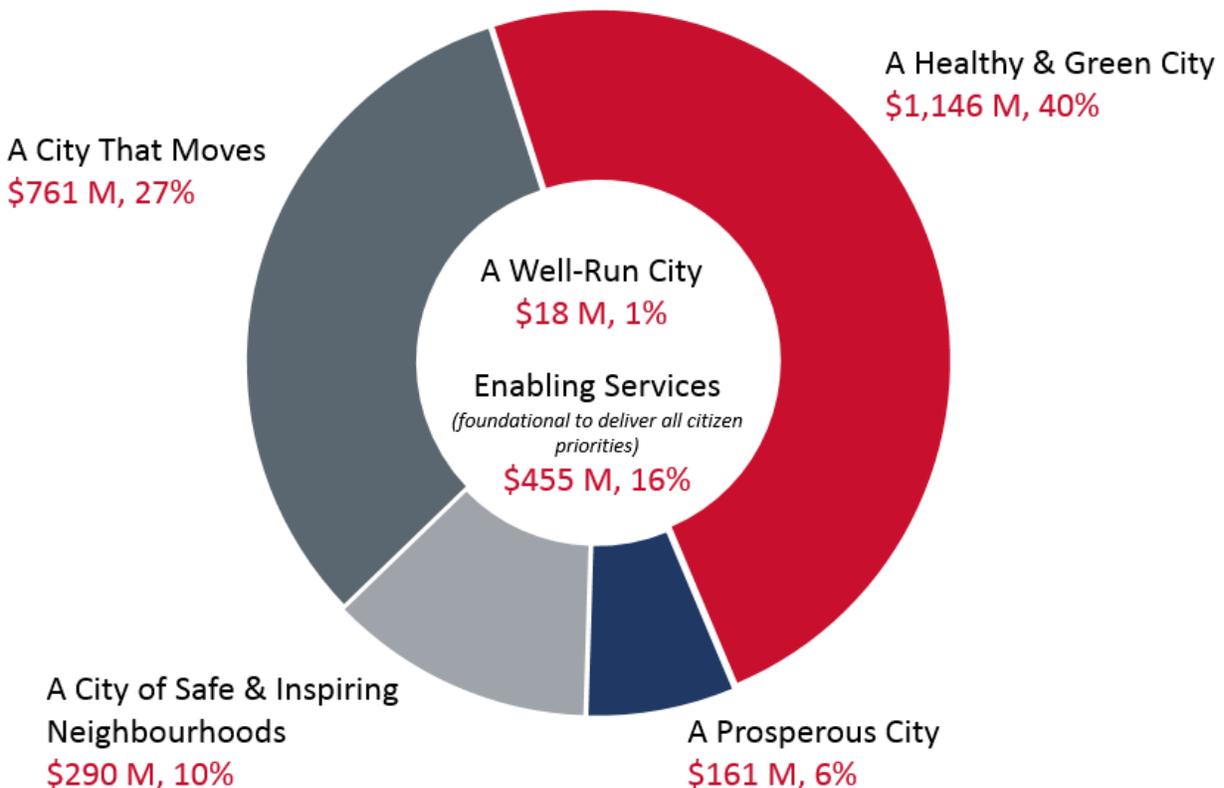
Capital recommendations and funding information remain in progress. The September 04-25 service plan previews, as well as the 2018 October 11 Special Meeting of Council, provide service owners an important opportunity to hear from Council and the community about investments that are important to them. Given the constrained funding available, significant effort has been made by service owners to identify essential investment needs that will support citizen priorities and Council direction. Despite this effort by service owners, not all of the

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

essential budget requests are able to be funded. Council's discussions with Administration preceding the November deliberations are helpful in forming the alignment of investment with service delivery.

To facilitate conversations about other potential investments that Council would like to make in the community, a list of proposed capital investments identified to date are included in Attachment 1. These investments were presented by Citizen Priority on 2018 September 25. Additional information is now provided showing the investments by service. The proposed investment is likely to be close to the summary graphic below (Figure 1). While essential funding requests are driving the capital recommendations, it is acknowledged that Council may want to identify different community needs.

Figure 1: Current Status of Recommended 2019-2022 Capital Budget Requests by Citizen Priority now including Growth and Actively Developing Communities (see Attachment 1 for a further breakdown by service)



*Note that more than one Citizen Priority may be supported by a service. Includes Growth and Actively developing communities but does not include previously approved capital, projected carry forward capital from 2018 and Green Line

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

(B) Operating

i. Process

As noted in C2018-1080, 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 budget funding less one-time budget, which allowed over \$90 million in capacity to be reallocated among services;
- integration of operating and capital planning;
- prioritization of 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.

These plans were developed based on a rigorous process that began with considering Citizen Priorities, Council Directives, and where possible feedback from Council as part of the service plan previews from September 04-25.

ii. Funding Availability and Constraints

In 2018 April, Council approved indicative tax rates of:

- 2.65% to 3.45% for 2019; and
- 2.5% to 3% annually for 2020-2022.

This included, for the first time, specifically identified tax increases dedicated to growth communities. This has allowed for an increase in base funding to the 61 services of over \$180 million over the four-year period to deal with cost and service pressure. The plans presented by service owners during the service plan previews are achievable within the indicative rate range, albeit closer to the top of the range in the first two year, with some capacity available for Council to direct further investment decisions mainly in the years 2021 and 2022 (see Table 1).

Table 1: Tax Rate and Remaining Capacity in the Proposed Operating Budget

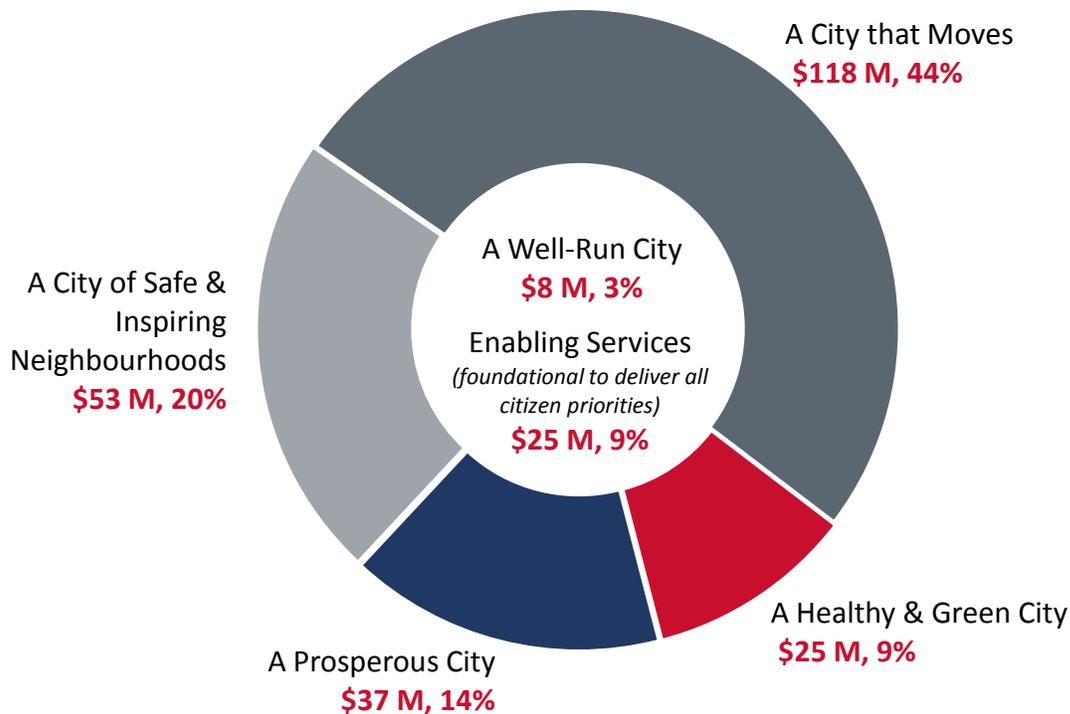
	2019	2020	2021	2022	Total
Indicative tax rate as approved – April 25, 2018	2.95% – 3.45%	2.5% – 3.0%			
Proposed combined tax rate	Top of range	Mid-range	Bottom of range	Bottom of range	
Remaining capacity per Proposed tax rate	-	Up to \$4.0M	Up to \$7M	Up to \$14M	Up to \$25M in base funding

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

iii. Status of Currently Recommended Investment Areas – Highlights

Attachment 1 shows the estimated operating budget changes as of 2018 October 02. The proposed service budgets to be presented to Council in November are still being finalized, but the order of magnitude in this attachment should be close to what the recommended budget will be. The summary of the additional investment by Citizen Priority is shown in Figure 2.

Figure 2: Summary of 2019-2022 Operating Budget Investments by Citizen Priority (see Attachment 1 for a further breakdown by service)



Total proposed operating budget requests includes base funding of \$183 M and one-time asks of \$82 M.

The draft service plans and budgets fall within the approved indicative tax rate while maintaining expected service levels. Over \$167 million in additional base net budget to services over four years is shown in the figure above, which will allow services to address inflation, population growth, community growth and service expectations. Despite the overall increase in net budgets, base budgets for 16 tax-supported services are being kept at or below 2018 levels to ensure investments are made to the highest priority services based on Citizen Priorities and Council Directives.

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

Significant new investments were made in a number of key services, with some examples being:

- Affordable Housing
- Arts & Culture
- Economic Development & Tourism
- Facility Management
- Police Services
- Public Transit
- Recreation Opportunities
- Sidewalks & Pathways
- Specialized Transit
- Streets

A significant level of investment of one-time budget is also proposed for some services. This is driven by several factors:

- Customary one-time initiatives;
- Higher maintenance required due to reduced capital funding; and
- To allow service owners time to implement efficiency strategies in order to reduce reliance on tax rate increases and to understand the impacts of the changing economic environment.

Throughout the 2015-2018 cycle, Administration has intentionally managed resources and has found operating savings of over \$100 million that has been contributed to the Budget Savings Account (BSA) reserve. These savings, of which \$60 million is currently available in 2018, are expected to continue through the next business cycle Administration will continue to find these savings, in order to utilize them to respond to the impacts of the changing economic conditions that are expected for the next business cycle (2019-2022). Administration is proposing to utilize the BSA reserve to fund one-time budget for 2019-2022 up to \$76 million (see Table 2 below), with an additional \$6 million funded from other reserves. This will allow capacity to remain in the Fiscal Stability Reserve (FSR) for flexibility in response to future needs. Administration will continue to monitor these one-time investments and advise Council of any “bow wave” impacts as they are identified.

Table 2: Summary of One-Time Funding in the Proposed Operating Budget

	2019	2020	2021	2022	Total
One-time funding Proposed from BSA	\$15M	\$28M	\$18M	\$15M	\$76M

While the operating budget lever targeted investment to specific services that best responded to citizen priorities and Council directives, the other levers (effectiveness and efficiency) were also employed to ensure that the plans as developed deliver value to citizens. As part of the

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

development process, almost \$40 million in efficiencies were identified that allowed many services to prepare plans that included little or no new investment with minimal impacts on service levels. Administration is committed to finding approximately another \$20 million in efficiencies throughout the 2019-2022 cycle.

iv. Operating Summary

The plans presented during the service plan previews are achievable within the indicative rates that Council approved in 2018 April. This has allowed significant new investment in some of the services. This new investment, along with some additional capacity created through efficiencies and prioritization, has been targeted to the services that best address Citizen Priorities.

2. Specific issues/services for potential additional investment

On 2018 September 25, Administration presented their analysis and conclusions from the September 04-17 service plan previews (C2018-1080). This summarized the input, feedback and guidance received from Council members during discussion of the service plans for 47 of The City's 61 services. As a result of this discussion, three additions were made to the list of issues and services for further discussion, and potential additional investment. The three issues added were:

- Crime and crime prevention;
- Pedestrian Strategy (including pedestrian safety);
- "Resolve more missing pedestrian and pathway links" expanded to include missing road links; and

In addition, the desire for a broader conversation about Transportation was noted. This is partly addressed through the discussion of the infrastructure gap (see section 1 above). To address the remainder of the query, further information related to decisions regarding overall transportation strategy will be brought to Council in 2018 November.

The remaining 14 services (The City's enabling services) were also presented on 2018 September 25, as part of report C2018-1024. These discussions identified one further item to be added to the discussion list:

- Capital maintenance portion of the infrastructure funding gap (see the Infrastructure Gap section above)

Attachment 2 provides a consolidated list of the issues and services identified for further discussion. It includes the following issues for potential additional investment in 2019-2022:

1. Acceleration of improved corporate capacity & capability for an integrated new community, established area and industrial area strategy
2. Affordable housing
3. Better citizen engagement
4. Civic Partners

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

5. Continue Main Streets implementation
6. Crime & crime prevention
7. Infrastructure gap
8. Integrated civic facility planning
9. Maintain 4 car train service
10. Maintain/Enhance Tree Canopy
11. Pedestrian Strategy
12. Resolve more missing pedestrian, pathway and street links
13. Snow & Ice Control – enhanced sidewalks
14. Sustainable funding strategy for Low Income Transit

The purpose of providing the list of issues in this report is twofold: first, to confirm that the issues identified align to the feedback received; and if so, to further explore and prioritize these issues so as to reach a clear understanding of the expected level of service. This will provide further insight and direction for Administration to develop potential additional investment options, and associated funding proposals, that can be brought forward for November plan and budget deliberations for Council to consider. For any items where costs and benefits cannot be adequately estimated by November, Administration will bring back proposals at an appropriate time.

To support this discussion, high-level information is included in Attachment 2 about the operating (base and one-time) and/or capital investments currently proposed for each item in 2019-2022.

Attachment 2 also notes two services whose plans will be rewritten to better align with Council's past discussions. These updated plans will be presented as part of Administration's proposed service plans and budgets in 2018 November. It further documents the candidates identified during the service plan previews for further discussion or review during the 2019-2022 cycle (rather than in preparation for it). These topics will be further reviewed with Council at a later time.

In addition to these materials, five pieces of specific information were requested by members of Council during the service plan previews:

- Information about the Main Streets Implementation Status and Program Delivery Timeline, as requested at the SPC on Planning & Urban Development meeting on 2018 September 13.
- Presentation and speaking notes delivered by Deputy Chief Paul Cook of the Calgary Police Service, as presented to the SPC on Planning & Urban Development on 2018 September 13.
- Presentation and speaking notes delivered by Acting Chief Financial Officer Carla Male regarding the financial impact of "what we heard" at the Service Plan Previews, as presented at the Special Meeting of Council on 2018 September 25.
- Presentation and speaking notes delivered by Steve Wyton, Service Owner for the Infrastructure Support service, as presented at the Special Meeting of Council on 2018 September 25.

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

- Information regarding the typical timelines and costs of land development processes, as requested at the SPC on Planning & Urban Development meeting on 2018 September 13.

These items were consolidated by Administration and provided to Council in a memo on 2018 October 2.

3. Potential material unfunded investments

The potential additional investments identified in Attachment 2 are in addition to the material unfunded initiatives that have been previously discussed with Council. At this time, these potential investments include (but are not limited to):

1. Arts Commons
2. BMO Centre expansion
3. Events Centre
4. Fieldhouse
5. 2026 Olympic and Paralympic Winter Games
6. Others – to be determined

These initiatives have not been included in the proposed service plans presented during the service plan previews. Further analysis and feedback from Council is required on these potential investments. Administration will report back to Council with a priority investment and financing plan to Council, based on the feedback received.

Next Steps

There are approximately five weeks before Administration submits and presents the proposed 2019-2022 service plans and budgets, and under two weeks before Administration must finalize content and recommendations in order to be ready for Council's November 14 meeting.

As highlights for Council, there are six upcoming and noteworthy activities and events:

1. During October, there are citizen engagement undertakings, including focus groups, pop-ups and online engagement.
2. Beginning November 14, citizen communications will promote the 2019-2022 service plans and budgets availability including how to provide input either written (email), or by presenting to Council in-person at the start of the November 26-30 deliberations. By the time of this report (October 11), messaging will have been provided to ward offices, and the Customer Service & Communications business unit will continue to provide support.
3. Proposed off-site levy bylaw amendments, for new community growth utility and transportation infrastructure, will be considered at the November 12 public hearing of Council.
4. At the November 14 Strategic Council Meeting, Administration will submit and present proposed 2019-2022 service plans and budgets, as well as results from the October engagement. Further, in response to the motion arising on 2018 September 25 (C2018-1080), Administration will also bring information on the financial sustainability of Heritage Park including options for Council to consider.

**One Calgary Report to
Special Meeting of Council
2018 October 11**

**ISC: UNRESTRICTED
C2018-1149**

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

5. Information and query opportunities for Council will be provided between November 14 and 25. Members of the public will be able to provide input to the proposed 2019-2022 service plans and budgets in advance of November 26 (email or delivery of feedback in-person). Starting November 26, the public will be able to present directly to Council.
6. During the November 26-30 week, and following the November 26 public hearing, Council will undertake their service plan and budget deliberations. Council will be asked to approve the 2019-2022 service plans and budgets, including any amendments, as well as 2019-2022 property tax, user fees and utility rate changes.

Once the 2019-2022 service plans and budgets are approved, the information will be built out in a user-friendly way online and promoted to citizens. This will include citizen communications, and an updated “tax calculator” by service. This online information will be updated each year with the results of the annual adjustment process built into the four-year cycle.

As our services proceed with delivery, The City’s ongoing processes for monitoring, accountability and adjustments will continue per established Council policy. These important corporate mechanisms ensure that Administration is held accountable for delivery against the approved plans and budgets. The new online communication tools will provide another channel to present the key results of those processes, giving citizens the improved transparency they seek.

Stakeholder Engagement, Research and Communication

Citizen input is a critically important part of determining The City’s focus for the 2019-2022 service plans and budgets. The One Calgary citizen engagement strategy is woven throughout the development of the 2019-2022 service plans and budgets and has included multiple touchpoints with citizens over the course of 2018.

The service plan previews conducted in September included an opportunity for members of the public to speak directly to Council members about what is most important to them in 2019-2022. Through the service plan preview meetings, Administration heard feedback from members of Council that additional engagement is needed before November. As such, and as approved on 2018 September 25 (C2018-1080), additional public engagement on One Calgary is currently underway. This includes:

- A roll-up of all citizen research and engagement over the past year (with a focus on service delivery), which will be presented to Council on 2018 October 11 (C2018-1150); and
- Additional focus groups, pop-ups and online engagement with citizens throughout October.

Finally, citizens will have an opportunity to provide input on the proposed 2019-2022 service plans and budgets (written or in person) via public hearing during the November 26-30 deliberations.

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

Strategic Alignment

The One Calgary program implements The City's "Three Conversations, One Calgary" framework 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: integrated service delivery, engaged leadership, trust and confidence, investment and value, and cooperative alliances (C2018-0201).

The draft service plans presented during the service plan previews included strategies that advance Council policy, Citizen Priorities and Council Directives, and contribute to multiple directives where similar outcomes are sought.

Ongoing discussions with Council, in advance of submitting proposed 2019-2022 service plans and budgets to Council, are a method of testing and validating strategic alignment with Council.

Social, Environmental, Economic (External)

Social, environmental and economic guidance is provided through City policies, Citizen Priorities and Council Directives, all of which guide Administration in developing and proposing the 2019-2022 service plans and budgets. During the September 04-25 service plan previews, Committee and Council members provided input on social, environmental and economic issues. This input will be used to inform proposed 2019-2022 service plans and budgets.

Financial Capacity

Current and Future Operating Budget:

The operating budget preview presented in this report is achievable within the indicative rate ranges approved by Council. One-time funding of almost \$82 million over the 2019-2022 cycle has also been identified. Funding for these one-time items is proposed to be funded from the Budget Savings Account (BSA) reserve.

The issues identified in Attachment 2 are either unfunded in the recommended budget or the funding may be insufficient to meet Council's expectations. Council's options for funding these investments include:

- Increasing the recommended tax rate closer to the top of the range in each year (mainly in 2021 and 2022)
- Increasing the tax rate above the indicative rates
- Using one-time funding to bridge any gaps (not recommended due to the "bow wave" created)
- Redirecting proposed funding from other services (likely with service level impacts).

Current and Future Capital Budget:

The City remains in a fortunate capital funding situation compared to many other municipalities. While capital is more constrained this cycle compared to previous cycles, The City is still making a significant investment in the community. New capital will be included in the service plans and

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

budgets presented to Council in November. The amount of unrestricted capital available is insufficient to meet the entire “essential” capital need identified by service owners.

The future capital environment is uncertain – revenue sharing with the province and federal infrastructure funding is still being determined. The capital update outlined in this report proposes funding for new “essential” projects within the current projected capital funding capacity.

Administration continues to respond to Council input being acquired during this discussion phase, refine the capital ask, and align eligible funding to capital projects to support the recommendations that will be included in the One Calgary service plan and budget proposed in November. Capital recommendation and funding information remains in progress and is considered draft at this time. Administration is recommending Council receive for information the current status of the recommended capital service budgets, as well as providing feedback on this information.

Risk Assessment

The risks associated with preparing and approving four-year plans and budgets include directional alignment risk, risk of not meeting service delivery expectations, financial risks, and changes in circumstances that take place during the four-year business cycle.

This report represents one part of the process in addressing directional alignment and expectations risk. By having advance and ongoing dialogue with Council, proposed service plans and budgets can be better informed.

Financial risks are being addressed by providing Council with information, as early as it is available, about financial resource availability and capacity to meet 2019-2022 operating and capital service demands. During the 2019-2022 period, ongoing accountability and reporting processes maintain currency with actual expenditures and revenues, as compared to budget.

Included in the financial risks are risks associated with funding level changes resulting from negotiations with the Province on the Fiscal Framework. Funding levels that are lower than expected will result in the need to revise the capital budget. Administration will continue to advise Council as negotiations proceed.

Future changes in circumstances, such as the economy, are addressed through monitoring and reporting processes, and the “adjustment” provision that is built into The City’s multi-year cycle.

While there remains an infrastructure gap, it continues to be managed by Service Owners and Asset Stewards, in accordance with the Corporate Asset Management Program. With respect to the buildings asset class, Facility Managers will continue to monitor building asset condition and performance, and any imminent risk to public safety or performance will be dealt with immediately. The Corporate Asset Management Program will work with buildings Asset Stewards and Service Owners to develop lifecycle and risk management plans based on Building Condition Analysis to prioritize investments.

Administration is looking closely at all potential funding available to support the 2019-2022 business cycle, including funding that was earmarked for flood recovery. It is critical to maintain access to the \$120M Fiscal Stability Reserve funds until the Disaster Recovery Program (DRP), including final review and reimbursement decisions by the Government of Alberta of all City of

One Calgary Report to
Special Meeting of Council
2018 October 11

ISC: UNRESTRICTED
C2018-1149

One Calgary 2019-2022: Update prior to finalizing proposed service plans and budgets

Calgary flood financial submissions, is complete. Risks to completion of the program and ultimately financial recovery by The City include: the consistency of provincial administration of the DRP; maintaining a high recovery rate; the ability to obtain timely permits necessary for work in and aside the rivers; and the pending decision from the Treasury Board regarding flood insurance deductibles. With these risk factors in mind, the projected FSR draw to support flood recovery is approximately \$80M minimum by the closure of the DRP. The total draw on the FSR held for flood recovery will not be understood until the DRP approval process is complete.

REASON(S) FOR RECOMMENDATION(S):

This report has three recommendations:

1. The “receive for information” recommendation is intended to address Council’s receipt of all information presented as part of this report, as well as enable a process, during the discussion of this report, for input, feedback and guidance in regard to the 2019-2022 service plans and budgets.
2. This recommendation seeks Council direction for Administration to include, with its November 14 submission to Council of proposed 2019-2022 service plans and budgets, options for potential additional investment in those issues and services Council has determined as potentially warranting further investment than Administration is currently proposing.
3. This recommendation seeks Council direction for Administration to report back with a priority investment and funding plan on potential material unfunded investments.

ATTACHMENT(S)

1. Current status of proposed 2019-2022 capital and operating budgets
2. Services for further discussion
3. Flood recovery and resilience update
4. Previous Council direction consolidation