

One Calgary Report to
Regular Meeting of Council
2018 November 14

ISC: UNRESTRICTED
C2018-1158

One Calgary 2019-2022 Service Plans and Budgets

EXECUTIVE SUMMARY

Calgary is a great place to make a living and a great place to make a life. This year, *The Economist* ranked Calgary the best city to live in North America, and the fourth best city in the world. While this is an incredible testament to the attractiveness of our city, Calgary is in a period of economic recovery and there remain challenges and opportunities to improve quality of life in 2019-2022 and beyond. This report seeks Council approval of the 2019-2022 Service Plans and Budgets, which together form the path that The City of Calgary will take over the next four years to further Council's direction and "make life better every day" for Calgarians.

Responding to Council direction in a financially restrained environment required new ways of working together, which has centred around the service-based and collaborative approach of One Calgary. As a result, the proposed plans and budgets deliver on all Citizen Priorities and Council Directives and fall within the indicative rates set by Council and the available capital funding capacity. These results will be delivered through a total capital investment of \$5.2 billion in 2019-2023+ (\$2.1 billion in previously approved capital and \$3.1 billion in proposed new capital) and a proposed annual operating investment of approximately \$4.5 billion (by 2022). To maintain our strong financial position through the economic recovery, the proposed plans and budgets also include \$40 million in anticipated efficiencies, plus a commitment to achieve a further \$60 million for a total of \$100 million in efficiency savings in 2019-2022.

For Council's consideration, this report also presents options for additional capital and operating investment beyond what is currently included in the proposed plans and budgets. These options are in response to Council feedback at the 2018 September 04-25 service plan previews and the 2018 October 11 Special Meeting of Council.

ADMINISTRATION RECOMMENDATION:

That Council:

1. Approve and adopt the 2019-2022 Service Plans and Budgets including the associated operating and capital budgets, as identified in Attachment 1.
2. Provide direction for the investment options contained in Attachment 2.
3. For the proposed user fees and utility rates in Attachment 3:
 - a. Approve the user fee and rate changes in Attachments 3A – 3Q; and
 - b. Give three readings to each of the bylaws in Attachments 3R – 3AB.
4. Approve carry-forwards from 2018 to 2019 of unspent one-time expenditure budget for Economic Development and Policy Coordination (up to \$1.361 million) in Civic Partners (Program #449) and Council Innovation Fund (up to \$2.002 million) in Corporate Costs (Program #861) to Economic Development & Tourism and Corporate Costs respectively.
5. Approve funding of up to \$44 million for 2019-2022 from the Budget Savings Account for one-time budget if required.

PREVIOUS COUNCIL DIRECTION / POLICY

Embedded throughout the plans and budgets are strategies in response to previous Council direction, from long-term plans and policies to specific Council direction on individual services or initiatives, and ultimately driven by the Citizen Priorities and Council Directives for 2019-2022.

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In the development of the proposed plans and budgets, service owners considered how to make progress in 2019-2022 towards meeting The City's long-term goals, as set out in a number of Council-approved plans and policies. The key long-term plans that guided strategies in 2019-2022 have been noted in the "What Council has directed" section of each plan and budget.

Council provided clear direction on priorities for the next four years through the 2019-2022 Citizen Priorities and Council Directives (C2018-0201). These priorities and directives were the driving force behind how Administration prioritized strategies and investments. Administration's proposed response to each of the Council Directives is outlined in the Strategy section of Attachment 1, and is embedded throughout the plans and budgets.

At the individual service level, Council also provided direction on specific initiatives to be addressed in the 2019-2022 cycle. Attachment 7 provides a summary of Council and Committee direction that formally referred items to be considered as part of the One Calgary deliberations, as well as Administration's response to that direction. All items on this list have either been addressed through the proposed plans and budgets, or are on track to be addressed through other mechanisms.

Over the past few years, Council provided direction on the parameters and approach to develop the 2019-2022 Service Plans and Budgets, including but not limited to the Strategic Plan Principles, indicative rates, Capital Infrastructure Investment Principles, and the overall direction to move to a service-based approach. This previous direction has steered and shaped the One Calgary process, and is summarized in Attachment 8 for information.

On 2018 October 11 (C2018-1149), Council directed 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." This information is included in this report in Attachment 2.

Finally, Council directed Administration in a motion arising on 2018 September 25 to bring a report on the financial sustainability of Heritage Park to the 2018 November 14 One Calgary Council meeting. This has been addressed through this report in Attachment 5.

BACKGROUND

The 2019-2022 Service Plans and Budgets are the fifth multi-year business planning and budgeting cycle for The City of Calgary, as per Council Policy (CFO004). Multi-year planning and budgeting is a leading practice among municipalities – it provides a longer view on service delivery, more certainty about future direction, and is a more efficient and effective process.

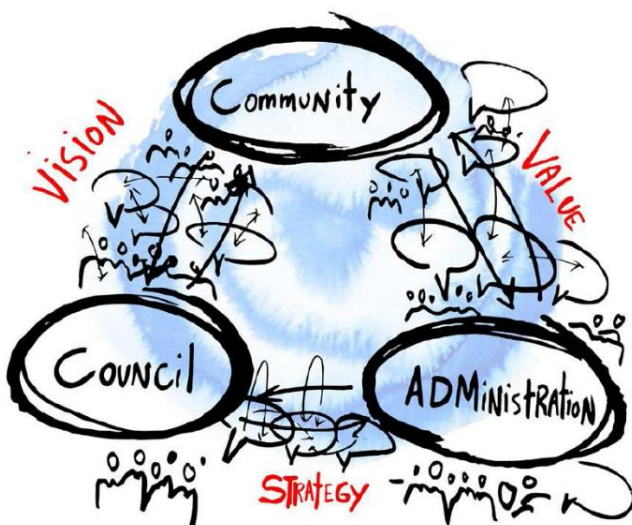
Since moving to the multi-year approach in 2006, One Calgary represents the biggest change to our planning and budgeting process. For the first time, The City's plans and budgets are presented by each of The City's 61 services, instead of by department and business unit. This will make it clearer to Council and citizens the services The City provides, how much those services cost, and how tax dollars are being invested to deliver value.

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“Three Conversations, One Calgary” was the foundation for the development of the proposed 2019-2022 Service Plans and Budgets. The three conversations, as illustrated below, outline the relationship between the Community and Council (**Vision**), Council and Administration (**Strategy**), and Community and Administration (**Value**).



Input from the Community was critically important to determine The City’s focus for 2019-2022. One Calgary involved multiple touchpoints with citizens, as summarized in the “Stakeholder Engagement, Research and Communication” section of this report, and in Attachment 4.

The One Calgary process also included more frequent touchpoints with Council than in previous cycles to shape the 2019-2022 Service Plans and Budgets, including the following:

- **2017 November/December:** Strategic conversations to understand community aspirations (including key themes heard on the campaign trail), and articulate Citizen Priorities for 2019-2022.
- **2018 January/February:** Approval of 2019-2022 Council Directives, which outline specific areas of focus within the Citizen Priorities. Council also approved the “Three Conversations, One Calgary” framework to guide the creation of the plans and budgets.
- **2018 March:** Discussion about Calgary’s current financial situation and outlook, including the constrained capital environment and Preliminary Resilience Framework, and approval of the Capital Infrastructure Investment Principles.
- **2018 April/May/June (financial means):** Setting the financial envelope through indicative tax rates, indicative utility rates, and long-term tax support rates for user fees. Council also approved the Strategic Plan Principles, received results from engagement with citizens and businesses, and discussed the new capital investment process.
- **2018 July:** Deeper conversations about The City’s financial situation and potential strategies for balancing desired results with financial realities (including the constrained capital environment), as well as new community growth decisions and funding.

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- **2018 September:** Service plan previews of all 61 services at seven Council and Committee meetings, which included an opportunity for public input. Administration validated key themes with Council, including options identified through this process for potential additional investment.
- **2018 October:** Final update prior to finalizing the proposed plans and budgets, including a preview of proposed operating and capital budgets by service as well as further refinement of the options for additional investment (see Attachment 2 for an update on these investment options).

These ongoing conversations with the Community and Council enabled Administration to propose plans and budgets that are better aligned with expectations.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

1. Context: Where We Are Today

Over the past five years, Calgary faced many stresses and shocks that created new social, environmental and economic challenges for our city. The economic recession of 2015 and 2016 saw an increase in unemployment rates and a decline in population growth rates. While this impacted all Calgarians, the recession hit some groups harder than others, making it even more important to support Calgarians experiencing vulnerabilities. The recession was felt acutely in the downtown core – where office vacancy rates increased and the market value of downtown office properties decreased – and the resulting tax shift is putting pressure on property owners across the city. Consistent with other cities faced with recessions, Calgary also saw a corresponding increase in property crime rates and person crime incidents. A number of extreme weather events, including the 2013 flood and the 2014 “Snowtember” event, brought additional financial challenges and highlighted the need to focus on climate resilience.

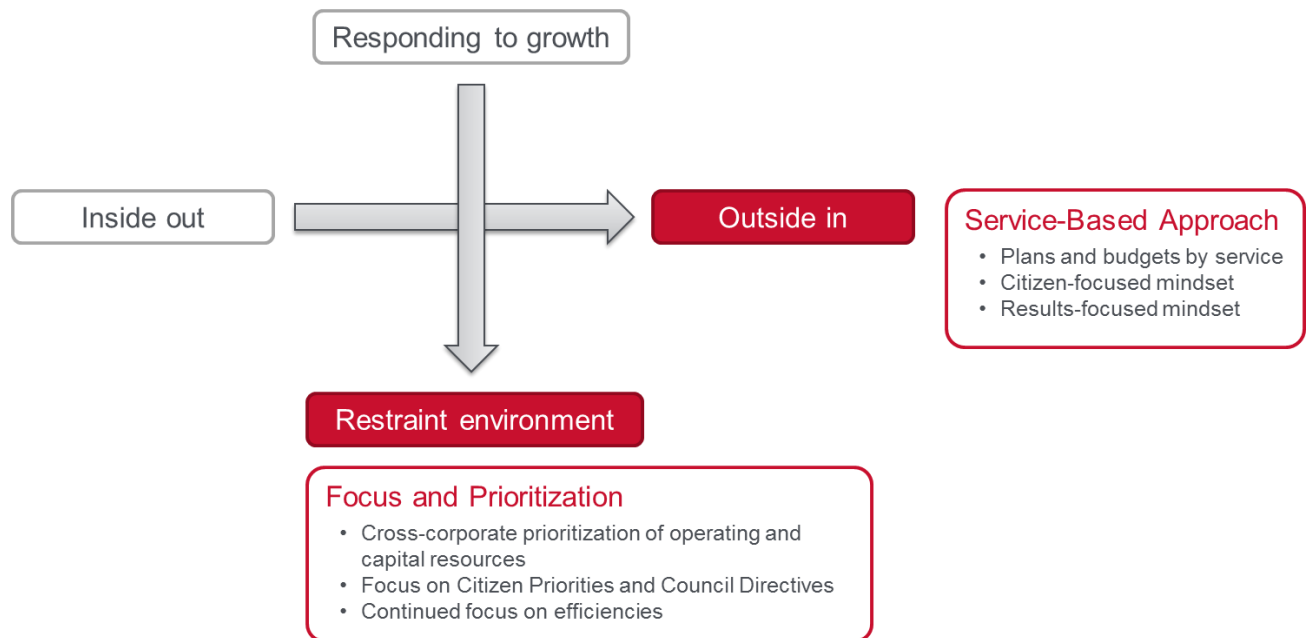
To support Calgarians through these difficulties, The City of Calgary as an organization faced challenges itself. There is continued pressure to provide the same or better quality of service and be resilient to further stresses and shocks facing our city, while maintaining affordability of services and reducing costs. Further, The City is currently working in a constrained capital environment, in large part due to reduced grant funding at the provincial level.

Throughout this period, Calgarians and The City of Calgary as an organization have shown resilience in the face of these challenges. Calgary is in a period of economic recovery and, in 2018, *The Economist* ranked Calgary the best city to live in North America and the fourth best city in the world. We continue to be a fortunate and growing city, seeing new investment and revitalization in our established communities and continued growth in the new and developing areas of our city. The City remains in a fortunate capital funding situation compared to many other municipalities and is still making significant investment in the community. Further, a majority of Calgarians (77%) say they are satisfied with the overall level and quality of services and programs provided by The City of Calgary (2018 Citizen Satisfaction Survey).

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2. A New Approach: One Calgary

Continuing to respond to these challenges in a financially restrained environment required a new way of working together, which has centred around the service-based approach of One Calgary, and a cross-corporate approach to prioritizing limited resources. One Calgary provided an opportunity to advance our new corporate culture of “One City, One Voice” and our shared values of individual responsibility and collective accountability. One Calgary falls at the intersection of two transformational changes:



a. Service-Based Approach

Calgarians have told us they want to know more about The City’s services and how we are investing tax dollars. In the most recent 2018 Citizen Satisfaction Survey results, we saw that 94% of citizens are interested in knowing how property tax dollars are invested (up from 92% in 2017), while only 60% feel The City does a good job of providing this information. Service-based plans and budgets are a key strategy to “turn the curve” on this feedback from citizens. By presenting our plans and budgets by service, we will be able to better communicate to the public where tax dollars are going and the value of that investment. The service plans and budgets were prepared specifically to provide both Council and citizens a better view of how The City’s actions directly and indirectly impact quality of life on a daily basis.

This is about more than just aligning our plans and budgets differently. Focusing on service delivery means placing citizens, customers, communities and businesses at the forefront of our plans and actions. It means focusing on results (i.e. “how well are we doing?” and “is anyone better off?”) rather than processes and outputs. It’s about shifting away from siloed thinking, to a unified culture (One City, One Voice) aligned around service delivery. This mindset influenced the strategies, performance measures and budgets found in the proposed plans and budgets, and we will continue to pursue this broader cultural shift in 2019-2022 and beyond.

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b. Focus and Prioritization

One Calgary involved more cross-corporate coordination than any previous planning and budgeting cycle. To maximize limited resources, Administration implemented new corporate prioritization processes for capital and operating budgets. These processes were led by two new cross-corporate groups (Infrastructure Calgary and the Service Leaders' Forum), who worked in tandem to ensure an integrated approach to our capital and operating budgets.

To prioritize capital resources, Infrastructure Calgary shifted the organization from departmental capital envelopes to a corporate view of The City's infrastructure investment and introduced a capital investment management process to facilitate capital planning and execution. All capital requests for 2019-2022 were aligned to services and evaluated against corporate prioritization criteria. This approach optimizes The City's investment, especially in a constrained capital environment, adds organizational resilience, and increases value to citizens.

To prioritize operating resources and recommend service levels that best reflect Council's direction, the Service Leaders' Forum oversaw an in-depth scenario-planning exercise that shifted the organization from departmental operating budget envelopes to a corporate view of service priorities. All service owners were asked to start by assuming that budgets were held at the 2018 base level and analyse what it would mean for service levels. Higher and lower funding scenarios for each service were also considered. The operating cost of capital was integrated into this process to ensure The City is able to sustain its capital investments.

The scenario approach included identifying service levels that could be reduced or service offerings that could be discontinued in areas that would have minimal impact on citizens or achievement of Council Directives. It also included finding efficiencies, an ongoing area of corporate emphasis. Administration has identified \$40 million in anticipated efficiencies in the proposed operating budget and is committed to finding an additional \$60 million in 2019-2022. Where these "least harm" approaches alone could not yield sufficient savings, services identified reductions that could be made and the performance impacts that would result. "Least harm" and other service reduction strategies are outlined in the "What we propose to do less of" section of each plan and budget.

As well as addressing the challenge of the restrained financial environment, this intentional approach enabled Administration to reallocate some existing investments to other services, and make informed recommendations about where to invest the remaining capacity (between the 2018 starting point and the indicative tax rate approved by Council), maximizing our ability to further Council's direction for 2019-2022.

3. Council's Direction for 2019-2022 (*Vision and Strategy*)

Achieving service value for Calgarians requires balancing service quality and results with the financial realities and affordability of City services. The proposed plans and budgets reflect Council's direction on what is most important to achieve in 2019-2022 (through Citizen Priorities and Council Directives), and guidance on the financial means to achieve those results (through indicative tax rates, indicative utility rates and long-term tax support rates for user fees).

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As the representatives of all Calgarians, Council listened to what is most important to citizens and articulated a 2019-2022 vision through five Citizen Priorities:

- **A Prosperous City:** Calgary continues to grow as a magnet for talent, a place where there is opportunity for all, and strives to be the best place in Canada to start and grow a business.
- **A City of Safe & Inspiring Neighbourhoods:** Every Calgarian lives in a safe, mixed and inclusive neighbourhood, and has the right and opportunity to participate in civic life. All neighbourhoods are desirable and have equitable public investments.
- **A City That Moves:** Calgary's transportation network offers a variety of convenient, affordable, accessible and efficient transportation choices. It supports the safe and quick movement of people and goods throughout the city, and provides services enabling Calgarians and businesses to benefit from connectivity within the city, throughout the region, and around the globe.
- **A Healthy & Green City:** Calgary is a leader in caring about the health of the environment and promotes resilient neighbourhoods where residents connect with one another and can live active, healthy lifestyles.
- **A Well-Run City:** Calgary has a modern and efficient municipal government that is focused on resilience and continuous improvement to make life better every day for Calgarians by learning from citizens, partners, and others.

Council further articulated areas of focus within each of these five priorities through the Council Directives. Together, this direction and leadership from Council provides the focus for 2019-2022, which is reflected in the proposed plans and budgets for all 61 City services.

4. Proposed 2019-2022 Service Plans and Budgets

a. Service Plans and Budgets

The proposed plans and budgets deliver on all Citizen Priorities and Council Directives and fall within the financial means set by Council and the available capital funding. In Attachment 1, a summary of how Administration is proposing to respond to Citizen Priorities is included in the Executive Summary, and plans to respond to Council Directives are summarized in the Strategy section. Ultimately, the information outlined in each of the 61 plans and budgets in Attachment 1 provide the full picture of how Administration is proposing to further Council's direction in 2019-2022.

Overall, these results are proposed to be delivered through a total capital investment of \$5.2 billion in 2019-2023+ (\$2.1 billion in previously approved capital and \$3.1 billion in proposed new capital), and a proposed annual operating investment that reaches approximately \$4.5 billion by 2022. Presented below are the total capital and operating investments aligned by Citizen Priority, as well as the total investment in our Enabling Services and Corporate Programs that are foundational to deliver on all Citizen Priorities.

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Table 1: Total Proposed Operating and Capital Investments by Citizen Priority (\$millions)

Citizen Priority	Operating					Capital	Operating & Capital
	2019	2020	2021	2022	Total ¹	Total ¹	Total ¹
A Prosperous City	256	254	256	260	1,026	534	1,560
A City of Safe & Inspiring Neighbourhoods	941	956	979	992	3,867	366	4,233
A City That Moves	684	732	745	767	2,928	1,622	4,550
A Healthy & Green City	1,140	1,185	1,230	1,263	4,818	2,022	6,840
A Well-Run City	103	104	106	103	415	31	446
Total Citizen Priorities	3,124	3,231	3,316	3,385	13,054	4,575	17,629
Enabling Services	294	307	317	322	1,240	608	1,848
Corporate Programs	677	715	754	811	2,958	-	2,958
Grand Total¹	4,094	4,252	4,388	4,518	17,252	5,183	22,435

(1) Totals may not add due to rounding. Includes one-time budget requests (see Table 2).

Embedded in Table 1 are investments specifically to enable growth and change. These investments are in new communities, actively developing communities and established areas of the city. In 2019-2022, The City is targeting service investments in fourteen new communities – this includes capital investments of \$325 million and direct incremental operating investments of \$7.4 million for Streets, Water Treatment & Supply, Wastewater Collection & Treatment, Stormwater Management, and Fire & Emergency Response.

There are 27 actively developing communities in Calgary and The City is targeting capital investments of \$121 million and direct incremental operating investments of \$35 million to deliver services that support the continued growth of these communities. The services include Parks & Open Spaces, Public Transit, Sidewalks & Pathways, Streets, Parking, Bylaw Education & Compliance, Fire & Emergency Response, and Police Services.

The targeted investment for established areas is a total capital investment of \$60 million in previously and newly proposed capital to deliver services that support growth and change, including Streets and Sidewalks & Pathways. This targeted investment is in addition to other proposed capital and operating budgets that support established areas. In 2019-2022, Administration will continue to develop an integrated growth and change strategy with focus on

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established areas and industrial areas. Any further investment recommendations for established areas and industrial areas will be brought forward for Council's consideration, providing Council the opportunity to direct additional investment, if required, through the mid-cycle adjustments.

The total capital investment in 2019-2022, while still significant, is more constrained than in past cycles, in large part due to more fiscal restraint at the provincial level that is reducing grant funding significantly. This has meant that capital investment has been restricted predominantly to projects which have been defined by Administration to be essential.

As summary highlights, Administration is proposing significant targeted operating investments (at least \$10 million in base operating funding over the four-year period) in each of the following areas, as part of the proposed 2019-2022 Service Plans and Budgets:

- Public Transit (including Specialized Transit)
- Streets
- Police Services
- Facility Management
- Sidewalks & Pathways
- Affordable Housing

These targeted operating investments include investments in the actively developing communities and the new communities.

The realities of a restrained financial environment mean that the targeted investments in the above areas are possible in part due to lower levels of investment in other services. In the proposed plans and budgets, almost half of The City's services received either minimal or no additional base funding, or had base budgets reduced. The approach used by Administration to guide such investment redistributions is described in detail on page 6 above.

Included in the proposed plans and budgets is a total of \$82.5 million in one-time budget requests for operating expenditures over 2019-2022, as shown in Table 2 below.

Table 2: One-time budget requests (\$millions)

	2019	2020	2021	2022	Total
One-time requests (included in Table 1)	21.1	28.6	18.1	14.7	82.5

One-time budget requests are driven by several factors such as higher maintenance costs required due to constrained capital funding, customary one-time initiatives, identifying and implementing efficiency strategies to reduce reliance on tax rate increases, and to understand the impacts of the changing economic environment.

Within the one-time budget requests are initiatives that may require ongoing investments in future years but one-time budget is proposed to allow strategies to be developed to determine the appropriate level of investments required. For example, the one-time budget

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recommendation includes \$9 million for Snow and Ice Control for the 2019 and 2020 winter season in addition to the already approved \$9 million for the 2018 and 2019 winter seasons. This investment will provide two winter seasons of enhanced service for Sidewalks & Pathways. Following two seasons, an effectiveness review will be conducted to provide Council with recommendations for future service changes which may require permanent operating funding to deliver the required service level.

b. Funding the Service Plans and Budgets

Funding the proposed 2019-2023+ capital budget

The City of Calgary funds its capital investments through a combination of external (e.g. grants) and internal sources (e.g. Pay-As-You-Go, reserves). To prioritize at the corporate level, funding was applied to projects beginning with the most restrictive. This allowed more flexible funding to be applied to projects that were not eligible for other funding sources. The proposed capital budget includes the previously-approved budget for Green Line. It does not include any capital budget for the material unfunded items that have been identified to Council (PFC2018-1238).

The funding to support the capital investment in the fourteen new communities is a combination of a dedicated property tax increase of 0.75 per cent in 2019, a water utility increase of up to 0.50 per cent per year (2019-2022), up to \$4 million from the Fiscal Stability Reserve (FSR) in 2022 and off-site levies. The capital investments in the actively developing communities are funded from a combination of a dedicated property tax increase of 1.40 per cent in 2019 and 0.40 per cent for each of 2020-2022 as well as off-site levies. The funding to support the established areas capital investments is from the Municipal Sustainability Initiative grants, the Lifecycle Maintenance and Upgrade Reserve and the Reserve for Future Capital.

Funding the proposed 2019-2022 operating budget

The City of Calgary has a limited number of revenue sources with which to fund its operations. The single largest non-tax revenue is the sale of goods and services, of which approximately 58% is from Utilities, 15% from Public Transit, and 10% from Waste & Recycling. Other funding sources include franchise fees, investment income, contributions from operating reserves, licenses, permits and fines. Less than half of The City's revenue comes from property taxes, which are determined by Council.

i. Property taxes

The proposed property tax rate increases for 2019-2022 fall within the indicative tax rate approved by Council on 2018 April 25, coming in at the top of the approved range for all four years. This includes funding to support the direct incremental operating expenditures in new communities (0.75% property tax increase) and in actively developing communities (0.4% property tax increase).

The property tax rate increases resulting from the proposed service plans and budgets for the next four years are shown in Table 3. The monthly impact to the typical household averages around \$5.00 in each year.

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Table 3: Proposed property tax rate increase and estimated monthly impact on a typical household

	2019	2020	2021	2022
Indicative tax rate increase (approved in April 2018 ¹)	2.95-3.45%	2.5%-3.0%		
Proposed property tax rate increase	3.45%	3.00%	3.00%	3.00%
<i>Tax rate without growth²</i>	1.30%	2.60%	2.60%	2.60%
<i>Actively Developing Community Growth</i>	1.40%	0.40%	0.40%	0.40%
<i>New Community Growth</i>	0.75%	-	-	-
Estimated monthly impact of proposed property tax rate increase (based on 2018 assessment of \$480,000)	\$5.40	\$4.85	\$5.00	\$5.15

1. The range (0.45% - 0.75%) for New Communities was approved in April 2018, with the final rate approved at 0.75% in July 2018.
2. The Tax rate without growth includes a reduction of 1.3% in 2019 due to the change in Waste & Recycling Services financial policy.

ii. User Fees and Utility Rates

In addition to funding through property tax, some services make a direct charge for service, which is called a user fee. All proposed user fees are set in accordance with the User Fees and Subsidies Policy (CFO010), which considers the full costs for providing the good or service, market demand and the extent of public benefit derived from the good or service. As outlined in Attachment 3, most user fees will average a zero to four per cent annual increase over the 2019-2022 cycle. This range of increase is to keep pace with inflation and inflationary pressures, and varies by service.

To continue supporting development and business during a period of economic recovery, Development Approvals, Building Safety and Business Licensing have frozen rates for 2019 and 2020. The following services have fee increases that are greater than four per cent: Streets, Taxation, Property Assessment, Fire & Emergency Response, Fire Inspections & Enforcement, and Public Transit. The largest increases are for: False Alarm Fees to increase deterrence, Street Use Fees to better reflect the importance and value of maintaining mobility, and several types of Fire Inspection Fees to recover costs.

Also outlined in Attachment 3, utility rate increases for Water Treatment & Supply, Wastewater Collection & Treatment, and Stormwater Management are recommended in accordance with Council-approved financial policies specific to these services, as well as within or below the indicative rate range approved by Council for each service. Rates for the self-supported programs in Waste & Recycling are recommended in accordance with the Council-approved transition plan for the Waste & Recycling financial model as well as within the indicative rate range approved by Council for each program.

Recommendation 3 seeks Council's approval of the proposed user fees and utility rates.

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iii. One-Time Budget Requests

As noted above, one-time budget requests total \$82.5 million over the four-year period (Table 2). Administration is recommending that instead of funding one-time budget through the Fiscal Stability Reserve (FSR) which is traditionally where it is funded from, a different funding strategy (articulated below) is undertaken to manage potential one-time budget requests that may require ongoing investments. This will also preserve the FSR as a contingency funding source for operational emergencies, urgent or contingency capital expenditures, and to compensate for unplanned revenue reductions with significant financial impacts as approved by Council.

On October 11, 2018 (C2018-1149), Administration presented to Council an update of where the proposed service plans and budgets were within the indicative tax rate range that Council had previously approved. There was indication that in the later years of the cycle, there was some capacity within the rate range that yield approximately \$28 million in annual base funding by 2022, or \$44 million cumulative over the period. Administration is proposing to use the capacity within the indicative tax rate to fund a portion of the one-time budget requests to allow the ability in future years to establish permanent funding for initiatives that requires this type of investment.

Approximately \$6 million of one-time budget requests have an identified funding source. The remaining one-time budget requests are recommended to be funded through realizing further efficiency savings in 2019-2022. Through the 2015-2018 plan and budget cycle, the Budget Savings Account (BSA) reserve was established to encourage intentional savings, innovation, and efficiencies. As part of Administration's planned saving strategies, it is recommended that a target of \$40 million in efficiencies is found in addition to the already committed amount of \$60 million to offset the one-time budget requests not funded by the indicative tax rate and potential on-going impacts (i.e. manage any "bow waves"). Based on this strategy, the funding of the one-time budget requests would be:

- Property tax capacity - \$44.0 million
- Other reserves - \$6.2 million
- Efficiencies and savings - \$32.3 million

More tools and techniques are needed to ensure we meet our efficiency targets in 2019-2022, because easily identified efficiencies have already been realized. To ensure success, the Corporate Strategy for Efficiency and Effectiveness will therefore be updated and expanded. The refreshed strategy will include a greater focus on service scope reviews, and on energizing the front line to make service improvement part of our culture at every level.

Due to timing of when efficiency savings can be realized and when the one-time expenditures are required, it is recommended that the BSA is used up to \$44 million to bridge any financing required (Recommendation 5) with a commitment from Administration to continue to contribute intentional savings to the BSA throughout the next four years.

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iv. One-Time Carry Forwards

The Multi-Year Business Planning and Budgeting Policy (CFO004) does not allow carry forwards of one-time funding from one cycle to the next. Administration recommends in Recommendation 4 that Council allow an exception to this policy in order to carry forward the unspent one-time expenditure budget of:

- up to \$1.361 million for Economic Development and Policy Coordination in Civic Partners (Program #449); and
- up to \$2.002 million for Council Innovation Fund in Corporate Costs from 2018 to 2019.

These carry forwards are needed to complete the initiatives approved by Council in these areas.

c. Complementary information

Finally, this report includes additional information and details to support Council's decision on the proposed 2019-2022 Service Plans and Budgets:

- Attachment 4 provides a summary of the most recent One Calgary citizen engagement and research conducted in October 2018, which is provided as information for Council to consider during their deliberations on the plans and budgets. Overall, the findings from this latest round of engagement and research confirm what we heard from citizens about services and service value over the past year.
- Attachment 5 provides an update on the Heritage Park Society's financial sustainability, in response to the Motion Arising on 2018 September 25 (C2018-1080). As part of the Economic Development & Tourism plan and budget (pages 117-124 of Attachment 1), Administration is recommending a capital investment of \$2.3 million and an operating investment of \$3.6 million by 2022 for the Heritage Park Society. Heritage Park is also included in the Investment Options in Attachment 2, as part of the Civic Partners item.
- Attachment 6 provides a summary of accessibility-related strategies that will be undertaken in 2019-2022, in response to a question raised at the 2018 October 11 Special Meeting of Council. While developing the plans and budgets, facilitated workshops with service owners were held to collaborate and identify ways accessibility efforts could continue to improve and advance. The work proposed in 2019-2022 builds off the significant advancements related to accessibility made in 2015-2018, which are also summarized in the attachment.
- Attachment 7 provides a summary of Council and Committee direction that formally referred items to be considered as part of the One Calgary deliberations, as well as Administration's response to that direction. All items on this list have either been addressed through the proposed plans and budgets, or are on track to be addressed through other mechanisms.
- Attachment 9 provides supplemental and background information on the 2019-2022 operating and capital budgets. Included are the assumptions in preparation of the budget as well as consolidation of service and departmental budget information. Also included is

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2018 November 14

ISC: UNRESTRICTED
C2018-1158

One Calgary 2019-2022 Service Plans and Budgets

information on the financial policies governing the preparation of the budget and the structure of The City's financial operations.

- Attachment 10 includes summary business cases for proposed capital investments to provide additional details or clarification on the proposed investment. Please note these are attached directly in the electronic agenda and are not being reproduced on paper.

Recommendation 1 seeks Council's approval and adoption of the plans and budgets contained in Attachment 1, including the funding sources and strategies outlined above. These plans and budgets have been prepared through the collective effort of hundreds of employees across the organization, and the service owner commitment to the proposed plans and budgets is demonstrated on pages 74-75 of Attachment 1.

5. Additional Investment Options

On 2018 October 11 (C2018-1149), Administration summarized a number of items that Council identified for further discussion and potential additional investment beyond what is currently accommodated in the proposed plans and budgets. Council directed Administration to provide further analysis on these issues during the presentation of the 2019-2022 Service Plans and Budgets. Administration has separated these issues into four categories:

1. Included, with additional funding proposed, in the revised plans and budgets subsequent to 2018 October 11:

- 1.1. Affordable Housing
- 1.2. Civic Partners (Vivo)
- 1.3. Integrated Civic Facilities Plan
- 1.4. Main Streets
- 1.5. Wheelchair accessible taxis

2. For Council consideration with capital budget implications:

- 2.1. Affordable Housing
- 2.2. Arts & Culture
- 2.3. Better citizen engagement
- 2.4. Civic Partners
- 2.5. Maintain/Enhance Tree Canopy
- 2.6. Missing links
 - 2.6.1. Sidewalks & Pathways
 - 2.6.2. Streets
- 2.7. Pedestrian Strategy

Council is being asked which, if any, in this category should be funded within the capital budget. Approximately \$43 million in capital funding is available to allocate to potential capital projects in this category.

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3. For Council consideration with operating budget implications:

- 3.1. Arts & Culture - Festival and events subsidy, and Calgary Arts Development Authority
- 3.2. Better citizen engagement
- 3.3. Civic Partners (including Calgary Economic Development)
- 3.4. Crime prevention through social development and environmental design
- 3.5. Sustainable funding for low income transit

Council is being asked which, if any, in this category should be funded within the operating budget. There is no current capacity under the indicative rates approved by Council to allocate additional funding to address operating issues in this category, based on Administration's proposed budget which is based on a tax rate increase at the top of the approved range.

4. No additional budget recommended at this time:

- 4.1. Acceleration of improved corporate capacity and capability for an integrated new community, established area and industrial area strategy
- 4.2. Crime prevention through policing
- 4.3. Infrastructure gap
- 4.4. Maintain 4 car trains
- 4.5. Snow and Ice Control

These are critical issues that are addressed to some degree within the proposed strategies in the proposed plans and budgets. Administration has further reviewed the items in this category based on Council's feedback and concluded there is sufficient investment being made in each of these areas for 2019-2022, given the need to balance service needs and financial capacity.

Attachment 2 provides more detailed information on each of these issues, including investment cases for issues in categories 2 and 3. Recommendation 2 seeks direction from Council on these issues.

6. Next Steps

Now that the proposed 2019-2022 Service Plans and Budgets have been tabled for Council, the focus shifts to Council's deliberations and approvals. The key next steps to conclude the service plans and budgets process are as follows:

Timeline	Key Activities
Public Release: November 14	<ul style="list-style-type: none">• This report and attachments (including the proposed 2019-2022 Service Plans and Budgets) are presented at the 2018 November 14 Regular Meeting of Council and made available on Calgary.ca.• Following an overview presentation, Administration is proposing that Council recess to 2018 November 26.• Following the Council Meeting on 2018 November 14, a media availability will be held to answer inquiries regarding the proposed plans and budgets.

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<p>Orientation, Inquiries and Feedback: November 14 to 25</p>	<ul style="list-style-type: none"> • All Council members are invited to attend a drop-in session on November 21 or 22 with members of the One Calgary team to get support in navigating the Service Plans and Budgets and to ask questions of clarification. • FAQs about the proposed plans and budgets will be available for the public on Calgary.ca, including an option to add questions to the list of FAQs via 3-1-1 if their questions are not reflected. • Between November 14 and 21, citizens are also invited to submit written feedback on the proposed plans and budgets, which will be compiled and provided to Council before the start of deliberations on November 26. Instructions for how to submit written feedback are available at Calgary.ca/yourservices.
<p>Council Discussion and Deliberations: November 26 to 30</p>	<ul style="list-style-type: none"> • Council deliberations on the proposed 2019-2022 Service Plans and Budgets are scheduled from November 26 to 30. • The first day of deliberations (November 26) will start with a public hearing, where members of the public are invited to present their feedback to Council in person. • Following Council discussion and deliberation, Council approves and adopts the 2019-2022 Service Plans and Budgets, with amendments as needed.
<p>Communication of Approved Plans and Budgets: December 2018 to Q1 2019</p>	<ul style="list-style-type: none"> • Following Council's approval, Administration will update the 2019-2022 Service Plans and Budgets to reflect any amendments made by Council, including a public communication campaign from late 2018 December to 2018 mid-January. • Information on the final plans and budgets will be built out in a user-friendly way on Calgary.ca and promoted to citizens, including an updated "tax calculator" by service.
<p>Approval of the Property Tax Bylaw: April 2019</p>	<ul style="list-style-type: none"> • In order to levy property taxes, Council will need to pass the Property Tax Bylaw. This will be prepared and brought to Council once the provincial property tax requisition is identified through the provincial budget.

Once the plans and budgets are approved, 2019-2022 is about delivering on Citizen Priorities and Council Directives. The plans and budgets are not static – they are living documents that will adapt with Calgary's changing needs. As part of this process, there are opportunities to bring forward adjustments in response to changing circumstances, stresses and shocks (economic, demographic, and financial), and maintain the integrity of four-year plans and budgets. As in previous cycles, there will also be a more significant mid-cycle review after two years, which will include a check-in with citizens and an update on emerging issues and trends.

In accordance with Council policy (CFO004), mid-year and year-end accountability reports will provide an update on the status of all Citizen Priorities and Council Directives, major service initiatives, key accomplishments, budget performance and upcoming challenges. Amendments

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to the policy itself (which was approved in 2005 and previously amended in 2008 and 2012) and the Budget Reporting Policies (CFO006, which took effect in November 2016), will be brought forward together for Council approval in 2019 Q1. The City also prepares a Corporate Annual Report and Audited Financial Statements, as required by the Municipal Government Act. It includes a high-level review of accomplishments, as well as annual Financial Statements and the external Auditor's Report.

Stakeholder Engagement, Research and Communication

Public input is a critical part in determining The City's focus for each four-year business plan and budget cycle. To maximize resources, One Calgary leveraged existing research and engagement data, and supplemented any gaps with targeted activities. The One Calgary research and engagement strategy included multiple touchpoints with citizens over the course of 2018, which ensured the current priorities of citizens were at the forefront of The City's proposed service plans and budgets for 2019-2022.

A report of research and engagement insights was presented to Council on 2018 October 11 (C2018-1150) to provide a roll-up of all research and engagement conducted in the last year. This roll-up summarized key citizen insights regarding City service delivery, as well as their overall aspirations and concerns. At a high level, the citizen engagement and research results revealed the following key themes:

- Overall, satisfaction with City services is high, despite concerns with the economy.
- Key priority areas for citizens include: public safety, ease of transportation, affordable housing and services, as well as investment in infrastructure and community, parks and urban forestry, recreational activities, streets and sidewalks, city planning, and neighbourhood support and development.
- Businesses want City services and policies to support, not impede their sustainability and growth, and businesses tend to be more critical of City services overall.
- There is growing interest in social services like Affordable Housing and Specialized Transit.
- Citizens and businesses alike want opportunities to provide meaningful input on City initiatives.
- Citizens want open, efficient and effective City services.
- Citizens are split between increasing taxes to maintain or expand services, and cutting services to maintain or reduce taxes.

Additional public engagement was held throughout October to further validate these themes. We asked citizens about the City services where they want us to invest more, less, or the same. This latest round of citizen focus groups and online and in-person engagement confirms what we heard about services and service value through our research and engagement over the past year. What we heard through the October engagement is summarized in Attachment 4 for Council's consideration prior to deliberations.

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Strategic Alignment

The proposed 2019-2022 service plans and budgets include strategies that advance Council policy, Citizen Priorities and Council Directives, and contribute to multiple directives where similar outcomes are sought. Included in Attachment 1 are highlights that demonstrate key strategies to respond to Citizen Priorities and Council Directives in 2019-2022.

The One Calgary program implements The City's "Three Conversations, One Calgary" framework and follows Council's 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).

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.

Financial Capacity

Current and Future Operating Budget:

To deliver the services and results outlined in the 61 service plans and budgets, the proposed total operating budget for 2019-2022 is an annual investment of \$4.5 billion by 2022. This falls within the indicative tax rates set by Council in 2018 April. Attachment 2 provides some options where Council may consider additional operating investments, which would be over and above the currently proposed budget and tax rate.

Section 247 of the Municipal Government Act, as modified by The City of Calgary Charter Regulation, requires Council to "adopt" an annual budget in order to pass a property tax bylaw. The modifications in the Charter now allow The City to adopt all four years of the budget cycle in advance.

The proposed 2019-2022 operating budget is balanced, based on the property tax rate increases included in the Taxation Program. Any changes that Council directs through its review of service plans and budgets will necessitate a change in the tax revenue figures and resulting tax rate increase in order to maintain a balanced position.

Current and Future Capital Budget:

While The City remains in a fortunate capital funding situation compared to many other municipalities, and a significant investment will be made in the community, capital funding is more constrained for the upcoming cycle. Given the constraints, the focus of the 2019-2022 capital budget requests is on identifying and optimizing funding for essential capital investments needed to meet legal, regulatory, health and safety requirements, critical infrastructure, critical asset mitigation and minimize service delivery costs.

The capital environment for the 2019-2022 cycle is different than past cycles – funding sources are more constrained yet demand for capital remains high. There is a significant gap between available funding and the capital requested by services. To ensure The City is allocating funding

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to the most essential investments, business cases were evaluated according to corporate investment criteria. Infrastructure Calgary prioritized all capital requests and then used an allocation process to optimize restricted sources and effectively utilize the 2019-2022 funding capacity. The total proposed capital budget for 2019-2023+ is \$5.2 billion. In addition, Attachment 2 provides some options where Council may consider additional capital investments with approximately \$43 million funding available to allocate to the potential capital projects.

Risk Assessment

The City manages risk through the Integrated Risk Management Policy (CC011) and Program. Consideration of risk has been integrated throughout the development of the proposed 2019-2022 Service Plans and Budgets. This includes identifying, reviewing and analyzing the top risks to each service.

The proposed service plans and budgets (Attachment 1) contain information related to risk in the following sections: Calgary's key community indicators, which is an overview of social and demographic trends The City is watching (pages 21 to 27), The City's financial position and the potential risks that may impact it (pages 52 to 60), within the service pages under the heading of "What we are watching" which notes potential risks to each service, and in the One Calgary Journey (pages 631 to 644) which explains more of the risk management process.

The City of Calgary has 16 Principal Corporate Risks as outlined in the recent mid-year risk report to the Audit Committee and Council (AC2018-0911). These are strategic risks that have an impact or implications across the organization.

Throughout the development of the 2019-2022 Service Plans and Budgets, a rigorous risk assessment was applied to identify any Principal Corporate Risks expected to be impacted. It was determined that there are three Principal Corporate Risks with a potential increase in risk profile that we need to monitor:

- Reputation Risk
- Operations, Process Risk
- Legal and Compliance Risk

At the more granular level, the 2019-2022 Service Plans and Budgets are projected to increase exposure to certain new, or existing, risks, and there are also measures intended to reduce The City's risk exposure. The City will monitor and manage these changes to its risk profile and adjust its response strategies as needed.

For example, there is the potential for an increase in pressure on The City's Capacity for Change Risk due to the increase in volume, velocity, and complexity of change. However, once these strategies are in place, many are designed specifically to mitigate or reduce risks to The City over time, which can lead to a net reduction to The City's risk profile.

The overall increase in The City's risk profile is modest. Current risk management strategies and processes in place are therefore expected to be able to cope with this increase. The City deploys a robust, evidence-based risk management system that involves: regular bottom-up, top-down review of The City's risks, assigning risk owners who oversee the management and reporting of key risk, as well as a consistent and clear framework for managing risks. The City's

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regular, biannual risk reviews therefore provide the mechanism to identify and adjust our risk management strategies as necessary. The annual adjustments process provides a mechanism to fine-tune plans and budgets in response to factors such as emerging performance results and unforeseen changes in economic forecasts, or provincial or federal budgets.

REASON(S) FOR RECOMMENDATION(S):

This report has five recommendations:

1. This recommendation is to seek Council's approval of the proposed 2019-2022 Service Plans and Budgets. For clarity, Attachment 1 highlights the specific items within each service plan and budget that require Council approval, which includes operating and capital budgets as well as performance measures. This recommendation also seeks formal adoption of the operating and capital budgets, as required through the Municipal Government Act.
2. This recommendation seeks Council's direction on options for additional investment, as identified through the September 04-25 service plan previews and the 2018 October 11 Special Meeting of Council. Council direction on these items would be incorporated into the plans and budgets accordingly.
3. This recommendation seeks approval of user fee and rate changes for 2019-2022. As part of this, the utility rates are approved through approval of the associated utility rate bylaws.
4. This recommendation seeks Council approval to carry forward one-time funding in two specific areas. This approval is required as an exception to the Multi-Year Business Planning and Budgeting Policy (CFO004), which does not allow carry-forwards of one-time funding from one cycle to the next.
5. This recommendation allows Administration to use the Budget Savings Account instead of the interest from the Fiscal Stability Reserve to fund one-time costs if necessary.

ATTACHMENT(S)

1. Proposed 2019-2022 Service Plans and Budgets
2. Investment Options
3. User Fee and Rate Changes
4. Results of October Citizen Engagement and Research
5. Heritage Park Financial Update
6. Accessibility Update
7. One Calgary Council and Committee Referred Items
8. Previous Council Direction on One Calgary
9. Supplemental Budget Information
10. Summary Business Cases for Proposed Capital Investments (*provided electronically only*)