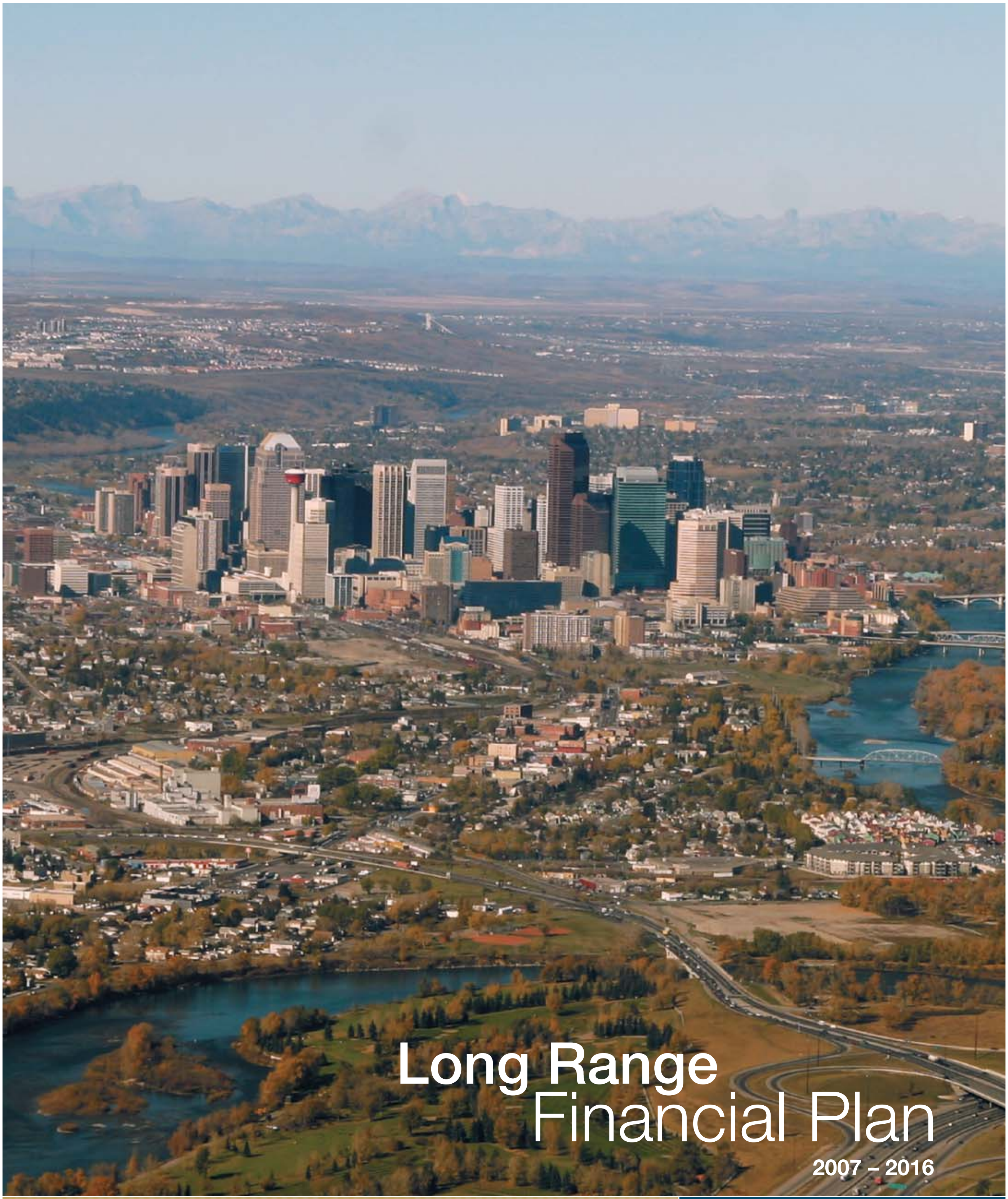

Long Range Financial Plan

2007 – 2016

2007 March

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THE CITY OF CALGARY

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Executive Summary

The City of Calgary has a solid record of incorporating a longer-term view into its financial documents. Examples include the provision of budget forecasts to Council, the development of the "shadow budget" that shows the longer-term impacts of current decisions, and most recently in the creation of three-year operating budgets and a five-year capital plan tied to department business plans. The development of The City's first Long Range Financial Plan (LRFP) is yet another step in creating a more purposeful approach to long-term financial management.

The LRFP provides, for the first time, a projection of our operating and capital requirements and statement of financial position over the next 10 years. It presents the key financial strategies that will influence the building of a more sustainable long-term financial future. The 10-year projections are founded on a series of assumptions using current economic and demographic data. The assumptions are generally conservative in nature — they use only information known at the present time, and do not include speculation as to future directions of City service levels, debt policies, or assistance from other orders of governments, for instance.

The model estimates that The City will face significant annual operating and capital budget shortfalls in the next decade which cannot be addressed through existing revenue sources. Sensitivity analysis indicates that changes to base assumptions would not materially affect the situation. New or unforeseen requirements not currently reflected in the 10-year capital budget system will further increase this shortfall significantly.

The LRFP presents seven strategy areas, all designed to achieve the organization's long-term financial goal of sustainability and serve the main financial goals of flexibility, efficiency, risk management, sufficiency and credibility. These strategy areas, which will spur actions to both change City approaches and maintain current practices where appropriate, include:

- Ensuring adequate funding.
- Achieving diverse sources of funding.
- Managing expenditures.
- Providing for contingencies.
- Establishing debt limits/preserving capacity.
- Operating with prudent foresight.
- Maintaining sufficient cash flow.

While it is a significant accomplishment to gather these elements into one forward-looking document for the first time, this LRFP remains a work in progress. It is not an exercise in precision, but lays the groundwork that will be improved upon with each update. Its assumptions need to be refined, its projections need to allow for more customized data and scenarios, and its strategies need to be tested by changing circumstance. The intent is to provide to Council regular updates to this document, so that it will be useful in the ongoing cycle of business planning and budgeting.

1 Introduction

This is the first Long Range Financial Plan (LRFP) produced by The City of Calgary. Its creation represents another in a series of steps we have taken to first, improve our understanding of our financial situation and second, to influence The City's long-term financial future.

The report includes five major sections. The first comments on the purpose of, and audience for, Calgary's LRFP. The second section provides background on Calgary's financial state and challenges, to set the development of the LRFP in context. The third section details the 10-year financial projections, describing the key assumptions that went into the projections' development, and summarizing the results for the operating budget, capital budget and statement of financial position (balance sheet). The fourth section outlines the key financial goals and strategies that respond to the 10-year projections, while the last section provides a summary and conclusions about the results and the expected next steps for the LRFP.

Purpose

The City of Calgary has had a rich history of corporate planning efforts, through, for instance, the development of successive municipal development plans and the landmark Calgary Transportation Plan. However, these significant efforts have not been supported by, or put in the context of, a longer-term view of our financial outlook.

Introduction

In the past several years, The City has been devoting a more concerted effort to financial planning; for example:

- Operating budget projections have been included within the annual budget document provided to Council.
- A three-year “shadow budget” was developed in 2003 as a way to demonstrate the longer-term impacts of current Council budget decisions.
- The building of an integrated business planning and budgeting process, beginning with the 2006 – 2008 cycle, featured Council approval of three-year plans and operating budgets, followed by annual approval of adjustments to those plans and budgets.
- The long-standing practice of building a five-year capital budget plan to complement each capital budget for Council approval is now tied to corporate infrastructure status reports.
- Council’s approval of a two-year capital budget including projects starting in either 2007 or 2008.
- The operating impacts of new capital projects are shown within the capital budget, and in the adjustments to the operating budget submitted for Council’s approval.
- The Infrastructure Status Report is evolving to continually improve the process through which it gathers and determines financial impacts of providing new and maintaining existing infrastructure.

Specifically, the LRFP is designed to meet the following six purposes:

- To build awareness of the results of 10-year projections of current operating and capital spending and funding levels.
- To assist The City in determining the extent of its financial challenges.
- To generate discussion on the key financial goals and strategies that should guide future planning.
- To spur the development of actions in future business plans that would respond to the long-term strategies.
- To provide a further basis for negotiations with the other orders of government on a more equitable sharing of resources.
- To be the foundation upon which the assumptions, projections, and strategies that went into the development of this initial plan would be updated.

Audience

The development of the LRFP both sets a financial context for other planning efforts underway in the organization, and provides another building block for the creation of a more sustainable financial future for The City. As such, it is designed primarily for use by the following groups:

- City Council.
- Senior administration.
- Those involved in other major corporate planning initiatives.
- The finance, business planning, and asset management networks within The City of Calgary.
- Intergovernmental affairs contacts.

The LRFP will become part of the basic information needed to help prepare plans and strategies for the future. Its usefulness is in providing a longer-term financial perspective than we have had before and a better sense of where current trends will take this organization. Its proposed strategies guide the development of business plans designed to take action to improve The City's financial picture and to alert other governments and The City's credit rating agencies about our intent to resolve the challenges identified.

A note of caution: the LRFP does not present a 10-year budget for The City of Calgary. It is not a document to be approved; it is a view of a possible future to inform and act upon. Neither is it a true forecast, in the sense of providing a probable outlook nor a "best estimate" on what the next decade will bring. While the projections use some basic and reasonable assumptions about the underlying factors in our financial equation, they do not attempt to guess at how service levels might change, or how grant programs might evolve. Rather, the projections are very much based on the current situation cast forward 10 years. The value of the projections is to show relative magnitudes of financial challenge and to stimulate discussion on how best to deal with the general trends they reveal.

Future LRFPs

Updating the Long Range Financial Plan is expected to become an ongoing activity. The product will become more useful as our knowledge of long-term trends improves, and the data becomes more customized using revenue and expenditure drivers developed by the departments. The timing for this first LRFP is related to the updated data provided through Council's approval of a two-year capital budget and adjustments to the approved operating budgets and business plans for 2007 – 2008. The next iteration will be prepared after the 2008 adjustments to provide background for the guidelines that will direct the next cycle of three-year business plans and budgets.

2 Background

Process of developing the LRFP

Developing Calgary's first LRFP has been a lengthy and challenging process. After some early work in 2004 to lay the foundation and get Council's approval for the concept of developing a long-range plan, work began in earnest in 2006 following Council's approval of a multi-year business planning and budgeting approach. The work proceeded in three main phases:

- Learning from other cities about their approaches to long-range financial planning.
- Developing assumptions (listed in Appendix 1) and building the 10-year projection model, in concert with the development of a three-year operating budget projection model, to improve the tools to do longer-range projections.
- Creating financial goals and strategies based on the projection results and the financial policy work already done in several areas such as capital financing, reserves and multi-year budgeting.

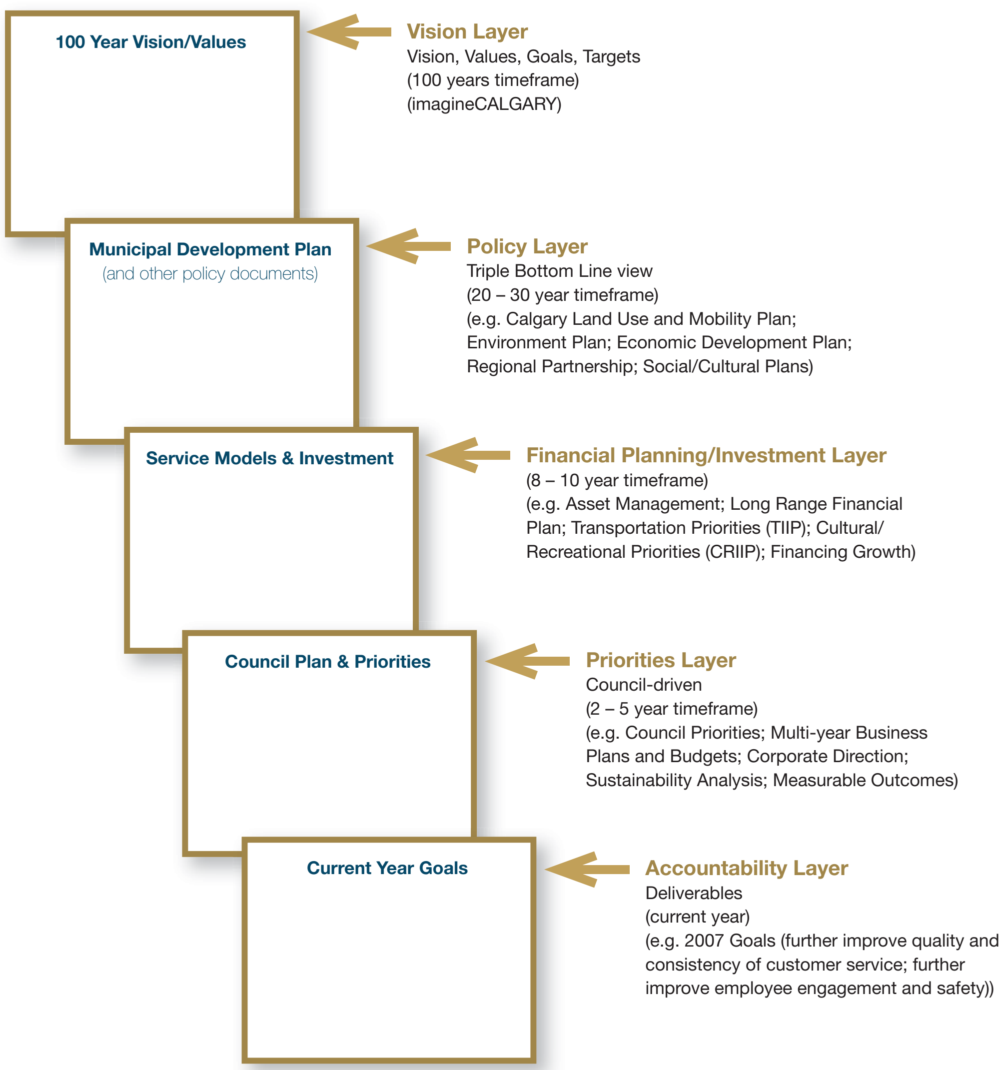
The LRFP project was managed within the Financial Planning Budget and Reporting unit of Finance & Supply, but involved staff at many levels throughout the organization. This includes

- The Administrative Leadership Team (ALT).
- The Senior Management Team (SMT).
- The Finance & Supply management team.
- Project managers from several related corporate planning projects (further described in Appendix 2).

There were a number of focus groups to gather information on the assumptions to use in the financial modeling and on the draft financial goals and strategies to respond to the 10-year projections.

Connections to other planning work

The City of Calgary is involved in a number of other major planning efforts. The City's system of plans is depicted below. The LRFP falls within the Financial Planning/Investment layer, which occupies the 8 – 10-year timeframe.



These planning efforts could well impact The City's finances, and consequently will both draw on the LRFP projection results and affect future LRFPs. Here is a brief outline of some of the significant projects; further detail is supplied in Appendix 2:

- **imagineCALGARY** provides a view of a desired Calgary 30 and 100 years from now, drawing heavily on widespread community input. The initial report is complete; the targets included in the report will influence the development of plans across the corporation.
- The policy layer includes many of the identified projects. The **Calgary Land Use and Mobility Plan** draws on the work of imagineCALGARY, combining the Municipal Development Plan, which will set out the land use planning design of the community for the next several decades, and the Calgary Transportation Plan, which will set out the future transportation needs of the city.
  - **User Fee and Subsidy Review** will revisit the 1994 City policy on user fees and establish a subsidy policy.
  - **Fair Calgary** will revise policies regarding access to City services.
  - Work through the **Calgary Regional Partnership** will develop a sustainability framework for the 19 municipalities and municipal districts surrounding Calgary.
- The financial planning/investment layer includes the **Asset Management Plan** to develop a corporate plan to manage The City's $30 billion in assets, focused on the total lifecycle needs of existing and future sustainable infrastructure. The first asset management plans should be ready for the 2009 – 2011 business planning cycle. This work will pull together individual capital priority plans such as the Transportation Infrastructure Investment Plan (TIIP), Culture Recreation, Parks Infrastructure Investment Plan (CRPIIP), and the Emergency Response Infrastructure Investment Plan (ERIIP).
  - The **Long Range Financial Plan** is also included in this layer.
- The completion of the major planning efforts mentioned above would affect the priority and accountability layers shown in the diagram.
- Discussion will continue with other orders of government through such initiatives as the provincial **Minister's Council on Sustainability** and the national **Big City Mayors' Caucus**, on achieving improved fiscal balance among the orders of government.

The financial impacts of Council decisions on these projects and many others not specifically identified will be incorporated into future updates of the LRFP.

Key challenges and trends

The City of Calgary entered into a longer-term approach to planning and budgeting knowing that its volatile economy made it less than an ideal candidate for building reliable long-term forecasts. Even in the first year of the three-year plan, Calgary has experienced the largest single year population growth in its history, as well as substantially increased local inflation fueled by higher housing and energy costs. Taking a 10-year view of financial prospects only magnifies the difficulty of making reasonable projections within an environment rife with challenges. Each of the following issues poses a significant hurdle to the overall goal of long-term financial sustainability:

- **Unprecedented growth.** Calgary is Canada's fastest-growing major city in the heart of Canada's most dynamic economy. Alberta's current economic growth is the strongest ever recorded by any province.
- **Increasing costs.** Not only is inflation affecting raw materials and labour costs, but the very growth of Calgary, in people and in area served, brings on additional demands and complexity in service delivery.
- **Aging population.** As the average age of Calgarians increases, the demand for age-sensitive City services also will grow.
- **Staffing challenges.** Extremely low unemployment in the heated local economy and the need to remain competitive in salary and benefits add to the cost of service provision and make it more difficult to attract and retain staff. The aging of The City's workforce compounds this challenge.
- **Social and environmental issues.** As it attracts economic prosperity, Calgary is also becoming a magnet for related social issues, such as different types of crime, more homelessness and greater incidence of poverty. Maintaining the quality of the environment also becomes a challenge in a robust economy.
- **Asset maintenance.** The increased demand for additional infrastructure to match Calgary's growth comes at the same time that the assets built during the last Alberta boom are reaching an age where their maintenance is becoming critical and more costly.
- **Revenue pressures.** Like most Canadian municipalities, Calgary has relatively few sources of revenue, most of which are not sensitive to economic change. Revenue growth thus lags behind the expenditures needed to service an expanding market. As well, although Calgary's residential property taxes are low on the Canadian scale, there is considerable pressure to limit tax rate increases.

Taken together, the sum of the issues is greater than its parts: a resource-based economy prone to rapid swings; a relatively young, diverse population expecting a high quality of local government service; a capital-intensive operation in a period of rising inflation and static revenue sources; increasing demand for both new infrastructure and prudent management of existing assets; a major employer facing competing demands for skilled staff; and a web of services to provide to a market where sheer size is becoming a factor creating diseconomies of scale.

Calgary in the Canadian context

The challenges Calgary faces are fairly common to all of Canada's major cities. There have been numerous studies in the last decade on the difficulties cities encounter in providing for an expanding populace within constrained resources:

Canada's prosperity depends on the success of our major cities. Governments at all levels must flow resources to major cities, which have special potential and face distinctive challenges.
The Conference Board of Canada, Mission Possible: Successful Canadian Cities, February 2007

While the property tax has tended to work well for big cities in the past, it has increasingly come under fire as an outdated tax ill-suited for their needs today. The momentum of urbanization, steadily increasing demands for local services and infrastructure, and the ill-defined structure of municipal functions are often blamed for municipal budget difficulties, but the most important factor is simply the limited growth potential or inelasticity of municipal revenues. This is a direct result of the limited revenue sources open to the big cities — the lack of diversity in revenue sources as exhibited by a heavy reliance on only one tax — the property tax.
Canada West Foundation, Rationale for Renewal, September 2005

All three orders of government and the private sector have an important role to play in ensuring the tiger's roar doesn't fade. As it currently stands however, governments at the local level are severely handicapped in their ability to live up to their side of the bargain. More specifically, the (Calgary-Edmonton) Corridor's municipal governments — like many of their Canadian counterparts — have not seen growth in revenues keep pace with the demands before them, which in turn have escalated in the face of provincial and federal offloading and the over-reliance of the municipal tax base on the property tax. Hence, the need to provide municipalities with a more sustainable funding arrangement, one that will arm them with increased flexibility to tackle their own individual needs, forms an important part of the overall solution.
T.D. Economics, The Calgary-Edmonton Corridor: Take Action Now to Ensure Tiger's Roar Doesn't Fade, April 2003

Thus, Calgary's LRFP responds to similar pressures faced by other cities, and corresponds to similar long-range financial planning that has been done and is continuing in such major Canadian cities as Toronto, Edmonton, Ottawa and Winnipeg.

The City of Calgary's current financial condition

By any measure, The City of Calgary, despite its considerable future challenges, is currently on a solid financial footing. Its reputation for sound financial management within a robust local economy has resulted in continued strong credit ratings of AA (high) from the Dominion Bond Rating Service and AA+ from Standard and Poor's. The City's three-year approval of business plans and operating budgets, and two-year capital budget approval, are unique among large Canadian cities, and offer a degree of foresight and financial stability that is complemented by a growing tax base, diversified and highly liquid investments, and substantial reserves.

The organization's principal financial characteristics (generally for 2006 unless otherwise noted) are summed up as follows:

- **Size.** A three-year operating budget of $6.2 billion over 2006 – 2008, and a five-year capital plan of $4.1 billion for 2007 – 2011.
- **Staff.** With about 13,000 full time equivalents (FTEs) at the end of 2006, The City is the second largest employer in Calgary.
- **Surplus.** The 2005 operating budget surplus was just under $2 million, or about 0.1 per cent of total operating expenditures.
- **Taxes.** Average municipal residential property taxes of $1,002 in 2006 based on the median assessment of $250,500 for a single-family dwelling. According to a City of Edmonton survey dated December 2006, Calgary has the lowest residential property taxes for a sample house among the 24 largest cities in Canada. Property tax rate increases of 4.0 per cent in 2007 and 4.5 per cent in 2008 have been approved by City Council.
- **Assets.** Total assets were $12 billion at the end of 2006 (historical, not replacement value), including the net value of ENMAX, The City's wholly owned electrical utility. Over the past five years, City assets have grown at a faster rate than liabilities, to a net asset position of $9 billion at year-end 2006.
- **Debt.** Total debt is approximately $1.4 billion, of which 40 per cent is tax-supported, and the remainder is self-supported. The tax-supported debt per capita is $730 and debt-servicing charges make up about seven per cent of tax-supported gross expenditures (compared to a City policy of a 10 per cent limit).
- **Reserves.** Total reserves of more than $600 million as of the end of 2006, the majority of which are allocated to specific future projects. The unallocated Fiscal Stability Reserve, The City's contingency fund, had a balance of approximately $80 million at the end of 2006.

While The City's assets are currently stated at $12 billion and its equity at $9 billion, under current accounting rules (Public Sector Accounting Board) most of the tax-supported portion does not have depreciation applied to it so it is overstated on an historical cost basis. However, in 2009 the most significant accounting change in decades will come into effect, requiring municipal governments to amortize (depreciate) capital assets over their useful lives. This will have a major impact on balance sheets, including asset and equity valuations. Amortization is not reflected on tax-supported assets in this first LRFP.

The medium-term outlook continues to be positive for The City and its community. Calgary has outperformed the Alberta and Canadian economies over the last 10 years, and Calgary and Alberta are expected to lead the nation in economic growth in the medium term. Alberta has the lowest unemployment rate in the nation, the highest personal income and personal disposable income, and the lowest combined provincial and municipal tax load. The Conference Board of Canada's Winter 2007 Outlook provides the following projections for Calgary's economy for the next five years:

- Second highest growth in real gross domestic product among Canada's 20-largest cities, averaging 3.8 per cent per year. The construction sector is expected to boost the goods-producing industries, while the strong energy sector will fuel growth in the service businesses.
- Population growth averaging two per cent per year through 2011.
- Continued low unemployment rate in the 3.5 per cent range through 2011.
- A gradual decline in inflation to near two per cent by 2011.
- A reduction in new home starts from the current record highs, but total construction output up 3.7 per cent annually, due to considerable office and commercial activity.

While The City of Calgary has, compared to most other Canadian cities, a higher debt per capita, the debt profile will not change substantially in the coming few years despite the accelerated capital spending program. Council has recently approved that any additional debt capacity in the near future will apply only to self-supported (utility) debt or to self-sufficient tax-supported debt.

Calgary's low tax rate environment combined with Alberta's financial strength is likely to be challenged by the cost pressures from rapid growth, tight labour markets, rising commodity and construction prices and aging infrastructure.

3 Long-Range Projections

Introduction

The foundation for preparing the LRFP is a projection of The City's financial state 10 years into the future. How well revenue projections cover expenditure projections indicates whether The City is financially sustainable or requires financial strategies to improve sustainability.

The operating projection is based on providing the same kinds of services currently provided and spending the same amount per capita (adjusted for forecasted Consumer Price Index [CPI] inflation) to provide those services. The capital projection is based on maintaining and extending infrastructure to serve the forecasted population according to the 10-year capital plan as well as carrying out the not-funded projects included in the capital budgeting system.

The base projections developed for this report use demographic and economic forecasts such as population growth, CPI inflation and commodity prices. However, projections of City operating expenditures and revenues differ from forecasts in that the intent of a projection is not to try to determine whether and when certain service changes could happen (e.g. whether The City will begin to provide curbside recycling). Rather, these numbers only project how The City's financial state would change if the current level of services (the services and infrastructure expenditures reflected in the business plans and budgets approved and updated for 2007 and 2008) were to continue relatively unchanged from 2009 – 2016.

The 10-year projections contained in this first iteration of The City's LRFP are preliminary and can be expected to be refined with each update of the LRFP. Improved projections will result from obtaining details on the new municipal funding program expected in the 2007 – 2008 Provincial budget, decisions on planning projects currently underway, improving long-range modeling capabilities, and quantifying expenditure and revenue drivers specific to City businesses.

Operating projections in the 10-year model

The operating part of the 10-year projections differs somewhat from the three-year projections used for both the "shadow budget", which is used to develop guidelines for new three-year business plans and budgets, and for projections that would be prepared when an existing multi-year budget is being adjusted.

The 10-year model is based on the currently approved 2007 – 2008 operating budget and projects beyond it, including impacts of population growth and inflation at the same rate as CPI for most expenditures. It shows what The City's financial situation could look like in 10 years if the environment were to unfold as forecasted and The City were to continue providing the current services in the same way as it does now.

While the three-year projections provide considerable detail about the expected budget implications of current decisions, the 10-year view is taken at a higher level, and is not meant to be examined for year-by-year changes, or specific figures by business unit or department. The emphasis is on displaying corporate trends over a longer time period, not to indicate the specific expenditure or revenue expectations of a particular business unit at a specific point in time within the next decade.

Capital and statement of financial position projections

In addition to its operating projection, the 10-year model projects capital expenditures and funding, and links the operating and capital projections to a statement of financial position to show what The City's assets and liabilities could look like 10 years from now. When the operating and capital projections indicate revenues and/or funding would be less than expenditures resulting in funding gaps for one or more years, the projected statement of financial position will not be completely realistic. The statement is useful to broadly observe the cumulative changes in The City's financial position over the 10-year period.

Assumptions

The results of long-range financial projections are totally dependent on the assumptions made about such things as population growth, the economy (including inflation rates), the services provided and changes to revenues and expenditures. As a result, the assumptions chosen for the base projection are relatively conservative, including:

- Decisions already approved by Council (including budgets to 2008).
- Capital projects already included in the capital budget system (funded and not funded).
- Population growth and inflation forecasts gathered from respected sources (The City of Calgary Socio-Economic Outlook 2006 – 2016, October 2006).
- Moderate revenue growth.

The detailed assumptions shown in Appendix 1 provide a more complete basis for the projections, but some assumptions worth drawing attention to include:

- Future infrastructure capital maintenance and growth requirements that have been identified but have no current funding source are dealt with in the projections through the assumption that not-funded projects in the capital budget system will eventually receive funding over the next ten years.

If additional projects arise that are not currently in the capital budget system, the capital funding gap would increase. Additionally, the 2005 Infrastructure Status Report (ISR) indicated large, not-funded infrastructure operating maintenance requirements averaging $70 million per year that are not included in the operating projection. Funding infrastructure growth and maintenance is the area requiring strategies and decisions which has the greatest potential to affect long-term financial requirements.

The ISR currently provides high-level estimates of funded and unfunded infrastructure capital growth, capital maintenance and operating maintenance requirements. The process for developing the ISR is being refined each year and is expected to eventually be able to fully support recommendations to Council on comprehensive requirements for infrastructure maintenance and growth based on corporate technology, finance and risk management perspectives, including consideration of trade-offs among services and physical locations. The next ISR is expected to be presented to Council in mid-2007.

Council decisions based on these recommendations and financial considerations will improve the overall 10-year capital projections and the infrastructure operating maintenance component of the 10-year operating projections.

- Maintaining expenditures for each service at a constant number of dollars per capita will provide a fixed level of service.

  It seems reasonable to expect that, if expenditures (adjusted for inflation) increase at the same rate as population growth, then service levels will remain constant. However, any services that are affected by the increasing complexity of a larger city, such as longer travel distances, more traffic congestion, and/or more social, environmental or legal issues, could require more time and cost to provide the same service. While additional efficiencies may help to alleviate to some extent such potential challenges, the provision of some services might not be able to be maintained at existing service levels over a 10-year period.

- The rate of inflation on most goods and services purchased by The City (including salaries and wages) will be approximated by the projected increase in CPI.

  The assumption that most City costs will increase at the rate of CPI inflation over the last eight years of the projection (with limited exceptions such as employee benefits) is worth noting. Clearly, The City's basket of goods and services purchased is different than the purchases used as a basis for the CPI calculation. Over the past 10 years, The City's inflation rate has been consistently higher than the CPI. However, over a 15-year time span, the two rates are close. Because of potential differences between CPI projections and City actual experience, it is prudent to review and update projections periodically.

The base assumptions also exclude such items as:

- New municipal funding anticipated in the upcoming Provincial budget.
- Possible impacts of planning and policy projects being formulated but not yet approved (e.g. Calgary Land Use and Mobility Plan, User Fees and Subsidies review). (Appendix 2.)
- Additional non-self-supported tax-supported debt for the eight years projected beyond the approved 2007 – 2008 budget.
- New services not yet approved for implementation by Council (e.g. curbside recycling).
- Potential capital projects that are new or could require significant scope increases, are not currently in the capital budget system and will likely be brought to Council in the short to medium term. Examples include the new central library, new police headquarters, additional Operating Workplace Centres, curbside waste recycling infrastructure and additional Legacy parks (Appendix 3). These projects are not included in the 10-year capital projection, so they will result in changes to the projection in future updates.

Because the assumptions affect the projections so much, it is important to understand what the assumptions are and how changes to them could alter the outcome. As a result, following the base projections the report includes examinations of sensitivities (what impact changes to population growth or inflation rate assumptions could have on projections) and scenarios that look at how any funding gap could be affected if:

- Additional expenditures were required to maintain or add to services or infrastructure.
- The current level of tax-supported debt was maintained by taking out new debt as existing debt was repaid.

Projections

As indicated previously, there are many potential circumstances that could occur within the short to medium term that would affect the base 10-year projections for operating and capital. The details of new Provincial funding and Council decisions on planning policies and new and existing services and/or infrastructure will certainly lead to changes when LRFP updates are prepared.

The base projections included here show the kind of financial sustainability issues The City could face if the status quo as budgeted for 2008 is extended out to 2016.

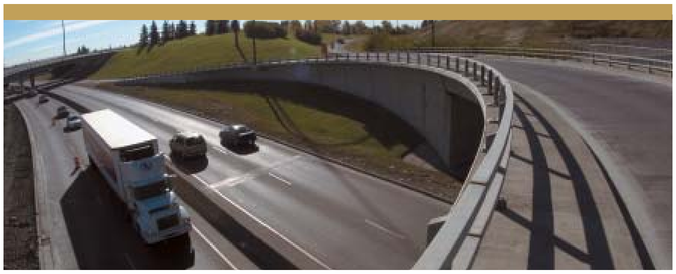
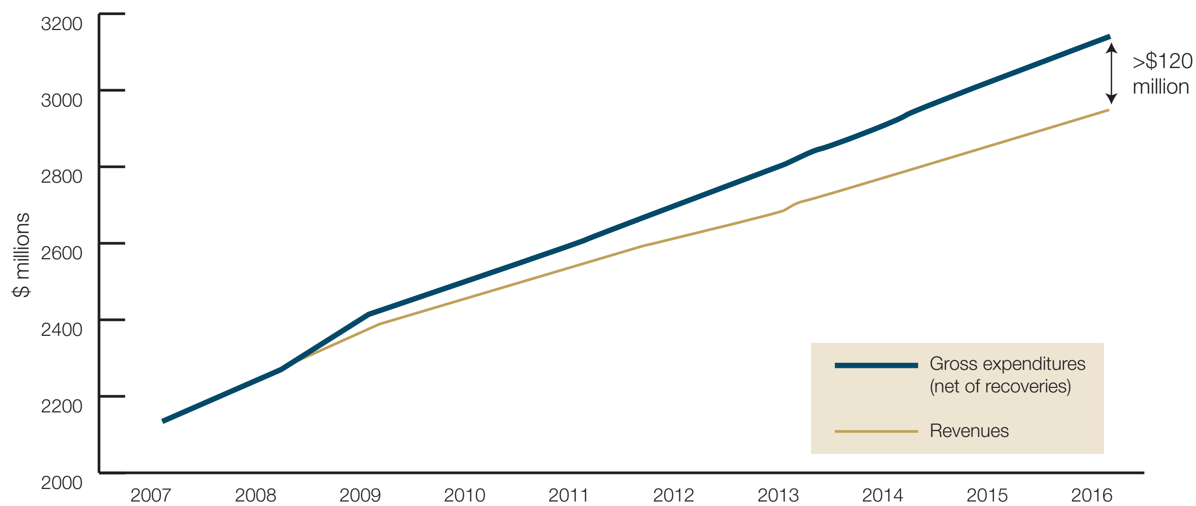


Chart 1
Projected operating revenue & expenditures/net transfers to reserves 2007 – 2016



Operating projection

Although the operating projection includes the assumption that the property tax base increases proportionally to forecasted population growth and rates increase at CPI inflation, a gap appears between revenues and expenses in the first projected year (2009) and widens until the last year (2016), as shown in Chart 1.

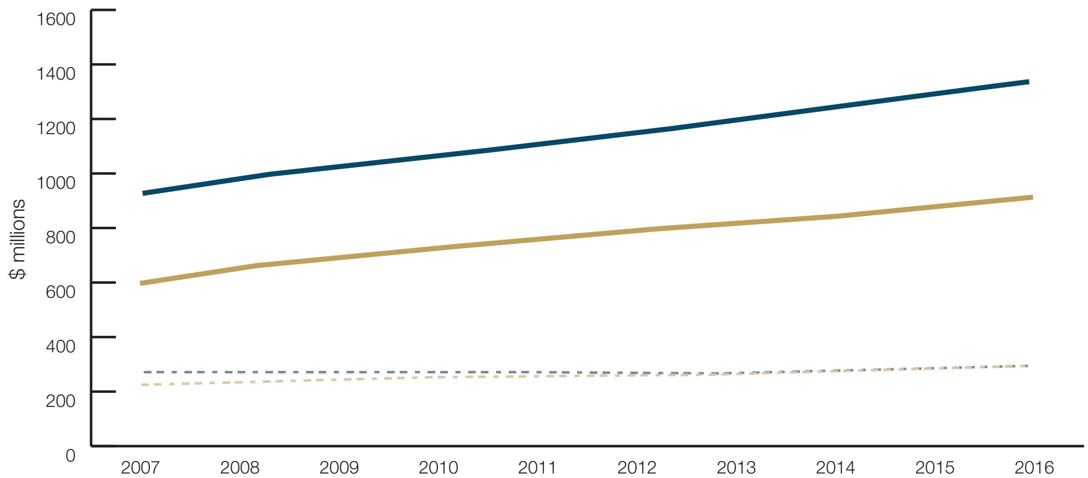
A table showing sample years of the 10-year operating projection is included as Appendix 4.

The following revenue assumptions contribute to the gap:

- Some revenues do not increase (e.g. dividend contributions to operations, Provincial EMS grant).
- Some revenues increase with population or inflation but not both (business tax, Calgary Police Service fine revenue, provincial policing grant).
- User fee volumes only increase at 90 per cent of population growth rate (rates increase equal to CPI rate increase).

On the expenditure side, benefit costs are projected to increase above CPI at more than six per cent per year due to anticipated supplementary health care insurance, pension, and sickness and accident insurance increases. Most other costs are projected to increase at the same rate as the CPI (including salaries and wages, and materials).

Chart 2
Operating revenue projections 2007 – 2016



Share of total	2007	2016
Tax revenue	45%	47%
Sales of goods & services	30%	32%
Revenue from utilities/subsidiaries	13%	10%
Other revenue	12%	11%

No operating impacts are assumed for:

- Any additional Provincial funding for municipalities (details will not be available until the Provincial budget is released; Council has not decided how the funds will be used).
- Potential increases to travel distances, congestion and service complexity related to city growth.

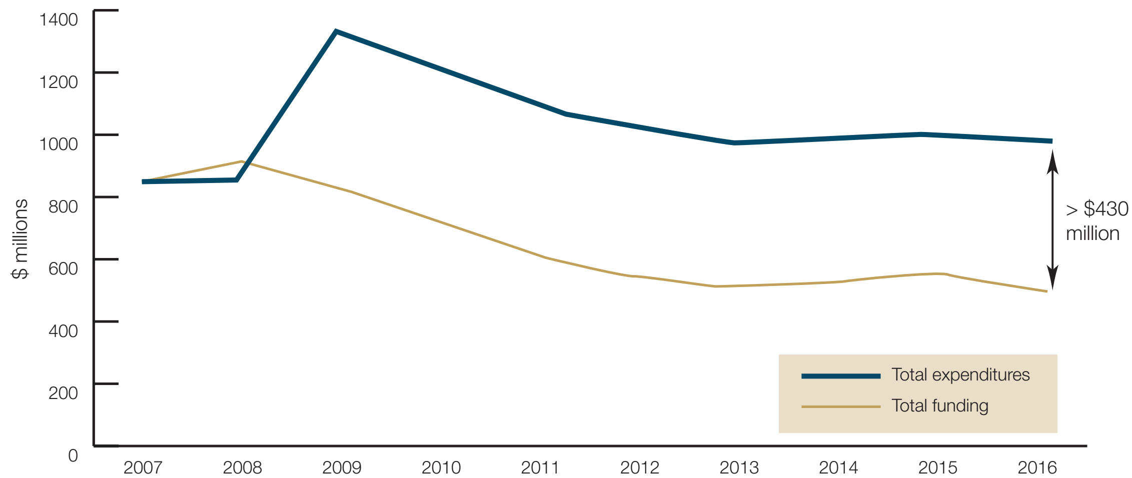
Closing the gap with additional property taxes would require additional rate increases of 0.5 per cent to 2.6 per cent each year above the 2.0 per cent to 2.5 per cent (CPI forecast) already assumed in the model from 2009 – 2016. Other possible ways of dealing with the gap are considered in the following chapter on Financial Goals and Strategies.

Revenues

The contribution from each major revenue source is graphed above in Chart 2, showing how some revenues are projected to increase more than others, changing the proportion derived from each source.

As shown in the chart above, tax revenue and sales of goods and services would become a somewhat greater proportion of the total if the assumptions hold true and The City does not obtain other new or increased sources that can be applied to the operating budget on a permanent basis.

Chart 3
Projected capital funding & expenditures 2007 – 2016



Capital projection

Projecting capital spending differs from projecting operating spending because about half of the capital budget approved for each year is carried forward to the next year due to project delays. As a result, projected expenditures show a lag compared to projected approvals. Also, capital projects starting after 2008 are not yet approved, but the capital budget system includes funded and not-funded projects for all 10 years.

The base capital projection includes all projects approved in the 2007–2008 capital budget, all other “funded” projects in the capital plan, not-funded projects in the capital budget system, and projections of all current funding sources other than non-self-supported tax-supported debt (some capital grants have an expiry date while others are expected to continue indefinitely).

Chart 3 shows projected funding and expenditures.

The total capital funding identified for the 10 years amounts to $6.6 billion, while the projected capital project requirement is $10.3 billion, leaving a cumulative gap of $3.7 billion (not including any projects and upgrades not currently in the capital budget system). A table showing the 10-year capital projection is included as Appendix 5.

Statement of financial position projection

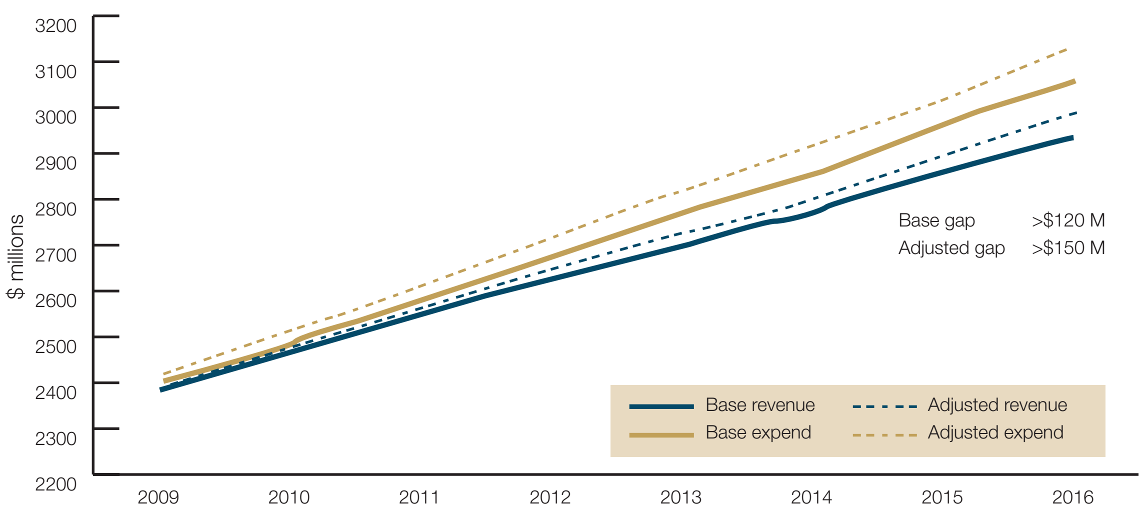
A statement of financial position (SFP) is balanced and is intended to present the actual assets, liabilities and net position of an organization at a given point in time. The LRFP projections result in revenues/funding sources being less than expenditures, so standard SFPs based on them would not be balanced without having negative working capital values and/or negative equity. To bring the SFPs into balance, a line has been added (working capital shortfall) to represent the gap at each year end. This allows the SFPs to have normal levels of cash and other working capital rather than depleting them entirely and showing negative balances. This working capital shortfall reflects the cumulative need for additional funding.

As indicated earlier, the SFPs are not fully realistic when there are funding shortfalls, but are available as a tool to measure the financial impact of changes to assumptions. While the operating and capital projections provide information on an annual basis, the SFP provides a cumulative view over 10 years. Also, the SFP is useful to include at this time, even though further work is required, because numerous financial strategies relate directly to the SFP. It gives a useful context when considering the financial goals and strategies in the next chapter.

A table showing projected statements of financial position for selected years for The City is shown in Appendix 6. The SFP excludes the Calgary Public Library, Calgary Parking Authority and Calgary Housing Company (which are included in The City's consolidated financial statements) as well as other civic partners that are not part of the statements and includes only the net asset value of ENMAX.

The operating and capital base assumptions result in a projected 2016 SFP which gives a rough idea of the overall shortage of funding (in excess of $4 billion) that The City faces over the next 10 years by continuing to provide existing services and identified infrastructure. In the base projections, assets would reach about $18 billion, reserves would be over $500 million and tax-supported debt would decline and offset some of the projected utility debt increase resulting in a debt balance of just under $2 billion. The projections will continually improve as updates are made to the LRFP.

Chart 4
Operating sensitivity analysis – population growth rate increases annually by 0.5%



Sensitivities

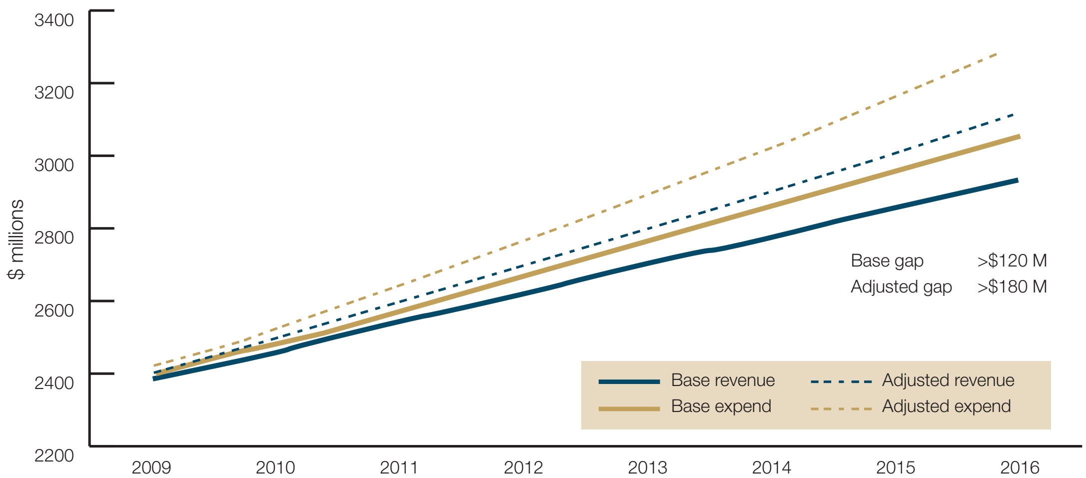
Changes to individual assumptions can change the projections. It is useful to see how much change some variations might make in order to evaluate how stable the projections are. The 10-year models have been run with changes to the assumptions about population growth rates and Consumer Price Index (CPI) increase rates to see how much difference it makes to the projected gaps.

Population growth rates

To measure population growth rate sensitivity, the forecasted rates were increased by 0.5 per cent per year from 2009 – 2016. This would result in the operating budget gap increasing by $30 million to a total of more than $150 million in 2016 as shown in Chart 4 above. The capital gap would only increase if additional projects were required.

Chart 5

Operating sensitivity analysis – inflation rate increases annually by 1.0%



CPI Rates

CPI forecasted rates were increased by 1.0 per cent per year to determine the effects on projections. The operating gap would increase by $60 million to a total of more than $180 million in 2016 (Chart 5 above), while the capital gap for 2016 would increase by about $35 million.

Scenarios

Many variations are possible on the assumptions, so two alternative scenarios have been prepared to illustrate how spending additional funds on services and infrastructure or how taking out replacement debt could affect 10-year projections. The scenarios that have been run on the model are:

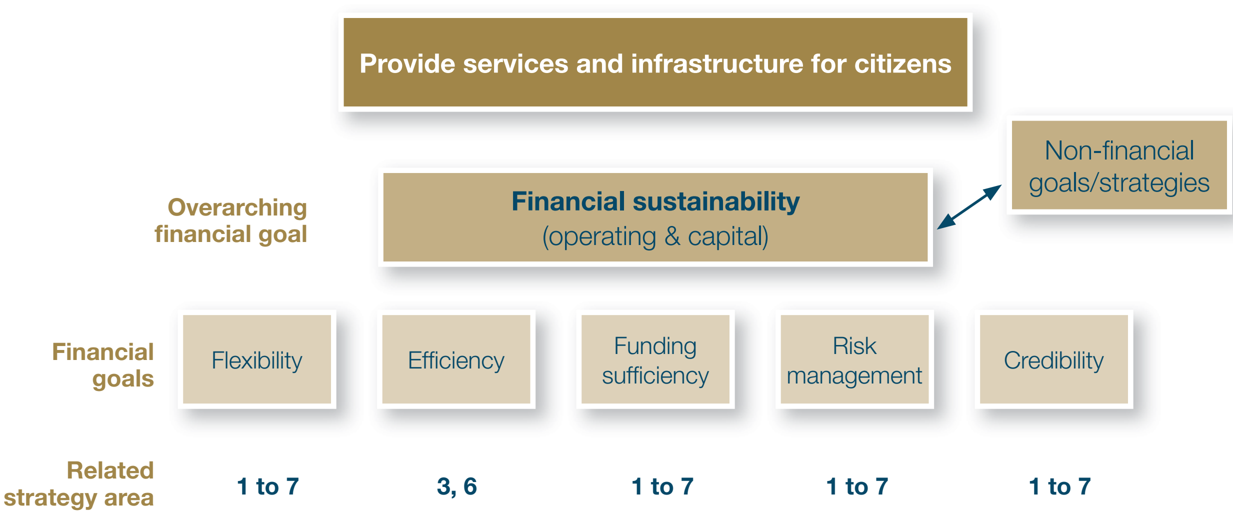
- Adding $50 million to operating expenditures and $150 million to capital projects each year from 2009 – 2016.
- Adding non-self-supported tax-supported debt to replace retired debt each year from 2009 – 2016 (i.e. the tax-supported debt level is kept constant).

The first scenario adds $50 million per year of operating expenditures (e.g., infrastructure maintenance) as well as operating contributions to capital that would cover about one-third of the projects ($150 million) that constitute the capital gap (more than $450 million per year). The net result would be an increase in the operating gap of $200 million and a reduction in the capital gap of $150 million. The equivalent property tax increases required for the base assumption (equal to CPI forecast) and to close the total operating gap (including the base gap) would be more than 28 per cent in 2009 and between 3.3 per cent and 4.6 per cent each year from 2010 to 2016.

Scenario two, maintaining non-self-supported tax-supported debt at the same level as at the end of 2008, provides additional capital funding while increasing operating debt interest and principal repayment. The result for the period 2009 – 2016 is that the average annual capital gap is reduced from more than $430 million to less than $410 million while the annual operating gap increases by amounts ranging from $4 million in 2009 to $40 million in 2016.

4 Financial Goals and Strategies

The essence of the LRFP is to provide a plan to deal with the 10-year projections for The City, to provide for future long-term financial sustainability. The model below presents the conceptual view of how this plan is structured, from the identification of the overall purpose of municipal government, to the specific financial strategy areas that will in turn guide the development of actions through the next rounds of business planning. A connection with non-financial goals and strategies is indicated as well.



Strategy Areas

1. Ensuring adequate funding
2. Achieving diverse sources of funding
3. Managing expenditures
4. Providing for contingencies
5. Establishing debt limits/ preserving capacity
6. Operating with prudent foresight
7. Maintaining sufficient cash flow

A brief description of each element of the model follows:

City Purpose. The City of Calgary Corporate Mission (Proudly serving a great city) and Vision (Working together to create and sustain a vibrant, healthy, safe and caring community) are expressed through providing services to the citizens of Calgary, including infrastructure and programs that fulfill the responsibilities of a municipal government.

Overarching Financial Goal. In order to preserve the ability to continue meeting the main civic purpose, The City of Calgary must achieve a long-term sustainable financial situation.

Specific Financial Goals: We have identified five main goals to deliver financial sustainability in the long term:

- **Flexibility.** Being able to respond to changing circumstances, which may relate to economic, social, environmental, or political conditions.
- **Efficiency.** Using public funds in ways that provide the highest level of needed services within the amount of funding available.
- **Funding sufficiency.** Having sufficient resources to support the delivery of services for which The City of Calgary bears responsibility.
- **Risk management.** Reducing risks to financial sustainability which, in turn, reduces risks to The City's ability to provide needed infrastructure and services consistent with The City's Integrated Risk Management approach.
- **Credibility.** Achieving financial performance in a way that maintains public confidence in the municipal corporation.

Financial Strategy Areas: Seven principal areas of financial strategy were identified that deliver on the five financial goals over the next 10 years. For the most part, the strategies contribute to all the financial goals identified. Each strategy area is outlined below, including a description of the strategy area, the specific strategy statements that are recommended for each strategy area, and an indication of the types of actions that could flow from those strategy statements. Actions such as these — and others yet to be identified — would then be included in future cycles of business planning in order to implement the identified strategies and achieve the desired goals.

Some strategy statements are "proactive" in nature, promoting new actions and approaches that will improve financial sustainability; others are "maintenance" oriented, which encourage the continuation of current practices that prevent the erosion of sustainability. The strategy areas below are labeled according to whether they are predominantly proactive or maintenance in nature.

Primarily proactive financial strategies

1. Ensuring adequate funding

This strategy area encompasses both determining The City of Calgary's funding requirements and obtaining adequate funding to meet them. It includes three major strategy statements regarding full cost identification and increasing funding from both existing and new revenue sources.

a) Ensure that estimates of future service and infrastructure expenditure requirements are complete and sustainable, including:

i. all cost elements
ii. the expenditures needed to provide adequate service levels to the existing community and its anticipated growth.

The types of actions that could flow from this strategy statement may include the identification of the full cost of service provision (including depreciation), the review of user fees and subsidy policies, and the recognition of full lifecycle costs in making capital investment decisions.

b) Increase funding from existing sources.

This strategy could encompass, for example, a review of user fee and dividend policies, and the continued work to achieve certainty and longevity in inter-governmental funding agreements.

c) Obtain new sources of funding.

Among the actions that relate to this strategy could be the amendment of provincial legislation to provide access to new funding sources for municipalities, as well as the identification of additional revenue-sharing or compensation opportunities with other orders of government, in order to support operating and capital needs.

2. Achieving diverse sources of funding

This strategy area relates to risk mitigation by having a variety of (and balance among) funding sources that limits the impact to revenues (and therefore services) from economic, environmental and/or social changes. It includes two strategy statements related to innovative funding sources that respond to the pressures of growth and redevelopment.

a) Seek alternative sources of revenue to reduce reliance on existing sources.

Related actions could involve the identification and negotiation for access to growth-sensitive revenue sources in terms of taxes, fees, and development charges.

b) Seek innovative sources of funding.

Areas to examine related to this strategy could include the range of innovative financing methods used by other governments to meet public needs.

Balance of proactive and maintenance financial strategies

3. Managing expenditures

This strategy area deals with cost containment in order to limit pressure on revenue requirements and/or preserve capacity to maintain service levels. It includes three strategy statements regarding cost control and prioritization among civic services.

a) Ensure inflation-adjusted expenditures do not increase at a faster rate than city growth once adequate service levels are in place.

Many actions could flow from this strategy related to achieving cost efficiencies, changing service delivery approaches and evaluating the standards that drive the level of civic services provided.

b) Set spending priorities to ensure the most important areas are funded.

This strategy relates to the specific challenge of allocating scarce resources among many competing public demands.

c) Keep Calgary's residential property tax and utility rates within the lowest quartile of major Canadian cities.

By imposing a limit on the amount of tax and utility revenues available to fund municipal services, this strategy influences corporate expenditure levels.

4. Providing for contingencies

Having access to contingency funds allows The City to manage risk and deal with unforeseen circumstances while limiting the impact on services. The single strategic statement below addresses the means to prepare adequately for the unknown.

a) Ensure The City has ready access to enough funds to meet unforeseen urgent needs and manage risk appropriately.

This statement could lead to actions related to building specific contingencies into both operating and capital budget estimates and maintaining unallocated reserves at adequate levels.

Primarily maintenance financial strategies

5. Establishing debt limits/preserving capacity

Debt can provide capital funding flexibility, by allowing certain infrastructure to be built and used before sufficient revenue has been accumulated to offset the needed investment. High debt levels reduce flexibility and could impair financial sustainability if debt repayments cause or contribute to future revenue inadequacy. The single strategy statement below deals with the proper use of debt.

a) Limit the level of debt and use it only for essential infrastructure with a long lifespan.

This statement could influence such actions as reviewing the policies regarding debt and pay-as-you-go financing, and the timing of capital investments in relation to economic cycles.

6. Operating with prudent foresight

The City needs to take into account what the current and future impacts of decisions will be on services and infrastructure, including how The City's overall financial sustainability may be affected. The two strategic statements included here are largely related to maintaining and extending existing practices regarding a longer-term approach to decision-making.

a) Ensure that the services The City will provide are well defined and are linked to dedicated financial resources required to provide them.

A wide range of actions could flow from this statement, including the continuation of practices of integrating business plans and budgets, and assessing the longer-term impacts of current financial decisions.

b) Build awareness of the projected future costs of City services and infrastructure and of the potential impacts of changes to those projections.

Possible actions that relate to this strategy could include building a deeper understanding within and outside this organization of its financial realities.

7. Maintaining sufficient cash flow

The City requires cash flow to pay the costs of supplying the services and infrastructure mandated by Council. The single strategic statement refers to the need to spread cash flow throughout the year to reasonably match expenditure requirements.

a) Ensure The City receives sufficient cash flow spread over the year to meet obligations while minimizing financing costs.

Actions that respond to this strategy statement could include the continuation of installment plans for the payment of taxes and the pacing of City expenditures to maximize cash flow.

5 Summary and Conclusions

Summary

- The Long Range Financial Plan provides 10-year projections, examples of planning and capital projects that could have significant financial impacts, and financial goals and strategies in one forward-looking document for the first time. The LRFP is not an exercise in precision, but remains a work in progress which lays the groundwork for improvement with each update.
- The LRFP provides a view of the gap that could arise between The City's revenues/funding and expenditures in the next 10 years if existing types and levels of services, infrastructure and funding were to continue. The LRFP also provides financial goals and strategies to reduce the gap and improve financial sustainability.
- Generally conservative assumptions that would maintain only existing types and levels of service and infrastructure have been used to calculate 10-year operating and capital projections.
- The operating revenue and expenditure projection for the 10-year period 2007 – 2016 results in increasing annual operating shortfalls after 2008 culminating in a shortfall of more than $120 million in 2016. Dealing with the infrastructure maintenance deficit could increase the operating shortfalls significantly.
- The capital funding and expenditure projection for the same period shows annual shortfalls of more than $430 million through 2016 and totaling $3.7 billion for 2009 – 2016.
- Financial goals and strategies have been developed and need to be periodically reviewed to improve financial sustainability while not neglecting areas that need to be maintained to prevent City finances from deteriorating.

Conclusions

- The LRFP provides Council and Administration with a longer-term financial context for strategic planning and for evaluating recommendations and decisions that set guidelines for multi-year business planning and budgeting.
- The potential funding gaps indicate that continuing to provide the same services in the same way with the same revenues is not financially sustainable.
- The City will need to develop and implement actions that support the financial strategies in order to achieve its financial goals and ensure financial sustainability while continuing to provide required services and infrastructure for Calgarians.
- The LRFP will need to be updated periodically to reflect Council decisions, changes to the economy and internal and external innovations that affect The City financially.
- Administration will update the LRFP by early 2008 based on business plan and budget adjustments and an economic update to make it available for the process of developing priorities and guidelines for the 2009 – 2011 business cycle.

6 Appendices

Appendix 1
Base Assumptions

Issue	Assumption
Base: operating budget	• Approved 2007 – 2008 operating budgets as adjusted in November 2006. • Includes City transfers to the Calgary Public Library and other civic partners and from the Calgary Parking Authority, but not the full operating budgets of CPL, CPA, Calgary Housing Company and other civic partners. • The average of one-time expenditures for the past five years (excluding those related to large one-time revenues) has been added to each year of the projection.
Base: capital budget	• Approved 2007 – 2008 capital budget. • Forecast construction cost increases are already included in the capital budget, capital plan and not-funded projects. • 50 per cent of (2007 capital budget + carry forward from 2006) is carried forward to 2008 • 50 per cent of (2008 capital budget + carry forward from 2007) is carried forward to 2009. • Includes CPL, CPA and CHC capital.

Issue	Assumption
Base: capital plan plus not-funded projects beyond the first two years	• Capital budget plan and not-funded projects for 2009 – 2016 are included in the base projection. • The estimated costs of capital projects not funded in 2007 – 2016 are added evenly over the last eight years of the capital plan (2009 – 2016). • For each year from 2009 – 2016, the previous year's carry forward is added to the total cost of planned plus not-funded for that year, then 50 per cent is projected to be completed while 50 per cent is carried forward. • All unallocated pay-as-you-go and development levies and assessments are allocated to the group of not-funded projects as those funds are projected to become available. • All unallocated Debt Servicing Reserve funds are considered to be allocated to the group of not-funded projects (through the Lifecycle Maintenance and Upgrade Reserve) as those funds are projected to become available.
Expected term of specific government grant programs	
• Alberta Municipal Infrastructure Program (AMIP) (provincial)	• Funding continues from the current program until its 2010 March 31 expiry date, then no further funding is included. • The City will pursue replacing AMIP, which will require a commitment from the Province.
• Fuel tax sharing (provincial)	• Funding continues at the current level of five cents per litre. • Fuel consumption increases at the same rate as population increase.
• Gasoline tax transfer (federal New Deal)	• Funding is as specified in the current agreement, then continuing at the level reached in federal fiscal 2009 – 2010 ($56.4 million per year) for the balance of the projection.
• Policing grant (provincial)	• Funding continues at the rate of $16 per capita (total increasing with population) for the 10-year projection based on the 3-year term ending 2009 March 31.
• EMS annual funding (provincial)	• Funding continues at the current level ($17 million), but does not increase with population (awaiting results of provincial pilot project in 2008).
Anticipated new provincial grants for cities	• Not included because the 2007/08 provincial budget has not been released. Impacts will be included in a future LRFP update.

Issue	Assumption
Levels of service	• Projections based on approved 2008 expenditure levels to establish baseline. • Unit costs increase due to inflation by projected consumer price index (CPI) increases (with limited exceptions such as employee benefits which are higher as noted under Salary and Wage below).
Levels of productivity improvement	• Assumed to be reinvested to mitigate service level deterioration resulting from increasing complexity of Calgary, including travel distances and congestion.

Impact of population growth on operating expenditures	• Expenditures increase based on:
	  • infrastructure additions
	  • population growth factor (individual business unit amounts reduced or replaced by infrastructure-driven increases).
	• Growth only impacts expenditures such as debt servicing and depreciation through increased borrowing and increased utility assets.
	• Individual business units have identified revenue and cost drivers, but still need to develop formulas to calculate projections that would be used instead of population growth rates for future LRFP updates.

Impact of population growth on operating revenues	• Revenues will increase at 90 per cent of the population growth rate except where individual circumstances apply (e.g. service area and/or infrastructure limitations or additions).
Debt financing	• Additional debt financing capacity is only available for utilities and self-supporting tax-supported projects after 2006.
User fee rate changes	• Unit fees increase at the same rate as the CPI forecast. • Results of Fair Calgary and User Fees and Subsidies Review will be incorporated in future LRFP updates.
New services	• No new services are included (e.g. curbside recycling would be included in future LRFP updates if approved).
*** Population growth forecast (affects operating and capital expenditures)**	• 10-year projection obtained through Corporate Economics.
*** Inflation rate forecasts** **• Salary & Wage (55 per cent of operating expenditure)**	• Salaries and wages are projected to increase at the same rate as CPI. • Benefits are projected to increase by an average of more than six per cent per year.
• Non-Salary & Wage	• Corporate Economics provided 10-year CPI, commodity (including oil, natural gas and electricity) and other forecasts from usual sources.

*** Changes to these assumptions could have significant impacts.**

Issue	Assumption
Operating impact of capital	• As identified in the capital budget (but not double counted in the approved operating budget).
Property tax	• Growth will be based on population forecasts as applied by Assessment. • Rate changes match the CPI forecast.
Other revenues	(Allocations between operating and capital uses reflect current policies.)
• Local access fees (franchise and MCAF)	• Local access fees projections are based on natural gas and electricity price and volume forecasts.
• Business tax	• Growth is based on population forecasts as applied by Assessment. • Projections do not include any rate increases.
• Fines and penalties	• Growth is based on population. • Rates increase by CPI except for Calgary Police Service which only increases for population growth. • Current policies concerning amounts and use continue.
• Dividends and return on equity	• ENMAX dividend based on $35 million annually contributed to the operating budget after 2008.
• Community Recreation Levy, Redevelopment Levy and Acreage Assessments	• The levies and assessments continue to provide funding at their 2008 levels.
Annexation activity	• The impacts of the annexation from the MD of Rocky View are included in the 2007 and 2008 operating budgets. No additional annexation is projected from 2007 to 2016, but if one is decided on it would be added in a future LRFP update.
Capital financing	• Incorporates Council decisions to the end of 2006 including PAYG and revised development levies as reflected in the 2007 – 2008 capital budget.
Amortization (depreciation)	• Applied to utilities and self-supported, but not to tax-supported assets until new accounting rule impacts can be incorporated into a future LRFP update after 2008.

Issue	Assumption
Not included in the base case	• Financial impacts of planning and policy projects on which Council could make decisions in the near to medium term: • imagineCALGARY • Calgary Land Use and Mobility Plan o Municipal Development Plan o Calgary Transportation Plan • The Rivers Community Revitalization Plan • Asset Management Plan • User Fees and Subsidies • Cost of Growth (Centre City Levy) • Fair Calgary • Centre City Plan • Various regional (within Calgary) policy plans • Sustainable Environment and Ethical Procurement • Regional partnerships • Calgary Committee to End Homelessness (Additional information in Appendix 2.) • Existing and new capital projects that may be brought to Council for approval of additional financial impacts not included in the 2007 – 2008 Capital Budget, 10-year capital plan or not-funded project list in the capital budget system: • Waste recycling infrastructure • Library central branch • Police headquarters • Operations Workplace Centres (depots) • Facility Infrastructure Investment Program • Corporate Properties projects • Development of parkland purchased through the Legacy Parks Reserve • Additional Parks projects (Additional information in Appendix 3.)

Appendix 2
Planning and Policy Projects

This table identifies planning and policy projects that may result in operating or capital costs or sources of funding which are currently not included in the 10-year projections of the LRFP. The table lists projects that:

- Are not in the LRFP projections.
- Have a reasonable chance of being brought to Council in the next few years.
- Are already familiar to Council.

Project	Description
ImagineCALGARY	The imagineCALGARY Long Range Urban Sustainability Plan is complete. The City is supporting a one-year transition phase to work with the community partners to identify a governance structure that will ensure ongoing action by all partners to support the goals and targets of the plan. The governance structure will identify funding requirements for all partners including The City. (Scheduled for 2007.)
Calgary Land Use and Mobility Plan (Municipal Development Plan/Calgary Transportation Plan Review)	To achieve a more sustainable Calgary by integrating land use and mobility policy and creating effective implementation strategies with practical tools and processes for decision makers. (Scheduled for 2008.)
The Rivers Community Revitalization Plan	Redevelop public infrastructure in the east end of downtown Calgary. The project costs are intended to be self-financed through the Community Revitalization Levy. (Scheduled for 2007.)
Asset Management Plan	The development of a corporate plan to manage The City's $30 billion in assets, focused on the total lifecycle needs of existing and future sustainable infrastructure.
User Fees and Subsidies	Updating City's user fee policies and related subsidies. (Scheduled for 2008.)
Cost of Growth (Centre City Levy)	Potential levy to provide fire, police, EMS, recreation centres, libraries and buses in Centre City. (Scheduled for 2007.)

Project	Description
Fair Calgary	• Determine the feasibility of consolidating The City's subsidy programs and using low-income as the eligibility criteria. • Incorporate Fair Calgary into TBL policy framework, training tools and communication strategy. • Develop an action plan to implement Council's Declaration of the Coalition of Municipalities against Racism and Discrimination. • Create action plan for alternate communication formats for Public Meetings and Special Events. (e.g. other languages, captioning, Braille). (Scheduled for 2007.)
Centre City Plan	Centre City Plan and Beltline Plan ARP will present a new vision for a livable, thriving and caring Centre City. A number of possible capital projects are included in the plan. (Scheduled for 2007.)
Various Regional Land Use Policy Plans	Regional policy plans are currently being prepared for the Northeast, Southwest (Providence) and South Macleod.
Sustainable Environment and Ethical Procurement	Costs to be further explored through a pilot project. (Scheduled for 2007.)
Calgary Regional Partnership	Regional Partners are exploring: • Regional Growth and Sustainability Framework • Regional Water and Wastewater Planning and Technical Study • Regional Geographic Information System (RGIS) • Regional Transportation Plan (emerging) (Scheduled for 2007.)
Calgary Committee to End Homelessness	A 10-year plan is currently being developed and will be presented to Council. (Scheduled for 2008.)

Appendix 3
Major Capital Projects

This table identifies major capital projects (over $10 million) that are currently not included in the 10-year capital projection of the LRFP. The projection includes the funded capital plan and not-funded projects for 2007 – 2016 that are in the capital budget system. The table lists projects that:

- Are not in the capital budget system on which the LRFP capital projection is based.
- Are of significant magnitude (over $10 million).
- Have a reasonable chance of being brought to Council in the next few years.
- Are already familiar to Council.

This is a sample of possible projects and not a comprehensive list.

Project	Description
Waste Recycling Infrastructure	Support curbside recycling (includes collection and processing recyclable and organic material). (Scheduled for decision in 2007.)
Library Main Branch	Scope includes construction of the new public library (including utilities) and an underground parking structure.
Police Headquarters	Additional costs for new CPS Headquarters and unfunded impact of projects (relocation of the LRT power traction substation from Block 39, demolition of police parkade and temporary parking during construction). Note: Original estimate of costs for new CPS Headquarters, relocation of Service Centre and Husky Building are already in the LRFP (CPS not-funded section of 2007 capital budget).
Operations Workplace Centres (depots)	Ensure that City business units have appropriate facilities for delivering services efficiently (e.g. road clearing, park maintenance, etc.). Significant upgrades and alterations are required at Bearspaw due to environmental issues and at Shepard due to 52 Street widening. New centres planned for South, Southwest and Sarcee. Also includes amounts for strategic land acquisitions for future operations workplaces.
Facility Infrastructure Investment Program	Ensure that Corporate assets/buildings are properly maintained and utilized. Also new corporate administrative workplaces including new builds/relocations/lease/telework costs to respond to growth in requirements for corporate accommodations.

Project	Description
Other Corporate Properties and Buildings Projects (some in partnership with other business units)	CPB focused on 2007 and 2008 during the development of the 2007 – 2011 capital budget. Capital funding needs are just being scoped for a variety of projects including those identified in the Corporate Workplace Framework. Examples of these projects include: **General:** • Continuing costs in 2009 – 16 for previously approved and funded projects (budgets to be developed). • Land acquisitions within five years for projects that are being moved up in priority. **Operations Workplaces:** • Warehouse for Calgary Housing Company. • Manchester – phase 2 to include construction of multi-level parking facility to clear the land for phase 2 development to proceed. **Protective Services Workplaces:** • East Core Fire/EMS response station. • Unplanned Fire/EMS stations required due to greater density (than anticipated in community outline plans).
Development of parkland purchased through the Legacy Parks Program	Shepard Wetlands Haskayne Park Bearspaw Park (south side of reservoir) Clearwater Former Klippert Property Note: This is in addition to LRFP projections and not in CPRIIP.
Other Parks projects requiring additional funding beyond what is identified in Culture, Parks and Recreation Infrastructure Investment Plan (CPRIIP).	Eau Claire Plaza Redevelopment South Athletic Park Devonian Gardens Memorial Drive Park Cultural Landscape Upgrades (Century Gardens, Bowness, Riley, Stanley, St. Patrick's Island) Note: This is in addition to LRFP projections. Funding is either not in CPRIIP or additional funding required.

Appendix 4
Total City Operating Projections ($ millions)

	Budget 2007	Budget 2008	Projected 2012	Projected 2016
EXPENDITURES				
Wages/Salaries/Benefits	1,067	1,124	1,380	1,028
Materials/Equipment/Utilities/Services	623	666	804	951
Debt Servicing & Depreciation (Note 1)	237	246	251	214
Net Transfer From Reserves	113	140	144	201
Transfer Payments (inc. FCSS, Civic Partners)	167	155	181	207
Net Income Distribution – Utilities	66	68	78	105
Recoveries	(237)	(240)	(285)	(332)
GROSS EXPENDITURES (NET OF RECOVERIES/ NET INCOME) (Note 2)	**2,039**	**2,160**	**2,552**	**2,973**
REVENUES				
Tax Revenue (Note 3)	(925)	(984)	(1,152)	(1,336)
Sales of Goods & Services	(609)	(666)	(788)	(916)
Revenue from Utilities/Subsidiaries	(264)	(268)	(282)	(296)
Other Revenue	(240)	(243)	(273)	(299)
TOTAL REVENUE (Note 2)	**(2,039)**	**(2,161)**	**(2,495)**	**(2,846)**
NET DEFICIT/(SURPLUS)	**-**	**-**	**57**	**127**

Note 1: Includes principal & interest payments for tax-supported (non-self-supported) as well as interest payments and depreciation for utilities and tax supported (self supported) entities.

Note 2: Totals may not add due to rounding.

Note 3: Annual tax revenue increases are equal to population growth rate and City inflation rate (except for years 2007 & 2008).

Appendix 5
Total City Capital Budget/10-Year Projections ($ millions)

	Approved Budget 2007	Approved Budget 2008	Projected Capital Expenditures (including deferrals/carry forward impacts) 2007–2011	2012–16	2007–16
EXPENDITURES					
Maintenance	281	171	650	600	1,250
Upgrade	288	156	600	300	900
Growth	1,046	499	2,100	950	3,050
New Services	65	39	150	50	200
Not Funded	-	-	1,800	3,050	4,850
TOTAL EXPENDITURES	**1,681**	**865**	**5,300**	**4,950**	**10,250**
FUNDING					
Capital Deposits					
(including Community & Recreation Levy)	619	352	1,550	1,150	2,700
Debt	566	348	1,450	800	2,250
Reserves	496	165	900	650	1,550
TOTAL FUNDING	**1,681**	**865**	**3,900**	**2,600**	**6,500**
FUNDING SHORTFALL	**-**	**-**	**1,400**	**2,350**	**3,750**

Note: Totals may not add due to rounding.

Appendix 6
Statement of Financial Position – Projected to 2016 ($ millions)

Total City	2007	2012	2016
FINANCIAL ASSETS			
Cash, Cash Equivalents and Investments	1,697	1,574	1,848
Other Long-term Assets	1,567	1,739	1,869
TOTAL FINANCIAL ASSETS	**3,264**	**3,312**	**3,717**
LIABILITIES			
Other Working Capital	321	321	321
Working Capital Shortfall	-	2,093	4,284
Capital Deposits	718	492	350
Other Long-term Liabilities	234	373	535
Long-term Debt	1,555	1,948	1,802
TOTAL LIABILITIES	**2,828**	**5,226**	**7,291**
PHYSICAL ASSETS	**9,321**	**14,498**	**18,080**
NET ASSETS	**9,758**	**12,584**	**14,506**
MUNICIPAL POSITION			
Operating Fund	-	(150)	(543)
Capital Fund	24	(1,828)	(3,523)
Reserves Fund	499	337	484
Equity in Long-term Investments	1,411	1,582	1,712
Obligations to be financed in future years	(40)	(4)	-
Equity in Physical Assets	7,865	12,649	16,377
NET MUNICIPAL POSITION	**9,758**	**12,584**	**14,506**

Note: Totals may not add due to rounding.

Acknowledgements

The work was led by LRFP project manager Jim Heck, with able assistance from Duane Bruce and Gord Miller from Finance & Supply and the many contributions from the LRFP working committee:

- Jill Gaume, Corporate Communications
- Allan Gee, Budget Planning System Development
- Brenda King, Intergovernmental Affairs
- Michael Lyzaniwski, Asset Management
- Rebecca Miller, Capital Budget Planning
- Patrick Walters, Corporate Economics
- Archie Chumak, Corporate Initiatives

The project was managed by a steering committee:

- Chris Good, Chief Financial Officer
- Eric Sawyer, City Treasurer
- Wes Koehn, Manager of Financial Planning Budget and Reporting
- John Dunfield, Senior Corporate Planner

The project also involved staff at many levels throughout the organization including:

- The Administrative Leadership Team (ALT)
- The Senior Management Team (SMT)
- The Finance & Supply management team
- Project managers from several related corporate planning projects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