

EXECUTIVE SUMMARY

The business plans and budgets in this document form the path that The City of Calgary will take over the next three years, to provide the services and programs that Calgarians have asked for. The budget is The City's financial roadmap, created in concert with the business plans that have been developed to meet Council's Fiscal Plan for Calgary. Combined with extensive engagement in 2011, Council's Fiscal Plan for Calgary and the 2012-2014 business plans and budgets all work to meet the expectations of Calgarians in moving toward sustainability targets and achieving the 100-year vision expressed through imagineCALGARY.

During 2011, at the direction of Council, Administration undertook a new approach to business planning and budgeting. This new approach incorporated sustainability, citizen and stakeholder engagement, indicative tax and utility rates, and indicative waste and recycling fees to create a preliminary budget envelope to work within. Productivity gains resulted in savings from every department at The City totalling \$45 million, and the business plans and budgets have been revised to increase transparency and present City services in a clear and understandable format.

In preparing the business plans and budgets, many inputs were considered by Administration in allocating the resources Council approved through the indicative rates and fees. Major trends and issues were examined to form the framework of the 2012-2014 business plans and budgets, resulting in a greater focus on performance measures, and outcomes within the proposed operating and capital budgets.

In November 2011, Council approved an overall operating budget of \$2.8 billion in 2012, \$2.9 billion in 2013 and \$3.1 billion in 2014. The approved capital budget for 2012 is \$1.3 billion, which is part of the 2012-2016 five-year capital plan totalling \$5.7 billion.

The services Calgarians receive, as outlined in the 2012 – 2014 business plans, are predicated on municipal property tax increases of 6.0% in 2012, 5.7% in 2013 and 6.1% in 2014, which averages to an estimated \$6.60 monthly impact in 2012 and 2013, and \$7.50 in 2014. The 2013 and 2014 rates will be reviewed by Council as part of the annual adjustment process.

Trends and outlooks

A number of major trends informed the creation of the business plans and budgets including: growth challenges associated with serving the needs of an ever-increasing population; increasing social needs as sectors experience an increasing demand for services, reduced revenues and volunteer burnout; the changing face of communications and the need to meet citizen expectations of how they want to be informed and engaged; technological advances and opportunities to be more productive; environmental considerations regarding regulations, population growth and increasing public expectations; and an aging workforce and increasing competition for skilled employees.

Between February and May, 2011, more than 23,000 participants engaged in rigorous discussion about what services citizens valued and what trade-offs they were willing to make, given limited resources. The results of these discussions informed the development

of Council's Fiscal Plan for Calgary and the business plans of every City department. The engagement demonstrated two key findings:

- Citizens value City services and do not want to see reductions in service
- Citizens do not want status quo – they want The City to focus on service priorities and deliver services in a more efficient way.

Calgary's population is expected to double over the next 50 to 60 years. The City has to manage that growth effectively through the Municipal Development Plan and the Calgary Transportation Plan. One of the biggest challenges The City faces over the next three years is keeping pace with residential growth. The cost of supplying and maintaining infrastructure including roads, expressways, water mains and sewage pipes, along with services including community police stations, recreation centres and parks, puts considerable demand on The City's operating and capital resources.

Financial overview

Although The City is currently in good financial shape, it faces many of the same challenges that other municipalities around the country are facing. These challenges include matching revenue sources to expenditures, particularly in developing greater sources of growth-related, long-term secure funding.

Emerging issues that affect the budget include a growing demand for infrastructure, increasing growth costs and unreliable long-term capital funding sources within a volatile economy still recovering from the 2008 recession. The City is projecting a growing operating shortfall while recognizing the need to keep tax increases to a manageable level. Property taxes are the largest revenue source for The City's operating budget and a five percent increase in property taxes covers only about two percent of increases in expenditures. This falls short of the projected rates of inflation, and fuels the need to explore alternate sources of funding for City services.

Highlights based on Council's Fiscal Plan for Calgary

Council's Fiscal Plan for Calgary has been developed to support quality of life in Calgary, while pushing The City to become more efficient in service provision. Below are the six priority areas of Council's Fiscal Plan, and some of the highlights The City will undertake in the next three years to achieve Council's plan.

Priority Area 1 – Ensuring every Calgarian lives in a safe community and has the opportunity to succeed

- Focus on community-based policing and crime prevention, deliver innovative social programs; develop strategies to meet the needs of vulnerable Calgarians; develop a comprehensive approach to deliver quality affordable housing; maintain Calgary's standards for fire safety and coverage; balance regulatory focus with customer responsiveness

Priority Area 2 – Investing in great communities and a vibrant urban fabric

- Redevelop and restore existing parks; develop a new Central Library; implement the Municipal Development Plan

Priority Area 3 – Moving people and goods throughout the city efficiently and sustainably

- Create a new long-term plan for Calgary Transit that aligns with the Calgary Transportation Plan; enhance Calgary Transit customer service; add 50 new train cars; implement a new parking policy framework with the Calgary Parking Authority; invest in key cycling infrastructure; ensure Calgary's transportation modes support and sustain the environment

Priority Area 4 – Making Calgary the best place in Canada for a business to start and flourish

- Ensure via the red tape reduction initiative that government legislation does not hinder business development and success; develop an implementation plan to consolidate business tax with non-residential property tax; ensure an adequate supply of serviced industrial land; support a customer-centric environment for all City services

Priority Area 5 – Becoming a more effective and disciplined organization

- Attract and retain a competent, adaptable and resilient workforce; explore and apply alternative ways to deliver services through communication and technology channels; increase focus and accountability around corporate project management; implement a pilot of in-depth, zero-based service reviews

Priority Area 6 – Changing the rules of the game to ensure better financial capacity

- Assure The City and Province of stable tax revenue financing through effective business and property assessment processes; explore alternative funding sources through public-private partnerships; advocate the provincial government for a potential city charter to allow The City to expand its financial autonomy.

Operating budget

Preparation of this three-year operating budget was significantly different than in previous years as Council set indicative tax rate increases of the municipal price increase plus population growth in 2011 June before departments began developing their business plans and budgets.

In November 2011, Council approved an overall operating budget of \$2.8 billion in 2012, \$2.9 billion in 2013 and \$3.1 billion in 2014. Council also approved indicative utility rate increases of 9.8% in the combined water and wastewater rates, and a 4.9% increase in the storm sewer charge. Recycling fees, however, will drop by 19% in 2012, and remain below 2011 levels throughout the three-year cycle.

As directed by Council, Administration found ways to reduce expenditures through productivity gains of \$45 million, with minimal service reductions, to stay within the Council approved budget envelope.

Of note is that in the approved budget the largest budget areas correspond to Council's priority areas, especially transportation, community and protective services. The major areas of spending are also the most citizen-centric and labour-intensive services including Calgary Transit, Calgary Police Service and the Calgary Fire Department.

Capital budget

The City's five year capital plan ensures appropriate planning for required projects and their related funding to demonstrate the complete impact of major, multi-year projects. Capital requirements are driven by many factors including growth, maintenance of current, aging infrastructure and ensuring that The City is consistently meeting industry standards, and legislated and regulatory requirements. Thirty-nine per cent of the capital plan is dedicated to meeting transportation-related needs with the other major components being recreation and culture, emergency services, corporate infrastructure and life-cycle maintenance.

Conclusion

The 2012-2014 business plans and budgets are achievable within the framework of Council's Fiscal Plan for Calgary and the 2020 Sustainability Direction, and moves The City towards meeting the objectives of imagineCALGARY. The City is, however, still facing an uncertain economic climate and forging new relationships with the provincial government, which directly affects both the capital and operating budgets over the next three years.

In addition, the labour market is expected to increase in competitiveness, costs of materials and equipment are rising, and there is an increasing need to maintain and add to city infrastructure while meeting the demands of a constantly growing and developing city.

In response, The City is focusing on finding new revenue sources to ensure citizens have the services they need and expect while transforming our municipal government to be increasingly efficient and effective with current tax and fee revenues. Using advances in technology and communications, The City will increase accountability by becoming more open and transparent. Progress will be closely monitored and reported on through performance measures, and regular, consistent reporting to Council and citizens. The City commits to continuing the dialogue with Calgarians because together, we will achieve the city we all imagine Calgary can be.