Risk Analysis

In 2024, Calgary has experienced a steady complex interplay of internal and external pressures. The top pressures The City is addressing through this budget are:

- Critical infrastructure needs
- Focusing on service delivery while balancing increased costs
- Population growth
- Affordability

Other pressures the organization is facing internally are: financial and capacity constraints, recruitment and retention challenges, and process inconsistencies. These pressures directly impact our ability to deliver services effectively and efficiently. Externally, political polarization, economic volatility, rapid advancements in artificial intelligence, the escalating impacts of climate change and heightened public safety concerns are all putting significant strain on our resources and operations. These internal and external pressures are interconnected and can exacerbate the risks associated with each Principal Corporate Risk.

As the organization considers its budgetary needs, it is important to note that we cannot completely avoid risk as we move forward. In reviewing all the internal and external pressures, the choices made in this budget recommendation are designed to manage the risks related to critical infrastructure, affordability, reputation alongside the needs related to maintenance and service delivery. See Appendix for the Executive Leadership Team's (ELT) earlier direction for balancing risks in our decision making for the service plans and budgets.

Recognizing the uncertainties surrounding the Green Line Light Rail Transit (LRT) project, we are committed to closely monitoring its development and providing Council with timely reports on its implications, including any budgetary adjustments. At this time, Administration will preserve the budget until further information and decision making is made.

Administration's recommended tax increase of 3.6 per cent for 2025 will help alleviate the immediate needs of the organization, addressing some of the legal and service delivery risks. This increase seeks to manage the operational risks of the Corporation. Without this increase, there may be a risk of a decline in new housing developments relative to the needs of the population, leading to a slower growth in housing inventory, which could struggle to meet future demand.

As The City continues to expand, if additional tax increases to pay for growth are not approved, then the quality of City Services may continue to decline as existing budgets and resources are spread out and used to manage the needs of new communities. We will continue to effectively manage this complex risk landscape by monitoring these pressures and risks to adjust response strategies as needed. For a summary of some of the key risks we're monitoring and managing related to the Mid-Cycle Adjustments, see the table below.

Risk	Description	Pressures
1. Cost volatility	The City may continue to experience an increase in costs for many non-discretionary goods and services. The City's ability to purchase (materials, labour, fuel, energy, etc.) may be challenged, which would in turn impact service delivery. This could result in a need to re-prioritize, delay, re-scope or cancel certain initiatives or projects. It could also result in lower than projected funding revenue.	• Inflationary pressures • Geopolitical tensions • Supply chain pressures
	Link to Principal Corporate Risk: Capital Infrastructure, Service Delivery, Financial Sustainability	
2. Infrastructure Gap	There is a risk of not being able to address current infrastructure needs or commitments such as complete new or already approved projects, maintenance requirements, transit availability, or address other concerns due to growth, increase in costs, additional needs, or funding capacity. This could result in cancellation of projects, significant de-scoping, or negative impact to service delivery and our reputation.	• Competing priorities • Aging infrastructure • Strained funding sources • Municipal funding gap • Population increase
	Link to Principal Corporate Risk: Reputation, Service Delivery, Capital Infrastructure, Financial Sustainability	
3. Strategic goals	There is public demand on The City to develop new approaches and investments in certain areas and maintain existing service levels. Risk of not meeting expectations may occur because of misalignment or misunderstanding of these expectations, which could result in budget not supporting strategic objectives of the organization as intended.	• Invest in the wrong things • Organizational resilience
	Link to Principal Corporate Risk: Financial Sustainability	
4. Reputation	There is a risk that Calgarians will react negatively to the budget due to a strong demand to maintain affordability in an inflationary environment. This could result in a negative impact to our reputation as well as trust in the government. At the same time, the public expectations for excellence in	• Public trust and perception of City • Polarization • Socio-economic pressures

Risk	Description	Pressures
	service may mean a loss in reputation, as service degrades if additional investments are not made.	
	Link to Principal Corporate Risk: Reputation, Social Wellbeing	
5. Employee	A risk of negative effects on employee health, safety, well-being and resilience due to increased demands, internal/external pressures, competing priorities or capacity constraints may result in reduced productivity or quality of work, delays in deliverables or inability to hire/retain employees.	• Capacity of service teams/decision makers • Coordination between groups
	Link to Principal Corporate Risk: Employee Experience	
6. Climate Action	There is a risk to The City's commitment to climate preparedness and greenhouse gas emissions reductions due to an increase in political pushback for climate related initiatives. This could result in missed opportunities as well as The City taking on a greater degree of risk exposure than necessary.	• Sustainability bonds • 2nd party audit of City of Calgary GHG emissions inventory
	Link to Principal Corporate Risk: Sustainable City	

Appendix

Earlier this year, the ELT approved the following guiding principles to inform a risk lens for the Service Plans and Budgets.

Guiding Principles

To translate a risk lens into specific options for investments we have refined a list into what kinds of risk we want to take and avoid in achieving results.

We can avoid or reduce risk to	We take risk to
1) Adverse impacts on the priorities and result areas described in the refined strategic direction 2) Avoid new future additional financial costs 3) Lower climate and climate transition risk to organization 4) Public safety 5) Commitments that are required by legislation	1) Innovate and try new ways of providing service 2) Find efficiencies 3) Reduce future operating costs with one-time or capital investments 4) Promote employee experience 5) Enhance The City's reputation 6) Implement new technologies 7) Modernize government

Principles Applied

To apply these guiding principles, we have a focus on the results we want to achieve as an organization. These principles are designed to serve as a method to assess and test investment ideas. For example, we would not want to take risk in implementing a process that would compromise our ability to deliver emergency response services. However, we could take on some risk that would allow us to better modernize the organization. The visualization below demonstrates how we'll apply the guiding principles.