

2019 Mid-year Capital and Operating Budget Revisions Report

EXECUTIVE SUMMARY

A revision report provides Council a summary of operating and capital budget changes that have occurred over a particular period of time. Items previously approved through Council reports or by Administration (as outlined in Budget Report Policy CFO006) are provided for information. Budget revisions exceeding the authorization limits in this policy are presented for Council's approval.

This report includes capital budget revisions for the period of 2019 January 1 to 2019 June 30 for approval and for information, including the 2019 capital budget recast which realigns previously approved budget between years to reflect expected cash flows. The operating budget changes included in this report are for information and cover an extended period of 2019 January 1 to 2019 July 31 in order to reflect the significant budget changes approved by Council on 2019 July 22 relating to the 2019 reductions.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Approve the capital budget timing changes (recast), as identified in Attachment 1;
2. Approve capital budget revisions, as identified in Attachment 2; and
3. Receive for the Corporate Record:
 - a. Attachment 3 – Capital Budget Revisions – Previously Approved
 - b. Attachment 4 – Capital Budget Revision Summary
 - c. Attachment 5 – 2019 Operating Budget Changes – Previously Approved
 - d. Attachment 6 – Decisions Referrals Having Actual or Potential Impact

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2019 SEPTEMBER 17:

That Council adopt the Administration Recommendations contained in Report PFC2019-1067.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 April 29, Council approved amendment of Budgeting Reporting Policy CFO006 to align with Service Plans and Budgets, revise approval thresholds and create separate sections on operating and capital budgets. (PFC2019-0401).

On 2018 November 14, Council approved One Calgary 2019-2022 Service Plans and Budgets (C2018-1158).

On 2008 November 28, Council approved Notice of Motion NM2008-53 to track Council decisions and referrals which have an actual or potential future year budget impact.

2019 Mid-year Capital and Operating Budget Revisions Report

BACKGROUND

The purpose of the revision report is to provide Council with consolidated information on budget changes in order to maintain continuity and transparency with both the operating and capital budgets. In this report, Attachment 1 and Attachment 2 contain changes that require Council's approval. All other changes have been previously approved by Council or are within Administration's discretion to approve under the Budget Reporting Policy CFO006.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Capital

This report requests approval of the 2019 capital budget timing changes (recast) and capital budget revisions for the period of 2019 January 01 to 2019 June 30. It also provides for information the revisions previously approved by Administration and Council during this period in accordance with Budget Reporting Policy CFO006.

Attachment 1 contains the 2019 capital budget recast changes that require Council approval. A capital budget recast simply shifts the previously approved budget between years. The intention of the recast is to provide a capital budget that is more aligned with cash flow estimates and reflect changes that have arisen relating to actual experience with project delivery, Council directions, and Administrative changes. There is no change to the total capital budget or project scope resulting from the recast.

Attachment 2 contains the budget revisions that require Council Approval for the period of 2019 January 01 to 2019 June 30. These include increases, relinquishments, and net zero transfers that exceed Administration's authorization limit of \$400,000.

The net impact of the capital budget revisions requiring Council approval is an overall decrease of \$30.9 million to the 2019 capital budget and an increase of \$1.1 million in 2020-2023. This is driven by various relinquishments required as a result of project completion or to align with revised cost projections.

Attachment 3 outlines the budget revisions that have been approved by Administration (in accordance with Budget Reporting Policy CFO006) or previously approved by Council. For the period from 2019 January 01 to 2019 June 30, Administration and Council approvals included relinquishments, increases and net zero transfers required to reflect updated capital plans.

The net impact of these capital budget revisions is an increase of \$1.0 million to the 2019 capital budget and \$16.7 million in 2020-2023. This is mainly due to increases of \$19.8 million for Foothills Fieldhouse Redevelopment and \$4.1 million for Local Improvement Paving partially offset by \$7.4 million in relinquishments for completed projects and revised capital plans.

Attachment 4 provides a summary by service of the budget changes between 2019 January 1 and 2019 June 30 for transparency and to maintain continuity of the capital budget throughout the year. As a result of the revisions included in Attachment 1, 2 and 3, the 2019 capital budget has decreased by \$770.8 million to \$1,709.0 million, mainly due to the recast of approved budget to future years.

2019 Mid-year Capital and Operating Budget Revisions Report

Operating

This report outlines changes to the 2019-2022 operating budget between 2019 January 01 and 2019 July 31. Operating changes, traditionally summarized to June 30, have been extended to July 31 as a result of the significant budget changes approved in report C2019-0901 Proposed 2019 Budget Reductions on 2019 July 22. There are no operating changes requiring Council's approval in this report.

Attachment 5 shows the changes to the 2019-2022 operating budget between 2019 January 01 and 2019 July 31 that have either been previously approved by Council or are within the scope of Administration to authorize as per Council Policy CFO006. This is presented for information.

During this period there was a \$60 million reduction to both service budgets and taxation revenue to provide immediate one-time relief to eligible non-residential property tax accounts through the 2019 Phased Tax Program and to reduce the non-residential tax rate impact for 2020 and beyond to achieve a shift from the non-residential assessment base to the residential base (C2019-0901). Other significant changes consisted of:

- Council approved one-time budgets;
- Reductions required to achieve a property tax increase of 2.45% in 2019 and fix the residential tax rate increase at 3.45% to achieve a shift from the non-residential assessment base to the residential base, as approved by Council during the November 2018 budget deliberations (C2018-1158). These reductions (\$16.5 million) were centralized and distributed to services and programs in 2019;
- Corporately centralizing budget associated with Actively Developing and New Communities and new positions to intentionally manage staffing resources through workforce planning; and
- Net zero transfers between services to better align to business needs.

Attachment 6 lists Council decisions and referrals which have an actual or potential future year operating budget impact. This is provided to meet the requirement of NM2008-53 to track Council decisions and referrals. Items with potential budget impacts are:

- Develop a baseline to inform the design of an extended producer responsibility program (C2019-0129);
- Business friendly initiatives (C2019-0782);
- Sub-service reviews and reduction options for 2020 (C2019-0883); and
- Council Compensation Review Committee (C2019-0788).

Stakeholder Engagement, Research and Communication

The 2019-2022 business plans and budgets were developed through engagement with various internal and external stakeholders. Revision reports brought forward throughout the cycle reflect operating and capital budget changes to better align to expected results and new Council direction.

2019 Mid-year Capital and Operating Budget Revisions Report

Strategic Alignment

This report summarizes budget revisions that align with direction and priorities established in the approved One Calgary 2019 – 2022 business plans and budgets and subsequent Council direction. The revision processes allow Administration to adapt to changes in economic conditions and the external environment, incorporate additional information that is available, and support Council's priorities of a Well Run City and a Prosperous City.

Social, Environmental, Economic (External)

The social, environmental and economic landscape impact service lines in various ways. Revisions to the operating and capital budgets reflect changes that have been made to respond to these factors.

Financial Capacity

Current and Future Operating Budget:

There is no net impact to the operating budget. Operating budget revisions reflect recommended changes based on Council and Administrative approvals and are already included in the approved operating budgets.

Current and Future Capital Budget:

The Capital budget recast and other revisions for Council approval result in a net decrease of \$772 million to the 2019 capital budget and an increase of \$742 million in 2020-2023. Previously approved capital budget revisions resulted in a net increase of \$1 million in 2019 and \$17 million in 2020-2023.

Risk Assessment

Not approving the proposed capital budget revisions could impact the timely delivery of capital projects.

REASON(S) FOR RECOMMENDATION(S):

- Administration is requesting revisions included in Attachment 1 and 2 to align budgets with work plans and priorities;
- Administration is providing Attachments 3-5 of this report to Council for information to maintain continuity and transparency in accordance with Budget Reporting Policy CFO006; and
- Administration is providing Attachment 6 in accordance with NM2008-53.

ATTACHMENT(S)

1. Attachment 1 - Capital Budget Recast – For Approval
2. Attachment 2 - Capital Budget Revisions – For Approval
3. Attachment 3 - Capital Budget Revisions – Previously Approved
4. Attachment 4 - Capital Budget Revision Summary
5. Attachment 5 - 2019 Operating Budget Changes – Previously Approved
6. Attachment 6 - Decisions Referrals Having Actual or Potential Impact