

Chief Financial Officer's Report to
Priorities and Finance Committee
2020 June 09

ISC: UNRESTRICTED
PFC2020-0607

2019 Year-end 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. These changes can be approved through Council reports or by Administration if within the authorization limits outlined in Budget Reporting Policy CFO006. This year-end report provides:

- capital budget revisions between 2019 July 1 and 2019 December 31;
- a summary of these revisions, as well as, the impacts of the 2019 capital budget carry forwards and reductions in MSI funding on the 2020-2023 capital budgets; and
- operating budget revisions between 2019 August 1 and 2019 December 31.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council receive this report for the Corporate Record, and subsequent Council discussion.

PREVIOUS COUNCIL DIRECTION / POLICY

- On 2020 February 3, Council approved C2020-0040 which included capital budget relinquishments for 2020-2023+ resulting from the \$73 million shortfall in Municipal Sustainability Initiative (MSI) funding as well as the 2020 capital budget recast.
- On 2019 November 12, Council approved the 2020 Adjustments to the One Calgary Service Plans and Budgets (C2019-1052).
- On 2019 September 30, Council approved the 2019 Mid-year Capital and Operating Budget Revisions Report (PFC2019-1067).
- On 2019 April 29, Council approved the revised Budget Reporting Policy CFO006.
- On 2018 November 14, Council approved One Calgary 2019-2022 Service Plans and Budgets (C2018-1158).
- On 2016 November 21, Council authorized the Deputy City Manager to continue to identify capital funding sources (C2016-0863).
- 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.

BACKGROUND

The purpose of the revision report is to provide Council with consolidated information on all changes to budgets in order to maintain continuity and transparency with both the operating and capital budgets. Attachments 1-4 are for Council's collective awareness and all changes are a result of previously approved Council direction or are within Administration's discretion to approve under the Budget Reporting Policy CFO006.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Capital

This report informs Council about the capital budget revisions previously approved by Council and/or Administration for the period of 2019 July 1 to 2019 December 31 and the continuity of capital budget by Service for the same time period.

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Attachment 1 outlines the budget revisions that have been approved by Administration within their authority (revisions with a net budget impact under \$400,000 and transfers to capital budget savings) or by Council through separate reports. For the period from 2019 July 1 to 2019 December 31, Administration and Council approvals included relinquishments, increases and net zero transfers required to reflect updated capital plans resulting in increases totalling \$81.613 million in the 2019 capital budget, and \$353.502 million in 2020-2023. The increase in 2019 is primarily due to the lifting of confidentiality of two projects for public reporting purposes: the Stoney Transit Facility and the Douglasdale McKenzie slope. The increase in 2020-2023 is driven primarily by Council's approval of the Event Centre and a funding increase for detailed design of the Arts Commons Transformation project, as well as the lifting of confidentiality of the Stoney Transit Facility.

Attachment 2 provides a summary by service of the budget continuity between 2019 July 1 to 2019 December 31. In addition, this attachment shows the impact of the reduction in MSI funding approved by Council in C2020-0040 as well as the carry forward of unspent 2019 capital budget. The revised budget is \$1.790 billion in 2019 and \$5.034 billion in 2020-2023.

During the year end procedures, Finance also became aware of a contract with Enmax for solar panels (Budget ID P819_234) that included grant funding of \$2.048 million. The grant-funded portion of the capital expenditure was not approved at the time of the rest of the budget, however the spending occurred, the grant has now been received and the project is completed. Because the project has been completed, budget for the grant-funded portion can no longer be requested. As a result, Administration, through this report, is informing Council that the expenditure occurred without Council approval and outside of the scope of the Administration authority outlined CFO006. To prevent this in the future, Administration has committed to increased communication and training pertaining to budget guidelines.

Operating

This report informs Council of changes to the 2019 net operating business unit budget between 2019 August 1 and 2019 December 31 that have been previously approved by Council or Administration within their authority.

Attachment 3 shows the changes to the 2019 net operating service budget that have either been previously approved by Council or are within the scope of Administration to authorize as per Council Policy CFO006. During this period, there was no change to the total City net budget. The main changes to service budgets were:

- Transfers of \$2.0 million from corporate to service budgets for wage settlements;
- Transfers of \$1.2 million from corporate to service budgets through the Corporate Work Force Planning process;
- Transfers between business units due to organizational changes; and
- Carry forwards of one-time budgets of \$8.1 million

Attachment 4 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.

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Stakeholder Engagement, Research and Communication

The One Calgary 2019-2022 business plans and budgets were developed through engagement with various internal and external stakeholders. Revision reports brought forward throughout the cycle reflect the operating and capital budget changes that are driven by actual experiences and/or new Council direction.

Strategic Alignment

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

Social, Environmental, Economic (External)

The social, environmental and economic landscape impacts business units 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 2019 operating budget. The 2019 operating budget revisions reflect changes based on Council approval and Administrative authority outlined within CFO006.

Current and Future Capital Budget:

Capital budget revisions between 2019 July 1 and 2019 December 31, resulted in a \$81.613 million increase to the 2019 capital budget and an increase of \$353.502 million in 2020-2023+. With 2019 carry forwards and the MSI reductions, the 2020-2023+ capital budget increased by \$700.8 million.

Risk Assessment

The budget revisions included in this report are for information. Any risk associated with these revisions would have been identified at the time of approval.

REASON(S) FOR RECOMMENDATION(S):

- Administration is providing Attachments 1-4 for Council information to maintain continuity and transparency in accordance with Budget Reporting Policy CFO006.

ATTACHMENT(S)

1. Attachment 1 – Capital Budget Revisions – Previously Approved
2. Attachment 2 – Capital Budget Revision Summary
3. Attachment 3 – 2019 Operating Budget Continuity Schedule
4. Attachment 4 – Council Decisions/Referrals Having Actual or Potential Future Year Operating Budget Impacts