



Chief Financial Officer's Report to
Priorities and Finance Committee
2016 September 20

ISC: UNRESTRICTED
PFC2016-0709
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2016 MID-YEAR ACCOUNTABILITY REPORT

EXECUTIVE SUMMARY

The 2016 Mid-Year Accountability Report informs Council of Administration's achievement of 2015-2018 Action Plan commitments during the first 6 months of 2016.

In general, the organization has performed well this year with 26 of 44 strategic actions achieving significant milestones. Key areas of achievement include supporting on the ground operations in Fort McMurray and providing emergency social services to more than 2,300 evacuees; the approval of Step Forward, a pedestrian strategy that includes 49 actions to improve safety, comfort and accessibility of walking in Calgary; and The City's recognition as one of Canada's greenest employers.

A separate, though related report has also been provided to Priorities and Finance Committee (PFC) on 2016 September 20, with information on previously approved and proposed 2016 revisions titled 2016 Capital Budget Recast and Other Capital Revisions (PFC2016-0713).

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends:

1. That Council receive for information:
 - Attachment 1 – 2016 Mid-Year Accountability Report.
 - Attachment 2 – Tracking Organizational Realignment.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 SEPTEMBER 20:

That the Administration Recommendation contained in Report PFC2016-0709 be approved.

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee Held
2016 September 20:

**“And further, that the Priorities and Finance Committee forward this report to the
2016 September 26 Regular Meeting of Council as an item of Urgent Business.”**

PREVIOUS COUNCIL DIRECTION / POLICY

In 2005, Council approved the Multi-Year Business Planning and Budgeting Policy (CFO004) which states that Administration will provide Mid-Year and Year-End reports to the Priorities and Finance Committee as the means by which Council is informed about the performance of the organization in relation to approved business plans and budgets.

On 2014 September 15, Council approved The City Manager's Leadership Strategic Plan, which outlines five key directives that will guide the organization over the next several years. Included in this Plan (under section 1) is a commitment to “timely and meaningful reporting of accomplishments”.

BACKGROUND

Approval(s): Sawyer, Eric concurs with this report. Author: Whelbourn, William E.
City Clerk's: M. Cario

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The 2015 Mid-Year Accountability Report (PFC2015-0689) outlined the realignment of functions that had occurred from the time that Action Plan was approved in 2014 November. It was provided so that Council could see where respective department updates could be found within the Accountability Reports going forward.

On 2016 March 21, Council received a verbal update of Action Plan progress to date and future plans (C2016-0252) as part of the Mid-Cycle Adjustments Process update.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Report Structure:

The Mid-Year Accountability Report (Attachment 1) now includes:

- An executive summary, outlook, and contextual information about the purpose of the report and background on Council Priorities.
- A two page summary for each of the Council Priorities, with more details on each of the 44 Strategic Actions made available online. The first of the two pages includes information about how the city overall is faring and the second provides information how The City as an organization is performing and includes highlights of both achievements and challenges that are currently being faced. The fifth Council Priority (Well Run City) is structured slightly differently. It provides information on corporate-wide performance on the first page and then, similar to the other Council Priority areas, highlights of achievements and challenges under this Council Priority.
- An update on progress that is being made on the Leadership Strategic Plan.
- An overview of the Corporate Operating and Capital Budgets and summary of the Budget Savings that were achieved in the first half of the year.
- Departmental pages that include 3-5 headline performance measures, and details Operating and Capital budget by business unit. Links are also provided to additional performance measures and more detailed information online.

This structure provides Council with a high level summary in the report, while offering interested members the ability to access the details online ([Link to Online Supplementary Information](#)). For archival purposes, a copy of the online detailed sections will be retained by City Clerk's.

Strategic Alignment (Attachment 2) outlines the realignments to the organizational structure that have been made since the 2015 Mid-Year Accountability Report (PFC2015-0689). The Mid-Year report reflects the new structure. With respect to these realignments, all budget transfers have yielded a net-zero impact at the corporate level.

Report Highlights:

Council's Priorities and all 44 associated strategic actions are generally progressing as planned, with 26 of the strategic actions achieving significant milestones, while four strategic actions are experiencing challenges. Key areas of achievement include supporting on the ground operations in Fort McMurray and providing emergency social services to more than 2,300 evacuees; the approval of Step Forward, a pedestrian strategy that includes 49 actions to improve safety, comfort and accessibility of walking in Calgary; and recognition as one of Canada's greenest employers.

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On 2016 June 27, Council approved a tax rate increase of 1.5% for 2017 with a one-time rebate of 1.5% funded from the Fiscal Stability Reserve, for a net increase of 0% for 2017 (C2016-0544). The approved tax rate is achieved through corporate sources, as well as a reduction in Department operating budgets equivalent to 1.0% of the tax rate increase (approximately \$15.0 million) through savings and efficiencies, as well as reductions with service impacts.

With the change in the economy due to declining oil prices, a number of community indicators for A Prosperous City, A City of Inspiring Neighbourhoods and A City That Moves have been trending down. Most notably, building permit values have decreased by 35% and unemployment continues to increase, reaching 8.4% in June; after years of declining crime rates, Calgary's person and property crime rates have increased significantly; and transit ridership has declined in step with unemployment, leading to lower transit fare revenue.

Financially, The City has a year-to-date favourable variance of \$19.9 million. Of this, \$10.5 million is from tax-supported programs and \$9.4 million is from Utilities.

The tax supported favourable variance of \$10.5 million was a combined effect of:

Business Units' Operating Savings of \$7.5 million:

- Lower January to April costs in snow & ice control (SNIC) and higher revenues from road use permits and asphalt plant operations including Zero-Based Review (ZBR) efficiencies in Roads (\$4.2 million favourable),
- Sum of other small variances from various business units (\$3.3 million favourable).

Corporate Programs' Savings of \$3.0 million:

- Higher Workers Compensation Board (WCB) rebate and surplus allocation and lower year-to-date spending on other employee benefits costs (\$3.4 million favourable),
- Higher investment income on higher than budgeted principal balances (\$3.0 million favourable), partially offset by
- Lower franchise fees received from ATCO Gas and ENMAX due to lower natural gas prices and electricity prices, \$14.9 million unfavourable, partially offset by lower corporate contingency expenses of \$11.2 million favourable and small variances from other corporate programs (net \$3.4 million unfavourable).

The \$9.4 million favourable variance from Utilities occurred due to expenditures not aligning with revenues. Utilities is projected to have no variance by the end of the year.

Administration is projecting a favourable variance of \$5.8 million by year-end as a combined effect of:

- Roads (\$2.0 million favourable) – primarily due to higher revenue from traffic permits, excavation permits and plant sales, partially offset by higher ENMAX streetlight electricity cost which is weather dependent.

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- Calgary Transit (\$1.25 million unfavourable) – Fares were \$5.5 million unfavorable to the end of June. This was partially offset by \$3.2 million contribution from the Community Economic Resiliency Fund linked to Council freezing the fares. A \$2.3 million fare variance due to the drop in ridership - projected over the year will be \$4.6 million unfavorable. With anticipated mitigation measures (lower fuel prices, postponed hiring etc.) partially offset by higher parts costs, Transit is expected to reduce the variance to \$1.25 million unfavourable by year end.
- Corporate Programs (\$5.0 million favourable) – higher investment income, \$3.5 million favourable, higher WCB rebate and surplus, \$1.5 million favourable, and lower corporate contingency expenses, \$27.0 million favourable, partially offset by significantly lower franchise fees revenue expected from ATCO Gas and ENMAX due to lower natural gas prices and electricity prices, \$27.0 million unfavourable.

Please note that there are uncertainties on the above year-end projection due to expected changes for labour timing costs and other possible year-end adjustments.

Year-to-date capital spend was \$509 million to 2016 June 30. This compares to \$391 million spent in the same period in 2015.

With the current economic conditions showing no sign of recovery, Departments may be more challenged to meet certain action plan performance targets by year end. These challenges may become more persistent, with service impacts to be anticipated in some areas, as Departments work within Council-directed operating budget reductions for 2017 (C2016-0544). The proposed reductions with service impacts will be presented for Council approval in November 2016.

Stakeholder Engagement, Research and Communication

All Departments collaborated to produce one corporate voice to report on Council Priorities and participated in the compilation of the information contained in these reports.

Strategic Alignment

This report aligns with The City Manager's Leadership Strategic Plan and Action Plan 2015-2018. Specifically, it addresses the Leadership Strategic Plan commitment to "focus on results by establishing timely and meaningful reporting of accomplishments" to Council and helps to make further headway on the implementation of an integrated performance management system. The inclusion of collective (cross-departmental) reporting of accomplishments along with department-specific results reinforces the organizational values of collective accountability and individual responsibility.

Social, Environmental, Economic (External)

Attachment 1 provides further detail on The City of Calgary accomplishments and associated social, environment, and economic impacts for 2016.

Financial Capacity

Current and Future Operating Budget:

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No budget impacts as a result of this report.

Current and Future Capital Budget:

No budget impacts as a result of this report.

Risk Assessment

Regular status updates on department business plans and budgets will help to manage risks by ensuring that Council and senior management is aware of emerging issues and challenges in a timely manner, and can react accordingly.

REASON(S) FOR RECOMMENDATION(S):

Administration is providing this information as part of its commitment to provide timely and meaningful reporting of accomplishments and to comply with Council direction and policy (CFP-004) relating to accountability reporting and to inform the mid-cycle adjustments process.

ATTACHMENT(S)

1. 2016 Mid-Year Accountability Report
2. Tracking Organizational Realignment

