

BRIEFING

Page 1 of 2

Item # 5.2.3

**Chief Financial Officer's Briefing to
Priorities and Finance Committee
2021 September 07**

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2021 Mid-Year Accountability Report

PURPOSE OF BRIEFING

This report provides an update on The City of Calgary's (The City's) progress in the first half of 2021 (January 1 to June 30) toward delivering the One Calgary 2019-2022 Service Plans and Budgets. This includes an update on the Solutions for Achieving Value and Excellence (SAVE) program, The City's COVID-19 response, the COFLEX program, strategy progress, along with operating and capital budget overviews.

This report responds to Council's Multi-Year Business Planning and Budgeting Policy for The City of Calgary (CFO004), Section 5.6 (a): "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 Corporation in relation to approved business plans (including Council Priorities and performance targets) and budgets".

SUPPORTING INFORMATION

Service Plan and Budget Accountability Reports provide regular information on the alignment of our current efforts with our longer-term goals. They demonstrate transparency and our drive to continuously improve and deliver service value. In addition, they provide a tool that assists Council in managing the effective delivery of our four-year service planning and budgeting commitments.

In the first half of 2021, the COVID-19 pandemic continued to create a complex operating environment. Achieving Council's direction against a backdrop of uncertainty about the extent and duration of COVID-19 impacts, changing public health orders, and service demand fluctuations impacting both financial revenues and costs, remained a challenge.

However, 2021 has started off with some optimism on a variety of fronts. More recently, The City has begun to re-open many facilities and offer programming that was unable to be offered in 2020. We continued to strive to maintain the right balance between supporting citizen and business needs while protecting public health by adapting services and making fiscally responsible choices.

The 2021 Mid-Year Accountability report (Attachment 1) provides an update on The City's performance for the first half of 2021 against the approved plans and budgets. In addition, the COVID-19 Service and Financial Impacts – July Update briefing report will go to Council on 2021 September 13 to provide additional information on COVID-19 related community impacts, with current City service impacts up to 2021 July 16, City financial impacts up to June 30 and related 2021 year-end projections.

2021 January 1 to June 30 highlights include:

- 85 per cent of strategies were on track or completed, a 3 per cent improvement since the last update in the 2020 Year-End Accountability Report. Challenges were identified in 14 per cent of strategies and 1 per cent have not started yet.

BRIEFING

Item # 5.2.3

- Key results from across the corporation demonstrated how we supported citizens and business including: arts and culture opportunities; infrastructure investments; the modernization of government; and protecting the public.
- The 2021 June year-to-date operating variance for The City is \$23.7 million favourable and comprises of COVID-19 impacts of (\$31.3) million resulting from revenue declines and cost increases, offset by \$55 million from savings initiatives and cost avoidance.
- The 2021 June 30 year-to-date capital investment was \$359 million, 15.2 per cent of the \$2.4 billion budget. Services have continued to adapt to supply and material challenges and limitations, COVID-19 health and safety guidelines, and human resources constraints. Traditionally, The City sees the spend rate increase in the second half of the year, largely due to the busy construction season. Despite these limitations, The City continues to build and maintain City assets.
- In 2020, the Government of Alberta approved \$152.8 million in funding through the Municipal Stimulus Program (MSP) for infrastructure investments in Calgary as part of Alberta's Recovery Plan to help with the COVID-19 recovery. The City is using these funds through 2021 to deliver projects in Affordable Housing, Critical Road & Fiber Infrastructure Renewal, Cultural Building Envelope Upgrades, Facility Upgrades, Park System Upgrades, Stormwater Community Drainage Improvements and for Transit Infrastructure. These projects, along with the rest of the capital portfolio, help create and sustain local jobs and contribute to a resilient city.
- The COFLEX program has enabled Administration to optimize both Municipal Operating Support Transfer (MOST) funding and savings from other ongoing expenditure management initiatives to address the impacts of COVID-19. In the first half of 2021, a significant majority of the fund's \$73 million was allocated to support City operations as well as initiatives and programs by providing funding sources to help groups respond quickly to the changing demands on our services. Attachment 2 summarizes the COFLEX initiatives and the \$72 million in funding allocations as of 2021 July 2. The COFLEX program is scheduled to close at the end of 2021 August. Since many of the initiatives are ongoing, any additional funding asks, relinquishments, or noteworthy items occurring after July 2 will be highlighted in future Accountability Reports.
- In November 2019, Council directed the Solutions for Achieving Value and Excellence (SAVE) program to target a reduction in tax-supported operating budgets. The program's focus for the first half of 2021 was twofold: implementing the first wave of business cases, which identify 2021 savings of \$26.4 million and were approved by Council during the Mid-Cycle Adjustments in 2020 November; and developing additional business cases to meet the 2022 program target of \$51.2 million in base budget savings (plus striving to find the additional \$8.7 million needed to achieve a zero per cent tax rate increase in 2022). The SAVE Implementation Coordination Office continues to work collaboratively with project teams across the organization to implement the approved savings in 2021 while also progressing work towards the 2022 target.

ATTACHMENT(S)

1. Attachment 1 – 2021 Mid-Year Accountability Report
2. Attachment 2 – Summary of COFLEX Initiatives and Funding Allocations