

SEP 28 2015

ITEM: Urgent Business
CITY CLERK'S DEPARTMENT

Chief Financial Officer's Report to
Priorities and Finance Committee
2015 September 22

ISC: **UNRESTRICTED**
PFC2015-0689
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2015 MID-YEAR ACCOUNTABILITY REPORT

EXECUTIVE SUMMARY

The 2015 Mid-Year Accountability Report informs Council of Administration's achievement of 2015-2018 Action Plan commitments during the first 6 months of 2015. This is the first report of the 2015-2018 cycle and the structure of the report has been changed to reflect changes identified in the Future Accountability Reporting (PFC2015-0208) on 2015 March 17.

A separate, though related report has been provided to Priorities and Finance Committee (PFC) with information on previously approved and proposed 2015 revisions titled Capital and Operating Budget Revisions Report For the Period 2015 January 01 to June 30 (PFC2015-0697).

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends:

1. That Council receive for information:
 - Attachment 1 – 2015 Mid-Year Accountability Report.
 - Attachment 2 – Realignment of Functions.
2. That Council direct Administration to transfer the operating portion of the Budget Savings Account balance to Corporate Programs, if needed, to offset any unfavourable variance in the Franchise Fees (Program #857) budget.
3. That this item be added to the 2015 September 28 meeting of Council as an item of urgent business.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2015 SEPTEMBER 22:

That Council:

1. Receive for information:
 - Attachment 1 – 2015 Mid-Year Accountability Report.
 - Attachment 2 – Realignment of Functions.
2. Direct Administration to transfer the operating portion of the Budget Savings Account balance to Corporate Programs, if needed, to offset any unfavourable variance in the Franchise Fees (Program #857) budget.

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Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2015 September 22:

"3. That this item be added to the 2015 September 28 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".

On 2015 March 17, Priorities and Finance Committee received a report on Future Accountability Reporting (PFC2015-0208) for information, which proposed changes to the structure and content of the accountability reports. This report is the first using the revised structure and format.

BACKGROUND

With the commencement of a new business planning and budgeting cycle, Action Plan 2015-2018, Administration was presented with the opportunity to improve on the Accountability reports. Some key opportunities for improvement were identified and have been incorporated into the reports. These include:

- Providing a succinct summary of highlights that are noteworthy by Council Priority and by Department.
- Widening the scope of the report to include information about how the city as a whole is doing in the first four Council Priority areas, including community.
- Providing more information as to how well The City is collectively contributing to each of the Council priorities.
- Shortening the report by providing links to more detailed information online.
- Making the report easier to read by incorporating more visual cues such as graphs, photos, and diagrams.

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

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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 (approved by Council on 2014 September 14).
- 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 new 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.

Realignment of Functions (Attachment 2) outlines the realignments to the organizational structure that have been made since Action Plan was approved. 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 and there has been no change in the number of Departments reporting to the City Manager. Some department performance measures may require re-alignment to reflect the new composition of the department. All performance measures will be updated and reported in the Year-End report.

Report Highlights:

Council's Priorities and all 44 associated strategic actions are generally progressing as planned, with 27 of the strategic actions achieving significant milestones, while only three strategic actions are experiencing challenges. Key areas of achievements include the advancement of Charter discussions with the Province; securing of flood resiliency funding; and significant progress on the waste diversion strategy. Challenges are being experienced with efforts to increase affordable housing and meet targets to increase the City's urban canopy cover.

Financially, The City has a year-to-date favourable variance of \$16.2 million. Of this, \$4.4 million is from tax-supported programs and \$11.7 million is from Utilities.

The favourable tax-supported variance is primarily attributed to:

- savings from a delay in filling vacant positions in various business units;
- budget savings on fuel and increased revenue from court fines, from Police;
- higher than budgeted fare revenue from Calgary Transit; and
- higher investment income, offset by lower franchise fees revenue from ATCO Gas and ENMAX.

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The \$11.7 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.

City Departments have reported operating budget savings of \$13.0 million. Of this, \$11.9 million represent savings from tax-supported programs, which have been transferred to the Budget Savings Account (BSA), and \$1.1 million represent savings from self-supported programs. The City's year-to-date favourable variance of \$16.2 million is before budget savings. After budget savings, the City's year-to-date favourable variance is \$3.2 million. Administration is projecting an unfavourable variance of over \$28 million by year-end due to lower franchise fees and tax revenues. Therefore Administration is recommending that at year-end, all or part of the operating BSA be transferred to Corporate Programs if it is needed to offset the unfavourable variance in the Franchise Fees (Program #857) budget.

Approximately 19.6%, or \$391 million, of the \$2.002 billion total City 2015 capital budget has been spent by 2015 June 30. This compares to 18.4%, or \$429 million YTD spent in 2014.

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

The new report format aligns with The City Manager's Leadership Strategic Plan and the recently-approved Action Plan 2015-2018. Specifically, this proposal 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 considerable detail on The City of Calgary accomplishments and associated social, environment, and economic impacts for 2015.

Financial Capacity

Current and Future Operating Budget:

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.

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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. This report is being referred to Council as an item of urgent business so that it may be viewed in conjunction with the 2016 Resiliency Budget.

ATTACHMENT(S)

1. 2015 Mid-Year Accountability Report
2. Realignment of Functions