

2015 YEAR-END ACCOUNTABILITY REPORT

EXECUTIVE SUMMARY

The 2015 Year-End Accountability Report informs Council of Administration's achievement of 2015-2018 Action Plan commitments during 2015.

The 2015 year-end report includes a two page summary for each of the Council Priorities. The first page shows how the city (ie. the community) overall is faring and the second page provides information on how The City as an organization is performing. In general, the organization has performed well this year with 32 of 44 strategic actions achieving significant milestones. Key areas of achievement include the approval and alignment of the LRT and station locations for the southeast section of the Green Line; initiating construction of the Organics and Biosolids Facility; and securing a Foreign Trade Zone Designation for Calgary.

The report also provides an update on progress being made on the Leadership Strategic Plan, an overview of corporate operating and capital budgets as well as debt status and efficiency gains made. Departmental pages that include headline performance measures and details on operating and capital budgets have also been provided. Together these reports are intended to ensure Administration remains accountable to Council for comments made, and that Council is informed on the status of goals, performance measures and The City's financial situation.

Information on revisions to the 2015 and 2016 Operating Budgets for the period 2015 July 01 to December 31 along with Capital budget revisions, including recasting, will be presented to Council on 2016 June 27.

ADMINISTRATION RECOMMENDATION(S)

That Priorities and Finance Committee recommends that Council receive for information:

- Attachment 1 – 2015 Year-End Accountability Report.

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 December 18, Council received a report for approval on Action Plan: Mid-Cycle Adjustments Process (C2015-0956), which proposed that Administration take advantage of existing processes, which includes the 2015 Year-End Accountability Report.

BACKGROUND

With the commencement of a new business planning and budgeting cycle, Action Plan 2015-2018, Administration proposed changes to the structure and content of accountability reports

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which was reflected in Future Accountability Reporting (PFC2015-0208). On 2015 September 22 the Mid-Year Accountability Report (PFC2015-0689) was presented to the Priorities and Finance Committee and was the first report to incorporate the revised structure and format. The 2015 Year-End Accountability Report follows the same format with the addition of two extra pages. The new pages are a Debt Overview, showing The City's total debt outstanding, and an Efficiencies Overview showing the total efficiency gains made and budgeted from 2012-2018, with specific focus on 2015 efficiency achievements.

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. The attachment also indicated that where departmental performance measure targets were affected by the re-alignment of functions, those targets would be re-calibrated and reported in the 2015 Year-End Accountability Report. All performance measure targets that required re-calibration due to the realignment of functions shown in that Attachment have been made, and are identified by an asterisk in the online section. Changes made in 2016 will be reflected in future reporting.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Year-End Accountability Report (Attachment 1) 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 (approved by Council on 2014 September 14).
- An overview of the Corporate Operating and Capital Budgets and summary of new Budget Savings that were achieved in the calendar year of 2015. A Debt Overview showing The City's total debt outstanding up to 2015. An Efficiencies Overview showing the total budgeted City efficiency gains made from 2012 to 2018.
- 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.

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On 2015 December 18, Council received a report for approval on Action Plan: Mid-Cycle Adjustments Process (C2015-0956). This 2015 Year-End Accountability Report provides information on the progress of the business plans and budgets to date and thus serves as a good backgrounder for discussions on the Mid-Cycle Adjustments that will commence with discussions at Council at its Strategic Council Meeting on 2016 March 21.

Report Highlights:

Council's Priorities and all 44 associated strategic actions are generally progressing as planned, with 32 of the strategic actions achieving significant milestones, while only one strategic action is experiencing challenges. Key areas of achievement include the approval and alignment of the LRT and station locations for the southeast section of the Green Line; initiating construction of the Organics and Biosolids Facility; and securing a Foreign Trade Zone Designation for Calgary. The main challenge being experienced through this difficult economic time is balancing the demand for City services with affordable taxes.

The City of Calgary's 2015 favourable year-end variance of \$86 million, prior to Budget Savings, was a combined effect of:

Business Units' Operating Savings \$32 million:

- Savings from delay in filling vacant positions in various business units (\$17.0 million favourable variance),
- Budget savings on fuel and increased court fines revenue from Police (\$4.0 million favourable variance),
- Increase in insurance settlements with third parties and lower than expected claims from City business units (\$3.8 million favourable variance),
- Higher than budgeted fare revenue and savings due to mild winter from Calgary Transit (\$3.7 million favourable variance),
- Higher than forecasted Utility Line Assignment revenue and reduced contractual spending in Infrastructure & Information Services (\$1.5 million favourable variance),
- Savings from reduced Assessment Review Board hearing costs due to lower assessment filings in City Clerk's Office (\$1.1 million favourable variance),
- Small favourable variances from various business units (\$1.0 million favourable variance).

As per PFC2015-0181, of the savings, \$30.3 million represent savings from tax-supported programs and were transferred to the Budget Savings Account Reserve. Savings from self-supported programs were used to offset unfavourable variances or transferred to business unit reserves.

Corporate Program Savings \$54 million:

- Lower franchise fees revenue from ATCO Gas and ENMAX due to lower natural gas prices and electricity prices, \$20 million unfavourable, and lower revenues from the Province due to the elimination of the municipal grants in lieu of property taxes paid for social housing, \$3.4 million unfavourable, offset by Corporate revenue contingencies of \$29.2 million favourable (net \$5.8 million favourable variance),

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- Contingency for utilities not required (\$13 million favourable variance),
- Lower net contingency for salary and wages net of transfer to reserves and capital (\$19 million favourable variance),
- Higher investment income on higher principal balances (\$9.8 million favourable variance),
- Higher Workers Compensation Board (WCB) rebate, lower rates and other employee benefits costs (\$2.7 million favourable variance),
- Other contingencies (\$3.7 million favourable).

As per PFC2015-0181, this favourable variance will be flowed through to the Fiscal Stability Reserve (FSR) with the year end close, bringing the uncommitted balance of the reserve to \$373.5 million which is 12.2% of tax-supported gross expenditures net of recoveries. The minimum FSR balance is 5% with a target of 15%.

After contribution to Budget Savings Account Reserve, the City's tax-supported favourable variance is \$55.7 million (\$86.0 million minus \$30.3 million).

For the capital programs, 58.6% or \$1.211 billion of the \$2.066 billion 2015 total city capital budget was spent, compared to 55.6% for the same period in 2014. For the tax-supported programs, 60.8% or \$880 million of the \$1.447 billion was spent. Actual capital expenditures and open purchase orders at 2015 December 31 totalled more than \$2.4 billion.

Capital savings identified through the Budget Savings Account program in 2015 was \$73.7 million.

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.

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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. 2015 Year-End Accountability Report