

**CAPITAL AND OPERATING BUDGET REVISIONS REPORT FOR THE PERIOD 2014
JANUARY 1 TO JUNE 30**

EXECUTIVE SUMMARY

To request Council's approval for revisions to the previously approved 2012 - 2014 capital and operating budgets.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Approve a net \$117.247 million decrease to the currently approved 2012-2014 Capital Budget, as identified in Attachment 2, Schedules A & B - "Capital Budget Revisions Requiring Council Approval"; and
2. Receive for information Attachment 1 – "Summary of Capital and Operating Budget Revisions," and Attachment 3 - "Capital and Operating Budget Revisions Previously Approved by Council or Approved by Administration."
3. Approve all Provincial Disaster Recovery Program reimbursement of 2013 flood operating costs received, to be transferred into the Reserve for Future Capital. These funds will be used as the City's share in cost share resiliency funding programs to fund future resiliency capital projects.

PREVIOUS COUNCIL DIRECTION / POLICY

Council approved the 2012-2014 Capital and Operating Budgets on 2011 November 29. Council subsequently approved amendments to the Capital and Operating Budgets during the annual Business Plan and Budgets Adjustments and Mid-year and Year-end revision reports.

Revisions to the Capital and Operating budgets are required to reflect changes that have arisen since that time relating to actual experience, Council directions, and Administrative changes.

BACKGROUND

This report focuses on all revisions that have been made from 2014 January 1 to June 30 which impact the 2012-2014 previously approved capital and operating budgets.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The content of each of the attachments to this report is provided below.

Attachment 1 - Schedules 1 through 3: Summary of Capital and Operating Budget Revisions

Schedule 1 – Summary of Capital Budget Revision

Schedule 2 – Summary of Operating Budget Revisions Previously Approved by Council

Schedule 3 – Summary of Operating Budget Transfers Approved by Administration

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Attachment 2 - Schedules A and B: Capital Budget Revisions Requiring Council Approval

Schedule A: Revisions that have a net impact to the capital budget:

- net decrease (\$3.884) million in 2014
- net decrease (\$108.363) million in 2015
- net decrease (\$5.000) million in 2016

The requested net decrease to the approved capital budget is due to relinquishment of existing appropriations, slightly offset by requests for increased appropriations for capital projects identified in Attachment 2 Schedule A, mainly for Office of Land Servicing & Housing, Calgary Police Service, Roads, Corporate Properties & Buildings and Civic Partners.

Schedule B: Revisions with no net impact to the capital budget:

- net decrease (\$613.177) million in 2014
- net increase \$401.986 million in 2015
- net increase \$79.838 million in 2016
- net increase \$71.511 million in 2017
- net increase \$59.842 million in 2018

These above net zero impact requests are primarily due to alignment of funding available with updated cash flow requirements for various multi-year capital projects.

The above two actions combined will result in a total capital budget impact of;

- net decrease (\$617.061) million in 2014
- net increase \$293.623 million in 2015
- net increase \$74.838 million in 2016
- net increase \$71.511 million in 2017
- net increase \$59.842 million in 2018

Attachment 3 - Schedules 1 through 5: Capital and Operating Budget Revisions Previously
Approved by Council or Administration
Provided to Council for information.

Schedule 1 – Operating Budget Revisions Previously Approved by Council

The net tax supported operating budget impact is zero, with a net reduction of 17 FTEs.

Schedule 2 - Operating Budget Transfers Approved by Administration

The net tax supported operating budget impact is zero, with no net change in FTEs.

Schedule 3 – Council Decisions/Referrals Having Actual or Potential Future Year Budget
Impacts

Provided to meet the requirement of NM2008-53 to track decisions or referrals that Council has made to date in the year which have an actual or potential future year budget impact.

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Schedule 4 – Capital Budget Revisions Previously Approved by Council

Primary revision is the advanced approval of \$126.1 million appropriation for Wastewater Treatment Plants to allow Water Resources to meet the advanced schedule, and \$15.675 million appropriation for flood resiliency projects, funded by Fiscal Stability Reserve.

Schedule 5 – Capital Budget Revisions Approved by Administration

Primary revision is the alignment of funding available with updated cash flow requirements for various multi-year capital projects.

Provincial Reimbursement of 2013 Flood Operating Costs

As at 2014 June 30, the City has received \$17.9 million in Provincial reimbursement of flood operating costs. It is forecasted a total of \$27 million will be received by the end of the year with an anticipated total of \$45 million maximum eligible through the Provincial Disaster Recovery Program. The original costs were charged against 2013 actuals. It is recommended that the Provincial reimbursement of 2013 flood operating costs received will be transferred into the Reserve for Future Capital to be used towards providing the City's share in accessing additional funds through cost-share resiliency funding programs to fund future resiliency capital projects. This Reserve for Future Capital use will enable The City to support Council priorities N2 *Build Resiliency to Flooding* and N3 *Enhance the City's capacity to prepare for and respond to pandemics, natural disasters and emergency situations*.

Stakeholder Engagement, Research and Communication

Department budget actions are predicated on direction received from Council during the 2012-2014 Business Plan and Budget deliberations and from the Adjustment process in 2012 and 2013. Actions also reflect current Council direction and actual spending patterns.

Strategic Alignment

This report summarizes budget revisions that align with departmental strategic results and Council Priorities in the approved 2012-2014 Business Plans and Budgets. This report meets the requirements of the Municipal Government Act (MGA) that require Council approval for the Capital and Operating Budgets.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

Operating Budget Revisions reflect recommended changes based on experience, Council direction and administrative changes, as well as previously approved revisions.

Current and Future Capital Budget:

Capital Budget Revisions reflect recommended changes, largely current alignment of funding to project work plans. Council is requested to approve a net decrease of (\$117.247) million; (\$617.061) in 2014, \$293.623 million in 2015, \$74.838 million in 2016, \$71.511 million in 2017, and \$59.842 million in 2018.

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Risk Assessment

Without Council approval of the revisions in Attachment 1, capital programs may be delayed, reduced in scope or cancelled. Administration monitors capital programs as they progress and will bring back issues, challenges and recommendations within the budget reporting process.

REASON(S) FOR RECOMMENDATION(S):

- Administration is providing Attachment 2 for approval to ensure timely alignment of cash flow with the 2014 work plans and priorities, and Attachment 1 and 3 for information.
- To support future resiliency capital projects by having available funds to access cost share resiliency funding programs.

ATTACHMENT(S)

1. Summary of Capital and Operating Budget Revisions.
2. Capital Budget Revisions Requiring Council Approval.
3. Capital and Operating Budget Revisions Previously Approved by Council or Administration.