

2017 YEAR-END CAPITAL AND OPERATING BUDGET REVISIONS REPORT

EXECUTIVE SUMMARY

This report informs Council of Administration's approved net operating budget revisions for the period of 2017 July 01 to 2017 December 31. This report also includes capital budget revisions for the period of 2017 July 01 to 2018 March 31 that have been previously approved or require Council approval.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Approve capital budget revisions, as identified in Attachment 1; and
2. Receive for information:
 - a. Attachment 2 - Capital Budget Revisions – Previously approved;
 - b. Attachment 3 - Capital Budget Revision Summary;
 - c. Attachment 4 - 2017 Operating Net Budget Changes; and
 - d. Attachment 5 - Council Decisions/Referrals Having Actual or Potential Future Year Operating Budget Impacts.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2018 MAY 01:

That the Administration Recommendations contained in Report PFC2018-0541 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2006 February 27, Council approved Budget Reporting Policy CFO006 which authorizes administration to approve net departmental changes up to \$200,000 (FSC2006-08).

Council approved the 2015-2018 capital and operating budgets in the 2014 November 24 Special Meeting of Council (C2014-0863). Council subsequently received for information revisions to the capital and operating budgets contained in Mid-year and Year-end revision reports.

BACKGROUND

The purpose of the revisions report is to provide Council with consolidated information on all changes to budgets in order to maintain continuity and transparency with both the operating and capital budgets. In this report, only Attachment 1 contains changes that require Council approval. All other changes noted have been previously approved by Council or are within Administration's discretion to approve under CFO006.

Capital

On 2017 September 05, Council approved the 2017 April 01 to 2017 June 30 capital budget revisions (PFC2017-0615).

In accordance with Council Policy CFO006, this report provides for information the capital budget revisions previously approved by Administration or Council during the period of 2017

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July 01 to 2018 March 31 (Attachment 2). In addition, this report requests for approval capital budget revisions for the period of 2018 January 01 to 2018 March 31 (Attachment 1).

Operating

In accordance with Council Policy CFO006, this report provides for information changes to the 2017 net operating budget between 2017 July 01 and 2017 December 31. During this period, there were no changes to the operating budget that require Council approval.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Capital

Attachment 1 contains budget revisions requiring Council approval including increases, relinquishments and net-zero transfers from 2018 January 01 to March 31. The net impact of the capital budget revisions requiring Council approval is a decrease of \$47.5 million (\$63.2 million budget relinquishment in 2018 offset by a \$15.7 million budget increase request in 2018).

Attachment 2 outlines the budget revisions that have either been approved by Administration (revisions with a net departmental impact under \$200,000) or by Council through a separate report. For the period of 2017 July 01 to 2018 March 31, Administration approvals included relinquishments due to project completion and reallocation of funds by Infrastructure Calgary as well as realignment of capital projects resulting from a departmental reorganization (no impact on project budgets). During this time period, Council approved multiple Council Reports (\$69.2 million) and Infrastructure Calgary implementation plans (\$8.7 million) for a total net impact of \$77.9 million increase to the capital budget (\$73.4 million in the last half of 2017 and \$4.5 million during the first quarter of 2018). These implementation plans include the new, or currently unfunded projects approved in principle on 2017 March 06 (C2017-0214) and are funded by corporate capacity identified by Infrastructure Calgary. The individual implementation plans were approved through various reports (as noted in Attachment 2) during this period.

Attachment 3 provides a summary by business unit of the capital budget as of 2017 June 30 (per the last revision report PFC2017-03615), revisions included in Attachments 1 and 2 and the revised budget after these changes. This is provided to allow Council to maintain continuity of the capital budget changes. As a result of the changes noted above, the net impact to the capital budget is an increase of \$29.9 million (increase of \$43.2 million in 2017, decrease of \$24.1 million in 2018 and increase of \$10.7 million in 2019 - 2022). The 2018 capital budget is also increased by a further \$333.7 million due to the carryforward of unspent 2017 capital budget. The revised 2018 capital budget after these revisions is \$2.0 billion as of March 31, 2018.

Operating

Attachment 4 shows the changes to the 2017 net operating budget between 2017 July 01 and 2017 December 31. Council approval is not required for Attachment 4 as these changes have either been previously approved by Council or are within the scope of Administration to authorize as per Council Policy. This is provided to inform Council of the changes that have occurred in the period due to either Council or Administration approvals to allow Council to maintain continuity of the operating budget.

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For the period of 2017 July 01 to 2017 December 31, the following changes were made:

- Carry forwards from the 2017 budget to the 2018 budget of one-time funding approved by Council during the 2018 Adjustments (C2017-1123 Attachment 5),
- Adjustments approved by Administration to the carry forwards of one-time funding,
- Distributions from corporate to business unit budgets for:
 - Union settlements,
 - Electricity inflation,
 - Approval of FTEs and budget for growth positions by the Corporate Work Force Planning Committee,
- Transfers between business units due to organizational changes, and
- Net zero adjustments.

Attachment 5 lists Council decisions and referrals which have an actual or potential future year budget impact. This is provided to meet the requirement of NM2008-53 to track Council decisions and referrals.

Stakeholder Engagement, Research and Communication

Department budget actions are predicated on directions received from Council during the 2015-2018 Action Plan deliberations. Actions also reflect subsequent Council directions and actual spending patterns.

Strategic Alignment

This report summarizes budget revisions that align with direction and priorities established in the approved 2015 – 2018 business plans and budgets. The revision process allows Administration to adapt to changes in economic conditions and the external environment, incorporate additional information that is available, and allow long term objectives to be met and support Council's priorities of a Well Run City and a Prosperous City.

Social, Environmental, Economic (External)

The economic situation has significantly weakened in Calgary since the time Action Plan was approved in 2014 November. Revisions to the capital and operating budgets reflect changes that have been made in response to the economic downturn.

Financial Capacity

Current and Future Operating Budget:

There is no net impact to the operating budget. Operating budget revisions reflect recommended changes based on Council and Administrative directions.

Current and Future Capital Budget:

Capital budget revisions for Council approval result in a net decrease of \$47.5 million to the capital budget (\$52.5 million decrease in 2018 offset by an increase of \$5 million in 2020). Previously approved capital budget revisions resulted in a net increase of \$43.2 million in 2017, \$28.4 million in 2018 and \$5.7 million in 2019 – 2022.

Risk Assessment

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The delay in approving the budget requests and transfers in Attachment 1 could impact the timely delivery of capital projects.

REASON(S) FOR RECOMMENDATION(S):

Administration is requesting changes included in Attachment 1 to align budgets with work plans and priorities.

The following attachments are being provided for information as no approval is required.

- Attachment 2 is providing a summary of previously approved revisions.
- Attachment 3 is providing a summary of changes made in Attachments 1 and 2.
- Attachment 4 is providing the operating net budget changes previously approved by Council and Administration.
- Attachment 5 is provided to meet the requirement of NM2008-53 to track Council decisions and referrals.

ATTACHMENT(S)

1. Capital Budget Revisions – For Approval
2. Capital Budget Revisions – Previously Approved
3. Capital Budget Revision Summary
4. 2017 Operating Net Budget changes
5. Council Decisions/Referrals Having Actual or Potential Future Year Operating Budget Impacts