

2017 MID-YEAR ACCOUNTABILITY REPORT

EXECUTIVE SUMMARY

The 2017 Mid-Year Accountability Report informs Council of Administration's achievement of 2015-2018 Action Plan commitments during the first 6 months of 2017.

In the first half of 2017, Council's Priorities and associated strategic actions are progressing as planned. 40 strategic actions are on target with several having achieved significant milestones. Key areas of progress include advancing delivery of new affordable housing units (16 opened in Crescent Heights and groundbreaking for a new 48 unit complex in Wildwood); major rejuvenation to Prairie Winds Park; and increased CTrain system capacity with platform and infrastructure improvements to accommodate four-car trains.

The Calgary economic region is gradually emerging from two consecutive years of contraction as a result of its close connection with world oil prices. The City continues efforts to stimulate the local economy and to support those most affected by the downturn. There are financial challenges as The City is currently working to mitigate a forecast operating budget gap of \$170 million in 2018. To do so, a number of strategies are being employed such as the use of corporate savings and efficiencies, accelerated capital spending, Corporate Workforce Planning, controlling manageable costs, and in some cases, reducing operating budgets. As The City delivers the balance of Action Plan, Administration will continue to find ways of providing high quality, cost-effective services for our citizens, communities and customers.

The report includes a two-page summary for each of the five Council Priorities, which provides an update on how the city (i.e. the community) overall is faring and how The City of Calgary as an organization is performing. The report also provides an update on progress made on the Leadership Strategic Plan, an overview of corporate operating, capital budgets and efficiency gains. Departmental pages include headline performance measures and details on operating and capital budgets.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends:

1. That Council receive for information:
 - Attachment 1 – 2017 Mid-Year Accountability Report.
 - Attachment 2 – Tracking Organizational Realignment.

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.

In September 2014, Council approved the City Manager's Leadership Strategic Plan (C2014-0703), which includes a commitment to "timely and meaningful reporting of accomplishments".

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BACKGROUND

Action Plan 2015-2018 is The City of Calgary's business plan and budget and describes how The City will respond to the needs and aspirations of citizens over the four-year period. Accountability reports are presented to the Priorities and Finance Committee semi-annually to update Council on The City's progress towards commitments made in Action Plan. These reports ensure Administration remains accountable to Council and that Council is informed on the status of goals, performance measures and The City's financial situation.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Corporate Performance

Council's Priorities and strategic actions approved in Action Plan are generally progressing as planned in 2017. In the first half of 2017, The City achieved milestones in the following areas:

- *Increase affordable and accessible housing options* by advancing the Corporate Affordable Housing Strategy, Housing Incentive Program and increasing housing stock;
- *Invest in established neighbourhoods* through approval of the Developed Areas Guidebook and advancement of the Main Streets Initiative;
- *Encourage developments that meet Municipal Development Plan and Calgary Transportation Plan objectives* by approval of Centre City and Developed Areas guidebooks and the Crowchild Trail Study;
- *Invest in active transportation* by the installation of pedestrian corridors and supporting infrastructure;
- *Encourage a broader range of innovative and clean energy technologies* by installing four solar power plant projects and retrofit of 82,000 LED street lights; and
- *Optimize the existing parks network* by a major rejuvenation of Prairie Winds Park.

The City is facing challenges where mitigation measures are being developed or are underway in the following areas:

- *Keep communities safe by meeting fire response standards* where The City's long-term response-time target for incidents requiring 12 firefighters is not being achieved;
- *Implement and accelerate RouteAhead* where decreased revenue from lower than expected public transit ridership and decreased fares will reduce The City's ability to meet RouteAhead targets in the short term;
- *Work with regional partners and the Province on water servicing* where discussions have begun on a Water Act Licensing solution to this long-standing issue; and
- *Balance demand for quality City services with affordable taxes* where the continued economic downturn has resulted in a projected revenue shortfall for 2018 requiring proactive and intentional management to balance service delivery and affordability.

Overall, The City continues to progress toward the goals of Action Plan. Where challenges do exist, mitigation efforts will help Calgary maintain its status as a world-class city. Updates on all Council Priorities and the 44 strategic actions approved in Action Plan are included in Attachment 1. Additional details – including updates on all Council-approved performance measures – are provided in a supplementary section to the 2017 Mid-Year Accountability Report, which is available online at Calgary.ca.

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Corporate Financial Results

The City has a year-to-date savings of \$27.8 million. Of this, \$26.4 million is from tax-supported programs and \$1.4 million is from Utilities.

The tax supported savings of \$26.4 million was a combined effect of:

Business units' operating savings of \$8.7 million –

- Higher revenues for degradation fees and traffic permits, higher recoveries for traffic signals and lower streetlight electricity costs (\$2.4 million favourable)
- Unbudgeted increases in revenue from insurance and legal billing settlements (\$1.2 million favourable)
- Savings from Councillors' ward offices (\$1.1 million favourable)
- Sum of other small variances (\$4.0 million favourable).

Corporate Programs' savings of \$17.7 million –

- Lower than budgeted valuations on pension/retirement benefits, lower spending on Corporate Workforce Strategy and savings in other health benefits (\$8.3 million favourable)
- Higher investment income earned due to higher than budgeted principal balances (\$6.0 million favourable)
- Lower corporate costs due to partial payment from Province for Fort McMurray Fire (\$4.7 million favourable)
- Sum of small variances (\$0.2 million favourable)
- Lower franchise fees received from ATCO Gas and ENMAX due to lower natural gas and electricity prices (\$1.5 million unfavourable).

Utilities savings of \$1.4 million –

- The \$1.4 million favourable year-to-date savings from Utilities occurred during normal business operations because the timing of expenditures is not always aligned with revenues.

Administration is projecting favourable savings of \$14.5 million by year-end as a combined effect of:

- Corporate Programs (\$14.0 million favourable) – savings due to actual pension and retirement benefit valuations (as performed by actuaries) lower than budgeted (\$6.6 million favourable), higher investment income (\$6.0 million favourable), and lower spending on Corporate Workforce Strategy (\$2.4 million favourable), partially offset by lower franchise fee revenue expected from ENMAX due to lower electricity prices (\$1.0 million unfavourable).
- Roads (\$0.5 million favourable) – due to higher street use permit revenue.

Please note that there are uncertainties on the above year-end projection due to expected changes for labour timing costs and other possible year-end adjustments. As part of the mid-cycle adjustments, Administration committed to finding \$18 million in planned and other corporate savings for 2017, which were used on a one-time basis to reduce the 2017 tax rate increase to 1.5 per cent. As such, the projected favourable savings will be used for this commitment.

Year-to-date capital spend was \$672 million to 2017 June 30. This compares to \$509 million spent in the same period in 2016.

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Strategic Alignment

Attachment 2 (Tracking Organizational Realignment) outlines the realignments to the organizational structure that have been made since the 2016 Mid-Year Accountability Report (PFC2015-0709). The Mid-Year report reflects the new structure as of 2017 June 1. With respect to these realignments, all budget transfers have yielded a net-zero impact at the corporate level.

Stakeholder Engagement, Research and Communication

All City departments collaborated to produce one corporate voice to report on Council Priorities and to compile the information contained in the 2017 Mid-year Accountability Report.

Strategic Alignment

Accountability reporting aligns with the City Manager's Leadership Strategic Plan and the commitment to "focus on results by establishing timely and meaningful reporting of accomplishments." The report format incorporates Results-Based Accountability, which is a key component of The City's performance management system. Further, the inclusion of cross-departmental reporting of accomplishments along with department-specific results reinforces the organizational values of collective accountability and individual responsibility.

Social, Environmental, Economic (External)

The 2017 Mid-year Accountability Report provides considerable detail on The City's accomplishments and challenges in the first half of 2017, including social, environmental and economic impacts.

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

Providing accountability reports to Council twice per year helps to manage risk by ensuring that Council and senior management are aware of emerging issues and challenges in a timely manner and can react accordingly. The Accountability reports are complemented by twice-yearly updates to departmental and corporate risks, carried out by Administration.

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 (CFO004) relating to accountability reporting.

ATTACHMENT(S)

1. 2017 Mid-Year Accountability Report
2. Tracking Organizational Realignments