

Chief Financial Officer's Report to
Priorities and Finance Committee
2019 May 14

ISC: UNRESTRICTED
PFC2019-0390

2018 Year-end Capital and Operating Budget Revisions Report

EXECUTIVE SUMMARY

A revision report provides Council a summary of operating and capital budget changes that have occurred over a particular period of time. These changes can be approved through Council reports or by Administration if within the authorization limits outlined in Budget Reporting Policy CFO006. The mid-year revision report (PFC2018-0964) provided Council with budget information as of 2018 June 30 and this year-end report provides the subsequent budget revisions that occurred between 2018 July 1 and 2018 December 31.

The 2015-2018 business plans and budgets (Action Plan) were approved by business unit therefore the 2018 budget revisions are also provided at this level. As the 2019-2022 business plans and budgets (One Calgary) were approved by service, this report includes additional service summaries to prepare for 2019 service reporting. The One Calgary document reflects the operating budget starting point as at 2018 March 31 and the previously approved capital budget as of 2018 June 30 therefore these schedules outline how the estimated 2018 service budget changed by the end of the year.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

1. Receive for information:
 - a. Attachment 1 – Capital Budget Revisions – Previously Approved
 - b. Attachment 2 – Capital Budget Revision Summary
 - c. Attachment 3 – 2018 Operating Business Unit Net Budget Changes
 - d. Attachment 4 – 2018 Operating Service Budget Summary
 - e. Attachment 5 – Council Decisions/Referrals Having Actual or Potential Future Year Operating Budget Impacts

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.

Council authorized the Deputy City Manager to continue to identify capital funding sources, including allocations and efficiencies from existing capital budgets and transfer funds to the Budget Savings Account on 2016 November 21 (C2016-0863).

On 2019 April 29, Council approved the revised Budget Reporting Policy CFO006 which was updated to align with Service Plans and Budgets and clarify Administration's authorization limits for operating and capital budgets. These changes will be incorporated in the 2019 operating and capital budget revision reports.

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BACKGROUND

The purpose of the revision 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. Attachments 1-5 are received for information because changes have been previously approved by Council or are within Administration's discretion to approve under the Budget Reporting Policy CFO006.

Capital

On 2018 September 11, Council approved the 2018 April 01 to 2018 June 30 capital budget revisions (PFC2018-0964).

This report provides the capital budget revisions previously approved by Council and/or Administration for the period of 2018 July 01 to 2018 December 31 for information and the continuity of capital budget by Business Unit and by Service from 2018 June 30 to 2018 December 31.

Operating

On 2018 September 11, Council received the 2018 Operating Net Budget Changes between 2018 January 01 and 2018 June 30 for information (PFC2018-0964).

This report informs Council of changes to the 2018 net operating business unit budget between 2018 July 01 and 2018 December 31 that have been previously approved by Council or Administration.

A service budget summary has also been provided to inform Council on how the 2018 March 31 net service budget presented on 2018 Nov 14 as part of One Calgary has changed between the period of 2018 April 01 and 2018 December 31.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Capital

Attachment 1 outlines the budget revisions that have been approved by Administration (revisions with a net budget impact under \$200,000 and transfers to capital budget savings) or by Council through separate reports. For the period from 2018 July 01 to 2018 December 31, Administration and Council approvals included relinquishments, increases and net zero transfers required to reflect updated capital plans.

These revisions resulted in a \$6.219 million increase to the 2018 capital budget and a \$153.350 million increase in 2019-2022. The increase is primarily driven by Council's approval of Airport Trail NE Phase II.

Attachment 2 provides a summary by business unit and by service of the budget continuity between 2018 July 1 to 2018 December 31. In addition, this attachment shows the impact to business unit budgets if criteria have now been met to lift confidentiality from previously approved Council reports such as Infrastructure Calgary implementation plans. These budgets had previously been included in a single line item for confidential reports and are now included in the business unit budgets.

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As a result of these revisions, the revised 2018 capital budget was \$2.097 billion with \$2.264 billion in previously approved budget remaining in 2019-2022.

This attachment also includes the revised 2019-2023 budget by service after accounting for One Calgary budget approvals as well as the carry forward of unspent 2018 capital budget. The revised budget is \$2.448 billion in 2019 and \$3.598 billion in 2020-2023.

Operating

Attachment 3 shows the changes to the 2018 net operating business unit budget between 2018 July 01 and 2018 December 31 that have either been previously approved by Council or are within the scope of Administration to authorize as per Council Policy CFO006. During this period, there was no change to the total City net budget, and the main changes were as follows:

- Transfers of \$5.8 million from corporate to business unit budgets for utility cost inflation and previously approved growth;
- Transfers between business units due to organizational changes; and
- Council approved increases of \$3.7 million (funded by the Budget Savings Account and the Fiscal Stability Reserve) and carry forwards of \$2.6 million.

Attachment 4 summarizes how the 2018 March 31 net operating service budget presented in One Calgary changed between 2018 April 1 and 2018 December 31. As the 2018 operating budget was approved by business unit, these business unit budgets were allocated to services to create the 2018 operating budget by service. This was necessary to bridge the previous business unit budgets with the service budgets presented in One Calgary for 2019-2022. Changes to the business unit budgets as well as changes within a business unit will both impact the allocation of the business unit budgets to services.

The changes to the 2018 service budgets are primarily driven by:

- approved changes to the 2018 operating budget by business unit
- budget realignments (movements) within a business unit
- refinement of the service allocation methodology (i.e. how the business unit budget is distributed among service, what percentage of the business unit budget gets allocated to each service line)

The 2018 December 31 budget by service will be reflected in 2019-2022 service budgets as it serves as the base for the 2019 budget year. The discretion to move budgets within a business unit has impacted the 2018 allocation of service budgets, with limited explanation available for the impact on the service budgets. For the 2019-2022 budget period, all changes impacting service budgets will be fully explained as Council and Administration are permitted to make revisions, recognizing the commitments to service levels within the One Calgary Plan. Revisions to the service budgets will continue to be communicated to Council in the mid-year and year-end revision reports.

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

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Stakeholder Engagement, Research and Communication

The 2015-2018 business plans and budgets were developed through engagement with various internal and external stakeholders. Revision reports brought forward throughout the cycle reflect the operating and capital budget changes that are driven by actual experiences and/or new Council direction. The 2018 budget information was also used as the starting point in developing the 2019-2022 service plans and budgets.

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 processes allow 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 social, environmental and economic landscape impacts business units in various ways. Revisions to the operating and capital budgets reflect changes that have been made to respond to these factors.

Financial Capacity

Current and Future Operating Budget:

There is no net impact to the 2018 operating budget. 2018 operating budget revisions reflect changes based on Council approval and Administrative directions as outlined within CFO006.

Current and Future Capital Budget:

Capital budget revisions between 2018 July 01 and 2018 December 31, resulted in a \$6.219 million increase to the 2018 capital budget and an increase of \$153.350 million in 2019-2022.

Risk Assessment

The budget revisions included in this report are for information. Any risk associated with these revisions would have been identified at the time of approval.

REASON(S) FOR RECOMMENDATION(S):

- Administration is providing Attachments 1-5 for Council information to maintain continuity and transparency in accordance with Budget Reporting Policy CFO006.

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Operating Budget Impacts