

# Financial Support

Led by: Finance

## Description:

This service provides sound leadership in financial planning and budgeting, reporting, measuring services' financial performance and monitoring adherence to financial plans. This service also provides investment management, non-tax revenue billing and collection, and payments for goods and services provided to The City.

## Customers:

Financial Support services many different customer groups:

- Members of the public
- Council
- Service owners
- City employees
- Various levels of government
- Vendors
- Banking and investment partners
- Financial information stakeholders

## What is delivered to customers:

A financially well-managed City.

## Partners:



Financial Support's primary partners include:

- Service Owners
- Administrative Leadership Team
- Infrastructure Calgary
- Audit Committee, Investment Advisory Committee, Pension Governance Committee
- Internal and External Reporting Stakeholders

## Service need (value proposition):

A strategic financial partner that ensures The City's financial position is stewarded, economic assets are safeguarded for long-term sustainability, financial risks are monitored and mitigated, and finance related MGA and legislative requirements are met. Financial Support provides a disciplined and responsive fiscal framework including guidance, advice, systems, tools and standards to maintain a financially resilient and healthy organization.

## Current state service value

<p><b>\$2 billion</b> Value of Invoices Paid</p> <p><b>100%</b> Compliant Reports</p>	<p><b>6,380,978</b> Total Journal Lines Posted</p> <p><b>142,125</b> Cashier Transactions Processed (Muni)</p>	<p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p>  <p><b>1.05%</b> Financial Support Operating Budget as a % of Total Operating City Budget</p> <p>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</p>
<p><b>Connections to Citizen Priorities</b></p> 		<p><b>What the service includes (\$000s)</b></p> <p>Financial Sustainability Management (\$7,629), Financial Transaction Processing &amp; Accounting (\$16,712), Budget &amp; Financial Reporting (\$15,337).</p> <p><b>Key Capital Investments</b></p> <p>Financial support is supported by many financial information systems. Capital investments for this service will ensure legislative compliance, increase efficiencies of current processes and provide accurate and timely information to support decision making.</p>



## What we've heard and service outlook

### What we heard: Research & Engagement Results

Based on the survey of internal services (May 2018) Financial Support was listed as one of the top four internal services that has the greatest impact on the ability of those surveyed to serve their end customers, and is considered to be essential to the day-to-day operation. Quality was rated the most important value characteristics with 94 per cent of respondents rating it as very important followed by Responsiveness at 69 per cent. These were rated as the top two characteristics for Financial Support. Financial Support is in the process of creating a strategic plan which will engage our customers to further understand what brings value to our customers and citizens.

### What Council has directed

The Financial Support service aligns primarily with the "A Well-Run City" Council Priority which notes "Calgary has a modern and efficient municipal government that is focused on resilience and continuous improvement to make life better every day for Calgarians by learning from citizens, partners and others."

There is also alignment with the "A Prosperous City" Council Priority which notes "Calgary continues to grow as a magnet for talent, a place where there is opportunity for all, and strives to be the best place in Canada to start and grow a business," and a minor alignment with the "A City of Safe and Inspiring Neighbourhoods."

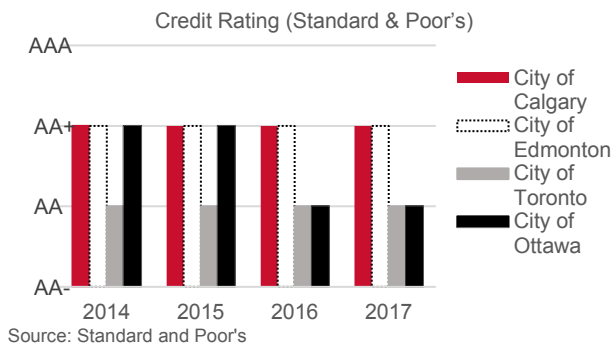
Delving into these Council Priorities to their more in-depth Council Directive level shows that alignment mainly takes place in the W1, W2, P1, P2 and N5 Council Directives.

### What are we watching?

There are a number of trends Financial Support is monitoring:

- The economic environment impacting The City's finances and long-range financial planning and resilience, including operating and capital budgets.
- Future provincial capital funding and its implications to The City's debt financing and ability to maintain infrastructure.
- New funding agreements with the Provincial Government (City Charter).
- Council decisions and service level changes that impact operating and capital budgets.
- Changes in legislative requirements (Municipal Government Act, Public Sector Accounting Standards) impacting City compliance, processes and systems.
- Increasing demand on sound financial leadership and information to minimize risks to financial sustainability and resilience.
- Attraction, retention and succession management of key talent is a key contributor to service success.

### Benchmarking



Credit ratings measure credit worthiness and affect The City's ability to borrow. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in The City's debt. Standard & Poor's (S&P's) affirm the long-term issuer credit rating of The City of Calgary at AA+. In S&P's view, The City's financial management is very strong compared with other Canadian municipalities. The stable outlook reflects S&P's expectations that The City's operating performance will remain robust and The City's adjusted liquidity will remain sufficient to cover debt service costs.

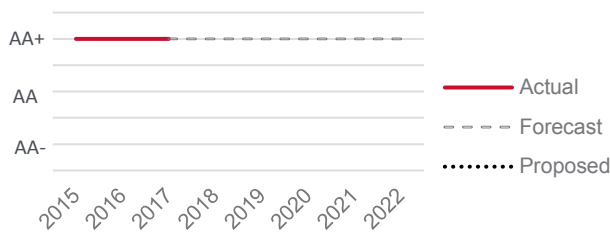
### What matters to Calgarians

VALUE DIMENSION	DESCRIPTION
Quality	Financial reports, analysis and information is accurate in order to support decisions.
Responsiveness	Operational requests are performed in a timely manner.
Reduces risk	Financial risks are monitored and mitigated.
Legislative Compliance	Legislative requirements supported by Financial Support are met.
Sustainability	The City's Finances are proactively stewarded.



# How is the Service performing? Where we are headed and where do we want to go?

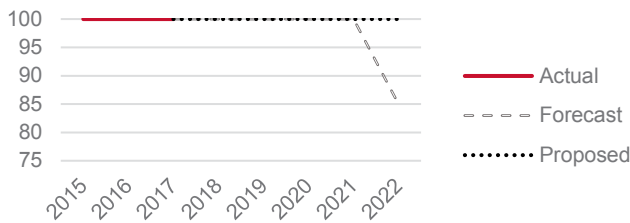
City of Calgary's Credit Rating (Standard and Poor's)



## Story behind the curve

Credit ratings measure credit worthiness and affect The City's ability to borrow. A higher rating translates into a lower cost of borrowing. This rating is a reflection of Financial Support's monitoring of The City's financial environment and the recommendations/decisions made in regards to capital acceleration and availability, debt projects, liquidity and reserves. Financial Support ensures that costs controls and service pressures have the appropriate balance. Standard & Poor's affirm the long-term issuer credit rating of The City of Calgary at AA+.

Unmodified External Audit Opinion with no Unaddressed Audit Findings (%)



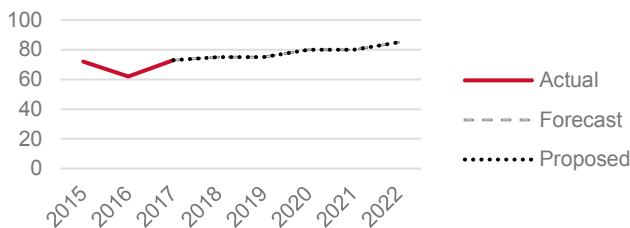
The City strives for an unmodified opinion issued by the external auditor annually and it is based on audit evidence obtained about the amounts and disclosures of the financial statements. With several Public Sector Standard Accounting Standards being implemented in the next budget cycle, it is important that there are sufficient financial and operational resources to implement internal controls and processes that enable The City to continue to achieve an Unmodified Audit Opinion.

% of Compliant Reports Issued (%)



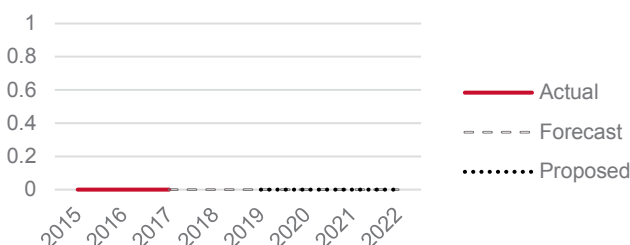
Financial Support receives approximately 27 compliance reports each fiscal year with opinions expressed by accredited external parties on The City's performance, processes and policies. Historically, The City has been 100 per cent compliant for these audits and deliverables in terms of compliance, quality and timeliness will continue to be achieved. Maintaining investments in systems and people ensures that compliance programs and annual audits are conducted in accordance with expectation, minimizing risk to The City as a whole.

Percentage of Invoices Paid within 30 days (Percentage)

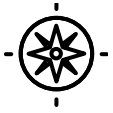


The City prides itself on its reputation and the relationships it builds with vendors. Processing invoices is highly coordinated reaching many levels and across the entire organization. All invoices and billings issued to The City are centrally received by the Accounts Payable division for processing. In 2017, 73.1 per cent of vendors were paid within 30 days of issuing an invoice. The City targets 80-85 per cent of invoices to be paid within 30 days and with an increase in education and awareness this is expected to be achieved in 2020 and beyond. This reflects The City's well managed cash flow and the priority with which it treats vendor payments.

Bad debt write-off as a per cent of billed revenue (%)



The City's performance for bad debt write-offs as a per cent of billed revenue for the corporate portfolio in 2017 was 0.0 per cent. Ensuring collections of The City's receivables is critical to managing The City's overall cash flow.



## What do we propose to do?

### What we propose to continue doing

STRATEGY
Ensure economic assets are safeguarded for long-term sustainability.
Prepare reports and analysis that meet or exceed all legislated requirements.
Prepare reports and analysis, make recommendations to operations in decision-making that minimizes financial risk.
Transact and communicate financial information to customer groups and provide excellent individual customer service.
Prioritize process and system improvements to ensure Finance Support can be efficient and effective now and in the future.
Create an environment that continues to retain staff and attracts staff members to make Finance with The City a long-term career choice.
Monitor and respond to the changing economic and political environment impacting The City's finances.

#### Why?

In the next budget cycle six new Public Sector Standards are to be implemented to meet legislated requirements which will have a significant impact on workloads across the Corporation. In addition, Financial Support will continue to support strategic corporate initiatives such as Infrastructure Calgary and provide a multitude of services to our customers. Customers expect responsive, quality guidance and financial information that is compliant with the applicable legislative bodies. This service will continue to be provided through a combination of highly-skilled professionals and technology.

### What we propose to do less of

STRATEGY
Support improvement initiatives (not directly tied to corporate strategic goals).
Transactional and manual processes.
Consulting/contracting, business travel and supplies costs.

#### Why?

Financial Support will prioritize efficiencies where available resulting in a reduction in manual and transactional process as well as a reduction in administrative costs.

### What we propose to do more of or include as a new offering

STRATEGY
Leverage the results of the internal services Zero-Based Review.
Develop a strategic plan for financial support that aligns with customer service expectations and Council expectations.
Improve processes to deliver better service to customers.
Introduce cross-training and develop cross-functional positions, where possible and find efficiencies by consolidating work functions.

#### Why?

Financial Support will continue to pursue opportunities to ensure that processes are the most effective and efficient to meet the needs of our customers, as well as continue to ensure utilization of staff resources is prioritized.



## What Operating Budget do we need to achieve these results and strategies?

For Council Approval

SERVICE PERFORMANCE RESULTS FOR 2019-2022	CURRENT	TREND
City of Calgary's Credit Rating (Standard and Poor's)	AA+	↔
Unmodified External Audit Opinion with no Unaddressed Audit Findings (%)	100	↔
Percentage of Compliant Reports Issued (%)	100	↔
Percentage of Invoices Paid within 30 days (%)	75	↑
Bad debt write-off as a per cent of billed revenue (%)	0	↔

### Breakdown of net operating budget (\$000s)

	2019	2020	2021	2022
Previous Year's Budget	24,229	24,205	24,256	24,057
Less Previous Year one Time	(200)	-	-	-
Base	24,029	24,205	24,256	24,057
Revenue Changes	-	-	-	-
Internal Recovery Changes	-	-	-	-
Inflation	570	88	84	86
Operating Impact of Previously Approved Capital	-	-	-	-
Operating Impact of New Capital (Incremental)	-	-	-	-
Efficiencies	(469)	(112)	(283)	(110)
Service Reductions	-	-	-	-
Service Increases	75	75	-	-
One Time	-	-	-	-
Realignments	-	-	-	-
Total	24,205	24,256	24,057	24,033

### Total Operating Budget (\$000s) for Approval

	2018 Budget	2019			2020			2021			2022		
	At Mar 31	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total
Expenditure	39,677	39,653	-	39,653	39,704	-	39,704	39,505	-	39,505	39,481	-	39,481
Recoveries	(14,532)	(14,532)	-	(14,532)	(14,532)	-	(14,532)	(14,532)	-	(14,532)	(14,532)	-	(14,532)
Revenue	(916)	(916)	-	(916)	(916)	-	(916)	(916)	-	(916)	(916)	-	(916)
Net	24,229	24,205	-	24,205	24,256	-	24,256	24,057	-	24,057	24,033	-	24,033



# Recommended Capital Investment to Support Service Delivery

For Council Approval

## Capital Budget for Council Approval

ACTIVITY	DESCRIPTION	2019 REQUEST (\$000s)	2020 REQUEST (\$000s)	2021 REQUEST (\$000s)	2022 REQUEST (\$000s)	2023+ REQUEST (\$000s)	Total REQUEST (\$000s)
Annual Investment Program(s)		383	460	348	280	-	1,470
413905	Treasury Capital	135	235	235	235	-	840
413910	Finance Capital	248	225	113	45	-	630
Project(s)		-	-	-	-	-	-
Program(s)		-	-	-	-	-	-
<b>Sub-Total (New Budget Requests)</b>		383	460	348	280	-	1,470
Previously Approved Budget Remaining		300	-	-	-	-	300
<b>Total Capital Investment</b>		683	460	348	280	-	1,770

## Explanation of Capital Budget Requests

### Annual Investment Program(s)

#### Activity 413905: Treasury Capital

New Budget Request of \$840 thousand to ensure ongoing compliance and maintenance of The City's payment and investment systems with Payment Card Industry standard changes and policies CF001 & CF007.

Funding from Pay-As-You-Go

Operating Impact of Capital: None

#### Activity 413910: Finance Capital

New Budget Request of \$630 thousand for funding to support the life cycle needs of the Finance Department. Enables ongoing improvements to the systems to ensure timely and accurate reporting.

Funding from Pay-As-You-Go

Operating Impact of Capital: None