

Budgetary Management Programs in Selected Cities

ISSUE

For several years the City of Saskatoon has implemented an explicit expenditure management approach that aims to limit potential year over budgetary expenditure increases. This approach, known broadly as “Continuous Improvement” guides the City’s efforts to implement service improvements, minimize expenditure increases, and operate more sustainably. More recently, cities of Calgary and Edmonton have implemented their own expenditure management approaches to address their fiscal challenges. Thus, how does Saskatoon’s approach compare with those implemented in Calgary and Edmonton?

BACKGROUND

At its October 15, 2021, special meeting, the Standing Policy Committee on Finance considered a report from the Administration that explained how selected cities were addressing their 2020, 2021, and 2022 budgetary challenges. After consideration of the report, the Standing Policy Committee on Finance resolved in part:

“That the Administration report further on the Solutions for Achieving Value and Excellence budget process in Calgary and also Edmonton’s recent cost savings exercises over the last several years and identify the similarities and differences with the City of Saskatoon’s Continuous Improvement efforts. In particular, identifying how savings were identified as well as how decisions were made with regards to Full Time Equivalents.”

CURRENT STATUS

The City of Saskatoon is tabling its 2022 and 2023 Multi-Year Business Plan and Budget for City Council’s consideration. The budget is constructed to achieve the strategic priorities and objectives of City Council while minimizing expenditure increases. That is, the 2022-23 Multi-Year Budget reflects the City’s adherence to its Continuous Improvement Strategy and limits expenditure growth to levels below inflation and population growth.

DISCUSSION/ANALYSIS

The COVID-19 pandemic has generated an external fiscal shock to many Canadian cities including Saskatoon. Most dramatically, non-tax revenues, such as user charges, have fallen well below pre-pandemic trends. This has resulted in some cities looking at ways to control expenditures and/or find alternative revenue sources. As a result, the remainder of this section compares approaches taken in Saskatoon, Calgary, and Edmonton to minimize budgetary expenditure increases and thus, potential property tax increase to address budgetary fiscal gaps.

The City of Saskatoon's Continuous Improvement Strategy

In 2005, Saskatoon City Council adopted a resolution that aimed to increase the corporation's productivity and efficiency. It also instructed the Administration to report annually on efficiencies implemented in the previous year. This direction was more formally established in 2013 through the City's Continuous Improvement (CI) Strategy, which was embedded in the City's first 10-year Strategic Plan.

Specifically, the CI Strategy focuses on the use of innovative and creative means to support workplace efficiencies and provide the best possible services to residents, resulting in potential savings to the corporation and taxpayers over time. It balances this by focusing on improving effectiveness and efficiency to help the City deliver affordable and sustainable programs that supports sustainable growth and the quality of life in Saskatoon.

To chronicle these efforts, the City of Saskatoon started formally producing an annual report called Service, Savings and Sustainability (SSS) in 2014.¹ The annual SSS report seeks to highlight the innovative and creative ways staff foster a culture of continuous improvement in all aspects of civic operations. The objective is to show how these three CI pillars work together to help the City deliver well-managed and meaningful programs and services to residents in that:

- Service improvements focus on how staff are working hard to continually enhance the quality and reliability of current civic services as well as adapt to the changing and new needs of residents and visitors.
- Savings highlights the power of thinking differently and adopting new processes to use human and financial resources as effectively as possible.
- Sustainability speaks to efforts to ensure Saskatoon grows in harmony with nature outlining initiatives that reduce the City's environmental footprint, mitigate the risks posed by climate change, and create a more equitable and socially responsible community.

According to the City of Saskatoon's 2021 SSS Annual Report, an estimated \$850,000 in operational savings were realized in 2020. In the absence of these savings, the 2020 property tax increase would be approximately 0.4 percentage points higher than adopted, all things equal.

Since 2013, work under the CI Strategy has identified more than \$400 million (nominal) in reduced expenditures, deferred costs, time savings, and additional revenues. In the absence of such a program, it is anticipated that the City of Saskatoon's fiscal circumstances, programs, services, and quality of life would be substantially different than it is today.

¹ For a review of all those reports please consult, <https://www.saskatoon.ca/city-hall/our-strategic-plan-performance/service-savings-sustainability-report-sss>.

The City of Calgary

In November 2019, Calgary's City Council directed its Administration to find internal savings through a program originally called the Strategy for Improving Service Value, but renamed "Solutions for Achieving Value and Excellence" (SAVE) in 2021. The purpose of SAVE is to target a reduction in operating budgets of \$24 million in 2021 and \$50 million in 2022. These targeted amounts are equivalent to a zero percent (or less) property tax increase in 2021 and 2022 as part of the City's 2019-2022 multi-year budget, known as the "One Calgary 2019-2022 Service Plans and Budgets."

Embedded in its One Calgary plan, the City reviews its service plans and budgets on an annual basis and makes appropriate adjustments if required. The SAVE program was adopted during the mid-cycle adjustment process to focus on the last two years of the One Calgary plan². According to the City of Calgary, it was adopted to "support The City's financial sustainability and Administration's commitment to delivering modern and affordable municipal services to Calgarians while also supporting our long-term purpose of making life better every day." The program objective is very similar to Saskatoon's CI strategy and its implementation resembled the City of Saskatoon's "30-day Challenge Program" implemented to address provincial budget changes.³

Moreover, states the City of Calgary, the program was informed by feedback from front-line employees, Council and Calgarians, an internal team explored various options and approaches to balance overall service delivery, affordability, and risk. City staff partnered with consultants at Ernst and Young (EY) to design the program. It prioritized opportunities with limited citizen impacts and the ability to produce the tangible savings in 2021.

SAVE projects were selected based on approved criteria that considered the ability to deliver savings and/or enhanced sources of revenue within the 2021-2022 timeframe, risk impacts, the desired culture at The City, as well as the ease and speed of implementation. The City of Calgary reports that SAVE exceeded its 2021 target of \$24 million in savings and was able to identify \$26 million in net base budget savings, \$1 million in revenue and additional one-time savings. It is anticipated to generate \$53.2 million in base savings in 2022.

According to the City of Calgary, the 2021 Mid-Cycle Adjustments result in an estimated net reduction of 162 full-time equivalents (FTEs) from the previously approved 2021 level, which includes impacts from the SAVE program and other changes. With these impacts, the City will have experienced a total reduction of 574 FTEs since 2019 or 3.5% of the total FTEs budgeted for 2021 in the One Calgary 2019-2022 Service Plans and Budgets.

² For more details of the program see <https://www.calgary.ca/cfod/save.html>

³ More on Saskatoon's 30-day Challenge program can be found here: <https://www.saskatoon.ca/city-hall/budget-finance/shaping-saskatoons-financial-future/rising-challenge>

The City of Edmonton

Like Saskatoon and Calgary, the City of Edmonton implemented a formal expenditure management program to help reduce its proposed budgetary property tax increases. According to the City of Edmonton, “in July 2020, it committed ‘to bold and decisive actions’ in managing its finances during a time of uncertainty.” To that end, they adopted a service review program, called “Reimagine Services” for its five largest budgeted service areas:⁴

- Facility Management and Maintenance
- Fire Rescue Services
- Fleet Management and Maintenance
- Park and Open Space Access
- Recreational and Sport Facility Access/Recreation and Cultural Programming

These service areas were selected because they were deemed to have the greatest cost-saving or revenue-generating potential. To perform this review, the City of Edmonton engaged an external consultant to develop business cases and then the Administration proposed ideas to City Council.

Thus, on June 22, 2021, Administration presented Council with 18 cost-saving and revenue-generating actions, to be realized as early as 2022. The actions were estimated to provide cost savings ranging from \$572,000 per year up to \$1.4 million per year, with a total projected cost savings of \$6 million in five years. The City suggests that some of the actions will require further analysis with a potential for additional savings of \$9.9 million over five years. Hence the total estimated potential cost savings is up to \$16 million between 2022 and 2027.

Over several meetings, City Council discussed these 18 actions and directed that the action related to adding parking fees at select parks, as part of the part of the “Park and Open Space Access” should not advance. All other actions will proceed with further analysis and discussion at the fall or future budgets.

As a result of the Reimagine Services process, in the end, Edmonton City Council voted to implement budget reduction strategies of \$49.9 million across City departments for 2021, and another \$9.4 million in 2022. Changes include the elimination of over 300 staff positions—including over 100 supervisor positions— through vacancy management, workforce transitions, and layoffs.

FINANCIAL IMPLICATIONS

There are no financial implications generated by this report. The discussion and analysis section of this report addresses any financial implications relevant to the issue.

⁴ For a detailed overview of Edmonton’s approach see https://www.edmonton.ca/city_government/city_vision_and_strategic_plan/reimagine-services

NEXT STEPS

Unless otherwise directed, the Administration will continue to execute the long-standing Continuous Improvement approach. The Administration believes that transformational process and system reform is required to achieve further efficiencies. It has therefore begun the implementation of an Enterprise Resource Management system and standardizing processes, an initiative internally branded as Fusion. The initiative is still in its first year of implementation, and as expected resource requirements are extremely heavy now. Such projects require additional resources in the early years, with savings and efficiencies expected starting in approximately the fifth year.

Because this report offers a point in time comparative analysis, the Administration does not propose any next steps with respect to the information contained in it. It is anticipated that the Administration will table its 2021 Service, Savings & Sustainability Annual Report with City Council in the third or fourth quarter of 2022. As usual, it aims to quantify the impact of the City’s Continuous Improvement measures over the past year, in this case, 2021.

Report Approval

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