

Multi-Year Business Plan and Budget Term Amendment

ISSUE

Council Policy C03-036, Multi-Year Business Plan and Budget (Policy) states that the term of a Multi-Year Business Plan and Budget (MYBB) shall be four years unless a shorter term is approved by City Council. Administration is recommending a change to Policy to reflect a two-year term, to mirror the prior two MYBB (2020/2021 and 2022/2023) previously deliberated and approved by City Council.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council:

1. That the term of a Multi-Year Business Plan and Budget be changed from 'four years' to 'two years', to reflect a two-year Multi-Year Budget process; and
2. That Administration bring this change and other Administrative changes to Council Policy C03-036 back for City Council approval.

BACKGROUND

At its meeting on Mar.25, 2019 City Council resolved in part:

- "1. That a two-year Business Plan and Budget process be approved;
2. That the new Multi-Year Business Plan and Budget Policy with an effective date of April 1, 2019 be approved;"

At this time, the Policy was written to include a budget cycle term of 4 years.

At its meeting on Apr.26, 2021, City Council resolved in part:

- "1. That a two-year Business Plan and Budget Process for 2022/2023, as outlined in the report of the Chief Financial Officer dated April 19, 2021, be approved;"

DISCUSSION/ANALYSIS

Two Year Budget Cycle Term

The Policy is currently written to reflect a four-year term for the MYBB. The first MYBB was approved for a two-year period, covering 2020 and 2021, as the first step towards the City's new approach. 2022/2023 was also approved as a two-year budget as with the onset of the COVID-19 pandemic it was determined that the uncertainty and risk of a four-year term at that time was not desirable. Both the 2020/2021 and 2022/2023 two-year MYBB allowed for a multi-year focus which resulted in significant time savings for both Administration and City Council. The second year of a two-year budget cycle allows Administration to focus on operational items and any unanticipated external factors, while still allowing for longer-term planning. In addition, City Council was able to approve adjustments in the second year as required to ensure that Strategic Priorities and the City's Strategic Plan are meeting service delivery needs.

While the original intent of the Policy was to move to a four-year cycle, Administration believes that the first two MYBB using a two-year cycle were a success. The unprecedented impacts that the COVID-19 pandemic presented were challenging even with a two-year cycle. Building a four-year cycle while immersed in a pandemic spanning multiple years would have been unsustainable with many unknowns from a planning perspective.

A budget cycle term of more than two years presents many challenges as the longer the budget cycle term, the higher the degree of built-in risk those outer budget years present. The greater amount of time between the present and a future point in time, the higher the degree of uncertainty that will present itself. As those uncertainties increase so does the degree of assumptions and budgetary estimates that are required to be made in the initial plan year. Had the City implemented a 2020/2023 MYBB, there would have been a significantly higher degree of adjustments in each of those out-going years, essentially deeming the four-year cycle term highly unreliable. As such, this may have also created an added perceived loss of flexibility in making budgetary changes and loss of reliability over that longer term. Rising inflation and extraordinary events like the pandemic are items that are not easily predictable for longer periods of time.

With many uncertain financial situations, changing assumptions and risks which are associated with a longer budget cycle, Administration is recommending that extending the budget cycle beyond two years does not add value into the budgeting process. Reliability, efficiency, and flexibility of the process are still able to be realized with a shorter two-year term without the additional risk of longer-term estimates.

While four-year budget processes are in place in some other major western Canadian City's, it was evident that significant adjustments were made during mid-cycle reviews. These significant adjustments were similar to completing two two-year budget cycles as the adjustments and administrative work required were considerable. In the Administration's view, completing a four-year budget with significant mid-cycle adjustments takes away from the efficiency gains intended with the multi-year budget as budgets and estimates are essentially completed twice. In summary the Administration recommends that a two-year budget provides the best value proposition for the City as it provides some longer-term planning advantages, while freeing up a significant amount of administrative resources to focus on other priorities.

2023 Budget Process

While Administration has implemented a two-year Multi-year Budget for 2022/23, there is an opportunity to make changes to the second year of the budget cycle for significant adjustments based on the criteria contained in the Policy.

City Council approved the 2023 operating budget plan and property tax increase of 3.53%.

In terms of process, Administration will bring a report to Governance and Priorities Committee in Q3 of 2022, likely September or October, outlining the pressures and opportunities for the 2023 Budget, for information and feedback. Following this information update, Administration will release the revised 2023 Business Plan and Budget in November outlining the recommended changes to the 2023 Preliminarily Approved Business Plan and Budget. In addition, the 2023 Business Plan and Budget review is scheduled for November 28-30th, 2022, at which time these proposed adjustments will be discussed and the 2023 budget finalized.

OTHER IMPLICATIONS

There are no financial, privacy, legal, social, or environmental implications identified.

NEXT STEPS

Administration will report back to the Governance and Priorities Committee with the Policy change in the MYBB term and other administrative amendments as deemed necessary.

REPORT APPROVAL

Written by: James Nechiporenko, Corporate Budget Manager
Reviewed by: Kari Smith, Director of Finance
Clae Hack, Chief Financial Officer
Approved by: Jeff Jorgenson, City Manager

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