

APPROVAL REPORT

Multi-Year Business Plan and Budget Policy C03-036 Amendments

ISSUE

City Council Policy C03-036, Multi-Year Business Plan and Budget (C03-036) 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. City Council previously approved a permanent change to a two-year term. This term amendment and other administrative changes as outlined in this report are required to update the MYBB Policy C03-036.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council that the City Clerk update Multi-Year Business Plan and Budget Policy C03-036 as outlined in Appendix 1.

BACKGROUND

At its [June 27, 2022 meeting](#), City Council resolved:

- “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.”

At its [August 29, 2022 meeting](#), City Council resolved:

“That Option 3 – Inclusion of a Phased-In Transit and other Step Growth amounts be included within the Indicative Budget in each Budget Year.”

DISCUSSION/ANALYSIS

C03-036 was implemented April 1, 2019, and requires updates as directed by City Council. The Administration is recommending additional updates as outlined in this report.

Two-Year Term

City Council approved a change from a four-year term to a two-year term and C03-036 is being updated to reflect that resolution. Also proposed is removal of the reference to corresponding City Council terms as they are four-year terms.

Linear Growth and Step Growth

Linear growth has always been included within the indicative budget and as per City Council direction from the August 29, 2022 meeting, the indicative budget will now also include step growth. Definitions for linear growth and step growth are being included in C03-036. A statement including both linear and step growth has been proposed within the operating expenditure guidance section of C03-036.

Structurally Balanced Budget

The Government of Financial Officers Association (GFOA) website has many proposed best practices for financial and budget reporting. One of the best practices related to budgeting is "[Achieving a Structurally Balanced Budget](#)". A structurally balanced budget is one that is financially sustainable into the future and does not rely on non-recurring (one-time) revenue for regular, recurring, operating expenditures. If a budget must be balanced using one-time funding, City Council should be informed of the non-recurring amounts within the budgets and future budgets must be adjusted to ensure remediation of the future funding gap by either reducing ongoing operating expenditures or increasing recurring revenues or funding. Over the past number of years, the City of Saskatoon (City) has worked to integrate this approach into annual budgeting, and a logical next step is to integrate this approach into policy.

An example of this is the non-recurring revenue the City included for 2021, 2022 and 2023 budgets due to the ongoing impact of COVID-19 and the government funding used to offset reduced revenues. The 2024 MYBB will have to be balanced without the one-time COVID-19 funding that has been included in the prior years' budgets as it will not be available.

Administration is proposing that definitions for a Structurally Balanced Budget and both recurring and non-recurring revenues be included in C03-036. Also, a statement is being added that Administration will identify any non-recurring revenue or funding that is being used to balance the operating budgets and that the future years' funding gap due to reliance on non-recurring funding must be addressed within the following MYBB process to ensure sustainable budgets.

Capital Projects

Currently there are capital projects that receive external funding sources that are over and above budgeted funding. These are cost-recovered items where the funding is from items such as additional insurance claim reimbursements received for repairs to City assets or customer funding received for work on City assets. Currently these projects would show as overspent compared to budget as the work was required to be completed resulting in an over expenditure from the budgeted amounts, but additional revenues would already be received that have funded these projects, meaning the work has been fully funded. Administration is proposing that within C03-036, the City Manager would have the ability to approve these increases to capital projects when funding has already been received.

Like-projects are projects that would have similar work scope or work that is highly correlated. An example is preservation budgets, where in successive years, similar funding is allocated to effectively the same scope of work, such as the Roadway Preservation annual series of projects. Another example is the Bridges Preservation series of projects where moving funds between projects would allow for the fluctuations from contracted costs to be dealt with. These projects at times have shared costs and are effectively managed as a single program. Administration is proposing within C03-036 that the City Manager can approve the transfer of approved budgeted

expenditures and funding between projects that are highly correlated like-projects and similar in scope with the same funding source.

Engagement

Administration is proposing a change to the engagement portion of C03-036 to clarify that the existing bi-annual Citizen Services Surveys will be used to inform the budget and the results will be summarized within the Budget Documents for City Council Business Plan and Budget deliberations.

Estimating Operating Budget Full-Time Equivalents (FTE)

Administration is proposing that the term for temporary FTEs within Section 3.13 in C03-036 be changed from 36 months to 60 months. There are many examples of capital initiatives which are most cost-effectively performed by hiring temporary staff as opposed to hiring external consultants. Additional flexibility in the length of temporary position postings will give the City an improved ability to hire people due to longer term temporary positions. As with the existing process for temporary postings up to three years in duration, postings for up to five years in duration must have funding in place.

OTHER IMPLICATIONS

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

NEXT STEPS

If approved, the City Clerks office will adjust C03-036 as shown in Appendix 1. If approved, the Administration will adjust budgeting reports to align with the revised policy.

APPENDICES

1. C03-036 Council Policy Amendments

REPORT APPROVAL

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