
Multi-Year Business Plan and Budget – 2019 Process

Recommendation

That the 2019 Business Plan and Budget process be approved.

Topic and Purpose

The purpose of this report is to obtain Governance and Priorities Committee approval of the 2019 Business Plan and Budget process.

Report Highlights

1. The Administration is preparing for a public two-year multi-year budget for 2020-2021. There is significant work currently underway to ensure staff, processes and system are ready for the launch.
2. The vision for multi-year business plan and budgeting (MYBB) and the 2019 process is to better align City Council's Strategic Plan and administrative business plans and budget allocations.
3. A key first step in the 2019 process is to determine the cost to maintain existing services, which forms the basis of future budget decisions.
4. An indication from City Council on a property tax target early in the process is critical to the success of MYBB to ensure it is as effective and efficient as possible. This process has been labeled as an "indicative rate and fees" decision. A report outlining context and options will be presented to Governance and Priorities Committee in May 2018.
5. The final step is to incorporate business plans aimed at achieving City Council's desired outcomes as outlined in the Strategic Plan. If funding is required, City Council direction will be sought in June 2018 as to which business plans to implement in 2019. These business plans will need to fit within the previous indicative rate direction.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability by being open, accountable and transparent, particularly when it comes to the resource allocation and collection decisions the City of Saskatoon (City) makes.

Background

At its meeting on May 16, 2016, when considering a report of the City Manager which provided an overview of MYBB, the Governance and Priorities Committee resolved that the Administration report back by January 31, 2017, with further detail and a possible implementation strategy and plan for multi-year budgeting.

The Standing Policy Committee on Finance also commissioned the internal auditor to conduct a review of the City’s readiness for multi-year budgeting and identify the gaps and steps required to implement the initiative. When considering this report at its March 27, 2017 regular meeting, City Council resolved that the Multi-Year Business Plan and Budget Framework be approved in principle.

In addition, during 2017 Budget Deliberations, City Council approved Capital Project 2515, Multi-Year Business Plan and Budget, for \$650,000 to fund the implementation of the initiative, including organizational change management, public engagement, strategic planning, updates to the budgeting software and revamping current budget documents.

Report

Multi-Year Business Plan and Budget

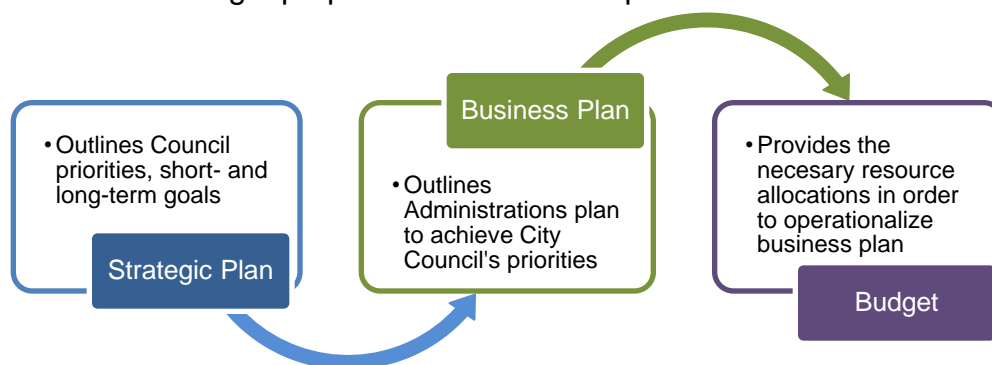
As previously reported, the City’s first public MYBB will be for a two-year cycle, presented for the 2020-2021 budget years. However, as recommended by the internal auditor, the Administration will be conducting an internal pilot project in 2019 where MYBB will be tested and refined. The internal pilot project is significant and consists of eight key areas to ensure the City is ready for the 2020-2021 public presentation. An overview of these key areas to be addressed, as outlined in Attachment 1.

While the Administration works through and refines these eight areas throughout 2019, there are aspects of the 2019 process that can be implemented immediately to form a critical foundation of a future MYBB. These aspects are discussed in the following sections of this report.

2019 Business Plan and Budget Vision

The 2019 Business Plan and Budget process will be similar to the multi-year process that will be implemented for the 2020-2021 budget years. It is largely based on processes that have been developed by municipalities with extensive experience in preparing multi-year budgets, such as Edmonton and Calgary.

The overall vision is to have a more integrated business planning and budget process whereby City Council’s Strategic Plan drives the business planning process, which in turn is the basis for budget preparation. This concept is illustrated below:



Utilizing this vision, the Administration is proposing a four-step process as part of the 2019 process, which will eventually form part of the MYBB process as well. The four steps are:

1. Determine the cost to maintain existing service including potential adjustments to service levels.
2. Obtain direction on desired property tax target based on the context provided in Step 1.
3. Develop Business Plans to achieve City Council's Priorities and Outcomes.
4. Obtain City Council approval on which business projects or initiatives to include or defer.

Step 1 – Cost to Maintain Existing Services

One of the first key steps to a future MYBB framework is to determine the cost to deliver the current level of service. This is the starting point of the 2019 Business Plan and Budget process and takes the following into consideration:

- growth pressures such as new roadways or park space;
- inflation such as contracted increases and negotiated salary/benefits;
- efficiencies gained; and
- continuous improvement.

This step will form the context that drives Step 2 of the process.

Included in this step would be the continued presentation of Service Level Reports to the respective Standing Policy Committee, which would be presented prior to Step 2 in an MYBB cycle. The Administration would then provide the necessary resources in the preliminary budget based on Standing Policy Committee recommendation(s).

Step 2 – Indicative Budget Direction

A key risk to MYBB is the continuous reworking of assumptions and plans due to a moving target and lack of parameters set at the beginning of the planning cycle. In order to have an effective and efficient budget cycle, an indicative rate decision has been invaluable to other municipalities utilizing MYBB. The indicative rate decision is essentially City Council providing the Administration with an indication of their tolerance level for a property tax target early in the process. This provides Administration with clear parameters to work within when preparing the MYBB to achieve City Council priorities. This step will utilize the information obtained in Step 1 to provide context to the indicative rate direction.

Without an indicative rate decision, the Administration is left to speculate on the preferred balance between property tax changes and business plan implementations, creating rework, miscommunication and inefficiencies between the business planning and budgeting process.

As part of the 2019 Business Plan and Budget process, the Administration will present a report to Governance and Priorities Committee at its May 22, 2018 meeting to provide an overview of the costs to maintain existing service levels and a corresponding recommendation regarding a property tax target.

Steps 3 and 4 – Business Plan Development and Approval

Once the cost to maintain existing service levels and parameters for a property tax target is established, the next step will be to introduce business plans aimed at achieving City Council priorities. Based on the indicative rate decision, business plans will utilize funding available between the cost to maintain services and the targeted property tax change. If the indicative rate decision provides no room between these two items, the Administration will propose only those business plans with no budgetary impact or that can be absorbed within existing resources.

Subsequently, at the June 18, 2018 Governance and Priorities Committee meeting, the Administration will be recommending several business plan proposals aimed at achieving City Council priorities. The Administration will also be seeking direction on what business plans are to be included in the 2019 Budget.

Following this meeting, the Administration will have sufficient direction to prepare and consolidate the budget for public presentation at the October 15, 2018 Governance and Priorities Committee meeting.

Options to the Recommendation

The Governance and Priorities Committee could choose to continue with the current budget process that has been utilized the past several years. This would include the Administration preparing the budget and reporting out periodically regarding any changes. The Administration does not recommended this option as the proposed process provides clearer direction and eliminates time-intensive rework. Additionally, the process will better link City Council’s Strategic Plan and administrative business plans and budget allocations, better preparing the City for an MYBB.

Communication Plan

A comprehensive communication and engagement plan for 2019 and multi-year budgeting will be presented to the Governance and Priorities Committee at its April 23, 2018 meeting.

Other Considerations/Implications

There are no policy, financial, environmental, privacy or CPTED considerations or implications, and neither public and/or stakeholder involvement is required at this time.

Due Date for Follow-up and/or Project Completion

As outlined in the report, the Administration will present Indicative Rate and Business Plan Proposals reports to the Governance and Priorities Committee at its meetings on May 22 and June 18, 2018 respectively.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Multi-Year Budget Internal Project Key Steps

Report Approval

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Approved by: Jeff Jorgenson, Acting City Manager

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