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## 2020/2021 Multi-Year Business Plan and Budget

### Recommendation

That the Governance and Priorities Committee recommend to City Council:

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;
3. That Council Policy No. C03-001, The Budget Process, be rescinded; and
4. That Council Policy No. C04-003, Staffing, be rescinded.

### Topic and Purpose

The purpose of this report is to outline the Multi-Year Business Plan and Budget (MYBB) process for 2019. This report is also requesting City Council approval of the new MYBB Policy and the repeal of Council Policy Nos. C03-001 and C04-003 as they will no longer be required with the new policy.

### Report Highlights

1. The Business Plan and Budget process for 2020/2021 will follow a similar process as in 2018.
2. The proposed MYBB process will provide the appropriate governance and framework for the City's first two-year MYBB in 2020/2021.
3. Upon approval of the MYBB Policy, the Administration is recommending that the existing Budget Process and Staffing policies be rescinded as they will no longer be required.
4. The MYBB Policy and process will have several significant changes to current practices, including the introduction of remediation plans for forecasted budget overspends and only completing the formal budget document in the first year of the MYBB process.

### Strategic Goals

The recommendation within this report supports the Strategic Goal of Continuous Improvement by using innovative and forward thinking to go beyond conventional approaches to meet the changing needs of our city. This report also supports the Strategic Goal Asset and Financial Sustainability as the business planning and budgeting process is open, accountable and transparent, and reflects the needs of citizens today and tomorrow.

### Background

At its meeting on March 19, 2018, when considering a report of the City Manager entitled Multi-Year Business Plan and Budget – 2019 Process, which outlined several critical aspects of a future MYBB to be piloted as part of the 2019 process, the

Governance and Priorities Committee resolved that the 2019 Business Plan and Budget process be approved.

The approved process included an indicative rate setting process, a Governance and Priorities Committee prioritization process based on City Council's Strategic Plan, and administrative budgeting for multiple years. These processes were introduced as part of the 2019 process and formed key communication and decision-making points for the eventual approved 2019 Business Plan and Budget.

## **Report**

### MYBB Process

As part of the 2019 Business Plan and Budget process, many aspects of an MYBB cycle were piloted, including:

- introduction of an indicative rate setting process;
- administrative budgeting for multiple years; and
- a corporate business planning process focusing on City Council's Strategic Priorities.

These aspects are recommended to be continued as part of the City's first MYBB. The proposed MYBB process for 2020/2021 is comprised of the following four key steps:

*Step 1 – Develop the cost to maintain existing services such as expenditure growth, inflation and revenue estimates.* This step can also be utilized to incorporate administrative priorities such as correction of base budgets and phase in of funding plans, ERP requirements or HR support.

*Step 2 – Determine the property tax target.* Utilize Step 1 in order to provide the Governance and Priorities Committee an overview of current and future year financial forecasts so that a property tax target can be set early in the process. This will form a critical basis for Administration to work within as options are developed aimed at achieving City Council's Strategic Priorities.

*Step 3 – Develop Corporate Business Plans aimed at achieving City Council Priorities.* This step will involve the use of cross divisional teams to discuss City Council's Strategic Priorities and develop options to progress their priorities.

*Step 4 – Incorporate the Business Plans into the Budget process.* This step involves the presentation and prioritization of Business Plan Options by City Council in order to achieve a balance between achieving City Council's Strategic Priorities within the directed property tax target and citizens' ability to pay.

The entire process including Steps 1 to 4 and associated timelines for 2019 are shown in Attachment 1.

### New Multi-Year Budget Policy

The new MYBB Policy formalizes the steps for the development and ongoing support of an MYBB process. The proposed MYBB Policy (Attachment 2) outlines the following:

- overview of the Business Plan and Budget process;
- establishment of service-based budgets that focus on service levels;
- full-time equivalent/staffing guidance;
- types of adjustments that will be allowable in mid-year cycles; and
- guidance regarding corporate and departmental annual variances processes and requirement.

Currently, Council Policy Nos. C03-001 and C04-003 govern the Business Plan and Budget process. These policies are now redundant; therefore, the Administration is recommending that they be replaced with the proposed MYBB Policy.

Several key changes as the City of Saskatoon transitions to an MYBB, as outlined in the new policy, include:

1. The comprehensive MYBB document will only be completed in the first year of the cycle. Subsequent years of the process will include a summarized “Proposed Adjustment Document” to supplement the originally produced MYBB document. Adjustments to the approved MYBB document will be limited and only adjusted for the following circumstances:
  - City Council-directed changes to its Strategic Priorities and/or the City’s Strategic Plan that have financial impacts on service delivery;
  - Changes to operating impacts resulting from Capital Budget adjustments; and
  - Unanticipated external factors, such as:
    - budgetary, legislative or regulatory changes made by federal and provincial governments;
    - changes imposed on pension plan contributions, negotiated collective bargaining settlements and interest rates;
    - changes to economic forecasts that impact budgetary expenditures or revenues such as assessment growth; and
    - any other significant external factors as deemed by the City Manager or Chief Financial Officer.
2. Divisions will be required to submit monthly operating variance projections. Any operating program that is projected to exceed its budget outside of the thresholds established in the policy will develop a remediation plan.

This remediation plan shall include options such as, but not limited to, the deferral of hiring and the deferral or elimination of major expenses or reserve transfers. The remediation plan requires approval of the appropriate Department Head and the Chief Financial Officer.

If a remediation plan cannot be identified within the Service Line to offset the projected deficit while still providing the approved service levels, the projected deficit must be reported to the appropriate Standing Policy Committee as part of the mid-year and third quarter update if it is expected to be greater than \$250,000.

### **Options to the Recommendation**

City Council can choose not to adopt the new MYBB Policy, or request further amendments. This option is not recommended as the new MYBB Policy is based on best practices gained from other municipalities and would put the City's ability to deliver an MYBB in 2020/2021 at risk.

### **Public and/or Stakeholder Involvement**

The Chamber and North Saskatoon Business Association have been consulted regarding the concept and presentation format of an MYBB. Both organizations support the City's proposed presentation, with an increased focus on strategic priorities, service levels and performance metrics.

### **Communication Plan**

The MYBB will be fully supported by a communication plan through a variety of tools which will create broad awareness around the many benefits of the new budget planning process. The new presentation format will be highlighted to stakeholders and citizens in a news release.

### **Policy Implications**

Pending City Council approval, the MYBB Policy will take effect on April 1, 2019, and Council Policy Nos. C03-001 and C04-003 will be rescinded.

### **Other Considerations/Implications**

There are no environmental, financial, privacy, or CPTED implications or considerations.

### **Due Date for Follow-up and/or Project Completion**

The Administration will continue to monitor and amend the policy and procedure as required. Any required amendments to the MYBB Policy will be presented to City Council for approval.

### **Public Notice**

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

**Attachments**

1. 2019 Process for the 2020/2021 Multi-Year Business Plan and Budget
2. Multi-Year Business Plan and Budget Policy

**Report Approval**

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Approved by: Kerry Tarasoff, Acting City Manager

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