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## Multi-Year Business Plan and Budget Framework

### Recommendation

That the Governance and Priorities Committee recommend to City Council that the Multi-Year Business Plan and Budget Framework be approved in principal.

### Topic and Purpose

The purpose of this report is to outline the various components of a Multi-Year Business Plan and Budget (MYB) Framework that need to be developed and receive approval of the Framework in principle.

### Report Highlights

1. A Framework will form the basic structure and guiding principles for multi-year planning and budgeting.
2. A policy sets the groundwork for an MYB process by establishing guidelines, responsibilities and direction.
3. A defined process will increase the transparency of the process as well as ensure a seamless delivery of the MYB.
4. A new document(s) will be developed for the delivery and presentation of multi-year plans and budgets with increased emphasis on targets, outcomes and service levels.
5. The implementation plan has a significant focus on change management within the corporation and includes the formation of an internal project team to ensure the successful implementation of this initiative.

### Strategic Goal

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 May 16, 2016, the Governance and Priorities Committee considered a report of the City Manager (Attachment 1) which provided an overview of MYB, including what MYB is, advantages and disadvantages of an MYB, and where it is used.

The 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 (PricewaterhouseCoopers) to conduct a review of the City of Saskatoon's readiness for

multi-year budgeting, and identify the gap and steps required to implement the initiative. An accompanying report from the internal auditor provides the results of this review. In addition, during 2017 budget deliberations, City Council approved Capital Project 2515, Multi-Year Business Plan and Budget, for \$650,000 in order to fund the implementation of the initiative including organizational change management, public engagement, strategic planning, updates to the budgeting software and revamping the current budget document(s).

### **Report**

While a report was targeted for early 2017 to the Committee, the Administration believes the observations and recommendations that are included in the audit report on MYB are important to consider at the same time.

Based on the auditor's review as well as the research conducted by the Administration, the following key elements for a successful implementation of MYB are being presented.

### Multi-Year Budget Framework

An MYB Framework will form the basic structure and guiding principles to proceed with a targeted implementation for the 2020 – 2021 budget cycle. The MYB Framework includes the development of:

- a guiding policy;
- a recommended process; and
- presentation of the Business Plan and Budget in an easy-to-read document(s) for a targeted audience of City Council and the public.

*The Cities Act* requires that City Council approve an annual operating and capital budget. A multi-year budget would adopt a longer term budget, but would still require an annual approval of the operational and capital plan.

The recommended framework for multi-year budgets would focus on four-year cycles. However, there is a considerable amount of work required, as well as effecting change management in the corporation to successfully implement this initiative. The 2018 budget cycle is expected to follow the traditional one-year cycle as the Administration starts to make the necessary changes in preparation of the multi-year business plan and budget process. As recommended by the internal auditor, it is vital to test the multi-year process before going live in order to work out the kinks and revise processes and systems to ensure a smooth implementation. Therefore, an initial three-year cycle (2019 – 2021) will be tested administratively that will coincide with a one-year public budget for 2019. Based on a full target implementation for the 2020 budget year, a two-year budget cycle would correspond with the 2020 civic election by providing a one-year lag for the new City Council prior to setting its own four-year business plan and budget in 2022.

Subsequent cycles (2022 – 2025) would be four years to coincide with the electoral term of City Council. Mid-year cycles will allow the Administration and City Council to

amend the budget based on the factors outlined in an MYB Policy. As such, each year within these cycles, an annual approval process will still allow for adjustments and the final approval of the budget approval legislative requirement.

### Multi-Year Budget Policy

A policy sets the framework for the development and ongoing support of an MYB process. A Council Policy will stipulate the approach that will be taken throughout the process. MYB policies typically outline the following:

- overview of the Business Plan and Operating/Capital Budget requirements;
- establishment of service-based budgets that focus on service levels;
- types of adjustments that will be allowable in mid-year cycles;
- overview of the information which will be provided to City Council in the MYB document(s);
- guidance regarding corporate and departmental annual variances (over/under budget allocations); and
- overarching process to link the Business Plan, Budgets and Performance Measures.

The current Budget Process Policy (Council Policy No. 03-001) will be amended to reflect an MYB Policy.

### Process

It is important that the process be laid out well in advance in order to allow time to prepare and implement the Plan and Budget, and to increase transparency regarding multi-year budgeting. There are four distinct processes that are identified leading up to a fully implemented MYB cycle:

1. The 2018 Business Plan and Budget Cycle will provide an opportunity to assess several principles within the MYB Framework process including:
  - a. service level reports and recommendations at the appropriate Standing Policy Committee;
  - b. setting a preliminary mill rate by the Governance and Priorities Committee early in the process to provide direction as the Administration prepares the budget; and
  - c. more open and transparent discussion by debating options at the appropriate Standing Policy Committee for achieving City Council's priorities for consideration and inclusion into the plan and budget.
2. The 2019 – 2021 Administrative Test Multi-Year Business Plan and Budget process.
3. The 2020 – 2021 Multi-Year Business Plan and Budget process.
4. The 2020 – 2021 Mid-Year Cycle Review process.

Attachment 2 provides an overview of the recommended framework for the City's 2018 Business Plan and Budget process.

### Budget Document Presentation

The MYB document will need to look considerably different than the current budget book. This new presentation will work towards increasing the usefulness of the Business Plan and Budget document with increased emphasis on:

- performance targets, outcomes and initiatives and how they relate to City Council's strategic priorities;
- past, current and forecasted results in relation to performance targets;
- clearly outlining the current service delivery on a service line basis;
- providing a multi-year financial forecast and higher level explanations regarding budgetary dollar changes as they relate to strategic initiatives;
- aligning to the Long-Term Financial Sustainability Plan; and
- providing linkages between the capital budget and larger initiatives such as the Growth Plan and the Corporate Asset Management Plan.

The Administration will provide a future report with alternative budget document presentations in order to receive City Council input regarding the design and information to be included in the document that allows for the ability to make informed decisions.

### Implementation Plan

In order to implement multi-year planning and budgeting into the organization, there is a considerable amount of work required. A significant focus of this implementation plan will be on the change management component of the initiative. A change management strategy will be applied to the overall plan which will include ensuring the vision is well understood and communicated, as well as the motivation or reasons for the change. The change management plan will also ensure the appropriate skills and resources are in place to lead and deliver the project, and that a well thought out action plan is developed, followed and communicated.

The implementation plan will ensure the following items are addressed:

- Strategic Plan and Council priorities
- Performance targets
- Service levels
- Processes and systems
- Documents
- Reporting
- Public engagement
- Communication

A project team is being created that will report to an established Steering Committee within the Administration to drive and coordinate the work for a successful implementation of this initiative.

### **Financial Implications**

Capital Project 2515, Multi-Year Business Plan and Budget, was approved in the 2017 Budget for \$650,000. The implementation of the MYB will be funded from this project and includes funding for project staffing, system changes, training, engagement and other related costs. This project was funded by a contribution from the Reserve for Capital Expenditures.

### **Options to the Recommendation**

City Council could choose not to endorse the MYB Framework, either in part or in full. Any amendments to the recommendation would result in varying degrees of rework to the proposed framework. This option is not recommended as the current framework is consistent with City Council's previous direction and other municipal best practices.

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

A full engagement plan will be developed to support and inspire public and/or stakeholder engagement, once the framework of the MYB is approved. It is anticipated that at a minimum, the stakeholder engagement will include the annual Citizen Civic Services Survey, the Citizen Budget online tool and various ad hoc round-table discussion groups on key issues. Extensive engagement opportunities will be created for all internal and external audiences at the appropriate time.

### **Policy Implications**

City Council Policy No. C03-001 would require an overhaul to address the new MYB Framework and processes.

### **Communication Plan**

A detailed communication strategy/plan will be developed once the framework of the proposed Multi-Year Budget process is finalized. A variety of communication tools will be developed, many similar to those created to support the 2016 and 2017 budget processes. To achieve success throughout the launch of this new initiative, all key milestones and phases of the MYB project will be well communicated.

### **Other Considerations/Implications**

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

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

The Administration will report back on the following items:

- Strategic Plan and City Council priorities - early second quarter 2017
- Preliminary property tax rate for existing service levels - May 2017 (as directed by City Council)
- Option papers/reports tabled with the appropriate Standing Policy Committees for discussion and possible referral to Budget Review - May to August 2017
- Updates to Council Policy - fall 2017
- Options for MYB presentation - early 2018

**Public Notice**

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

**Attachments**

1. Overview of Multi-Year Business Planning and Budgeting – May 16, 2016 Report to Governance and Priorities Committee
2. 2018 and Multi-Year Budget Processes

**Report Approval**

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