

# Draft Multi-Year Service Planning and Budgeting Principles

## Context

### **The importance of service planning and budgeting principles**

Service plans and budgets serve as the foundation for understanding our service delivery, the value it provides, and how this contributes to the quality of life in our community. An established set of principles to guide the decision-making process over multiple four-year cycles will inform general practice across all different aspects of planning and budgeting activities. Enshrining the principles in policy will better allow the process itself to focus on the prioritization and decisions required to develop our multi-year service plans and budgets.

### **Response to Financial Task Force recommendations**

Administration relies on many Council-approved principles throughout the service planning and budgeting process, and past practice has seen principles repeatedly approved as part of the process. This results in our longstanding principles-based approach being contained in a number of Council presentations and report attachments, limiting transparency and accountability, as there is no single comprehensive document that can be reviewed, updated and measured against. Developing more permanent service planning and budgeting principles and integrating them into policy arises as a result of a number of Financial Task Force recommendations. Several Administrative Action Items relate to the establishment of Council-approved principles for service planning and budgeting, including principles for adjusting tax rates (2a; 11a) and provide factors for consideration in the establishment of the principles (20a; 31a; 8a). They follow on from the Financial Task Force's recommendation #1 ("Apply a decision-making framework that addresses forces within the control of The City."), and are related to other recommendations, including 12 (non-residential subclass legislation), 19 (tax levy split) and 20 (c. develop clear tax policy). More detail is contained in Appendix 1, [Related Recommendations and Administration's Responses](#).

The broader decision-making framework referred to in Recommendation 1 is reflected in various existing Council and Administration policies and procedures, though the overarching framework could be better described and integrated, and potential gaps could be identified in comparison to the [OECD Principles of Budgetary Governance](#) and the Government Finance Officers Association's [Framework for Improved State and Local Budgeting](#).

## Existing Council-approved service planning and budgeting principles

### An overview of existing Council-approved principles

At separate points in the process of preparing the 2019-2022 One Calgary Service Plans and Budgets, Council approved [The City's Strategic Plan Principles \(PFC2018-0445\)](#) and [Principles for Setting Indicative Tax Rates \(C2018-0304\)](#). While Appendix 2 has a full list of principles that inform some aspects of the multi-year service planning and budgeting process (including the Capital Infrastructure Investment Principles), these are the current set of overarching principles. The content of these two sets of principles are outlined in Table 1.

Broadly, these principles speak to providing services that achieve citizens' priorities and Council's directives in a way that is affordable and maximizes value for services by seeking efficiencies, continuously improving and focusing on long term economic and financial goals. They reflect accountability through performance monitoring and adjustment, as well as making things easy to understand and communicate with the public. They reinforce the integrated nature of our planning and budgeting across the organization and among operating and capital expenditures.

**Table 1: Current overarching multi-year service planning and budgeting principles**

Strategic Plan Principles	Indicative Tax Rate Principles
<ol style="list-style-type: none"> <li>1. Vision: Address citizen needs and long-term quality of life aspirations.</li> <li>2. Strategy: Use a Council-driven and corporately integrated approach to planning for service delivery.</li> <li>3. Value: Focus on what matters most to citizens and customers and maximize their value for city services.</li> <li>4. Accountability: Monitor the value generated through services by using performance measures and reporting.</li> <li>5. Continuous Improvement: Seek to improve services and processes and adjust on an ongoing basis.</li> </ol>	<ol style="list-style-type: none"> <li>1. Include consideration of citizens' needs and expectations, expressed through long term goals, Council directives, and citizen engagement and research.</li> <li>2. Include consideration of financial situation of taxpayers (citizen affordability).</li> <li>3. Meet legislative requirements.</li> <li>4. Reflect a long-term sustainable and affordable balance among enabling Calgary's maintenance, growth and service changes that meet Council approved service levels and further our resilience agenda.</li> <li>5. Maintain approval of four years with opportunity to adjust annually.</li> <li>6. Rationale underlying tax rate decisions should be easy to understand and communicate.</li> <li>7. Base the rates upon most recent information available at the time of approval.</li> <li>8. Raise the care and attention that the Administration pays to restraining expenditures and continually seeking efficiencies with a focus on service value and intentional management.</li> </ol>

### **The specific gaps addressed by this update**

Harmonizing existing principles: The City's approach to service planning and budgeting is presently guided by many principles and fulfilled through many Council and Administration policies. This includes those in Council-approved documents like the *Long-Range Financial Plan*, standalone principles that Council has approved at various points in the planning and budgeting process (e.g. the Capital Infrastructure Investment Principles, The City's Strategic Plan Principles, and the Principles for Setting Indicative Tax Rates), and other policies (e.g. the *Transparency and Accountability Policy* (CC039), and the *Budget Reporting Policies* (CFO006), etc.). More information is available in Appendix 2 and Appendix 3 ([Other Council-approved principles related to planning and budgeting](#)). This update seeks to enhance these principles to ensure they are consistent.

Completing the content of Council Policy: Though Council has approved the above principles in specific contexts, the Multi-Year Business Planning and Budgeting Policy (CFO004) does not currently outline the principles that guide Administration in its preparation and adjustment of service plans and budgets, or the principles used in setting and adjusting tax rates. Those sets of principles are the focus of this work. With Council approval, these proposed principles would inform a future update to the policy.

Consistent decision-making support: [The City's Strategic Plan Principles](#) (PFC2018-0445) and [Principles for Setting Indicative Tax Rates](#) (C2018-0304) are the primary principles that guide current decision-making. These two sets of principles are overlapping and reinforcing. The former set of principles has a stronger focus on the requirements to guide City Administration when developing service plans and budgets for Council approval. The latter set of principles focus narrowly on the tax rate decision that directly informs only part of the budget. In other words, there is a difference between our overall principles when preparing and adjusting service plans and budgets and those used specifically when recommending an indicative tax rate for Council approval to guide Administration's budget preparation and adjustments. Grounding conversations throughout the multi-year service planning and budgeting process in a uniform set of principles at various decision-making points would increase long-term stability in decisions and budget outcomes.

### **Principles, not priorities**

This proposal would put into policy the underlying principles that guide the *process* of Administration turning Council direction into multi-year service plans and budgets. Cementing these procedural guidelines beforehand is intended to allow Council to have an even more strategic focus on its priorities as the plans and budgets are created. In line with the current approach outlined in the Multi-Year Business Planning and Budgeting Policy, Council will still provide direction on its *priorities* for a four-year period and guidelines and direction to Administration throughout the process of building the plans and budgets.

## Proposed Multi-Year Service Planning and Budgeting Principles

**Accountable:** We focus on citizens by ensuring they can meaningfully engage and participate in budgetary choices. The City's service plan and budget documents are transparent, understandable, meaningful and available to all Calgarians. We measure and report on performance and service value and make adjustments as needed to meet expectations.

**Aspirational:** We identify and address the needs of all Calgarians as expressed in our existing long-term plans, policies, strategies and priorities. We use the best available evidence, including medium and long-term forecasts, to create realistic multi-year service plans & budgets.

**Equitable:** We consider Calgarians' diverse needs, strengths and social realities, recognizing that different barriers exist for diverse individuals and groups, and delivering services in a way that all people have the opportunity to benefit equally.

**Integrated:** We use a cross-corporate approach to planning, managing and reporting that includes risk management and attention to the relationship between operating and capital investments, while proactively involving our partners.

**Value for money:** We responsibly invest public funds in City services for long-term benefits while continuously seeking efficiencies in order to maximize the value that Calgarians receive from their municipal government.

These principles should be applied throughout the multi-year service planning and budgeting process and are reflected in the prioritization and decision-making at each stage. The principles are also consistent with Administration's *Rethink to Thrive Strategy*, with strong links to its goals of financial sustainability, optimized investments, and organizational focus, among others. Some examples of the implications for the service planning and budgeting process and decision-making framework are outlined in Table 2.

Further detail on how these principles impact decisions would be part of the service planning and budgeting process, and further outlined in the taxation policy. These principles are used to guide Administration's preparation of service plans and budgets, but the precise calculation and setting of annual tax rates – including how property tax responsibility is distributed between classes – is outside the scope of the Multi-Year Business Planning and Budgeting Policy.

**Table 2. Example implications within the multi-year service planning and budgeting process**

Principle	Implications on the Service Plan and Budget Process
Accountable	<ul style="list-style-type: none"> <li>• Should be informed by the opinions of all Calgarians.</li> <li>• Rationale underlying all revenue including tax and user fee decisions should be easy to understand and communicate.</li> <li>• There need to be regular public updates</li> </ul>
Aspirational	<ul style="list-style-type: none"> <li>• Priorities should be set based on measurable population indicators used in existing plans, policies and strategies. Examples of population indicators include “the percentage of waste diverted from landfills” and “the percentage of Calgarians using in each mode of transportation”</li> <li>• Priorities should be multi-year to allow the necessary time to direct resources and see results.</li> <li>• Deliver multi-year service plans and budgets with the ability to adapt through annual and mid-cycle adjustments processes.</li> <li>• Where possible service performance measurement should align to priorities.</li> </ul>
Equitable	<ul style="list-style-type: none"> <li>• Equity thinking will be more integrated into the service planning &amp; budget process by using tools like the forthcoming Equity Index produced by Calgary Neighbourhoods.</li> <li>• Services should consider specific demographics, population groups and under-served areas of the city.</li> <li>• Services should consider barriers to access, inclusion and civic participation.</li> </ul>
Integrated	<ul style="list-style-type: none"> <li>• Existing plans and policies including but not limited to <i>Imagine Calgary</i>, the <i>Municipal Development Plan</i> and <i>Calgary Transportation Plan</i>, <i>White Goose Flying</i>, <i>Rethink to Thrive</i>, <i>Calgary in the New Economy</i>, the <i>Climate Resilience Strategy</i>, the <i>Social Wellbeing Policy</i> and the <i>Resilient Calgary Strategy</i> inform the preparation of the service plans and budgets.</li> <li>• Recognize that many services may be able to contribute to one priority.</li> <li>• Consider how priorities and direction apply to enabling and governance services, which help drive down costs and increase value for money.</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• The number of priorities needs to align to budgetary realities including population growth and inflation and the long-term need for investment.</li> <li>• Should consider the financial situations of all Calgarians.</li> <li>• Understand The City’s competitive position, including the effect of changes on stakeholder decisions.</li> <li>• Include the impact of growth in the city and ensure a sustainable financial balance with existing services.</li> <li>• Balance the stability and predictability of service levels and the stability and predictability of property taxes and user fees.</li> </ul>

## Appendix 1. Related Recommendations and Administration's Responses

### Recommendation #2:

Develop and sustain the credibility of the decision-making process by:

- Committing to a principles-based process for adjusting municipal property taxes with strong accountability and ownership.
- Delivering analysis, in everyday language, of the upcoming year's property tax challenges ahead of the tax rate decisions for adequate reflection.
- Communicate, using standardized terms, the evolution of drivers of change and their fiscal impact before decision-making.

### Recommendation #11:

Use globally accepted guiding principles that generate a well-functioning property taxation decision-making process to secure a property taxation mandate from Council that captures Council's taxation priorities initially by 2020 Q4 and on an annual basis after that.

- The principles should align with those for a sound property assessment and taxation system.
- The annual mandate would provide clarity to Administration on the expectations for property tax options for Council consideration.

The mandate would draw the link between the range of services, service levels and generally accepted principles for an effective taxation system.

### Administration's responses:

Agree. As part of the business planning and budgeting process, The City outlines principles that guide decision making. The One Calgary Service Plans and Budgets outlined five principles that formed the basis for the service plans and budgets. However, these are not contained in Council approval.

The principle of Value includes consideration of affordability; however, it does not speak directly to property taxes. Council has approved capital infrastructure investment principles that guide decision making for capital investment. The analysis of property tax challenges, including drivers of change, is provided to Council as part of the indicative rates discussion early in the budget preparation process. However, communication in the planning stages tends to focus more on the reports and presentations to Council, with communication to citizens focused more after Council's decisions, including online and through social media.

**There is an opportunity to create a more permanent set of principles around service planning and budgeting, and specifically highlight principles for setting tax rates.** There is an opportunity to implement a more robust, performance-driven, strategic planning system to prioritize service level decisions. There is also an opportunity to focus more on clear, plain-language communication to citizens at every stage in the process, before decision making.

**2a/11a. Administration will review the feasibility of establishing permanent Council approved principles before the beginning of the next planning and budgeting cycle.**

**Recommendation #20:**

Calgary residential and non-residential taxpayers need to rely on stable property tax payments with low and predictable changes over time.

- Change the approach from determining the level of services before finding the tax dollars because it runs the risk of creating volatility.
- Reduce the risk of volatility by determining maximum revenue growth and then finetuning the level of service to meet the restricted revenue growth.
- Recognize that some thin-tail risk events, such as the COVID-19 pandemic, that would be challenging to accommodate.

**Administration's response:**

Agree – with potential modifications. Individual volatility can occur due to market-driven, redistributive forces within the assessment processes. Recommendations 12 and 19 are meant to address assessment-driven individual taxpayer volatility. In terms of tax-supported operating budget volatility, this appears to conform to The City's current approach, whereby Council provides an indicative tax rate at the outset of the process. The service planning and budgeting process includes a review of the financial projections and confirmation of the indicative tax rate before determining allocation to service levels. Furthermore, the property tax is determined after growth in other revenue sources is considered. Service levels are then identified within the ceiling of the indicative tax rates.

**There is an opportunity** to create more stability by establishing a permanent set of principles identified in Recommendations 2 & 11. **There is also an opportunity** to improve stability through the City policy resulting from Recommendations 12 & 19.

**20a. Administration will include stability and predictability as a consideration in developing the principles, recognizing this must be balanced with the need for stability and predictability for services that citizens need.**

**Recommendation #31:**

Adjust the taxation policy and its implementation to balance the level of service and taxation level in favour of long-term stability in taxes over stable services:

- Build flexibility to service delivery – plan for differentiated operational flexibility of service level provision, not the elimination of services that Calgarians have come to rely on, to allow adjustments to the costs to deliver services promptly. For example, adjusting the frequency of garbage collection to accommodate financial circumstances. It would be beneficial to:
  - Underlie the analysis that would inform decisions with a triple bottom line review of impacts to avoid defunding vulnerable groups or generating unintended consequences.
  - Outline and communicate the options available for consideration and the rationale for the Council decisions.

- Adjust to Taxpayer Preferences – Recent survey data, following the downtown tax shift, suggested that Calgary taxpayers are more tolerant of volatility in the level and breadth of services than tax volatility. Conduct additional survey analysis to verify the findings and update taxation policy as required to adjust by leveraging the flexibility built into service delivery.
- Exception for New Services – Recognize better acceptance of increases in taxes whenever new services or service improvements occur that lead to the increases.
- Private Sector Support – Adjustment to services in constrained environments should include contracting out services wherever possible. It would consist of a business case that confirms that cost savings would materialize – prioritizing the local business community where it makes the most sense. Consider adding the cost of administering the contracts (i.e. contract administration) as an administration fee.
- Municipal Finance Communication – Intensify communication on the link between taxes paid and services received. Recognize that many taxpayers have a tax input-to- service output view of municipal finances.
- SAVE Program Review – Embrace the findings from the detailed review of the balance of spending activities relative to existing taxation authority already underway.

**Administration's response:**

Administration proposed the following modifications. In the discussions, the Financial Task Force members recognized this could have a profound impact on service levels that Calgarians need and rely on, and could result in unintended consequences. The proposal from the Task Force would mean to achieve long term tax stability. Service delivery would be flexible, a concept such as temporary changes in service to maintain tax rate stability. The Task Force was concerned that necessary services for vulnerable populations could be at risk. In addition, approximately two-thirds of the tax-supported budget supports public safety and transportation services. Further research would need to be conducted to understand long term policy implications where surveys may indicate that taxpayer preferences may change from year to year. Administration believes the stability and certainty that is the goal of this recommendation can be achieved through Recommendations 2, 3 and 11. As noted in the response to Recommendation 20, the adjustment of service levels to affordability, as indicated by Council decisions, is a prominent step in developing service plans and budgets. The SAVE program was identified as a critical initiative and has continued to focus on increasing efficiencies and reducing costs, not limited to some of the concepts presented above. There may be circumstances that prevent preferences for tax stability over service stability. In that case, Council would be provided with evidence to make that decision. In addition, the recognition of tax increases for new services or service improvements assists in the development of policy.

There is an opportunity to include these factors in the principles developed in 2 (a) & (b).

**31a. Administration will consider these factors in the development of principles in 2 (a) and 11 (a).**



**Recommendation #8:**

Leverage Calgary's economic strategy –“Calgary in the New Economy.” Align decision-making priorities with the strategy.

- Focus activities on the four pillars of the strategy that involve making Calgary the destination for talent in Canada, the leading business-to-business (B2B) innovation ecosystem, the most livable city in Canada, and the most business-friendly city in Canada.
- Establish Calgary as a centre of excellence where businesses build the future. As a centre of excellence for energy, communicate specific initiatives that demonstrate long-term efforts at diversifying, including a sustainable energy sector and oil and gas industry. It should include tracking performance metrics, such as ESG scores, to demonstrate progress.
- As a centre of excellence for the digital economy, target initiatives addressing adaptable talent, digital governance and innovation, and corporate social responsibility.

**Administration's response:**

Agree. Administration supports the economic strategy and agrees that activities should align with the strategy. The City is committed to working with Calgary Economic Development and other partners and including initiatives such as the Downtown Strategy that directly align with the strategy. All four pillars of the economic strategy are vital to Calgary's success.

Administration is continually working towards being the most business-friendly city in Canada. We are strengthening our relationship with the business community. For example, during the COVID-19 response, The City collaborated with businesses by equipping them with resources and information to strengthen their resilience. Other efforts include improving our services and processes to attract, retain and support business opportunities. The City opened civic infrastructure (physical, digital and data) to the community to position Calgary as an innovation ecosystem, puts the customer first and adopts a “business-friendly” lens for City processes and initiatives.

**There is an opportunity** to explicitly align the principles underlying the service planning and budgeting process with the economic strategy, and include the impact of services on live ability and talent attraction in decision making. There is an opportunity to leverage aspects of The City's operations, such as The City's commitment to sustainable energy and being a centre of excellence for energy through focused communications. Administration will build on work to incorporate the economic strategy as an important consideration in developing and communicating the service plans and budgets.

**8a. Administration includes the economic strategy as an input into developing strategic plan principles in 2(a).**

## **Appendix 2. Overarching Council-approved principles related to planning and budgeting**

### **The City's Strategic Plan Principles (2018)**

In the process of preparing the last 4-year plan, at the 2018 April 23 Regular Meeting of Council ([PFC2018-0445](#)), "[The City's Strategic Plan Principles](#)" were approved:

1. Vision: Address citizen needs and long-term quality of life aspirations.
2. Strategy: Use a Council-driven and corporately integrated approach to planning for service delivery.
3. Value: Focus on what matters most to citizens and customers and maximise their value for city services.
4. Accountability: Monitor the value generated through services by using performance measures and reporting.
5. Continuous Improvement: Seek to improve services and processes and adjust on an ongoing basis.

### **Principles for Setting Indicative Tax Rates**

Council has also approved principles for setting indicative tax rates (initially in C2011-31), which were updated at the 2018 March 21 Strategic Meeting of Council ([C2018-0304](#)), [Attachment 3](#) "Principles for Setting Indicative Tax Rates":

1. Include consideration of citizens' needs and expectations, expressed through long term goals, Council directives, and citizen engagement and research.
2. Include consideration of financial situation of taxpayers (citizen affordability).
3. Meet legislative requirements.
4. Reflect a long-term sustainable and affordable balance among enabling Calgary's maintenance, growth and service changes that meet Council approved service levels and further our resilience agenda.
5. Maintain approval of four years with opportunity to adjust annually.
6. Rationale underlying tax rate decisions should be easy to understand and communicate.
7. Base the rates upon most recent information available at the time of approval.
8. Raise the care and attention that the Administration pays to restraining expenditures and continually seeking efficiencies with a focus on service value and intentional management.

## **Appendix 3. Other Council-approved principles related to planning and budgeting**

### **I Capital Infrastructure Investment Principles**

On 2015 November 25, the Capital Infrastructure Investment Strategy was approved by Council (C2015-0855) and on 2017 March 6, Council directed that Infrastructure Calgary update this strategy as part of the capital planning for the 2018 budget process (C2017-0214).

On 2018 March 21 (C2018-0304), Council approved the Capital Infrastructure Investment Strategy. Council renamed this document the Capital Infrastructure Investment Principles.

These are the approved Capital Infrastructure Investment Principles, also last updated at the 2018 March 21 Strategic Meeting of Council ([C2018-0304](#)), [Attachment 4](#):

1. Support the delivery of City of Calgary services, at approved service levels
2. Promote the well-being of communities, environment, and economy
3. Build an adaptable, resilient and smart city
4. Enhance the long-term value of City assets
5. Integrate, coordinate and optimize The City's investment
6. Optimize financing and funding sources

### **II Long-Range Financial Plan Strategies and Tactics**

The Long-Range Financial Plan identifies sustainability and resilience as its overarching goal, supported by five main financial strategies:

1. Flexibility
2. Efficiency
3. Sufficiency
4. Risk Management
5. Credibility

And the Long-Range Financial Plan also has 8 tactics:

1. Ensure adequate funding
2. Achieving diverse sources of funding
3. Managing expenditures
4. Providing for contingencies
5. Using debt strategically
6. Operating with prudent foresight
7. Maintaining sufficient cash flow
8. Strengthening resilience

### III Guiding Principles for the \$60M permanent operating budget reductions

At the [2019 June 10 Special Meeting of Council re: 2019 Budget Strategies](#) Council directed through a motion arising:

That Administration should consider but not be limited to the following guiding principles for the \$60M permanent operating reductions:

1. Least harm (to services) approach (all direct and indirect Tax Supported areas).
2. Treat employees with dignity and respect.
3. Preserve front line services, albeit, reductions may create a lower level or elimination of service.
4. Permanent reductions whenever possible, and short term strategies to yield long term permanent savings.
5. Reductions should not result in future additional costs that exceed the reductions.
6. Consider the capital related implications of operating reductions.
7. Analysis whether to proceed with new initiatives that have not started and reduce existing services.
8. Continue to prioritize long term plans and policies.
9. Reduce the use of consultants and short term contracts.
10. Outsource work where possible to reduce overhead & benefits.
11. Have subsidiaries and Civic partners engage in the above in a similar manner.
12. Review reporting structures for additional savings and efficiencies.
13. Operationalize Capital or capitalize Operating where possible.

### V Multi-Year Business Planning and Budgeting Policy (CFO004)

The opportunities for Council to confirm or change the principles listed above have historically occurred throughout the process detailed in section 5:

#### ***Multi-Year Planning and Budgeting Approach***

*Operating and Capital Budgets, Business Plans:*

- a. The Administration prepares long-term forecasts as background information to Council's preparation of guidelines for four-year business plans and operating and capital budgets.*
- b. Council prepares a statement of its priorities for a four-year period and provides budget guidelines to the Administration that frame the preparation of four-year business plans and corresponding budgets.*
- c. The Administration prepares business plans that reflect Council's priorities and guidelines, and which are achievable within the limits of the approved budget guidelines.*
- d. Council approves those business plans, including measures of performance.*
- e. Based on the approved business plans, the Administration prepares detailed proposed four-year operating and capital budgets for Council approval.*
- f. The budget includes four years of property tax rates, utility rates and user fees, as well as changes to those rates and fees.*
- g. The capital budget continues to include a five-year plan.*