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COUNCIL POLICY

Policy Title: Multi-Year Business Planning and Budgeting Policy for The City of Calgary
Policy Number: CFO004
Report Number: C2005-04, FCS2007-46
Approved by: City Council
Effective Date: 2005 January 31, and amended 2008 January 14 and amended 2012 April 9
Business Unit: Chief Financial Officer's Department

BACKGROUND

The work on integrating planning and budgeting began with Council's approval on 2004 March 16 of a multi-year approach to planning and budgeting, covering the years 2006-08. The benefits expected from this new approach, as identified by Council, included:

- providing a longer-term funding plan so that longer-term goals could be identified and achieved;
- providing citizens with more certainty about the direction of City services, finances, and tax levels;
- making more strategic use of Council's time in reviewing budgets and the Administration's time in preparing them; and
- instilling discipline to control spending plan changes.

PURPOSE

The purpose of this policy is to stipulate the approach to multi-year budgeting and business planning.

POLICY

(Multi-Year Planning and Budgeting Approach)

The following approach is used in order to meet Council's stated objectives for multi-year budgeting and business planning.

The scope of multi-year planning and operating and capital budgeting extends to all City departments, as well as the Calgary Police Service and any civic partners whose budget requests are included in the corporate business plan and budget document.

APPROACH/ PROCEDURE

A. Operating and Capital Budgets, Business Plans:

i) The Administration prepares long-term forecasts as background information to Council's preparation of guidelines for three-year business plans and operating and capital budgets.

ii) Council prepares a statement of its priorities for a three-year period and provides budget guidelines to the Administration that frame the preparation of three-year departmental business plans and corresponding budgets.

iii) The Administration prepares business plans that reflect Council's priorities and guidelines, and which are achievable within the limits of the approved budget guidelines.

iv) Council approves those business plans, including measures of performance.

v) Based on the approved business plans, the Administration prepares detailed proposed three-year operating and capital budgets for Council approval.

vi) The budget includes three years of property and business tax rates, utility rates and user fees, as well as changes to those rates and fees.

vii) The capital budget continues to include a five-year plan.

POLICY
(Budget Adoption)

Municipalities are required by the Municipal Government Act to prepare balanced operating budgets for each calendar year, but it is possible to approve more than one year of budgets at the same time. Sections 242 (1) and 245 of the MGA require that an operating budget and a capital budget respectively must be adopted for each calendar year, so:

A. Council annually adopts an operating budget and a capital budget after budget adjustments are made.

POLICY
(Business Plan and Budget Adjustment)

There are defined mechanisms to adjust the business plans, performance measures and targets, and operating and capital budgets after they are approved.

In this section “adjustment” is not synonymous with opening up the plans or budgets for a full-scale review. The intent is to adhere to the three-year business plans and the budgets that support them, and to provide the opportunity to fine-tune them only when circumstances warrant.

APPROACH/PROCEDURE

Adjustments to the Plans and Budgets:

A. Include an annual adjustment process in the Council calendar for late in the fiscal year (November/December) to adjust the plans, measures and budgets for the following year(s) ; and

B. Limit the scope of business plan and budget adjustments to respond to the following circumstances only:
   i) external factors such as provincial or federal budgets, or changes imposed on pension plan contributions or WCB payments (for example);
   ii) adjustments to the operating impacts related to capital project adjustments;
   iii) unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections; and
   iv) Council-directed changes to priorities, or results shown in performance reporting, that cause:
      - requests to carry over operating variances, and/or
      - business plan amendments that require budget changes; and

C. Proposed changes to future years’ business plans and operating budgets should only be brought forward and approved once per year, during the annual adjustment review, so that all requests can be considered together; and

D. Capital budget adjustments are more time-sensitive due to the construction season, and should not be restricted to once per year. Therefore, capital budget adjustments may be brought forward with the Mid-year and Year-end Reports on business plans and budgets, as well as during the annual adjustment process, with Council approval required for any adjustment exceeding $200,000.

POLICY
(Carry Forwards)

The practice of carrying forward favourable or unfavourable departmental operating budget variances supports the view that Council has approved a spending plan covering more than an annual period, so that departments should be able to manage their spending in the context of more than one year. But the practice must be used sparingly, and for closely defined circumstances only.

APPROACH/PROCEDURE

A. There will be no corporate unfavourable variance in any year of the multi-year plan.

B. Any favourable corporate variance will be transferred to the Fiscal Stability Reserve (See Fiscal Stability Reserve Policy CFO002) at year end.

C. The only favourable departmental variances that will be considered for carryover from years 1 and 2 within the three-year budget would relate to significant one-time projects included in the departmental business plans that cannot be completed before the end of the calendar year. Departments will inform Council of the reasons for the variance, and seek Council approval for a carryover, as part of the adoption of an amended budget.

D. Unfavourable departmental variances in the operating budget must be carried over from years 1 and 2, with the department supplying a plan for Council approval as to how such negative variance will be mitigated in the following year(s) (see Budget Reporting Policies CFO006 for further clarification on the circumstances when carrying forward unfavourable variances is NOT required).

POLICY
(Fiscal Stability Reserve)

There is a need for contingency plans for handling unexpected events (e.g., natural disaster) or circumstances (e.g., drop in investment income) with significant financial impacts, which could arise during the period of the budget.

For the capital budget, changing circumstances would mean changes to the financing sources Council approves for the capital envelope. For the operating budget, the “Fiscal Stability Reserve” will be used.

APPROACH/PROCEDURE

See the Fiscal Stability Reserve Policy CFO002.

POLICY
(Budget Projections)

Ensure the connection between capital project approvals and their operating budget impacts is consistent with the careful planning and improved forecasts of costs and revenues that goes into multi-year planning and budgeting.

APPROACH/PROCEDURE

A. Prepare three-year budget projections annually, that include both a base amount and three growth-related components, each shown separately:
    - operating costs related to serving an increasing population and service area;
    - verifiable operating costs related to approved and anticipated capital programs; and
    - operating costs related to donated assets.

POLICY
(Linking Plans, Budgets and Measures)

Business plans, budgets and performance measures must all be integrated and linked, and Council must be informed of their status and progress through regular reporting and adjustments.

The City's integrated planning, budgeting and management process provides a number of benefits. First, the multi-year budget supports the business plans by ensuring that all efforts outlined in the plans are funded for the full three years. Thus, the plans are realistic and achievable. As well, the business plans support the budgets by providing Council and the public with commitments about what they can expect in public services based on the funding provided in the budget. Second, the integrated multi-year process ensures alignment among planning, budgeting, and managing, so that budget guidelines provide the funding envelope within which business plans are developed, business plans include performance measures for accountability, and performance reporting demonstrates what has been achieved in relation to the business plans.

APPROACH/PROCEDURE

A. Provide Mid-year and Year-end reports to the Priorities and Finance Committee as the means by which Council is informed about the performance of the Corporation in relation to approved business plans (including Council Priorities and performance targets) and budgets.

B. Continue the monthly monitoring and reporting of financial performance through the Executive Information Reports, including year-end projections.

AMENDMENTS

2008 January 14

2010 revision-number change from FCS005 to CFO004

PFC2012-34 – The key revisions made relate to the change in accountability reporting frequency from quarterly to twice per year (2012 April 09)