

2015-2018 Business Planning & Budget Coordination: Process

EXECUTIVE SUMMARY

This report recommends a proposed approach to deliver the Business Planning & Budget Coordination 4 (BPBC4) Program for 2015-2018.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends that Council:

1. Approve the Process for Business Planning and Budget Coordination (2015-2018), including the framework and timelines described in the Attachment.
2. Direct that process decisions for Business Planning and Budget Coordination (2015-2018) are considered through the Priorities and Finance Committee to Council.
3. Direct the formation of a Business Planning and Budget Coordination working group, consisting of the Mayor, Vice Chair of the Priorities and Finance Committee, other Councillors as determined by Council, the City Manager, and the Chief Financial Officer, to act as a sounding board.
4. Commence development of its priorities to inform the 2015-2018 business plans and budgets beginning with its first strategic meeting on 2014 January 17.
5. Forward this report as an item of urgent business to the 2013 December 16 meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2005 January 18, Council approved an integrated three-year approach to business planning and budgeting, beginning with the 2006-2008 period (C2005-04). The process, now entering the final year of its third cycle (2012-2014), features Council's leadership in setting three-year priorities guiding the development of departmental business plans and budgets, and an annual opportunity to adjust the approved business plans and budgets as required.

On 2012 April 09, Council approved the debrief report, Final Debrief: 2012-2014 Business Plan & Budget Coordination Program (PFC2012-33). The debrief recommendations were identified for consideration and continuous improvement in the 2015-2018 business cycle. The report recommendations were considered in the preparation of this process plan.

To accommodate the change to Alberta legislation for a four year election term, on 2013 April 22, Council approved a modified four-year cycle, as the revised approach to City business planning and budgeting, beginning with the 2015-2018 cycle (PFC2013-0338). The modified four-year cycle builds on maintaining key characteristics of the well-recognized multi-year approach including:

- Approving the longer-term funding that supports the identification and achievement of strategic goals;
- Providing citizens with more certainty about the direction of City services, finances and taxation/utility rate levels;
- Making more strategic use of Council's time in reviewing plans and budgets, and the Administration's time in preparing them; and,
- Allowing the flexibility to adjust approved plans and budgets to respond to changing circumstances.

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On 2013 November 18, Council approved the comprehensive-based stakeholder engagement strategy for the 2015-2018 Business Plan and Budget Coordination process (C2013-0709). This item was reconsidered and approved with one-time operating budget of \$550 thousand funded through the Fiscal Stability Reserve for the engagement program at the 2013 November 25 meeting of Council's 2014 budget debates.

BACKGROUND

The multi-year Business Plan and Budget Coordination Program typically includes the following major components:

- Citizen Engagement – Provides important information and input regarding citizen priorities for the business cycle including changing priorities from established community visions to inform Council priorities, departmental business plans and budgets.
- Council Priorities – Establishes the Corporate direction focusing on a four year-horizon to achieve strategic corporate outcomes.
- Departmental Business Plans – The development of departmental plans identifies goals, strategies, and services to be provided over a business cycle, establishes accountability for delivery and identifies targets and performance measure to monitor progress.
- Budgets – This process includes a revenue review and subsequent establishment of tax rates, utility rates and user fees. This phase also identifies the capital and operating spending priorities, the specific initiatives and service outcomes that will be funded.

The BPBC process is iterative, ensuring aligned relationships between components identified above. The three BPBC programs have evolved with continuous improvement with each new cycle.

The modified four-year cycle will involve preparing the full set of four-year plans and budgets that are adjusted and adopted annually. This approach will retain the longer-term view within a highly flexible process. This new cycle will also provide an opportunity in the middle of each Council term to review the socio-economic outlook and other external trends, to revisit Council Priorities and citizen engagement that informed the development of the original four-year business plans and budgets, and to update the remaining two years of those plans and budgets as required to reflect changing circumstances.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The recommended approach for the BPBC4 process for 2015-2018 is to build upon the existing improvements identified in the 2012-2014 cycle and incorporate actions to address lessons learned captured in the 2012-2014 Debrief Report.

Under this approach, the five phases recommended for the BPBC4 Program (2015-2018) are (Attachment):

Phase One: Prepare & Understand, October 2013 – January 2014

Phase Two: Explore, Discover and Arrive, February – May 2014

Phase Three: Develop Goals, Actions and Targets, June – September 2014

Phase Four: Confirm & Consider, October – December 2014

Phase Five: Deliver, Measure & Adjust – January 2015-2018

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Phase One: Prepare & Understand, October 2013-January 2014

This current phase of the process is underway and includes building the team, preparation of information, development of multi-media platforms, and Council consideration of process decisions. This phase includes a program launch and background research on emerging issues and service demands. Council will consider a workplan for citizen engagement at the 2014 January 17 Strategic Planning Session of Council.

Phase Two: Explore, Discover and Arrive, February – May 2014

In the 2012-2014 cycle, Council developed the Fiscal Plan that established priorities and actions for the three year term that were embedded in the departmental business plans and budgets. The Fiscal Plan has the following theme areas: People, Place, Mobility, Business and Government. For the 2015-2018 cycle, it is recommended that Council consider some themes or focus areas in early January 2014 to provide a framework for engagement and departmental plans. Under this approach, Council could identify four-year priorities and targets within the Council priority-setting process for each focus area. The priorities will provide early and broad direction to Administration for moving forward in 2015-2018.

As the business plan and budget process begins with Council's direction, as articulated through its priorities, it is anticipated that Council will commence its discussion of priorities in January. A proposed timeline for the development of Council's priorities is included in the attachment.

The finalization of the Fiscal Plan in June 2011 led to timing challenges for integration in departmental plans and budgets and limited the opportunity for departments to share plans for improved alignment. Phase Two for the next cycle includes a May milestone for approval of Council Priorities and indicative fees, utility and tax rates, thereby creating more opportunity for improved alignment between Council priorities and departmental business plans and budgets.

A review of the format and structure of the business plan and budget document including the level of detail provided is part of the process.

Phase Three: Develop Goals, Actions and Targets, June – September

During this phase, Administration would develop draft business plans and budgets that align with Council's strategic direction. Upon approval of indicative tax rates, Administration prepares budget and business plan guidelines for department plan preparation. The proposed process recommends new approaches for creating more inter-departmental plan sharing aimed towards efficiency gains, more integrated and effective service delivery and alignment with Council direction.

For the 2012-2014 process, Council received the draft departmental plans and budgets in November with a few weeks to review prior to public hearing and deliberations. The debrief report (PFC2012-33) identified that Council requested more time for review of the draft plans and budgets prior to deliberations and decision making. Assuming a May approval of priorities and indicative tax, utility rates and user fees, this process targets Administrative Leadership Team approval of draft plans and budgets in early September, followed by strategic departmental and civic partner presentations to Standing Policy Committees in September/October. The presentations would provide the opportunity for earlier information

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dissemination on how the departments will achieve Council priorities through the draft business plans and budgets to better familiarize Council with the proposed plans prior to the November budget deliberations.

Phase Four: Confirm & Consider, October – December 2014

This phase includes the preparation of a budget and business plan document followed by the release of information for public review and two weeks (November 24 – December 05) for public presentations, Council deliberations and decision making.

Stakeholder Engagement, Research and Communication

The process was developed as per a review of the debrief materials from BPBC2 and BPBC3. This report was created through meetings and input from members of Administration and one-on-one meetings with several members of Council. Council also considered the Engage Strategy for Business Planning & Budgeting for 2015-2018 report (C2013-0709) at the 2013 November 18 Combined Meeting of Council and the 2013 November 25 Special Meeting of Council meetings. The proposed process incorporates the following feedback received from Council members:

- general support for building upon the approach utilized in the past multi-year business cycles and the process outlined in the report;
- Administration to initiate outcome-focused comprehensive engagement as outlined in the C2013-0709 report. This includes information and research gathering of finance information, performance measures, benchmarks, external trend analysis, and previous research and stakeholder engagement findings since 2010 to inform a proposed engagement workplan that will be considered at the Strategic Planning Session of Council on 2014 January 17;
- the engagement program will provide awareness and understanding opportunities for citizens and consultation by going to where the citizens are (i.e. shopping malls, special events) rather than traditional open houses, combined with on-line platforms and an opportunity for more in-depth engagement options with smaller focus groups to provide feedback for Council consideration in developing priorities for spending and service delivery for 2015-2018;
- compilation of engagement results in a manner that is easy to understand and utilize for consideration in decision making and a request for more time for Council to consider engagement results prior to decision making;
- inclusion of a review of the format of the 2015-2018 budget and business planning documents including the level of detail of information;
- a process with multiple opportunities for Council participation in the program including a governance framework that includes process decisions through the Priorities and Finance Committee, strategic decisions at Strategic Meetings of Council, and a working committee to act as a sounding board. All Council members will be advised of the working committee meetings and all members of Council are free to attend at any time;
- support for the establishment of Council directed 'focus areas' early in the process to foster better alignment within the program; and,
- interest in the departmental plan and civic partner presentations in September/October 2014 to enable more time for Council to be informed on proposed plans prior to decision making.

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Strategic Alignment

The recommendation aligns with longer-term planning, ensures that The City continues with its integrated and multi-year approach to business planning and budgeting, and supports the important characteristics of the multi-year process.

Social, Environmental, Economic (External)

Although there are no direct social, environmental or economic impacts to this recommendation, the proposed process will position The City of Calgary to achieve its long-term social, environmental and economic priorities.

Financial Capacity

Current and Future Operating Budget:

The business plan and budget coordination program is fully funded in 2013 and 2014 operating budgets. Departments manage their own budgets to develop business plans and budgets. The engagement process is funded through the Fiscal Stability Reserve.

Current and Future Capital Budget:

None.

Risk Assessment

A number of risks were identified in preparation of the drafting of the Process for the 2015-2018 Business Plan and Budget Coordination Process and are described below:

- Council may require more time to deliberate and confirm its priorities, which will impact the time allowed for maximum alignment in departmental business plans and budgets. A targeted date of April is identified for the establishment of draft Council priorities and budget ranges to provide early indicators into the budget process. The target of May 2014 for completion of Council Priorities, indicative tax rates, utility and user fees, is one month earlier than what was achieved in the preparation of BPBC3, which should create improved continuity between Council priorities and departmental plans. If, however, a later than proposed timeframe is required for establishment of Council priorities, indicative tax rates, utility rates and user fees, it may be difficult to implement the proposed departmental presentations to Standing Policy Committees in September/October.
- Citizen engagement information was not easily translated into Council Priorities or departmental business plans in the 2012-2014 process. Clarification of the information that Council wants from stakeholders in order to make key decisions is required early in the process to optimize the engagement process.
- New and emerging priorities as a result of flood recovery are not incorporated into the business plan and budget coordination process. Early discussions have taken place to align the timelines with the flood recovery program. Flood related budget requests for 2015-2018 are proposed to be integrated into regular budget consideration processes.
- Under the Municipal Government Act (MGA) a Council approved budget for the 2015 fiscal year is required prior to the end of 2014. Significant changes or delays to this process could impact The City of Calgary's ability to deliver a budget for 2015. This risk is mitigated by identifying time as a priority and creating opportunities for reduced scope if required or increased resources to ensure the delivery of a proposed budget for Council consideration

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2014 November 24. Timely approval of the proposed BPBC4 process will reduce the risk of not providing a proposed budget in time for Council's approval before the end of 2014.

- The utilization of the Priorities and Finance Committee for process decisions could result in challenging delays due to the timeline requirements for report submissions, and the timing of committee dates. The option to provide verbal updates at the Priorities and Finance Committee may reduce the potential of significant impacts on schedule. The creation of a working group as a sounding board would foster efficiency in the process.

REASON(S) FOR RECOMMENDATION(S):

The recommended business plans and budget coordination process supports the benefits of the multi-year planning and budgeting program and balances the dilemma of time versus value in performance of each of the four key elements included in the program defined in the background section. The proposed process builds upon the experience of the previous business planning and budget coordination cycles and incorporates findings from the lessons learned Debrief sessions. The consideration of process decisions at the Priorities and Finance Committee will improve transparency of decision making. The utilization of a working group of the Mayor, Vice-Chair of Priorities & Finance Committee and other Councillors as determined by Council as a sounding board for advice would maintain efficiency in the timely delivery of program.

ATTACHMENT(S)

Process for 2015-2018 Business Plan and Budget Coordination (BPBC)