
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

Written by: Clae Hack, Director of Finance

Reviewed by: Kim Matheson, Director of Strategic and Business Planning
Mike Jordan, Director of Government Relations
Catherine Gryba, General Manager, Corporate Performance Department
Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department

Approved by: Murray Totland, City Manager

MYB Framework.docx

Overview of Multi-Year Business Planning and Budgeting

Recommendation

That the Administration report back by January 31, 2017, with further detail, and a possible implementation strategy and plan for multi-year budgeting.

Topic and Purpose

The purpose of this report is to provide a general overview of multi-year business planning and budgeting.

Strategic Goal

In general, the report supports all the strategic goals as business planning and budgeting does have implications for all goals. More specifically, the report aligns more closely with a culture of Continuous Improvement and Asset and Financial Sustainability.

Report

Attachment 1 provides a brief discussion paper about multi-year budgeting. It addresses three general points about multi-year budgeting: (1) what it is; (2) what its advantages and disadvantages are; and (3) where it is used.

The paper illustrates that fully integrated multi-year business plans and budgets can be very useful in terms of helping cities achieve long-term, strategic objectives, and more short-term operational improvements. If implemented correctly, the advantages of a multi-year budget are significant, while the disadvantages are minimal.

The paper describes the multi-year budget frameworks and processes used in three Canadian jurisdictions: Calgary, Edmonton, and London. Calgary has one of the most mature processes in Canada, while Edmonton and London have just recently adopted a fully integrated approach to multi-year budgeting.

The City of Saskatoon (the City) currently budgets on an annual basis. However, in recent years, the City has adopted several long-term strategic plans. The annual business planning and budgeting process may no longer be sufficient for the City to achieve its long-term strategic priorities. Thus, a fully integrated multi-year business plan and budget may be an optimal way to better link longer-term plans and resources. Appendix 1 to the attachment illustrates this linkage.

If the City decided to move to a multi-year business plan and budget then a process would need to be adopted. Based on the research from other cities, Appendix 2 outlines a potential process that the City could implement.

Options to the Recommendation

The Administration could discontinue with any further exploration of multi-year budgeting, but for the reasons and benefits cited in this report, this would not be recommended.

Other Considerations/Implications

There is no policy, financial, environmental, privacy or CPTED implications or considerations at this time.

A public and/or stakeholder involvement or communication plan is not required at this time.

Due Date for Follow-up and/or Project Completion

The Administration will report back to Committee no later than January 31, 2017.

Public Notice

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

Attachment

Budgeting to Make Plans Work or Working to Make a Budget? An Overview of Multi-Year Budgeting (May 16, 2016)

Report Approval

Written by:	Mike Jordan, Director of Government Relations
Reviewed by:	Kerry Tarasoff, CFO/General Manager, Asset and Financial Management Department
Approved by:	Murray Totland, City Manager

Budgeting to Make Plans Work or Working to Make a Budget?

An Overview of Multi-Year Budgeting

**Prepared by Mike Jordan
Director of Government Relations**

5/16/2016

[1] Introduction

Many Canadian cities or municipalities have implemented – or are in the process of implementing – integrated multi-year capital and operating budgets. This approach has been recommended by various organizations and associations, such as the Government Finance Officers Association (GFOA), as a better way for municipal governments to plan and allocate resources.

In Canada, the approach to multi-year budgeting at the municipal level varies considerably. For example, some cities, such as Calgary, have adopted fully integrated business plans that are supported by multi-year capital and operating budgets. Others, such as Regina, have adopted multi-year capital plans, but annual operating budgets. Finally, the Regional Municipality of York in Ontario, has recently adopted multi-year capital and operating budgets, but these are not linked to a corporate business plan.

Despite these variations, cities and municipalities in Canada are increasingly adopting the fully integrated framework. For example, in late 2015, the City Councils of Edmonton and London (Ontario) adopted integrated, multi-year capital and operating budgets that are linked to business plans and performance measures. The City of Toronto is in the process of adopting a similar approach.

There are several reasons why cities and municipalities in Canada are utilizing this approach for planning and budgeting. A few of the most prominent are: (1) the integration and alignment with long-term development plans and strategic plans; (2) flexible allocation of resources over time to accomplish goals/objectives; and (3) more efficient use of time and resources as the organization is not in “perpetual budget mode”.

These, and other benefits, were formally recognized by the Government of Alberta. In 2015, the Alberta Legislature passed *Bill 20, the Municipal Government Amendment Act*. One important element of this legislation is the requirement that municipalities in the province must prepare multi-year capital and operational plans (or budgets).¹ The legislation still requires the approval of annual budgets, but in the context of a multi-year framework.

As such, the purpose of this document is to provide an overview of a fully integrated multi-year business plan and budget framework that may be useful and beneficial to the City of Saskatoon in achieving its long-term goals. To do so, this document is organized as follows:

- Section 2 describes what a multi-year budget is and, in general terms, how it works.
- Section 3 addresses some of the advantages and disadvantages of multi-year budgeting.
- Section 4 provides a brief overview of the City of Saskatoon’s existing business planning and budgeting framework.

¹ See The Legislative Assembly of Alberta, *Bill 20, Municipal Government Amendment Act, 2015*, accessed from http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/bills/bill/legislature_28/session_3/20141117_bill-020.pdf. This section of the Act will come into force in the fall of 2017, once regulations are developed.

- Section 5 offers a jurisdictional scan, illustrating how other selected Canadian cities have adopted fully integrated, multi-year budgets.
- Section 6 concludes by providing a summary of multi-year budgeting and offers an approach that the City of Saskatoon could adopt in deciding to travel down this path.

[2] What is Multi-Year Budgeting? A Conceptual Review of the Models

As briefly noted in the introductory section, multi-year budgeting can take various forms. However, for the purposes of this document, a multi-year budget includes the integration of capital and operating budgets, adopted together, over the course of a budget cycle. Therefore, frameworks that use multi-year capital budgets and annual operating budgets in the budget cycle are excluded from this definition.

According to the literature, there are two main types of multi-year budgets that coincide with the description in the previous paragraph: (1) the classic multi-year budget; and (2) the rolling multi-year budget.² The distinction between these two types is subtle, but important.

The classic multi-year budget is a document that has detailed expenditures and anticipated revenues for two or more budgetary periods (years) where the document is adopted at one time. Once the multi-year budget is approved, minor adjustments are made at the end of each budget year to reflect any changes in fiscal conditions.³ However, there is no need to approve budgets annually in the multi-year framework under this model. This model is used in various American cities and states, where legislation permits the practice.

The rolling multi-year budget is a document that contains detailed expenditures and anticipated revenues for two or more budgetary periods (meaning years), but each spending plan is approved individually each year.⁴ The way this model works is that the Administration tables a multi-year budget with Council. Council then deliberates on the entire package and adopts the multi-year budget, but also approves the budget for the upcoming year. In subsequent years, there is no new budget tabled, but adjustments are made to the existing multi-year plan.

For example, assume the Administration tables a three-year budget with Council in December 2018. Council then deliberates on the entire three years and has the ability to amend the spending plans based on its priorities/goals, etc. At the conclusion of the deliberations, Council will adopt the multi-year budget for the years of 2019, 2020, and 2021.

However, Council will approve only the Budget for 2019, which takes effect on January 1 of that year. Rather than tabling a whole new budget with Council for the 2020 year, all that would be tabled with Council are any adjustments that need to be made to the original plan that Council adopted in December 2018. Council would then adopt the necessary adjustments and approve the budget for 2020. It would follow a similar process for 2021. Once the 2021 budget is

² See, for example, Salomon Guajardo, "An Elected Officials Guide to Multi-Year Budgeting," (Chicago: Government Finance Officers Association, November, 2006) 17.

³ See *ibid*, 23.

⁴ See *ibid*, 22.

approved, the multi-year budget cycle restarts and another three-or four-year budget is prepared and then ultimately adopted.

The rolling multi-year budget is commonly used in many Canadian cities, such as Calgary, Edmonton, and London. The primary reason for this is that municipal enabling legislation in Canada still requires cities (and or municipalities) to approve annual budgets. However, this does not mean that cities/municipalities cannot adopt multi-year budgets. They are permitted to do so as long as they approve an annual budget each year.⁵

[3] Advantages and Disadvantages of Multi-Year Budgeting

The preceding section of this document addresses multi-year budgeting from a conceptual perspective. It provides the two models that are used in various North American jurisdictions. However, that section did not address some of the advantages and disadvantages of multi-year budgeting. This section briefly addresses the main advantages and disadvantages with respect to multi-year budgeting, as found in the literature. It will also provide some mitigation strategies to address the disadvantages.

Before doing so, however, a major issue that emerges in the multi-year budgeting process needs to be addressed: dealing with election years. If done correctly, a multi-year budget will straddle election years.

For example, if a City Council is elected in four-year terms, let's say in October of 2016, and the term runs to October 2020, ideally, a four-year budget cycle would then take effect on January 1, 2018 and continue to December 31, 2021. The lag time in the budget cycle gives a newly elected Council the opportunity to educate itself, coordinate its priorities, and direct the Administration to implement various initiatives. Similarly, because the budget cycle will overlap with the next election, a new Council will not be "thrown" immediately into making major budgetary decisions weeks after an election.

Thus, the advantages of this process are as follows:

- Majority of new Council members appreciate the opportunity to learn the business and set strategic plans before approving a budget.
- New Council has opportunity to set direction for its term.
- Council not "thrown into" budget immediately after election.

However, the perceived disadvantage with this approach is that it may be more difficult for a new Council to effect budgetary change immediately following an election. This assumes that the new Council has a strong understanding of the budgetary challenges and opportunities of the city/municipality.

As section five describes, those cities that have adopted multi-year budgets ensure that they do in fact straddle election years for the reasons listed above. The rest of this section will now turn

⁵ See for example, section 291 of Ontario's Municipal Act and Alberta's proposed Bill 20.

to address some general advantages, disadvantages, and mitigation strategies with respect to multi-year budgeting.

3.1 Advantages

According to research conducted by the GFOA, the advantages of multi-year budgeting far outweigh the disadvantages.⁶ These include:

- Significant savings in Council and Administration time, as they are not spending half of the year on the budget.
- Potential to redeploy staff to other functions.
- Enables Council to implement multi-year vision which flows through business plans to be incorporated into the operating budget.
- Encourages a focus on achieving longer-term plans, goals, and objectives.
- Improves financial management and long-range strategic planning.
- Better alignment with (infrastructure) funding from other orders of government and to plan projects.
- Provides a better link between capital and operating investments and activities.
- The longer-term view is said to produce better and more thoughtful budgets.

3.2 Disadvantages

The GFOA lists the following as the primary disadvantages with multi-year budgeting.

- Discomfort with forecasting longer-term revenues and expenditures.
- Publishing of potential property tax increases.
- Additional effort required for implementation.
- Perceived loss of flexibility in making budgetary decisions.

3.3 Mitigation Strategies

Many of the disadvantages identified above may be addressed through various mitigation strategies such as:

- Amending existing financial and budget policies and procedures.
- Producing, monitoring, and updating socio-economic outlooks/forecasts.
- Adopting an extensive public engagement process to obtain public input.
- Establishing a budget review process for ensuring compliance with budget policies, processes, and targets.

⁶ See note 2, page 18, and Barry Blom and Salamon Guajardo, "Multi-year Budgeting: A Primer for Finance Officers" (Government Finance Review) 2000, accessed from [https://rockmail.rockvillemid.gov/clerk/egenda.nsf/d5c6a20307650f4a852572f9004d38b8/8b550fa29dc798b085257a5b0068b406/\\$FILE/AttachA_Primer_Multi-YearBudgeting.pdf](https://rockmail.rockvillemid.gov/clerk/egenda.nsf/d5c6a20307650f4a852572f9004d38b8/8b550fa29dc798b085257a5b0068b406/$FILE/AttachA_Primer_Multi-YearBudgeting.pdf)

If one assumes that the goal of multi-year budgeting is to provide better alignment with various strategic or long-term plans of the City, then the disadvantages are relatively minor when analyzed in the context of a longer-term vision.

The next section of this document will provide a brief overview of the City of Saskatoon's budgeting framework. The City does not use a multi-year budget at the moment, but the time may be right for consideration and implementation.

[4] The City of Saskatoon's Existing Budget Framework

Enabling legislation requires cities in Saskatchewan, including Saskatoon, to pass a budget each year. More specifically, section 128(1) of the Saskatchewan *Cities Act* prescribes "a council shall adopt an operating and a capital budget for each financial year".⁷ Section 128(2) restricts a City Council from billing for property taxes in a financial year, unless it has adopted a capital and operating budget for that year.

Finally, the legislation also prescribes that a City must balance its operating budget each year. In other words, operating expenditures must match operating revenues when Council approves the operating budget. At the end of the year, the budget may be in a surplus or deficit, but it must be balanced at the time Council approves the budget.⁸

Despite these legislative requirements, nothing in the legislation restricts the City of Saskatoon (the City) from adopting a multi-year budget framework, so long as it passes an annual capital and operating budget each year. In fact, as the next section of this document acknowledges, cities that have adopted a multi-year budgeting framework follow this process.

Nevertheless, the City currently approves its capital and operating budgets annually. The capital and operating budgets are linked to, and passed together with, the City's annual Business Plan (in December). In other words, each year, City Council approves the annual Business Plan and Budget. The Business Plan lays out the projects, programs, and services that the City hopes to accomplish over the course of the year, while the capital and operating budgets provide the resources to support the Business Plan.

Over the past six years, the City's approach to budgeting has evolved substantially. In 2011, the City implemented major changes to its planning and budgeting process to create a framework which would allow the City to be more adaptive and responsive to the changing dynamics in the city, the province, and the country.

This evolution has been driven by the need to become more strategic in making capital investments, more responsive to the service delivery requirements of the community, and to become more efficient in the use and allocation of resources. Indeed, the impetus for this change was driven by the:

- input of the community, through the "Saskatoon Speaks" Community Visioning project;

⁷ See, the Queen's Printer, Saskatchewan, "The Cities Act". Accessed from <http://www.qp.gov.sk.ca/documents/english/Statutes/Statutes/c11-1.pdf>.

⁸ See *ibid*, section 129(3).

- direction of City Council and its priorities;
- adoption of the City's 10-Year Strategic Plan;
- ability to measure performance and achieve targets; and
- desire to control expenditures.

The City's approach to business planning and budgeting continued to evolve in 2016. Although the above factors figured prominently in building the 2016 Business Plan and Budget, they were supplemented with an unprecedented focus on education, awareness, and public engagement.

Despite this evolution, one of the major drawbacks with the City's existing approach to budgeting is that it is difficult to determine the longer-term impacts of decisions made in previous years. The City's focus on the repair of its aging infrastructure, improving service delivery, and building new amenities, cannot all be achieved in one single year or budget; it requires a multi-year approach to reach the desired levels of success.

Cities in Canada have started – or are starting – to recognize this by implementing fully integrated, multi-year business plans and budgets. The next section of this document will address how a few cities in Canada have adopted multi-year business plans and budgets.

[5] The Frameworks in Other Jurisdictions

This section provides an overview of the multi-year budget frameworks and processes used in three Canadian jurisdictions: Calgary, Edmonton, and London. While it is beyond the scope of this document to go into great detail on the processes used in these cities, it will provide a general, high-level overview on how they approach multi-year budgeting. The City of Calgary is included in the analysis because it has the most mature process in Canada. The City of Edmonton is included in the analysis because it started its process midway through Council's electoral term. Finally, the City of London is included because it offers a perspective from Eastern Canada, and has adopted a fully integrated multi-year business plan and budget (four-year cycle).

5.1 The City of Calgary

Calgary, along with the City of Lethbridge, is the most experienced jurisdiction in Canada with respect to multi-year budgeting. Calgary City Council approved its first multi-year business plan and budget in 2004, effective for the 2006-2008 budget cycle. It then repeated the process for two subsequent three-year budget cycles (2009-2011 and 2012-2014). Calgary's three-year budget cycle coincided with the three-year electoral terms of City Council, but with a one-year lag. In other words, the City's multi-year business plan and budget came into effect in the second year of Council's three-year term.

In 2012, the Government of Alberta amended the *Municipal Government Act* to allow municipal elections to occur every four years, beginning with the 2013 municipal elections. As a result of this change to Alberta's municipal election terms, the City of

Calgary undertook reforms to its multi-year business plan and budget process by extending the budget cycle to four years.

In November 2014, the City of Calgary adopted its first four-year business plan and budget, called Action Plan, which runs from January 1, 2015 to December 31, 2018. However, because legislation requires an annual budget to be approved, Council also passed the 2015 operating and capital budget at the same meeting.

Calgary's four-year budget cycle follows the one-year lag from Council's four-year electoral term – as it did under the three-year cycle. Although Council's term ends in 2017, the multi-year business plan and budget runs to the end of 2018. This alignment allows the new Council to make adjustments to the business plan and budget for the 2018 year, but does not require the tabling of a new budget or an extensive education process for newly elected councillors.

Calgary City Council has adopted a "Multi-Year Business Planning and Budgeting Policy" that outlines the process and key deliverables.⁹ According to the policy, Calgary begins each budget cycle with an extensive public engagement exercise. It supplements this exercise with education and awareness about the multitude of issues, challenges, and opportunities the City will need to address during the budget cycle. However, it does not do any significant public engagement on the budget in the intervening years of the budget cycle.

Calgary's process allows Council to make annual business plan and budget adjustments in the budget cycle. According to the City's Action Plan Summary document, "this is done to allow City Council and Administration to respond to emerging events and unexpected issues (economic, demographic, financial), and maintain the integrity of four-year plans and budgets."¹⁰ Calgary's multi-year budgeting policy limits the adjustments to the following circumstances:

- External factors such as provincial or federal budgets, or changes imposed on pension plan contributions or WCB payments (for example).
- Adjustments to the operating impacts related to capital project adjustments.
- Unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections.
- Council-directed changes to priorities, or results shown in performance reporting, that cause: (a) requests to carry over operating variances, and/or (b) business plan amendments that require budget changes.

Special emphasis is placed on what is termed "mid-cycle" adjustments. The mid-cycle adjustment occurs in year two of the budget cycle, and year three of the Council term (in a four-year cycle). This mid-cycle adjustment includes an updated review of key planning documents, such as a socio-economic outlook, and opportunities to revisit

⁹ See. Council Policy CFO004, Multi-Year Business Planning and Budgeting Policy for The City of Calgary.

¹⁰ See, Action Plan Summary, <http://www.calgary.ca/CA/fs/Documents/Action-Plan/Approved/Action-Plan-2015-2018-Summary-Approved.pdf>. XXIX

Council priorities and citizen engagement. This adjustment will enable changes to the second half of the cycle, if necessary.

Notwithstanding the fact that Calgary has a multi-year budget process, it still provides annual accountability reports, such as a Corporate Annual Report and Audited Financial Statements, as required by provincial legislation. This annual reporting helps the Administration and Council in making more informed decisions in the annual adjustment process.

5.2 The City of Edmonton

After several years of adopting multi-year capital budgets and annual operating budgets, the City of Edmonton elected to adopt a fully integrated multi-year budgeting process in 2015. According to the Mayor of Edmonton, the City adopted this approach because "...multi-year budgeting is going to allow us to make better long-term decisions and get better value for money, engage the public more effectively – while still having the flexibility to make adjustments as situations emerge".¹¹

The City of Edmonton's process draws significantly from the Calgary model, but it starts with a three-year cycle (2016-2018). Following the next civic election (in 2017), the City of Edmonton will transition to a four-year budget cycle, beginning with the 2019 budget year.

As both Calgary and Edmonton are governed under the same legislation, Edmonton's process matches that of Calgary's in that the City will still have to pass an operating and capital budget each year, although it may adopt a multi-year budget. Nonetheless, according to the City of Edmonton, the primary reason for transitioning to a fully integrated, multi-year budget is to "...allow for greater integration between the strategic decisions and the operational impacts, as well as showing how an operational decision made in any given year has implications in future years".¹²

Like Calgary, Edmonton began its process by undertaking an extensive public engagement exercise to obtain input from the community on projects, services, and programs. Edmonton has also built in an annual adjustment process.

The annual budget adjustment review process includes an opportunity for Council to deliberate and approve an adjustment to the multi-year budgets or make adjustments based on changes in strategies. Edmonton provides some circumstances as to what may trigger major adjustments to the approved multi-year budget:

- External factors such as provincial or federal budgets, or changes imposed by legislation.
- Adjustments to reflect operating impacts related to the implementation and completion of capital projects.

¹¹ See, "City moves towards multi-year budget plan," CBC News, retrieved from: <http://www.cbc.ca/news/canada/edmonton/city-moves-towards-multi-year-budget-plan-1.2762512>.

¹² See City of Edmonton, Multi Year Budgeting Council (City Council, September 10, 2014) 1.

- Unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections.
- Council-directed changes to priorities, policies, and programs.¹³

Similar to Calgary, Edmonton will also provide annual reporting on its performance report to “discuss what the programs and services were able to achieve during the year, along with how these achievements measure against the expectations”.¹⁴ The information collected from the annual reporting will be used to inform the annual adjustment review process and forthcoming business planning cycles.

5.3 City of London

In March 2016, the City of London adopted its first ever multi-year budget (four years) for the 2016-2019 budget cycle. According to the Mayor of London, the City adopted this approach because it links:

*directly to Council's four-year strategic plan. It will allow us to both identify our priorities for this term and align them with the resources needed to execute on them...This process will help us plan better for the short, medium and long term. It is another step we are taking towards creating a more open and forward-looking local government.*¹⁵

London has adopted a very similar approach to that of Calgary and Edmonton, in that it begins with extensive public engagement and has a built-in annual adjustment process. According to the City of London, the annual adjustment process will provide Council with flexibility to adjust the budget for legislative reasons, or special circumstances that require funding and resource adjustments. More specifically, the City of London restricts the adjustment process to the following circumstances:¹⁶

- Changes to Council priorities that impact the delivery of services.
- Changes from external factors, such as federal and/or provincial policies that impact the budget, insurance premiums, and pension plan contributions.
- Unanticipated changes to economic forecasts and financial markets.
- Changes to the assessment base.
- Changes to the operating budget as a result of capital project adjustments.

Clearly, with minor distinctions, the three cities have very similar rationale, and have adopted very similar approaches to multi-year budgeting. Each is fully-integrated, focused on achieving long-term goals, and emphasizes public engagement and flexibility to make necessary adjustments. As the next section explores, perhaps it is time for Saskatoon to travel down this path?

¹³ See *ibid*, 3.

¹⁴ See *ibid*

¹⁵ See City of London, “City Officials Table 2016-19 Multi-Year Budget,” obtained from <https://www.london.ca/newsroom/Pages/Table-2016-2019-Multi-Year-Budget.aspx>

¹⁶ See City of London, 2016-2019 Multi-Year Budget Document, Executive Summary 17. Retrieved from <http://www.london.ca/city-hall/budget-business/budget/Documents/Executive%20Summary.pdf>

[6] Conclusion: A Path Forward for Saskatoon?

The intent of this document is to provide an overview of multi-year budgeting. In particular, the focus was to provide a general, high-level overview of:

- What a multi-year budget is.
- What its advantages and disadvantages are.
- Where they are used.

The document illustrates that fully integrated multi-year business plans and budgets can be very useful in terms of helping cities achieve long-term, strategic objectives, and more short-term operational improvements. If implemented correctly, the advantages of a multi-year budget are significant, while the disadvantages are minimal.

As section five illustrates, the City of Calgary has the most mature process of all Canadian cities. And while it may be difficult to say how successful Calgary's approach is, the model continues but keeps evolving, regardless of the changes to City Council. The cities of Edmonton and London have followed Calgary's lead, and they too have adopted fully integrated multi-year business plans and budgets.

So, has the time come for Saskatoon to follow this approach? If so, when and how?

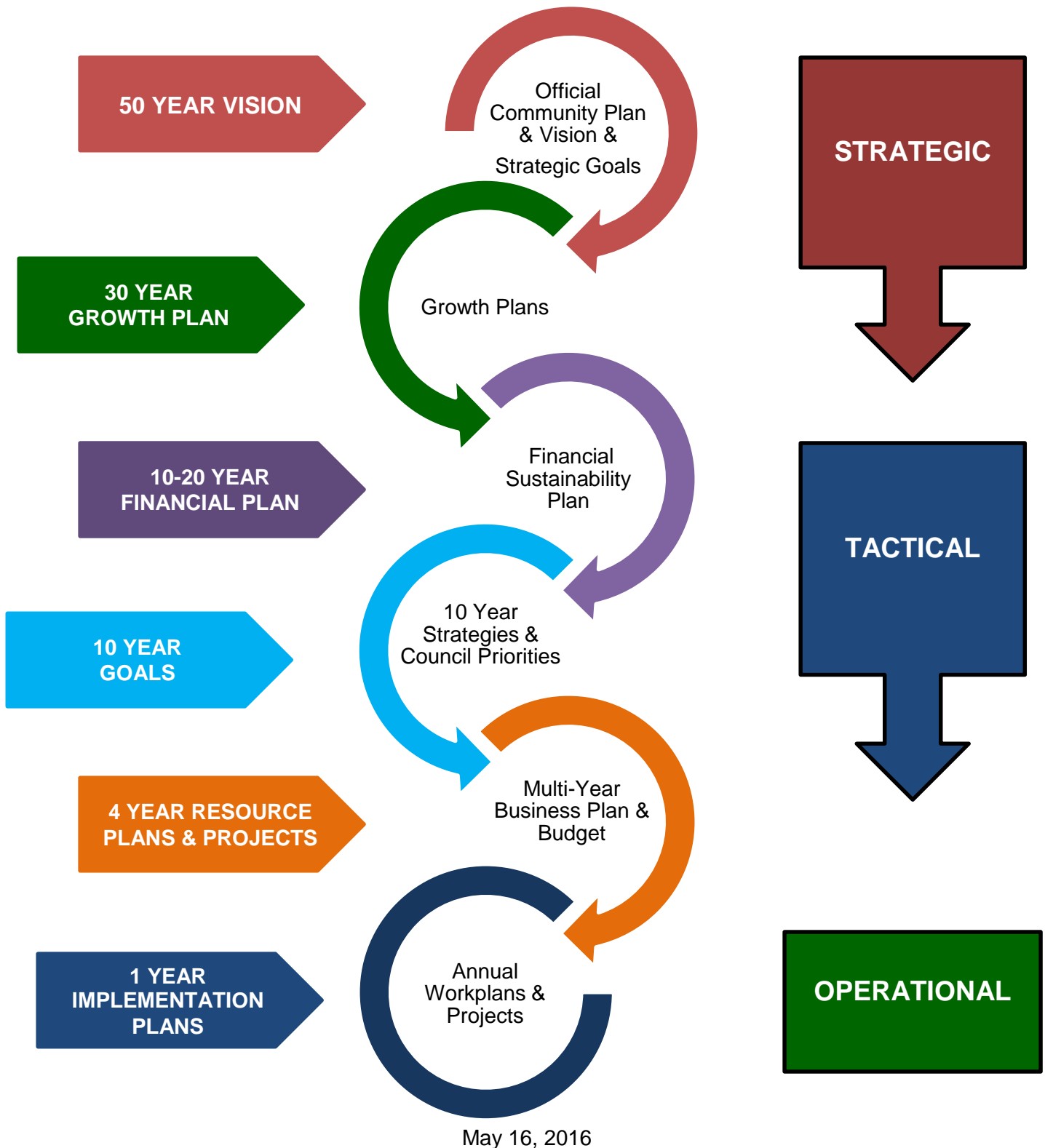
As section four addresses, the City of Saskatoon's approach to budgeting has evolved considerably since 2011. Since that time, Council has adopted several long-term plans, such as the Community Vision, Growing Forward, the Ten-Year Strategic Plan, and a long-range financial plan. Because of this focus on long-term strategic objectives, coupled with the fact that funding (infrastructure) from federal and provincial governments has become more long term, and predictable, the City finds itself at a budgetary crossroads. As a result, it may be time for the City of Saskatoon to seriously consider implementing a fully integrated multi-year business plan and budget.

Appendix 1 shows how this approach to planning and budgeting would align the other longer-term plans of the City. As the graphic illustrates, there is an inherent linkage between the long-term vision of the community, and the day-to-day operational plans of the Administration. Today, that link is somewhat broken, but by 2019 it could be easily fused together.

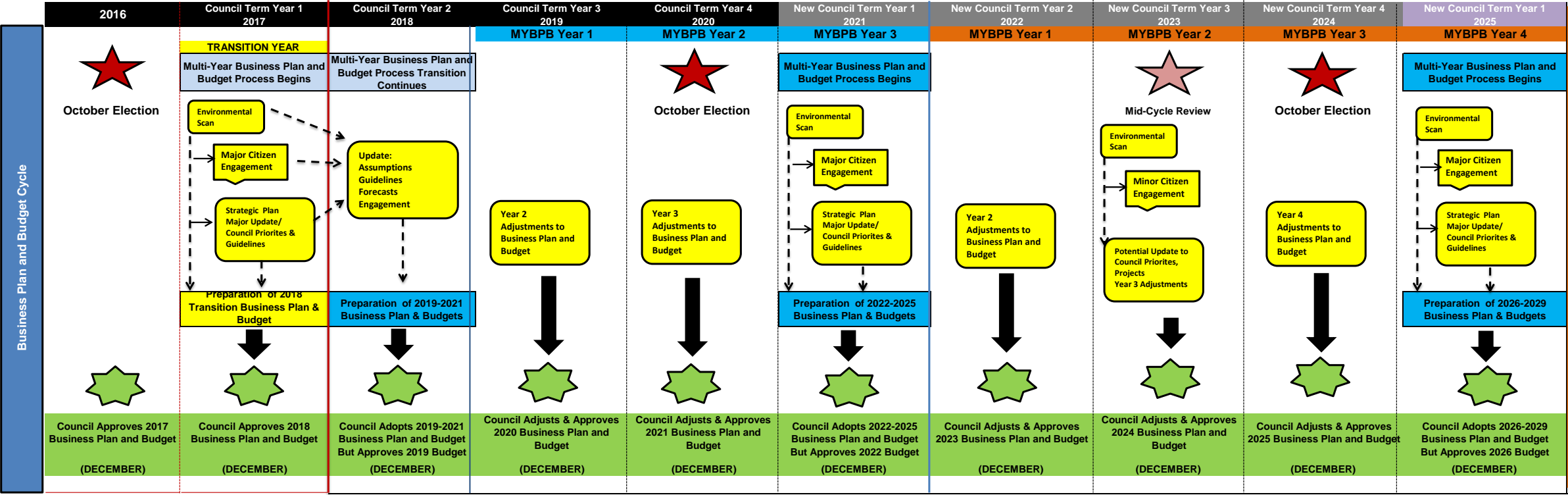
As the City of Saskatoon considers moving to a multi-year business plan and budget, the natural questions are: When? And how? Appendix 2, attempts to answer this by providing a visual process that starts in 2016, and extends to 2025, covering two budget cycles.

Because considerable development time will be required for implementation, it is likely that the City of Saskatoon could implement a multi-year business plan and budget effective for January 1, 2019. Much like Edmonton, the first budget cycle will be three years in duration (2019-2021) to straddle the election year and the second cycle would be four years in duration (2022-2025).

**APPENDIX 1:
THE STRATEGIC FRAMEWORK
ALIGNMENT WITH LONG-TERM PLANS**

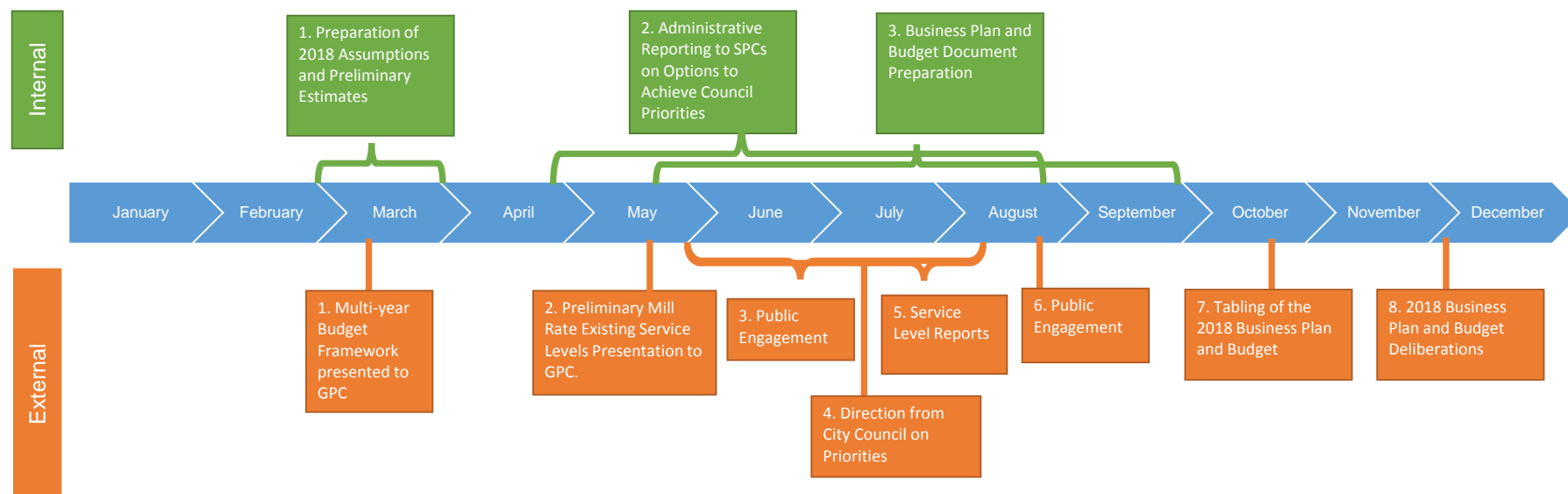


Appendix 2: Proposed Implementation of Multi-Year Business Plan and Budget



(May 16, 2016)

2018 Business Plan and Budget Process

**External**

1. Multi-Year Budget Framework Presented to GPC - In order for the Administration to continue down the multi-year budget direction, approval of a framework is required in order to guide the next steps in the implementation process.
2. Preliminary Mill Rate Presentation to GPC - This presentation will provide an overview of preliminary inflationary and growth estimates to maintain the current service levels within the City. The presentation will also provide a detailed walk-through of the current inflationary and growth pressure facing the City and the effect on both expenditures and revenues.
3. Public Engagement - To occur from May to August and include initiatives such as open houses, Citizen Budget Tool and Citizen Engagement Survey.
4. Options to Achieve Council Priorities - The Administration will table reports with the appropriate Standing Policy Committees outlining the various initiatives to achieve City Council's strategic priorities for consideration as inclusion in the 2018 Business Plan and Budget as directed by City Council.
5. Service Level Reports - The Administration will be tabling several reports through May to August which outline current service levels. The eventual goal, which will not be fully completed in 2018, is to have service level discussions at the various Committees regarding civic services.
6. Public Engagement Results - The results of the May to August public engagement will be tabled with City Council in August or September 2017 for consideration.
7. 2018 Business Plan and Budget - Will be tabled in mid October 2017.
8. 2018 Business Plan and Budget Deliberations - Will occur November 27 - 29, 2017.

Internal

1. Administration to prepare 2018 assumptions and preliminary estimates. Several estimates including inflation and growth will be used to prepare these estimates.
2. Administration to prepare and report on options to achieve City Council's strategic priorities as directed by Council. These options will be tabled with the appropriate Standing Policy Committee for consideration to be included into the 2018 Business Plan and Budget as directed by City Council.
3. Administration to prepare Business Plan and Budget document(s). Following the external and internal business plan and budget processes, the Administration will prepare the detailed document through the months of May to September for presentation to City Council in October 2017.

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City of Saskatoon

Multi-year business planning & budgeting

Final Report

February 28th, 2017

The City of Saskatoon

December 8th, 2016

Dear Mr. Tarasoff,

Thank you for giving PwC and our team the opportunity to work with the City and various functional teams on the multi-year budgeting (MYB) assessment and framework. In this engagement, we've had a chance to engage with staff from finance, the business units and functions to understand the key challenges and opportunities in front of the City as you start on the journey towards a multi-year budgeting process.

We believe the City of Saskatoon has tremendous opportunity ahead of them to lay the groundwork for a multi-year budgeting process considering the appointment of a new council recently. The attached report highlights key areas of focus, the case for change – why the City should take this path and last but not least, opportunities and key enablers that will be critical for the City to achieve success over the short and long term.

The opportunities and enablers highlighted are strategic and tactical in nature that will help the City not only think through the inputs and outputs of the multi-year process but also develop an implementable project plan to execute the tasks ahead. To come up with our recommendations, we leveraged our experience from a number of other cities that have already gone down this path. We also connected the City's team leading this with those other cities to help establish an open dialogue around it.

As part of the case of change, we strongly believe that council and leadership support will be critical as the City moves towards this new reality that will encompass people, process and technology changes. PwC and staff from the City have vested significant time into this process that has led to these recommendations but this is just the beginning of the journey.

We are more than happy to answer any questions or queries about the report as well. Thank you again for the opportunity.

Yours truly,

Arun Gupta, Partner
Finance Effectiveness Leader
PwC

PwC

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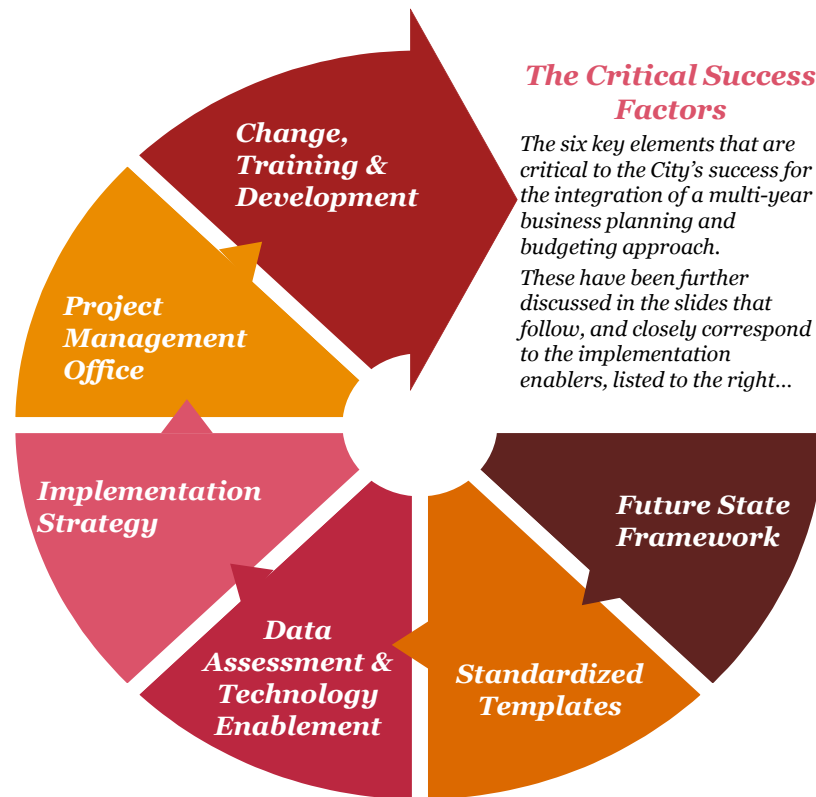
Contents

	<i>Slide</i>
Context	
<i>Executive summary</i>	4
<i>Case for change</i>	5
<i>Observations</i>	6 - 8
<i>The Future State Framework</i>	9
Transition to Multi-Year Business Planning & Budgeting	
<i>Critical success factors</i>	10 - 13
<i>Implementation plan enablers</i>	14 - 19
<i>Readiness Assessment</i>	20- 26
<i>Next steps</i>	27
Appendices	
<i>Time savings analysis</i>	28 - 29
<i>Process Analysis – current & future state analysis</i>	30 - 36
<i>Policy & Governance recommendations</i>	37 - 48
<i>Technological considerations</i>	49 - 50
<i>Risk mitigation</i>	51 - 52
<i>Thank you</i>	

Executive summary

Transitioning to a multi-year budgeting process for the City of Saskatoon will require significant change throughout the entire organization. That being said, we believe the City is uniquely placed to take advantage of the current opportunities and set itself up for future success. Key critical success factors for the City of Saskatoon will include focusing on improving the overall strategic planning process and closely tying it to the business planning and budgeting process.

The following key critical success factors will enable the City of Saskatoon to implement the changes needed:



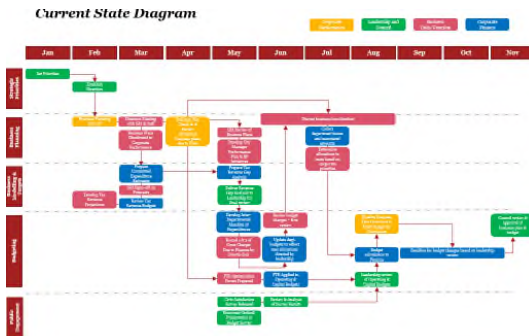
Our interaction with all of the other cities and our experience around this indicates that these changes are not easy and require strong buy-in from the organization. Our pilots and discussions with the business units do indicate that there is a strong desire to simplify the budgeting process and make it less effort intensive.

Moving to a multi-year business planning and budgeting process will allow the City of Saskatoon to start taking a long-term perspective on financial planning closely tying the long term business needs to financial budgets. This in-turn will allow the organization to have meaningful and collaborative dialogue focused on citizen outcomes.

The transition will require significant focus on educating the council, business unit leaders and the public on the change and the related impacts.

Evidence is clear suggesting the City's path to change ...

Combination of process reviews, interviews and an employee survey suggests clear areas of improvement as part of the readiness assessment for multi-year



42,000 hours
spent on business planning
and budgeting annually



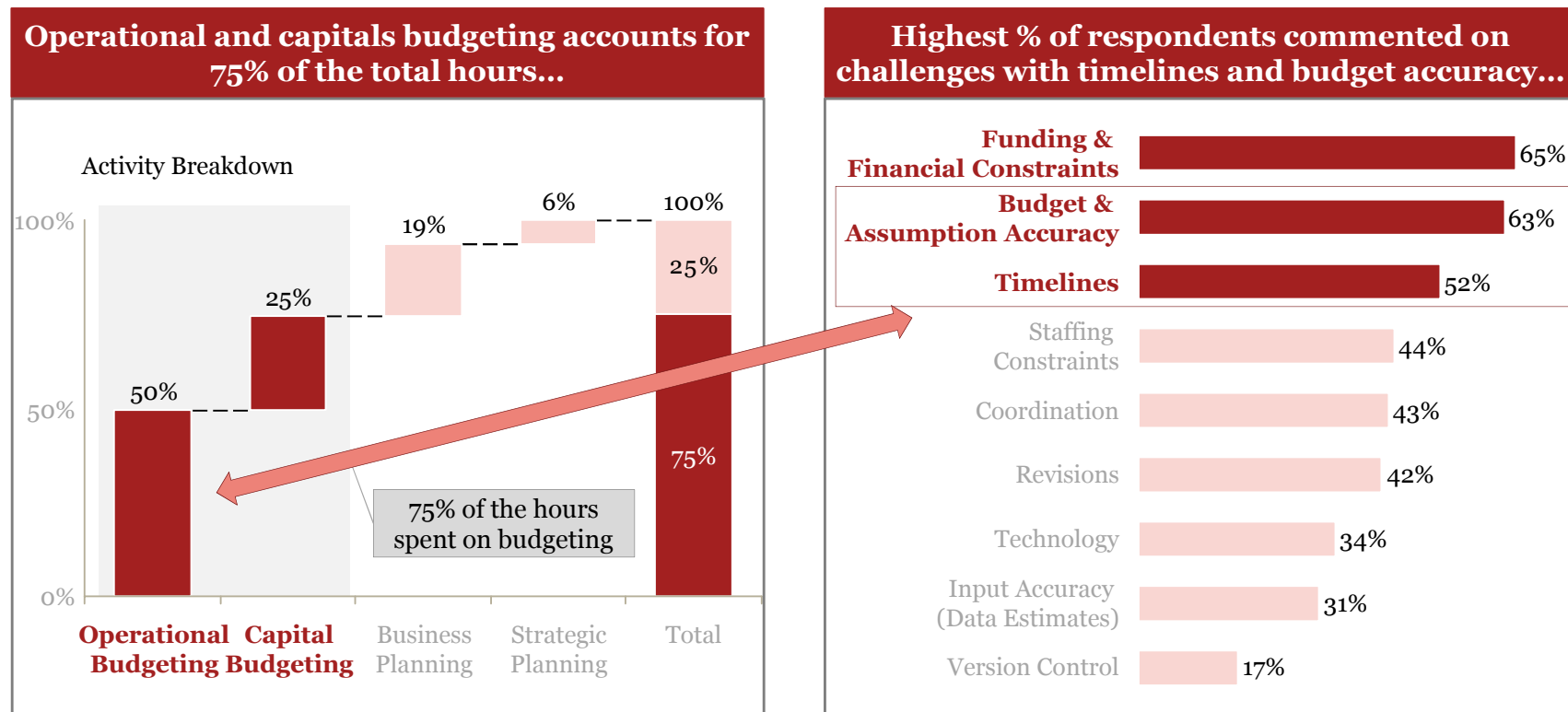
21 FTEs
working year-
round

Suggested areas of improvement towards multi-year budgeting

1	Formulate strategic priorities and business plans earlier in the process framework based on prior performance.	Plan to allocate resources around long-term priorities, goals and objectives with quantifiable impacts and requirements .	6
2	As part of the strategic goal setting, set a high level mill rate impact communicated to the public, business units and functions.	Increase time savings over the four-year cycle, and the potential to redeploy staff to other functions.	7
3	Design an effective method to allocate and deploy capital and make investments decisions over a council term.	Initiate dialogue to link specific functional outcomes with degree of spend allocation to drive accountability.	8
4	Closely tie capital expenditure planning to operational planning to understand short-term and long term OPEX impacts.	Engage division leadership in meaningful dialogue around key changes, opportunities and challenges to consider.	9
5	Improve inputs, activities and outputs (templates) to plan for a multi-year process as part of the change.	Align business planning process closely with financial budgeting to improve efficiency.	10

Survey Observations

75% of the time in the overall process is spent on budgeting. **Only 25%** of the time is spent on strategic and business planning. The less time spent up-front leads to greater change throughout the whole process.

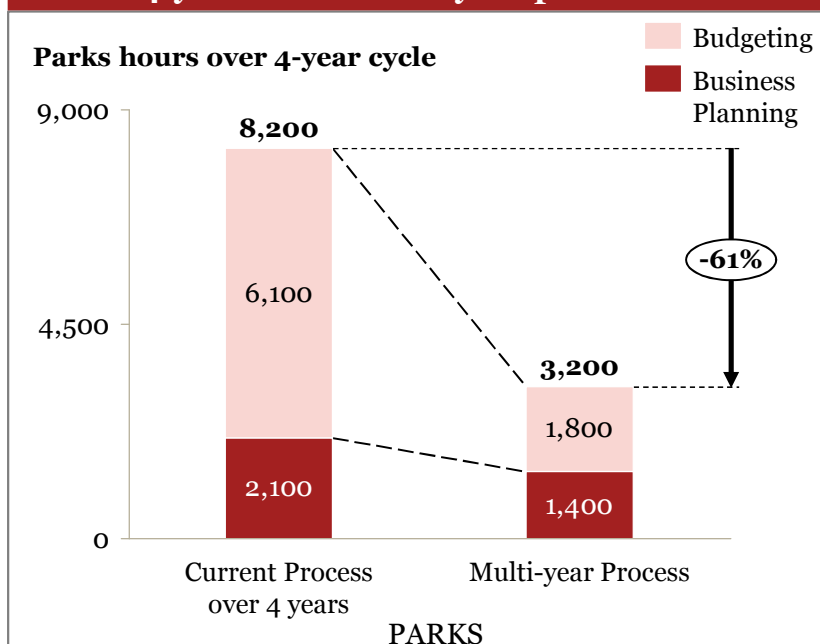


Improve efficiency by aligning functional and business leaders early in the process. Enabling them with the right tools and templates will improve the overall process.

Observations by Parks & Facilities...

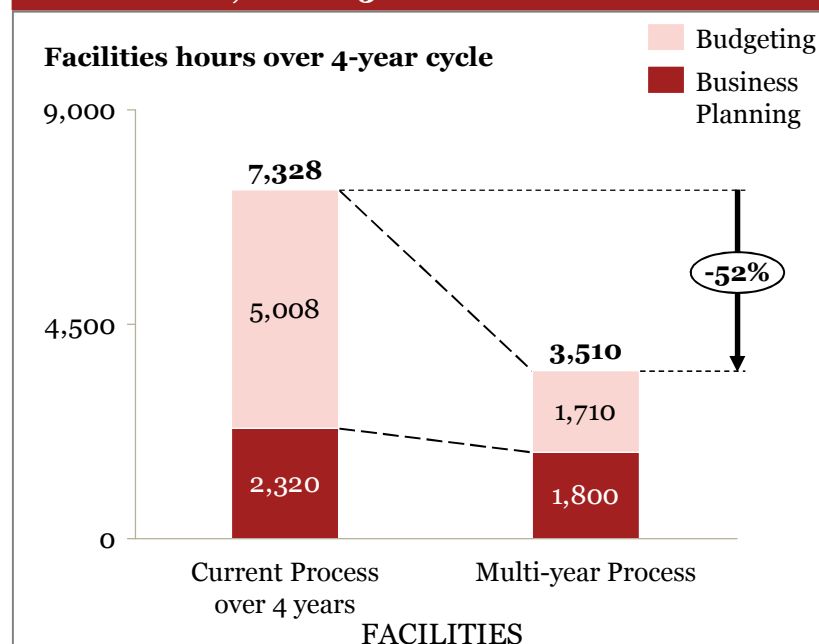
The white-boarding session reaffirmed the survey results: the majority of time spent within the business planning and budgeting process is spent on budgeting itself.

Parks can potentially reduce hours by 61% over 4-years via a multi-year process...



See appendix for more details

Facilities can potentially realize similar benefits, with a 52% reduction in hours



Transitioning to multi-year budgeting process with the right sequence of activities will reduce the overall effort and will allow the business units and functions to focus on value added activities.

Overall recommendations

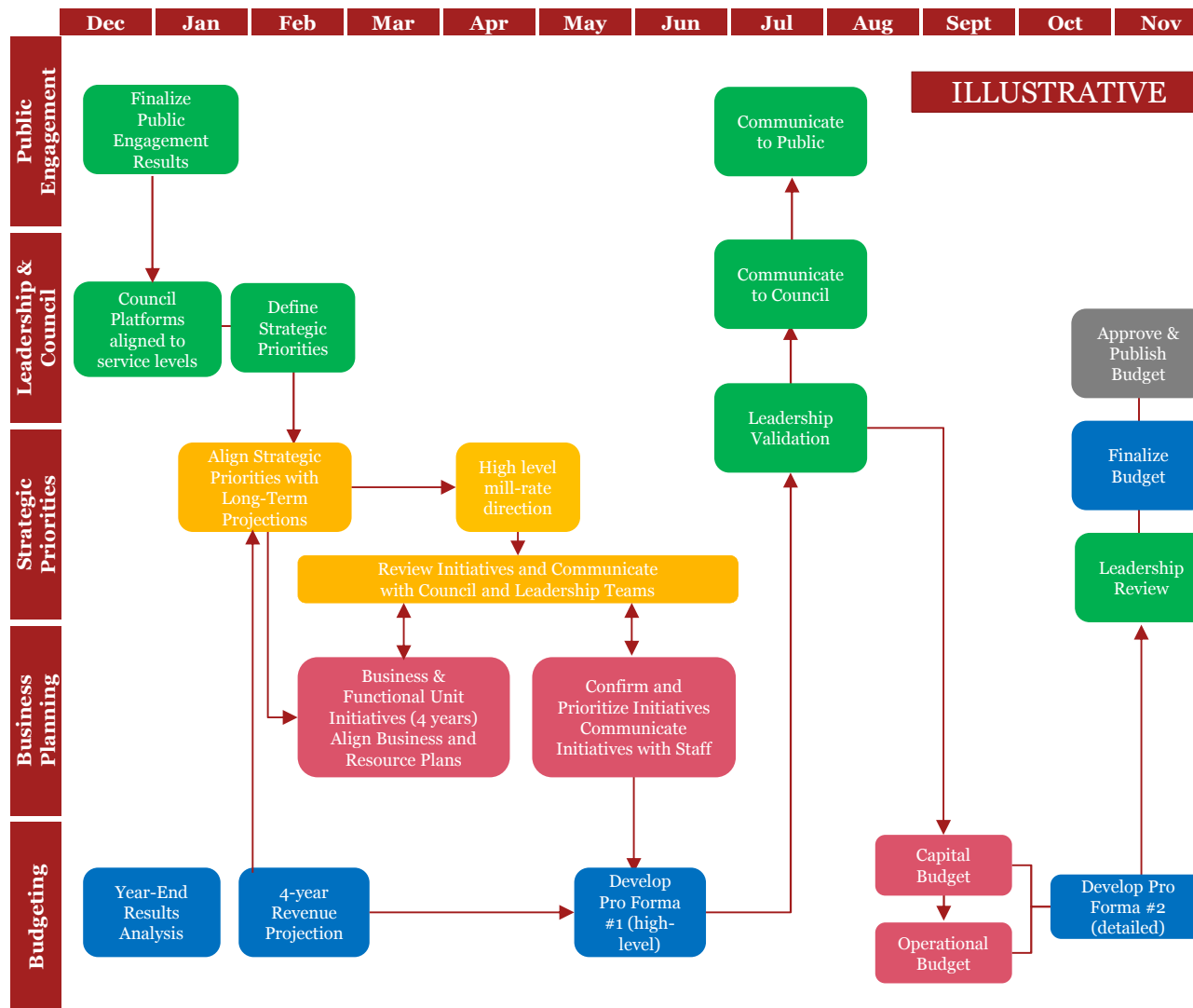
Our recommendations stem from the process reviews, interviews and analysis. These are summarized below:

1 Strategic Priorities	<ul style="list-style-type: none"> ▪ Increase Council involvement and buy in when developing strategic priorities in alignment with prior performance ▪ Clearly define Council direction through communication of priorities, goals, and objectives ▪ Initiate public engagement earlier in the business planning and budgeting process and cover full period as part of that process ▪ Early during the strategic process, provide high level direction on mill-rate impact to business units and functions to simplify business planning and budgeting process
2 Business Planning	<ul style="list-style-type: none"> ▪ Leverage the business plan as the baseline to create the operational and financial budget ▪ Link strategic and operational priorities to high level citizen based outcomes ▪ Create business plans keeping in mind capital and operational impacts with specific KPIs/outcomes ▪ Deploy business planning templates that align and contribute to with financial budgeting ▪ Drive meaningful dialogue around what each division needs to strategically focus on
3 Budgeting	<ul style="list-style-type: none"> ▪ Adoption of new budgeting software and/or ERP system – enable the users with the right information ▪ Refine roles and responsibilities across the business planning and budgeting process to improve accountability ▪ Develop a framework, including mandated Budgeting Variables ▪ Undertake a review of the cross-charging process to improve efficiency ▪ Quantify mill-rate impact to the business units and City resident's over the four-year cycle

Please refer to the Current State Assessment Report for additional information if necessary

The Future State Business Planning & Budgeting Framework

Year 1

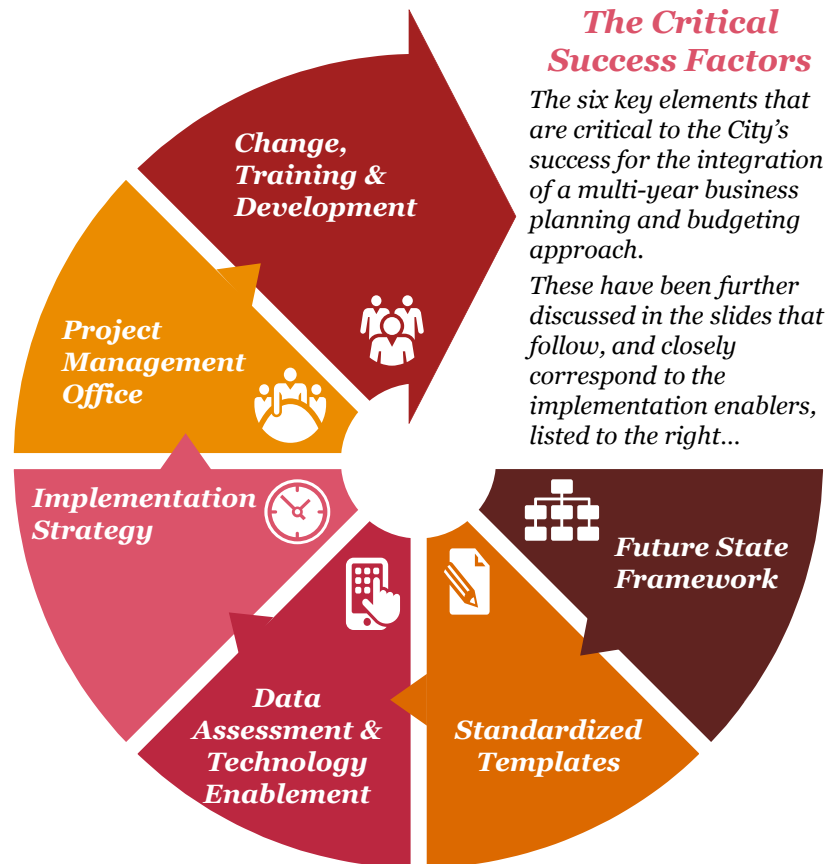


Key changes proposed ...

- Realigned chronology and sequencing of activities throughout the entire process
- Solicit public engagement earlier, to complement alignment of council platforms and priorities
- Leverage year-end actuals and projections to define strategic direction, goals and priorities
- Create a business planning process that uses financial and non-financial metrics to feed the overall business unit planning
- Focus on high-level budgets prior to detailed processes, to align leadership and reduce effort and late-term iteration
- Develop policies that limit the window of opportunity for late-term budget changes



Critical success factors to the integration of a multi-year approach



Enablers of a multi-year business planning & budgeting process

People

1. Council & Leadership Support
2. Clearly defined roles and responsibilities
3. Training & Resourcing

Process

4. Public Engagement & Strategic Direction
5. Process Alignment
6. Improved Templates & Reports
7. Aligned Service Levels to financial results
8. Policy & Governance updates to support

Technology

9. Budgeting Software & ERP System



Critical success factors



Future State Framework

- **Strategic Alignment & Set Mill rate:** Strategic alignment early in the process to align on key strategic and business objectives over council term. Determine the mill-rate for the four-year cycle and communicate the impact to the business units.
- **Logical Chronology:** Process to help align the right inputs with the right information.
- **Responsibility & Accountability Matrix:** used to highlight the roles and responsibilities from start-to-finish, highlighting the responsibility and accountability expectations for each business unit and function.
- **Restricted Update Period:** framework outlines update-window, any updates should be timely and restricted, balanced based on the urgency and subsequent impact to the overall budgeting process.
- **Service Level Alignment:** A model that allows business units and functions to relate financial outcomes to service levels and citizen impacts.
- **Policy updates:** Effective policy updates to the City of Saskatoon guidelines to ensure implementation of the future state framework.



Standardized Templates

- **Structured Input Process:** templates will provide a structure as to what inputs are necessary at what stage of the process and how that information will benefit the overall process over the course of a four-year cycle.
- **Business Planning + Budgeting:** key component to integrating the strategic planning with the business unit level goals & objectives, and the budgets themselves, ensuring there is a cross-pollination of the qualitative and quantitative metrics driving dialogue and discussion.
- **Other Municipalities:** Leverage best in practice content and feedback from municipalities that have already implemented multi-year budgeting, keeping in mind PwC best practices.
- **Technology Enablement:** Just having excel templates for everyone to fill out and manually accumulating data will not be very efficient or effective. The templates should be enabled through an effective budgeting tool so the underlying data can be effectively harnessed for creating the right insights and comparison with actual performance later within the process.



Critical success factors



Data Assessment & Technology Enablement

- **Financial Data Assessment:** Critical path to making right decisions relies on ensuring you have the right data. As part of implementing any budgeting tool and/or ERP, a holistic financial data assessment would allow the City to plan for the future. The data assessment would also provide input into key inputs into templates for budgeting and reporting.
- **Budgeting Tool:** The current tool does not serve the purposes for business units and functions and provides a tool for Finance to aggregate information only. An effective planning and budgeting tool (Hyperion, Oracle Cloud, SAP BPC, etc.) can help the City provide effective tools for business units and functions.
- **ERP Selection:** As part of the City's journey, the goal would be to implement a new ERP in coordination with the budgeting tool to help refresh the overall usability of financial data. Evolution of the City and its mandates does not allow the current financial system to report effectively (i.e. service level budgeting and outcomes)



Implementation Strategy

- **Implementing Multi-year:** The key to implement multi-year planning will require some key initiatives:
 - First Cycle year (aligned to new council entry)
 - Enlisting council and mayor support
 - Development of overall charter and project plan
 - Creating a steering committee
 - Public Engagement committee
 - Identifying key resources for project
 - Developing a detailed project plan with milestones, inputs and activities
 - Identifying change management strategy
- **Key Outcomes:** It will be important to have a comprehensive discussion around the key outcomes that are expected from the MYB process. These outcomes should be citizen centric i.e. how does MYB assist the city in providing better or more efficient services to the citizens
- **Work-stream Approach:** As part of the overall strategy, various work-streams will need to be stood up as part of the overall project management office (more ahead in project management details).



Critical success factors



Project Management Office

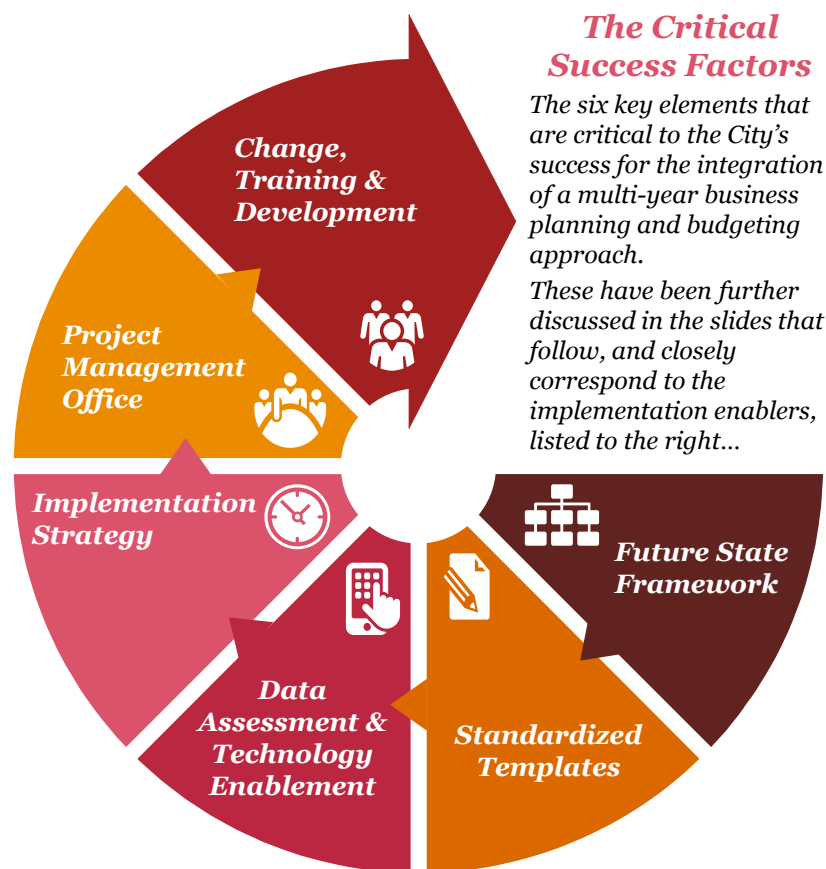
- **PMO Office:** Central PMO to manage the overall multi-year budgeting project with dedicated FTEs. This office would manage various key areas including:
 - Scope & Delivery Timelines
 - Stakeholder Management
 - Change Management
 - Budget
- **Work-stream Development:** The PMO office would develop all different work-streams listed under the implementation strategy and the enablers (scope detailed ahead). This would entail creating the charter for each work-stream, time-lines, scope, effort and team members.
- **One throat to choke:** Having the PMO will also centralize the responsibility to get this initiative effectively implemented with the PMO having singular responsibility for it
- **Risk Management:** Risk management will be a critical part of the scope of the PMO to ensure interdependencies between work-streams and overall risk is managed and escalated to the steering committee.
- **Governance Structure:** An appropriate governance structure to make the right strategic decisions would need to be established during implementation.



Change, Training & Development

- **Benefits Realization:** Critical to large changes to any organizational process requires an understanding of the overall business case and potential benefits. Getting buy-in and communicating this business case will be critical.
- **Change Agents:** Identifying key individuals within the City will be important to ensure we can manage the change through different business units and functions
- **Organizational Capacity:** Our project plan highlights the various work streams and some estimate of effort required to complete the implementation process for MYB. It will be important to do a careful evaluation of how to support the implementation while continuing to do day to day operations.
- **Training:** A disciplined training program with all different aspects of the multi-year budgeting process will be critical for success. The training program will include:
 - Process & Timelines
 - New Tools & Templates
 - Governance

Critical success factors to the integration of a multi-year approach



Enablers of a multi-year business planning & budgeting process

People

1. Council & Leadership Support
2. Clearly defined roles and responsibilities
3. Training & Resourcing

Process

4. Public Engagement & Strategic Direction
5. Process Alignment
6. Improved Templates & Reports
7. Aligned Service Levels to financial results
8. Policy & Governance updates to support

Technology

9. Budgeting Software & ERP System

Enablers of a multi-year business planning & budgeting process

Enablers	Activities	City Resources	Effort	Duration
1 Council & Leadership Support	Soliciting Input from new Council <ul style="list-style-type: none"> New council members and mayor will be unfamiliar with this ongoing project Necessary to attain their buy-in for both the technology enablers and the multi-year aspect Organizational-Wide Impact <ul style="list-style-type: none"> Increase the awareness of effort resulting from budget process inefficiencies Long-Term Benefits <ul style="list-style-type: none"> Establish the right case for change for business units and functions 	<ul style="list-style-type: none"> Council CFO City Manager involvement and facilitation All GMs 	40 hrs	2 – 3 weeks
2 Roles Responsibilities	Review of Existing Structure <ul style="list-style-type: none"> Review existing roles and responsibilities (R&R) Clarify and update R&R with inputs from the directors and general managers Gap Analysis in the R&R framework <ul style="list-style-type: none"> Identify areas requiring greater accountability and guidance within current processes, assign responsibility to increase accountability Develop responsibility matrix <ul style="list-style-type: none"> Develop matrix around the new business planning and budgeting process 	<ul style="list-style-type: none"> Corporate Performance GMs & Directors DBAs 	200 hrs	4 - 6 weeks

Enablers of a multi-year business planning & budgeting process

Enablers	Activities	City Resources	Effort	Duration
3 Public Engagement & Strategic Direction	Obtain Public Feedback and Input <ul style="list-style-type: none"> Engage the public at the beginning of the business planning process to gain feedback on areas of improvements and public requirements through civic satisfaction surveys Develop Strategic Priorities and Direction <ul style="list-style-type: none"> Align public feedback with Mayoral and Council platforms to develop and enhance strategic priorities Develop and define long-term priorities and objectives, and clearly communicate the strategic direction throughout the organization Quantify the millrate impact over the four-year cycle to the business units and City residents Align on service levels by business units and functions in alignment with the council 	<ul style="list-style-type: none"> Council & Leadership Finance GMs Communications 	320 hrs	16 – 18 weeks
4 Process Alignment	Documentation at the Business Unit level <ul style="list-style-type: none"> Business planning and budgeting process vary between the Business Units Align Business Unit processes to the general MYB framework Customization of the Processes <ul style="list-style-type: none"> Operational and structural differences at the Business Unit level will necessitate a degree of customization for a successful adoption of MYB across the City Realization of Long-Term Objectives <ul style="list-style-type: none"> Transparency of budget allocation Impact of late-term updates Importance of a structured process to the organizational efficiency 	<ul style="list-style-type: none"> Finance Strategic & Business Planning Business Units IT 	750 hrs	16 – 20 weeks

Enablers of a multi-year business planning & budgeting process

Enablers	Activities	City Resources	Effort	Duration
5 Templates & Reports	<p>Review Current Templates</p> <ul style="list-style-type: none"> Identify current limitations Highlight areas requiring modification to accommodate a multi-year approach Repeat process at all levels of the organization and across multiple business units <p>Design & Development</p> <ul style="list-style-type: none"> Design templates, reports, and tools with end-user input Ensure templates and tools can be integrated into budgeting and ERP systems <p>Test Functionality</p> <ul style="list-style-type: none"> Dry-run of templates, reports and tools Validate integration of templates process-wide 	<ul style="list-style-type: none"> Business unit representatives Finance department Performance management 	400 hrs	8 – 10 weeks
6 Policy & Governance Updates	<p>Policy Inventory & Recommendations</p> <ul style="list-style-type: none"> Obtain feedback and agree on the changes necessary for the City policy to be reflective of the needs of a multi-year business planning and budgeting process <p>Action the Recommended Changes</p> <ul style="list-style-type: none"> Collaborate with Councillors, Leadership and GMs to flush out the details of a policy structured around effective timelines, communication and transparency <p>Further Information & Detail</p> <ul style="list-style-type: none"> Please refer to the appendices for additional information on our policy inventory and recommendations 	<ul style="list-style-type: none"> GMs & Directors Finance 	300 hours	3 – 4 weeks

Enablers of a multi-year business planning & budgeting process

Enablers	Activities	City Resources	Effort	Duration
7 Service Levels & KPIs	<p>Review of Current Service Levels</p> <ul style="list-style-type: none"> Review service levels with directors and general managers to identify outdated or incomplete areas requiring focus <p>Develop Key Performance Indicators</p> <ul style="list-style-type: none"> Work with business units to identify service levels Develop corresponding KPIs that enable them to measure the accomplishment of their service levels <p>Ongoing Maintenance</p> <ul style="list-style-type: none"> Refine the service catalogs annually Update for new service offerings Ensure all service levels have a quantifiable metric 	<ul style="list-style-type: none"> Business units Performance management Public engagement 	600 hours	20 – 24 weeks
8 Training & Resources	<p>Identify Skills, Knowledge, and Resource Gaps</p> <ul style="list-style-type: none"> Ensure Leadership recognizes and reinforces skills required for the change effort Identify skills and knowledge gaps necessary to implement a multi-year process Determine resource availability and capacity within the organization to implement a multi-year process <p>Develop Training Plans</p> <ul style="list-style-type: none"> Identify development goals and align learning objectives with the change effort Develop a training and development plan based on the skills and knowledge gap assessment Develop methods and channels for training (e.g., in-class, web-based, guides, workshops, etc.) 	<ul style="list-style-type: none"> Business units Performance management Public engagement 	1000 hrs	12 – 14 weeks

Enablers of a multi-year business planning & budgeting process

Enablers	Activities	City Resources	Effort	Duration
9 Technology Enablement	<p>Planning and Budget for Software</p> <ul style="list-style-type: none"> Establish a project team/steering committee, obtain support from Leadership (GM and Council), and develop a high-level budget <p>Conduct Software Requirement Analysis</p> <ul style="list-style-type: none"> Evaluate existing system performance and determine the limiting factors of the existing financial systems (e.g., existing infrastructure limitations, integration considerations, data security, etc.) Engage stakeholders and users to gather functional and business requirements for financial software selection <p>Market Scan and Vendor Research</p> <ul style="list-style-type: none"> Identify potential vendors that meet the functional and business requirements Ensure the vendor's solution is compatible with all business units regardless of their structure and financial systems, and can be integrated with future ERP systems <p>Vendor Evaluation and Selection</p> <ul style="list-style-type: none"> Vendors to provide demonstration of solutions, and determine which solution best-fits the functional and business requirements <p>Implementation</p> <ul style="list-style-type: none"> Implement the new budgeting software and tools with the selected vendor Develop an implementation plan with the vendor Establish a project governance process 	<ul style="list-style-type: none"> IT Finance Business Units & Functions 	3000 - 3500 hours	24 – 30 weeks

Readiness Assessment – Leadership and Strategic Alignment

Focus Area	Assessment	Rationale/ Details	Key Risks	Next Steps	Time Frame
Council and Leadership Support		The City Council is already aware of the overall transition plan to multi-year budgeting and will support the transition as the City prepares for the change.	<ol style="list-style-type: none"> 1. Inability to align a multi-year budgeting cycle with an incoming Council to ensure alignment with strategic objectives. 2. Resistance from incoming council to approve a multi-year plan. 3. Ensuring alignment of key requirements from the council (outputs) from a multi-year budgeting cycle (reporting etc.). 	<ol style="list-style-type: none"> 1. Overall alignment with council on key milestones and dates for transition to multi-year budgeting. 2. Workshop to align on expectations from council (outputs) from a multi-year cycle and education on potential process changes required for alignment of strategic priorities. 	June - August
Public Engagement and Strategic Direction		Following best practices, it is important to engage the public before transitioning to MyB to ensure that the transition is communicated to allow the public to provide input to the process. Public feedback should also be used to guide the City's strategic direction.	<ol style="list-style-type: none"> 1. Resistance from public stakeholders for transition to MyB and committing to a multi-year mill-rate. 2. Understanding how to link public expected outcomes effectively to a multi-year budgeting cycle and communicating back to the public (link to service level outcomes) 	<ol style="list-style-type: none"> 1. Public engagement survey to gather information on public opinion around MyB. 2. Develop a communication and engagement plan leading up to transition for MyB. 	June - July
Business Unit & Functional Leadership Engagement		Engaging all business units and functions leadership effectively and developing buy-in to a new business planning and budgeting process will be critical to ensure that the new processes can be implemented effectively.	<ol style="list-style-type: none"> 1. No effective buy-in from specific business units and functions on the multi-year budgeting framework (aligned to their business planning process). 2. Inability for business units or functions to develop a multi-year business planning methodology to support budgeting. 	<ol style="list-style-type: none"> 1. Developing a business unit and function engagement plan to educate and understand key challenges to transitioning to MyB and building mitigations to address. 2. Forming a steering committee with BU/FN leaders to drive the overall MyB project with support from corporate leadership (CFO, Director of Finance, City Manager) 	March - April

Readiness Assessment – CFO and Finance Office

Focus Area	Assessment	Rationale	Key Risks	Next Steps	Time Frame
Business Process and Functional Alignment		Creating a net new multi-year budgeting process associated with the strategic planning process (in tandem with the City Council's term) and in alignment with each business unit and function requires clear inputs, activities and outputs. (*Refer to attached future state process map for more detail).	<ol style="list-style-type: none"> 1. Developing a detailed future state new process requires consultation and buy-in from business units and functions to ensure there is alignment from a top down and bottom up perspective. 2. Ensuring that the new process provides the right inputs and outputs to the business units and functions and finance will be critical to ensure that it adds value across the organization. Ensuring we let go of non-value add activities and focus on providing the right information to manage the business. 	<ol style="list-style-type: none"> 1. Developing a detailed future state business planning process map in alignment with inputs and outputs (reports, templates etc.) and ensuring buy-in across the finance organization and business units/functions. 2. Leveraging the detailed future state process map, preparing to pilot a multi-year budgeting financial process to understand the challenges posed and what process changes need to be made to make the transition. 	April - June
Financial Planning & Budgeting Process		There should be a focus on developing a more detailed financial planning process that is aligned with the overall business planning process. Currently, these two processes are not tied and require that they are complementing activities providing input to each other. Clearly articulating steps, from a Finance organization perspective, on inputs required for multi-year planning (finance metrics, variances, assumptions, etc.) and sequence of events will allow for alignment to the strategic planning process.	<ol style="list-style-type: none"> 1. Not spending enough effort and time detailing out the future state financial process can lead to significant issues at go-live. Piloting the new process prior to the actual transition will be critical to ensure success. 2. Not having the right information in the right format available will make it harder to plan for a multi-year budgeting cycle. It will be important to ensure that as we detail out the new processes, we articulate the information we need to actually complete the process successfully. 	<ol style="list-style-type: none"> 1. Based on the future state framework and detailed process map, work with Finance organization to clearly articulate financial planning process including all inputs and outputs. Develop a mock timeline for pilot process to build, test and evaluate the new process (supplemented by reports and templates). 2. Work with business planning organization to align all key inter-dependencies for financial information between the two processes (listed above). 3. Socialize and solicit feedback on the financial budgeting process across key financial stakeholders (GMs, Directors, DBAs). 	April - June

Readiness Assessment – CFO and Finance Office

Focus Area	Assessment	Rationale	Key Risks	Next Steps	Time Frame
Policy & Governance changes		As part of the new multi-year budgeting framework, policy and governance changes will need to be made to ensure alignment with process steps and expected outcomes. As part of our review, we've highlighted, key policy changes and net new policies that will need to be written to enable the transition to multi-year budgeting.	<ol style="list-style-type: none"> 1. A realistic, enforceable and implementable policy framework will be critical for success for multi-year budgeting. City of Saskatoon currently has a lot of policies that may not adhered to and this causes friction between the business units/functions and corporate leadership. 2. Not defining clear new policies and guidelines for MyB and supporting processes will not allow the City to adopt a sustainable long-term process. New policies and governance mandates are critical to ensure that consistency is applied to the planning framework as leadership evolves and there is a change in council. 	In coordination with the process reviews and policy recommendations provided, draft new financial budgeting policies related to multi-year budgeting over the course of the project.	July - September
Key enablers: inputs & outputs (reporting)		Current business planning processes are independent of financial budgeting processes and each business unit and function uses un-standardized tools and templates to provide inputs into budgeting for Finance. Standardized templates, that provide visibility into key service level metrics and financial information from the business units, need to be developed. This visibility will allow the leadership and City Council to make the right operational and long-term planning decisions.	The right inputs and outputs (templates and reporting) will drive the right behaviors throughout the organization in terms of understanding the need to provide the right information. Incomplete or inaccurate information can lead to decisions that will have an impact on the mill-rate for multiple years which will not be accepted by leadership or council.	As part of the Finance work stream, create a work-stream to design and develop new templates that would be leveraged for the multi-year budgeting process. Templates would be a combination of documents that allow business units and functions to provide inputs from a capital and operating perspective while keeping in mind business objectives. These templates will become critical in tying the business planning process to the financial budgeting process.	April - June

Readiness Assessment – CFO and Finance Office

Focus Area	Assessment	Rationale	Key Risks	Next Steps	Time Frame
Technology Enablement		Currently, the City does not have the right tools to enable multi-year budgeting process tying back driver based planning. The right tools need to be implemented to provide users the right information and tool set to plan effectively over multiple years.	Not having the right tools available to plan and budget effectively leads many organizations down the path of creation additional work (effort) that needs to supported by additional FTE. The right tools will not only mitigate risks for inaccurate information being provided and translated into financial budgets but also provide ease of planning and budgeting overall.	Conduct a detailed assessment on the tools used for business planning and budgeting from a finance perspective and recommend potential solutions that will help enable the multi-year planning process. Keep in mind potential impacts for a new ERP that may provide this functionality.	July - August
Service Levels and KPIs Alignment		<p>Currently, the City is not able to directly tie service levels and outcomes to financial results. When moving to a multi-year process, and from a public platform standpoint, the ability to tie the mill-rate to service levels and expected outcomes becomes critical to all elected officials.</p> <p>This is a critical decision for the City to make as a whole and will require significant effort and energy to stand up an end-to-end service level framework tied to financial metrics.</p>	Although tying service levels and outcomes to financial results is not critical to move to a multi-year planning cycle, it will be more difficult to articulate public outcomes effectively without doing so.	<ol style="list-style-type: none"> Clearly understanding the how we remove any hurdles in creating a financial planning framework tied to service levels and activities. Facilitating a clear discussion with senior leadership across business units and functions. Making a decision whether directly tying activities and service levels is critical to transitioning to a multi-year budgeting cycle. 	April - May

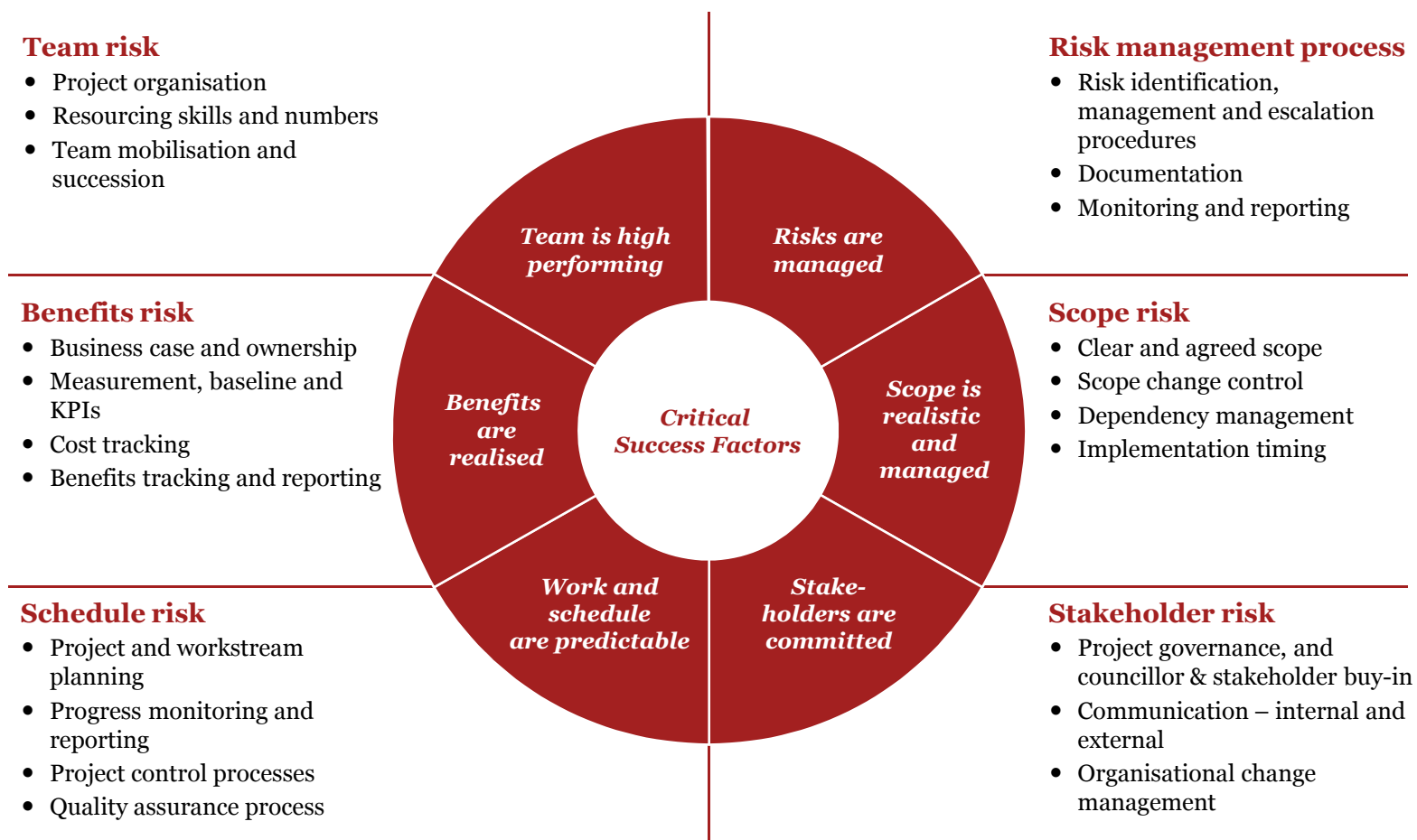
Readiness Assessment – CFO and Finance Office

Focus Area	Assessment	Rationale/ Details	Key Risks	Next Steps	Time Frame
Finance Organization Training		Training will need to be provided to all financial stakeholders across business units, functions and finance on key changes, rationale and processes going forward. It will be important to ensure that all stakeholder training needs are met from leadership to individual contributors.	Not providing the right training on key business and financial processes will result in a lack of adoption of the multi-year budgeting process resulting in a poor quality of outputs if internal stakeholders do not understand the reasoning and processes.	As part of the change assessment, document key training needs by business unit and function and develop a training program that would be relevant across the organization.	TBD
Business Unit and Functional Training		Training on key changes, rationale, and processes going forward will need to be provided to all financial stakeholders across business units, functions and finance. It is important that all stakeholders, from leadership to individual contributors and the business unit level, have their training needs met to ensure a smooth transition.	Not providing the right training on key business and financial processes will result in a lack of adoption of the multi-year budgeting process resulting in a poor quality of outputs.	As part of the change assessment, document key training needs by business unit and function and develop a training program that would be relevant across the organization.	TBD

Readiness Assessment – CFO and Finance Office

Focus Area	Assessment	Rationale/ Details	Key Risks	Next Steps	Time Frame
Communication and Change Management		<p>The process to transition to multi-year budgeting will be led by the CFO and therefore, communication and change management will be a critical element to ensure success. Providing GM's, Directors and financial stewards the right messaging (including key milestones, expectations, input and solicitation of potential process changes) at the right time will be critical.</p> <p>Understanding the critical change factors that will impact employees in the business units, functions and finance will be important to develop a change program that helps all employees understand the need and benefit of the transition to MyB.</p>	<ol style="list-style-type: none"> 1. Ensuring that all relevant impacted stakeholders are engaged early in the project so that they feel part of the solution. Not doing so, can alienate and create roadblocks for change. 2. Understanding the actual change individuals will go through for their jobs at the business unit, function and finance level will be important to understand how resources may need to be aligned within a multi-year process environment. Not understanding the challenges of implementing a net new process while continuing day to day activities will led to significant resistance from individuals. 	<ol style="list-style-type: none"> 1. As part of the tasks of the project management office, forming a change management committee to help make decisions related to communication and change management. 2. Conducting detailed subject matter interviews with individuals involved with planning and budgeting today (across all business units and functions) to clearly understand the change impacts. 3. Developing a change management stakeholder matrix and change agenda for Multi-year budgeting. 	April onwards
Project Management		<p>Ensure that there is a clear project management office (PMO) managing all different work-streams and interdependencies. The PMO will help form the project charters, steering committees required for decision making and the key milestones across the projects.</p>	N/A	<ol style="list-style-type: none"> 1. Hire/recruit PMO lead as soon as possible to get the project moving. They will help form the project plan and organize all leadership and business stakeholders. Based on a project plan development, decisions can be made around resourcing and staffing. 2. Developing an overall milestone plan on a page for the next 24 months and align key stakeholders. 	April onwards

MYB Implementation project success factors ...



Next steps

- | | | |
|----|--|-------|
| 1. | Socialize final report with Finance committee and Leadership | March |
| 2. | Develop key project plans for the following work-streams and assess level of effort | April |
| 3. | Develop high-level project plan with key milestones and dates | April |
| 4. | Align key resources to establish Project Management Office and key leads from each BU/FN | May |
| 5. | Establish steering committee with key leadership members | May |
| 6. | Project kick-off | May |

Time savings analysis - Parks white boarding session output

MYB has the potential to reduce the time spent on business planning by 31% and budgeting by 70%, over a 4-year cycle. The time saved can then be directed to other value-add activities...

Parks Business Planning Hours

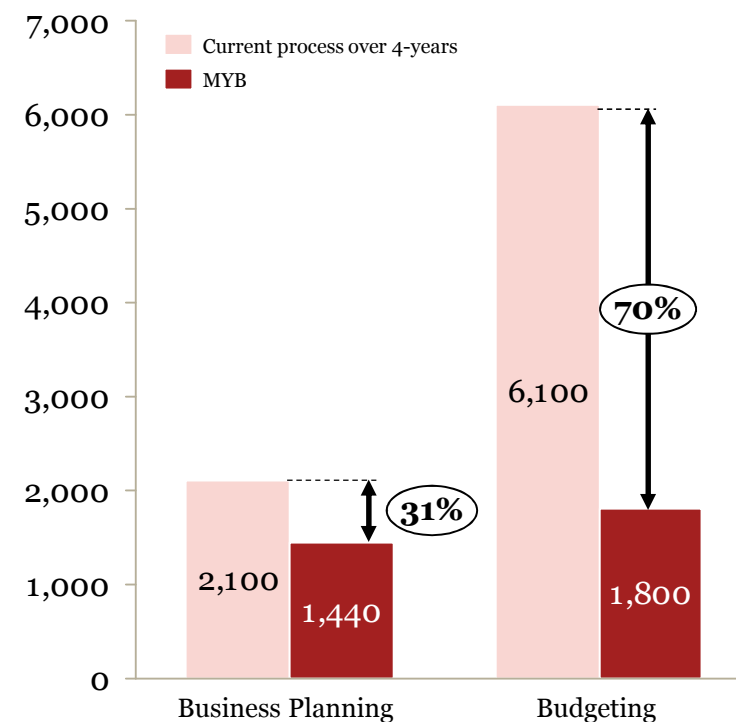
Year	Current Process (hours)	Multi-Year (Hours)
0	525	810 ¹
1	525	210
2	525	210
3	525	210
Hours over 4 years (Business Planning)	2,100	1,440

Parks Budgeting Hours

Year	Current Process (hours)	Multi-Year (Hours)
0	1,525	465 ¹
1	1,525	445
2	1,525	445
3	1,525	445
Hours over 4 years (Budgeting)	6,100	1,800

MYB offers significant time savings compared to the current processes over a 4-year-cycle

Hours over 4-years



PwC 1. Hours are front-loaded in the first year of the multi-year process due to the need to identify, align to strategic objectives, plan activities and project for the upcoming 4-year cycle. The years following the first-year will be lighter, and will be more focussed on making necessary adjustments.

Time savings analysis - Facilities white boarding session output

MYB has the potential to reduce the time spent on business planning by 22% and budgeting by 66%, over a 4-year cycle. The time saved can then directed to other value-add activities...

Facilities Business Planning Hours

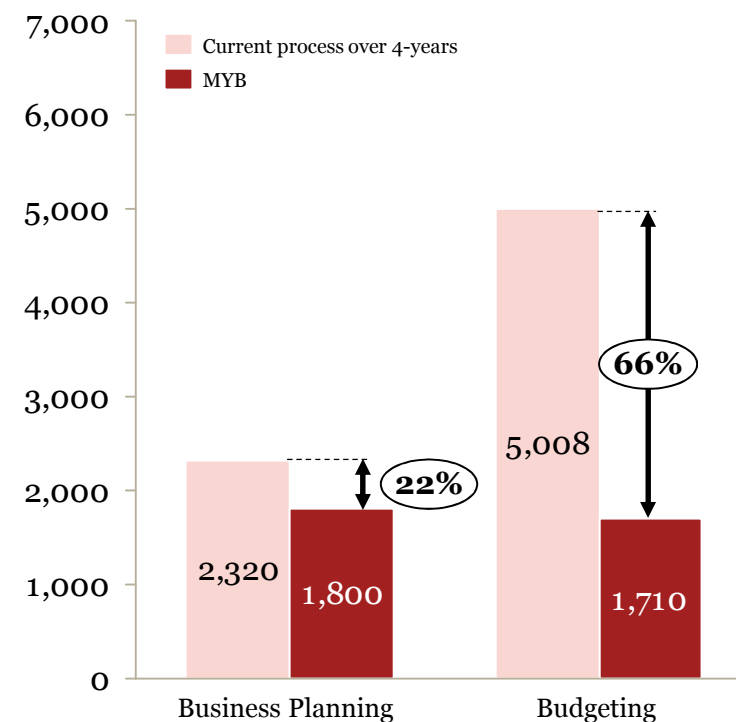
Year	Current Process (hours)	Multi-Year (Hours)
0	580	750 ¹
1	580	350
2	580	350
3	580	350
Hours over 4 years (Business Planning)	2,320	1,800

Facilities Budgeting Hours

Year	Current Process (hours)	Multi-Year (Hours)
0	1,252	915 ¹
1	1,252	265
2	1,252	265
3	1,252	265
Hours over 4 years (Budgeting)	5,008	1,710

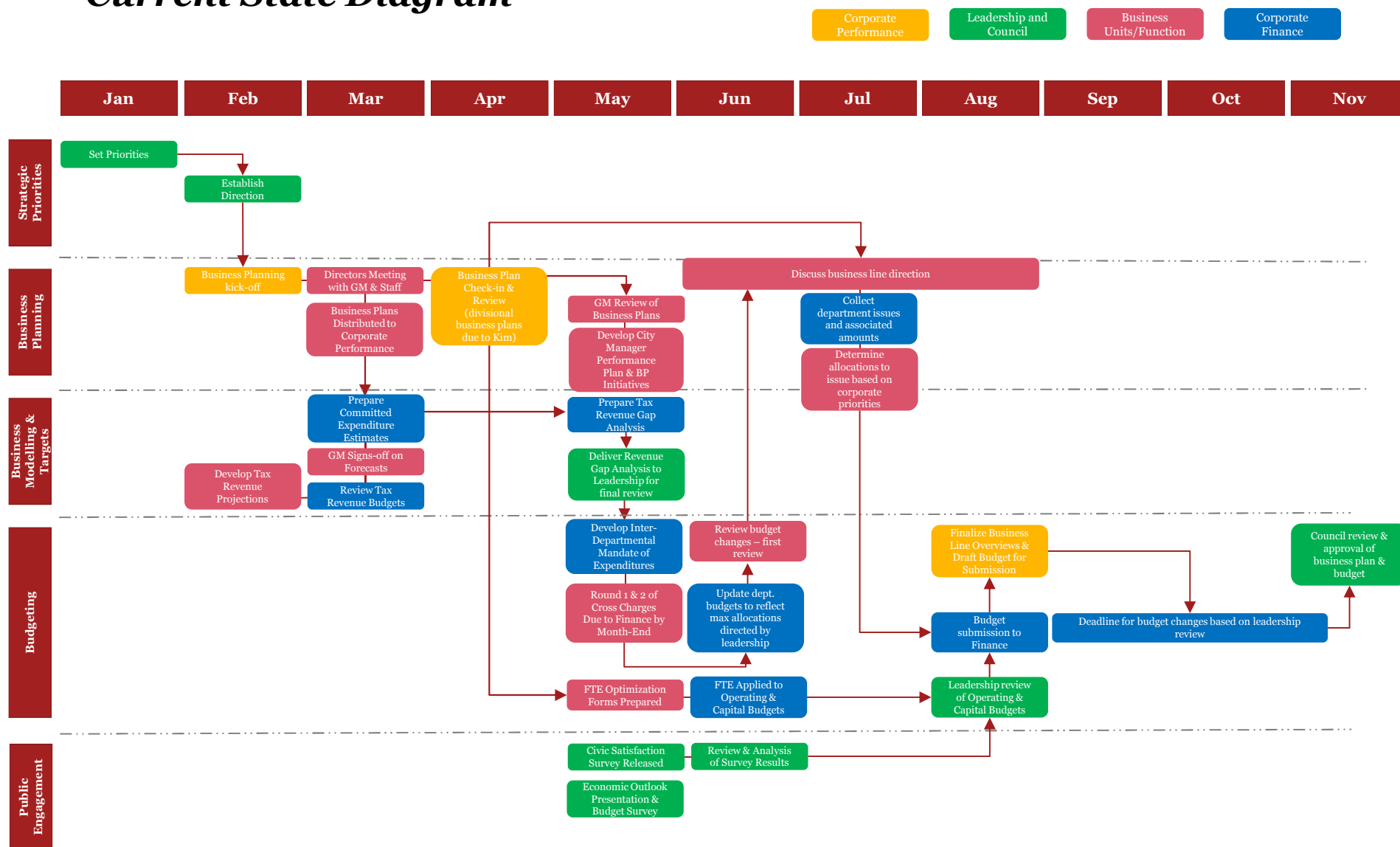
MYB offers significant time savings compared to the current processes over a 4-year-cycle

Hours over 4-years



PwC 1. Hours are front-loaded in the first year of the multi-year process due to the need to identify, align to strategic objectives, plan activities and project for the upcoming 4-year cycle. The years following the first-year will be lighter, and will be more focussed on making necessary adjustments.

Current State Diagram

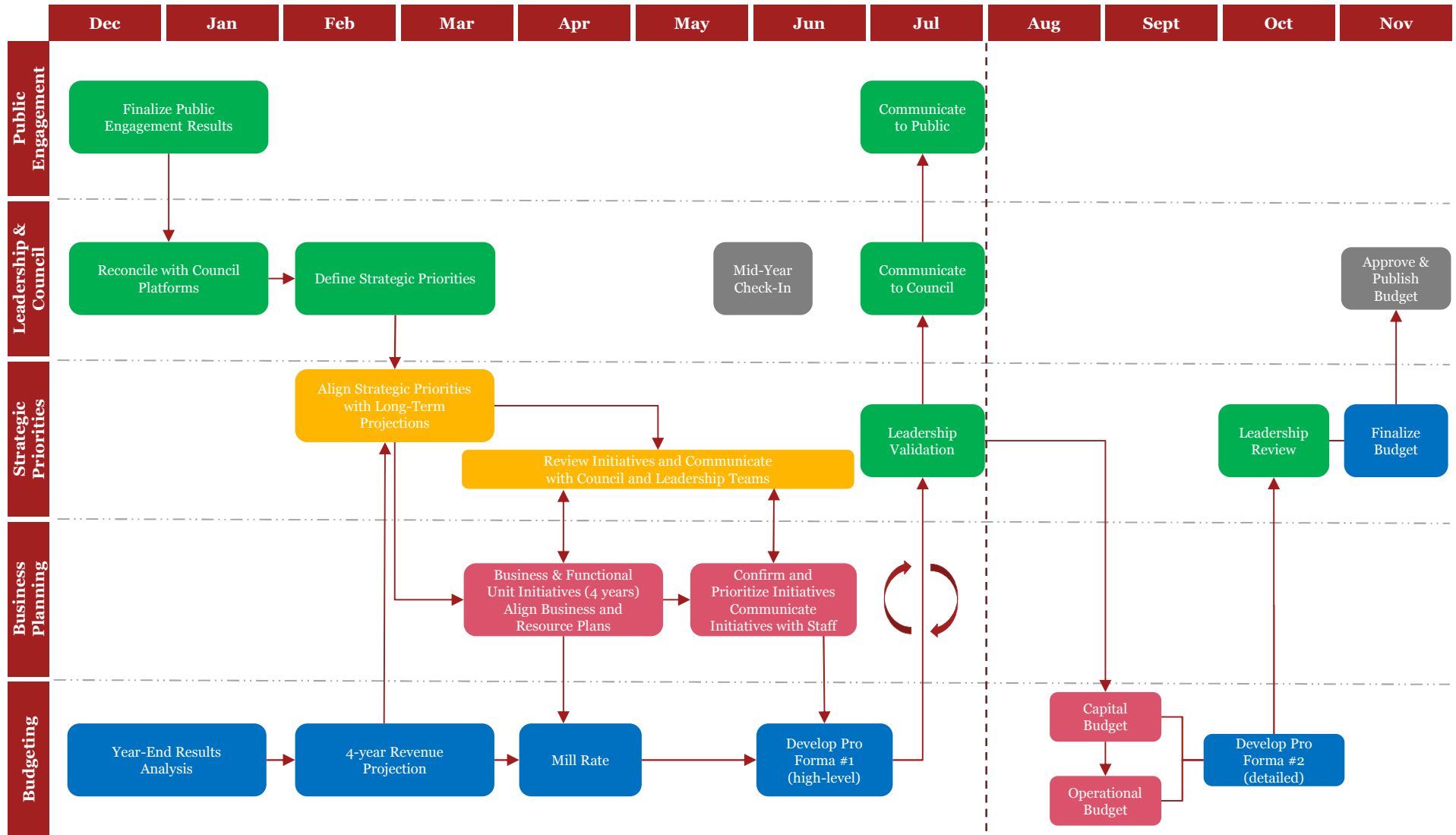


Please refer to the Current State Report for additional information...

The Future State Framework

Year 1...

ILLUSTRATIVE

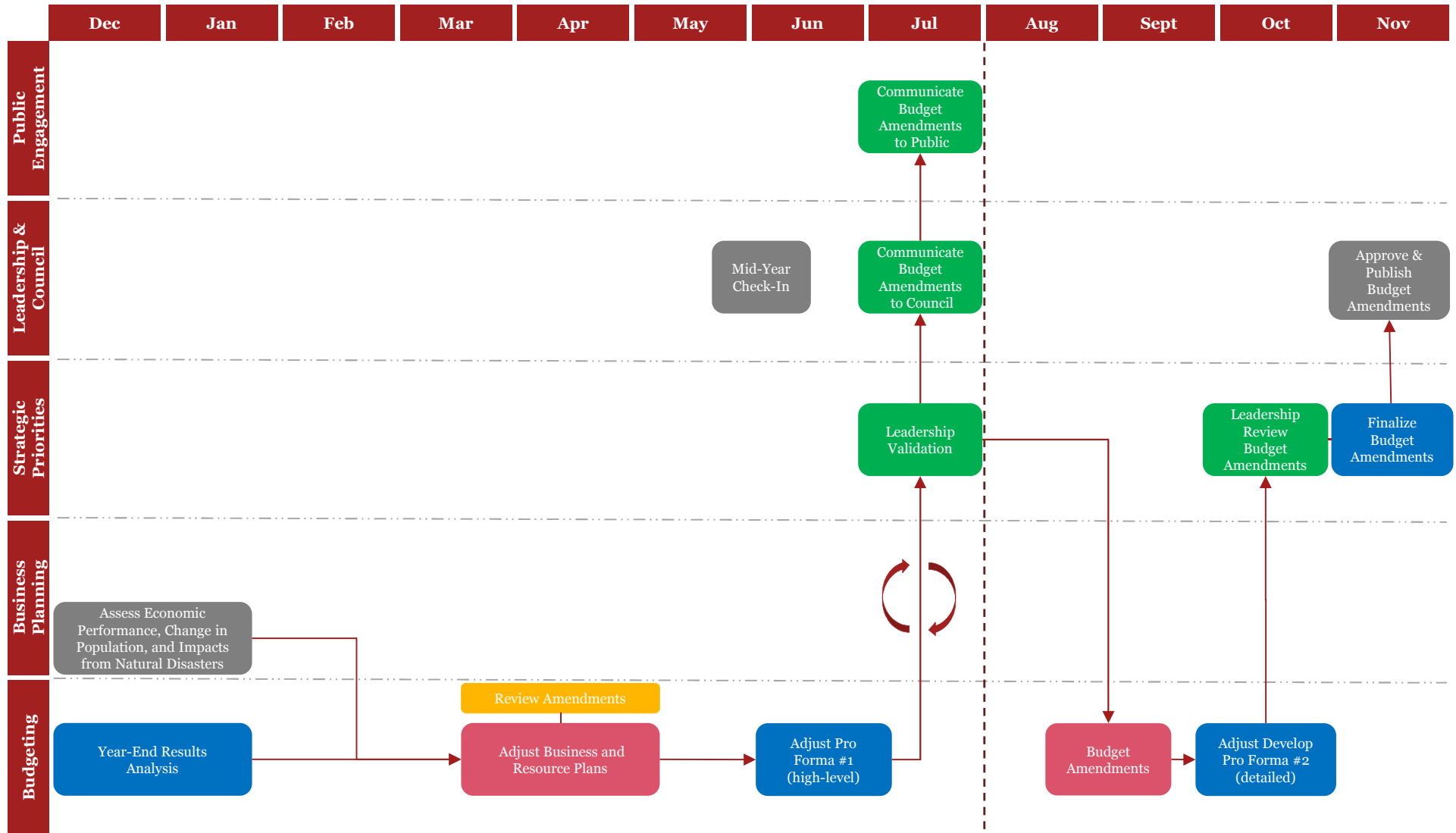
Corporate
PerformanceLeadership and
CouncilBusiness
Units/FunctionCorporate
Finance

Please refer to the Current State Report for additional information...

The Future State Framework

Year 2 – Year 4...

ILLUSTRATIVE

Corporate
PerformanceLeadership and
CouncilBusiness
Units/FunctionCorporate
Finance

Please refer to the Current State Report for additional information...

Multi-year Budget Steps – Year 1

Step	Description	Group	Input	Output
1. Conduct BU/FN Variance Analysis (6+6 forecast)	<p>The business units and Finance provide a variance analysis on actuals to 6 months and a forecast for 6 months and identify key variances. Review actuals for current year and key variances by key budget line items and allocate variances to service/activity levels:</p> <ol style="list-style-type: none"> 1. Identify if variance is permanent (constant cost of continued service due to increase in costs) 2. Temporary (timing difference or one time adjustment) 	BU/FN	201X Budget and Actual Spend Data	New Template - BU/FN Variance Analysis
2. Analyze Service Assumptions	Any BU/FN providing cross-services to other BU/FN's to provide service level assumptions and costs based on current year actuals and forecast to Finance. Finance will leverage these assumptions to consolidate and provide holistic assumptions to all BU/FN's for multi-year planning and budgeting.	BU/FN	BU/FN Variance Analysis	New template - Key assumptions and service levels (cross charges) by BU/FN
3. Analyze Balanced Budget Actuals	Finance to articulate how the budget was balanced keeping in mind key variance provided by BU/FN's. Review prior year actuals + forecast for 6 months by Business Unit & Function to understand variances on budget. Analyze key differentials to forward balance the budget for next year.	Finance	201X Budget and Actual Spend Data + BU/FN Variance Analysis	New Template - Balanced Budget Analysis (current year)
4. Key Assumptions (Forward Looking)	Finance to provide key budget assumptions for forward 4 years after collaborations with City Leadership & Council. Assumptions will be used to plan the multi-year budgeting cycle. These will include key assumptions related to drivers such as salaries, inflation, increments, basic service costs, and cross-charge rates.	Finance	Key assumptions and service levels	New Template - Global Assumptions Document
5. Create a four-year outlook for capital and operational spend	<p>Creation of a four-year outlook for capital and operational spend is dependent on committed capital and associated operational expenditures. Any permanent differences (from Step 1) may increase the overall cost of service due to the increase in operational cost.</p> <p>The goal of this step is to ensure each BU/FN can come up with the base cost of providing services to citizens while keeping in mind committed capital expenditures (and related operational impacts) + operational expenses across the organization.</p> <p>No "net new" projects and or initiatives are added into the forecast at this point. Each permanent increase over last year's actuals should be supported by the variance analysis done in Step 1.</p>	BU/FN	BU/FN Variance Analysis Global Assumptions Document	New Template - High Level BU/FN budget by key service areas
6. Create a Consolidated Balanced Budget Forecast - V0 (With no net new initiatives)	Goal of this is for Finance to gather and consolidate high-level financial budget for four years for each BU/FN and show the differential in balanced budget. This will help the City understand the baseline mill-rate impact (without net new priorities).	Finance	BU/FN Budget by key service area	Balanced Budget Forecast V0 (no new initiatives)

Assumption: 2017 (prior year)

Forward looking: 2018-2021

Multi-year Budget Steps – Year 1

Step	Description	Group	Input	Output
7. Present Balanced Budget V0 for review with Council with base rate mill-rate impact to align on strategic objectives across the organization.	Goal is for the Council and City Leadership to approve the baseline budget without net new initiatives and truly understand the mill-rate impact without new capital and operational initiatives.	Finance Corporate Performance BU/FN Leadership	201X Budget and Actual Spend Data + BU/FN Variance Analysis	New Template - Balanced Budget Analysis (current year)
8. Council to provide key strategic priorities over the next 4 years and direction on high-level mill-rate impact for 4 years based on baseline budget.	Goal is to set the ceiling for mill-rate increases across the board for 4 years keeping in mind high-level strategic objectives	Council	Key assumptions and service levels	New Template - Global Assumptions Document
9. Translation of strategic objectives into business planning objectives direction for BU/FN's to develop incremental budgets.	<p>City Senior Leadership should translate strategic objectives into business planning objectives at a high level. This allows for greater clarity on the direction and mill-rate impact that BU/FN's need to be aware of when developing their incremental budgets.</p> <p>With high-level direction on mill-rate and business objectives, BU/FN's can now prepare options analysis on additional initiatives that they would like to focus on if the overall budget allows for it. This would start the overall business planning cycle aligned with financial planning at a high level.</p> <p>This assumes there is greater alignment between City Leadership as to where the mill-rate changes are being focused.</p>	Finance Corporate Performance BU/FN Leadership	BU/FN Variance Analysis Global Assumptions Document	New Template - High Level BU/FN budget by key service areas

Assumption: 2017 (prior year)

Forward looking: 2018-2021

Multi-year Budget Steps – Year 1

Step	Description	Group	Input	Output
10. City Leadership to review all additional initiatives in the context of mill-rate impact, service outcomes and alignment with strategic objectives appropriately (prioritize over the course of 4 years)	Goal is for the Council and City Leadership to approve the baseline budget without net new initiatives and truly understand the mill-rate impact without new capital and operational initiatives.	Finance Corporate Performance BU/FN Leadership	201X Budget and Actual Spend Data + BU/FN Variance Analysis	New Template - Balanced Budget Analysis (current year)
11. Complete business planning documents related to each BU/FN	Goal is to set the ceiling for mill-rate increases across the board for 4 years keeping in mind high-level strategic objectives	Council	Key assumptions and service levels	New Template - Global Assumptions Document
12. Provide budgeting templates with actuals for 9 months + 3 months forecast for prior year for business to develop Capital and Operational Budgets (based on approved plans and initiatives)	With high-level direction on mill-rate and business objectives, BU/FN's can now prepare options analysis on additional initiatives that they would like to focus on if the overall budget allows for it. Assumes there is greater alignment between City Leadership as to where the mill-rate changes are being focused.	Finance Corporate Performance BU/FN Leadership	BU/FN Variance Analysis Global Assumptions Document	New Template - High Level BU/FN budget by key service areas

Assumption: 2017 (prior year)

Forward looking: 2018-2021

Multi-year Budget Steps – Year 1

Step	Description	Group	Input	Output
13. BU/FN to complete first draft of MyB three year budget including capital and operational impacts	At this point, each BU/FN can now dive deeper into budgeting leveraging tools to turn the holistic business plan and prior year actuals into a forward looking three years multi-year plan. This will include capital and operational impacts down to the cost center and line item level. The exercise will also include adding in options that have been approved by leadership and any FTE changes across the board.	BU/FN	BU/FN Final Business Planning Documents BU/FN Variance Analysis (9+3) Approved mill-rate allocation by BU/FN provided Global Assumptions Document	Detailed capital and operational budget for 4 years (2018-2021) for respective BU/FN in alignment with the business plan and mill-rate guidance BU/FN Budget three year V1 (detailed budget for 4 years - capital and operational)
14. Finance to aggregate BU budgets to ensure alignment with strategic objectives, alignment with business plans and global assumptions	Finance to consolidate all budget information from all BU/FN at detailed cost center and line item level and confirm the following: a. Global Assumptions b. Capital and Operational Impacts c. Reserves Assessment d. Alignment with mill-rate direction e. Comparison to prior year	Finance	- Detailed capital and operational budget for 2018-2021 for BU/FN - Global Assumptions Document (for validation) - Mill rate direction per BU/FN - Reserves Analysis	Consolidated Balanced Budget Forecast V1 (detailed BUDGET for three years - capital and operational)
15. Leadership team to review any key variances from initial direction and review additional changes made by BU/FN's outside any approved mandates/increases	Opportunity for leadership and Finance to review any additional variances with full iteration of the budget and rationalize any changes that were NOT expected.	Finance Corporate Performance Senior Leadership	Consolidated Balanced Budget Forecast V1 (detailed BUDGET for 4 years - capital and operational)	Variance analysis by BU/FN and cost center
16. Finance to provide direction back to BU/FN to make adjustments to budget to adhere to initial direction or approve additional changes	Goal is to get BU/FN to change detailed budgets where they have not been adhered to based on initial business plans and baseline costs.	Finance	Variance analysis by BU/FN and cost center	BU/FN Budget three year V2 (detailed budget for three years - capital and operational)
17. Finance to finalize FINAL multi-year budget based on final changes from BU/FN	This budget is to be reviewed by Leadership, CFO and City Manager to ensure alignment to strategic goals and council direction.	Finance	BU/FN Budget 3 year V2 (detailed budget for 4 years - capital and operational)	Consolidated Balanced Budget Forecast V2 (detailed BUDGET for three years - capital and operational)

Four existing City policies that drive Budgeting and Business Planning processes have been reviewed

Through interviews and workshops, budgeting and business planning data was collected to determine whether the City's existing policies are fit for MYB, require updates, or necessitates the development of new policies to support MYB.

Policies and Bylaws	Focus areas
1 Bylaw No. 6774: The Capital Reserve Bylaw	<ul style="list-style-type: none"> ▪ Overall effectiveness of imposed limitations ▪ Review of reserve use
2 Co3-001: The Budget Process	<ul style="list-style-type: none"> ▪ Service levels & program overview manual ▪ Flexibility of policy ▪ Financial information system capabilities ▪ Capital project planning and budgeting process ▪ Operating budget impact ▪ Civic departmental accountability
3 Co3-003: Reserves for Future Expenditures	<ul style="list-style-type: none"> ▪ General Policy ▪ Fiscal stabilization reserve ▪ Major natural event reserve
4 Co3-027: Borrowing for Capital Projects	<ul style="list-style-type: none"> ▪ General policy

Bylaw No. 6774 – The Capital Reserve Bylaw requires increased transparency and governance of reserves

Focus Area	Observations & Implications	Recommendations
Overall Effectiveness of Imposed Limitations	<ul style="list-style-type: none"> There have been instances where the capital reserves were used to accommodate budget shortfalls, despite the policy specifying that funds should not be used for operating expenses. Instances where it was difficult for the City to identify budget short-falls stemming from inconsistent data available from a business perspective. Consistent review of actuals to budget is not a formalized process to address permanent budget differences. Some business units tend to over budget since the base budgeted amount does not change, but are consistent when compared with prior year actuals. 	<ul style="list-style-type: none"> Increase the transparency of the overall process from a reserve utilization perspective. Implement budgeting software that integrates with the financial reporting software and imposes automated restrictions on the reserve funds with effective work-flow.
Review of Reserve Use	<ul style="list-style-type: none"> Finance administers the reserves and is responsible for reporting to Council the status of each reserve Budget analysts were not always uncertain as to whether reviews were completed for intended use of reserves Reserves are not generally utilized effectively as per state by-laws due to competing priorities from leadership 	<ul style="list-style-type: none"> Increase governance reserve allocation to truly understand cost of service activity in BU/FNs Implement budgeting software that integrates with the financial reporting software and imposes automated restrictions on the reserve funds.

Policy CO3-001: The Budget Process is fit for MYB however requires more adherence and several updates...

Focus Area	Observations & Implications	Recommendations
Service Levels & Program Overview Manual	<ul style="list-style-type: none"> Current Service Level catalogue is ineffective and does not meet the Policy standard. The service levels do not allow business units and functions to effectively manage services due to lack of available information. Unclear definition of Service Levels has made performance observation a difficult and inconsistent process. 	<ul style="list-style-type: none"> Service Levels should be reconfigured and defined to reflect service expectations Execution and understanding of the existing Service Level policy is required for MYB
Flexibility of Policy	<ul style="list-style-type: none"> Due to inconsistent information available through systems and last minute changes by leadership, last minute changes to the budget are always made. Unexpected and last-minute change requests by Leadership results in budget inefficiencies, funding shortage, and countless iterations 	<ul style="list-style-type: none"> New policy to reflect an effective and systematic Multi-Year Budgeting process Policy to mandate that timelines must be followed to ensure an effective budgeting process aligned with key timelines for budget amendments
Financial Information Systems Capabilities	<ul style="list-style-type: none"> Manual entries and adjustments are required to reconcile information resulting inefficiencies and errors. The lack of integration of business and finance systems results in in-effective information available for business units and finance to complete analysis effectively. 	<ul style="list-style-type: none"> To meet the Policies standards, an ERP system and budgeting software will alleviate the growing pains felt by the City while meeting the standards set by the policy Enhanced integration of financial systems to increase functionality and allow for a smoother transition to MYB

...as well as more governance to ensure organization-wide adoption of the policy across the Business Units

Focus Area	Observations & Implications	Recommendations
Capital Project Planning and Budgeting Process	<ul style="list-style-type: none"> ▪ Not a clear process to collaborate across business units and functions on capital projects which could lead to a communication gap resulting in incomplete planning for projects. ▪ Certain instances lack of communication between business units once a capital project has been approved, resulting in last-minute operating budget adjustments to accommodate capital projects. 	<ul style="list-style-type: none"> ▪ Create an end-to-end capital project planning process with clear roles and responsibilities. ▪ Adjust the policy to assign responsibility and accountability to the business unit responsible for the capital project. ▪ All impacted business units should be notified of pending capital projects in advance
Operational Budget Impact	<ul style="list-style-type: none"> ▪ Policy indicates that operational budget impacts (e.g. cost to operate and maintain capital asset) from capital projects must be indicated and considered. ▪ Downward impact to operating budgets due to improper planning of operating expenses for capital projects leading to business unit not being able to achieve desired service levels with public expectations. 	<ul style="list-style-type: none"> ▪ Obtain approval for the required increase in funding or staffing to meet service levels for the new asset. ▪ Operating impact of any capital project must be quantified for all affected business units during the capital project approval process. ▪ Capital projects should not be approved if all affect business units cannot accommodate the additional operating costs.
Civic Departmental Accountability	<ul style="list-style-type: none"> ▪ Business units are misaligned between the operational framework, functional units, budgets, and cost centers 	<ul style="list-style-type: none"> ▪ Transform the operational framework across the organization to more effectively manage accountability of service levels.

Council Policy Co3-003: Reserves for Future Expenditures will need to revised to accommodate the transition to MYB...

Focus Area	Observations & Implications	Recommendations
General Policy	<ul style="list-style-type: none"> Some evidence suggested that established reserves are not being utilized as intended due to competing priorities for a balanced budget by leadership. Either existing reserves lack the necessary funds to accommodate changing circumstances, or accessing reserve funds are difficult and require high-level approvals for business units. 	<ul style="list-style-type: none"> Disclose a defined dollar amount for the reserve in the policy and review reserves on a timely basis to understand their desired use especially through setting a multi-year budget. Develop greater transparency into the approval process to access reserves to help mitigate over-budgeting. Develop requirements for advanced notification of capital projects to determine and correctly budget for operating impacts.
Fiscal Stabilization Reserve	<ul style="list-style-type: none"> Reserve is too limited in scope to be useful for business units resulting in business units accessing other reserves to cover budget shortfalls. Although reserves are not meant to address last minute requests on capital and operational asks, this avenue could be opportunity to fund critical items that are deemed necessary by the Council and Leadership. Currently does not accommodate the purpose of acting as a contingency reserve to alleviate last-minute requests. 	<ul style="list-style-type: none"> Expand the scope of the Fiscal Stabilization Reserve to include budget surpluses and potential. Provide business units, who have incurred cost savings, access to a proportional of amount of the reserve (incentivize to seek cost efficiencies).

...as well as ensuring Reserves serve their intended purpose and being readily accessible for business units

Focus Area	Observations & Implications	Recommendations
Major Natural Event Reserve	<ul style="list-style-type: none"> Reserve is capped at \$250,000 which is considerably lower than expected given the size, population and geographical position of the City. Low reserve amount exposes the City to additional risk and reliance upon provincial and federal funding for assistance during natural disasters and environmental incidents. 	<ul style="list-style-type: none"> Increase the reserve amount representative of the immediate cash outlay necessary to accommodate a large-scale disaster. Reserve amount can be achievable through a multi-year framework that emphasizes long-term planning considerations. This reserve should ties to the City's overall risk management framework and potential impacts across business units and function.

Council Policy Co3-027: Borrowing for Capital Projects has proven to be effective to manage borrowing conservatively

Focus Area	Observations & Implications	Recommendations
General Policy	<ul style="list-style-type: none"> ▪ The Capital Projects Policy limits the use of debt financing and imposes restrictions on the repayment duration. ▪ Policy is specific to financing capital projects where sufficient funds are not available from existing reserves, and where the project is intended to recoup the cost of borrowing through future operating revenues or operating savings (Further restrictions do apply). 	<ul style="list-style-type: none"> ▪ The current policy has been in place for 30 years and has effectively managed the City borrowings in a conservative fashion well within the confines of pre-existing legislation – no further recommendations are noted.

On top of the recommendations outlined for the existing policies, the City should consider the following for MYB

New Policies

- 1 Integration of Service Level Catalogue, Business Plans, and Key Performance Indicators (KPIs)** across the organization to inform Council of the status through regular reporting and adjustments
- 2 Develop Approaches to Achieve Goals Policies**
 - Require that all goals and objectives be quantified and in alignment with City objectives and priorities
 - Develop programs and service policies that address groups/populations, expected costs, time frames for achievement of goals, issues pertaining to organization structure, and priorities for service provisioning.
 - Develop capital asset policies and plans for acquisition maintenance, replacement, and retirement of capital assets to ensure capital assets or improvements receive appropriate consideration during the budget process, and older capital assets are considered for retirement/replacement – necessary to plan for large expenditures and to minimize deferred maintenance
- 3 Develop a Budget Process Policy** that supports and consistent with approaches to achieve Goals
- 4 Encourage Collaboration** by enforcing communication between business units with cross-functional impacts
- 5 Incentivize budget efficiencies and savings** by committing to a prioritized excess funding account for the business units (policy to evaluate performance and make adjustments)
- 6 Adjustment policy and process** to accommodate changes to council priorities, policies, programs, external factors (e.g. Federal/Provincial policies and mandates), unanticipated economic conditions, service demand volumes, etc.

Recommendations & Other Consideration

- 1 Develop a Transformation Committee** to guide Council and Leadership through the anticipated changes
- 2 Enhance specific policy on Operating Impacts** – to be included under the capital asset section in finance policies (capital improvement programs may not be submitted/approved until operating impacts are noted)

Canadian cities that have adopted multi-year budgeting and business planning share common policies



Policies	Description		
Multi-Year Planning & Budgeting Approach	<ul style="list-style-type: none"> Outlines the approach and process used for Multi-Year Budgeting and Business Planning to meet Council and Leadership strategic objectives 	✓	✓
Budget Adoption	<ul style="list-style-type: none"> Ensures municipalities prepare an annual balanced operating budget according to the <i>Municipal Government Act</i> 	✓	✓
Business Plan and Budget Adjustment/Amendments	<ul style="list-style-type: none"> Defines mechanisms to adjust business plans, budgets, and targets due to external circumstances during the budget cycle 	✓	✓
Carry Forwards and Surplus/Deficit Policy	<ul style="list-style-type: none"> Ability to carry forward surpluses and deficits variances, and to allocate operating surpluses and funding for any operating deficits 	✓	✓
Fiscal Stability Reserve & Reserve Funds	<ul style="list-style-type: none"> Reserve fund to handle unexpected events that may cause significant financial impacts 	✓	✓
Budget Projections & Capital Project Impacts on Operating Budgets	<ul style="list-style-type: none"> Ensures that prior to capital project approval, operating budget impacts have been considered and are consistent with the multi-year planning and budgeting process 	✓	✓
Linking Plans, Budget, Measures & Service Levels	<ul style="list-style-type: none"> Aligns the budget and planned strategic goals with service delivery and performance measures 	✓	✓

Governance recommendations

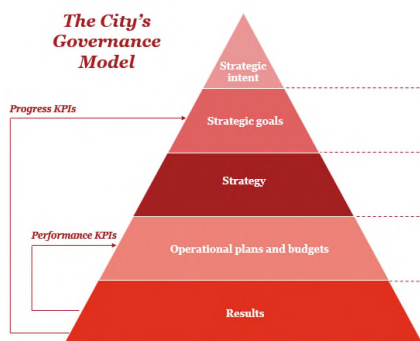


The City's governance model was last reviewed during 2014, after having gone untouched since 1995. Recommended updates would be to reflect the policy changes necessary to facilitate a multi-year business planning and budgeting approach. Please refer to the appendices which follow on policy changes for additional information.

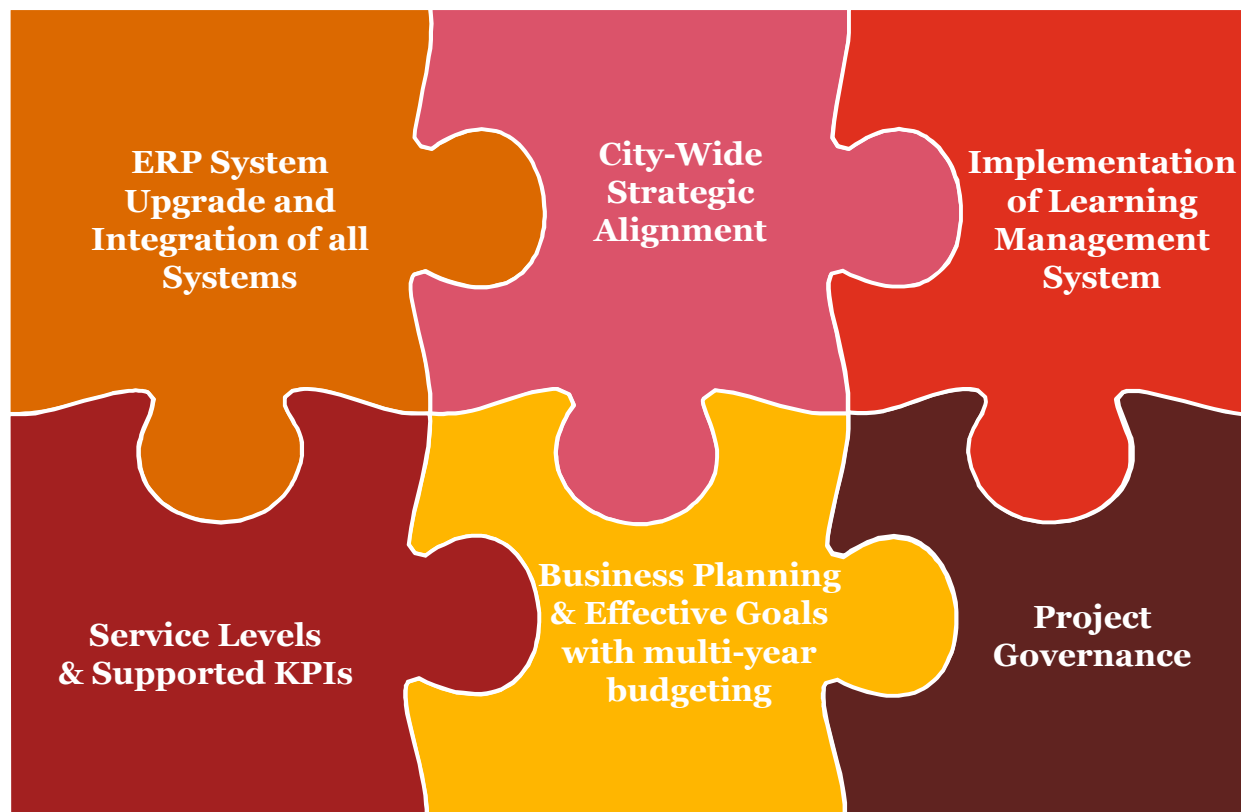
Governance recommendations

Although a Standing Policy Committee on Finance exists, we would recommend developing a new Committee to oversee the implementation and first four-year cycle of the new multi-year business planning and budgeting process...

This Committee would establish the appropriate tone from the top necessary for an organizational change of this magnitude...



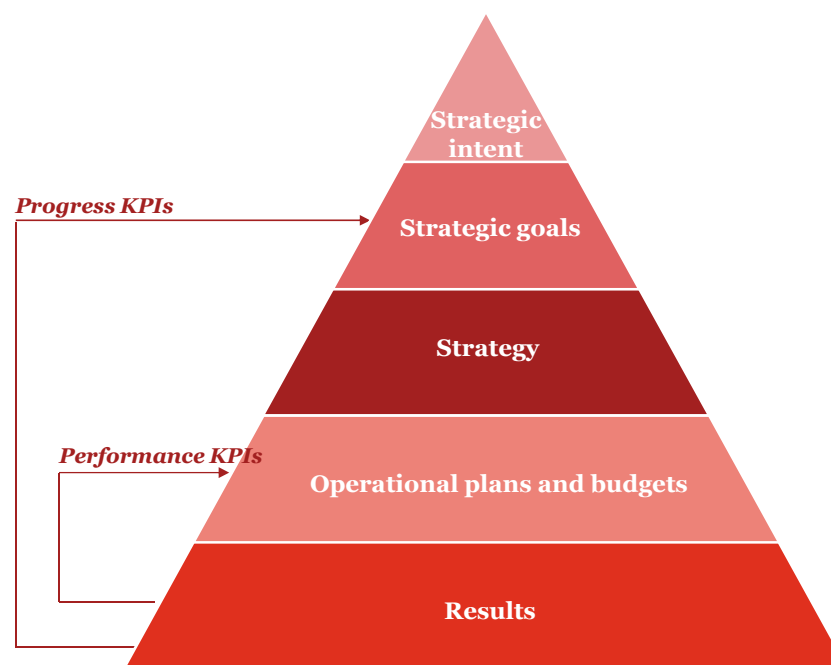
The Transformation Committee



Governance recommendations

Governance at the City

- **RACI Matrix**
 - Outline clear roles & responsibilities for all levels
- **Policy Updates to Reflect MYB**
 - Current policy is based on an annual approach, multi-year has long-term specific considerations
 - Establish ground rules with respect to how much can be changed from year to year when within a MYB cycle
- **Current Service Level Catalogue**
 - Develop a robust and thorough service level catalogue that is supported by KPIs
- **Transformation Committee**
 - A committee focused on advising both Council and Leadership on the many changes facing a growing municipality
- **Business Planning Alignment**
 - Clarify the structure and chronology of strategic priorities, business planning and goals to better facilitate the overall process
- **Accountability & Performance Measurement**
 - Consistent reporting framework to increase accountability and transparency



Technological considerations

Budgeting Solutions

Current Systems – Team Budget

Team Budget is a stand-alone system that is used by the Finance Department's Budget Analysts and Business Unit Accountants to input current year budget figures, including capital and operating estimates. Current use of the tool drives a fair amount of manual effort within each division to create their budget in spreadsheets and manually inputting them in the system. The Business Unit's rely on discussions and closely held material. Furthermore, the current system does not integrate with the financial reporting software, Epicore, limiting the ability to perform efficient budget-to-actual analysis.

Future Systems – Hyperion, SAP BPC, Oracle, EPM, etc.

The new system should fully integrate with future ERP system so it can drive effective leverage of data analysis and comparison of budget to actuals. It should also encourage comparison between actuals and budgets, rather than budget-to-budgets, through this enhanced integration.

ERP Systems

Current Systems – Epicore, Timberline, Team Budget, etc.

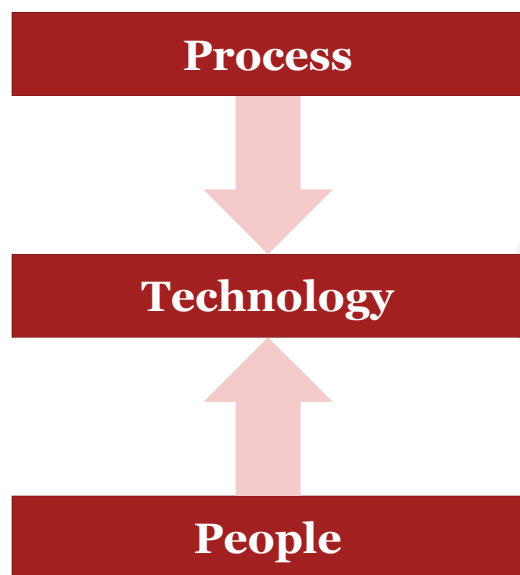
Epicore is the current Financial Reporting software used by the Finance Department. The Business Units themselves use a variety of different software and excel workbooks to track their operations, finances, payroll, etc. The business units have historically selected different systems resulting in a host of manual entries and processes when the data needs to be integrated across the organization. This effort is highly manual and requires significant time.

Future Systems – SAP, Oracle, Workday, etc.

The City is one of the few large cities in Canada without a strong and integrated ERP infrastructure to support its decision support activities. Implementing an appropriate ERP system like SAP, Oracle or Workday will be critical to drive operational efficiencies and organize data to make better decisions. This is a fairly large but strategic undertaking. However given the emerging cloud technologies there may be a number of options to choose from.

Technological considerations

Technology is instrumental for MYB as it provides a common platform to streamline processes, data, and reporting for the City



Technology benefits and advantages

- Improves quality and efficiency, as well as creating a more agile digital environment for the City
- Provides a platform to increase opportunities for collaboration and enabling a consistent process across the organization
- Ability to consolidate and synchronize data and changes between multiple systems
- Ability to gain insights from data to aid in decision making and forecasting processes

Technology systems

- Common examples include: Oracle EPM and SAP BPC
- It is important to select the technology that best fits and enables City objectives

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Implementation risks

#	Implementation Risk	Risk Mitigation
1	Public Acceptance <ul style="list-style-type: none"> The public may be reluctant to accept a four-year business plan and budget that locks-in their property tax rates Some residents may be concerned that a fixed budget won't have the flexibility to accommodate the unexpected 	<ul style="list-style-type: none"> Solicit public input and involvement Offer info sessions and publication material to explain the benefits of a multi-year approach and how reserve funds work Reiterate that a fixed property tax rate allows home owners the ability to budget more precisely over the long-term
2	Resource Constraints <ul style="list-style-type: none"> Staff at the business unit level feel their teams have insufficient capacity to maintain their current responsibilities in addition to facilitating the implementation of the multi-year business planning and budgeting launch 	<ul style="list-style-type: none"> This is a valid concern given the burden the current budgeting process is to all levels of the organization We feel adding some temporary capacity would help alleviate the some of the strain to the business units A structured implementation timeline would also help mitigate scheduling conflicts
3	Funding <ul style="list-style-type: none"> A new council was elected this past November and may raise concerns around funding for technology enablement and or the design and implementation of the multi-year process 	<ul style="list-style-type: none"> It will be of paramount importance for leadership to secure financial support for these initiatives Leadership should involve Council early in the project so they can fully understand and appreciate the efficiencies and long-term benefits that new technology and multi-year approach could yield
4	Governance Restructuring and Policy Alignment <ul style="list-style-type: none"> The current policy does not limit the budgeting process in regards to the Councilors ability to impose last-minute changes to the budgets 	<ul style="list-style-type: none"> Current policy documentation is not reflective of a multi-year business planning and budgeting approach, thus we would recommend that the policy be adjusted to reflect the needs for structured and enforced deadlines Providing strategic alignment at all levels of the organization earlier in the process limits the late-term inefficiencies caused by last-minute changes
5	Securing Technological Enablers <ul style="list-style-type: none"> The current systems are disaggregated, with limited functionalities and heavy reliance on excel & manual processes There is concern that these hindrances could limit the overall effectiveness of a multi-year approach 	<ul style="list-style-type: none"> We recommend that the current systems be replaced by both a new ERP systems and/or a new budgeting system This project cannot achieve its qualitative and quantitative benefits without appropriate technology enablement.

Implementation risks

#	Implementation Risk	Risk Mitigation
6	Council Support and Leadership Buy-in <ul style="list-style-type: none"> The election-turnover was higher than anticipated, in addition to a new mayor, there are many new faces around the council table. These new members are unfamiliar with the City's current initiatives around the multi-year approach, and may be reluctant to support such a vast change so soon after starting their term in office 	<ul style="list-style-type: none"> Educating the new members on the benefits of a multi-year business planning and budgeting approach will be integral to the overall success of the project Their buy-in will also help mitigate the flurry of last minute-changes to the budget, which adds to the ineffectiveness of the current budgeting process
7	Adequate Change Management Procedures and Leadership <ul style="list-style-type: none"> Heavy involvement from leadership is necessary to emphasize the importance of these initiatives to the long-term success of the City and its ability to meet the service level expectations of its residents 	<ul style="list-style-type: none"> We would recommend identifying a Change Management Team and Leader to help alleviate the aforementioned resource constraints anticipated by the demands of the full implementation A fairly dedicated PMO and implementation team should be identified.
8	Adoption Reluctance, Reverting to Old Systems <ul style="list-style-type: none"> There is a risk that the users may revert to their old, manual and excel reliant systems, if they're not well versed and trained in the new processes and tools made available to them 	<ul style="list-style-type: none"> A robust and thorough training program will reduce the likelihood of the users reverting to the old systems, as they have confidence in the systems and their own ability to use them Accept feedback and suggestions from all participants in the process and all stakeholders / users of the new process, giving them a sense of ownership.
9	Unexpected Setbacks <ul style="list-style-type: none"> With any new system or process, there is the potential for setbacks, consequently, it is of utmost importance to have well-established and reliable contingency plan to fall back on 	<ul style="list-style-type: none"> A phased or parallel transition plan can help mitigate these risks by limiting the full exposure to the new and untested systems

Thank you!

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