

2021 Budget Process Evaluation

Presented To:	Finance and Administration Committee
Meeting Date:	June 22, 2021
Type:	Managers' Reports
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Report Summary

This report provides information regarding input on the 2021 budget process from one-on-one meetings with Councillors and members of the Executive Leadership Team.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report.

Background

The annual budget document and the budget process itself have undergone a number of changes over the past 5 years. The main focus of the process has shifted to describe anticipated service outcomes for the 58 lines of service provided by the City, planned project objectives and supporting financing plans. The focus is on the relationship between services, service levels and costs, not only the financing plans and associated tax levy changes. Budget presentation has evolved considerably and the document is more user friendly in its description of the performance and outcomes the plan anticipates.

Given the on-going changes to the document as well as extensive budget process for 2021, staff invited Councillors to provide feedback. One-on-one meetings with individual councilors helped staff gather feedback on what went well and what could be improved. The meetings were focused on 6 topics: budget forecast and direction; the budget document; business cases; community engagement; the question and answer period; and budget deliberations. This report details the findings of the one-on-one meetings, as well as staff's recommendations to address the areas that require some further changes.

Budget Forecast and Direction:

In August 2020, staff presented a two year forecast to the Finance and Administration Committee, which coincided with the Corporation's Long-term Financial Plan, to obtain budget direction. This was the start of the budget development process however, due to the pressures faced in 2020 as a result of the COVID-19 pandemic, budget direction was deferred until November. The committee ultimately directed staff to prepare a plan that had no more than a 3.9% property tax increase with options to achieve an increase of 2.5% and 3%.

What went well:

- The budget direction process continues to work. Staff and Councillors believe the process is still effective as it provides clear direction to meet objectives.

Areas to Improve:

- Clarification can be provided on how the forecast and Long-term Financial Plan were prepared and how that was included within the budget direction report.

Proposed Change #1: Staff will increase emphasis in the two year forecast, the development of the Long-term Financial Plan and more detailed information about the factors influencing the 2022 Budget.

Budget Document:

The budget document addresses several accountability and decision support requirements. To achieve this, it offers both summarized and detailed information describing planned service levels, performance information and benchmarks, and details that describe financial choices available to Committee. It also provides detailed program information to support understanding the dependencies that exist between various parts of the organization and the contributions each make to the corporation's planned results. The document continues to change and improve from previous years. Staff will continue to make steps towards moving to a service based budget.

What went well:

- The document was well received by members of Council. Staff heard comments that the document is approachable and that it tells a compelling performance story.
- Staff heard comments that there was a good depiction that services drive costs and that the document was less repetitive than previous years.
- Staff also heard that the document is referenced throughout the year and provides a resource for valuable information.

Areas to improve:

- Business plans, or information specific to individual sections within the document should be prepared consistently and need to be prepared at the same level of quality. There are also minor disconnects between performance indicators. The performance story should clearly present what is expected and what was delivered.

Proposed Change #2: Staff follow a template for business plans that describe the services within a given section, details of what is expected from that section as well as how it has performed within the past number of years. Staff will continue striving towards improving this information within the

document.

- The presentation of year over year changes needs to be better presented within the budget document.

Proposed Change #3: Included in the document is an analysis and presentation of the revenue and expenditure changes from the previous Council approved budget and the current draft budget. Staff will incorporate commentary in each of the financial summaries where explanations should be provided for further context.

Business Cases:

Business cases continue to be a consistent point of conversation. The business case section continues to evolve in order to respond to Council's information requests and its desire to make informed decisions.

What went well:

- The template continues to improve and it provides the necessary information to the Committee. It was recommended that business cases should include multiple scenarios rather than the maximum or minimum, considering service levels can vary. Staff will be updating the template and presentation to show not only the incremental cash flows, or tax impact, but the overall cash flows for each service level enhancement.
- Where staff anticipate recommending a business case for inclusion in the recommended budget, it will first be presented for information to Committee in advance of budget deliberations similar to what was done in 2021. The purpose of this additional process step is to clarify the rationale for the business case and proposed financing plan.

Areas to improve:

- The process of recommending a business case, and the overall dollar impact continues to be a concern for a number of Councillors. Staff received feedback in support of an endorsement by individual committees as well as Council or the Finance and Administration Committee. Given that each committee resolution is ratified by Council through the adoption of minutes, staff have not prepared a proposed change for this process.
- In previous years, staff were directed to include business cases under a certain threshold in the draft budget as long as it was approved by the organization's Executive Leadership Team. Staff were then directed to include all business cases, regardless of dollar value, as an individual consideration for Council.

Proposed Change #4: Staff received mixed reviews with respect to the inclusion of business cases within the draft budget, however, staff will once again include a recommendation in the budget direction report that any business case below \$100,000 be included in the base budget subject to the approval of ELT. This information will be highlighted and disclosed separately within the budget document.

- Determining which items are presented as a business case, included in the draft budget or submitted through capital prioritization causes confusion.

Proposed Change #5: New capital projects, studies and service level enhancements will be presented as business cases. Historically, new assets or capital projects have not scored well when

prioritizing capital projects as asset renewal remains one of the major focuses. Staff need to be cognizant of the potential of new capital assets or projects that may enhance operations and evaluate those submissions in conjunction with all capital requirements. Staff may be required to better present alternate funding sources for Council's consideration.

Community Engagement:

The City has utilized online services to provide a budget tool for the past four years as well as information sessions with the general public. Staff continuously look for new ways to engage the public in the budget process.

What went well:

- Councillors were content with the Over to You Community Engagement strategies. This platform allowed the public to share feedback on the 2021 budget and the issues facing the City.

Areas to improve:

- The online interactive tool received varying comments with the budget survey and ideas. Staff received more input than previous years, however overall utilization can improve. Staff can potentially keep the tool, or some aspects, open year round as issues may come up outside of the budget process.

Proposed Change #6: Staff are currently evaluating options to better involve and educate the public on the budget through an online tool and to open it to feedback earlier in the budget process. Throughout the debrief process, staff heard that the balanced budget tool was appreciated and should potentially be reintroduced for budget feedback.

Question and Answer Period:

The number of questions received during the Budget Q&A period has decreased significantly, from over 100 questions for the 2020 Budget, to approximately 50 questions for the 2021 Budget. The intention of the Q&A process is to ultimately save time during deliberations.

What went well:

- The process was well received as staff were given the opportunity to thoroughly answer all questions.
- For 2021, staff did not include the identification of who asked which question. This will continue for the 2022 Budget Q&A process.

Areas to improve:

- There was confusion on which questions to staff were to be published.

Proposed Change #7: Staff will continue recommending that only questions sent to the budget email address (budget@greatersudbury.ca) are to be published. Staff are also exploring other opportunities for submitting questions, an update will be provided when the 2022 budget document is presented to Committee.

- Questions submitted are currently responded to on a weekly basis during budget deliberations.

Proposed Change #8: Staff heard during debrief meetings that deadlines should be implemented, for both Councillors and staff, if information is required prior to a specific decision point within the budget process.

Budget Deliberations:

Budget deliberation meetings allow Councillors to focus on strategic decisions relating to service level changes. Deliberations for the 2021 budget occurred from February to April 2021, rather than in the fourth quarter of a typical budget year.

What went well:

- The deliberation meetings continue to allow Committee to focus on strategic decisions. The conversations revolve around service levels and the corresponding financing plans.

Areas to improve:

- Staff received mixed feedback with respect to budget deliberations. Most Councillors agreed that deliberations lasted too long, however the length of deliberations allowed for the development of financing plans for a number of key projects (ie. Pioneer Manor, Transitional Housing etc.)

Proposed Change #9: Staff are once again attempting to complete budget deliberations within the first few weeks of December. This may require additional meetings after December 1st, however three budget meetings are scheduled at this time. There are options with respect to how the information can be reviewed. For example, one alternative would see members of the Executive Leadership Team reviewing sections of the document in advance of budget deliberation meetings in one on one meetings with Councilors. Or, such reviews could occur at scheduled committee meetings in November prior to budget deliberations.

Proposed Change #10: Budget meeting start times can be changed to 2:00 pm. And changes to the procedural by-law can be made to reflect a four hour meeting prior to a vote being required to continue.

Proposed Change #11: Any motions or amendments are proposed to be submitted to the Clerks office and Finance Staff as far in advance as possible prior to the start of budget deliberation meetings. This will allow staff to review and prepare for the proposed motion and work with the Councillor if there are any questions.

Additional Proposed Changes

Committee members offered other comments with the intention of suggesting improvements to the budget process for 2022. The following are additional items that were raised:

- Two major themes that will be discussed, or continue to be discussed, within the Budget Document will be Enterprise Risk Management and Asset Condition
- As Asset Management Plans are finalized throughout the organization, the internal process of capital prioritization should sunset. The Plans will provide the requirements of the organization and then discussions will be required for which services are prioritized.
- Staff are required to adhere to the procedure by-law. Any task that requires more than 2 hours of work should be formally directed by Council or Committee.

Summary and Next Steps:

Staff heard positive feedback on the budget document and overall process and the proposed changes described here further develop a process that is serving the organization well. However, continuous improvement is necessary with the size and diversification of the organization. Staff will continue to review

best practices and incorporate feedback to continuously improve the budget document. The purpose of bringing this report is to highlight the feedback received as well as potentially receive additional direction to include within the 2022 Budget process.