

## **Background:**

The annual budget document had not seen a significant change in several years, until the 2017 budget. The main focus of the document was to demonstrate the services provided to citizens, and how these drive costs. Although the focus remains on describing financing decisions, increased emphasis was placed on describing the services provided. Along with these changes, the look and feel and how the numbers were presented was overhauled to make the document more user friendly.

Given the considerable changes, staff thought it would be prudent to request Councillors input on the process. Several one-on-one meetings were scheduled to find out what Councillors liked, what they didn't like, and what could be improved. The meetings were focused on 5 topics: budget forecast and direction; the budget document; community engagement; the councillor 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 2016, staff presented a 2017 forecast to the Finance and Administration Committee along with the proposed changes to the 2017 budget process. At this meeting, for the first time in the City's history, the committee was asked to provide direction and parameters for the 2017 budget and taxation levy increase. The committee directed staff to prepare a plan that had no more than a 3.6% property tax increase, and no more than a 7.4% water/wastewater rate increase, consistent with the existing long term financial plan.

What went well:

- This process provided clear direction to staff and clearly defined the parameters for building the 2017 Budget. Staff were able to meet Council's objective, and were confident in their choices that fit within the guidelines.

Areas to Improve:

- Through the budget debrief meetings, staff heard the request for budget direction was overshadowed by discussions about the changes in the budget process so it later felt unclear to councillors that decisions reflected directions Council provided in August.

Recommendation: Staff will separate reports about the budget process from reports about the 2018 directions; this report – 2017 Budget Process Evaluation – in April, where changes in the budget process will be clearly communicated, and a Three Year Forecast/2018 Budget Direction report to come in May where the Committee will be asked to provide direction on the 2018 budget process.

## **Budget Document:**

The 2017 Budget document was a significant change from prior year's budgets. The theme of this document, and those to come, is "Services Drive Costs". Staff put greater focus on describing how the budgeted funds relate to the services provided.

A significant change from prior budgets was the process for approving service level changes. For the 2017 Budget, staff prepared business cases to detail the requests. The business case follows a standard template which provides more detail compared to prior periods for the Committee to consider during deliberations.

### What went well:

- The new document was well received by members of Council. Staff heard comments that the document was much easier to follow, and providing context around the spending allowed for readers to better understand and communicate the impact of the budget.
- The document also included economic indicators which provided context for the Committee's strategic decision making.
- The business cases presented the proposed service level changes in a direct manner with a consistent format to allow the Committee to make strategic decisions about the services the City offers.

### Areas to improve:

- The 2017 document was missing some minor items to be considered for a Government Finance Officers Association (GFOA) Distinguished Budget Award.

Recommendation: Staff have prepared a list of the items missing from the budget document. These will be included in the 2018 Budget, and the document will be submitted to GFOA for consideration.

- The method for determining the 2017 budget was to "mark budget to actuals", meaning that staff reviewed the historical actuals and adjusted the budget lines to reflect this. This however caused some concern when the Council expense budgets were reduced like all other budgets in the corporation.

Recommendation: Staff will communicate more with the Committee when their budget accounts are to be impacted.

- A common concern with the budget document related to the business cases. Specifically around how Councillors can request a business case, and the overall dollar impact.

Recommendation: With regards to Councillors request for a business case, staff agrees that the previous process of having concurrence of Council or Committee through resolution worked

well. Councillors may bring forward their request at a meeting and ask for a business case to be prepared for budget consideration. At this time, Council would determine if the request is to be included in the budget. Staff are also recommending that any business case below a specific value be included in the base budget and disclosed in the budget document. These items will form a part of the operating budget unless it is pulled for discussion. The purchasing by-law will provide guidance on thresholds.

### **Community Engagement (online tool and ward meetings):**

The 2017 process saw a significant change in the way citizens can become involved in the budget. Historically, citizens have been invited to City Hall to present their ideas to the Committee. This year the focus was on sharing information about the budget process, the city's financial condition and issues facing the City. Staff along with Councillors held several public information sessions throughout the City where citizens were given the opportunity to attend and ask their questions. Along with the public information sessions, an interactive tool was also available online for citizens to "balance the budget". The tool requested citizens to allocate more or less budget to a particular service area while understanding that they must adjust other areas in order to balance.

What went well:

- Councillors were very pleased with the public information sessions. These sessions allowed staff to share information on the 2017 budget process and the issues facing the City. It also allowed for citizens to have their questions answered.

Areas to improve:

- Although the public information sessions were well received, some were not well attended and required a significant amount of staff time. Several councillors felt that fewer meetings placed throughout the City would be best.

Recommendation: Staff will schedule and advertise public information sessions for the 2018 budget process such that there are fewer meetings. Meeting locations will be chosen to help maximize attendance.

- The online interactive tool received mixed results. The feedback received ranged from "helped citizens understand the issues facing staff with regards to balancing the budget" to "the tool did not allow for users to provide feedback".

Recommendation: Staff are currently evaluating options to involve and educate the public on the budget through an online tool.

### **Councillor Question and Answer Period:**

For the 2017 budget, Councillors received the budget document three weeks in advance of the scheduled meeting and submitted questions about the budget via a dedicated e-mail address. These questions were then answered in writing by staff and responses were distributed to all councillors on a weekly basis.

What went well:

- The new process was well received as it significantly reduced the number of meetings required, and staff were given the opportunity to thoroughly answer all questions.

Areas to improve:

- The significant number of questions and quick turnaround resulted in an abundance of staff time required to answer the questions, and large documents for Councillors to read prior to meetings.

Recommendation: Staff are recommending that Councillors have more than 3 weeks after the document has been tabled to ask their questions. Staff are also investigating a revised process which will allow Councillors to view a list of previously asked questions, and allow staff to track the process.

### **Budget Deliberations:**

Deliberations for the 2017 budget focused on strategic decision making, so Councillors were given more time to review the document and ask operational questions via e-mail. This allowed for deliberations to take place in 2 meetings while the Committee made strategic decisions on service level changes for 2017.

What went well:

- Fewer deliberation meetings as well as the new process to review the document was well received by the Committee.

Areas to improve:

- Originally only one budget deliberation meeting was scheduled, however discussions took more time and a second meeting was required. Due to scheduling, the second meeting took place a week after the first. This made it difficult to seamlessly review and approve the document.

Recommendation: A series of meetings will be scheduled one after another for a period of three days. Therefore if deliberations require more than one meeting, the committee can continue discussions the next day. Any meetings not required will be cancelled.

- Significant time was spent deliberating low dollar value business cases.

Recommendation: As previously mentioned, staff are considering setting a threshold in which service level changes below a set amount would be incorporated into the base budget and disclosed to the Committee. This would allow more time for discussion on larger dollar value service level changes with significant impact.

**Summary:**

Overall the changes to the 2017 budget process were well received and a much needed change, however continued evolution would be worthwhile. Staff will continue to review best practices and incorporate feedback to continuously improve the budget document.