



Joseph P. Pennachetti  
City Manager

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March 14, 2011

To: Board Chairs and Agency Heads

Please find attached three reports that will be before the March 21, 2011 meeting of City Council's Executive Committee. It is important that you and your board are aware of these reports that are intended to ensure that the City's obligations to the public for good governance of City agencies and corporations are met.

The report entitled "Managing Through Agencies and Corporations" discusses the major role that agencies and corporations play in delivering City services. The report recommends that the City Manager continue to review agency governance structures to ensure that the services provided are appropriate to City goals and that agencies have appropriate accountability mechanisms in place. In addition, the report recommends that the City Manager conduct a review of human resource practices and recommend changes to ensure alignment with City objectives in areas such as compensation, appointment and performance management of senior board staff and labour relations. The report recommends that Council direct all boards to provide the City Manager with information required to conduct the review.

The second report entitled "Amendments to Public Appointment Policy" recommends amendments to the Policy governing the composition of the board, the selection process and the qualifications for appointees to the boards of City agencies and corporations. Council's Public Appointments Policy has been updated routinely for each Council term and this report serves as the update for the current term of Council. It is recommended in the report that the nomination by invitation process be replaced with an open advertised process, that processes be standardized, that alternates be named for each board, and that all agencies and corporations submit attendance records for incumbents. The report also makes a number of specific recommendations pertaining to board compositions and recruitment processes for certain specific boards. It is expected that the process for recruiting new members for the boards of City agencies will begin immediately after this report is considered by City Council.

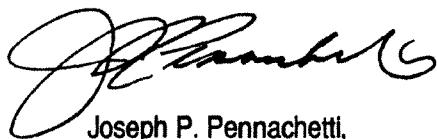
The third report "Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process" outlines the financial pressures on the City, recommends a process for conducting service reviews, and outlines a recommended multi-year financial planning and budgeting process. The intent is that the City Manager will undertake a Core Service Review process for all City divisions and agencies, conduct a User Fee Review and selected Service Efficiency Studies. It is recommended that all agencies be instructed by Council to participate in these reviews. There are also a number of important changes to the operating and capital budget process outlined in the report that you need to be aware of. Once Council considers this report, detailed information and instructions will be provided to you.

Any specific comments or questions you may have related to the first 2 reports, can be directed to Nancy Autton, Manager of Governance Structures and Corporate Performance, City Manager's Office at 416-397-306 or by email [nautton@toronto.ca](mailto:nautton@toronto.ca).

Inquiries related to the report titled "Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process", can be directed to Fiona Murray, Manager Corporate Policy at 416-397-5214 [fmurray@toronto.ca](mailto:fmurray@toronto.ca) or Josie Lavita, Director Financial Planning at 416-397-4229 [jlavita@toronto.ca](mailto:jlavita@toronto.ca)

I look forward to working with you and your board as we continue to work towards ensuring alignment among the City's governance and program delivery goals, the interests and activities of the board, and the needs of Toronto residents.

Yours truly,



Joseph P. Pennachetti,  
City Manager



## Item

### Tracking Status

- This item was considered by the Executive Committee on March 21, 2011 and adopted without amendment. It will be considered by City Council on April 12, 2011.

### Executive Committee consideration on March 21, 2011

EX4.10	ACTION	Adopted		Ward:All
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### Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process

#### Committee Recommendations

The Executive Committee recommends that:

1. City Council request the City Manager to report the findings of a Core Service Review in preparation of the 2012 Budget Process to the applicable Standing Committee and that:
  - a. each Standing Committee make recommendations to Executive Committee for its September 2011 meeting, and
  - b. the City Manager comment on any Standing Committee recommendations and submit a report directly to Executive Committee for consideration.
2. City Council request the City Manager to undertake a User Fee Review to establish a user fee policy and framework that will ensure consistency in developing and administering the City's user fee program and report the outcomes to Executive Committee.
3. City Council request the City Manager to actively manage the City's staff complement to maximize the use of City resources and contain costs.
4. City Council authorize the Deputy City Manager and Chief Financial Officer to implement the Multi-Year Financial Planning and Budgeting Process as outlined in Appendix 1 and Appendix 2 of the report (March 8, 2011) from the City Manager and Deputy City Manager and Chief Financial Officer.
5. City Council authorize the City Manager to include the City's agencies in the Core Service Review, Service Efficiency Studies and the User Fee Review and instruct the City's agencies to participate in these reviews.

6. City Council instruct the City's agencies to fully participate in the Multi-year Financial Planning and Budgeting Process and to comply with all budgetary policies, directions and guidelines.
7. City Council authorize the introduction of any necessary bills required to give effect to these recommendations.

### **Decision Advice and Other Information**

The Executive Committee requested the City Clerk to report directly to Council on any necessary amendments to the Schedule of Meetings to implement the Service Review Program and 2012 Budget Process.

### **Origin**

(March 8, 2011) Report from the City Manager and the Deputy City Manager and Chief Financial Officer

### **Summary**

This report sets out a Service Review Program, the 2012 Budget Process, and a Multi-year Financial Planning Budgeting Process beginning in 2013.

The 2012 beginning operating pressure is estimated at \$774 million, before potential offsets such as prior year surplus, TTC fare increase, Property Tax increase, dividends and other revenues sources.

To address the 2012 Operating Pressure and the Capital Program funding gap, a multi-year approach will be implemented. A Service Review Program will be undertaken in 2011 in preparation for the 2012 Budget Process. In 2011 the City will set the foundation for its services and service levels that will establish the basis for multi-year planning and service delivery to meet its objectives in 2012 for 2013 and beyond and to address the City's structural deficit.

### **Background Information**

(March 8, 2011) Staff Report - Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process

(<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-36612.pdf>)

### **Communications**

(March 17, 2011) E-mail from Peter Clarke (EX.Supp.EX4.10.1)

### **Speakers**

Franz Hartmann, Toronto Environmental Alliance  
Councillor Janet Davis, Ward 31 - Beaches-East York  
Councillor Shelley Carroll, Ward 33 - Don Valley East  
Councillor Gord Perks, Ward 14 - Parkdale-High Park  
Councillor Mary Fragedakis, Ward 29 - Toronto-Danforth  
Councillor Paula Fletcher, Ward 30 - Toronto-Danforth  
Councillor Adam Vaughan, Ward 20 - Trinity-Spadina

## **Motions**

*Motion to Adopt Item moved by Councillor Doug Holyday (**Carried**)*

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Source: Toronto City Clerk at [www.toronto.ca/council](http://www.toronto.ca/council)





## STAFF REPORT ACTION REQUIRED

### Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process

<b>Date:</b>	March 8, 2011
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2011\Internal Services\FP\Ec11008Fp - AFS#12350

#### **SUMMARY**

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This report sets out a Service Review Program, the 2012 Budget Process, and a Multi-year Financial Planning Budgeting Process beginning in 2013.

The 2012 beginning operating pressure is estimated at \$774 million, before potential offsets such as prior year surplus, TTC fare increase, Property Tax increase, dividends and other revenues sources.

To address the 2012 Operating Pressure and the Capital Program funding gap, a multi-year approach will be implemented. A Service Review Program will be undertaken in 2011 in preparation for the 2012 Budget Process. In 2011 the City will set the foundation for its services and service levels that will establish the basis for multi-year planning and service delivery to meet its objectives in 2012 for 2013 and beyond and to address the City's structural deficit.

#### **RECOMMENDATIONS**

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The City Manager and Deputy City Manager and Chief Financial Officer:

1. City Council request the City Manager to report the findings of a Core Service Review in preparation of the 2012 Budget Process to the applicable Standing Committee and that;
  - a. each Standing Committee make recommendations to Executive Committee for its September 2011 meeting, and

- b. the City Manager comment on any Standing Committee recommendations and submit a report directly to Executive Committee for consideration.
2. City Council request the City Manager to undertake a User Fee Review to establish a user fee policy and framework that will ensure consistency in developing and administering the City's user fee program and report the outcomes to Executive Committee.
3. City Council request the City Manager to actively manage the City's staff complement to maximize the use of City resources and contain costs.
4. City Council authorize the Deputy City Manager and Chief Financial Officer to implement the Multi-Year Financial Planning and Budgeting Process as outlined in Appendix 1 and Appendix 2.
5. City Council authorize the City Manager to include the City's agencies in the Core Service Review, Service Efficiency Studies and the User Fee Review and instruct the City's agencies to participate in these reviews.
6. City Council instruct the City's agencies to fully participate in the Multi-year Financial Planning and Budgeting Process and to comply with all budgetary policies, directions and guidelines.
7. City Council instruct the City Clerk to report directly to the Council meeting, at which this report will be considered, with amendments to the Schedule of Meetings needed to implement the Service Review Program and 2012 Budget Process.
8. City Council authorize the introduction of any necessary bills required to give effect to these recommendations.

### **Financial Impact**

This report recommends a multi-year financial planning process for the City of Toronto that includes service planning and multi-year budgeting.

For 2011, a Core Service Review, Service Efficiency Studies and a User Fee Review will be undertaken to address the City's financial challenges. These reviews are expected to generate significant benefits and cost savings that will help mitigate the 2012 Operating Outlook Pressure; and in the longer term, will contribute toward resolving the City's structural deficit. Funds in the amount of \$3 million have been approved in the 2011 Operating Budget to engage third-party expertise to support the core service review and service efficiency studies as required.

## **DECISION HISTORY**

City Council considered the report, *2011 Budget Process*, including budget reduction strategies, at their December 16, 2010 meeting.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX1.10>

## **COMMENTS**

This report sets out:

- 2011 activities to develop budget reduction options in preparation for the 2012 and future years budget process;
- A proposed 2012 budget process including key elements and timelines;
- A Multi-Year Financial Planning Process beginning in 2013; and
- Proposed roles, responsibilities and accountabilities of staff, Committee and Council, and the public in the Multi-Year Financial Planning Process.

### **A. Service Review Program**

At its meeting on December 16, 2010, City Council considered the report from the Deputy City Manager and Chief Financial Officer, *2011 Budget Process*, which indicated that an ambitious program to find significant cost savings must begin immediately after City Council adopts the 2011 capital and operating budget.

The 2012 beginning operating pressure is estimated at \$774 million, before potential offsets such as prior year surplus, TTC fare increase, Property Tax increase, dividends and other revenues sources. Existing capital and financing sources for infrastructure and capital asset needs are adequate, except for the TTC. It is noted that TTC needs exceeded its assigned 2011 – 2020 debt targets by \$2.1 billion; in addition, several projects with total project costs in excess of \$5 billion gross were below the affordability line – that is, they were not included in the 2011-2020 Approved Capital Plan.

#### **1. Core Service Review**

The City is facing difficult decisions in 2012 and future years to meet its budget challenges. To support City Council's 2012 budget deliberations, the City Manager will undertake a Core Service Review of all services delivered by City divisions and agencies. The City Manager will use third party expertise to assist with the Core Service Review as required.

A Core Service Review will assist City Council in its 2012 budget deliberations by:

- Developing an inventory of all services, service levels and service standards;
- Defining which services are legislated, core and discretionary, and identifying the role the City plays in each service (for example, deliverer, funder, regulator etc.);
- Benchmarking services and service levels against a range of comparable jurisdictions;

- Confirming services and service levels including public interest and public policy considerations;
- Ranking services for potential reductions and discontinuation;
- Implementing a public engagement strategy to elicit input into the Core Service Review process; and
- Identifying service, policy, human resource and financial impacts of recommended service changes including budget adjustments that will generate cost savings in 2012 and beyond.

The Core Service Review will set the foundation for the City's services going forward and assist with moving towards a multi-year financial planning and budgeting process in 2013.

(i) Timing

The timelines for the Core Service Review are very ambitious as recommendations must be developed in time for consideration in the 2012 budget process. The timing of the Core Service Review is as follows:

- April 2011 -- Core Service Review begins.
- May/June 2011 – Public engagement underway.
- End of June 2011 – Core Service Review completed.
- July 2011 – Standing Committees consider the findings of the Core Service Review.
- August 2011 – City Manager submits report to Executive Committee with recommendations on the findings of the Core Service Review taking into consideration Standing Committee recommendations.
- September 2011 – Executive Committee and City Council consider the findings of the Core Service Review, recommendations from Standing Committees and the report from the City Manager.

(ii) Committee / Council Process

The City Manager is proposing that he report out the findings of the Core Service Review to the applicable Standing Committees based on the mandate of each committee. Executive Committee and City Council will consider the findings of the Core Service Review, recommendations from Standing Committees and any further comments from the City Manager.

Findings of the Core Service Review that relate to City agencies will be reported out to Executive Committee. City boards will not have an opportunity to review the findings of the Core Service Review prior to Executive Committee due to the aggressive time lines.

City Council will consider the findings and recommendations from the Core Service Review and provide budget directions for the 2012 budget process.

(iii) Public Engagement Strategy

The City Manager will develop and implement a public engagement strategy to elicit public input to the Core Service Review through a variety of channels and mechanisms including online, survey and in-person forums.

A summary of the public engagement process and outcomes will be included in the Core Service Review report to support Council in its deliberations and decision-making.

## **2. Service Efficiency Studies**

To enhance the City's current continuous improvement initiatives and ensure that City services are delivered in the most efficient and cost-effective manner, the City Manager is proposing that a more regularized review process of services delivered by City divisions and agencies be implemented.

Service Efficiency Studies will examine the current delivery of a particular service or function and identify opportunities for improved efficiency and cost effectiveness through the use of technology and automation, shared service models, service innovation, business process re-engineering and outsourcing.

Whereas the Core Service Review will examine *what* services the City should be delivering, the service efficiency studies will examine *how* City services are delivered.

The City Manager and Deputy City Managers have identified services including horizontal functions that would benefit from a service efficiency study in 2011.

The services identified for a 2011 Service Efficiency Study include Court Services, Facilities, Fleet Services, Municipal Licensing and Standards, City Planning, Parks, Forestry and Recreation, Shelter, Housing and Support, Solid Waste Management and Transportation Services. Horizontal functions include counter services, environmental programs (across City programs and agencies), and communications. The agencies include the Toronto Transit Commission, Toronto Public Library and Toronto Police shared services (facilities, fleet, finance, administration, information technology etc.).

The specific scope and focus of each Service Efficiency Study has not yet been determined. The City Manager will identify the scope of the 2011 Service Efficiency Studies in consultation with the applicable Division Head and Chair of the Board and Agency Head of City agencies. Third party expertise including specific technical advice will be used as required.

Funding and service implications arising from Service Efficiency Studies will be reported through the annual operating and capital budget process. Service Efficiency Studies may be reported to Committee and Council in cases where specific Council approval is required to implement recommendations.

### 3. User Fee Review

Excluding Toronto Water and Toronto Parking Authority, the City of Toronto collects over \$1.4 billion in user fee revenues annually. Transit fares represent 70% of user fee revenues. Overall, the City administers more than 1000 individual user fees. These include recreation program fees, admission fees, rents, concessions or franchises, daycare fees, library fees, permit fees, charges for photocopying, fees from sale of publications or other goods/items.

The fundamental premise for charging user fees is that where a service provides a direct benefit to specific users or groups of users, the full cost of providing the service should be recovered from those users through user fees. Conversely, when the service benefits the entire citizenry then the service should be paid for from the property tax base. In accordance with the *City of Toronto Act*, 2006 (COTA), full cost includes direct and indirect costs, including capital costs related to the service. Currently, user fees are established, implemented and administered without the benefit of, and compliance with a coherent, corporate policy and without clear indication of the basis for setting the price of a user fee, or determining the amount of the relevant service cost that should be recovered.

A comprehensive user fee review will be led by Financial Planning Division staff during the spring of 2011. The review will examine all user fees currently in place to determine the extent to which they are fair, and collect the full cost of providing the service. It will examine all services delivered by City Programs and Agencies to identify additional opportunities for collecting user fees and will:

1. Identify all user fees;
2. Determine current basis of the fee price;
3. Determine those fees that should be fully cost-recovered, and the extent to which the full cost is recovered;
4. Determine those fees that should be exempt from full cost recovery;
5. Identify additional opportunities for collecting user fees; and,
6. Assess whether user fee services are delivered economically and efficiently.

The review will also examine the methodology used to determine the cost of services with a view to ensuring that the full cost of the service is determined preliminary to setting fees; and will analyze conditions under which fees may be waived for specific persons or groups of persons.

The user fee review will include all fees charged by City Programs and Local Boards (Agencies). As defined by COTA, “Local boards (extended definition)” have the same powers as the City to impose user fees however the City may pass a by-law providing that the fee by-laws of a local board require Council approval. The City also has the power to require most local boards to follow rules, procedures and polices established by the City. This report recommends that City Council require local boards to participate in the comprehensive user fee review and be subject to the recommendations that Council may adopt at the conclusion of the review.

The comprehensive user fee review will culminate in a report to Council that will recommend a comprehensive user fee policy and framework that will ensure consistency in developing and

administering the City's user fees program, and recommend the disposition of each city fee as it relates to full cost recovery as defined above. The review will also recommend best practices and approaches to ensure that user fees are administered efficiently.

#### **4. Complement Management**

The City will need to continue its complement management efforts to maximize the use of City resources and contain costs in 2011. Complement management includes regular monitoring and review of permanent and temporary positions and vacancies to ensure they are still required when meeting the City's legal, mandated or operational requirements and ensure that vacancies are not occurring that would adversely affect front line City services.

### **B. Multi-year Financial Planning and Budgeting**

The *City of Toronto Act* (COTA), sub-section 228(1) requires that, "For each year, the City shall in the year or the immediately preceding year prepare and adopt a budget including estimates of all sums required during the year for the purposes of the City, including: (a) amounts sufficient to pay all debts of the City falling due within the year; (b) amounts required to be raised for sinking funds or retirement funds; (c) amounts required for any board, commission or other body. COTA permits the Council to "adopt a multi-year budget from 2 to 5 years duration provided that it is reviewed and confirmed on an annual basis within the multi-year planning period."

The central purpose of the City's Multi-year Financial Planning and Budgeting Process is to prioritize the allocation of scarce resources to City services and to ensure that these resources are used as efficiently and effectively as possible to produce the intended results. The process will accommodate fiscal prudence; maximize savings and provide more accountability to taxpayers. It will establish a detailed, justifiable three-year time-frame; and will engage the public in setting priorities for the City.

Furthermore, the Multi-year Financial Planning and Budgeting Process will facilitate a multi-year, performance-based service budget for planning, analyzing, approving and evaluating financial data, tracking and reporting performance; service levels with a cost performance matrix to assess efficiency.

The proposed Multi-year Financial Planning and Budgeting process includes two major elements: Service Planning and Priority Setting, and Multi-Year Budgeting. Both elements are designed to engage all stakeholders. Key features of the Financial Planning and Budgeting Process are as follows:

#### **Service Planning and Priority Setting:**

- All Program and Agencies will develop three to five-year service plans.
- Standing Committees will review service plans annually to monitor service performance, assess progress against service objectives and targets and priority actions and develop strategies to address emerging service issues and to recommend service priorities.
- Service planning will include up-front public engagement on priority setting.

- Budget Committee will assess Standing Committee recommended service priorities, associated service objectives and targets and service performance within the City's fiscal circumstances and financial outlook and recommend service priorities, budget directions and targets to Executive Committee.
- Executive Committee recommended service priorities and objectives will guide the annual operating and capital budget process.

#### Multi-Year Budgeting

- The 10-year Capital Budget and Plan and the 3-year Operating Budget and Plan will be established.
- Capital and Operating Budgets will be reaffirmed each year in order to appropriate funds.
- The City Manager and Deputy City Manager and Chief Financial Officer will review all Program and Agency Budgets to ensure that resources are allocated to service priorities.
- The Political review process will include public deputations.
- By 2013, the Rate and Tax-Supported 10-Year Capital Plan and 3-Year Operating Budgets will be approved by the end of the year for the following budget/fiscal year.

### **C. 2012 Financial Planning and Budgeting Process**

The 2012 Financial Planning Process has been modified for the purpose of establishing a foundation for preparing future years' service plans and budgets. It has been designed to accommodate three special studies which will be conducted during the spring of 2011 in order to find savings to help balance the 2012 budget. A core service review and service efficiency studies will be supported by external experts during the spring of 2011; while a comprehensive user fee review will be led by staff.

While the 2012 Financial Planning and Budgeting Process will not include service planning as contemplated in Chart 1 of Appendix 1, it will establish services and service levels that should be provided by City Programs and Agencies. In so doing, it sets the groundwork for developing service plans beginning with the 2013 financial planning and budgeting process, taking into consideration available revenues and the need to resolve the City's structural financial problem.

Standing Committees will play a major role in reviewing the findings and recommendations from the core service review. Their recommendations will be presented to an Executive Committee meeting in September, 2011. City Council, at a special meeting in late September will review recommendations from the Executive Committee and will provide Budget Directions and Guidelines for 2012.

It is noted that staff will develop base operating budgets along with 10-year capital plans during the spring – that is, concurrent with the core service review, service efficiency studies and user fee review. These budgets will be adjusted in the early fall to incorporate the budget directions and guidelines from City Council.

## 2012 Financial Planning and Budgeting Schedule

Table 1 below outlines the activities and timelines for developing the 2012 Capital and Operating Budgets. The schedule is tentative and will be confirmed in a separate report from the City Clerk.

<b>Table 1</b> <b>2012 Financial Planning and Budget Schedule</b>	
<b>Activity</b>	<b>Date</b>
<b>2011</b>	
<b>Service Review Process</b>	
Core Service Review	April – June
User Fee Review	April – August
Service Efficiency Reviews (implementation of recommendations with financial implications to be reported through Budget process)	April – August
Division prepare 2012 Rate, Capital and Base Operating budgets based on assigned targets	April – July
Staff prepare material for Special Standing Committee meetings on Core Service Review Outputs	Early July
Special Standing Committees Meetings	Mid - End of July
Staff consolidation of Standing Committee Findings and Recommendations for presentation to Executive Committee	Early September
Executive Committee meeting	Mid - September
Special City Council – to discuss core service review recommendations from Executive Committee	End of September
<b>2012 Budget Process</b>	
Budget Directions for 2012 Budget	End of September
Special Budget Committee: TW/SW Rate & Budgets	Early November
Special Executive Committee: TW/SW Rate & Budgets	Mid November
City Council: TW/SW Rate & Budgets	End of November
Budget Launch (Capital and Operating Tax Supported)	Early December
Budget Committee Reviews - Councillors	Early December
Budget Committee Hearing - Public	Early December
<b>2012</b>	
Budget Committee Wrap Up	Mid - December
Budget Committee Final Wrap Up	Early January
Special Executive Committee	Mid - January
City Council	3 <sup>rd</sup> week of-January

As shown in the table above, the Rate Budgets will be approved by Council in November 2011. The Tax Supported Capital and Operating Budgets will require more intensive analysis and activity which has extended the approval to February 1, 2012. To achieve this date, it is assumed that the Core Service Review will be completed by the end of June 2011; and the User Fee Review and Service Efficiency Studies by the end of August 2011.

Standing Committee deliberations will occur in the second half of July. Council's decisions are expected by the end of September in order to enable staff to finalize the 2012 Operating Budget and 10-year Capital Plan for Council approval by the third week in January 2012, one month earlier than in 2011.

#### **D. 2013 – 2014 Financial Planning and Budgeting Process**

Service Planning will be introduced for the 2013 Financial Planning and Budgeting Process. The process will start in February 2012 with staff developing service plans based on the services and service levels approved as part of the 2012 Financial Planning and Budgeting Process. Effectively, the 2013 approved service plans will become rolling service plans that will require review and adjustments in subsequent years.

Standing Committees will review service plans and engage the public during these reviews. They will establish multi-year service objectives, targets and associated priority actions and will forward these to the Budget Committee. Budget Committee will assess the Standing Committee recommended service priorities together with the financial outlook and circumstances of the City and recommend to Executive Committee service priorities, budget directions and fiscal targets to Executive Committee. These recommended service priorities along with fiscal guidelines from the Budget Committee will be utilized by the Executive Committee to provide budget directions and guidelines in developing the 2013 Operating and Capital Budgets, which will be approved by December, 2012.

The 2014 Financial Planning and Budgeting Process will require reviews of service plans to meet the Mayor and Council's priorities and to address service issues.

Standing Committees will:

- monitor program performance against approved service objectives
- assess progress on achievement of targets and evaluate impacts of emerging issues
- recommend strategies and adjustments where required to ensure that the Mayor and Council's priorities are achieved

Budget Committee will assess service performance and any Standing Committee recommended changes in the context of the City's financial outlook and circumstances and will recommend any appropriate service changes to Executive Committee along with the annual budget directions and fiscal targets.

## **E. Roles and Responsibilities**

The Financial Planning and Budgeting Process, which is set out in more detail in Appendix 1 incorporates best budgeting practices and principles promoted by the Government Financial Officers Association (GFOA). In particular, it incorporates the following key principles:

- Engagement of stakeholders through upfront public consultation.
- Long-term perspective - an annual operating budget plus two-year outlook; and a 10-Year Capital Budget and Plan.
- Linkage of resource allocations to service objectives and establishment of targets driven by Council priorities through a multi-year service planning process.
- Service-focused and performance based - that is, budget decisions will focus on service priorities, service objectives and targets, and on performance budgeting and outcomes.

Multiple key participants will be engaged at various stages of the process. The roles and responsibilities of the key participants in the Multi-Year Financial Planning and Budgeting process are summarized in the attached Appendix 2.

## **CONTACT**

Joseph P. Pennachetti  
City Manager  
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Cam Weldon  
Deputy City Manager and Chief Financial Officer  
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## **SIGNATURE**

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City Manager

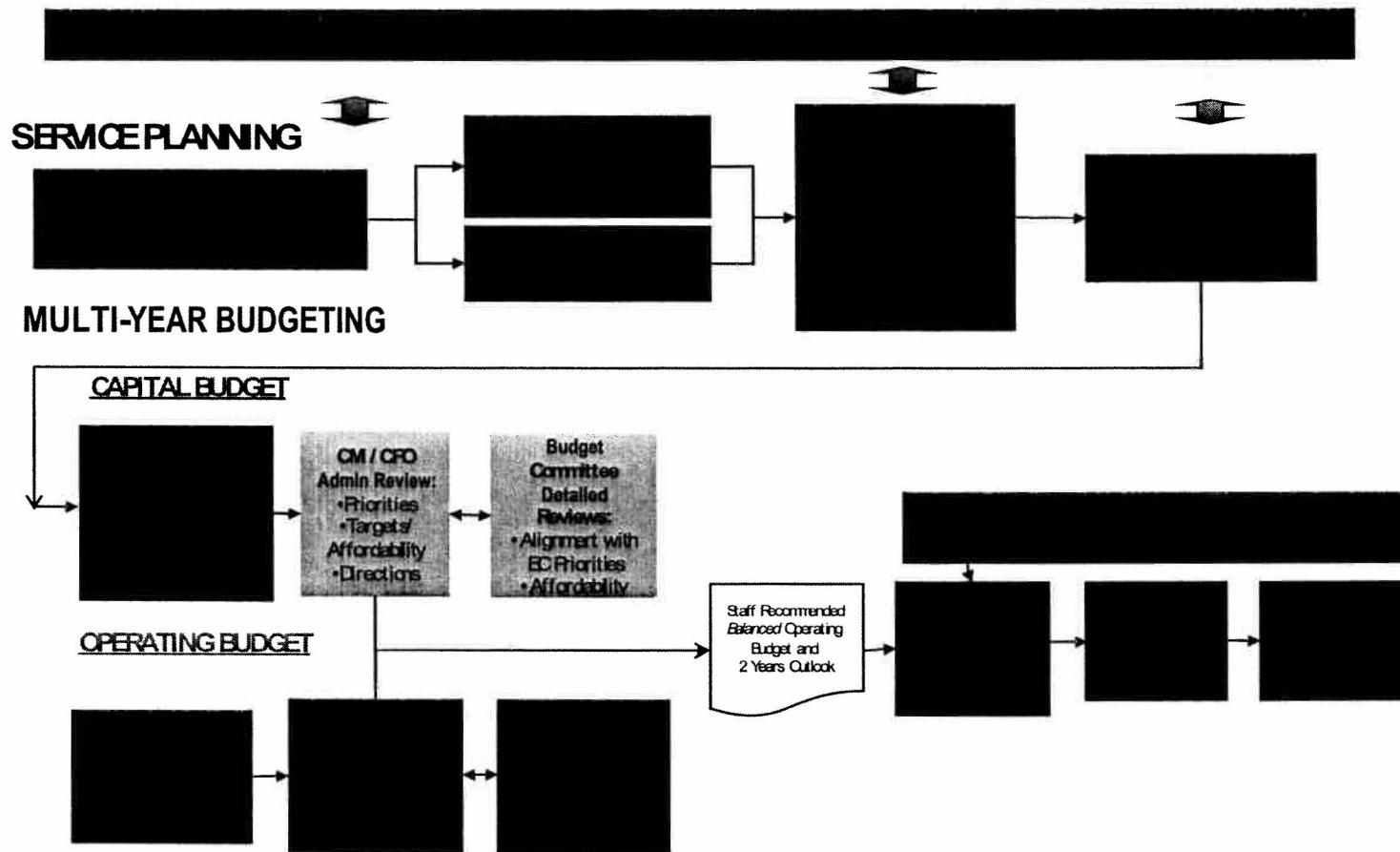
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Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Appendix 1 - Multi-year Financial Planning and Budgeting Process  
Appendix 2 - Roles and Responsibilities

Appendix 1  
Chart 1  
Multi-year Financial Planning and Budgeting Process



## Appendix 1

### **Multi-year Financial Planning and Budgeting Process**

#### Service Planning Process:

The proposed Financial Planning and Budgeting Process is illustrated in Chart 1 above. Service Planning is the starting point, and is a very important phase for guiding the allocation of resources during the budget phase. It is during this phase that service objectives and priorities are established and/or confirmed. Ideally, the Mayor and Council will set strategic directions for its term of office, which will guide service plans and the establishment of service objectives, priority actions and performance targets in order to achieve the strategic directions.

Service Planning links strategic directions and multi-year budgeting to achieve those directions by way of service delivery plans, a tool that supports informed decision-making. Service plans should reflect the input of all stakeholders, including the public. Therefore, public engagement is a key and essential element of the Service Planning phase of the process and is critical to ensuring that public input is represented in the service plans.

As illustrated in Chart 1, Service Planning is comprised of the following key elements:

- The Mayor and City Council establish strategic directions and priorities for the term of office.
- Executive Committee and the Mayor provide guidelines and directions for development of 3-5 year service plans that are linked to Council's priorities and the City's fiscal condition.
- City Programs and Agencies prepare service plans that comply with Executive Committee guidelines during the first year of the service planning cycle. In subsequent years, service plans will be reviewed to assess performance and address emerging service issues, and confirm or recommend service priorities.
- Standing Committees review City Program and Agency service plans within their individual policy mandates. These committees will make recommendations to establish/confirm /modify services, service levels and service priorities to address service performance.
- Based on the CFO's financial outlook, the Budget Committee will establish budget guidelines and directions and will evaluate Standing Committees' recommendations on service priorities in the context of the City's financial outlook and fiscal circumstances and will recommend service priorities, budget directions and guidelines to Executive Committee for its consideration.
- Executive Committee will establish service priorities, objectives and targets and/or changes to existing service plans where warranted, as well as budget directions and fiscal targets and give direction for the next budget process.

### Multi-Year Budgeting Process:

Executive Committee's budget directions and guidelines provide a framework for City Programs and Agencies to develop multi-year capital and operating budgets. The review and approval process for the capital and operating budgets are de-linked, although the time lines may be the same. Key elements of the budget process include the following:

#### **June**

- Executive Committee provides budget directions and guidelines to City Program and Agency Staff.

#### **May - August**

- Staff develop 10-year capital plans, of which the first year is the capital budget.
- Staff develop annual operating budgets along with a two-year outlook/forecast comprised of a base budget and a new and service expansion budget:

The base budget submission will detail the resources needed to provide the services and service levels approved by Council in the prior year; and must comply with directions prescribed by City Council and budgetary guidelines provided by the Financial Planning Division.

In addition to the base budget, business cases that clearly articulate strategy to achieve budget reduction targets will be submitted. These business cases will describe proposed service changes, along with the impact on services and service levels, service performance and the community; as well as budgetary and staffing changes.

It is essential that linkages between service goals, objectives and priority actions established in the service plans, and resource requests are clearly described in the budget submissions.

#### **August - September:**

- City Manager, and Deputy City Manager and Chief Financial Officer:
  - Conduct administrative review of City Programs and Agencies' budget requests to confirm compliance with Council directions and guidelines.
  - Develop staff recommended budgets for submission to the Budget Committee.

#### **October - November**

- Presentation of the Staff Recommended Budgets launches the political review and public consultation process. This stage of the process includes the following:
  - Presentation of the Staff Recommended Operating and Capital Budgets to the Budget Committee.
  - Budget Committee hearings are held to enable:
    - Councillors to raise issues and seek information;
    - Public to provide input/response to staff recommended budgets.
  - Preparation of budget briefing notes and response to information requests.

- Budget Committee reviews briefing notes, responses to additional Program/Agency information requests, and budget options.
- Budget Committee determines its recommended operating and capital budget for submission to Executive Committee
- Staff prepares the Budget Committee Corporate Operating and Capital Budget Reports

#### **November – December**

- Executive Committee reviews the Budget Committee Recommended 10-Year Capital Plan and Operating Budgets.
- Executive Committee recommends its 10-Year Capital Plan and Operating Budgets to City Council.
- Council reviews and approves the 10-Year Capital Plan and Operating Budgets.

Ideally, all City budgets should be approved by December 31 of the year preceding the budget year; however, this is not achievable in election years, given that the election is normally held during the last three months of the year. In an election year, the new City Council will establish a schedule for preparing and approving the budget for its first full year in office.

## Appendix 2

<b>Roles and Responsibilities</b>		
	<b>2012 Process</b>	<b>2013 – 2014</b>
Staff	<p><b>Service Review:</b></p> <ul style="list-style-type: none"> <li>• Support Core Service Review and Service Efficiency Studies</li> <li>• Review service efficiency opportunities to find savings</li> </ul> <p><b>Multi-Year Budgeting:</b></p> <ul style="list-style-type: none"> <li>• Develop 10-year Capital Budget and Plan and Operating Budget based on established budgetary principles and policies; ensure compliance with budget directions, guidelines and targets.</li> <li>• Incorporate Council approved recommendations arising from the core service review into the 2012 budgets.</li> <li>• Incorporate financial implications of service efficiency studies into the 2012 budgets for implementation.</li> <li>• Bring forward Staff Recommended 10-Year Capital budget and 2012 Operating Budget based on Council budget directions, guidelines and targets.</li> <li>• Implement Budgets ensuring that resources are utilized to achieve approved outcomes efficiently and in accordance with plans.</li> <li>• On a timely basis, recommend corrective action to City Council where significant departure from plan is identified</li> </ul>	<p><b>Service Planning:</b></p> <ul style="list-style-type: none"> <li>• Develop and or review / revise service plans based on Council directions, more current information, and fiscal framework</li> <li>• Continue service efficiency studies to find savings</li> <li>• Present service plans and other information required to inform/facilitate Standing Committee reviews of service plans</li> </ul> <p><b>Multi-Year budgeting:</b></p> <ul style="list-style-type: none"> <li>• Develop 10-year Capital Budget and Plan and Operating Budget based on established, budgetary principles and policies; ensure compliance with budget directions, guidelines and targets.</li> <li>• Incorporate financial implications of service efficiency studies into the 2012 budgets for implementation.</li> <li>• Implement 2013 Budgets ensuring that resources are utilized to achieve approved outcomes efficiently and in accordance with plans</li> <li>• Produce quarterly performance and progress reports on budget / service plan implementation</li> <li>• On a timely basis, recommend corrective action to City Council where significant departure from plan is identified</li> </ul>
Standing Committee	<p><b>Service Review:</b></p> <ul style="list-style-type: none"> <li>• Review / evaluate findings of Core Service Review</li> <li>• Make recommendations to the Executive Committee regarding services in their respective policy jurisdiction: <ul style="list-style-type: none"> <li>- Services that are legislated, core, discretionary</li> <li>- Service levels/standards</li> <li>- City's role in service delivery</li> <li>- Relative service priorities</li> </ul> </li> </ul>	<p><b>Service Planning:</b></p> <ul style="list-style-type: none"> <li>• Review service plans within financial framework including: <ul style="list-style-type: none"> <li>- Service delivery issues, service objectives, targets and actions needed to address service issues</li> <li>- Service performance</li> </ul> </li> <li>• Establish / recommend service priorities</li> <li>• Facilitate / solicit public input engagement on Service Plans</li> <li>• Confirm and forward recommended changes to service plans and priorities to Budget Committee.</li> </ul>
Budget Committee	<p><b>Service Planning:</b></p> <ul style="list-style-type: none"> <li>• Review multi-year financial forecast and assumptions and recommend budgetary targets and guidelines to the Mayor and Executive Committee</li> </ul>	<p><b>Service Planning:</b></p> <ul style="list-style-type: none"> <li>• Review multi-year financial forecast and assumptions and establish budget guidelines and fiscal targets</li> <li>• Assess Standing Committee recommended service priorities within financial framework</li> <li>• Recommend service priorities, budget</li> </ul>

Roles and Responsibilities		
	2012 Process	2013 – 2014
	<p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>Conduct informal review of staff recommended budgets in order to determine that resource requests are reasonable and that services are delivered efficiently and effectively</li> <li>Review staff recommended budgets based on Council directions, guidelines and priority actions</li> <li>Conduct Hearings for Councillors issues / input and public deputations where warranted, adjust the budget or make recommendations for change to the Executive Committee / Council</li> <li>Recommend annual operating and capital budget and plan to Executive Committee/Council</li> <li>Monitor capital and operating spending and service performance and recommend in-year budget adjustments and corrective actions to Executive Committee, where warranted</li> <li>Review reports / matters that have financial impact on current and future budgets and make recommendations to Executive Committee</li> </ul>	<p>guidelines and targets and guidelines to the Mayor and Executive Committee</p> <p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>Conduct informal review of staff recommended budgets in order to determine that resource requests are reasonable and that services are delivered efficiently and effectively</li> <li>Review staff recommended budgets based on Council directions, guidelines and priority actions</li> <li>Conduct Hearings for Councillors issues / input and public deputations where warranted, adjust the budget or make recommendations for change to the Executive Committee / Council</li> <li>Recommend annual operating and capital budget to Executive Committee/Council</li> <li>Monitor capital and operating spending and service performance and recommend in-year budget adjustments and corrective actions to Executive Committee, where warranted</li> <li>Review reports / matters that have financial impact on current and future budgets and make recommendations to Executive Committee.</li> </ul>
Executive Committee	<p>Service Review:</p> <ul style="list-style-type: none"> <li>Review/recommend for Council adoption core services and service levels and relative service priorities, where necessary; and any service changes.</li> <li>Consider Budget Committee recommended budgetary guidelines and targets.</li> <li>Establish service priorities, budget directions and guidelines</li> <li>Recommend 2012 Budget directions to Council.</li> </ul> <p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>Establish/ approve financial and budgetary policies to guide multi-year financial planning, budgeting , management and evaluation</li> <li>Review the Budget Committee recommended budgets and submit budgets to Council for its review and adoption</li> <li>Monitor capital and operating spending and service performance and recommend in-year budget adjustments and corrective actions to Executive Committee, where warranted</li> </ul>	<p>Service Planning:</p> <ul style="list-style-type: none"> <li>Consider Budget Committee recommended service priorities, service objectives and targets and priority actions and confirm alignment with Council priorities and city-wide long term goals</li> <li>Consider multi-year financial forecast and budgetary targets recommended by Budget Committee</li> <li>Establish service priorities, budget directions and targets.</li> </ul> <p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>Provide budget directions and guidelines to Budget Committee and staff</li> <li>Establish/approve financial and budgetary policies to guide multi-year financial planning , budgeting, management and evaluation</li> <li>Review the Budget Committee recommended budgets and submit budgets to Council for its review and adoption</li> <li>Monitor capital and operating spending and service performance and recommend in-year budget adjustments and corrective actions to Executive Committee, where warranted</li> </ul>

Roles and Responsibilities		
	2012 Process	2013 – 2014
Public Stakeholders	<ul style="list-style-type: none"> <li>• Through stakeholder consultations, communicate community needs, priorities and challenges</li> <li>• Provide input on core service definition that are responsive to community needs</li> <li>• Provide feedback on recommended service levels and standards</li> <li>• Provide advice on where scarce resources should be focused and how services should be delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Through stakeholder consultations, communicate community needs, priorities and challenges</li> <li>• Provide input on service plans and service objectives and priority actions that are responsive to community needs</li> <li>• Provide feedback on service levels and standards and program efficiencies</li> <li>• Provide advice on where scarce resources should be focused and how services should be delivered</li> </ul>
Council	<p>Service Review:</p> <ul style="list-style-type: none"> <li>• Approve: <ul style="list-style-type: none"> <li>- Services that are legislated, core, discretionary</li> <li>- Service levels/standards</li> <li>- City's role in service delivery</li> <li>- Relative service priorities</li> </ul> </li> <li>• Approve service efficiencies, where necessary</li> <li>• Adopt and provide 2012 budget directions</li> </ul> <p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>• Approve annual Operating Budget and 10-year Capital Plan</li> <li>• Approve in-year budget adjustments</li> <li>• Monitor in-year spending and performance and take necessary actions</li> <li>• Consider matters with financial implications in the context of the City's fiscal framework and environment</li> </ul>	<p>Service Planning:</p> <ul style="list-style-type: none"> <li>• Approve ongoing service efficiency recommendations, where necessary</li> </ul> <p>Multi-Year Budgeting:</p> <ul style="list-style-type: none"> <li>• Approve annual Operating Budget and 10-year Capital Plan</li> <li>• Approve in-year budget adjustments, where necessary</li> <li>• Monitor in-year spending and performance and take necessary actions</li> <li>• Consider matters with financial implications in the context of the city's fiscal framework and environment</li> </ul>