



Governance and Priorities Committee Report

For the meeting of June 18, 2015

To: Governance and Priorities Committee **Date:** June 5, 2015
From: Susanne Thompson, Director, Finance
Subject: Lessons Learned from the 2015 Financial Plan Process, and Proposed 2016 Financial Plan Process

Executive Summary

The purpose of this report is to outline the lessons learned in developing and implementing the new financial planning process for 2015 and to seek Council direction on the 2016 financial planning process.

The City provides a large number of services covering a broad scope. The new financial planning process involved outlining all services and capital projects in a cohesive and comprehensive document. A number of valuable lessons were learned from this year's process including the timeline, resource requirements, public input, alignment with the strategic plan and metrics.

The timeline was very ambitious, which was both an opportunity and a challenge. It required staff to develop a realistic, although not perfect, process and format for the financial plan. With a view of continuous improvement, the focus was on implementing the process rather than developing it; the goal was to "get things done" and "better is possible".

The implementation required a team-effort and our One-City approach involved over 300 staff from across the organization. This new approach increased collaboration and provided an opportunity for staff to gain greater understanding of the City's services and think about the City's budget in terms of outputs and customer service. However, staff are very close to their work and extensive review and editing of the information were required to make the language more accessible to a taxpayer.

A strength of the process was the public engagement. The focus was on developing a financial plan that would be helpful in explaining what we do in a more meaningful way to the community. The opportunity for meaningful public input starts with good information, and through a survey, a Town Hall and eTown Hall over 2000 people from our community participated.

The most challenging area was developing metrics that could be tracked. The Financial Plan explains what the City does, outlining the deliverables and the benefits of each service and capital project. These metrics outline how much or how often a service is provided, but do not include targets to assess how well we have performed. Also, the plan outlines metrics for each business unit potentially resulting in an overwhelming amount of information.

As a first step to align the Financial Plan with the Strategic Plan, the Strategic Plan was included in the Financial Plan document showing how the two work together; the Strategic Plan sets the overall goals and objectives, and service levels are determined and resources allocated through the Financial

Plan. Further alignment is necessary in order to show how each service and capital project contributes to the achievement of the strategic objectives.

Building upon the foundational information and tools developed this year, the proposed focus for the 2016 financial planning process will be improving the metrics, further aligning the Financial Plan with the Strategic Plan, and changing the timeline with a goal of having a substantially complete Financial Plan before the end of 2015 to enable staff to start implementing Council's direction at the beginning of 2016. Proposed improvements for public input includes implementing a budget simulator, and exploring options and implementing participatory budgeting for a portion of the City's budget.

Recommendation

That Council endorse the proposed approach for the 2016 financial planning process as outlined in this report.

Respectfully submitted,


Susanne Thompson
Director, Finance



Report accepted and recommended by the City Manager: _____

Date: June 12, 2015

Attachment:
Appendix A – Examples of Metrics from Other Municipalities

Purpose

The purpose of this report is to outline the lessons learned in developing and implementing the new financial planning process for 2015 and to seek Council direction on the 2016 financial planning process.

Background

Section 165 of the *Community Charter* requires that a five year financial plan be approved annually following public consultation as required by section 166. The financial plan must be approved before the tax rate bylaw is approved, and also before May 15 as required by section 197.

Council sets service levels and allocates funding through the financial planning process in alignment with the Strategic Plan. Traditionally, the City of Victoria developed an expense-based budget that focused mostly on the dollars allocated to each department. On March 27, 2014, Council directed staff to bring forward a work plan on a revised financial planning process, including public participation that incorporates the City's Core Values for Public Participation by June 30, 2014.

On June 12, 2014, Council directed staff to develop a work plan, budget and set of principles for a multi-year process for participatory budgeting.

On June 26, 2014 a report outlining the proposed financial plan process was presented to Council for discussion and feedback. This report outlined the objectives of the new process, the format for the financial plan document, resource requirements and a timeline. The approved financial planning process for 2015 introduced a new approach with emphasis on budgeting by priorities, outlining services and capital projects including costs, revenues and benefits of each. The new format enabled the City to better demonstrate the value tax and rate payers receive for their dollars by providing much greater context than in the past. The improved information enabled the City to engage the public in a meaningful way, soliciting feedback on the draft Financial Plan earlier in the process than in past years. The new process is one of continuous improvement and will be enhanced each year.

On October 23, 2014 an update report was brought to Council, including a proposed process for public consultation. A two-phased engagement strategy was approved for 2015 and 2016. The first phase in 2015 focussed on providing the community clear, accessible information and new, innovative tools including an e-Town Hall and a property tax calculator.

On February 10, 2015, the draft 2015-2019 Financial Plan was introduced for Council's review and discussion. Detailed presentations followed and on February 26, 2015, Council gave first reading to the Financial Plan bylaw indicating preliminary approval prior to commencing public consultation. Building upon improved information, public feedback was sought earlier in the process than in years past. A survey, a Town Hall and e-Town Hall resulted in input from over 2000 people. Based on the feedback Council made a number of changes to the Financial Plan before giving final approval on April 30, 2015.

Issues & Analysis

The financial planning process is one of continuous improvement and will continue to be enhanced each year. The following section outlines the lessons learned from this year's process and the proposed process for 2016.

Lessons Learned

The City provides a large number of services covering a broad scope. The new financial planning process involved outlining all services and capital projects in a cohesive and comprehensive document. A number of valuable lessons were learned from this year's process including the timeline, resource requirements, public input, alignment with the strategic plan and metrics.

Timeline

Having a fairly short timeline was both an opportunity and a challenge. The focus was on developing a realistic, although not perfect, process as a good base to build on. The majority of the effort was spent implementing the process rather than developing it with the view to adapt the process as the implementation progressed.

Resource Requirements

The approach to financial planning was completely changed and required a team-effort to implement involving staff from across the organization; it was a large undertaking. Staff researched best practices in other Canadian and American municipalities to learn from their experience and adapt their processes to fit the City. To maximize available staff resources, a multi-year implementation of an adaptable process was undertaken. The multi-year objectives were to first outline the description, deliverables and benefits of each service and capital project with metrics that outlined volume or frequency of work. Then, for the second year, further align the financial plan with the strategic plan and enhance the metrics by adding targets. This approach enabled the City to make significant improvement to both the process and the final document.

Staff Involvement

Staff from across the organization were involved early in the process. From "Great Ideas" sessions to group training sessions to actual hands-on creating information in the City's budget system, our One-City approach involved over 300 staff from across the organization. The new approach to financial planning provided an opportunity for staff to gain a greater understanding of the City's services and think of the City's budget in terms of outputs and customer service. The process was fast-paced and effort was spent ensuring support was provided to staff to implement the changes. This is an ongoing effort and more can be done to bring staff along, so this work will continue.

The internal engagement had additional benefits outside of the financial planning process. Breaking down historical departmental silos, building relationships and fostering a positive culture of support and innovation has resulted in more collaboration and improved customer service.

It also highlighted that staff are very close to their work and at times have difficulty describing it in a meaningful way to those unfamiliar with the work. Extensive review and editing of submissions were required to make the language more accessible to a taxpayer. More work will be done this year to continue to improve, such as providing more training sessions and examples from other municipalities to staff.

Public Engagement

The primary focus was to develop a financial plan that would be useful for the community. The goal was to explain City operations in a meaningful way so that the reader did not require an in-depth knowledge. The opportunity for meaningful public input starts with good information, and through a survey, a Town Hall and eTown Hall over 2000 people from our community participated. Staff believe the 2015 Financial Plan was a good first step and will continue to be improved upon.

The e-Town Hall was labour intensive when implemented the first time. With so many expected to attend the public meeting and having not used this tool before, many staff were present to support the event.

The use of video and creation of new educational materials that were more visual and plain language provided a foundation for citizens to engage. The tools were designed to have a lifespan that enable them to be used in future.

Simple survey tools are needed for these types of community conversations. Having two formats (short and long) was helpful but, if possible, having a shorter survey would encourage greater participation in general. Avoiding jargon is also a challenge to be overcome to ensure citizens can engage meaningfully.

The extensive public engagement occurred at a relatively low cost of \$4,000, excluding staff time.

Alignment with Strategic Plan

As a first step, the Financial Plan document includes the Strategic Plan showing how the two work together; the Strategic Plan sets the overall goals and objectives, and service levels are set and funding and resources allocated through the Financial Plan. The proposed focus for 2016 is to show how each service and capital project contributes to the achievement of the strategic objectives.

Metrics

The most challenging area was developing metrics. Some areas have metrics that are easy to explain and track such as the number of flower beds maintained or frequency of residential garbage pickup. However other metrics, such as how economic development is contributing to the economic vitality of the community, are more difficult to articulate and track. The first step was to explain what the City does, including the deliverables and the benefits of the services and capital projects with metrics primarily outlining how much or how often the City provides the service. However, the plan does not include targets to measure performance. Also, the plan includes metrics for each business unit, which results in a large volume that can be overwhelming.

2016 Financial Planning Process

The 2016 financial planning process will build on the foundational work completed for 2015. Staff will continue to budget by priorities and will refine the budget numbers to better reflect the deliverables.

The following areas are proposed to be the areas of focus for 2016:

Metrics

The current financial plan includes deliverables and metrics that describe how much or how often the City performs a service. Staff have researched a number of municipalities, including Calgary, Edmonton, Redmond and Burlington to garner ideas for improving the metrics. The City of Burlington provides great context to their metrics by in addition to outlining "how much", they also explain "how well" they performed and "is anyone better off as a result". Appendix A includes examples of metrics from these cities.

To focus the effort and provide meaningful metrics that can be tracked, it is also proposed that the metrics be grouped by "service area" rather than for every business unit. The aim is to develop metrics that are relevant to the City that we can also benchmark against other municipalities with comparable services, and where they are not comparable, we would explain the differences. For example the cost of providing residential garbage collection will differ depending on the level of service provided.

Aligning with Strategic Plan

Staff recommend that we further align the Financial Plan with the Strategic Plan so that the financial information can be presented by strategic plan objective rather than by department, which is the traditional way of municipal reporting. This will align the financial reporting with the quarterly reporting of the operational plan.

Changing Timelines

Historically, the financial planning discussions with Council and the community have taken place in the first quarter of the first year of the financial plan. It is proposed to shift this timeline with a goal to have a substantially complete Financial Plan before the end of 2015 to enable staff to start

implementing Council's direction at the beginning of 2016. The proposed timeline is to introduce a draft financial plan in October for Council's review and discussion followed by public consultation.

The following table outlines the proposed timeline for the 2016 process.

Proposed Timelines	Task
May – July	Departments develop their 2016 budgets and metrics
August/September	Reviews with Directors and City Manager
August/September	Develop options, in consultation with the community, for participatory budgeting opportunities
October	Introduce the draft financial plan to Council, detailed presentations and 1 st reading of financial plan bylaw
November	Public consultation
December	Public consultation results to Council; amend draft financial plan based on consultation feedback
January	2 nd reading of financial plan bylaw
April	Finalize allocation of surplus and new property tax revenue from assessment growth, 3 rd reading and adoption of financial plan bylaw
April	Revenue and Tax Policy discussion and tax rate bylaw approval
May	Mail out tax notices

In shifting the timeline, there are two items that impact the financial plan that cannot be finalized by the time the draft Financial Plan is introduced: 2015 surplus and new property tax revenue from assessment growth. The surplus will be finalized in the first quarter of 2016 and the assessment data to calculate the new property tax revenue from assessment growth will be available from BC Assessment in late March of 2016. However, staff can provide a preliminary estimate to inform Council's decision making.

BC Assessment provides property assessments at the end of March. Therefore, how taxes are distributed among property tax classes cannot be decided until April, 2016

Public Input

A consultation plan for the 2016 financial plan is being developed and proposes a similar approach to 2015 involving a survey and a Town Hall/e-Town Hall meeting. It is also proposed that a budget simulator be developed to provide an interactive tool for the public to use. The process will build upon the tools and information now in place.

Budget Simulator for 2016



As directed by Council, this year the City will also work with the community to identify participatory budgeting opportunities within the 2016 financial planning process. Involving community members in the design of participatory budgeting opportunities will empower community input and build community understanding and capacity to assist staff in exploring options.



Recommendation

That Council endorse the proposed approach for the 2016 financial planning process as outlined in this report.

Appendix A – Examples of Metrics from Other Municipalities

City of Burlington, Ontario

MEASURING SUCCESS

How much did we do?

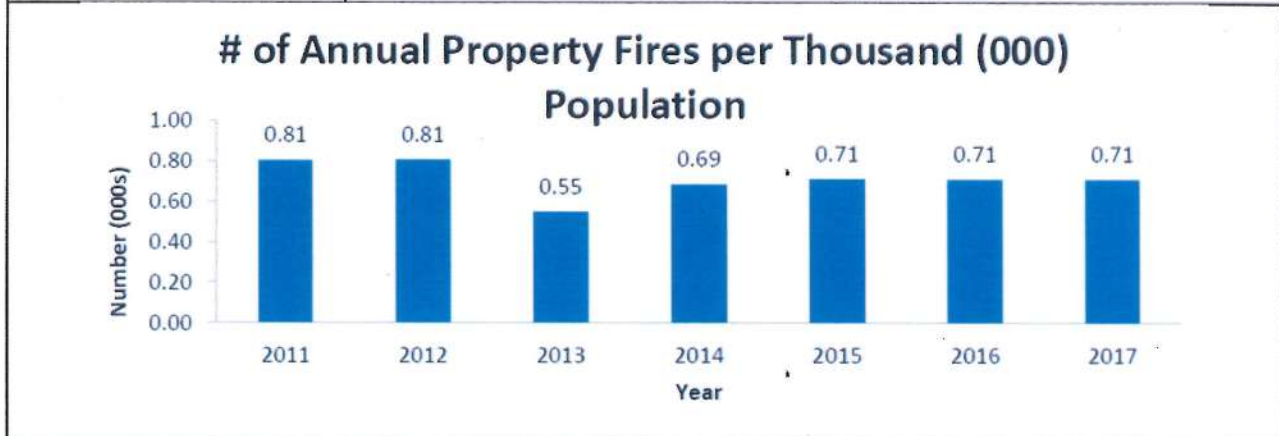
Performance Measurement	2011 Actual	2012 Actual	2013 Actual	2014 Projection	2015 Forecast	2016 Forecast	2017 Forecast
# of Emergency Responses	6,935	6,923	6,821	7,000	7,000	7,000	7,100
# of Property Fire Responses	140	141	96	120	125	125	125
# of Public Education Touch-points	18,879	21,528	24,000	20,000	21,465	21,500	21,500

How well did we do it?

Performance Measurement	2011 Actual	2012 Actual	2013 Actual	2014 Projection	2015 Forecast	2016 Forecast	2017 Forecast
Percentage of Fire/Alarm Responses with four firefighters, total response time within 6:20 seconds 90% of the time	78%	85%	83%	89%	90%	90%	90%
Story behind the data:	<p>The international industry best practice gives three time measurements, which are part a total response time of six minutes and 20 seconds (6:20) for the first four firefighters to arrive at a fire scene.</p> <p>Time measurements:</p> <ol style="list-style-type: none"> 1. 911 call answer and dispatch (target 60 seconds) 2. Call dispatch to the time four firefighters are on the way (target 80 seconds) 3. Travel time from the fire station to the fire scene (target 240 seconds) <p>To improve response times in areas that can be controlled, Fire Protection Services has introduced employee performance appraisals. These measure individual performance to the industry time performance targets, as indicated in #1 and #2 above. Fire Protection Services has little control over #3, travel time, which can be affected by multiple challenges, such as traffic, road and weather conditions.</p>						

Is anyone better off?

Performance Measurement	# of property fires per 1,000 population
Story behind the data:	First line of defence (fire prevention and education) can reduce the number of fires.
Where do we want to go?	Through proactive fire public education and fire code inspections, Fire Protection Services would like to improve public and firefighter safety by lowering the number of property fires.



Appendix A – Examples of Metrics from Other Municipalities

City of Calgary, Alberta

Corporate Services - Strategies and Performance Measures for Council Approval

For Council Approval

A healthy and green city
We steward our air, land, and water while encouraging healthy lifestyles for all Calgarians.

Corporate Services Commitment:
Corporate Services will support efforts to create a healthy and green city by identifying ways to reduce energy consumption, examining alternative energy sources, and communicating programs, information and successes to citizens and staff

Strategy Related to Council Outcome	Accountable BU
H1 Implement the green cart program and multi-family recycling strategy, and reduce industrial, commercial and institutional waste in our landfills.	CPB, CSC
H2 Encourage a broader range of innovative and clean energy technologies.	CPB, FLEET, IIS, IT
H6 Continue to build public awareness and understanding of our shared responsibility to conserve and protect the environment.	CSC

Performance Measures Related to Council Outcome	2012 Actual	2013 Actual	2014 Estimated	2015 Target	2016 Target	2017 Target	2018 Target
H.PM1 Energy units (kiloWatts/hour) consumption per gross floor area for buildings in CPB's management system (based on facility's operating hours).	8.42 kWh	7.92 kWh	7.84 kWh	7.76 kWh	7.69 kWh	7.61 kWh	7.53 kWh
H.PM2 Percent of Fleet vehicles that are green.	14%	14%	14%	14%	14%	14%	14%
H.PM3 Power saved from installing energy efficient end-user devices. (kiloWatts/year)	NA	NA	NA	51M kW/yr	.85M kW/yr	1.19M kW/yr	1.53M kW/yr

Alignment of Strategies and Performance Measures to Long-Term Plans
Corporate Services will continue to decrease the environmental footprint of vehicles through initiatives such as assigning the most appropriately sized vehicle to jobs based on work requirements. It will also assess the viability of using alternative fuel sources. CS will also find and implement energy conservation practices for buildings and operational work centres to help achieve the objectives stated in section 2.6.5 of the MDP and the imagineCALGARY goal of "by 2036, the use of renewable energy increases by 30 per cent as a percentage of total energy use." Corporate Services will also support citizen facing efforts (such as Green Cart roll-out) through communication programs, business analytics and 311 support.



Corporate Services - Strategies and Performance Measures for Council Approval

For Council Approval

A well-run city
Calgary's government is open, responsive, accountable and transparent, delivering excellent services at a fair price. We work with our government partners to ensure we have the tools we need.

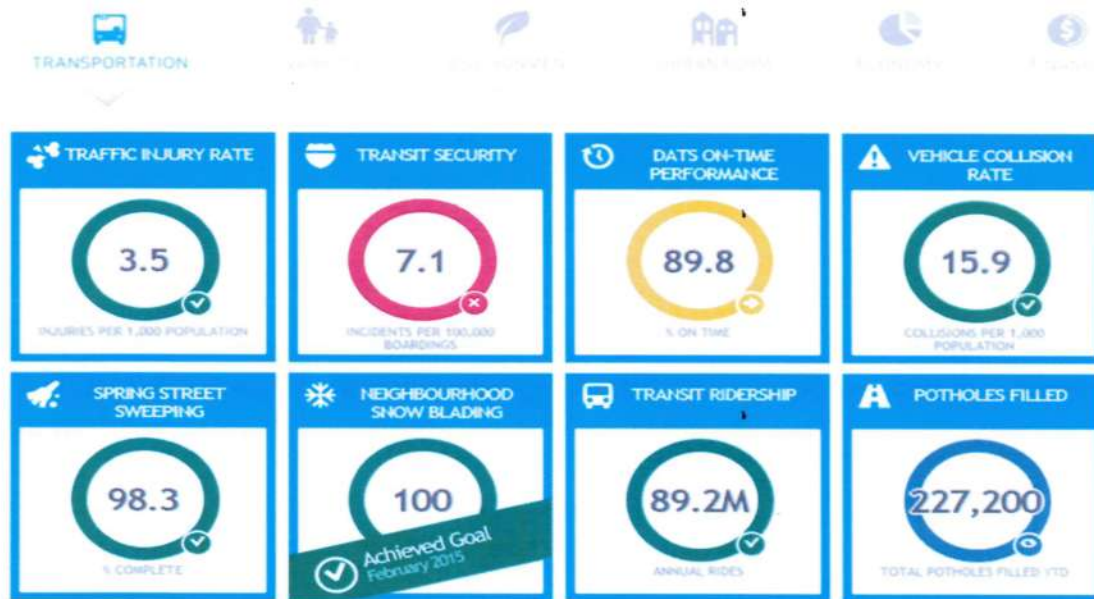
Corporate Services Commitment:
Corporate Services will embed shared services principles in service delivery to increase customer and citizen focus, become an employer of choice and ensure assets are managed prudently.

Performance Measures Related to Council Outcome	2012 Actual	2013 Actual	2014 Estimated	2015 Target	2016 Target	2017 Target	2018 Target
W.PM13 Percentage of City of Calgary Business Units that have an increase in Asset Management maturity.	NA	NA	NA	75%	80%	85%	90%
W.PM14 Revenue (in Millions) from general surplus parcels sold annually.	\$12.3 M	\$12.8 M	\$14.5 M	\$12.0 M	\$10.0 M	\$8.0 M	\$8.0 M
W.PM15 Percentage of citizens satisfied with the courteousness of 311 staff during their most recent experience.	94%	NA	88%	88%	90%	90%	90%
W.PM16 Percentage of citizens who indicate they receive the right amount of information from The City.	65%	69%	65%	65%	65%	65%	65%
W.PM17 Job applicant satisfaction with on-line experience.	NA	NA	Baseline	70%	70%	80%	80%
W.PM18 Average days lost per Workers' Compensation Board claim for Corporate Buildings & Properties.	20 days	17 days	17 days	12 days	10 days	9 days	8 days
W.PM19 Average days lost per Workers' Compensation Board claim for Fleet.	11 days	5 days	4 days	4 days	4 days	4 days	3 days
W.PM20 Corporate time to hire.	36 days	34 days	32 days	32 days	32 days	32 days	32 days
W.PM21 Corporate non-retirement resignation rate.	2.8%	2.2%	< 3%	< 3%	< 3%	< 3%	< 3%
W.PM22 Corporate retirement rate.	2.4%	2.4%	2.6%	< 3%	< 3%	< 3%	< 3%
W.PM23 Corporate voluntary turnover rate.	5.1%	4.6%	< 5%	< 5%	< 5%	< 5%	< 5%



Appendix A – Examples of Metrics from Other Municipalities

City of Edmonton, Alberta



Citizen Dashboard: City by the Numbers



Appendix A – Examples of Metrics from Other Municipalities

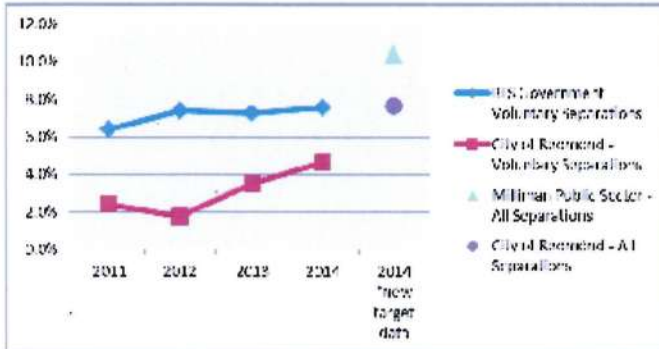
City of Redmond, Washington

Human Resources Department *Turnover Rate*

Compared to our target:

- 10.4% target (Milliman Puget Sound Regional Salary Survey – Public Sector): maintaining at 7.69%
- 7.6% target (Bureau of Labor Statistics – Government): maintaining at 4.66%

**Turnover Rates
(Actual vs. Target)**



City typically remains under the turnover target for the two benchmarks.

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Why is this topic important?

Turnover data gives the City high level information to determine if we are reflecting attrition trends in our region and provide insight into employee satisfaction with City services.

What influences this topic?

A variety of influences may impact this performance measurement such as; total compensation, regional economics, retirements, and job satisfaction.

What is the Department doing about this?

The Human Resources Department is providing training opportunities for employee development and reviewing compensation packages. The human resources hiring team is going through a LEAN process to increase opportunities to hire the best match for the City's needs.

How do we measure progress on this?

The benchmark data used for 2011 – 2014 was Bureau of Labor Statistics for voluntary separations. In 2014, Milliman started to capture turnover data in their Puget Sound Regional Salary Survey for all separations (not including layoffs). The Milliman information will be used going forward as it gives more relevant regional data.

Human Resources Department *Percent of Performance Reviews Conducted On Time*

Compared to our target:

- 90% target (within 60 days after an employees pay anniversary date): actual at 76.7%
- New measure introduced in the 2015-2016 Budget

Why is this topic important?

Performance reviews should be completed on time to provide timely feedback to employees. This is also an opportunity for supervisors to provide measured feedback which impacts employee satisfaction with City services and employee productivity.

What influences this topic?

The union contracts have timelines associated with performance reviews and on time completion eliminates grievances. There is a desire of employees and management to gain greater consistency in the criteria used for evaluations and the process used by supervisors.

What is the Department doing about this?

The Human Resources Director is contacting supervisors who are late in their reviews. Department Directors are being notified monthly. A committee is working on revising the performance review documentation for consistency and to reflect the City's values. Training will also take place for supervisors in how to conduct effective performance reviews.

How do we measure progress on this?

Collecting and reporting monthly performance review data.

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Appendix A – Examples of Metrics from Other Municipalities

City of Redmond, Washington

COMMUNITY BUILDING at a glance



Parks and Recreation Department

Citizen satisfaction with recreation programs	●	➔
Building community through events and arts	●	➔
Percent of parks and trails monitored	●	⬆

Planning Department

Strategic Investments in Human Services	●	⬆
Number of residents accessing independent programs—trending up	●	⬆
Percent of agency partners achieving outcome goals—holding steady with room for improvement	●	➔

Understanding the Symbols

Each symbol answers the question:

How are we doing now?

- Target Met ●
- Progress continuing ●
- Performance gaps ●

Where are we headed?

- Maintaining ➔
- Improving ⬆
- Worsening ⬇



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Parks & Recreation Department *Citizen Satisfaction with Recreation Programs*

Availability of recreation programs and services: 79% Satisfied, 10% Don't know
(from citizen telephone survey Jan 2015)*

Registered program participant satisfaction survey: 86% Satisfied*



Redmond Youth Basketball Program, 2014

Why is this topic important?

This measure is a good indicator for understanding if we are creating programs which meet the community's wants and needs. 10% of people polled answered "Don't know," which indicates we are not reaching the whole community.

What influences this topic?

Private competitors, employers offering health club memberships to their employees, limited browseability of recreation guide, changing demographics, ease of finding online information.

What is the Department doing about this?

- Investing in the Recreation Building Master Plan and evaluating facilities and program opportunities and gaps.
- Shifting marketing strategy to focus on technology; new registration software will integrate with social media and be mobile friendly.
- Focusing on recreation programs and services where the private health clubs are deficient (outdoor sports programs, senior programs, summer camps, etc.).
- Evaluating old programs, addressing trends with new programs.
- Meeting with cultural groups to understand their recreational needs (cricket, cultural dance, etc.).

How do we measure progress on this?

Continue to monitor satisfaction and new customer reach, through surveys and recreation registration stats.

*The registered program participant satisfaction survey is sent to all program registrants quarterly. The 86% satisfaction rate is based on 2014 survey results from 578 registrants.

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