



Governance and Priorities Committee Report For the Meeting of June 26, 2014

To: Governance and Priorities Committee
From: Susanne Thompson, A/Director of Finance
Subject: Proposed Financial Plan Process

Date: June 9, 2014

Executive Summary

The purpose of this report is to outline and seek Council feedback on the proposed financial plan process for 2015 and future years.

The proposed new process will move from expense based budgeting towards budgeting by priorities, outlining services and capital projects including the costs, revenues and benefits of each. The new format will enable the City to better demonstrate the value residents and businesses receive for their tax dollars.

The proposed process is one of continuous improvement and will be improved upon each year. The result is a financial plan that is informed by input from staff across the organization, as well as input from the community.

This report outlines the proposed objectives, format of the new financial plan document, the resources required and the timeline.

Recommendation:

That Council provide feedback on the proposed financial plan process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Susanne Thompson".

Susanne Thompson
A/Director of Finance

Report accepted and recommended by the City Manager:

Date:

A handwritten signature in blue ink, likely of the City Manager.
June 19, 2014

Purpose

The purpose of this report is to outline and seek Council feedback on the proposed financial plan process for 2015 and future years.

Background

The City of Victoria has traditionally developed an expense based budget that focused primarily on the dollars allocated to each department. Limited context regarding services and service levels and details on capital projects was provided in the financial plan.

The proposed new process will move away from expense based budgeting and move towards budgeting by priorities, outlining services and projects including the costs, revenues and benefits of each. The new format will enable the City to better demonstrate the value residents and businesses receive for their tax dollars.

The proposed process is one of continuous improvement and will be improved upon each year. The result is a financial plan that is informed by input from staff across the organization, as well as input from the community.

Issues & Analysis

Staff researched several municipalities to determine best practices for developing a new financial planning process. In particular, the proposed process builds on concepts used in the City of Vernon and the City of Redmond, Washington. Both organizations clearly outline the purpose of their services and show alignment with strategic priorities. The City of Redmond also focuses on outlining value for tax dollars by explaining the benefits of each service and their plans for achieving those benefits, including performance measures.

The following outlines the proposed objectives, format of the new financial plan document, the resources required and the timeline.

1. Objectives of the proposed process

- A. Developing a financial plan that clearly outlines the services the City provides and the planned capital projects, including the benefits, costs and revenues of each.
- B. Aligning budgets with priorities; operating and capital budgets flow out of those priorities. This will foster greater understanding of the benefits of services and capital projects by priority area. This alignment will be accomplished once a new strategic plan is developed.
- C. Increasing public involvement in the financial planning process. Greater public involvement in the financial planning process will garner greater understanding of the City's finances, service levels and the value for tax dollars received. It will also increase transparency and accountability over time as service levels and financial changes will be clearly outlined to demonstrate impacts.
- D. Outlining the City's plans for the coming year in the Financial Plan will be the precursor to the Annual Report, which reports out on the results of the plans included in the Financial Plan.

2. Format of the proposed new financial plan document

In addition to providing better contextual information about the City's services, the financial plan document will be visually interesting.

The document will have multiple components:

- A. City of Victoria overview – information such as where Victoria is located geographically and its population, including demographics.
- B. Priorities (once a new strategic plan is developed).
- C. Financial plan framework – legislation and policies that govern and guide the budget process. The policies that guide the budget process are the City's financial sustainability, reserve fund, and revenue and tax policies.
- D. Departmental summaries – organization charts and high-level overviews of the responsibilities of each department.
- E. Financial summaries
 - a. Operating budgets
 - Description of services
 - Deliverables/metrics that explain the output of each service
 - Benefits of providing each service
 - Proposed changes to service levels
 - Revenues and expenditures for each service
 - Prior year and current year comparison
 - Five-year forecasts
 - Graphs
 - b. Capital budgets
 - Description of projects
 - Rationale and benefits of each project
 - Guiding policy linkages where they exist (Official Community Plan, Pedestrian Master Plan, Stormwater Master Plan etc.)
 - Revenues and expenditures for each project

Although the Victoria-Esquimalt Police Department reports through the Police Board, they have indicated that they are preparing similar information to what the City is proposing. As a critical service area in the City's operating budget, this alignment will assist in providing taxpayers a complete view and understanding of services received for tax dollars.

The 2015 financial plan document will include information as outlined above, excluding strategic plan priorities which will be added for the 2016 financial plan once a new strategic plan is developed.

In addition, two policy reviews will be undertaken:

- Reserve Fund Policy to determine appropriate target balances for each reserve fund
- Revenue and Tax Policy to determine the policy for distribution of taxes among tax classes since 2014 was the final implementation year for the current policy

These reviews will include best practice research and comparisons with other municipalities.

3. Resourcing

Each department has allocated resources to contribute towards the development of the financial plan. Approximately 70 staff from across the organization are directly involved.

In addition, an invitation to participate in the process has been extended to any staff member who has an interest in this process. This is an opportunity to increase the understanding of services and the budgeting process among staff, and for the organization to benefit from input from all staff and service areas. An effective financial plan is a valuable tool for staff in terms of demonstrating value, establishing clear objectives and service expectations, and increasing accountability. It will also increase broader understanding among staff of City services and value for tax dollars.

A project team, led by Finance, will be working with all departments to put together the information needed for the financial plan. This team is comprised of staff from Finance, and the Corporate Planning and Policy section in Legislative and Regulatory Services.

Staff from Communications and Civic Engagement are developing the public consultation process and will be designing the financial plan document.

4. Timeline

Council updates and feedback will be sought during the development of the financial plan. The proposed timeline for major milestones is outlined in the table below.

Date	Task
June 26, 2014	Governance and Priorities Committee report seeking Council's initial feedback on the proposed financial plan process
June – September 2014	Data collection with departments and City Manager review
October 2014	Status update to Governance and Priorities Committee, including proposed public consultation process and discussion on participatory budgeting to provide Council the opportunity to shape this process.
December 2014	Report to Corporate and Strategic Services Standing Committee outlining a work plan, budget and set of principles for a multi-year process for participatory budgeting. Garner feedback from public advisory committee before finalizing process.
January 2015	Draft financial plan to Council for consideration; 1 st reading of financial plan bylaw
January/February 2015	Public consultation on the draft financial plan
March 2015	Further consideration of the financial plan; 2 nd and 3 rd readings and adoption of the financial plan bylaw
March 2015	Consideration of Revenue and Tax Policy
April 2015	Adoption of tax bylaw
May 2015	Mail out tax notices

Recommendations

That Council provide feedback on the proposed financial plan process.