Clause embodied in Report No. 3 of the Policy and Finance Committee, which was before the Council of the City of Toronto at its regular meeting held on April 23, 24, 25, 26, 27, and its special meeting held on April 30, May 1 and 2, 2001.

1

Implementing Council's Corporate Management Framework
A New Budget Process for 2001 and Beyond

(City Council at its regular meeting held on April 23, 24, 25, 26, 27, and its special meeting held on April 30, May 1 and 2, 2001, struck out and referred this Clause to the Chief Administrative Officer and the Chief Financial Officer and Treasurer, for further consideration, together with the confidential report dated April 19, 2001, from the City Solicitor, and the following motions on the budget process, with a request that they consult with interested Members of Council and submit a joint report to the Policy and Finance Committee, for its meeting scheduled to be held on June 14, 2001, on improvements to the proposed budget process:

Moved by Councillor Augimeri:

"*It is further recommended that the Chief Administrative Officer be requested to organize an all day meeting of senior staff and Members of Council, to take place in September 2001, during which the following issues will be discussed:*

(a)   the City Council budget process;

(b)   the role of the Standing Committees of Council with respect to the budget process;

(c)   the role of the Budget Advisory Committee;

(d)   the role of the office of the Chief Administrative Officer with respect to the budget process; and

(e)   how to involve interested community representatives, in the budget process, in a meaningful way".

Moved by Councillor Bussin:

"*It is further recommended that the Chief Financial Officer and Treasurer and the City Clerk be requested to submit a joint report to the Policy and Finance Committee outlining a process of updating the members of the Policy and Finance Committee and interested Members of Council, on a daily basis, regarding the decisions of the Budget Advisory Committee pertaining to additions and deletions during their deliberations for the 2002 and future budget processes.*"

Moved by Councillor Holyday:

"It is further recommended that an Efficiency Task Force, consisting of up to five Members of Council, be established to identify further budget cuts for the 2002 Budget process, the membership of such Task Force to be recommended by the Striking Committee."

Moved by Councillor Johnston:

"It is further recommended that the Chief Administrative Officer be requested to arrange a day of discussion with senior staff, including Directors, on how the Budget process can be improved and submit recommendations in regard thereto to Council, through the Policy and Finance Committee, as soon as possible."

Moved by Councillor Pitfield:

"It is further recommended that:

(1)   the Chief Financial Officer and Treasurer be requested to hold a Budget de-briefing session with the Budget Advisory Committee and interested Members of Council, prior to June 1, 2001; and

(2)   the Chief Administrative Officer, the Chief Financial Officer and Treasurer, and the Chair of the Budget Advisory Committee, be requested to provide an opportunity for all Members of Council to meet to decide City-wide priorities in the context of the Strategic Plan, such meeting to be held prior to the commencement of Capital budget process for 2002."

Moved by Councillor Silva:

"It is further recommended that all labour unions affiliated with the City of Toronto be involved in any future budget processes of the City.")

(City Council at its meeting held on March 6, 7 and 8, 2001, deferred consideration of this Clause, to the next meeting of Council scheduled to be held on April 24, 2001.)

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(Clause No. 1 of Report No. 2 of the Policy and Finance Committee
entitled, "Implementing Council's Corporate Management Framework
A New Budget Process for 2001 and Beyond")

The Policy and Finance Committee recommends:

(I)   the adoption of the joint report (September 21, 2000) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer wherein it is recommended that:

"Re: 2001 Budget Process:

(1)   the Chief Administrative Officer and the Chief Financial Officer and Treasurer review existing financial protocols and practices regarding in-year policy decisions having current and future budget impacts and report to the Policy and Finance Committee on any improvements deemed appropriate;

(2)   the Chief Administrative Officer report to the Policy and Finance Committee on a methodology to assist Council in the ranking and assessment of service priorities, including the identification of core and non-core services, and report to the Policy and Finance Committee during 2001 to be implemented in 2002;

(3)   the 2001 – 2005 and subsequent Capital Programs be presented as ranked in priority order within and between programs using a capital budget ranking tool that defines priority weighting criteria for State of Good Repair projects;

(4)   in order to provide stability and sound financial planning:

(a)   starting with the 2001 budget cycle, a five-year capital program, with fully justified business cases reviewed by Standing Committees, be approved in its entirety;

(b)   previously approved capital projects be received and not be subject to further Council review, unless there has been a change of scope; and

(c)   in 2002 and future years only a new fifth year be added;

(5)   to ensure that the five-year capital program remains within the approved fiscal framework, the acceleration of any capital project in the five-year capital program be offset through the deferral of a project of equal value;

(6)   beginning in 2001, future year Operating Budget impacts of the capital program be approved in conjunction with the approval of the Capital Program and, furthermore, the full operating budget impacts (i.e., direct program costs such as; salaries, utilities, and provisions for capital financing, capital maintenance and replacement costs as well as indirect costs such as corporate allocations) of any new capital items added to the infrastructure, be reflected in the year of approval of such a capital item;

(7)   **the 2001 and future Operating Budget program submissions be prepared by staff on the basis of resources required to provide current services and service levels taking into account all possible service efficiencies. Service level options will be presented to reflect maintaining the program budget within the previous year's Council approved budget;**

(8)   **in order to ensure the future year impacts of budget decisions are captured, beginning in 2001, the full year costs of new services or changes to existing service levels proposed for the 2001 and 2002 Operating Budgets be fully incorporated in Council's approval, with the incremental portion being a contribution to an appropriate reserve fund;**

(9)   **effective in 2001, Standing Committees, when considering in-year service level changes requiring budget increases, be required to recommend a corresponding cost saving and/or change in service levels; and recommend proposed service level changes for any projected over-expenditure within a fiscal year;**

Re: **2002 Budget Process:**

(10)   **in order to proceed to the next stage of implementation of the Corporate Management Framework, the multi-year budget and program planning process, as described in Appendix A and Appendix B, be adopted and fully implemented by 2003 subject to improvements that may arise after the 2001 budget process;**

(11)   **for the 2002 and future planning cycles, all City programs and ABCs develop multi-year program plans and performance measures to form the basis of the Capital and Operating Budgets;**

(12)   **at the start of each new term of Council, Council review and prioritize its strategic directions and select a prioritized set of goals and strategies that would then be incorporated in the multi-year program plans to guide longer-term planning and related resource allocation; and**

Re: **2003 Budget Process:**

(13)   **to provide stability, accountability and sound financial planning and to link the budget process with multi-year program planning, biannual Operating Budgets be approved**

for the 2003 and 2004 Operating Budgets and on a biannual basis in subsequent fiscal years;

(II)   **the adoption of the following Recommendation No. (2) embodied in the joint report dated February 18, 2001, from the Chief Administrative Officer and the Chief Financial Officer and Treasurer:**

"**(2)   as part of this new budget initiative, the Chief Financial Officer and Treasurer report back further on a review of the budget monitoring process with a view to providing Committees and Council with more comprehensive in-year budget control and variance reporting;**";

(III)   **that Agencies, Boards, Commissions and Departments be requested to report to their Boards and Standing Committees during the 2001 Budget process on their:**

(i)   **operating or business plans;**

(ii)   **prioritization of services within those plans; and**

(iii)   **allocation of expenditures or revenue for each service;**

(IV)   **that Agencies, Boards, Commissions and Standing Committees, in reporting their Operating and Capital Budgets to the Budget Advisory Committee, do so on the basis of their:**

(i)   **operating or business plan;**

(ii)   **prioritization of services within those plans; and**

(iii)   **allocation of expenditure or revenue for each service; and**

(V)   **that the Chief Financial Officer and Treasurer be requested to report:**

(i)   **to each Council meeting, through the Policy and Finance Committee, on the in-year changes to Operating and Capital budgets arising from the reports before Council and the cumulative impacts;**

(ii)   **to the next meeting of the Policy and Finance Committee on managing the financial impacts of Notices of Motions; and**

(iii)   **to the Budget Advisory Committee, as soon as possible, on the method by which each Agency, Board, Commission and Department prioritizes its services within each respective business plan.**

The Policy and Finance Committee submits the following joint report (February 15, 2001) from the Chief Administrative Officer and the Chief Financial Officer and Treasurer:

Purpose:

To meet Council's direction from October 2000, and to amend the principles and guidelines for a new Capital and Operating budget process to be implemented in full by 2003 as another step in the implementation of Council's previously approved Corporate Management Framework.

Financial Implications and Impact Statement:

There are no financial implications arising from the adoption of this report.

Recommendations:

It is recommended that:

(1)   the recommendations contained in the attached joint report dated September 21, 2000, from the Chief Administrative Officer and the Chief Financial Officer and Treasurer be approved by the Policy and Finance Committee; and further to those recommendations that;

(2)   as part of this new budget initiative, the Chief Financial Officer and Treasurer report back further on a review of the budget monitoring process with a view to providing Committees and Council with more comprehensive in-year budget control and variance reporting.

Background:

The Policy and Finance Committee at its meeting on September 21, 2000, had before it a joint report from the Chief Administrative Officer and the Chief Financial Officer and Treasurer proposing a timetable, principles and guidelines for a new Capital and Operating Budget process. At that meeting, the Policy and Finance Committee referred the report back to staff for consultation with Members of Council, especially with Standing Committee Chairs, and to report back on any refinements.

Comments:

In the development of the proposed budget process, Council was consulted extensively as part of the budget debriefing at the end of the Year 2000 Budget. Those comments formed a major part of the direction found in the recommended process contained in the attached report.

A meeting was held with the Standing Committee Chairs in January 2001 that included a discussion on the 2001 Budget process. Comments were made by members of the Budget Advisory Committee that have also been incorporated, along with the comments of other councillors who approached staff with their views individually.

This report further proposes to amend and add to the September 21, 2000, report for a 'post budget approval and budget monitoring' item in order to provide more timely reporting and more comprehensive data to Council. This would include the monitoring not only of budget dollars but budgeted outputs/service levels and performance measures.

The attached report outlines an improved dynamic process that serves as a blueprint that is designed to be refined on an ongoing basis. The key to the report is the direction that is being recommended. For example, Council will again have an opportunity to provide further specific input in a post budget debriefing session similar to that conducted last year.

Admittedly the plan is a very ambitious effort and certain elements may require further phasing in to accommodate Council's priorities and capacity for change. The Chief Administrative Officer and the Chief Financial Officer and Treasurer will provide Council with periodic status updates to monitor implementation.

Conclusions:

The new budget process for 2001 and beyond as documented in the September 21, 2000, report already recommends an enhanced role for Standing Committees. That role includes budget monitoring.   Under the proposed process, Standing Committees will be responsible for monitoring existing service delivery, as well as prioritizing and adjusting service levels to accommodate higher priority requirements that may emerge during the year after the budget has been approved. To assist Standing Committees and Council, this report adds an additional recommendation to the original report that the Chief Financial Officer and Treasurer undertake a review of the budget monitoring process.

The primary budget process recommendations are found in the recommendations included in the September 21, 2000, report, which is attached. The September 21, 2000, report highlights the process that strengthens the budget process overall and includes components highlighted in the report such as strategic planning, business planning, multi-year budgets, and activity based costing.

Contact:

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Barbara Hume-Wright, Director, Chief Administrator's Office, Tel: (416) 397-4125, Fax: (416) 392-1827.

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(Joint Report dated September 21, 2000, addressed to the
Policy and Finance Committee from the
Chief Administrative Officer and the
Chief Financial Officer and Treasurer)

Purpose:

To propose a timetable, develop principles and guidelines for a new Capital and Operating Budget process to be implemented in full by 2003 as the next step in the implementation of Council's approved Corporate Management Framework. The changes proposed in this report build upon Council's achievements towards a sound, stable, planned and sustainable financial management environment.

Financial Implications:

There are no direct financial implications arising from approval of this report.

Recommendations:

It is recommended that:

Re: 2001 Budget Process:

(1)   the Chief Administrative Officer and the Chief Financial Officer and Treasurer review existing financial protocols and practices regarding in-year policy decisions having current and future budget impacts and report to the Policy and Finance Committee on any improvements deemed appropriate;

(2)   the Chief Administrative Officer report to the Policy and Finance Committee on a methodology to assist Council in the ranking and assessment of service priorities, including the identification of core and non-core services, and report to the Policy and Finance Committee during 2001 to be implemented in 2002;

(3)   the 2001 – 2005 and subsequent Capital Programs be presented as ranked in priority order within and between programs using a capital budget ranking tool that defines priority weighting criteria for State of Good Repair projects;

(4)   in order to provide stability and sound financial planning:

        (a)   starting with the 2001 budget cycle, a five-year capital program, with fully justified business cases reviewed by Standing Committees, be approved in its entirety;

        (b)   previously approved capital projects be received and not be subject to further Council review, unless there has been a change of scope; and

        (c)   in 2002 and future years only a new fifth year be added;

(5)   to ensure that the five-year capital program remains within the approved fiscal framework, the acceleration of any capital project in the five-year capital program be offset through the deferral of a project of equal value;

(6)   beginning in 2001, future year operating budget impacts of the capital program be approved in conjunction with the approval of the Capital Program and, furthermore, the full operating budget impacts (i.e., direct program costs such as; salaries, utilities, and provisions for capital financing, capital maintenance and replacement costs as well as indirect costs such as corporate allocations) of any new capital items added to the infrastructure, be reflected in the year of approval of such a capital item;

(7)   the 2001 and future Operating Budget program submissions be prepared by staff on the basis of resources required to provide current services and service levels taking into account all possible service efficiencies. Service level options will be presented to reflect maintaining the program budget within the previous year's Council approved budget;

(8)   in order to ensure the future year impacts of budget decisions are captured, beginning in 2001, the full year costs of new services or changes to existing service levels proposed for the 2001 and 2002 Operating Budgets be fully incorporated in Council's approval, with the incremental portion being a contribution to an appropriate reserve fund;

(9)   effective in 2001, Standing Committees, when considering in-year service level changes requiring budget increases, be required to recommend a corresponding cost saving and/or change in service levels; and   recommend proposed service level changes for any projected over-expenditure within a fiscal year;

Re: 2002 Budget Process:

(10)   in order to proceed to the next stage of implementation of the Corporate Management Framework, the multi-year budget and program planning process, as described in Appendix A and Appendix B, be adopted and fully implemented by 2003 subject to improvements that may arise after the 2001 budget process;

(11)   for the 2002 and future planning cycles, all City programs and ABCs develop multi-year program plans and performance measures to form the basis of the capital and operating budgets;

(12)   at the start of each new term of Council, Council review and prioritize its strategic directions and select a prioritized set of goals and strategies that would then be incorporated in the multi-year program plans to guide longer-term planning and related resource allocation.

Re: 2003 Budget Process:

(13)   to provide stability, accountability and sound financial planning and to link the budget process with multi-year program planning, biannual operating budgets be approved for the 2003 and 2004 operating budgets and on a biannual basis in subsequent fiscal years.

Discussion - Background:

Since amalgamation in 1998, the City of Toronto's financial planning process has continued to evolve toward a longer-term planning horizon within the Council approved Corporate Management Framework, which provides for greater financial stability and improved accountability.

In particular, the budget process has been a strategic tool for Council to assess the impacts of the following:

(i)   harmonization and service leveling issues/options;

(ii)   financial and service level impact of Provincial downloading initiatives;

(iii)   tracking of restructuring savings and transitional investments;

(iv)   allocation of capital resources to address State of Good Repair issues; and

(v)   long-term capital program debt financing and sustainability.

The Corporate Management Framework, as adopted by Council, is intended to provide the basis for sound service and financial planning based on strategic goals and directions that identify Council's priorities. The framework is underpinned by Council's strategic plan.

Council adopted its strategic plan goals and strategies in July, 2000. A set of sector-specific plans is at various stages of completion. Protocols for multi-year program planning within the context of the strategic plan have been developed and are being tested within program areas.

This report proposes adjustments to the budget process in order to proceed to the next stage of implementation of the Corporate Management Framework. The changes proposed in this report build upon Council's achievements towards a sound, stable, planned and sustainable financial management environment.

Key accomplishments within the Capital and Operating Budget process have occurred over the past three years:

Operating Budget Accomplishments:

1998

(i)   consolidated the program and service budgets of seven former municipalities; and

(ii)   allocated resources at the program level in the operating budget.

1999

(i)   allocated resources at the service level in addition to the program level;

(ii)   included the roll forward from the 1998 to 1999 budget;

(iii)   assessed city service level harmonization issues;

(iv)   provided a preliminary operating budget outlook and strategies to Council.;

(v)   developed / enhanced operating budget policies (e.g. reserve funds, gapping etc); and

(vi)   eliminated reliance on Provincial operating budget support.

2000

(i)   developed a process and protocol for addressing in-year budget approvals;

(ii)   managed information (e.g. reports) and facilitated the budget process to support Council's decision-making;

(iii)   implemented information systems to streamline data collection and budget consolidation;

(iv)   conducted departmental workshops to assess the linkage of strategic planning, multi-year program planning and performance measures with the budget process;

(v)   analyzed the operating budget services into base and new components; and

(vi)   developed 2001 operating budget outlook for Council to highlight potential budget pressures.

Capital Budget Accomplishments:

1998

(i)   consolidated project budgets of seven former municipalities into an integrated capital program;

(ii)   approved the first year of the newly amalgamated City capital program;

(iii)   assessed impact of Provincial downloading on T.T.C. capital program; and

(iv)   provided a strategy to increase allocation of capital from current funding.

1999

(i)   provided a political review process for Standing Committee and Community Council input;

(ii)   approved current year capital program and future year commitments;

(iii)   assessed impact of capital program on operating budget;

(iv)   developed / enhanced capital budget policies with Council's endorsement; and

(v)   provided up-front capital program financial targets and envelopes.

2000

(i)   commenced development of Master Plans for the capital program;

(ii)   began analysis of the State of Good Repair of existing assets and prioritized for the 2000 capital program;

(iii)   developed model of future capital budget sustainability;

(iv)   developed new capital budget development system to enhance decision-making and streamline capital budget process; and

(v)   included 3 additional years in addition to the current year to begin development of a fully justified five-year capital program.

These successes within the budget process have helped Council achieve three consecutive years of zero tax increases, with core services maintained and restructuring targets achieved. However, more improvements to the budget process within the context of the Corporate Management Framework must be considered to meet the challenges the City faces next year and in ensuing years. Long-term budget pressures imply that achieving zero tax increases in the future will not be sustainable. The budget process must shift to a process that supports longer-term planning of resource allocations, as well as provide new tools to assist Council in the prioritizing of services.

Results of the 2000 Budget Process De-Briefing:

After the 2000 Budget Process, de-briefing sessions were recently held with program staff, the Senior Management Team, members of the Standing Committees, Budget Advisory Committee and Policy and Finance Committee. The objective was to discuss the 2000 budget process and to solicit ideas for improvement for the 2001 and 2002 budget process. The following is a summary of the areas for improvement, grouped by the three main budget stages:
Budget Preparation:

(i)   need a budget timetable with deadlines that are achievable and met;

(ii)   need target setting and priorities reviewed up-front by Council within a strategic framework;

(iii)   need Council approval of multi-year budgets based on affordability;

(iv)   need up-front involvement of all members of Council; and

(v)   need more effective use of staff resources.

Administrative Review:

(i)   CAO/CFO should deliver most efficient budget possible and provide service level options at various target levels;

(ii)   need better evaluation tools, performance measures and benchmarks to assess priorities;

(iii)   review needs to be linked to strategic priorities; and

(iv)   need better participation of ABCs in the budget process.

Political Review:

(i)   need more up-front involvement / priority setting by Standing Committees;

(ii)   need to clarify roles of Committees and provide better link between Budget Advisory Committee, Standing Committees, Policy and Finance Committee and Council;

(iii)   need to streamline decision-making and reduce volume of reports;

(iv)   Budget Advisory Committee needs to focus on service level tradeoffs between programs and balance city-wide service priorities within a fiscal framework;

(v)   Standing Committees need to focus on tracking performance measures and prioritizing base service levels within funding envelopes;

(vi)   need to involve as many Councillors as possible in the budget process and provide forums for information sharing; and

(vii)   need to endorse financial targets / envelopes up-front.

Based on the ideas identified from the de-briefing sessions there are further improvements for the City's budget process that can be implemented.

Effective Implementation of a New Budget/Planning Process:

The following features are proposed to improve the effectiveness of the City's budget process:

	Objective	Implementation Strategy	Budget Cycle
(1)	Council's endorsement of targets and guidelines will be up-front. Service level priorities will be balanced with affordability.	The 2001 and future Operating Budget program submissions will be prepared by staff on the basis of resources required to provide current services and service levels taking into account all possible service efficiencies. Service level options will be presented to reflect maintaining the program budget within the previous year's Council approved budget.	2001
		The 2001 Capital Budget targets will be based on corporate affordability criteria and fiscal envelopes allocated to program areas. Projects previously approved will not be reviewed unless there has been a change in scope.	2001
		Council's Strategic Plan contains the goals and strategies that ultimately determine service priorities for the city. The top priorities will be identified early in the first year of the term of Council to facilitate the budget process. The prioritized goals and strategies in the plan, once approved by Council, will define corporate priorities and drive the departmental multi-year program plans. In April / May 2001, Council will identify the top priorities in the Strategic Plan, to be incorporated in the 2002 Budget. Strategic planning will define the first step in the city's budget process.	2002
(2)	There must be appropriate information to support decision-making.	Multi-year (3-year) program plans and performance measures will be developed. Priority-setting mechanisms will be established. The multi-year program plan linkages to the program budget submissions will be established by 2002.	2002
		Members of Council will have regular and supplementary briefings regarding process, priorities and strategies on an on-going basis. Once the membership and structure of the Committees have been reviewed, there will be improved communication between Budget Advisory Committee, Policy and Finance Committee, Standing Committees and Council.	

	Objective	Implementation Strategy	Budget Cycle
(3)	The roles and accountabilities of Committees need to be clearly defined within a fiscal framework.	Standing Committees will review performance measures and trends, review programs for efficiencies, recommend and prioritize service levels within funding envelopes, review multi-year program plans, which include capital master plans.	2002
		Budget Advisory Committee would receive the Standing Committee service level recommendations and efficiencies in order to integrate and prioritize between programs, balance city-wide service priorities and recommend a budget to Policy and Finance Committee.	2002
(4)	All members of Council, staff and the public will be engaged in the budget process.	All stakeholders will have an opportunity to participate. The public will have an opportunity to make deputations on service levels at key stages:	
		Public input into the recommended budget will be heard at the Standing Committees review (End-January, 2001).	2001
		Public input will also be heard on the multi-year program plans at the Standing Committee review.	2002
(5)	The budget process will be streamlined to allow effective decision-making.	Supplementary briefings will reduce the volume of formal report requests.	2001
		Multi-year program plans and performance measures will provide the appropriate tools to make informed service delivery decisions.	2002
(6)	Council will approve a multi-year budget program.	The process will provide multi-year program approvals for both the capital and operating programs.	2003
		Programs will formulate capital programs within their program plans. These will be approved as a five-year, fully justified plan with links to multi-year program planning and strategic master plans. Projects within the five-year timeframe will be approved to proceed.	
		The 2001-2005 five-year capital program, with fully justified business cases will be reviewed by Standing Committees, with an additional year being added in year 5 in the 2002 budget cycle, based on the first four years already adopted. The future year operating budget impact of the capital	2001

	Objective	Implementation Strategy	Budget Cycle
		program will be approved in conjunction with approval of the 2001 – 2005 Capital Program.	
		In 2001 and 2002, the Operating Budget will incorporate the future year cost of current year budget approvals. The full year costs of changes to existing services and new services proposed for the 2001 and future Operating Budgets will be fully incorporated in Council's approval, with the incremental portion budgeted as a contribution to an appropriate reserve fund.	2001/2002
		For the 2003 planning cycle, the goal is to have a two-year budget approval for the operating program. Understanding the cost of program delivery, in the longer-term, will be improved by activity based costing. In 2003 and every 2 years thereafter, biannual operating budgets will be approved (i.e. 2003 and 2004), the first two years of the program plans adopted, subject to the Standing Committees' review of the program plans.	2003
(7)	Evaluation tools and master plans must be developed to prioritize the Capital Program.	Criteria that define capital program priorities within and between programs will provide a standardized method for ranking capital projects.	2001 Ranking Tool
		Master Plans are also being formulated for the capital program. The master plans will be evaluated by the respective Standing Committees to assess capital program priorities.	2002 Master Plans
(8)	Financial protocols will be improved.	All in-year policy decisions having a current or future year budget impact will be reviewed and approved through the Policy and Finance Committee.	2001
		Standing Committees, when considering in-year budget increases will (i) approve a corresponding cost saving and change in service levels; and (ii) approve proposed service level changes for any projected over-expenditure within a fiscal year.	2001
		The full-year operating budget impact of every capital project will be part of the approval of the	2001

	Objective	Implementation Strategy	Budget Cycle
		2001 – 2005 Capital Program. In subsequent years, the full-year operating budget impacts of any new capital item added to the infrastructure will be clearly identified in the year of approval of the new capital item. These operating budget impacts would include relevant salaries and benefits, utilities, and provisions for capital financing, and capital maintenance and replacement costs.	

Roles and Responsibilities Within the New Planning / Budgeting Cycle:

Consistent with the existing Committee structure, the following table highlights the key roles and responsibilities of each stakeholder within the budget process for both the political and administrative reviews. Excluding the links to Council's strategic plan and the multi-year program planning, the following political and administrative review process will be implemented for 2001:

Political Review	
Stakeholder	Role / Responsibility
Standing Committees	(a) Reviews 3-year program plans to evaluate service delivery efficiencies and performance measures within fiscal framework; prioritizes service level changes / initiatives. (b) Recommends approval of multi-year program plans, 5-year capital master plans and service priorities, including service level changes. (c) Solicits public's input on the multi-year program plan service level priorities. (d) Reviews CAO's Recommended Budget and recommends service level priorities for programs within fiscal framework, and forwards to Budget Advisory Committee for review. (e) Standing Committee Chairs will formally represent their respective committees during the Budget Advisory Committee Review. (f) Provide on-going monitoring of budgets for performance and review of in-year budget requests that impact existing services or add new services.

Policy and Finance Committee	(a)	Reviews CAO Recommended Budget for overall compliance to corporate strategies, priorities and guidelines and forwards the program budgets to the respective Standing Committees.
	(b)	Provides final review based on input / participation from all members of Council.
	(c)	Recommends adjustments to B.A.C. Recommended Budget and forwards to Council for review and approval.
Budget Advisory Committee	(a)	Reviews Standing Committees recommendations, integrates city-wide service priorities within fiscal sustainability plan.
	(b)	Recommends budget to Policy and Finance Committee.
Political Review	
Stakeholder	Role / Responsibility	
Council	(a)	Approves fiscal sustainability framework / forecasts and related capital and operating budget targets.
	(b)	Approves top priorities from the Strategic Plan for the next 3 years.
	(c)	Reviews and approves 5-year Capital Plan, current year Operating Budget until 2003 when 2 years of operating budgets are approved at a time.
Administrative Review	
Stakeholder	Role / Responsibility	
Programs and ABCs	(a)	Develop multi-year program plans that conform to Council's top priorities from the Strategic Plan, identifying services / service level options.
	(b)	Develop performance measures that identify / track efficient and effective service delivery.
	(c)	Prepare their budget submissions based on the priorities identified in the multi-year program plans.
	(d)	Identify service level options that maintain the program budget within the previous year's Council approved budget.
CAO/CFO and Senior Management Team	(a)	Review program plans, performance measures and efficiencies in service delivery.
	(b)	Conducts supplementary sessions with Council members to review budget submissions.
	(c)	CAO / CFO conduct administrative review to review performance measures and trends and issues.
	(d)	Senior Management Team determines corporate priorities across programs and develops service level options.
	(e)	CAO provides Recommended Budget to Policy and Finance Committee.
Budget Services	(a)	Develop detailed budget instructions (policies, guidelines, targets and priorities) to all City programs and ABCs.
	(b)	Prepare timetable that is mutually agreed upon by CAO, CFO, Programs and ABCs.
	(c)	Provides analysis and develops recommendations to support multi-year program planning.

	(d)	CFO and Budget Services review adjusted submissions with Commissioners and staff; forwards outstanding issues to the CAO for review.
	(e)	Supports Standing Committees, Budget Advisory Committee, Policy and Finance Committee and Council.

The roles and responsibilities of each stakeholder are critical to each stage of the mature budget process as outlined in Appendix A. The result is a streamlined process, which eliminates duplication, encourages the exchange of information to reduce formal report requests and involves all Members of Council in decision-making.

The mature budget process, as outlined in Appendix A and Appendix B assumes the status quo in terms of Committee membership and structure. However, different options could be considered to improve the linkages between Committees throughout the political reviews. Options and recommendations for amending the structure, size, membership, accountabilities and roles of existing Committees will be considered as part of the Chief Administrative Officer's review planned for 2001, as per Council's earlier direction.

The Mature Budget Process:

The mature budget process that incorporates the previously discussed items, are attached in Appendix A. This process is expected to be fully implemented for the 2003 budget cycle, when strategic planning and multi-year program planning linkages to the budget process are established. The full process for the mature budget process cannot be implemented for the 2001 budget cycle since Council's strategic plan is still under development and because of the compressed timelines due to the Election. Once the goals and strategies of the strategic plan are approved, the multi-year program plans will incorporate the top priorities in the strategic plan to guide the budget process and reflect all of Council's goals in a phased manner.

The activities and timelines associated with the administrative and political review for the new process are summarized in Appendix B and assume the existing structure and membership of Committees. There are major enhancements for both the political and administrative reviews:

(1)   Council endorses targets and guidelines at the beginning of the process.

This will ensure that there is clear direction that program staff can follow on service priorities defined within a fiscal framework. The objective is to have service level priorities balanced with affordability.

(2)   The cost of program delivery, in the longer-term, will be facilitated by improved activity based costing.

This will ensure that Council and the taxpayers understand the true cost of service delivery and the value received for the tax dollar.

(3)   The current Operating Budget will include future year impacts of current year budget approvals.

Biannual operating budgets will be approved, with the first two years of the multi-year program plans adopted, subject to the Standing Committees reviewing these through the program planning process. This will ensure that Council is informed on the multi-year impact of current year budget approvals. It also allows program staff time in the interim year to focus on refining their program plans in preparation for the next two-year operating budget cycle.

(4)   A five-year capital program will be approved by Council.

Each budget year will add the last year of the five-year Capital Plan. To ensure the capital program remains within the approved fiscal framework, the acceleration of any capital project into the five-year capital program will be offset through the deferral of a project of equal value.

(5)   Standing Committees role will be expanded to include budget monitoring.

In this expanded role, Standing Committees will be responsible for monitoring existing service delivery as well as prioritizing and adjusting service levels to accommodate emergent requirements during the year. In particular when considering in-year budget increases:

    (i)   approve a corresponding cost saving and change in service levels; and

    (ii)   approve proposed service level changes for any projected over-expenditure within a fiscal year.

The mature budget process is streamlined and provides a mechanism for even more effective longer-term planning and decision-making. Achieving a mature budget process requires feedback from the stakeholders in the process. Upon the completion of the previous budget cycles, Budget Services has reviewed the budget process with its clients to solicit ideas for improvements. While common themes and principles will continue to formulate the development of the mature budget process, it is expected that the mature budget process will be substantially implemented in 2002 and fully implemented in 2003. The proposed budget/planning process outlined in Appendix A is based on existing Committee membership and structure.

2001 Budget Process and Timetable:

Appendix C outlines the Capital and Operating Budget timetable for the 2001 budget cycle, approved by Council at its meeting of August 1, 2 and 3, 2000. As noted earlier, the 2000 Election creates a compressed timeframe for the 2001 political review process. Final Council approval is targeted for April, 2001. General timeframes for the 2001 Budget are proposed as follows:

    2000:

2001 Budget Kickoff	Mid-August
CAO/CFO Administrative Review	
- Capital Budget	September – October
- Operating Budget	November – December

2001:

CAO Recommended Capital Budget to Policy and Finance Committee	Mid-January
CAO Recommended Operating Budget to Policy and Finance Committee	End-January
Public Deputations at Standing Committees (Capital and Operating)	End-January/Early February
Standing Committee Review (Capital and Operating)	End-January/Early February
Budget Advisory Committee Review	Mid-March
Policy and Finance Committee Review	End-March
Council Review and Approval	End-April

The following elements from the mature budget process are included in the 2001 budget cycle:

(1)   Council's approved base budget that reflects existing service levels would provide the basis for Program budget submissions. The base budget will be adjusted for items such as; one-time / extraordinary expenditures, in-year budget approvals, efficiencies, and the impact of the capital program. City Programs and ABCs would then be requested to provide separate service delivery and service level options for Committee and Council consideration that maintain the program budget within the previous year's Council approved budget.

(2)   The 2001 Capital Budget targets will be based on corporate affordability criteria and fiscal envelopes allocated to program areas.

(3)   A methodology for ranking and assessing service priorities will be developed, including the identification of core and non-core services, with a report to the Policy and Finance Committee in 2001 for implementation in 2002. This will assist Standing Committees in their review of multi-year program plans, performance measures and trends, program efficiencies and effectiveness, and in recommending and prioritizing service levels within funding envelopes.

(4)   Budget Advisory Committee will receive Standing Committee service level and efficiency recommendations, and integrate and prioritize between programs, balance city-wide service priorities and recommend a budget to Policy and Finance Committee.

(5)   Public input into the recommended budget will be heard at the Standing Committees review of the 2001 Operating Budget.

(6)   A five-year capital program, with fully justified business cases will be reviewed by Standing Committees, with an additional year being added in year 5 in the 2002 budget cycle, based on the first four years already adopted.

(7)   Criteria that define capital program priorities within and between programs will provide a standardized method for ranking capital projects.

(8)   The future year operating budget impact of the capital program will be approved in conjunction with approval of the 2001 – 2005 Capital Program.

(9)   The Operating Budget will incorporate the future year cost of current year budget approvals.

(10)   The full year costs of new projects, initiatives and staffing proposed for the 2001 and future Operating Budgets will be fully incorporated in Council's approval, with the incremental portion budgeted as a contribution to an appropriate reserve fund.

(11)   All in-year policy decisions having a current or future year budget impact will be reviewed and approved through the Policy and Finance Committee.

Budget Policy Development:

A comprehensive set of capital and operating budget policies are being developed for the 2001 budget cycle.

Operating budget policies are being considered for the following:

(i)   Funding of services to maintain reasonable balance between user fee revenues and funding from the general revenue base;

(ii)   Use of performance measures to be established in each program and ABC;

(iii)   Continued development of a debt management strategy;

(iv)   Development of a surplus management strategy; and

(v)   Use of activity based costing to facilitate review of service efficiency.

Capital budget policies are being developed for the following;

(i)   Activity based costing for staff costs charged to the capital program;

(ii)   Real estate acquisition costs incorporated in capital program;

(iii)   Definition of capital and operating budget items;

(iv)   Fleet vehicles and equipment replacement;

(v)   Infrastructure related capital projects; and

(vi)   Contribution to Capital for direct and indirect costs to provide for future replacement of capital assets.

Conclusions:

This report recommends a blueprint for a new city budget process that is consistent with the Corporate Management Framework approved by Council. There will be clear linkages between strategic planning, multi-year program planning and the budget process. The mature budget process, outlined in detail in Appendix A and Appendix B, will be in place for the 2003 budget cycle, which begins in 2002. For the 2001 Budget Process, the Capital and Operating Budget timetable, previously approved by Council on August 1, 2 and 3, 2000 is outlined in Appendix C.

The mature budget process addresses the improvement areas identified from the 2000 Budget Process de-briefings:

Budget Preparation:	
(i) Need a budget timetable with deadlines that are achievable and met.	√ √
(ii) Need target setting and priorities reviewed up-front by Council within a strategic framework.	√ √ √ √
(iii) Need Council approval of multi-year budgets based on affordability.	
(iv) Need up-front involvement of all members of Council.	
(v) Need more effective use of staff resources.	

Administrative Review:	
(i) CAO / CFO should deliver most efficient budget possible and provide service level options at various target levels.	√
(ii) Need better evaluation tools, performance measures and benchmarks to assess priorities.	√
(iii) Budget review needs to be linked to strategic priorities.	√

Political Review:	
(i) Need more up-front involvement / priority setting by Standing Committees.	√ √
(ii) Need to clarify roles of Committees and provide better link between Budget Advisory Committee, Standing Committees, Policy and Finance Committee and Council.	√
(iii) Budget Advisory Committee needs to focus on service level tradeoffs between programs and balance city-wide service priorities within a fiscal framework.	√ √
(iv) Standing Committees need to focus on tracking performance measures and prioritizing base service levels within funding envelopes.	√
(v) Need to involve as many Councillors as possible in the budget process and provide forums for information sharing.	
(vi) Need to issue financial targets/envelopes up-front.	

The proposed mature budget process meets several objectives:

(1)   There are clear links to Council's strategic plan and multi-year program planning within the context of the Corporate Management Framework with planning taking place over a longer-term horizon, with multi-year budget approvals proposed.

(2)   The focus of the budget review is on service priorities, with service level trade-offs within a fiscal framework.

(3)   There is a defined role for Standing Committees in reviewing service level efficiencies and effectiveness, within funding envelopes.

(4)   There is clear direction – Council approves a corporate strategy and guidelines up-front. Council provides up-front direction and endorsement of corporate strategies, guidelines, priorities and targets within the fiscal sustainability framework.

(5)   The review process is streamlined – clear accountabilities are defined for each Committee at each stage of the budget process.

(6)   There will be a reduction in the volume of reports – supplementary sessions will be conducted with Council members to keep them informed.

(7)   Eliminates duplication of review - Committee membership will be structured to include input from all members of Council.

Contact Names:

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Councillor David Soknacki, Scarborough East, appeared before the Policy and Finance Committee in connection with the foregoing matter.

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(City Council on April 23, 24, 25, 26, 27, 2001, and April 30, May 1 and 2, 2001, had before it, during consideration of the foregoing Clause, a confidential report (April 19, 2001) from the City Solicitor, such report to remain confidential, in its entirety, in accordance with the provisions of the Municipal Act, given that it is subject to solicitor/client privilege.)