



STAFF REPORT ACTION REQUIRED

2015 Recommended Budget Process and Schedule

Date:	November 21, 2014
To:	Executive Committee
From:	City Manager Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Fp\Ec14026Fp

SUMMARY

The purpose of this report is to present to City Council for its consideration a process and schedule to review and approve the Tax and Rate Supported 2015 Operating Budget and 2015 to 2024 Capital Budget and Plan for the City of Toronto.

In compliance with the City of Toronto Act (CoTA), the recommended 2015 Budget Process fulfills the City's requirement to "prepare and adopt a budget including estimates of all sums required during the year" for the purpose of operating the business of the City. Although the process is modified to account for an election year, the recommended 2015 Budget Process and Schedule is designed to ensure that both the Tax Levy and Rate Supported Capital and Operating Budgets are approved by March 11, 2015. Staff will be reporting back after the 2015 Budget process with a recommended multi-year planning and budgeting process for the balance of the term of Council (2016 – 2018).

RECOMMENDATIONS

The City Manager and Deputy City Manager & Chief Financial Officer recommend that:

1. City Council approve the 2015 Budget Process and Schedule which is designed to develop, review and adopt the 2015 Operating and Capital Budgets by March 11, 2015 as set out in Appendix 1.

Financial Impact

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

ISSUE BACKGROUND

The City of Toronto Act (CoTA), sub-section 228(1) specifies 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 operating 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 also permits 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."

In non-election years, the Rated Supported 10-year Capital Plans and Operating Budgets for Solid Waste Management Services, Toronto Water and the Toronto Parking Authority are launched in late October/early November and are approved by mid-December in the year before the budget year, so that the rates charged for these services can be set to be effective on January 1.

In non-election years, the Tax Supported Operating Budget and Capital Budget and Plan are launched together at the end of November and are approved by late January/early February as close to the end of the fiscal year as possible to ensure that as much of the fiscal year is available to achieve best pricing from early contract awards; to maximize the construction season; and to implement service adjustments.

In an election year, the incoming Council must approve a budget process and schedule that facilitates the review and adoption of the Operating and Capital Budgets, for both Rate and Tax Supported Budgets. As a result, the timing of the budget process is delayed until the new fiscal year after Committees have been struck and is constrained by the need for Council approval of the budget no later than April 10th (in any given year) to ensure sufficient time is available to prepare final tax bills.

Consequently, the budget process in an election year is typically modified or accelerated to accommodate these various requirements while ensuring that the requisite Committee review activities occur and best budget practices are maintained.

COMMENTS

The City of Toronto Budget Process

The City of Toronto has continuously refined and matured its budget process to ensure that the budget development, review and approval process results in the most efficient use of City resources to effectively meet the service and infrastructure priorities and needs of the citizens of Toronto in a fiscally sustainable manner. Improvements over time has seen the City incorporate best and leading financial planning and budgeting practices and principles of good governance into its budget process; namely:

Multi-year Budgeting

Staff prepare and Council approves a one year operating budget with a 2 year outlook or plan and a 10-year Capital Plan comprised of a one-year capital budget with an accompanying 9-year plan. The City's multi-year budgets establish a longer-term focus regarding the allocation of resources required to deliver the programs and services needed by the community, and to accomplish Council's goals and priorities.

Over the past 4 years, the City has increasingly focused operating budget deliberations on the services and services levels provided to the public. In 2014, the City approved its first operating budget that was oriented from a traditional expenditure view to a service view that included key financial, complement, service and performance information for the 155 services based on Program Maps that articulate the services and activities provided by the City.

On the capital side, the City's capital budget and plan has migrated from a one year budget and 9 year forecast to a one year budget and 9 year firm plan based on annual debt affordability and a focus on how investments address the City's backlog on state of good repair while balancing service improvement and growth projects that contribute to City building objectives.

Public Input and Education

The City's annual budget process is designed to give the public the opportunity to provide input during budget deliberations on service funding priorities and service issues. In many instances, the public's input has resulted in changes to the budget. Individual Councillors can also hold town hall meetings in their wards to encourage public participation in the budget process.

The City has placed additional attention on providing opportunities and information that educate the public on the City's budget; its financial and service issues to better understand the budget process; the services provided and the challenges faced by the City.

- Individual Councillors are provided with tool kits to hold town hall meetings in their wards that are supported by City Financial Planning staff.
- The City's Budget Website has been redesigned and reoriented to a service view to enhance public understanding of the budget content and process by incorporating a

whiteboard animation video explaining the funding of City services; budget summaries including Budget Basic Sheets and Budget at a Glance, Info Graphics on major City services; and how to actively participate in the Budget Process, all of which have been developed with the purpose of making the City's budget process more transparent and understandable to the public.

- Analyst Notes, prepared for every City Program and Agency's capital and operating budget, were redesigned to make them more service and performance focused and easier to understand. These Analyst Notes provide detailed information and analysis regarding the recommended operating and capital budgets and plans; service levels, cost drivers; recommended service adjustments; capital projects and associated issues.
- Budget Briefing Notes are prepared to provide additional summary analysis on Program/Agency topics or as requested by Committee to address requests for further information.

Accessible Information

As noted above, the City prepares and distributes an array of information during the budget process, all of which is distributed to Councillors and made available to the public in Committee, on the City Clerks website as well as the Budget Website. The information is easily available, comprehensive and AODA compliant.

Transparent Decision-Making

The City provides public notice of all budget meetings in 15 newspapers and in 10 languages plus English. All decision-making during the budget process is documented and made available by the City Clerk and is posted on both the City Clerk's and Budget Website. Staff prepare wrap-up notes that document actions requested and taken at Budget Committee meetings which are distributed and posted on the City's Budget Website. The re-orientation of the operating budget to a service view has also contributed to the transparency of how resources are allocated in the budget.

The 2015 Recommended Budget Process

In accordance with CoTA, in election years, the annual budgets must be approved in the budget year. This requires an accelerated budget process to ensure timely approval of all Tax and Rate Supported Capital and Operating Budgets. The budget process proposed below is designed to obtain Council approval of the 2015 Budgets by March 11, 2015. This timing also enables the City to have 2 full cycles of Standing Committee and Council meetings within the first quarter of 2015. While the 2015 Budget process has been modified to meet the timelines, every effort has been made to ensure that the key elements of a good budget process are maintained, as noted above.

The City's budget process is comprised of 2 key stages: the Administrative Review and the Committee Review consisting of the following key activities:

Administrative Review Process:

Budget Development and Review – May to November, 2014

In May the City Manager (CM) and Deputy City Manager & Chief Financial Officer (DCM & CFO) developed and distributed budget directions and guidelines for 2015 Operating and Capital Budgets which addressed the City's projected Operating Budget shortfall. The 2015 Net Operating Budget target for all City Programs and Agencies was set to be the equivalent of the 2014 Approved Net Operating Budget, resulting in a 0% tax increase over 2014. Debt targets were issued to each City Program and Agency

Over the period of May and June, 2014 all City Programs and Agencies submitted their Tax Supported Capital Budget and Plan and their Operating Budget requests to the Financial Planning Division for review and recommendation to the City Manager and Deputy City Manager & Chief Financial Officer.

Over the course of the summer and fall, each budget request was analyzed and reviewed, with a first round of analysis and review undertaken by the Director, Financial Planning from July to September. A second round occurred with the City Manager and Deputy City Manager & Chief Financial Officer who reviewed unresolved issues and recommendations with the Deputy City Managers and respective Program and Agency Heads. The Staff Recommended 2015 Operating Budget and 2-year Outlook and a 10 - year Capital Budget and Plan were finalized by the end of November.

Budget Preparation – December, 2014 – January 19, 2015

During this period, staff prepare for the Public Launch, including producing budget presentations, budget analyst notes, briefing notes and preparing the City's budget website with key other information to provide perspective on key elements of the Staff Recommended Budgets.

Committee Review Process:

Public Budget Launch - January 20, 2015

The Staff Recommended Budget will be launched on January 20, thereby beginning the Committee review process. This activity includes the following:

- The City Manager, Chief Financial Officer and Director, Financial Planning present the 2015 Staff Recommended Operating and Capital Budgets to the Budget Committee.
- Budget Committee members and visiting Councillors have an opportunity to question staff on the presentations made regarding the Staff Recommended Operating and Capital Budgets as a whole. Program-specific questions are intended to be addressed at Budget Committee meetings scheduled specifically for Program/Agency budget briefings and review, as noted below.
- Budget Binders comprising of Analyst Notes for every Capital and Operating Program/Agency Budget as well as Budget communications information are

distributed to members of Council. The distributed information will be made on the City's Budget Website to ensure availability to the public.

Budget Briefings – January 26 to 29, 2015

Four days have been scheduled to provide Budget Committee members as well as non-member visiting Councillors with the opportunity for a more detailed briefing on each Staff Recommended Program/Agency Operating Budget and 10-year Capital Plan.

The four days of budget briefings have been recommended to ensure Budget Committee members receive a more detailed understanding of the budgets that are before them for consideration. These meetings serve, in part, as a substitute for the Budget Committee members' detailed briefings that occur in the late Fall during the latter part of the Administrative Review process. It has been the Budget Committee's practice to have its members assigned in teams of up to two members to each City Program/Agency to receive detailed briefings regarding Program/Agency-specific service issues and pressures, cost drivers and capital requirements as well as to ensure alignment with priorities and affordability targets. These Budget Committee briefings are not possible in an election year and therefore, these four days have been scheduled.

Over this period, Cluster Deputy City Managers and Agency Heads will present their respective Staff Recommended Capital and Operating Budgets. The presentations will be service-based, focusing on recommended 2015 service levels; service challenges, issues and performance; 2015 recommended service operating budgets and as well as the 2015 – 2024 recommended capital budget and plan for service assets; their state of good repair & backlog; recommended capital projects and any associated capital issues. A schedule will be established that details which Programs and Agencies will be considered in each of the four days.

It is the intent that Budget Committee members and visiting Councillors use these briefings to gain a more detailed understanding of the Program/Agency budgets and issues as presented, and have the opportunity to have questions answered by staff. It is expected that staff be given every opportunity to provide answers and clarification during these meetings. Any requests for additional Program/Agency information should be made only after it is deemed by the Committee Chair that it is warranted. If so, requests for Budget Briefing Notes may be made at this meeting.

It should be noted that these meetings will take place the week following the Public Launch in order to provide Councillors with the opportunity to familiarize themselves with the distributed budget information in advance of these meetings. All Councillors are welcome to attend the Budget Committee briefing sessions being held during January 26th to 29th. Should a Councillor wish for additional information, then it would be recommended that the Councillor arrange specific meetings with appropriate staff coordinated through Financial Planning.

Town Hall Meetings – January 21 to March 9, 2015

Any time during the Committee Review Process, Councillors may hold town hall meetings in their ward to educate constituents and receive their input on the Staff Recommended Budgets. Financial Planning Division staff prepare tool kits to assist Councillors' offices with this event and can attend to make presentations or support question periods.

Public Presentations - February 2 – 3, 2015

Two days have been scheduled to provide the public with the opportunity for input/response to staff recommended budgets. Budget Committee members and visiting Councillors may question deputants and Committee members may request additional information from staff regarding any issues raised during these meetings. In the past, public deputation meetings have occurred at City Hall as well as various sites in the Community Council boundaries. The location and approach for 2015 will be determined by the Chair of the Budget Committee, together with its members.

Program Reviews – February 4 – 5, 2015

Having received detailed briefings from staff and input from the public, the two days scheduled for Programs Reviews provides Budget Committee and visiting Councillors the opportunity to request additional information regarding budget issues in the form of Budget Briefing Notes and may review any supplementary reports on the Budget Committee's agenda. As well, Budget Committee can identify budgets that can be finalized without further deliberations where there are no outstanding issues.

Budget Committee Wrap-up - February 13, 2015

At this meeting, Budget Committee considers Budget Briefing Notes and supplementary reports to address additional inquiries and to support the decision making process. Budget Committee members may table motions that amend staff recommended budgets and forward these and any outstanding reports for consideration at its final wrap-up meeting.

Budget Committee Final Wrap Up - February 20, 2015

This is the final meeting of the Budget Committee's deliberations on the 2015 Staff Recommended Budgets. At this meeting, the Committee reviews Budget Briefing Notes, responses to additional Program/Agency information requests; considers motions that may amend staff recommended budgets or that provide further advice to Executive Committee. The Budget Committee finalizes its review and establishes the Budget Committee Recommended Operating Budget and 10-Year Capital Budget and Plan to be considered by the Executive Committee.

The Budget Committee recommends a balanced Operating Budget and 10-Year Capital Budget and Plan to the Executive Committee that align resources to Council priorities,

highlight expected results and outcomes, and incorporate sustainable funding strategies within the City's debt and tax affordability framework.

Financial Planning staff are requested to prepare, on behalf of Budget Committee, corporate reports, reflecting the Committee's Recommended Operating Budget with an updated 2 year Outlook and the 10-Year Capital Budget and Plan, for submission to the Executive Committee.

Executive Committee Review – March 2, 2015

At this meeting, the Executive Committee receives and reviews the Budget Committee Recommended 2015 Operating Budget and 10-Year Capital Budget and Plan.

The Executive Committee's review of the budget focuses on major fiscal and policy issues and confirms the budget as a strategic financial plan that implements Council policies and priorities in a fiscally sustainable manner.

The Executive Committee recommends the 2015 Operating Budget and 10-Year Capital Budget and Plan to City Council.

Council Review and Approval – March 10 and 11, 2015

This is the final step in the Budget process. Two days are scheduled for City Council's deliberations and approval of the 2015 Tax and Rate Supporting Operating and Capital Budget and Plan.

The City's Budget Process for 2016 to 2018

The City of Toronto has adopted a multi-year financial planning and budgeting process that also incorporates service planning and priority setting. The approved multi-year financial planning and budgeting process has 2 key elements described below.

Service Planning and Priority Setting

- Guided by Council's strategic directions, all Programs 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; targets and priority actions; and develop strategies to address emerging service issues and to recommend service priorities.
- Service planning may include public engagement on priority setting.
- Budget Committee will assess Standing Committee's recommended service priorities, associated service objectives and targets and service performance within the City's fiscal circumstances and financial outlook and recommend service priorities to be funded, 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 (CM) and Deputy City Manager & Chief Financial Officer (DCM-CFO) will review all Program and Agency Budgets to ensure that resources are allocated to service priorities.
- The Committee review process will include public presentations.
- The Tax-Supported Operating and Capital Budgets will be approved early in the new year (i.e. late January or early February in a non-election year).
- The Rate-Supported Operating and Capital Budgets will be approved by December of the previous year (in a non-election year).

The service planning and priority setting stage of the approved multi-year financial planning and budgeting process was not implemented during this last term of Council.

Council did not undertake a strategic planning process to establish strategic goals and directions at the outset of its term which would have been critical to guide the service planning and multi-year budgeting process. Instead, Council's early focus was on eliminating its reliance on prior year's surplus as a budget revenue source in order to move the City towards fiscal sustainability. Notwithstanding the above, Council did approve key initiatives that were based on strategic priority-setting informed by upfront public consultation:

- In April 2011, Council approved a Service Review Program and undertook a Core Service Review that included extensive public engagement activities to set the foundation for the City's services and service levels in time for the 2012 Budget process, with implementation that continued through the 2013 Budget process;
- In July 2013, Council approved and undertook a service level review through its Standing Committees that included public presentations, enabling Standing Committees to review City Programs' service levels and standards and recommended service level priorities for consideration during the 2014 Budget process;
- In March 2014, Council reaffirmed its Strategic Plan and approved 26 new Strategic Actions to advance its vision, mission and goals for the City and guide the City's service planning, multi-year budgeting, and performance planning processes which complement its current initiatives and Council priorities.

- During its consideration of the 2014 Budget, Council requested *‘the Deputy City Manager & Chief Financial Officer to include in the budget process for 2015 a Standing Committee Service Level Review process.’* (2014.EX37.1) A service level review was not undertaken in the Spring of 2014 as it would have resulted in the outgoing Council committing an incoming Council to service level priorities. The 2015 Recommended Budget Process and Schedule does not include a Standing Committee service level review given the delayed start of the process due to the municipal election. Staff will be reporting back with the recommended budget process for the balance of the term of Council on the implementation of service planning and priority-setting process that will see a staged approach, beginning with a service level review for the 2016 budget process.

- During its deliberations of the 2014 Budget, City Council requested the City Manager *‘to report to Budget Committee on a potential pilot project for implementing a community participatory budgeting program as part of the 2015 Budget process, such a pilot would allocate a specific amount of the 2015 budget process to participating wards.’* (2014.EX37.1) Participatory Budgeting (PB) is a specific type of civic engagement process where residents propose, develop and vote on community investment projects, to be funded through a pre-determined portion of the municipal budget. Once a community votes, the chosen projects are usually adopted by the municipal council without amendment and are then implemented by the municipality. A Participatory Budgeting process typically takes approximately 6 months to complete and is repeated on an annual or bi-annual basis.

Over 3000 PB initiatives have taken place worldwide, including many jurisdictions and government agencies in South America, the UK and Europe. Notable cases in North America include: The City of Chicago (since 2009), New York City (since 2011), The City of Guelph (since 2005), and Toronto Community Housing (since 2002).

Benefits of Participatory Budgeting include:

- Increased alignment between community priorities and municipal budgets.
- Increased engagement and empowerment of populations that are not typically involved in municipal affairs.
- Increased transparency of budget decisions both through education about the budget process and public involvement in decision-making.
- Growth in public awareness, knowledge and engagement in municipal issues.

City staff are in the process of developing a pilot project for participatory budgeting and will report back early in the 2015 budget process on the details of this initiative.

It is intended that after the 2015 Operating Budget and Capital Budget and Plan are approved by Council, staff will report back in the spring of 2015 with a recommended budget process for the balance of the term of Council that builds on and implements the best and leading planning and budgeting practices reflected in the Council approved “multi-year financial planning and budgeting process” that:

- Engages stakeholders in priority-setting through upfront public consultation;
- Has a long-term perspective for planning and budgeting that promotes service and fiscal sustainability;
- Introduces a structured service planning process that links resource allocations to service objectives and targets driven by Council priorities;
- Is service-based and performance-focused: it focuses budget decisions on service objectives, service levels, results and outcomes using performance targets and metrics;
- Emphasizes the evaluation of service performance so that planned results can be monitored and achieved; and,
- Establishes roles and responsibilities for Standing Committees, the Budget Committee and Executive Committee.

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SIGNATURE

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Attachments:

Appendix 1 – 2015 Budget Process Schedule Summary
Appendix 2 – 2015 Recommended Budget Process Schedule

Appendix 1

2015 Budget Process Schedule

Activity	Operating/Capital Budget - Rate Supported Programs	Capital Budget - City Divisions & Agencies	Operating Budget - City Divisions & Agencies
Budget Submission Deadline	June 23	May 30	June 23
Director, Financial Planning Division Review with Programs	August 6 - September 4; September 26 - 30	June 25 - July 7; September 26 - 30	August 6 - September 4; September 26 - 30
CM/CFO Meeting with Programs	October 8 – November 20		
CM/CFO/DCM Final Meeting	November 21		
Budget Launch - Budget Committee	January 20, 2015		
Budget Briefings (Budget Committee)	January 26 - 29, 2015		
Public Presentations (Budget Committee)	February 2 - 3, 2015		
Program Reviews (Budget Committee)	February 4 - 5, 2015		
Budget Committee Wrap-up	February 13, 2015		
Budget Committee Final Wrap-up	February 20, 2015		
Special Executive Committee	March 2, 2015		
Special City Council	March 10 - 11, 2015		