

## **Appendix B – Jurisdictional Review**

Multi-year budgeting does not have a standard approach in Canadian municipalities, but many municipalities have been successful in its implementation and have acknowledged the benefits of multi-year budgeting. This appendix provides an overview of the multi-year budgeting frameworks and processes used in four cities. Summary information on 20 jurisdictions from nine Canadian Provinces is found in Appendix C. While it is beyond the scope of this document to go into detail on the processes used in these cities, it will provide a general, high-level overview on how various cities approach multi-year budgeting.

### **1. City of Burnaby (5-Year Rolling Operating & Capital Budget)**

The City of Burnaby develops its annual five-year financial plan as its multi-year budget. This rolling five-year financial plan includes the budgets for revenues, expenditures and capital projects. This plan aligns the City priorities with its goals, and outlines the financial resources required to support the overall vision, values and goals of the City. It helps to plan better for the short, medium, and long term. Burnaby says “it is another step we are taking towards creating a more open and forward-looking local government”.

The budget is organized by type of operation (e.g., general fund and utility funds), with each operation considered a separate budgeting and accounting entity. Funds are budgeted and reported along departmental lines, with accountability and authority for budgetary approval and amendments resting with Council. Council delegates the authority for actual disbursement and implementation of the five-year budget process to the City Manager and Directors. All financial and operational policies related to accounting practices are adhered to in the development of the five-year budget.

The five-year budget process encompasses Burnaby’s Corporate Strategic Plan and outlines the City’s proposed revenues and expenditures. In compliance with the Community Charter, the budget has been developed with a city-wide perspective through community engagement, staff input and Council direction.

### **2. City of Calgary (4-Year Static Operating & Capital Budget)**

Calgary is one of the most experienced jurisdictions in Canada with respect to multi-year budgeting. Calgary’s City Council approved its first Multi-Year Business Plan and Budget in 2004, which included a three-year Operating Budget and a five-year Capital Plan. It was effective for the 2006-2008 budget cycle. It then repeated the process for two subsequent three-year budget cycles (2009-2011 and 2012-2014).

In 2012, the Government of Alberta amended the Municipal Government Act to allow municipal elections to occur every four years, beginning with the 2013 municipal elections. As a result of this change to Alberta’s municipal election terms, the City of Calgary undertook reforms to change its multi-year business plan and budget process by extending the budget cycle to four years.

In November 2014, the City of Calgary adopted its first four-year business plan and budget, called Action Plan, which ran from 2015 to 2018. However, because legislation requires an annual budget to be approved, Council also passed the 2015 operating and capital budget at the same meeting. Calgary's four-year budget cycle follows the one-year overlap of Council's four-year electoral term – as it did under the three-year cycle.

According to a Multi-Year Business Planning and Budgeting Policy, Calgary begins each budget cycle with extensive public engagement. It supplements this exercise with education and awareness about the multitude of issues, challenges, and opportunities the City will need to address during the budget cycle. However, it does not perform significant public engagement on the budget in the intervening years of the budget cycle.

Calgary's process allows its Council to make annual business plan and budget adjustments in the budget cycle. According to the City's Action Plan Summary document, "this is done to allow City Council and Administration to respond to emerging events and unexpected issues (economic, demographic, financial), and maintain the integrity of four- year plans and budgets."

Calgary's multi-year budgeting policy limits the adjustments to the following circumstances:

- External factors such as provincial or federal budgets, or changes imposed on pension plan contributions or Workers' Compensation Board payments.
- Adjustments to the operating impacts related to capital project adjustments.
- Unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections.
- Council-directed changes to priorities, or results shown in performance reporting, that cause: requests to carry over operating variances, and/or business plan amendments that require budget changes.

Special emphasis is placed on what is termed "mid-cycle" adjustments. The mid-cycle adjustment occurs in year two of the budget cycle, and year three of the Council term (a four-year cycle). This mid-cycle adjustment includes an updated review of key planning documents, such as a socio-economic outlook, and opportunities to revisit Council priorities and citizen engagement. This adjustment will enable changes to the second half of the cycle, if necessary.

Notwithstanding the fact that Calgary has a multi-year budget process, it still provides annual accountability reports, such as a Corporate Annual Report and Audited Financial Statements, as required by provincial legislation. This annual reporting helps the Administration and Council in making more informed decisions in the annual adjustment process.

### **3. City of Whitehorse (3-Year Static Operating Budget and 4-year Capital Budget)**

In 2013, the City of Whitehorse approved the first ever three-year (2013-2015) budget and four-year Capital Plan (2013-2016). Council approves, annually, the first of the three-year operating budget and the first of the four-year capital budget and adopts, in principle, the budgets and mill rate for future years. Annual adjustments are made to the budget and mill rate, and the budget is prepared on a static basis.

The City budget process builds on improvements from previous budgets and incorporates the first multi-year approach that more actively involves input from all members of Council through the Standing Policy Committees. Along with a four-year capital investment plan, this multi-year budget aims to control expenses, invest in priority services, drive efficiencies, and achieve sustainability and greater certainty for taxpayers, stakeholders, and the Federal and Provincial governments.

The annual adjustment process provides Council with flexibility to adjust the budget for legislative reasons, or special circumstances that require funding and resource adjustments. Such as:

- Changes to Council priorities that impact the delivery of services.
- Changes from external factors, such as federal and/or provincial policies that impact the budget, insurance premiums, and pension plan contributions.
- Unanticipated changes to economic forecasts and financial markets.
- Changes to the assessment base.
- Changes to the operating budget because of capital project adjustments.

#### **4. City of Saskatoon (2-Year Static Operating Budget & Capital Budget)**

From 2015-2017, the City of Saskatoon began to invest significant time and resources on research and preparation related to multi-year budgeting. In 2018, Saskatoon's Finance Department began to work on upgrading the current budgeting system and IT system to expand capacity and functions for multi-year budgeting and planning with internal resources and external consultants.

In April 2019, a first multi-year business plan and budget policy was approved related to multi-year budgeting. In November 2019, Saskatoon City Council approved a static two-year operating budget (2020-2021) and two-year capital budget (2020-2021), within a five-year capital plan (2020-2024).

According to the policy, in each year of an approved Multi-Year Business Plan and Budget, the City Council may adjust the current and future years of the business plan and budget. Adjustments shall be made once per year, near the end of the previous fiscal year. Therefore, in November 2019, Saskatoon released a Council-approved formal budget book: 2020-2021 Multi-Year Budget. On December 3, 2020, Saskatoon City Council approved the 2021 budget which represented the second year of their two-year multi-year budget. However, a new budget book was not created in the second year. Saskatoon only released a Council approved report: "2021 Business Plan and Budget Proposed Adjustments" which simply shows the changes to the 2021 year compared to the original two-year budget.

Annual adjustments to the Operating and Capital Budgets are be limited to the following circumstances:

- City Council-directed changes to its Strategic Priorities and/or the City's Strategic Plan that have significant financial impacts on service delivery.
- Significant changes to operating impacts resulting from Capital Budget adjustments.
- Unanticipated external factors.

Unlike the other three cities which were analyzed in this appendix, the City of Saskatoon decided to adopt a shorter budget cycle with a two-year term, primarily because of the many unpredictable assumptions and forecasts of population, economy, tax rate, interest rate, etc. in a longer term.