SUBJECT: 2009 Tax and Rate Budget Process (FCS08080) (City Wide)

RECOMMENDATION:

That the 2009 Tax and Rate Budget Process, including the establishment of budgeting guidelines and a public consultation process, be referred to the Budget Steering Committee.

EXECUTIVE SUMMARY:

As approved in 2007 (FCS07078), the current budget process requires that budgets are submitted to and dealt with, in detail, at their respective Standing Committee; the Standing Committee then forwards their recommendations to Budget Steering Committee; the Budget Steering Committee vets the complete budget and makes recommendations to CoW for final approval.

Prior to commencing the 2009 budget process, staff are recommending that options related to process and timelines be presented to the Budget Steering Committee for approval. The Budget Steering Committee will also be requested to provide budget guidelines for 2009 in advance of the process.
PROCESS

The City of Hamilton’s budget process constitutes a strategic financial tool that enables Council to:

- Deal with fiscal challenges of increasing service demands under a constrained revenue base;
- Implement corporate strategic plan and put fiscal context on the corporate decision making process;
- Allocate scarce financial resources to maintain the City’s infrastructure and provide limited expansion opportunities in an effort to address growing community demands; and
- Achieve the above objectives in a timely and efficient manner, thereby permitting staff to focus their attention on other initiatives, such as supporting Council’s Strategic Plan.

Staff are currently developing a number of improvements for the 2009 budget process, including an introduction of multi-year budgeting, incorporating linkages to Council’s Strategic Plan, preparing for results and outcome reporting for future budget reporting and improving on the efficiency of the budget process in general.

The budget process proposals that will be submitted by staff will comply with the principles that make up what the Government Association of Finance Officers (GFOA) of North America considers a good budgeting process.

Budget Steering Committee

In order to facilitate a more efficient and streamlined budget process, it is proposed that the Budget Steering Committee communicate to staff a preferred budget process, objectives, guidelines and information. Council’s strategic themes and focus areas have been identified through Council’s Strategic Plan which will assist staff to guide in budget development. The focus areas may be re-aligned annually based on the changing fiscal environment and community needs. The proposed budget process reflects this through an annual review of the Strategic Plan and public engagement process.

Budget Process Options

Tax Budget (Capital and Operating)

In 2007, Council was provided four options with respect to the budget process for 2008. These were:

1. Committee of the Whole (COW) – as was done prior to 2008.
2. Standing Committee / COW – budgets are dealt with, in detail, at their respective Standing Committee and then forwarded to COW.
3. Standing Committee / Budget Steering Committee / COW - budgets are dealt with, in detail, at their respective Standing Committee and then forwarded to the
Budget Steering Committee. The Budget Steering Committee vets complete budget and then recommends to COW for final approval.

4. **Budget Steering Committee / COW** – Budgets are dealt with in detail at Budget Steering Committee and then forwarded to COW for consideration.

Council directed staff to implement Option 3 and the Budget Steering Committee was created. The Committee consists of the Chairs of the Standing Committees and Mayor.

The Tax Capital Budget was approved in a very timely manner and the new process, including the role of the Budget Steering Committee, seemed effective. With respect to the Tax Operating Budget, after lengthy debate at the Standing Committee level, the budget was reviewed by the Budget Steering Committee in one brief half-day meeting and then referred to the Committee of the Whole for a more lengthy debate.

If the Budget Steering Committee continues to be incorporated into the Tax Operating Budget process, staff will be identifying ways to increase engagement of that Committee.

**Rate Budget (Water/Wastewater/Storm)**

During the 2008 process, the Rate (Capital and Operating) Budget was dealt with by the Committee of the Whole and approved prior to January of 2008. Staff propose that these continue to be dealt with at COW and, for 2009, both budgets be considered and approved by COW in December of 2008.

**Conclusion**

Staff are developing a budget process for the City of Hamilton that incorporates improvements with respect to multi-year budgeting, incorporates linkages to Council’s Strategic Plan, prepares for results and outcome reporting for future budget reporting, and improves on the efficiency of the budget process in general. Further information is provided within this report.

Staff are proposing that these issues be referred to the Budget Steering Committee for further direction.

**BACKGROUND:**

In 2008, Council approved a new budget process. The revised budget process comprised a course of actions that included the submission of tax supported budgets for each department to their respective Standing Committees. The Standing Committee approved budgets were submitted to the Budget Steering Committee (BSC) made up of the Mayor and Chairs of each Standing Committee. The total of the budget was then approved and submitted to Committee of the Whole for consideration. Finally, the budget was deliberated at Council.

Each Committee received a budget report outlining the departmental submissions relevant to their Committee. The Standing Committees deliberated the requested
budgets, referred enhancements and requested program enhancements. When deliberations were completed, the departmental budget was submitted to BSC highlighting any recommended amendments.

Building on the process approved by Council, the budget process has been designed to comply with generally accepted budgeting principles, as well as, budgeting practices recommended by the North American based Government Finance Officers Association (GFOA).

The GFOA considers a good budget process as one that:

- Incorporates a long-term perspective;
- Establishes linkages to broad corporate strategic goals;
- Focuses budget decisions on results and outcomes;
- Approved in a timely manner, ideally prior to commencement of fiscal year; and
- Provides incentives to government management and employees.

**ANALYSIS/RATIONALE:**

**MULTI-YEAR BUDGETING**

Competing demands for resources may appear equally important in the context of annual budgets which do not take planning into consideration. Council now has a mechanism to assist them in determining the priority of the demands made upon it. Council’s Strategic Plan is that tool. To support Council Strategic goal of *Financial Sustainability*, the 2009 budget process will endeavour to incorporate a three (3) year macro-level operating budget and forecast. This multi-year budgeting plan will be presented at a high level, and will endeavour to be linked and aligned to Council’s strategic goals.

**PERFORMANCE MEASUREMENT AND BENCHMARKING**

Program information, including mission, services description, objectives/initiatives and budget drivers will be included in the budget submissions. Benchmarking can be valuable to the successful transition to outcome or performance based budgeting. Budget documents will incorporate a limited number of benchmarks to allow for future budget reporting on prior years’ experience and to demonstrate improvement in their performance levels, particularly their efficiency and effectiveness in service delivery. The performance measurement and/or benchmarking data will come from a variety of sources, i.e., OMBI, WDO, OGRA, etc.

**PUBLIC ENGAGEMENT**

Public engagement is an important component during the budget process and it has been the City’s practice to provide an opportunity for citizens to address Council during the political review process. Over the past several years, staff has attempted to conduct public meetings and "road shows", however this approach has proven to be an ineffective way of soliciting citizen feedback.
2009 (Budget) Public Engagement: For the 2009 budget process, Council may wish to consider a continued practice of receiving public delegations to COW. In addition, in the effort of reaching and obtaining input from a broader general population, Council may consider the tool of surveying, whereby on-line comments will be received and presented to Members of Council for their information.

2010 (Budget) Public Engagement: Staff are then proposing that some form of public engagement be conducted following the 2009 budget approval and prior to reviewing Council's Strategic Plan. This will allow Council the opportunity to assess, through the engagement process, community condition, needs, priorities, challenges and opportunities and help to ensure that the Strategic Plan continues to be a living document that aligns with citizen needs.

Strategic Plan

One of the most significant challenges when adopting a Strategic Plan is ensuring that the decisions made during the annual budget process support that plan. Staff are currently reviewing a number of methods of integrating the Strategic Plan and the annual budget process. This will include enhancements to the budget documents, particularly the departmental and divisional overview sections. As well, departmental presentations will provide further insight into the budget allocations and linkage to the Strategic Plan.

While the process of aligning the resources to the Strategic Plan objectives will begin during the 2009 budget, it will take a number of years to fully align to these priorities. With scarce resources available, shifting priorities from an existing program that may not be supporting the Strategic Plan to one that is, will require thorough discussion between staff, Council and the public to ensure that the changes are transparent and reflect the corporate objectives.

Guidelines

Key elements to an efficient and streamlined budget process are the development and dissemination of goals and objectives. In June of 2008, Council approved Council’s Strategic Plan, which consisted of seven (7) focus areas. Council’s Strategic Plan incorporated Financial Sustainability as one of the seven focus areas. To support the focus area of Financial Sustainability, a number of desired end results were approved. It is proposed that the Budget Steering Committee, taking into consideration the Strategic Plan, direct staff regarding budget guidelines, objectives and information.

A streamlined budget process can be assisted through the development and dissemination by Council of budget guidelines up-front/early in the budget process. Budget guidelines and service priorities may be based on affordability and Council Priorities and should be disseminated to staff and outside boards and agencies, in a timely fashion, to ensure City-Wide consistency in budgeting. It is proposed that the Budget Steering Committee develop and disseminate budget guidelines for staff and outside boards and agencies during August/September 2008.
Boards and Agencies

During previous budget processes, Council directed staff to communicate Budget requirements to all Boards and Agencies prior to the start of their Budget Planning Cycles.

It is anticipated that staff will inform all the Boards and Agencies of the direction received by the Budget Steering Committee at the proposed September 2008 meeting to discuss 2009 Budget Guidelines and Instructions.

**ALTERNATIVES FOR CONSIDERATION:**

Council can provide staff with alternative direction on any aspect of the budget process.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

There are no financial, staffing or legal implications incorporated within this report.

**POLICIES AFFECTING PROPOSAL:**

N/A

**RELEVANT CONSULTATION:**

All departments were consulted in the development of this recommendation.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

- Community Well-Being is enhanced. ☑ Yes ☐ No

- Environmental Well-Being is enhanced. ☑ Yes ☐ No

- Economic Well-Being is enhanced. ☑ Yes ☐ No
Does the option you are recommending create value across all three bottom lines?

☐ Yes  ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?

☐ Yes  ☐ No