

# Fall 2020 Supplemental Budget Adjustments - Process Options

## Recommendation

That the October 19, 2020, Financial and Corporate Services report FCS00087, be received for information.

## Previous Council/Committee Action

At the September 21/23, 2020, City Council meeting, the following motion was passed:

That Administration provide a report to Council with options on how to present/discuss/debate the Fall 2020 Supplemental Operating and Capital Budget Adjustments by department, including any potential calendar changes that may be required to the current schedule.

## Executive Summary

In consideration of Council's motion, Administration is planning to provide additional operating budget information details for each branch that has proposed budget adjustments for the Fall 2020 Supplemental Operating Budget Adjustment. The additional information will include explanations for all 2021 budget increases and reductions by branch, as appropriate.

No changes to the Fall 2020 Supplemental Capital Budget Adjustment process are being recommended.

Administration has prepared procedures to pilot the Hybrid - Randomized/ Draw process for dealing with amendments, as directed by Council at its January 20, 2020 meeting.

Details about other options Administration considered for presenting budget information are outlined below.

## Report

The spring and fall supplemental budget adjustment reports are part of the City Council approved multi-year budgeting approach to the 2019-2022 Budget. These updates provide Council with an opportunity to adjust the 2020-2022 operating and capital budgets in response to changes in external factors such as:

- provincial or federal budgets and/or changes imposed by legislation;
- operating impacts from implementation and completion of capital projects;
- unforeseen changes to economic forecasts affecting costs, service demand, or revenue projections; and
- Council-directed changes to priorities, policies and programs.

### **Current Process - Fall 2020 Supplemental Budget Adjustment**

#### Capital

The Fall Supplemental Capital Budget Adjustment (SCBA) reports and presentations will provide details of all adjustments to the capital budget by branch and department, as well as by budget adjustment category requiring City Council approval.

Administration will also deliver the Q3 2020 capital financial update at the November 16, 2020 City Council meeting with the Fall 2020 SCBA report. The capital financial update provides updates on significant projects and summarizes progress on the four-year capital budget.

#### Operating

The Fall Supplemental Operating Budget Adjustment (SOBA) reporting and presentation will include budget adjustments requiring City Council approval, as well as other key information such as the proposed tax impact on typical homeowners. The nature and magnitude of the proposed 2020 Fall SOBA, which will include ongoing reductions to lower the approved tax levy increase, may require process changes to ensure Council has sufficient detail and time to deliberate. Administration will also deliver the Q3 2020 Operating Financial Update at the November 16, 2020 City Council meeting with the Fall 2020 SOBA report.

### **Fall 2020 Supplemental Capital Budget Adjustment Report and Presentation**

Administration does not recommend changes to the Fall 2020 Supplemental Capital Budget Adjustment process. The standard reporting format and Q3 2020 capital financial update will provide details for each significant project by branch.

With the fall Supplemental Capital Budget Adjustment, Administration will provide the analysis requested in the motion made by City Council on May 25, 2020 to prioritize the remaining projects in the 2019-2022 Capital Budget to bring back infrastructure reduction scenarios to tax-funded discretionary (pay-as-you-go) and debt supported projects to offset operating budget shortfalls.

### **Fall 2020 Supplemental Operating Budget Adjustment Report**

Beyond the typical SOBA information, Administration will provide additional details by branch within the report to support Council's discussion of the Fall 2020 SOBA.

Administration will provide tables for all branches with changes to their 2021 currently approved budget including:

- 2019 Actuals
- 2020 Budget
- 2021 Currently Approved Budget
- 2021 Budget Changes, including explanations of increases and reductions
- 2021 Proposed Budget
- 2022 Proposed Budget

Administration could also provide complete budget information as listed above, but broken down by department instead of by branch. While this method would provide a high level of transparency, it may not be specific enough to provide Councillors with the details they prefer to make decisions.

Regardless of format, Administration will explain all 2021 budget increases and planned reduction strategies, with the latter aligned to results of the limited scope Priority Based Budgeting (PBB) exercise requested by City Council on May 25, 2020. The focus of the Fall 2020 SOBA will be to address ongoing budget impacts and limit the proposed 2021 tax increase to zero percent. The budget impacts of COVID-19 and the related funding strategies are being managed on a one-time basis. Separate reporting on the funding strategies and budget adjustments related to the one-time 2021 budget impacts of COVID-19 will be provided in December 2020 prior to budget deliberations. The date will be finalized following any needed changes to the Council calendar.

### **Fall 2020 Supplemental Operating Budget Adjustment Presentation**

As with previous supplemental budget discussions, Administration will present an overall corporate perspective at the November 16, 2020 City Council meeting. As detailed branch information will be provided in the reports, a corporate presentation makes the best use of Council time but still highlights the key budget changes. With this format, Council could still choose to discuss and ask questions by department during budget deliberations starting in December.

Administration also considered the option to break up presentations and Council questions by department for both the capital and operating budget adjustment process during deliberations in December. However, the planned addition of branch specific information in the Fall 2020 SOBA report and information in the current Fall 2020 SCBA and 2020 Q3 Capital Financial Update will provide a significant level of detail. Presentations by department during deliberation would require more Council meeting time, which could be as many as seven additional days.

**Next Steps and Timelines**

Administration is planning a Council information session to explain the budgetary process in advance of the deliberations.

The magnitude of the proposed fall Supplemental Operating Budget Adjustment may require more time for the non-statutory public hearing process and budget deliberations than originally scheduled in the approved 2020 Council calendar. If Council chooses to receive department presentations and deliberate the budget by department, additional City Council meeting dates will be required in December 2020 or January 2021. Administration will provide a report at the November 2, 2020 City Council meeting outlining potential changes to the Council calendar to finalize dates for the non-statutory public hearing and budget deliberations.

The planned timeline is as follows:

- November 12: Fall 2020 SOBA and SCBA reports are published
- November 16/18/20: Fall 2020 SOBA and SCBA reports are presented to City Council, including an overview presentation from Administration and one round of questions from Councillors
- Late November/Early December: Non-statutory public hearing - minimum of one full day required. Specific dates to be determined
- December 9-11: Budget deliberations and voting (More time may be required if budgets are presented and debated by department)

Administration is assessing options for the timing and discussion specific to the COVID-19 2021 financial impact and funding strategy. Separate COVID-19 reporting will be provided in December. A date will be confirmed after finalizing the schedule above.

**Public Engagement**

There will be an opportunity for the public to provide feedback at the non-statutory public hearing for budget adjustments.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Conditions of Success</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>

The City uses fair, transparent and effective processes during budget deliberations.	Processes are improved, productive and assist with conducting future budget meetings.	TBD	Council preferences are identified and implemented to the extent possible for the 2020 Supplemental Budget Adjustments.
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**Others Reviewing this Report**

- A. Giesbrecht, City Clerk
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor