



Council Policy

Policy Title: Multi-Year Business Planning and Budgeting Policy for The City of Calgary
Policy Number: CFO004
Report Number: PFC2019-0401
Adopted by/Date: City Council
Effective Date: 2005 January 31
Last Amended: 2019 April 29
Policy Owner: Chief Financial Officer

1. POLICY STATEMENT

1.1 Multi-Year Planning and Budgeting Approach

Integrating planning and budgeting began with Council's approval on 2004 March 16 of a multi-year approach to planning and budgeting, covering the years 2006-08. The benefits expected from this approach, as identified by Council, included:

- a) providing a longer-term funding plan so that longer-term goals could be identified and achieved;
- b) providing citizens with more certainty about the direction of City services, finances, and tax levels;
- c) making more strategic use of Council's time in reviewing budgets and the Administration's time in preparing them; and
- d) instilling discipline to control spending plan changes.

1.2 Budget Adoption

Council annually adopts an operating budget and a capital budget after budget adjustments are made. Balanced operating budgets are prepared for each calendar year, but it is possible to approve more than one year of budgets at the same time.

1.3 Business Plan and Budget Adjustment

There are defined mechanisms to adjust the business plans, performance measures and targets, and operating and capital budgets after they are approved.

In this section "adjustment" is not synonymous with opening up the plans or budgets for a full-scale review. The intent is to adhere to the four-year business



plans and the budgets that support them, and to provide the opportunity to fine-tune them only when circumstances warrant.

1.4 Carry Forwards

The practice of carrying forward favourable or unfavourable departmental operating budget variances supports the view that Council has approved a spending plan covering more than an annual period, so that spending can be managed in the context of more than one year. But the practice must be used sparingly, and for closely defined circumstances only.

1.5 Fiscal Stability Reserve

There is a need for contingency plans for handling unexpected events (e.g., natural disaster) or circumstances (e.g., drop in investment income) with significant financial impacts, which could arise during the period of the budget.

For the capital budget, changing circumstances would mean changes to the financing sources Council approves for the capital envelope. For the operating budget, the “Fiscal Stability Reserve” will be used.

1.6 Budget Projections

Ensure the connection between capital project approvals and their operating budget impacts is consistent with the careful planning and improved forecasts of costs and revenues that goes into multi-year planning and budgeting.

1.7 Linking Plans, Budgets and Measures

Business plans, budgets and performance measures must all be integrated and linked, and Council must be informed of their status and progress through regular reporting and adjustments.

The City’s integrated planning, budgeting and management process provides a number of benefits. First, the multi-year budget supports the business plans by ensuring that all efforts outlined in the plans are funded for the full four years. Thus, the plans are realistic and achievable. As well, the business plans support the budgets by providing Council and the public with commitments about what they can expect in public services based on the funding provided in the budget. Second, the integrated multi-year process ensures alignment among planning, budgeting, and managing, so that budget guidelines provide the funding envelope within which business plans are developed, business plans include performance measures for accountability, and performance reporting demonstrates what has been achieved in relation to the business plans.



2. **PURPOSE**

The purpose of this policy is to stipulate the approach to multi-year budgeting and business planning.

3. **APPLICABILITY**

This Council policy applies to all City Administration, as well as the Calgary Police Service and any civic partners whose budget requests are included in the corporate business plan and budget document.

4. **LEGISLATIVE AUTHORITY**

1.1 Pursuant to Section 283.1 (2) of the MGA, a municipality must prepare a written plan respecting its anticipated financial operations over a period of at least the next 3 financial years.

1.2 Pursuant to Section 283.1 (3) of the MGA, a municipality must prepare a written plan respecting its anticipated capital property additions over a period of at least the next 5 financial years.

1.3 Pursuant to Section 283.1 (5) of the MGA, Council may elect to include more than 3 financial years in a financial plan or more than 5 financial years in a capital plan.

1.4 Pursuant to Section 283.1 (6) of the MGA, Council must annually review and update its financial plan and capital plan.

5. **PROCEDURE**

5.1 Multi-Year Planning and Budgeting Approach

Operating and Capital Budgets, Business Plans:

- a. The Administration prepares long-term forecasts as background information to Council's preparation of guidelines for four-year business plans and operating and capital budgets.
- b. Council prepares a statement of its priorities for a four-year period and provides budget guidelines to the Administration that frame the preparation of four-year business plans and corresponding budgets.
- c. The Administration prepares business plans that reflect Council's priorities and guidelines, and which are achievable within the limits of the approved budget guidelines.
- d. Council approves those business plans, including measures of performance.

- e. Based on the approved business plans, the Administration prepares detailed proposed four-year operating and capital budgets for Council approval.
- f. The budget includes four years of property tax rates, utility rates and user fees, as well as changes to those rates and fees.
- g. The capital budget continues to include a five-year plan.

5.2 Business Plan and Budget Adjustment

Adjustments to the Plans and Budgets:

- a) Include an annual adjustment process in the Council calendar for late in the fiscal year (November/December) to adjust the plans, measures and budgets for the following year(s); and
- b) Limit the scope of business plan and budget adjustments to respond to the following circumstances only:
 - i) external factors such as provincial or federal budgets, or changes imposed on pension plan contributions or WCB payments (for example);
 - ii) adjustments to the operating impacts related to capital project adjustments;
 - iii) unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections;
 - iv) 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;
 - v) mid-cycle reviews that identify a change in circumstances based on socio-economic conditions, Council priorities, or feedback from citizen engagement;
 - vi) service reviews that identify opportunities to improve service performance, including financial performance.
- c. Proposed changes to future years' business plans and operating budgets should only be brought forward and approved once per year, during the annual adjustment review, so that all requests can be considered together; and
- d. Capital budget adjustments are more time-sensitive due to the construction season, and should not be restricted to once per year. Therefore, capital budget adjustments may be brought forward with the Mid-year and Year-end Reports on business plans and budgets, as well as during the annual adjustment process, with Council approval required for any adjustment exceeding the limits set in the Budget Reporting Policies (CFO006).



5.3 Carry Forwards

- a) There will be no corporate unfavourable variance in any year of the multi-year plan.
- b) Any favourable corporate variance will be transferred to the Fiscal Stability Reserve (See Fiscal Stability Reserve Policy CFO002) at year end.
- c) The only favourable variances that will be considered for carryover from years 1, 2 and 3 within the four-year budget would relate to significant one-time projects included in the business plans that cannot be completed before the end of the calendar year. Council must be informed of the reasons for the variance, and Council approval must be sought for a carryover, as part of the adoption of an amended budget.
- d) Unfavourable departmental variances in the operating budget must be carried over from years 1, 2 and 3, and a plan must be submitted to Council for approval as to how such negative variance will be mitigated in the following year(s) (see Budget Reporting Policies CFO006 for further clarification on the circumstances when carrying forward unfavourable variances is NOT required).

5.4 Fiscal Stability Reserve

See the Fiscal Stability Reserve Policy CFO002

5.5 Budget Projections

- a. Prepare four-year budget projections annually, that include both a base amount and three growth-related components, each shown separately:
 - i. operating costs related to serving an increasing population and service area;
 - ii. verifiable operating costs related to approved and anticipated capital programs; and
 - iii. operating costs related to donated assets.

5.6 Linking Plans, Budgets and Measures

- a. Provide Mid-year and Year-end reports to the Priorities and Finance Committee as the means by which Council is informed about the performance of the Corporation in relation to approved business plans (including Council Priorities and performance targets) and budgets.

- b. Continue the monthly monitoring and reporting of financial performance through the Executive Information Reports, including year-end projections by department.

6. AMENDMENTS

Date of Council Decision	Report/By-Law	Description
2019 April 29	PFC2019-0401	<p>The revisions to CFO004 are to bring the Council policy into alignment with current Council direction and practice:</p> <ol style="list-style-type: none"> 1. Update the Council policy to reflect Council's decision in 2013 (PFC2013-0338) to move from a three-year plan and budget to a four-year plan and budget and to include a review of Council priorities and check-in with the public at the mid-cycle adjustment; 2. Revise the Council policy to align to the service-based approach as the means by which business plans and budgets are approved and performance reported; and 3. To expand the scope of budget adjustments to include service reviews that identify opportunities to improve service performance.
2012 April 09	PFC2012-34	The key revisions made relate to the change in accountability reporting frequency from quarterly to twice per year.
2008 January 14	FCS2007-46	To include a three-year approach to approving the capital budget.

7. REVIEW(S)

Date of Policy Owner's Review	Description
2010 June 01	Revision-number change from FCS005 to CFO004