
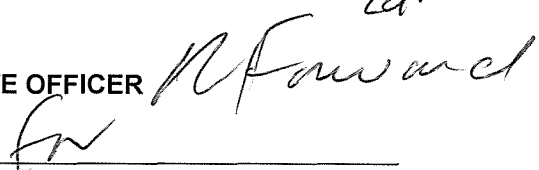

TO: GENERAL COMMITTEE

SUBJECT: 2011 BUSINESS PLAN DEVELOPMENT

PREPARED BY AND KEY CONTACT: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES, x. 4419

SUBMITTED BY: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES

GENERAL MANAGER APPROVAL: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: J. M. BABULIC, CHIEF ADMINISTRATIVE OFFICER 

RECOMMENDED MOTION

1. That the approach and schedule for developing the 2011 Business Plan as outlined in Staff Report CRP004-10 be approved.

PURPOSE & BACKGROUND

2. The purpose of this report is to describe the proposed approach for developing the 2011 Business Plan, including key milestones and process improvements. The corporation's business planning process would typically conclude in January but the recommended 2011 business planning process concludes in March. This proposed timing is related to the election and the potential to reflect the output of the new Council's strategic planning activities in the 2011 Business Plan.
3. During this term of Council significant changes have occurred that directly influence how the public, Council and staff think about municipal service levels and acceptable methods to pay for them. Starting in 2008 Council endorsed a model for budgeting that emphasized business planning and accountability for results, not just basic expenditure control. This approach, now entering its third year of use, is based on the premise that the services and service levels provided by the corporation drive the corporation's costs.
4. By focusing on business plans that describe what will be accomplished with requested resources, Council's control over the corporation's financial and non-financial resources is enhanced. This is reflected in the corporation's award-winning annual budget document and other policy and process changes approved by Council during this term. These include:
 - a) A corporate balanced scorecard, reported quarterly via public updates from the CAO
 - b) An updated Development Charges By-law
 - c) A new Purchasing By-law
 - d) A new Capital Project Control Policy
 - e) New financial policies
 - f) A Long-Range Financial Plan

- g) The introduction of a quarterly variance reporting process describing the corporation's financial and non-financial performance for both capital and operating budgets
 - h) The completion of asset inventories, asset condition assessments and asset management plans
5. Throughout Council's deliberations of these policy enhancements and process improvements a clearer picture of the corporation's financial condition has emerged. This has been based on guidance from the Public Sector Accounting Board (PSAB), Canada's standard-setter for public sector financial reporting, about assessing a government's financial condition. The key elements of financial condition (i.e. Sustainability, Flexibility and Vulnerability) can be described using a series of indicators. Pages 43-45 of the 2010 Business Plan report Barrie's financial condition indicators.
 6. For several years the City of Barrie has consistently been a low-cost municipal government. Municipal taxation per household/per capita is a common method for describing service levels. The latest annual municipal study by BMA Consulting reports Barrie's property taxes for a typical residential household are below average for communities with greater than 100,000 population.
 7. Generally, lower than average taxation levels in a municipality suggest municipal service levels are also lower than average. Lower than average taxation levels could also result from higher efficiency levels or higher reliance on user fees. In Barrie, staff have identified and implemented several process changes during this term of Council to improve efficiency and reduce the cost of delivering services. Reliance on user fees has also increased.
 8. However, as described in the 2010 Business Plan (most notably on p. 143), the cost of delivering services is growing. Without an increase in property taxes or an increase in the level of sustainable funding from other levels of government, it can be anticipated that Council will need to make a decision regarding reductions in the level and/or type of services delivered. "User pay" and "growth pays for growth" principles will continue to be important, as will carefully building the capital plan so that an appropriate balance is struck between cost, level of service and risk of failure. Increased efficiencies will continue to be pursued but those alone will not resolve the long term financial challenges the corporation is facing.
 9. To support a discussion about service and service level choices in the context of Council's deliberations about the 2011 Business Plan, staff have identified some enhancements to the Business Plan document. These enhancements reflect efforts by staff to deliver a document that provides more and better information concerning the relationship between the property tax levy and the efficiency, quality and costs of the services delivered. They also incorporate an approach to developing the capital plan that reflects the new information about asset condition produced over the last 18 months and the relatively greater flexibility in 2011 for adjusting the scope, scale and timing of capital projects.

ANALYSIS

Business Planning Process

10. Generally, the corporation's business planning approach includes three phases:
 - a) Department workplan development – this phase employs an enterprise-wide approach for consistently identifying planned workloads and service levels and comparing those with the resources available in departments' base operating budgets. It relies on a web-based application developed by staff to consistently capture and store common information about department processes and projects. This facilitates workflow analysis so that informed recommendations can be provided to members of Council concerning the

resource requirements associated with proposed service levels and projects. For example, the Department workplan helps identify the need for Program Change Forms to address a gap between expected workloads/service levels and available resources.

- b) Operating and capital budget development – this phase relies on department workplan data to identify the operating funds required to support the corporation's programs and services. If Program Change Forms or User Fee changes are being recommended, the business case and financial impacts of each such change are identified at this phase. Similarly, building the Capital Plan relies on a review of asset condition data, risk assessments, lifecycle cost analysis and the development of a business case for each candidate project to establish enterprise-wide capital project priorities. This phase also relies on a web-based application developed by staff to consistently capture and store common information about operating and capital budgets, which is then uploaded to the corporation's financial system.
- c) Public engagement and reporting to Council – this final phase involves producing the Business Plan document presented to Council for approval and includes steps designed to engage the public in a dialogue about the recommended Business Plan (for example, posting the Business Plan to the corporation's website and hosting a "Budget Breakfast" for community leaders). It also includes steps that support Council's review of the document using an online inquiry tool that directs specific Councillor questions to staff for a timely response in preparation for General Committee's deliberations. Program Changes and User Fee changes, as well as the Capital Plan, are reported separately from the base operating budgets to highlight the individual service level and financing decisions Council can make.

2011 – 2014 Strategic Planning

- 11. With a municipal election this fall, an opportunity exists to engage the new City Council in strategic planning activities to help define the corporation's direction for the next four years. Plans are under development to support the new Council in identifying the outcomes it wants to achieve during its term.
- 12. The Business Plan development schedule anticipates strategic planning will be among the next Council's first orders of business. Therefore, rather than follow the normal business plan development cycle that calls for Council approval in January, the 2011 Business Plan will be presented in March. This creates the opportunity for insights from Council's strategic planning process to be incorporated into the 2011 Business Plan.

Increased Information about Services and Service Levels

- 13. The proposed 2011 business planning process is based on the three-phase approach described above. In response to feedback from Finance Committee and members of Council, staff will enhance the information provided about the relationship between costs, services and service levels. The objective is to increase the dialogue about the effect that changes in cost have on the corporation's services and service levels.
- 14. The enhanced information will be presented in a format that illustrates broad service categories, their cost and performance indicators that help describe current service levels and efficiency. This way, if Council wants to change 2011 funding levels or adjust current service levels for a particular service, the financial and service consequences of the change(s) could be more readily identified. Appendix A provides an example, for illustration purposes only, of how this information could be presented in the 2011 Business Plan.

15. Also, in order to address Council's direction related to earlier and more direct participation in determining service and/or service level changes while the budget is under development, staff anticipate presenting a report in November that includes preliminary budget information, including proposed fee changes and information about current service levels and efficiency. This approach is expected to provide increased opportunities for dialogue between Council, the public and staff on the 2011 Business Plan. In November, Council will be asked to provide directions that allow staff to finalize the 2011 Business Plan and reflect Council's feedback about changes to services and/or service levels. Staff anticipate Council's approval of the 2011 Business Plan will be requested in March, 2011.
16. In addition to readily identifying the consequences of changes in financial or service levels, the advantages of the enhanced information include:
 - a) Improved workload estimates – making the relationship clearer between corporate costs and service levels should also improve managers' abilities to forecast workload levels
 - b) Identifying process improvement opportunities – consistently comparing service level (ie cost per capita) and efficiency indicators (ie cost per unit of service) help identify services that are strong candidates for process improvement projects. Making the connections clearer between cost and service level helps identify the potential size of the benefits that a process improvement project could produce, which would allow the corporation to focus on the projects with the highest potential impacts
 - c) Intermunicipal comparisons – staff anticipate the 2011 Business Plan will reflect the performance comparisons that will be available from Barrie's membership in the Ontario Municipal Benchmarking Initiative (OMBI), a network of 17 municipalities that have collaborated to identify and publish standard performance indicators using common data collection and reporting protocols. This will provide additional context for assessing Barrie's current (or anticipated) service level and efficiency.
 - d) Prioritizing services and service levels – municipalities regularly face many competing demands from multiple stakeholders but typically it cannot afford to address all of them. Consistent information about service cost, service levels and, where available, comparisons to other jurisdictions should assist Council with making choices about the appropriate balance between property taxation, the type of municipal services available and the level of service provided.
17. Council will continue to see the detailed department budget information that it has traditionally received. While staff are committed to enhance the level and type of information about the relationship between costs and service levels, the new information planned for 2011 may not address all the information needs Council could have about the corporation's programs and services. Nonetheless, staff believe this represents an important evolution in the corporation's business planning framework that will further strengthen accountability and transparency.

Increased Emphasis on Long Range Financial Planning

18. Following Council's requests for more information about the long-term financial implications of current financing decisions, over the last 18 months staff produced several reports using new tools and data that support long range financial planning. Most noteworthy are the availability of a long-range financial planning model and the library of data about the condition of the corporation's tangible capital assets.
19. Generally, the information from the model and asset condition data has identified that the corporation cannot sustain both its future financial commitments and current services and service levels without an increase in revenues. Also, more resources need to be applied to ensure the

corporation's existing tangible capital assets perform as expected over their projected useful lives. These insights were most recently reported in Report CRP002-10 ("2010 Business Plan") and in Report CAM001-10 ("2009 Corporate Asset Status Report, Policy and Framework").

20. There are options to manage the corporation's financial challenges and staff are interested in pursuing those options that have Council's support. The recommended approach for developing the 2011 Business Plan is intended to increase the assurance that planned services, service levels and financing plans meet Council's expectations. Based on the direction suggested by the Long Range Financial Plan, the 2011 Business Plan needs to increase revenues and strengthen reserve levels to minimize the need for debt financing. There are several factors associated with this direction that could be considered:
- a) Increased spending on asset renewal/replacement reduces the requirement for future maintenance and repair spending, but it also reduces the funding available to support the scope of the current 10-year capital plan. As highlighted to Council in Report CAM001-10, the condition of our assets is of significant concern and requires an annual investment beyond what we can afford just to maintain the state of our assets. Adjustments to the capital plan will be required to incorporate some portion of the \$80 million/year renewal investment requirements identified by staff in January 2010, since current capital forecasts do not consider these needs.
 - b) Reserve levels are currently too low to support planned capital works. The Tax Capital Reserve is overcommitted. Current planned projects require \$41.2M more in funding from this reserve by the end of 2012 than what will be available.
 - c) Debt charges associated with committed and planned capital spending will add increasingly greater pressure on the tax and user rates. In 2011, 3.6% of the property tax levy will be required to fund debt charges; by 2020 this number jumps to over 11%. Debt charges in our user-rate supported services are higher over the same period, with water debt consuming 21% of revenues in 2011 and wastewater debt consuming 9% of related revenues.
 - d) The level of debt financing will reach the maximum available amount allowed by provincial legislation within the current 10-year capital plan. This means that financing plans for projects added to the 10-year capital plan cannot be funded with debt or current, planned projects that require debt financing need to be deferred to maintain debt capacity.
 - e) Development charge revenues are being earned at a slower rate than originally forecast. Revised DC forecasts for the next four years indicate these revenues will be 25% lower (\$25.5M) than originally planned. When combined with approved discounts and exemptions, the result is a financing obligation that must be funded from either taxes or user rates.
21. Overall, the guidance provided by the Long Range Financial Plan offers a sound basis for creating the 2011 Business Plan. Putting this guidance into action generally involves the following options, which are not mutually exclusive:
- a) Reducing the Capital program to a minimum for 2011 – some adjustments to the capital program could be made that recognize the constraints we face with respect to reserve balances and debt levels, while making some progress on known asset management needs. A smaller capital program could also make it easier to identify and implement improvements in our capital planning and project management processes that produce long-term benefits.
 - b) Identify process efficiencies/service level changes – staff regularly identify process improvement opportunities and, where resources are available, analyze them to assess the potential costs and benefits that could be available from implementing them. This will continue throughout 2011, and work done in 2010 could produce benefits in 2011, but it is

unlikely enough efficiencies will be identified in the 2011 operating budget that, alone, will create long-term financial sustainability.

- c) Reduce Services – choices about the level, form and type of services provided by the City of Barrie could be made that help reduce, but not eliminate, the need for more revenue. This could include expanding the corporation's use of public/private partnerships. As discussed earlier in this report choices about strategic priorities, developed from a robust strategic planning process early in the next term of Council, could help guide staff in evaluating the relative priority of current services and service levels.
 - d) Generate more revenue/Tax rate increase – if Council wishes to maintain services an increase in property taxes for 2011 will be required. Adherence to the user-pay and growth pays for growth principles will become increasingly important to the City, particularly as plans to develop the annexed lands take shape.
22. The Financial Policies Framework built during this term of Council makes the corporation well-positioned to proactively manage its financial condition. The 2011 Business Plan process provides a good vehicle for putting these new policies into practice.

Business Plan Development Schedule

23. As outlined below, the 2011 Business Plan development process is underway. Based on the proposed approach and schedule, approval of the 2011 Business Plan is anticipated in March, 2011 (steps requiring Council's participation are presented in bold type):

<i>Date</i>	<i>Activity</i>
August 2010	Committee/Council approval of the 2011 Business Plan development process
August – November 2010	Staff produce workplans, draft operating, capital and rate budgets
November 2010	Committee/Council approval of 2011 Budget Directions
November 2010 – January 2011	Corporate Strategic Planning
February 2011	2011 Business Plan is published
March 2011	Committee/Council review and approval

24. The proposed development process provides Council with the same amount of time used in the 2010 Business Plan process to review the recommended plan. Staff plan to review the results of the 2011 Business Plan development process, including feedback from Council about the effectiveness and timing of the process steps, before establishing a schedule for 2012 business planning.
25. Staff recognize the potential benefits available from developing a multi-year budget. Especially considering that the time between concluding the 2011 Business Planning process and starting the 2012 process could be relatively short, the idea of publishing a multi-year budget is appealing.

For example, multi-year budgets encourage policy-oriented decision making and could save staff and Council time.

26. However, considering the improvements that are already being incorporated into the 2011 Business Plan process to increase information about services and service levels and emphasize long-range financial planning, staff do not believe introducing multi-year budgets at this time would be effective. If the planned enhancements to the 2011 Business Plan process prove effective and are accepted by Council as a basis for decision making, additional process improvements to adopt multi-year business planning could be reviewed and considered for introduction in future periods

ENVIRONMENTAL MATTERS

27. There are no environmental matters related to the recommendation.

ALTERNATIVES

28. There are two alternatives available for consideration by General Committee:

Alternative #1

General Committee could issue budget directions to staff now without additional information about the relationship between costs, services and service levels.

Staff are committed to an approach and schedule for the 2011 Business Plan that would allow Council opportunity for input related to services and service levels based on a longer term view of the corporation's financial condition. The proposed approach and timing would allow for the production of data to support decisions related to services and service levels and the resulting impacts on property taxes and user rates, focusing on longer term financial planning. In addition, the proposed approach and schedule will allow for the insights from the strategic planning discussions of the new Council to be incorporated into the 2011 Business Plan.

Alternative #2

General Committee could change the proposed Business Plan development schedule.

The City of Barrie's Business Plan process is a comprehensive series of steps designed to identify planned workloads, service levels and related financing plans for the entire organization. A significant level of coordination is required, and the proposed schedule reflects, in staff's judgment, the best approach to take advantage of the opportunity to incorporate feedback from the new Council's strategic planning work while also recognizing the need to finalize the property tax levy in time for issuing final tax bills in the second quarter of the year.

FINANCIAL

29. There are no direct financial implications from the recommendation in this report.

LINKAGE TO COUNCIL STRATEGIC PRIORITIES

30. The recommendation in this report supports Council's strategic priority to increase fiscal responsibility to ensure controlled spending and best value for tax dollars.

APPENDIX "A"
Proposed Service Level Information – Concept

City of Barrie

2011 Business Plan
Service-Based Planning
Framework

(A)

(B)

(C)

(D)

Tax Rate Based

Share of Total Current Service
Cost Level

Governance					
General Public/Transactional Services		These service categories include a broad range of discrete department services. Indicators to describe the effect of service changes are available at the department level for these service categories.			
Corporate Finance					
Corporate Sustaining Services					
Asset Planning and Management					
Corporate Communications					
Fire and emergency services	Higher than Average	FIRE405: Actual- 90th Percentile Total Response Time in Urban Components of Municipality	FIRE255: Number of C&I Inspection Site Visits per 1000 C&I Properties	FIRE230: Number of Fire In-service Vehicle Hours per Capita (Urban Area)	
Roads maintenance	Lower than Average	ROAD305: Cost per lane KM	ROAD308: Operating Cost per Vehicle KM - all in Cost, all Equipment		
Storm Water Management	Average	STORM: Operating Costs for Urban Storm Water Management per KM of Drainage System			
Recreation and Leisure Services	Average	SREC410: utilization rate for directly provided programs	SREC809M: Operating Cost of Recreation Programs & Facilities per Person	SREC112	
Parks	Lower than Average	PRKS305: Cost of Parks per Hectare - Maintained parkland	PRKS230M: Cost of Parks per Person	SREC2491: Number of "Neighbourhood and Premiere" Sports Fields per 100,000 Population	
Culture	Higher than Average	CLTR210: Gross Culture Cost - Arts Grants per Capita	CLTR220: Municipal Operated Special Events/Festivals per Capita		
Winter control	Higher than Average	ROAD903M: Operating Costs for Winter Maintenance of Roadways per Lane KM Maintained in Winter	ROAD250M: Percentage of Winter Events Meeting New Municipal Winter Level of Service	Operating Cost for Winter Maintenance of Sidewalks per Sidewalk KM Maintained in the Winter	
Transit	Average	TRNT105M: Number of Conventional Transit Trips per capita in Service Area	TRNT315: Transit revenue to Transit Cost Ratio (R/C Ratio)	TRNT1901M: Operating Costs for Conventional Transit per Regular Service Passenger Trip	
Enviromental Operations	Lower than Average	SWST105M: Percentage of Solid Waste Diverted - Res	SWST325M: Operating Costs for Solid Waste Disposal per tonne	SWST802: Frequency of Collection (All Streams)	
Transfer to Reserve	Lower than Average	Debt and Reserves per Capita	Reserves as a % of Taxation	Debt:Reserve Ratio	
Planning and economic development	Lower than Average	PLNG420: Average Time to Process Site Plan Approval for Approval Authority (Days)	PLNG450: Percentage of Development applications meeting Planning Act Timeframes.		
Permits and Inspections	Average	BLDG305: Number of building permits issued per 100,000 Population	BLDG305: Cost of Building Permits and Inspection Services Averaged over the Number of Permits Issued		
By-Laws and Regulations	Average	BYLW220: Total Number of Inspections per Specified By-Law Complaint	BYLW270: Total Specified By-law Enforcement Cost per 100,000 population		
User Rate Based					
Water	Below Average	WATR315M: Operating Cost for the Treatment and Distribution/Transmission of Drinking Water per Megalitre of Drinking Water Treated	WATR405: Percentage of Compliance to Drinking Water Standards	WATR210: Megalitres of Treated Water per 100,000 Population	
Wastewater	Below Average	WWTR305M: Operating Cost of Wastewater Collection/Conveyance per KM of pipe	WWTR310M: Operating Cost of Wastewater Treatment/Disposal per megallitre treated		
Parking	Average	PRKG205: Number of paid parking spots per 100,000 population	PRKG320: Parking Services Cost per Paid Parking Space	PRKG305: Gross Parking Revenue Collected per Paid Parking Space	

(A)

There are service categories used to group all municipal programs and services

(B)

This information describes the share of total municipal cost for the services included in each category, expressed as a percentage

(C)

This information describes the current service level compared to service levels reported in other municipalities

(D)

These indicators and other supporting data would be used to illustrate the effect of service level changes in a particular service category