



City of Richmond

Report to Committee

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**To:** Finance Select Committee  
**From:** Andrew Nazareth  
Director of Finance  
**Re:** **Budget Process**

**Date:** May 21, 2003  
**File:** 0970-00

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**Staff Recommendation**

That the new budgeting process and cycle for the City of Richmond as presented in the attached report dated May 21, 2003 be approved.

Andrew Nazareth  
Director of Finance

<b>FOR ORIGINATING DIVISION USE ONLY</b>
<b>CONCURRENCE OF GENERAL MANAGER</b>

## Staff Report

### Origin

Section 327 of the Local Government Act states that a municipality must have a 5 Year Financial Plan (hereafter '5YFP') that is adopted annually, by bylaw, before the annual property tax bylaw is adopted. The deadline for the annual property tax bylaw is May 15<sup>th</sup>.

The City's fiscal period is the calendar year, therefore, approving a budget once there is almost five months of actual activity makes it somewhat redundant. In fact, the City's current budget process commences in July and goes all the way to the deadline date of May 15<sup>th</sup>. This is very stressful on the Budgets & Accounting department of five as they are also responsible for the control and monitoring of the actual revenues and expenditures as well as the year-end financial statements, audit working papers preparation and annual report. In particular, the year-end financials and audit are a very hectic period commencing in February and having the 5YFP running concurrently affects the quality of the work not to mention the impact on the health of the staff. Therefore, there are two things that can be done to improve the current situation; hire more staff to the levels of other Municipalities of similar size who operate with separate Budgets and Accounting departments or improve the entire budget process. Consistent with the City's standard approach and direction, our choice is to do the latter, that is, improve the process.

### Analysis

#### Budget Process:

There are seven key inputs and three key outputs related to the budget process at the City. Please refer to **Appendix I** for an illustration of this process. The inputs generally consist of a number of directions, guidelines and assumptions. The directions specifically come from City Council, public feedback and the Corporate Plan. The guidelines arise out of the Local Government Act, the prior year's budget and actual trend analysis while the assumptions are driven by both internal factors where there is significant control such as user fee rate setting and external factors where there is little or no control such as market conditions.

The Budget process consists of; firstly, the establishment of program/service levels and budget guidelines as issued in the budget manual each year. Secondly, the business planning phase whereby the Managers put together their work programs to meet the above mentioned program and service level requirements. Thirdly, comes the preparation of the Annual Budget by organization (functional business unit) and lastly is the preparation of the 5YFP followed by public consultation. The Budget itself has three specific components:

- (1) Operating Budget – includes the revenues and expenditures pertaining to ongoing operations broken down by organization or functional business unit.
- (2) Capital Budget – includes expenditures for long term capital additions and improvements.
- (3) Utility Budget – includes the revenues and expenditures pertaining to the ongoing operations of the Water, Sewer and Sanitation & Recycling departments. In addition, there is a fixed levy for drainage infrastructure replacement.

## Budget Cycle

It is important to get away from the current practice of year to year setting of timelines and replace it with a systems based approach so that the deadlines become instinctive to everyone in the organization. The budget and 5YFP are mandated annual requirements, therefore building these requirements into our systems thinking will eliminate the need of reinventing timelines each year. The exception being an election year that could put us at the most one month behind schedule. With this in mind, the following is what is proposed (Please see **Appendix II** for an illustration of this cycle):

### May

- Establish program and service levels for the upcoming year
- Prepare Budget Guidelines and update the Budget manual

### Jun - Jul

- Commence business planning and work planning by organization units
- Set-up of systems and conclude testing

### Aug – Sep

- Budget call – roll-out commencement of input into the budget systems
- Issuance of budget manual
- Completion of input into all systems, specifically, Capital Access module and Operating Access module
- Submission of additional level and one-time technology, consultant and minor capital requests with business cases

### Sep – Oct

- Operating and Utility budget reviews including presentations by every functional Manager using the prescribed template to the Finance department
- Capital project presentations to the Capital Planning Team (sub-team of the Long Term Financial Management strategy, formerly called Land and Capital team)
- Training plan presentations to the Training committee
- Operating, Utility and Capital budget presentations including additional levels to TAG

### Oct - Nov

- Operating, Utility and Capital budget presentations including additional levels to Committees of Council - Finance Select followed by General Purposes

Nov – Dec

- Finalize the annual budget
- Load annual budget into Peoplesoft General Ledger Accounting system to allow for expenditures from January 1<sup>st</sup>
- Utility bylaws presented to Council for three readings followed by final reading
- Final Utility rates provided to Taxation section for billing arrangements and the Development Applications section for collection of fees

Dec – Jan

- Commencement of input into the 5YFP Capital Access module and 5YFP Operating Access module
- Completion of input into the 5YFP modules
- Review of the 5YFP by the Finance department
- Presentation of the 5YFP to TAG

Jan – Feb

- Presentation of 5YFP to Committees of Council - Finance Select followed by General Purposes
- Public Consultation process

Feb – Mar

- Finalize 5YFP
- 5YFP presented to Council for three readings followed by final reading
- Capital Expenditure bylaws presented to Council for three readings followed by final reading

***This allows the Budgets & Accounting department to shift their focus to the year-end financials, audit and annual report between February and April.***

Apr

- Finalize property tax rates
- Property Tax rates bylaw presented to Council for three readings followed by final reading

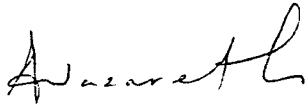
***At this point, we get to May and begin the cycle all over again. Please note, the reason for deferring the property tax rates to April is because the City does not receive the authenticated Assessment Roll from BC Assessment until then.***

**Financial Impact**

Moving to a system based approach will result in improved quality of output of not only the budget but also the year-end financial statements, audit and annual report. We also anticipate a savings of approximately \$15,000 in overall overtime related costs.

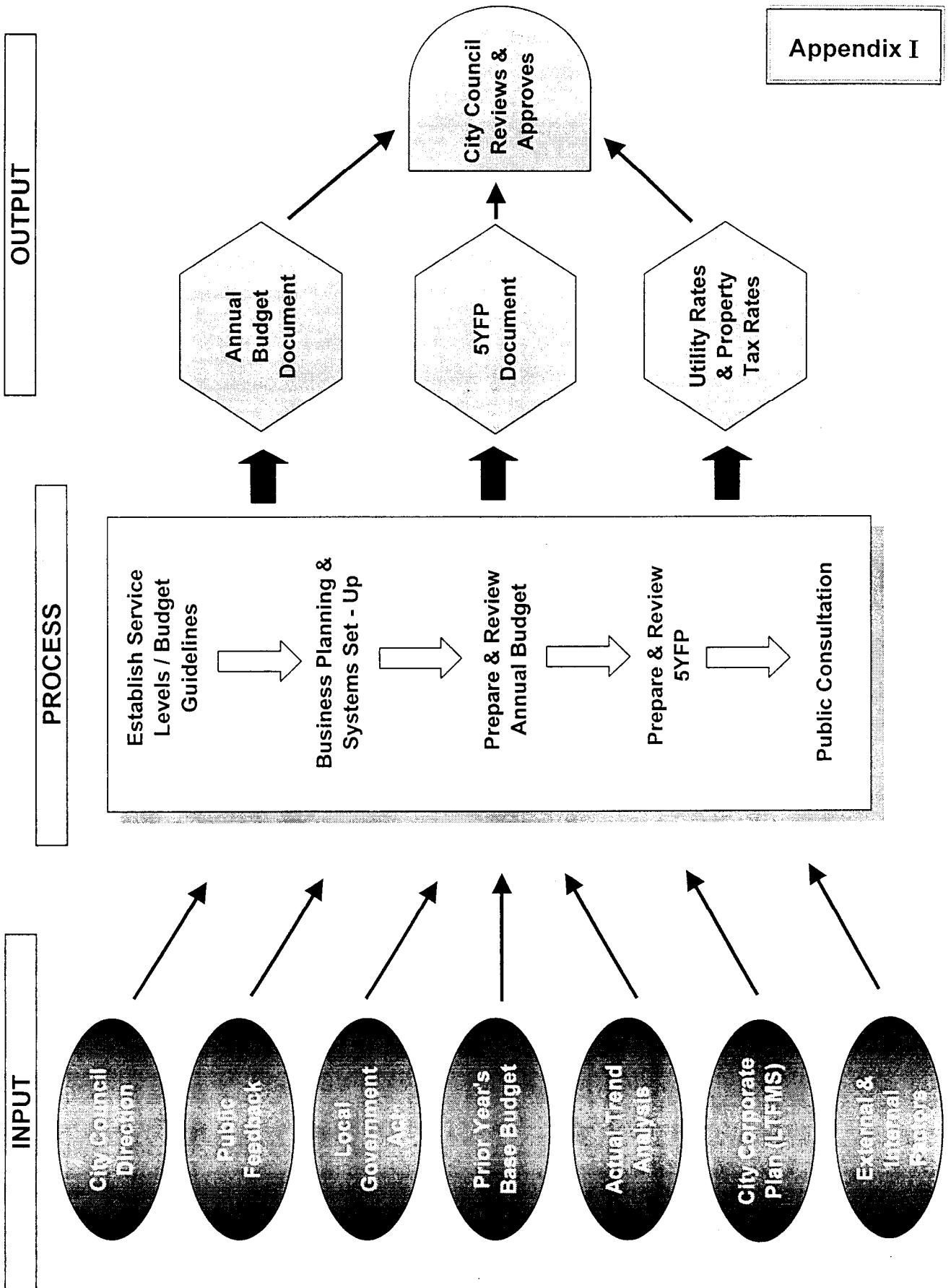
**Conclusion**

We are confident that the new system based approach combined with adherence to the new budget cycle will result in a more efficient budget process, better quality of information and improved time management for all parties concerned. Therefore, we recommend that this new budget process and cycle be approved.



Andrew Nazareth  
Director of Finance

**RECOMMENDED BUDGET PROCESS**



Appendix I

**RECOMMENDED BUDGET CYCLE**

