

2018 Budget Refresh

October 29th, 2018

Agenda

- Setting the course
- What is BIS?
- 2019-2022 Budget deliberations process
- Questions
- 2018 Budget refresh
- PBB budgeting
- Questions

Setting the course

- In early 2018, Council revised the Strategic Plan
- Streamlined goals from 12 to eight
- Each goal has six or fewer results
- Administration applied this improved clarity to the Corporate Business Plan
- Administration introduced the Organizational Excellence goal

Building the vehicle

- Change in legislation, through the *Modernized Municipal Government Act (MGA)*
- Municipalities required to plan for four year operating and five year capital budgets
- Strathcona County embraced opportunity, implemented new Multi-Year Planning & Execution (MYPE) process
- MYPE is the vehicle through which we focus on both long-term planning and the execution those plans

Building the vehicle

- MYPE elements include:
 - Rolling four year business plans and budgets
 - Robust, multi-stage business cases
 - Aligning with Council's strategic goals and results
 - Increased transparency and accountability through better reporting

Building the vehicle

- MYPE will:
 - Allow Strathcona County to be agile in changing conditions in the operating environment
 - Allow Strathcona County to stay true to our priorities, while making yearly adjustments; the “delta” represents those changes
 - Include a governance framework, corporate capacity analysis, executive dashboards and reporting solutions

Getting on the road

- MYPE is but one of the “tools” in the garage. Other tools include:
 - Continued application of Priority Based Budgeting (PBB)
 - Incorporating elements of the Long-Term Financial Sustainability Framework (LTFSF) into business case development
 - Inception of the Base/Improvement/Strategic (BIS) methodology

Getting on the road

- All the tools in the world are useless without “mechanics” to wield them
- This year, planning efforts were more inclusive than ever
- Senior Leadership Team (SLT) partnered with Executive Team (ET) to help develop a strong recommendation, with a corporate focus
- When you add together strong direction, the creation of a vehicle, and the tools and mechanics to keep the vehicle on the road, Strathcona County is well positioned to “drive” into the future

What is BIS?

- To support and help deliver Council's Strategic Plan, the **BIS** philosophy was developed
 - (B)ase
 - (I)mprovement
 - (S)trategic
- Business planning and budgeting decision making framework
 - Applies to operating and capital budgets
- A lens to help prioritize and filter business cases in the Multi-Year Planning & Execution (MYPE) process
 - Guideline, not a rule
 - Helps frame conversations

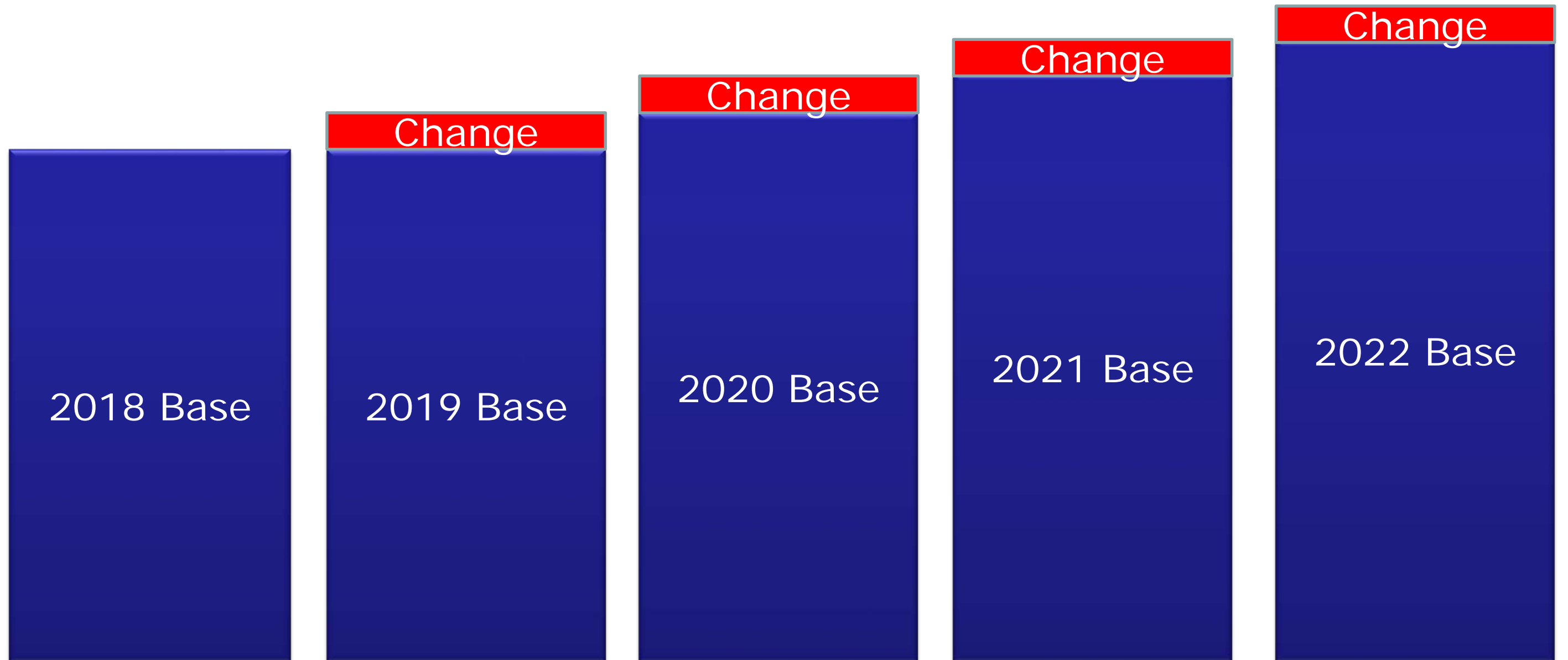
Philosophical approach

- Built on a three step process
 - First consideration is to support existing service delivery at the existing level of service (Base)
 - Secondary consideration is to be better at what we already do (Improvement)
 - Third consideration is to consciously explore new opportunities (Strategic)
- Philosophy developed by extrapolating existing County practices/priorities
 - Annual programs
 - Organizational efficiency and effectiveness

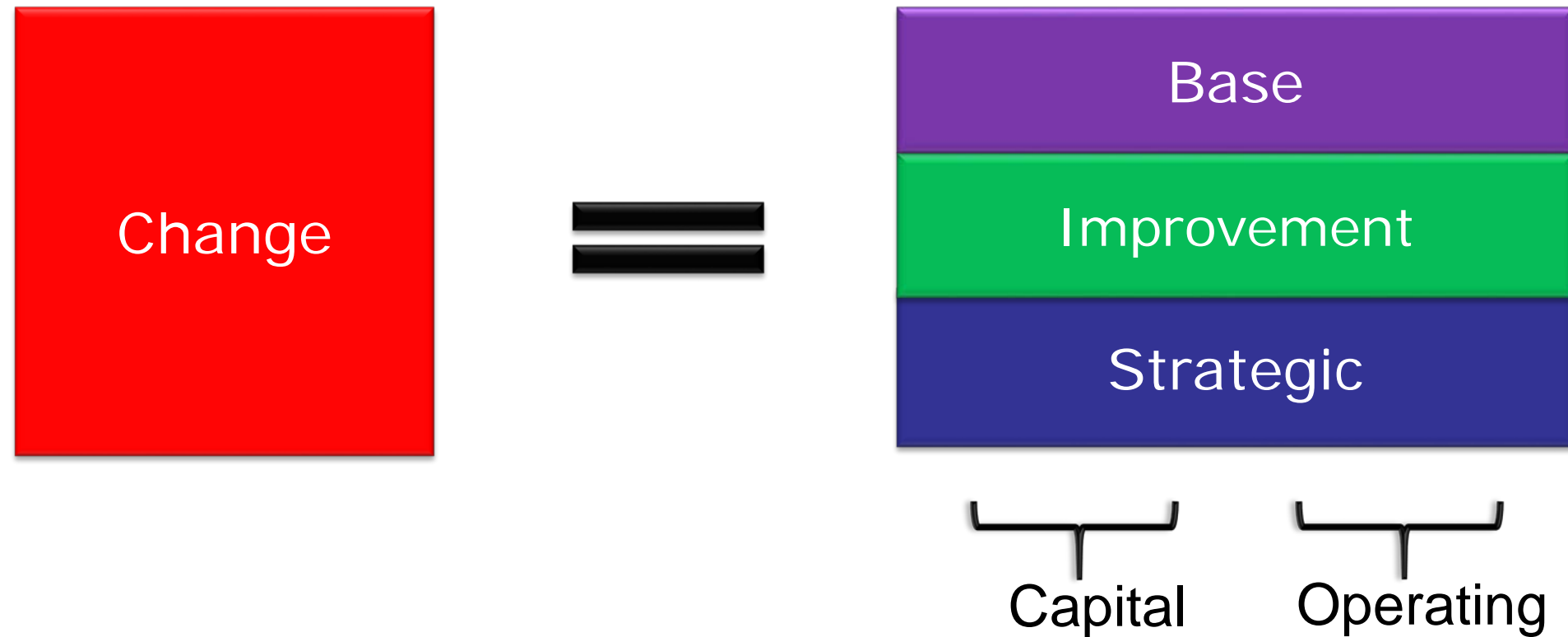
Philosophical approach

- Supports Strategic Priorities
 - Enhances decision making transparency
 - Demonstrates how strategic priorities are being/will be met
- Continuation of the journey
 - Pursuit of Excellence
 - Business Planning & Budgeting Initiative (BPBI)
 - Priority Based Budgeting (PBB)
 - Good to Great

What's changing year over year?



Components of the change



Budget deliberations process

2018 Budget Refresh (Oct 29th)

- Why are we discussing last year's budget?
- Existing envelope of services
- Establish financial baseline
- Flagged items

Budget deliberations process

2019-2022 Base Budget (Oct 31st, Nov 2nd)

- Overview
- Director presentations
 - What does it take to maintain existing level of service?
 - Base budget (growth and inflation)
 - Staffing Increase Requests (SIRs)
 - Annual programs & major rehabilitation and replacement
- Focus will be on the “delta”
 - Year over year change

Budget deliberations process

2019-2022 Base (Oct 31st, Nov 2nd) cont'd.

- Fees, Rates and Charges
- Flagged items

Budget deliberations process

2019-2023 Capital Budget (Nov 5th, 9th, 16th)

- Capital improvement initiatives
- Capital strategic initiatives
- 5yr capital plan
- Future capital
- Flagged items

Budget deliberations process

2019-2022 Operating Initiatives (Nov 26th, 29th)

- Operating improvement initiatives
- Operating strategic initiatives
- Community partners
 - Heartland Housing Foundation (HHF)
 - Strathcona County Library
- Flagged items

Budget deliberations process

Aggregate Review & Final Deliberations (Dec 4th, 6th)

- Review of financial position, based on Council changes
- Final flagged items
- Final deliberations
- Formal approvals

Questions?



2018 Budget Refresh

Why are we here today, talking about last year's budget?

- Purpose is to establish the “base”

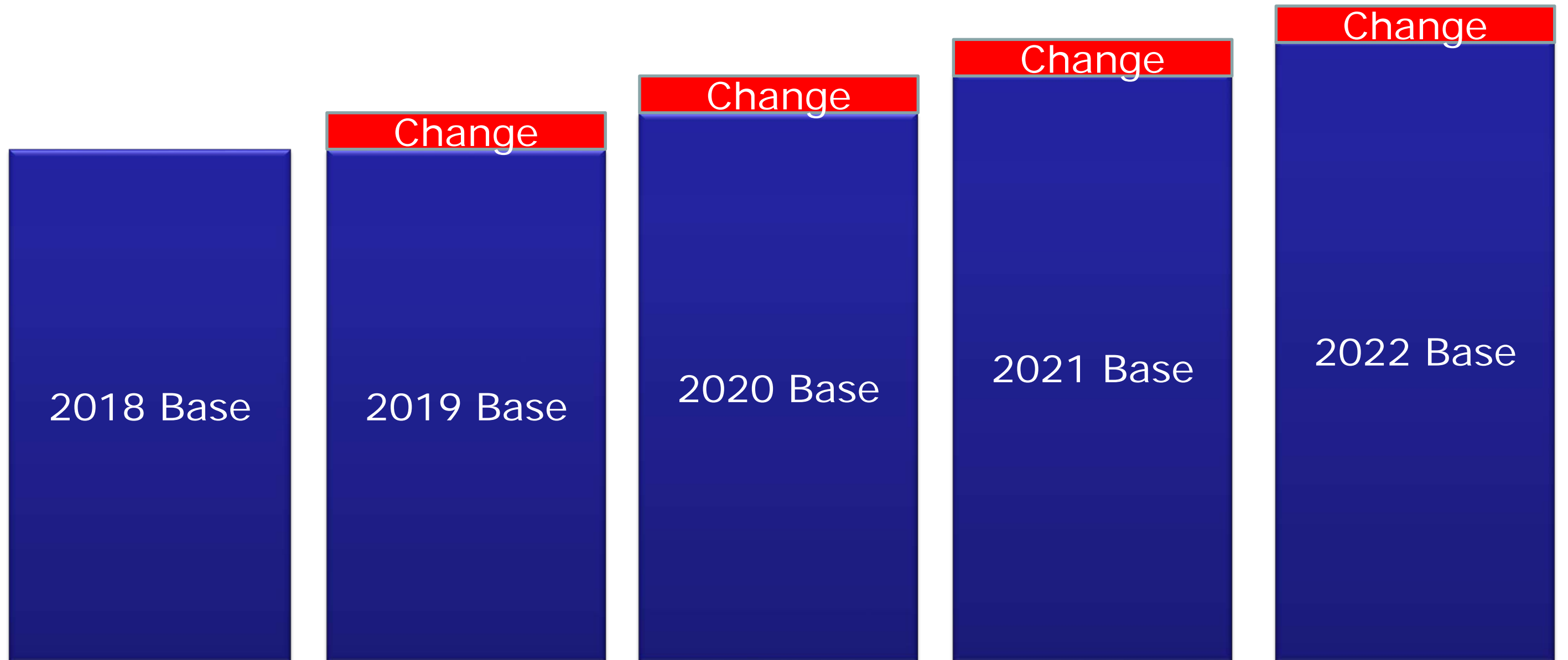
What is the “base”?

- Existing envelope of services Strathcona County provides (internal & external)

How is the “base” different from the “base budget”?

- The “base budget” is the financial representation of the “base” service envelope
- The “base budget” may change year over year, while the “base” service envelope may not

What's changing year over year?



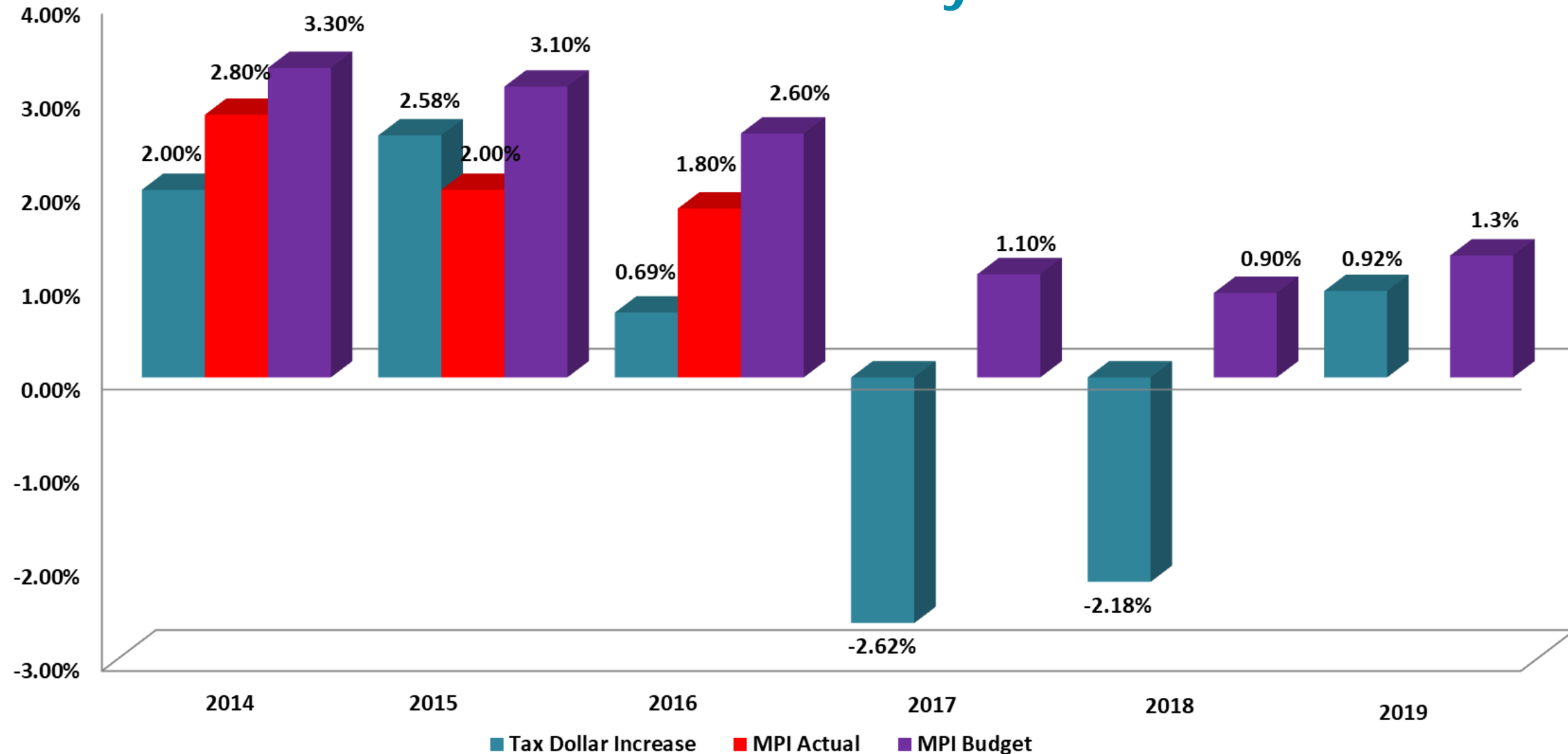
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Annual pressures to maintain base services

- Growth
- Inflation
- One year's additions become next year's base

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Strathcona County MPI



2018 Budget Refresh

2018 Budget highlights

- \$360.2M consolidated operating budget
 - \$290.4M municipal operating budget
- 2.18% municipal tax **decrease**
- 1.32% Utilities rates increase
- \$69.2M capital budget

Reference section 3.1, p.23-25

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2018 Budget Highlights

- Municipal tax revenue breakdown (\$290.4M):
 - Industrial & linear tax \$94.3M, 33%
 - Residential tax \$72.1M (25%)
 - Commercial tax \$45.4M (16%)
 - User fees & charges \$39.2M (13%)
 - Government grants \$6.4M (2%)
 - Other sources \$33.0M (11%)

Reference section 3.1, p.24

2018 Budget Refresh

Where does the money go?

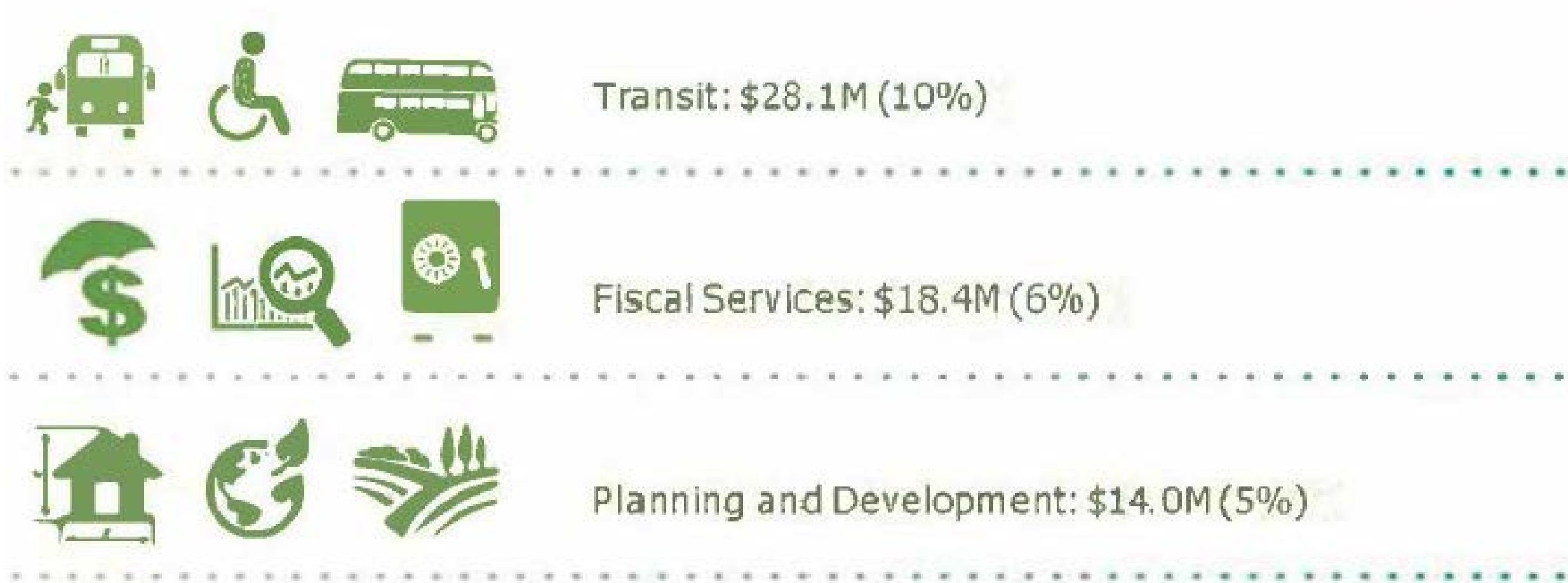


*Values include allocated overheads from internal facing departments

Reference section 3.1, p.25

2018 Budget Refresh

Where does the money go?



*Values include allocated overheads from internal facing departments

Reference section 3.1, p.25

2018 Budget Refresh

Where does the money go?



Family and Community Services: \$12.4M (4%)



Agriculture: \$3.7M (1%)



Economic, Development and Tourism: \$2.2M (1%)

*Values include allocated overheads from internal facing departments

Reference section 3.1, p.25

Priority-Based Budgeting (PBB)

- Community and governance results (strategic priorities)
- Program inventory and budgeted costs
- Program contribution to priorities (results)

2018 enhancements to PBB

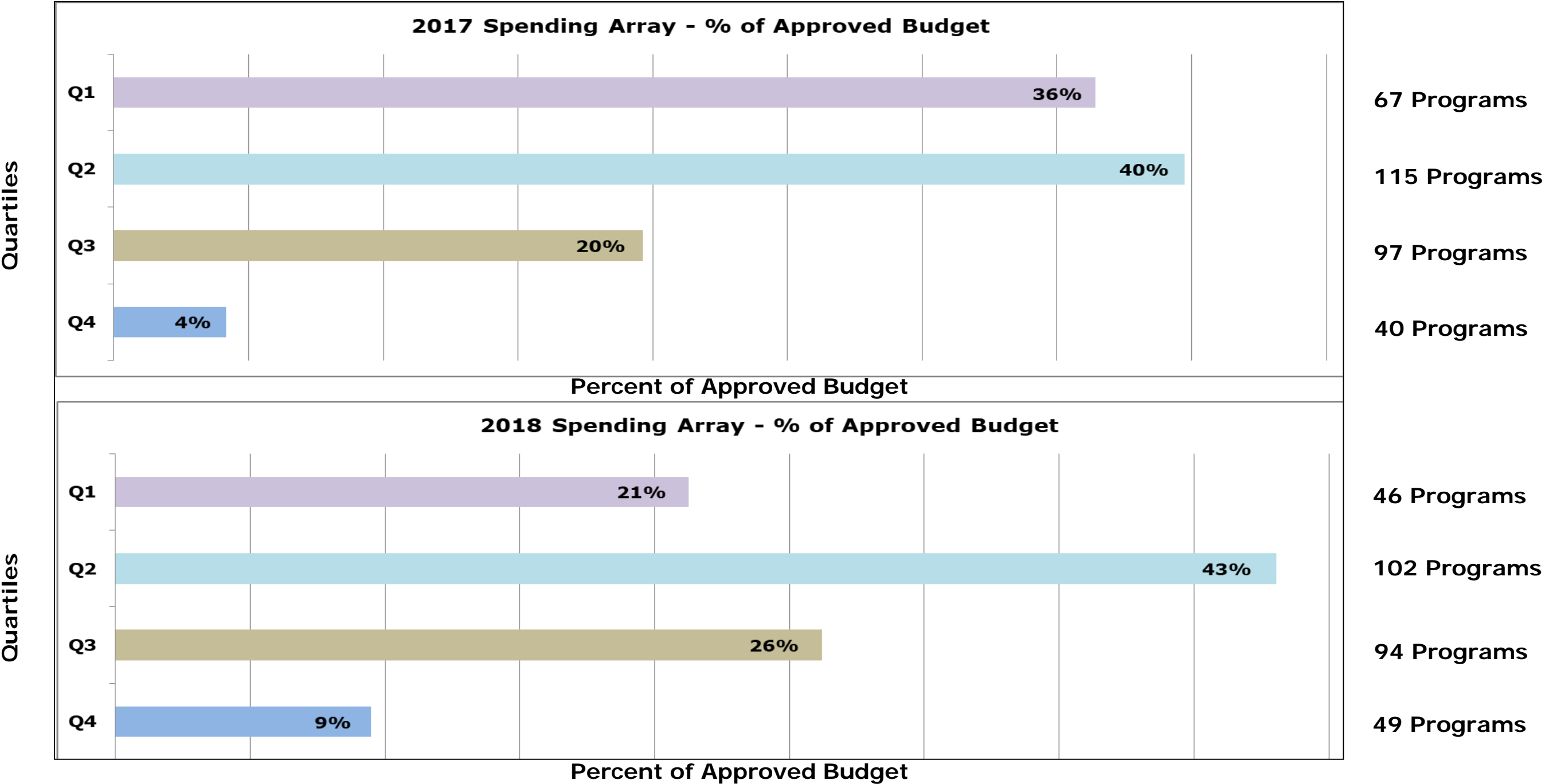
- Updated community and governance results
- Refined program inventories better reflecting Strathcona County programs

Priority-Based Budgeting (PBB)

Spending Array

- Quartiles are high level program groupings
- Quartiles 1 and 2 programs contribute to multiple strategic goals and results and often serve a broader group of citizens.
- Quartiles 3 and 4 programs more focused and contribute to fewer results and fewer citizens.
- Healthy spending array

Spending Array Comparison



Using PBB

Council	<ul style="list-style-type: none">• Sets strategic direction (goals and results)
Administration	<ul style="list-style-type: none">• Analyzes program relevance to goals and results• Considers relevance in investment and improvement decisions• Looks for resource reallocation opportunities across programs

Questions?

