Multi- Year Budgeting

What We Heard Report

Capturing External and Internal Stakeholder Input

TABLE OF CONTENTS

1. Overview

The City of St. Albert is currently undertaking a project to develop a multi-year budgeting (MYB) process for both its operating and capital budgets. This initiative supports the 2022–2025 Council Strategic Plan's focus on financial sustainability and long-term planning.

The current annual budget process requires significant effort, often leading to repetitive requests and revisions each year. By transitioning to a multi-year approach, the City aims to improve efficiency, provide greater certainty for departments and Council, and better align financial planning with strategic and operational priorities.

The project is scheduled to run from July 2024 to June 2026, targeting initial implementation for the 2027 budget cycle.

2. Purpose of Engagement

To design a multi-year budgeting process that meets the needs of the City, engagement was conducted with two groups:

- **External municipalities** with experience implementing multi-year budgets (Leduc, Edmonton, Strathcona, and Red Deer).
- **Internal departments** within the City of St. Albert.

The objectives of this engagement were to:

- Understand how other municipalities have designed and implemented multi-year budgeting processes, including challenges and lessons learned.
- Assess the current state of internal budgeting processes, strengths, and pain points.
- Gather recommendations and perspectives on potential approaches to multi-year budgeting.
- Identify opportunities and barriers to successful implementation.

3. Executive Summary

To support the development of a multi-year budgeting process, the City engaged with four external municipalities and all internal departments through a combination of written surveys and in-person discussions. This engagement surfaced several key insights:

- **Foundational Elements for Success:** Effective implementation of a multi-year budget requires a clearly defined process, consistent communication, strategic change management, thorough planning and transparency with stakeholders.

- **Need for Flexibility:** A well-designed MYB process must include mechanisms to accommodate annual updates and respond to emerging needs, without compromising long-term fiscal sustainability.

- **Broad Support for MYB:** Both internal and external stakeholders recognized the value of adopting a multi-year budgeting approach. Most external municipalities currently approve only multi-year capital budgets. Internally, departments viewed MYB as realistic and achievable, with capital budgeting seen as more straightforward than operating budgeting—though both are considered feasible.
- **Opportunities for Improvement**: While current budgeting tools are generally effective, there is room to enhance departmental budget documents to improve efficiency and facilitate better information sharing. Strengthening long-term data assumptions and forecasting capabilities will also support more reliable multi-year projections.

- **Sustained buy-in**: Maintain strong communication and emphasize benefits to secure long-term support from Council and staff.

Summary of options to consider:

Option	Approach	Best For
A: Full 4-Year MYB (Operating & Capital)	Implement full 4-year budgets (2027–2030) with annual adjustments.	**Transformational change** – Maximizes long-term efficiency but requires significant upfront effort.
B: Phased Expansion	Begin with 2-year budgets, gradually scaling up.	**Balanced improvement** – reduces initial risk while building toward full benefits.
C: Capital-Only MYB (4 Years) + Annual Operating	Adopt multi-year capital budgeting first; operating remains annual.	**Minimal disruption** – Quick wins on capital, but misses operating synergies.

***Detailed analysis is provided in section 6**

4. Engagement Findings

4.1 External Engagement Findings (City of Leduc, City of Edmonton, Strathcona, City of Red Deer)

Category	Leduc	Edmonton	Strathcona	Red Deer
Current State	3-year operating (1st year approved), 3-year capital (moving to 4 years)	4-year operating & capital budgets	Multi-year operating planning with annual "delta;" 3-year capital with 10-year forecast	2-year budgets (2021–2022, 2023–2024), returning to annual in 2025
Strategic Alignment	Strategic Plan, Corporate Business Plan, Master Plans	Long-range plans, mid-range outlooks, Council policies	Service inventory, KPIs, strategic plans with engagement, business plans	Not specified
Implementation Challenges	Fast transition, limited change management, less focus on later years	Forecasting complexity, initial rigidity concerns	Initially constrained by fixed budgets, adapted over time	Tight timelines, undefined processes, tech and staffing issues
Lessons Learned	Upfront work saves time, better timing alignment	Clear processes & communication critical; long-term value	Strong communication, trust, refined forecasts needed; time & cost savings	Clear process is crucial; annual revisiting undermines MYB
Service Improvements	Better alignment of funding to timing, advance	Longer-term planning & tax smoothing	Procurement and departmental time savings, RFP savings	Not specified

Category	Leduc	Edmonton	Strathcona	Red Deer
	procurement flexibility			
Public Engagement & Perception	No public engagement; public likely unaware	Extensive public engagement throughout budget cycle	No public engagement; some resident scrutiny	Not specified
Annual Adjustments & Flexibility	Changes approved via capital adjustment forms	Two supplemental adjustments per year; up to $5M admin approvals	Quarterly capital adjustments; Capital Committee minimizes changes	Not specified
Corporate Assumptions	Percent guidelines (e.g., inflation) managed by Finance	Finance manages; departments validate and justify	CPI/MPI as minimum; Finance manages with department input	Not specified
Budget System	Adaptive Planning (Workday)	Euna Budget (Questica)	Questica (role-based access)	Not specified
Buy-in Approach	Training & targeted meetings with key groups	Clear processes & communication, emphasize transparency	Trust-building, business relationship model	Not specified

4.2 Internal Engagement Findings (City of St. Albert Departments)

Overview of Current State

- Departments vary in how early they start budget development — some work on it continuously, others start in Q4 or January.
- All departments follow corporate deadlines and use standard templates.
- Capital planning is often ongoing throughout the year, although some budgets remain largely stable year-over-year.

Strengths

- Improved detail and clarity in budget instructions, though many noted they would benefit from being distributed earlier.
- SharePoint site is valued as a centralized hub for templates and resources.
- Strong, supportive relationships with Finance teams, Controllers and business Partners.
- Quarterly forecast meetings are seen as critical milestones.
- Agresso online tools help facilitate some budget processes.

Challenges

- Difficulty differentiating between repair, maintenance, and replacement (RMR) and growth projects.
- New initiatives and significant changes are hard to incorporate into the budget.
- Salary working paper process is time-consuming and often frustrating.
- Timing misalignment between capital and operating budgets makes planning challenging.
- Departments often feel isolated in their budget work, with limited opportunities for cross-departmental collaboration or input.
- Council's detailed control over individual FTEs is perceived as restrictive and limiting flexibility.

Tools and Collaboration

- Heavy reliance on internal Excel spreadsheets and PowerBI for analysis and tracking, due to limitations in corporate tools.
- Current budgeting system is largely text-based, making it difficult to incorporate visuals, conduct analytics or collaborate in real time.
- This manual, fragmented approach increases the risk of errors and inefficiencies and makes tracking amendments cumbersome.
- Departments expressed a need for stronger facilitated interdepartmental discussions to avoid duplication and ensure holistic awareness of impacts.

Opportunities for Improvement

- Earlier release of corporate assumptions (e.g., inflation) and phased document rollout to support timely preparation.
- Clearer corporate vision and prioritization guidance to support decision-making and alignment with strategic goals.
- Better integration and earlier identification of operating impacts stemming from capital projects.
- Revisiting the salary working paper process, with some support for exploring an HR-managed unit cost model to streamline calculations and save time.
- More consistent application of budget processes across departments and enhanced training opportunities (e.g., Budget 101) to build baseline knowledge.
- Developing clear parameters for prioritization and improving organizational alignment.
- Addressing last-minute requests and changes more effectively.
- Aligning timelines between capital and operating budgets to support integrated planning.
- Potential for increased flexibility in staffing and hiring decisions with multi-year approvals.

Multi-Year Budget Implementation Feedback (Feasibility and Roadblocks)

- **Feasibility:**

  Many departments see multi-year budgeting as a realistic and achievable transition, especially for capital budgets, which are viewed as easier to implement and offering more immediate benefits.

- **Roadblocks:**
  - The most significant challenge identified is the need for a clear, simple, flexible and manageable process for adjustments and emergent issues after the budget is approved.
  - Lack of robust shared budgeting tools to handle multi-year complexities efficiently; reliance on spreadsheets increases workload and risk.
  - Capacity limitations within departments to manage additional initial work required for transition.
  - The current salary working paper process remains a major hurdle to longer-term planning.
  - Data gaps, particularly around long-term forecasts for inflation, growth, and utilities, introduce risk.
  - Council's control over individual FTE approvals limits flexibility and responsiveness.
  - IT and technology departments noted challenges in forecasting rapidly changing needs over multiple years.
  - Maintaining ongoing buy-in from Council and Administration is critical to long-term success and sustainability.
  - Short turnaround times and challenges in getting new items onto the budget plan need resolution to support a multi-year approach.

5. How this feedback will be Used

Feedback from both external and internal engagement will directly shape St. Albert's MYB process design and implementation strategy.

Key areas where feedback will be applied:

- **Clear adjustment process**: Develop a simple, flexible approach to handle annual updates and emergent needs without undermining MYB stability.
- **Improved tools**: Explore new or enhanced budget systems to reduce spreadsheet dependence and improve collaboration.
- **Capacity and change management**: Address resource limitations through phased rollouts and dedicated training (e.g., Budget 101).
- **Better data and forecasting**: Strengthen long-term data assumptions to support reliable multi-year projections.
- **Alignment with strategic priorities**: Integrate budgets more closely with Council and departmental plans.
- **Sustained buy-in**: Maintain strong communication and emphasize benefits to secure long-term support from Council and staff.

This feedback will guide the upcoming gap analysis, shape the implementation plan, and inform change management efforts, ensuring that the move to MYB is realistic, effective, and aligned with St. Albert's strategic goal.

6. Next Steps: Options to Consider

Based on the feedback gathered, several directions could be considered for implementing multi-year budgeting, particularly as the project plan aims for initial implementation to apply to the 2027 budget cycle. The optimal choice will depend on the City's appetite for change, available resources and prioritization of benefits versus risks. Here are three potential directions, informed by the engagement inputs:

Options	Description	Pros	Cons
A: Implement a 4-year Multi-Year Budget for both Operating and Capital starting in Year 1 (2027-2030)	Move directly to a fully approved multi-year budget covering four years for both operating and capital expenditures, aligning with the Council term. All budget elements would be planned and approved for the entire 4-year term, with defined annual adjustment processes.	• Best Practice alignment (e.g., Edmonton) • Maximum efficiency gains • Enables long-term planning • Funding certainty • Integrated "One City" approach	• High change management risk • Requires robust adjustment processes • Operating budget uncertainties • Vulnerable to economic shifts • Significant upfront work
B: Phased Approach for Operating & Capital	Start with a shorter multi-year budget (e.g., 2 years) for both operating and capital, then gradually increase term length in subsequent cycles (e.g., 3 years, then 4 years).	• Gradual transition • Allows process refinement • Lower initial risk • Addresses capacity concerns	• Delays full benefits • Multiple transitions needed • Operating uncertainties remain • Initial misalignment with Council term
C: Multi-Year Capital Budget (4 years/2027-2030) + Annual Operating Budget	Implement multi-year approval for capital (4 years) while keeping operating budgets annual, with potential to transition operating later.	• Lower-risk starting point • Capital planning benefits • Reduced complexity • Public familiarity	• Misses integration benefits • Operating remains short-term • Future transition needed • Partial efficiency gains

Recommendation Framework:

- For transformational change: Choose Option A
- For balanced improvement: Choose Option B
- For minimal disruption: Choose Option C