



2017 Community Excellence Awards

Application Form

Best Practices, Excellence in Financial Stewardship

Please complete and return the application form by **Friday, June 23, 2017**. If you have any questions, contact UBCM at awards@ubcm.ca or (250) 356-5193.

SECTION 1: Applicant Information

Local Government: City of Abbotsford

Complete Mailing Address: 32315 South Fraser Way, Abbotsford, BC V2T 1W7

Contact Person: Raj Sharma

Position: General Manager, Finance & Corporate Services

Phone: 604-864-5579

E-mail: rsharma@abbotsford.ca

SECTION 2: Staff Contact

An invitation to attend the UBCM Community Excellence Awards Breakfast Reception will be sent out via e-mail in early September. Winners will not be named before the ceremony.

Please provide the contact information for the person in your office who should receive and reply to the invitation, on behalf of the elected officials/staff who will be in attendance at the UBCM Convention.

Staff Contact Person: Raj Sharma

Position: General Manager, Finance & Corporate Services

Phone: 604-864-5579

E-mail: rsharma@abbotsford.ca

SECTION 3: Project/Program Information

1. Name of the Project/Program:

Application of Municipal Price Index (MPI) for the development of Financial Plans

2. Project/Program Summary. Please provide a summary of your project/program in 150 words or less

Local governments across North America are facing considerable pressure related to their spending, infrastructure development and taxation levels relative to inflation. Typically, organizations use the Consumer Price Index (CPI) as produced by Statistics Canada as a measure of inflation. The components of CPI, however, do not directly correspond to expenditures generally made by local governments. CPI generally is applied to housing, transportation, cost of living, etc. Application of CPI to tax rates or future capital investments is not sustainable. To address this issue, the City of Abbotsford has formulated a new tool called the Municipal Price Index (MPI) to improve the accuracy by which its financial plan costs can be projected and inflationary pressures can be assessed. This tool takes into account components such as labour costs, materials, and contracts for services, etc. and assists in financial forecasting.

3. Indicators of Financial Stewardship. As outlined in the Program Guide, local governments must demonstrate complete of the following. To assist with evaluation of applications, please indicate the status or completion date for each of the following:

- Audited financial statements.
- Annual report.
- Financial reporting requirements for Ministry of Community, Sport & Cultural Development.
- Five-year capital plan.
- Financial policies.
- Budget process.
- Strategic plan.
- Business continuity plan.

SECTION 4: Project Details

Please answer each question in 250 words or less (our judges value directness and brevity). If you experience difficulty answering a particular question, consider the aspects of your program that may relate to the question and show us how they are linked.

Remember to include measurable results whenever possible as well as clear references to the required indicators of financial stewardship in Q. 3 above.

4. Results. How has this project/program improved financial stewardship in your local government and community?

The MPI tool has improved the City's budget process significantly. The City's five year financial plan communicates to staff, citizens, developers, interested investors and other stakeholders a financial depiction of the services, facilities, and projects the City will undertake over a 5 year period. The MPI is a powerful tool that measures the inflationary pressures that municipal operational expenditures are most likely to face and provides

greater planning opportunities for City Council in considering how we will meet the outcomes provided in our Strategic Plan.

The MPI is being used by the City of Abbotsford in the following ways:

- to enable managers to more closely monitor the increase in spending by expenditure category, thus making inflationary price increases or decreases more visible;
- to provide an indication of historical, current and future direction of prices relative to municipal expenditures;
- to explain increased expenditures attributed to inflation when submitting annual operating budgets.

5. Service Delivery. How has the implementation of this program/project improved services within your local government and your community?

The MPI project has led to improved alignment and control over the commodity and contractual increases throughout the City. Rather than each department using their own assumptions for increases, the finance department is responsible for analyzing and calculating the inflationary increases. The MPI information is prepared using both internal and external sources which provides a strong background for financial planning.

With its small tax base the City of Abbotsford is constantly striving for ways to better plan and project its revenues and expenditures. Having a tool that provides a more accurate measure for inflation assessment enables all of the program areas within the City to plan their budgets in a fiscally effective manner and has helped to alleviate pressures from taxation. In the past few years the City has been able to diversify its revenue sources with its user fees revenue trending upwards, allowing for the plan to remain in sync with projected forecasts.

6. Effectiveness. How is the program/project more efficient and/or effective than it was before?

The City prepares its financial plan in a 5 year cycle as directed by the Community Charter. Within the financial plan framework, a 4 year rolling budget is developed to correspond with Council's duration in office. The financial plan reflects cost factors or variables that are established based on known facts at the time of the financial plan preparation. Annually, key economic cost factors that impact the financial plan are updated based on any new information that might be available. Every effort is made to make the process as transparent as much as possible. Having an MPI tool in place has provided rigour to our financial planning process. It sets out an informed budget increase guideline and all staff effectively prepare their budget within the set parameters. The introduction of business planning process will add additional value to the long term planning process.

7. Economic Impact. How has the program/project saved the community money and/or resources or encouraged economic development?

MPI is a planning tool. It assists the City of Abbotsford with sound financial planning and assessing inflationary pressures. The MPI process is developed using tangible assumptions and statistics from reliable sources such as the Conference Board of Canada. Based on the MPI forecast for inflation, the City of Abbotsford has been able to keep its financial plan in sync with the projected forecast. The growth in City's Net Financial Assets, increase in reserves and decline in long term debt are classic examples of City's effective financial planning process through the use of MPI.

8. Accountability. How has the program/project improved accountability to citizens of your local government?

Development of financial plans is a key requirement for all local governments. These plans form the basis of setting tax rates and determining levels of revenue and expenditures. Costs increase as a result of various factors including inflation, service level changes, changes in the complexity of the current service level and with the addition of new services. Revenues are impacted by changes in volume of services purchased by the residents e.g. recreation programs and by rate changes with inflation.

The MPI tool has assisted the City in developing its financial plan forecasts based on components that directly impact its budget. Development of this tool has assisted with the financial planning process and the setting up of the tax rate bylaws process. The tool provides Council with an ability to have an informed discussion during the budget process. It also enabled the staff to better explain and rationalize future resource requirements and communicate to residents the annual budgets process and its resulting impacts to the tax payers. The tool also aligns directly with Abbotsford City Council's Strategic Plan.

9. Teamwork. Tell us about the teamwork involved in making this program/project possible.

When this project was initially introduced, the Finance Department worked with Senior Management and explained the process. With their full support, the project was presented to City Council. A council report outlining the pros and cons of the project was presented to Council with our budget mandate. Council unanimously approved the staff recommendations. The City of Abbotsford uses a budget software for financial planning and having a tool like the MPI made it easier for the managers to access their yearly and future years budget. Development of an MPI tool was a result of complete teamwork and dedication from all levels of staff. The whole team now uses this new system and provides regular feedback to ensure ongoing improvement to the process.

10. Innovation. What makes this program/project innovative and creative?

Traditionally the use of CPI for assessing inflationary pressures has been the norm across local governments. The City of Abbotsford's MPI process is unique as it factors the components that matter to our service delivery needs, and forecasts inflationary pressures accordingly. As budgeting and financial planning are very crucial components of local governments, municipalities need to keep finding ways to improve these mission-critical business processes. A well-defined long term planning process allows the City of Abbotsford to make better and more informed business decisions. It produces financial documents that accurately capture the complete costs of producing their products and services to our citizens.

The city uses Questica software to prepare its five-year financial plan and this software outlines a workflow review to see how and when information and data critical to the budget is being gathered, stored, and analyzed. It was a very innovative approach and now it's combined with the MPI initiative. The data is stored according to the MPI major categories in the software and it is now easier to analyze and budget for these categories for multiple years. Using a formula driven approach, some of the expenditures categories, such as hydro, fuel, etc., can be updated within seconds without any material errors. Other City departments now know that they can rely on the inflationary figures for future years as they are being updated using third party and/or external data sources.

11. Sustainability. What measures have you put in place to ensure the continued operation of this initiative? (e.g. staff time, resources, financial)

The City of Abbotsford has designed a process to update the MPI process every year. Prior to opening the budget cycle for the new year, staff analyze the previous year's data to determine how did the City perform compared to the MPI numbers. After analyzing the historical data, staff initiate the work on the new budget cycle. To ensure consistency, the MPI category weights are not updated each year, only MPI inflationary figures are updated to reflect market trends. Index series are purchased from the Conference Board of Canada. A budget amount is allocated for this process yearly. Once all categories are updated, the MPI information along with financial planning guidelines are presented to Council.

12. Best Practices. How do the processes behind the program/project, and the subsequent results, serve as an example of best practices?

One of the cornerstones of the current City Council is to be fiscally disciplined and be transparent to our Citizens as much as possible. In order to achieve this objective, the City explored opportunities for creative policy improvements that are sustainable, provide consistency and are easy to report on. Challenging the status quo use of CPI was the first step in the process. The City was keen on using a method that took into consideration the real basket of goods and their inflationary changes the City faces. The MPI process was specifically developed to provide a better tool for long term planning. This practice helps to enhance the quality of decision making by allocating funds where they are needed the most. After funding for current services, Senior Management and Council can decide how much to allocate to new initiatives and opportunities. This also helps the Council to decide if they would like to increase or decrease a service level. This recommended MPI practice has set a new standard of excellence in our yearly and long-term budgeting. As with any reform effort, widespread acceptance of changes in budgetary practice took some time, but the benefits to us have been far-reaching.

13. Transferability. How is this program/project transferable to other local governments?

All Local governments across British Columbia are required to develop five year financial plans. The plans are forward looking and require forecasting. MPI will provide municipalities with a tool that can assist with their financial planning process. The fundamentals of operating and capital budgets for all the municipalities are the same. This tool, therefore, can effectively be developed by each municipality specific to their budget information. Each municipality will have to assess their main services and its delivery methods and assign category weights accordingly.

14. Knowledge Sharing. What helpful advice would you share with other communities looking to embark on a similar project?

MPI provides a great tool for local governments to assess inflationary pressures. This tool can be easily accommodated within the annual financial planning process. Initial set up of categories and developing weighting can be cumbersome. However, with proper planning and execution, MPI can be developed and effectively used. Preparation of the financial plan using a budget software would streamline and simplify the MPI set up process. The City of Abbotsford staff will be pleased to provide an overview or assist other interested municipal partners in developing this for their own jurisdiction.

15. Additional Information. Please share any other information you think may help support your submission.

Use of MPI is a unique process. Not many municipalities in BC are currently using this approach. Most of the local governments still rely on CPI as the primary inflation measure. It is important to understand that the components of local government spending are quite different than those of the average household. MPI effectively relates budget requirements to the cost of local service delivery.

SECTION 5: Signature

Applications are required to be signed by an authorized representative of the applicant.

Name: . <i>Raj Sharma</i>	Title: <i>GM, Finance & Corporate Services</i>
Signature: 	Date: <i>July 5, 2017.</i>

Applications should be submitted as Word or PDF files. If you choose to submit your application by e-mail, hard copies do not need to follow.

Submit applications to Local Government Program Services, Union of BC Municipalities

E-mail: awards@ubcm.ca or mail: 525 Government Street, Victoria, BC, V8V 0A8