

Financial Services

FINANCIAL SERVICES & UTILITIES

Acting Branch Manager:
Stacey Padbury

2016-2018 Business Plan

Edmonton



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Message from the Manager



I am pleased to present the Financial Services Branch business plan for 2016 - 2018. The Branch focuses on delivering quality financial services throughout the Corporation, building on the sound financial management that Edmonton is known for.

The Branch is responsible for corporate accounting and reporting, treasury management, investment management, budget planning and development and business financial analytics. In 2015 the Branch begins the implementation phase of our Financial Services

Transformation - Building on Excellence. Our ability to provide high quality and relevant financial services is dependent on successful implementation of this Finance Transformation. Our focus will be on modernizing our finance function by leveraging continuous improvements to manage people, business process and technology which will allow us to focus our resources on providing enhanced business financial analytics and deeper business insights.

Our goal is to foster collaborative work processes, improve training, communication and employee engagement all with the intention of improving the quality and timely delivery of financial services to the Corporation.

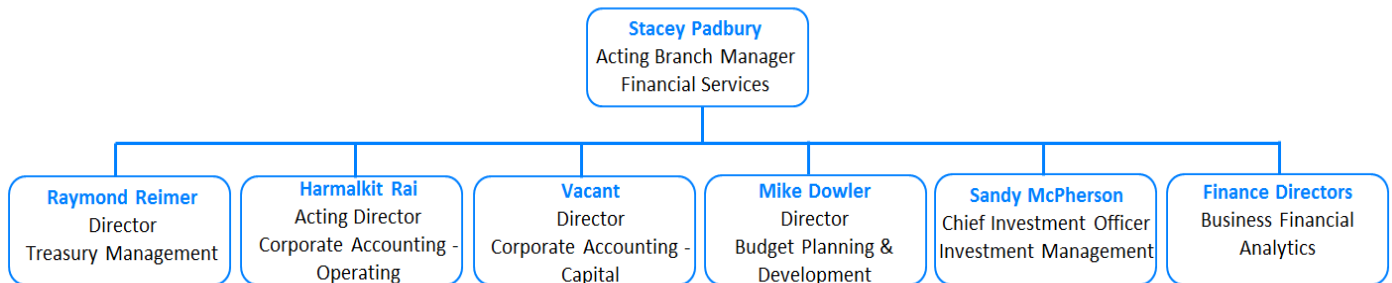
Stacey Padbury

Acting Branch Manager
Financial Services

Our Branch

The Financial Services Branch provides leadership to ensure that the organization is financially sound, accountable and transparent in managing public funds. This is accomplished through sound fiscal policy, development of financial strategies and recommendations to address challenges and to take advantage of opportunities to effectively fund services, programs and infrastructure. The program manages operating and capital financial transactions, treasury, business financial analytics, investment, budget planning and development, and corporate accounting and reporting functions.

The organizational structure below reflects the changes implemented in 2015 as an early phase of the overall Financial Services Transformation - Building on Excellence.



Over the next three years (2016 - 2018), the Branch will address a number of goals and objectives, including:

Table 1: Branch goals and outcomes

Goal	Outcome
Goal 1: Modernize finance by leveraging technology effectively and strengthening business processes for improved financial management.	<ul style="list-style-type: none"> <input type="checkbox"/> Optimize use of existing technology <input type="checkbox"/> Consistent utilization of best practice business processes <input type="checkbox"/> Enhanced financial analytical support for corporate and client areas
Goal 2: Financial Services champions fiscal accountability and transparency for all Edmontonians.	<ul style="list-style-type: none"> <input type="checkbox"/> Provide accurate information and increase transparency in reporting to citizens <input type="checkbox"/> Ensure public consultation opportunities are provided to engage citizens in initiatives that help build a great city
Goal 3: Empower Financial Services staff and improve communications to ensure they are engaged in their roles, with a strong connection to the corporate business objectives.	<ul style="list-style-type: none"> <input type="checkbox"/> Staff recognize the Branch as a great place to work and would recommend it to others <input type="checkbox"/> Staff are clear on roles and expectations and manage performance effectively <input type="checkbox"/> Staff understand their connection to the corporate vision and the importance of their role in the financial process and are committed to providing high quality analysis and solutions <input type="checkbox"/> Training and support is available to achieve advantages and intended outcomes of the Branch reorganization <input type="checkbox"/> Branch Communications Plan reflects intended goals, expectations, projects, roles and resources <input type="checkbox"/> Staff, stakeholders and clients receive the right information at the appropriate times to support roles and decision-making

Contribution to the City's Vision

THE WAY AHEAD



The Way Ahead is supported by six directional plans. Led by Financial Services and Utilities, the Financial Services Branch is supporting the work related to the Financial Sustainability Plan (The Way We Finance), which will include the update of existing or development of new financial policies, strategies or processes, to be confirmed with the finalization of the Plan in 2015.



"The city has a robust set of financial policies and annual financial statements are audited and unqualified. In addition, it provides transparent, easy-to-access disclosure to pertinent information and prepares detailed operating and capital budgets. Management of debt and liquidity is prudent and the business plan articulates formal risk-management strategies and policies well."

Standard and Poors September 3, 2014

The Branch also anticipates supporting others in *The Way Ahead* implementation plan, including:

THE WAY AHEAD TACTIC	LEAD DEPARTMENT
RECREATION FACILITIES PLAN 	Community Services
TRANSIT STRATEGY AND IMPLEMENTATION 	Transportation Services



COUNCIL INITIATIVES

Public Engagement - The Business Planning and Budget Development functional area within the Branch takes an active role in seeking and integrating public engagement in the planning and budget processes.

CORPORATE LEADERSHIP TEAM - STRATEGIC FOCUS AREAS

The following table outlines Branch actions aligned with the Corporate Leadership Team (CLT) focus areas.

Table 2: Branch Support for CLT Focus Areas

CLT Focus Area	Branch Action and Support
The Way Ahead	<ul style="list-style-type: none"> ❑ Performance Measures for Financial Services are identified and processes are implemented to monitor and report performance ❑ Financial Services will have a lead and support role in the implementation of strategies within the Financial Sustainability Plan (<i>The Way We Finance</i>), expected to be approved in 2015. This will include new or updates to financial policy and processes
City Council Interface	<ul style="list-style-type: none"> ❑ Support a corporate process to better facilitate information sharing with Council in response to inquiries or to otherwise provide information
Administrative Governance	<ul style="list-style-type: none"> ❑ Implement branch cultural action plans ❑ Increase knowledge management and professional development, including succession planning
Corporate Oversight	<ul style="list-style-type: none"> ❑ Support the development and maintenance of an integrated approach to Office of the City Auditor audit findings, and lead in integrating the findings of the external auditor from the annual financial audit ❑ Plan and implement continuous improvement initiatives in managing people, developing business processes and optimizing technology
Fiscal Strategy	<ul style="list-style-type: none"> ❑ Monitor and improve the 3-year operating budget and business planning ❑ Lead and participate in identifying, monitoring and reporting 2% annual innovation and savings program ❑ Continued implementation of financial services transformation with the goal of increasing branch level productivity and efficiency ❑ Conduct periodic assessment of fiscal performance process
Major Initiatives	<ul style="list-style-type: none"> ❑ Support operational programs in identifying and assessing the financial risks, options and implications of major initiatives considered or ongoing ❑ Provide proactive business financial analytics to assist programs in monitoring and reporting on major initiatives, in support of decision-making ❑ Lead and/or support the financial impact phase of the Big City Charter review process for Edmonton

BRANCH INITIATIVES

The Branch has identified the following priority areas and activities for focus during 2016 - 2018.

Table 3: Branch Priorities and Initiatives

Branch Priority Areas	Initiatives (2016 - 2018)
Goal 1: Modernize Financial Services leveraging continuous improvement in people management, business process improvement and technology	<ul style="list-style-type: none"> ❑ Improved business processes through streamlined processes as future phase of financial transformation process ❑ Optimize use of existing financial systems through more inclusive technology use in analytics, data integrity, and data availability/sharing ❑ Enhanced Master Data Governance model implementation to improve the efficiency, timeliness and accuracy of financial reporting and minimize any challenges with data integrity ❑ Replace current debt management application with a new system and revised processes to better support planning, monitoring and reporting of debt ❑ Evaluate and automate financial systems and business processes ❑ Enhanced business analytical support to client areas through financial transformation, and business process improvement and optimization ❑ Strengthened accounting and reporting financial processes, utilizing capacity and efficiencies identified through organizational transformation ❑ Complete investment asset liability study for each of the City investment funds. Implement recommended changes arising from the study
Goal 2: Financial Services champions fiscal accountability and transparency for all Edmontonians	<ul style="list-style-type: none"> ❑ Development and oversight of annual budget program review process (2016 - 2018) ❑ Implementation of long-range financial analytical tools in 2016 ❑ Refinement of public engagement process for the 2019 - 2022 business planning and budget
Goal 3: Communication is enhanced and Financial Services staff feel engaged and empowered through their daily work. <ul style="list-style-type: none"> ❑ Culture in the Workplace ❑ Training ❑ Performance Management 	<ul style="list-style-type: none"> ❑ Improve the line-of-sight between day-to-day work and corporate business objectives - to achieve a rating of >70% on the employee engagement survey ❑ Build on collaborative workplace opportunities under the revised branch organizational structure ❑ Enhance two-way communication internal and external to Branch to ensure employees are informed of city programs, issues and initiatives ❑ Establish training program under new unified Chartered Professional Accountants environment and enhance internal training opportunities ❑ Establish clear performance expectations for all staff, monitor and manage performance effectively through regular performance feedback

BUILDING A GREAT CITY

The Financial Services Branch will contribute to building a great city through the following:

- ☐ continuous improvement and innovation, positive change opportunities that the branch will take advantage of to assist in achieving the stated outcomes;
- ☐ continuing to achieve improvements in quality through a greater commitment to employee engagement within the Branch;
- ☐ continued implementation of the Finance Transformation, centralizing and streamlining transactional processes, with a goal to improve the accuracy and timeliness of reporting and the effective redeployment of staff to the key initiatives of the branch.



Table 4: Branch Culture Action Plan

Culture Action Plan			
Issue to be Actioned	<ol style="list-style-type: none"> 1. Line-of-sight between day-to-day work and corporate business objectives 2. Enhanced two way communication initiatives 3. Build on collaborative workplace opportunities under a revised branch organizational structure 4. Promote a high performance culture through the delivery of timely, relevant feedback 		
Desired Outcomes	<ol style="list-style-type: none"> 1. Increased employee awareness of the importance of their work in the delivery of financial services to the Corporation 2. Enhanced communication at all levels to ensure that employees are aware of corporate initiatives 3. Increased collaboration between members of the finance team to improve efficiency and quality in the delivery of financial services 4. Elevate employee performance and development of future leaders through increased formal discussions about performance between supervisors and employees 		
Employee Engagement Survey Results (% favourable survey response)	2010 (Actual)	2014 (Actual)	2016 (Target)
<input type="checkbox"/> Overall Engagement <input type="checkbox"/> Overall Culture <input type="checkbox"/> Overall Workplace <input type="checkbox"/> Job Satisfaction <input type="checkbox"/> Overall Immediate Supervisor	<input type="checkbox"/> 71.3 <input type="checkbox"/> 73.6 <input type="checkbox"/> 67.8 <input type="checkbox"/> 77.2 <input type="checkbox"/> 79.7	<input type="checkbox"/> 71.7 <input type="checkbox"/> 68.1 <input type="checkbox"/> 71.4 <input type="checkbox"/> 63.6 <input type="checkbox"/> 71.2	Maintain or increase from 2014

Risk Identification and Emerging Issues

RISK IDENTIFICATION

The following table identifies the operational risks associated with the Branch. The Likelihood score is from 1-Rare to 5-Almost Certain. The Impact score is from 1-Minor to 5-Worst Case.

Table 5: Risks and Strategies

Risk Factor	Likelihood (1 to 5)	Impact (1 to 5)	Mitigation Strategy	Risk Owner
Economic - interest rate variances, foreign exchange fluctuation, increases to inflation, and fluctuating equity markets may negatively impact investment returns	3	3	<input type="checkbox"/> Corporate investment policy guided by Investment Committee provides a framework and governance structure to address risk areas. <input type="checkbox"/> Periodic plan asset studies. <input type="checkbox"/> Strategy implemented to direct investment earnings to capital funding, where fluctuations can be more reasonably addressed.	Financial Services Leadership
Information - incomplete or inaccurate information impacts integrity and timing of reporting. Data system governance issues increase risk of error.	3	3	<input type="checkbox"/> Monitoring of procedures and controls <input type="checkbox"/> Enhanced training <input type="checkbox"/> Periodic analysis and reporting <input type="checkbox"/> External audit of legislative reporting.	Financial Services Leadership
Employees - senior staff leave resulting in knowledge gap. Strong labour market and need for specialized skill sets makes it difficult to attract and retain skilled staff.	3	3	<input type="checkbox"/> Documenting knowledge of key financial personnel through process mapping <input type="checkbox"/> Enhanced training and knowledge sharing. <input type="checkbox"/> Development of standard processes and procedures	Financial Services Leadership Corporate Human Resources
Legal / Regulatory - regulatory changes result in increased personnel / systems / training costs. Risk of non-compliance with regulatory requirements.	3	3	<input type="checkbox"/> Proactive monitoring of sources for legislative or regulatory change <input type="checkbox"/> Procedures developed and communicated with respect to legislative or regulatory changes. <input type="checkbox"/> Internal monitoring of compliance.	Financial Services Leadership

EMERGING ISSUES

Included below is a list of emerging issues that represent branch challenges. Responding to these issues is critical to the Branch implementing the 2016 - 2018 strategic initiatives.

MGA Legislative Changes and Big City Charter - Decisions with respect to proposed MGA changes and with financial implications from the Big City Charter are unknown at this time, and may significantly impact financial policy, budget guidelines or financial reporting process. Managing the changes with existing resources may pose a challenge.

Weakening provincial economy: Recent volatility in energy prices and the provincial fiscal situation have boosted the need for the City to monitor closely developments that could impact grants, transfers, user fees and other sources of funding. The Branch will respond by increasing the frequency of forecasting activity and support the developing contingency plans that address a range of fiscal outcomes.

Public sector reporting requirements - A number of upcoming changes to public sector reporting requirements, including financial instruments, related party and inter-entity transactions, assets and contractual rights, will require changes to systems and processes. Some of these changes are known at this time but further announcements and their impacts cannot necessarily be anticipated going out 3 years.



Branch Structure and Programs

The following table identifies the Branch Programs and the functions within the Programs:

Table 6: Branch Programs and Functions

Corporate Accounting (Capital and Operating)	Treasury Management	Budget Planning and Development	Investment Management	Business Financial Analytics
Accounting for operating and capital	Cash Handling and processing	Business Planning	Management of Investments	Client Financial Advisory Services
Financial Performance Reporting	Bylaw Ticket Administration	Budget Development	Monitoring and Compliance	Financial Analytical Support
Legislative Financial Reporting	Accounts Payable/ Receivable	Long Range Planning		Monitoring and Compliance
Debt Management	Remittance Processing	Capital and Operating Budget System Stewardship		Business Planning Support
Financial Accounting System Stewardship	Collections			Budget Development Support
Monitoring and Compliance	Monitoring and Compliance			Business Case Development



Program 1: Corporate Accounting (Capital and Operating)

Corporate Accounting provides all general accounting and reporting with respect to operating programs as well as accounting, analysis and debt management to support capital programs. This section provides leadership with respect to the legislative financial reporting, facilitating the external audit process and the reporting to Audit Committee, City Council and external stakeholders. Quarterly corporate performance reporting is coordinated along with strategic advice to support related decision-making. Financial data governance and the stewardship role for the City financial system is managed through this function.

Financial reporting must meet professional public sector accounting standards and timelines defined in the Municipal Government Act. Debenture borrowing must comply with the Municipal Government Act and related Regulations and the Master Agreement between the City and its lender, the Alberta Capital Finance Authority. Financial reporting requirements and changes in accounting standards or internal reporting requirements are the primary business drivers of this group.

Costs are driven primarily by personnel and external services such as external audit.

Program 2: Treasury Management

Treasury Management is responsible for the oversight of the City's cash handling and processing operations, for accounts payable and accounts receivable, for remittance processing, credit management and collections and for bylaw ticket administration. The functional area administers corporate policy in these areas and monitors corporate compliance.

Cost drivers for this function are primarily personnel to manage transaction volumes and to address any changes to legislative requirements, industry standards or City services.

Program 3: Budget Planning and Development

Budget Planning and Development is responsible for the facilitation, coordination and delivery of the business plans and budget, long-range forecast and model, including the Financial Outlook. In addition to these planning activities, the program leads and supports the development of the corporate capital and operating budget system.

The functions within this program are primarily focused on contributing to the financial sustainability of the City. This is accomplished by enhancing



and contributing to the accountability and transparency of financial information to citizens and Council and by providing timely information that assists with Council decision-making.

Costs for this program are primarily driven by personnel and external services.

Program 4: Investment Management

The Investment Management program administers the City investment function, through either direct internal fund management or through oversight of external fund managers. The program adheres to good governance and industry best practice with guidance from the Investment Committee. The City's investments are governed by the *Municipal Government Act* and its investment Regulations. The corporate Investment Policy and procedures outline the asset allocation policies, investment principles and guidelines, and risk management controls. Annual earnings and dividends from City investments flow to the Capital Budget to provide additional revenue and diversify the City's revenue base.

The City establishes an asset allocation policy for each of its investment funds in order to meet objectives in both the short and long term. Benchmarks as set out in the Investment Policy are monitored and reported on. Investment management will complete an extensive asset liability study of all major funds within the business plan period of 2016 - 2018.

Costs are driven primarily by personnel. Management fees are charged with respect to the funds that are managed directly in-house, to recover the fee savings that are achieved as compared to having these assets managed externally.



Program 5: Business Financial Analytics

Business Financial Analytics provide timely, accurate, analytical services to programs to support, long range financial planning, operating and capital budget development, variance analysis and management reporting, business case development. Financial advisory services inform decision-making and contribute to the long-term financial sustainability of the City.

Financial advice is tailored to business needs, with consistent application of professional financial standards and with City policy and directives, in order to support informed and balanced decision-making. Financial implications are identified and aligned with corporate strategic priorities.

Costs are primarily driven by personnel with resourcing levels primarily determined by the underlying business of the departments supported including the number and scale of projects and the number of business cases undertaken by the branches supported.



Planned Changes 2016 - 2018

Financial Impact

The following Branch Summary Table includes the planned changes, as summarized on the following pages, to deliver the services described in the Business Plan.

FINANCIAL SERVICES

2016–2018 PLAN – BRANCH SUMMARY

(\$000)	2015 Budget	2016 Plan	2017 Plan	2018 Plan
Revenue & Transfers				
User Fees, Fines, and Permits	1,300	1,300	1,300	1,300
Grants	-	-	-	-
Transfer from Reserves	-	-	-	-
Total Revenue & Transfers	\$1,300	\$1,300	\$1,300	\$1,300
Expenditure & Transfers				
Personnel	24,100	24,400	25,100	25,700
Non-Personnel	5,000	5,000	5,000	5,000
Intra-municipal Recoveries	(9,900)	(9,900)	(9,900)	(9,900)
Total Expenditure & Transfers	\$19,200	\$19,500	\$20,200	\$20,800
Net Operating Requirement	\$17,900	\$18,200	\$18,900	\$19,500
Full-time Equivalents	233.3	233.3	233.3	233.3

Notes:

1. User fees, fines and permits includes revenue for external services. The lack of growth is indicative of lower demand for these services.
2. The increasing cost of personnel reflects the impact of employee settlement and in-range merit adjustments for staff. The amount does not include any additional full time equivalents as the Branch anticipates meeting increased demand through improved resource allocation and work prioritization.
3. Non-personnel represents branch expenses which are expected to remain constant. Amounts have not been adjusted for inflation as continuous improvement initiatives are intended to produce increased capacity to address work internal rather than through contracted services.

CHANGES TO MAINTAIN CURRENT SERVICE LEVELS

The Financial Services Branch strives to enhance financial services through continuous improvement and innovation supported by the Financial Transformation. The Branch expects to deliver enhanced financial services by addressing the initiatives identified in this plan using the existing staff complement through a reallocation and reprioritization of work by capitalizing on the efficiencies identified as part of the Financial Transformation.



Appendix

APPENDIX I -SUMMARY ALIGNMENT OF OUTCOMES & PERFORMANCE MEASURES

Corporate Outcome or Conditions of Success	Branch Goals	Performance Measures	Branch Target			Branch Strategies, Tactics or Actions
			2016	2017	2018	
THE WAY AHEAD						
FINANCIAL SUSTAINABILITY	Modernize finance by leveraging technology effectively and strengthening business processes for improved financial management.	City of Edmonton credit rating (Corporate Measure)	AA+	AA+	AA+	<input type="checkbox"/> Strengthened accounting and reporting financial processes, utilizing capacity and efficiencies identified through organizational transformation. <input type="checkbox"/> Improved business processes through streamlined processes as future phase of financial transformation process <input type="checkbox"/> Enhanced financial analytical support for corporate and client services. <input type="checkbox"/> Performance Measures for Financial Services are identified and processes are implemented to monitor and report performance. <input type="checkbox"/> Financial Services will have a lead and support role in the implementation of strategies within the Financial Sustainability Plan (The Way We Finance), expected to be approved in 2015. This will include new or updates to financial policy and processes. <input type="checkbox"/> Complete investment asset liability study for each of the City investment funds. Implement recommended changes arising from the study
	Financial Services champions fiscal accountability and transparency for all Edmontonians.	Rate of return of investment portfolio compared to benchmark (benchmarks are calculated on a four year average return)	Exceed benchmark	Exceed benchmark	Exceed benchmark	
COUNCIL INITIATIVES						
PUBLIC ENGAGEMENT (LED BY CORPORATE COMMUNICATIONS)	Financial Services champions fiscal accountability and transparency for all Edmontonians.	Public Engagement and Survey connections; surveyed participants feel	satisfaction with process - establish baseline	2% Increase	2% Increase	<input type="checkbox"/> Support a corporate process to better facilitate information sharing with Council in response to inquiries or to otherwise provide information. <input type="checkbox"/> Refinement of the public engagement process for the 2019 - 2022 business planning and budget cycles.

		heard with the City’s budgeting process (Corporate Communications)				
		Citizen satisfaction with engagement processes for the City’s budgeting process (Corporate Communications)	establish baseline % aggregate satisfaction	2% Increase	Maintain or improve	
CLT FOCUS AREA						
CORPORATE OVERSIGHT	Financial Services champions fiscal accountability and transparency for all Edmontonians.	Number of financial control or reporting deficiencies identified in the audit external audit findings report or the management letter.	Zero	Zero	Zero	<div><input type="checkbox"/> Evaluate and automate financial systems and business processes</div> <div><input type="checkbox"/> Strengthened accounting and reporting financial processes, utilizing capacity and efficiencies identified through organizational transformation.</div> <div><input type="checkbox"/> Improved business processes through streamlined processes as future phase of financial transformation process</div> <div><input type="checkbox"/> Optimize use of existing financial systems through more inclusive technology use in analytics, data integrity, and data availability/sharing</div>
BRANCH INITIATIVES						
EFFICIENCY		% increase in full-time staff to new/improved technology and business processes (2% Innovation through continuous improvement)	0%	0%	0%	<div><input type="checkbox"/> Strengthened accounting and reporting financial processes, utilizing capacity and efficiencies identified through organizational transformation</div> <div><input type="checkbox"/> Improved business processes through streamlined processes as future phase of financial transformation process</div>

EFFECTIVENESS		% increase in client satisfaction with Financial Services support	Baseline to be developed in 2016	5% increase	5% increase	<input type="checkbox"/> Enhanced business analytical support to client areas <input type="checkbox"/> Complete investment asset liability study for each of the City investment funds. Implement recommended changes arising from the study
BRANCH CULTURE						
CULTURE (MEASURED THROUGH BIENNIAL EMPLOYEE ENGAGEMENT SURVEY))	Empower Financial Services staff and improve communications to ensure they are engaged in their roles, with a strong connection to the corporate business objectives.	% increase in staff's ability to see a connection between their work and the City's long-term vision	70%	70%	75%	<input type="checkbox"/> Improve the line-of-sight between day-to-day work and corporate business objectives - to achieve a rating of >70% on the employee engagement survey <input type="checkbox"/> Build on collaborative workplace opportunities under the revised branch organizational structure <input type="checkbox"/> Enhance two-way communication internal and external to Branch to ensure employees are informed of city programs, issues and initiatives <input type="checkbox"/> Establish training program under new unified Chartered Professional Accountants environment and enhance internal training opportunities <input type="checkbox"/> Establish clear performance expectations for all staff, monitor and manage performance effectively through regular performance feedback
		% increase in staff job satisfaction level	72%	72%	2% increase	
		% increase in staff satisfaction with branch communication	60%	60%	5% increase	
		% increase in staff satisfaction with staff-supervisor engagement	72%	72%	4% increase	