

Branches — Financial Services/Corporate Strategic Planning

Introduction

Financial Services provides financial leadership to ensure the organization is financially sound, accountable and transparent in managing public funds. This is accomplished through sound fiscal policy, strategic financial advice and guidance and effective and efficient processes. Financial Services is responsible for cash management, payables, receivables and treasury functions, manages an investment portfolio in excess of \$2 billion, and leads the corporation's operating budget process.

Corporate Strategic Planning provides leadership and drives the integration and coordination of the City's strategic planning with an emphasis on ensuring the achievement of Council approved Strategic Goals and Outcomes. The alignment between planning and outcome achievement is focused through the performance measurement process lead by this Branch. Corporate Strategic Planning also plays a lead role in the evolution and continued implementation of City infrastructure strategy through the development and use of a variety of innovative infrastructure asset management tools and by leading the capital budget process for the organization.

This area monitors the ever changing economic environment that the City operates in and supports the business of the City through development of financial strategies and recommendations to address challenges or to take advantage of opportunities in planning to effectively fund services, programs, and infrastructure.

Highlights for 2014 include:

- Continue the organizational transformation of Financial Services to increase efficiency in transactional processing and allow focus on financial analytics to support better business decision making
- Continue to develop and implement the Capital & Operating Budget System (COBS)
- Continue to evolve the performance management system that with an emphasis on productivity measurement
- Finalize the development of The Way We Finance and the Long Range Financial Plan model
- Continue to move toward integration of The Ways, business planning, results-based budgeting, and results reporting



Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Branch Summary (\$000)

	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
User Fees, Fines, Permits, etc.	\$ 1,358	\$ 1,217	1,446	\$ 229	18.8
Grants	-	-	-	-	-
Transfer from Reserves	-	-	-	-	-
Total Revenue & Transfers	<u>1,358</u>	<u>1,217</u>	<u>1,446</u>	<u>229</u>	18.8
Expenditure & Transfers					
Personnel	23,899	27,300	27,655	355	1.3
Materials, Goods & Supplies	643	889	1,544	655	73.6
External Services	(854)	254	471	217	85.5
Fleet Services	-	-	-	-	-
Intra-municipal Services	48	333	396	63	19.1
Utilities & Other Charges	572	877	751	(126)	(14.3)
Transfer to Reserves	-	-	-	-	-
Subtotal	<u>24,308</u>	<u>29,653</u>	<u>30,818</u>	<u>1,165</u>	3.9
Intra-municipal Recoveries	<u>(5,235)</u>	<u>(7,617)</u>	<u>(8,071)</u>	<u>(454)</u>	6.0
Total Expenditure & Transfers	<u>19,073</u>	<u>22,036</u>	<u>22,747</u>	<u>711</u>	3.2
Net Operating Requirement	\$ 17,715	\$ 20,819	\$ 21,301	\$ 482	2.3
Full-time Equivalents	283.4	275.3	269.3	(6.0)	

Branches — Financial Services/Corporate Strategic Planning

Budget Changes for 2014 (\$000)

Revenue & Transfers - Changes

User Fees, Fines, Permits, etc. \$229

The increase includes \$220 for the City's shared revenue for the new commercial credit card agreement with Scotiabank and \$9 in other charges.

Expenditures & Transfers - Changes

Personnel \$355

Movement toward job rate is \$172 and changes in benefits of \$183.

Material, Goods & Supplies \$655

Includes the \$750K service package to address the increased costs of maintaining PCI (Payment Card Industry) requirements at the 311 Call Centre for their credit card payment handling and CLASS system that is hosted by external service provider. This is offset by decreases in computer desktop support and equipment maintenance.

External Services \$217

The Operating impact of the Capital and Operating Budget System and iNovah (Cashier System Replacement) accounts for the increase in services of \$312 to provide ongoing support for the project. \$33 was due to inflation in various small contracts in Treasury section. The decrease in consulting and external printing offset the impact.

Intra-municipal Services \$63

Increase relates to inflation in printing services and parking charges.

Utilities & Other Charges (\$126)

Reductions due to business decisions in assigning telephones, training and utilities charges.

Intra-municipal Recoveries (\$454)

Increase in Shared Services recoveries from utilities and enterprise, reflecting annual analysis and allocation of Financial Services support.

Full-time Equivalents - Changes

Net reduction of 6 FTE resulted based on the reduction of 8 FTEs from internal re-organization within Treasury, while the operating impact of the Capital and Operating Budget System (COBS) accounts for 2 additional FTEs.

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary (\$000)

Program Name - Client Operations

Link to 10-Year Strategic Goals



Results to be Achieved

Provide financial oversight and advice to contribute to long term financial sustainability of the City. Identify business challenges and opportunities to support client business decisions and service needs.

Cost Drivers

Costs are driven primarily by personnel.

Service Standards

Meet accounting and reporting requirements in accordance with Generally Accepted Accounting Principles, Municipal Government Act, financial policies and directives. Encourage transparency and accountability to the public and corporation along with development of business cases to facilitate effective and informed decision making. Provide advice and contribution to client businesses to ensure that financial implications are identified and aligned with strategic priorities.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 12	\$ -	\$ 8	\$ 8
Expenditure & Transfers	12,805	13,795	14,995	14,970
Subtotal	12,793	13,795	14,987	14,962
Intra-municipal Recoveries	(5,235)	(5,831)	(7,484)	(8,037)
Net Operating Requirement	\$ 7,558	\$ 7,964	\$ 7,503	\$ 6,925
Management		7.0	7.0	6.0
Professional/Technical/Union Exempt		12.0	13.0	14.0
Union		114.4	114.5	114.5
Temporary		1.0	1.0	1.0
Full - Time Equivalents		134.4	135.5	135.5

2013 Services

- Make a positive contribution to client businesses by active participation in planning, budget and financial cycle reporting
- Provide financial support in understanding key financial implications of initiatives
- Increase awareness of financial responsibility and strong governance
- Ensure implementation and compliance of financial policies, procedures and controls

Changes in Services for 2014

Continue to implement the centralization of financial service functions over the next 36 months for increased efficiency and effectiveness.

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary

(\$000)

Program Name - Corporate Accounting & Reporting

Link to 10-Year Strategic Goals



Results to be Achieved

Corporate Accounting is responsible for annual financial reports and compiling inputs for the City's annual budgets and reports according to legislated requirements, and facilitating external audit processes. It is also responsible for quarterly performance reporting to Council.

Cost Drivers

Costs are driven primarily by personnel and external services.

Service Standards

Financial reports (annual, tax, audit) must be in compliance with PSAB and CICA standards, requirements and timelines. Reports ensure that the City is accountable and transparent. They serve Council and Committees' needs for accurate and timely information for decision-making. This program is involved with debt and funding strategies which contribute to City's financial sustainability. Ensure compliance of debenture borrowing through Alberta Capital Finance Authority.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 256	\$ 256	\$ 263	\$ 279
Expenditure & Transfers	2,923	3,105	3,349	3,515
Subtotal	2,667	2,849	3,086	3,236
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ 2,667	\$ 2,849	\$ 3,086	\$ 3,236
Management		1.0	1.0	2.0
Professional/Technical/Union Exempt		7.0	7.0	8.0
Union		14.0	14.0	14.0
Temporary		0.8	0.8	0.8
Full - Time Equivalents		22.8	22.8	24.8

2013 Services

- This program will continue to incorporate any changes to public sector accounting standards to ensure compliance
- Play an integral role in the evolution of enhanced financial processes such as the general ledger optimization initiative

Changes in Services for 2014

No planned changes in services for 2014.

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary

(\$000)

Program Name - Corporate Strategy, Budget and Infrastructure

Link to 10-Year Strategic Goals



Results to be Achieved

Facilitate achievement of Council's vision by delivering budgets, plans and models that reflect the six 10-year goals and performance measures targets supported by sound asset management practices and effective grant administration.

Cost Drivers

Costs are driven primarily by personnel and external services.

Service Standards

Services include corporate stewardship of an annual budget including the integration of strategic planning, performance management, reporting and education to contribute to the accountability to citizens and timely information for Council's decision making. Other services include grant administration in compliance with contribution agreements, and advanced infrastructure management tools, processes, and practices to ensure that limited resources are wisely invested.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ -	\$ -	\$ -	\$ -
Expenditure & Transfers	2,973	3,218	3,964	4,202
Subtotal	2,973	3,218	3,964	4,202
Intra-municipal Recoveries	-	-	(133.0)	(34.0)
Net Operating Requirement	\$ 2,973	\$ 3,218	\$ 3,831	\$ 4,168
Management		3.0	3.0	3.0
Professional/Technical/Union Exempt		13.0	12.0	14.0
Union		7.0	7.0	8.0
Temporary		-	1.0	-
Full - Time Equivalents		23.0	23.0	25.0

2013 Services

- Enhance the decision making process by continuing to roll out the corporate planning framework
- Continue work on The Way We Finance and a full roll out of the corporate performance measurement and citizen dashboard
- Implement the Operating and Capital Budget System, priority based budgeting, and the corporate performance measurement system
- Pilot productivity measurement in the department and implement on corporate-wide basis in 2014
- Continue enhancement of infrastructure management tools, work with other orders of government to secure and administer grants
- Provide information and analytics to Council to assist in decision making

Changes in Services for 2014

Develop and implement a multi year planning and budget process, including a 4-year capital budget and updated 10-Year Capital Investment Agenda

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary (\$000)

Program Name - Financial Process Improvement

Link to 10-Year Strategic Goals



Results to be Achieved

Business Process Improvement is responsible for managing continuous business improvement initiatives within the department.

Cost Drivers

Costs are driven primarily by personnel and external services.

Service Standards

Continuous business improvement initiatives are put forward by business units and a Statement of Work and Schedule are mutually agreed upon. Processes and findings are documented and recommendations and support are provided to the manager for implementation.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 3	\$ -	\$ -	\$ -
Expenditure & Transfers	1,327	1,977	1,962	1,895
Subtotal	1,324	1,977	1,962	1,895
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ 1,324	\$ 1,977	\$ 1,962	\$ 1,895
Management		1.0	2.0	3.0
Professional/Technical/Union Exempt		8.0	10.0	7.0
Union		3.0	5.0	5.0
Temporary		-	-	-
Full - Time Equivalents		12.0	17.0	15.0

2013 Services

- This program will initiate the Financial Services Transformation
- This program will evaluate continuous business improvement opportunities
- This program will facilitate the implementation of the Capital & Operating Budget System (COBS)
- This program will facilitate the implementation of the SAP Fit/Gap recommendations

Changes in Services for 2014

No planned changes in services for 2014.

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary (\$000)

Program Name - Investments Management

Link to 10-Year Strategic Goals



Results to be Achieved

The City's investment portfolio is governed by the Municipal Government Act and its investment regulations. Council has approved the Investment Policy and the Ed Tel Endowment Fund Bylaw. The City establishes an asset allocation policy for each of its investment funds to meet objectives in both the short and long term.

Cost Drivers

Costs are driven primarily by personnel.

Service Standards

This program adheres to good governance and industry best practice by supporting Council and Corporate Leadership Team. Annual earnings and dividends from City investments flow to the Capital Budget to provide additional revenue and diversify the revenue base. Investment Policy & Procedures provide the asset allocation policies, investment principles and guidelines, and risk management controls. Investment results are presented to City Council through the Investment Committee.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 45	\$ 45	\$ 30	\$ 15
Expenditure & Transfers	(1,440)	(1,589)	(904)	(890)
Subtotal	(1,485)	(1,634)	(934)	(905)
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ (1,485)	\$ (1,634)	\$ (934)	\$ (905)
Management				
Professional/Technical/Union Exempt		3.0	3.0	3.0
Union		2.0	2.0	2.0
Temporary		-	-	-
Full - Time Equivalents		5.0	5.0	5.0

2013 Services

- Asset allocation studies are planned for 2013 to review the Policy Asset Mix of each fund
- The analysis will review and assess its objectives, time horizon and risk tolerance
- In the long term, the asset mix should allow the fund to meet its stated investment objectives
- Continually monitor and evaluate the effectiveness of the investments program

Changes in Services for 2014

Depending upon the results of the completed asset allocation studies in 2013, some revisions to the Investment Policy and Procedures may be required.

Branches — Financial Services/Corporate Strategic Planning

Approved 2014 Budget – Program Summary

(\$000)

Program Name - Treasury Management

Link to 10-Year Strategic Goals



Results to be Achieved

Oversight & control of the City's cash handling/processing operations, accounts payable/receivable, collections, bulk coin, cash control, remittance processing, Bylaw Ticket administration, ensuring compliance with, & amendments to City policy/directives.

Cost Drivers

Increasing volumes in treasury operations, bylaw ticket administration, updates for city services, projects. There are also increasing administrative costs resulting from legislative and contractual amendments such as Payment Card Industry (PCI).

Service Standards

All cash handling sites use up to date using approved procedures and equipment, spot checks & integrity tests for compliance. Ensure compliance with Payment Card Industry (PCI). Efficient & effective processing of accounts payable/receivable. Same day processing for remittances, bulk coin within 1 day.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 1,042	\$ 1,116	\$ 916	\$ 1,144
Expenditure & Transfers	5,720	6,425	6,341	7,126
Subtotal	4,678	5,309	5,425	5,982
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ 4,678	\$ 5,309	\$ 5,425	\$ 5,982
Management		1.0	1.0	1.0
Professional/Technical/Union Exempt		5.0	5.0	7.0
Union		83.0	66.0	56.0
Temporary		-	-	-
Full - Time Equivalents		89.0	72.0	64.0

2013 Services

- Focus on spot checks, integrity testing for cash handling compliance, & improvements to the Cash Handling Handbook.
- Ongoing PCI compliance program development/program manager is established
- Increase efficiency & effectiveness of accounts payable/receivable through roll out of completed process, governance and oversight reviews

Changes in Services for 2014

- Establish ongoing Payment Card Industry compliance program once fully compliant
- Processing of Photo Enforcement tickets will be passed to Office of Traffic Safety
- Implement the consolidation of accounts payable/receivable functions in Financial Services as part of the ongoing Financial Services organizational review

Branches — Financial Services/Corporate Strategic Planning

Program - Treasury Management and Budget Office

FUNDED

Title -Operating impact on Capital Project (COBS and iNovah)

Results to be Achieved

This initiative directly supports Council's goal of financial sustainability. It protects, manages and optimizes the technology resources of two important financial applications: iNovah, which is used to manage our cash collection at cashier sites and TeamBudget, which is being implemented this year in the COBS Project to manage our capital and operating budget processes, to ensure that they are sustainable. These applications support financial decision-making with timely and accurate information.

Description

This service package includes 2 additional Information Technology Branch permanent FTEs in 2014 to provide on-going Information Technology operational support for upgrades, configuration, maintenance (break/fix) and end user support for the iNovah and TeamBudget (COBS Project) applications that went into production in 2012/2013. It also includes the annual software maintenance fees for TeamBudget which is required to keep the application at vendor-supported levels.

Background

The iNovah application is used to record cash collection at various city cashier locations. Cash collection sites have increased from 21 to 39 as a result of implementing 18 Library locations. The TeamBudget application that is being implemented in the COBS Project is used to record the operating and capital budgets and support the budget processes. This application has a high degree of integration with SAP for financial data & PeopleSoft for payroll and benefits data.

Options

This service package is required to sustain the applications that have been / are being implemented. One option would be to provide the operational and maintenance support through contract resources.

Implications of Not Funding

This service package will allow administration to ensure the new applications are sustainable and available for the users for the foreseeable future. Not funding this service package puts these applications at risk for substantial downtime, impacting citizen-facing services as well as the operating and capital budget processes used by administration and council.

incremental (\$000)	2014				2015				2016			
	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs
New Budget	\$ 312	-	312	2.0	\$ -	-	-	-	\$ -	-	-	-
Annualization	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 312	-	312	2.0	\$ -	-	-	-	\$ -	-	-	-

Branches — Financial Services/Corporate Strategic Planning

Program - Treasury Management

FUNDED

Title - PCI (Payment Card Industry) Compliance for 311 and CLASS

Results to be Achieved

This service package is required to:

1. maintain PCI compliance at the 311 Call Centre for their credit card payment handling,
2. maintain PCI compliance for the Community Services CLASS application hosting at an external Service Provider.

This initiative directly supports Council's goal of financial sustainability and governance.

Description

This service package includes:

1. the on-going maintenance cost of the PCI solution at 311 to maintain PCI compliance,
2. the on-going maintenance cost of hosting CLASS at an external PCI compliant Service Provider.

Note: the requested amounts are preliminary estimates at the present time. Actual amounts will be different based on the result of RFP's.

Background

In order to continue to accept credit cards, and in accordance with the merchant agreement with TD bank, the City must achieve and maintain PCI compliance. 311 accepts credit card over the telephone for course registrations in CLASS and Community Services accepts credit card through the City website for online course registration (eReg). The City's network infrastructure was not designed to comply with PCI Data Security Standards (PCI DSS). Therefore, the City cannot achieve PCI compliance if it hosts these two payment channels on the City's current network. The City needs to remain PCI compliant and report our compliance status to the bank annually.

Options

The City could invest capital and operating funds into its network infrastructure to make it comply with PCI at an estimated cost of \$3.8 million in capital investment and ongoing costs of 839K annually to update/secure the City network in accordance with PCI DSS while keeping the business processes unchanged. We are recommending an alternative strategy that involves effecting business process changes to minimize the scope for compliance (therefore, reducing the security risks) and invest on IT infrastructure only for the items that business process changes alone can not achieve compliance. This strategy has significantly reduced the initial compliance cost as well as the on-going maintenance cost. In addition to the cost reduction of this strategy an additional benefit is that it keeps the credit card data off the City's network altogether, reducing the City's risk of having a PCI data breach.

Implications of Not Funding

This service package will allow the City to comply with the PCI DSS in order to fulfill its contractual obligation and mitigate the risk of a data breach. If this service package is not funded, the City will not be able to maintain PCI compliance, which will result in a violation of the contract with the bank and increase the City's risk for a data breach. The bank may elect to disallow the City from accepting credit cards if they feel the City is moving backwards on PCI compliance or if they feel that the risk is too great for a data breach given the City's timelines and plan for achieving PCI compliance. If there is a data breach, the City may face substantial fine, remediation cost, legal cost, potential lost of the ability of accepting credit cards, and significant damage of its reputation to the public.

incremental (\$000)	2014				2015				2016			
	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs
New Budget	\$ 750		750	-			-	-	\$ -	-	-	-
Annualization	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 750	-	750	-	\$ -	-	-	-	\$ -	-	-	-

Page intentionally left blank