



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Patti Bridal, Chief Administrative Officer **FILE:** 1880-03\2024

PC: **DATE:** October 17, 2024

FROM: Elma Hamming, Director, Financial Services

SUBJECT: 2025 BUDGET FORMAT CHANGES UPDATE

There are number of budget format changes that Council will notice in the upcoming proposed budget for 2025, these include:

1. Non-market change (new inventory/development) has not been estimated and included in the draft budget as was included previously. Due to the uncertainty in the development market and possible negative budget impacts using early internal estimates, the new process is to wait for the annual November release of the BC Assessments Preview report on Non-market change. This is a reliable estimate on non-market change and estimated revenue based on that report will be presented to Council for the December budget deliberations.
2. Comparatives of 2023 actuals to 2024 actuals will not be like for like.
 - a. Starting in January 2024, the City transitioned to Workday financial and human resource software. Division directors and managers have also taken the opportunity to reallocate costs and staff positions to better align with operations. Most of these changes have been identified in the division budget.
3. Comparatives of 2024 actuals to 2024 budget are not up to date so that questions regarding variances cannot be addressed during budget deliberations.
 - a. There are still a number of accounting processes that still have to be implemented. For example, the full labour overhead component has not been applied resulting in understated salaries and wages. A new process is underway to capture this, but will not be operable until the end of the year.
 - b. Due to the steep learning curve involving new processes and coding, there are many reallocations that need to be done and while many have been identified, they have not yet been processed.
 - c. Now that staff are learning more about Workday, staff are working diligently to ensure that the 2025 budget (and future actuals) are set up to be comparable to the 2024 budget and actuals.
4. The RCMP Support Services and RCMP Detention Centre budget, formerly under Corporate Administration have been moved to the RCMP department. They are still managed by Corporate Administration. This has been done for two reasons:
 - a. RCMP costs have increased significantly and consolidating under one division will show the true overall impact on taxpayers at a glance.
 - b. To further communicate the cost impact, RCMP costs will be shown as a separate line from municipal services on future Property tax notices.

5. Accounting references have changed from 3-digit numbers to 5-digit cost centres starting with CC##### or PC#####.
 - a. CC#####s are funded by taxation and other own-source revenues; however; PC#####s are funded by other sources of income.
 - b. An additional section will summarize all the project cost centres and funding for cross-reference purposes. They will still be included under the relevant departments for ease of reference so managers can speak to them in the division budget.
6. Some departments/cost centres that point to a physical/tangible asset are now consolidated under one department/cost centre and called "Worksites". Note that costs that cannot be attributed directly to the worksite, are shown in the first worksite category called "Indirect Costs". Worksite variance explanations are reported at the end of the department/cost centre worksite report. This affects several areas that previously all had individual cost centres:
 - a. Building Services
 - b. Parks
 - c. Public Works (Attachment 1 Worksite sample)
 - d. Recreation
 - e. Sewer Operations
 - f. Water Reclamation Centre
7. The department/cost centre summary page 2 may show more granular classification than previously shown due to Workday configurations and integration with budget software.
8. FTEs (Full Time Equivalents) are shown on a Division level only, rather than broken down by department/cost centre. The historical FTE setup method requires an adjustment to FTEs outside the budget software at the department/cost centre level and finance has limited capacity to make these changes. In 2025, finance will change the setup so that an extra step is not required outside the budget software and this information will once again be available but done more efficiently.
9. Revenues raised from the infrastructure levy are now transferred directly to the Infrastructure Reserve and projects sourcing the levy funding is shown as a transfer from reserve. Historically positions funded by the infrastructure levy and the sewer fund were shown under a recurring capital project. These positions will still be shown separately for reference; however, no project has been created as this labour is incorporated into the various capital projects. In the sewer department there is a 30% internal charge which flows through as revenue on capital projects.
10. The Performance Measure section presented a collection of statistics but the GFOA (Government Finance Officers Association) budget presentation award criteria requires that these measures be directly aligned with the Strategic Plan and that targets for the budget year are also set. Quality versus quantity is encouraged. An updated collection of key performance indicators has been selected which will be enhanced in future years along with a Balanced Scorecard graphic to illustrate how performance measures tie in with the Strategic Plan and organizational values.

RECOMMENDATION:

That Council receive for information the memorandum titled "2025 Budget Format Changes Update" dated October 17, 2024 and respectfully submitted by Director, Financial Services.

Respectfully submitted:

A handwritten signature in black ink, appearing to be "RH" with a long horizontal stroke extending to the right.

Attachment 1 – Public Works worksite sample

Approved for the Agenda by the CAO

A handwritten signature in black ink, appearing to be "B" with a checkmark in a small square box at the bottom left of the signature.