

Service Based Budgeting Perspective

Recommendation:

THAT Council receive for information the report titled “Service Based Budgeting Perspective”, dated December 8, 2025.

Report Purpose and Summary Statement:

To provide an update on the development of a Service Based Budget, and how it is enabling a Priority Based Budgeting approach.

Previous Council Action:

Council’s Strategic Priority of Governance and Corporate Excellence, and the Strategic Goal to “Ensure organization and financial alignment to achieve Strategic Priorities and meet the needs of our growing community”.

Strategic Alignment:

Governance & Corporate Excellence

Applicable Legislation/ Bylaw/Policy:

Police 5.52 Financial Sustainability Plan

To: Mayor and Council

Service Based Budgeting Perspective

BACKGROUND:

The purpose of this report is to introduce Council to Service Based Budgeting and Priority Based Budgeting, outline how these differ from traditional City budgeting, and describe the proposed use of SBB and PBB for the 2026-2030 financial planning process.

ANALYSIS:

Discussion:

The City's budgeting process has traditionally been structured around departments and historical expenditure patterns. While this approach is familiar, it does not always provide a clear picture of what services are being delivered, how much those services cost, or how proposed investments and budget adjustments affect outcomes for the community. For example, traditional budgets break down expenses into line items such as staffing costs, equipment costs, and other cost categories that apply to an entire department (a department which delivers *multiple services*, which may not all be equally as important to the community). This can unintentionally make it difficult to assess the true cost and effort required to provide a service, as each service typically only uses a portion of the department's overall staffing budget, equipment budget, and other line item budgets.

Responding to Council's Strategic Priority of Governance and Corporate Excellence, along with corporate values and ongoing input from Council regarding transparent and efficient financial planning, staff undertook a corporate approach to build out a "*OneCity Budget*", using an emerging best practice approach known as Service Based Budgeting and Priority Based Budgeting, which seeks to address some of the challenges associated with traditional approaches to municipal budgeting. While the terms Service Based Budgeting (SBB) and Priority Based Budgeting (PBB) are often used interchangeably, they are two related concepts that together can achieve more transparent and intuitive budget development processes.

Development of a Service Based Budget to enable Priority Based Budgeting

SBB provides a more transparent and strategic framework that links resources directly to services, service levels, and community priorities.

Additionally, SBB recognises that municipal services are often delivered across multiple departments, rather than fitting within a single departmental unit. In contrast, SBB also identifies services as the outcomes delivered to the community, regardless of which departments contribute to them. For example, services such as "Development Approvals" often rely on

contributions from several departments (Planning & Building, Engineering, Parks, etc.). SBB captures these contributions in a single service profile.

For these reasons, the introduction of SBB will support improved decision making, transparency, and alignment between resource allocation and Council's strategic priorities.

The steps involved in establishing a Service Based Budget are based on considering:

1. **What services the City provides** – A comprehensive list of all services provided by the City, including direct community services and internal corporate services.
2. **The service levels being delivered** – Each service is documented with its current level of delivery. This can be a quantitative metric such as response times, or a qualitative service level such as collaborating with the community to achieve a certain outcome.
3. **The full cost of delivering each service at the specified level of service** – The City identifies the full cost to deliver each service, including direct operating expenditures such as staffing cost and equipment, as well as enabling costs such as administration for the entire department. This creates transparency regarding the financial resources associated with each service.

Following completion of the above steps, the SBB framework can be considered established.

The next step in the process builds on the information completed during the SBB work, to create a Priority Based Budget. A PBB allocates resources by ranking services against Council's priorities and community outcomes, then shifts greater budget allocation toward the highest-contributing areas. Each service is evaluated using a standardized method that assesses its alignment with Council's strategic priorities, such as Climate Leadership, and its significance and value to the public. This evaluation considers factors like whether the service is mandated, if the City is the sole provider, the degree of cost recovery, the trend in demand for the service, and the proportion of the population that utilizes the service.

The scoring process places each service into one of four priority quartiles. When the service scores are shown alongside the current level of service provision and cost for each of the City's services, it supports Council during budget deliberations with the following:

- Evaluating whether current service levels are appropriate.
- Considering increased service levels in priority areas.
- Identifying where service reductions or efficiencies may be appropriate.
- Understanding trade-offs among services.

SBB/PBB utilization for the 2026-2030 Budget Deliberations

Throughout 2025, City staff have been completing the preliminary work required to establish a Service Based Budget and to enable Priority Based Budgeting. This work has advanced significantly and has been utilized by staff in the development of the proposed 2026-2030 budget, alongside traditional approaches to financial and business planning. The following work has been completed:

- Development of a comprehensive inventory of approximately 200 City services.
- Establishment of service levels.
- Mapping of the City's financial accounts to the various services.
- Development of an in-house tool, using existing software tools and existing staff resources, that enables comprehensive reporting on budgeted and actual costs associated with each service and department.
- Scoring of most of the City's services based on a comprehensive scoring rubric.
- Detailed and highly granular review of all service and department budgets, identifying proposals for savings for Council's consideration during budget deliberations. The use of the new tool, and the service-based view, helped staff question assumptions and the status quo, and to look more deeply at service levels and broader service delivery.

While much has been achieved, work remains to be done before a complete PBB can be applied to Council's deliberations, which would allow Council to adjust service levels up or down and thereby reallocate financial resources from some services to other services.

With the goal of a transparent, responsive and equitable resource allocation model that reflects the needs and priorities of the community and the corporation, staff came away with learnings to apply to future iterations. Future work will involve identifying the relationships between service levels and costs to enable service level adjustments in alignment with priorities, and improving the understanding of overhead costs as they relate to direct City services.

To incorporate the work that has been completed to date into Council's 2026-2030 budget deliberations, Members of Council will be presented with a side-by-side view of the budget showing both traditional departmental budgets as well as Service Based Budgets. This approach will help Council gain a better understanding of how financial resources, allocated to various departments, are being utilized to deliver services to the community.

Strategic Alignment:

SBB and PBB will help the City undertake emerging best practices related to Council's Strategic Priority of Governance and Corporate Excellence, and the Strategic Goal to "Ensure organization and financial alignment to achieve Strategic Priorities and meet the needs of our growing community". The SBB, with clear relationships between service levels and costs, will make the budget more transparent, increasing allocations to the areas creating the greatest community benefit, and providing staff and Council with the true and full cost of providing each City service.

Applicable Legislation/Bylaw/Policy:

[Police 5.52 Financial Sustainability Plan](#)

CONCLUSION:

Staff have developed a Service Based Budget which will be introduced to Council in the coming weeks alongside the traditional financial plan perspective as part of the 2026-2030 budget deliberations. Staff also piloted a Priority Based Budgeting approach, which will be modified for next year before introducing to Council. An application was developed in-house with existing resources to support this work.

Prepared by: Zvi Lifshiz, Director of
Corporate Strategy/ Chief Strategy Officer
and Laura Benson, Program Manager

Report Approval Details

Document Title:	Service Based Budgeting Perspective.docx
Attachments:	
Final Approval Date:	Dec 3, 2025

This report and all of its attachments were approved and signed as outlined below:

Zvi Lifshiz, Director of Corporate Strategy/Chief Strategy Officer

Stephane Labonne, Deputy Chief Administrative Officer

James Stiver, Director of Planning and Building

Scott Hartman, Chief Administrative Officer