Multi-Year Service Based Budgeting

ALIGNING FINANCIAL PLANNING WITH STRATEGIC OBJECTIVES

Student # 217745 | Executive Diploma in Municipal Management | August 12, 2018

Executive Summary

Multi-year service based budgeting is a budgeting technique that many Ontario municipalities are exploring. With increasing federal and provincial regulations surrounding municipal financial planning and reporting, municipalities are expanding from the traditional annual departmental based budgeting to a more robust multi-year service based budget. Members of the public are increasingly holding municipalities accountable for the cost of services provided. These services and associated service levels are determined through Council's strategic plan. The strategic plan highlights the vision for the municipality, and the multi-year service based budget and business plan provide a roadmap of how the municipality can achieve its strategic plan.

Implementing multi-year service based budgeting will align financial planning with strategic objectives. This is demonstrated by showing that a multi-year budget will allow a municipality to outline financially how they plan to meet the objectives determined in the four year strategic plan. Adding service based budgeting to the multi-year budget will allow Council to determine the true cost of increasing or decreasing service levels in order to achieve their strategic objectives. Identifying these costs will inform members of the public as to how their tax dollars are spent and how these services align with Council's strategic plan.

In order to be successful in creating a multi-year service based budget that will align financial planning with strategic objectives, there are a number of financial and non-financial policies and plans that need to be implemented. These policies will provide the tools necessary to successfully implement a multi-year service based budget that directly aligns to Council's strategic objectives.

Table of Contents

Scope and Methodology

The main focus of this report is to determine if multi-year service based budgeting can align financial planning with strategic objectives. This will be demonstrated by reviewing a history of budgeting within Ontario municipalities, reviewing various budgeting techniques, and reviewing a number of financial and non-financial policies. With this information, we will examine the benefits and difficulties of multi-year and service based budgeting and form a conclusion on whether or not this style of budgeting can better align financial planning with strategic objectives. The scope of this report will be limited to Ontario lower, upper, and single tier municipalities.

History of Budgeting in Ontario Municipalities

Budgeting in Ontario municipalities has evolved over the decades. Historically, budgets in Ontario municipalities have been constructed on the basis of line-by-line incrementalism. As per Almos Tassonyi, this was likely done to "reflect the accounting background of most financial staff and the close relationship of the budget to the audited financial statements required to be submitted to the provincial government after the fiscal year-end."[1] However, more recently, many municipalities have moved towards introducing process and format reforms that reflect more up to date thinking about the achievements of goals rather than only focusing on cost control. This has resulted in looking at key performance indicators (KPIs) to ensure budget programs are not only efficient from a cost perspective, but are also effective and in line with what Council wants to achieve. One of the key reasons for having KPIs is so that management can better control costs, compare processes among various sectors, maintain service standards, and have benchmarks for performance management. As of today, many Ontario municipalities have initiated performance measurement initiatives at the request of their Council or Chief Administrative Officer (CAO). "As part of an ongoing effort to improve municipal fiscal administration, Ontario has taken the initiative to be the first province to require municipalities to measure and report annually to taxpayers on their performance in service delivery."[2] This began in 1999, and at first included nine core municipal service areas; garbage, sewage, water, transportation, fire, police, local government, land-use planning, and social services. This resulted in the creation of the Ontario Municipal Benchmarking Initiative (OMBI.) As of today, the OMBI no longer exists as it did in 1999. Currently, there is the Municipal Benchmarking Network Canada, which tracks only large municipalities, as opposed to the previous OMBI which tracked all tiers of municipalities.

Prior to January 1, 2009, municipalities presented their financial results on an expenditure basis, meaning all expenditures are recorded as incurred. In 2002, the Public Sector Accounting Board released a position paper called *Accounting for Infrastructure in the*

---

[1] Tassonyi, Almos. Municipal Budgeting. Canadian Tax Journal

[2] Tassonyi, Almos. Municipal Budgeting. Canadian Tax Journal

Public Sector. In June 2006, PS-3150 Tangible Capital Assets was approved for implementation starting January 1, 2009. This new policy resulted in all tangible capital assets (TCAs) being recorded as capital assets and depreciated annually. This was much different from the prior practice, which was to just expense the capital project in the year the expense occurred. This resulted in capital assets not being properly managed from a financial asset management viewpoint.

Budgeting Types and Techniques

Gross Expenditure Budgeting

Gross expenditure budgeting was used in the 1980s and 1990s by many Ontario municipalities. Each departments would budget for the total cost to deliver services within their respective departments, however, any associated revenues would be budgeted centrally in the Finance Department. One of the only advantages to this type of budgeting is that it is easy to prepare. A significant disadvantage is that it is less transparent as it is very difficult for the public to determine the net cost of a service or program. Preparing multi-year operating budgets using this format would not be successful in today's municipal environment.

Net Based Budgeting

A net based budget is a budget that is prepared by taking the total expenditures related to an item, and then netting off any user fees, grants, or other revenue, leaving a net tax levy impact. Many smaller municipalities are still using this type of budget today. An advantage of net based budgeting over gross expenditure budgeting is that it empowers management to be more responsible and efficient because items are budgeted on a net basis, making it more transparent to the taxpayers who want to see how many tax dollars are going into each service. This type of budgeting can improve decision making when determining whether or not to increase a service level. One of the biggest disadvantages to net based budgeting is that it can be very difficult to allocate shared resources to each item.

Department Based Budgeting

Department based budgeting is the same as net based budgeting, with the exception that each department builds their own budget and presents their own budget to Council during budget deliberations. An advantage with this type of budgeting is that department heads, who are generally experts in their fields, are present at Council meetings during budget time to speak to and justify their respective budgets. However, a disadvantage to this approach is that there are too many presentations to Council and not as much collaboration between departments to maximize synergistic opportunities.

SERVICE BASED BUDGETING

Service based budgeting is a budget that is created around services; rather than departments and divisions. A significant advantage of service based budgeting is that it highlights the net cost of providing a service. This information will allow Council to make an informed decision on whether or not to provide a service, or what it might cost to increase or decrease the service levels associated with a service. In knowing the financial impacts of providing a service, Council can better align their budget approvals with the planned strategic direction of the municipality. Taxpayers are provided with a more transparent costing of what it costs to provide a service. Having taxpayers better informed as to the cost of a service, will allow Council to make more informed decisions for their constituents. Currently the City of London has implemented multi-year serviced based budgeting and provided a presentation at the 2017 MFOA conference. Representatives from the City of London highlighted how a Council can make a more focused decision during budget deliberations[3]:

- If we reduced the service level, what would be the cost reduction?
- Are we delivering the service to a regulated service level or better?
- Who set the service level that we are currently delivering our services at?
- What service level do our taxpayers want?
- Are they prepared to pay for their desired service level?

One of the greatest disadvantages to service based budgeting is how time consuming it is to implement. Every service needs to be reviewed, which requires additional human resources compared to the previous budget types. As well, it can be difficult to determine who will prepare and present the budget for services that cross between two or more departments.

MULTI-YEAR BUDGETING

There are three components to a municipal budget, business planning, operating budgets and capital budgets. Having business plans in a municipal budget will guide the budgeting process to ensure that staffs budget proposal to Council aligns with Council's strategic plan and that internal resources are sufficient to carry out the objectives outlined in the budget and strategic plan.

The majority of medium to large municipalities have already implemented a ten year capital budget. Having a capital projection is necessary to ensure sustainable tax increases in regards to capital replacements. The new mandated asset management policies and plans will ensure that municipalities continue to appropriately manage their tangible capital assets.

Multi-year operating budgets are still relatively new amongst municipalities. Currently, there are only a few large municipalities that use this type. York Region prepares a two

[3] Collins, Ian. Dunbar, Alan. Budgeting Approaches for Municipalities. MFOA

year operating budget, and the City of London, for the first time in 2016, prepared a four year operating budget. Under the Municipal Act, a Council is required to review and readopt the budget for that year, regardless of whether or not a multi-year budget was approved. Therefore, annual budget updates are approved by Council throughout the multi-year budget period. Knowing what expenditures or services will occur over the multi-year period will allow staff to financially tie the budget to the four year strategic plan that is set by Council.

There are three types of budget amendments when updating a multi-year budget proposal:

- New or changed regulation
- New Council direction
- Cost driver: A corporate or service area budget shortfall as a result of changes in economic conditions.

One of the greatest advantages of preparing a multi-year operating budget is the ability to align long term objectives with long term financial planning. With knowing what the Council's strategic objectives are for a four year period, and creating a four year operating budget to address each objective, this type of budget will provide a clear financial impact for Council and the public on what it will cost to complete Council's objectives. Since staff will have to report back annually on any budget updates, it creates greater transparency for the public to see why the forecast has changed.

A disadvantage is that it can be difficult to determine the impact of potential provincial or federal legislative changes that will have a fiscal impact on the municipality. An example would be Bill 148 that was approved in 2017 and came into effect during the 2018 budget year. Another disadvantage is there is a significant amount of upfront work involved in preparing a four year forecast, with no real guarantee that Council's priorities will remain the same. Staff will need to ensure that a realistic multi-year budget is created, because it will be difficult to have Council change it later. The policies outlined below will play a key role in ensuring the success of a multi-year budget.

Key Policies and Plans

Key financial policies will play an integral role in whether or not a municipality will be able to successfully align financial planning with strategic objectives. Benefits of having strong financial policies include:

- A form of financial control that ensures resources are spent and funded in a fiscally prudent manner.
- Decision making is applied in a consistent manner.
- Reducing uncertainty about future funding needs.

A municipality should consider adopting the following policies and plans prior to implementing multi-year service based budgeting. By doing so, will ensure the municipality has a financial policy framework in place to address any issues that will arise during implementation.

Strategic Plan

A strategic plan is a "systematic process by which a community anticipates and plans for its future."[4] Every four years, when a new Council comes into power, a new strategic plan would be created. This strategic plan would highlight Council's core mission, vision, strategic priorities and a communication and execution plan. A successful strategic plan would include an element of accountability. This is done by introducing KPIs that will allow you to measure the success of every goal and priority within the strategic plan. If you can't measure it, you will have difficulty achieving it. A municipal strategic plan will be a four year plan that partially aligns with the Council term. This plan becomes a crucial part of the municipality's multi-year budgeting process. Knowing what needs to be accomplished from a strategic perspective over a four year timeframe makes it possible to complete a multi-year operating budget that will encompass and plan for all objectives set by Council.

Surplus Deficit Policy

A Surplus Deficit Policy is a policy that outlines how the Treasurer records a surplus or deficit in the operating fund at the end of the year. At best, the budgeting process provides estimated figures based on assumptions and information obtained from stakeholders. Throughout the year, these assumptions may be influenced by internal or external factors which will cause either a favourable or unfavourable budget variance at yearend. Having this policy provides for an efficient way of dealing with the annual yearend process and removes any potential fluctuations from the property tax and other user fee calculations. The policy would include recommendations on how the surplus or deficit should be accounted for at yearend. Below is an example of how the Town of Georgina allocates their surplus or deficit[5]:

- An amount equivalent to up to a maximum one percent (1%) of the current tax levy from the operating surplus be transferred to the Tax Rate Stabilization Reserve until the balance of the reserve reaches ten percent (10%) of the total approved operating budget.
- An amount equivalent to up to a maximum one percent of the current tax levy from the operating surplus be transferred to the Working Capital Reserve until the balance of the reserve reaches ten percent of the total approved operating budget.
- Any operating deficit shall be funded from the Tax Rate Stabilization Reserve.

---

[4] Jackson, Ted. "What Is A Strategic Plan? (For Your City, That Is.)" ClearPoint Strategy
[5] Town of Georgina, "Surplus Deficit Policy" Town of Georgina

- In the case of lack of funds availability, the Treasurer shall report to Council and recommend alternative sources of funding for Council's approval before completion of the year-end audit process.
- Any remainder of the annual surplus after the transfer of funds as described in steps a and b, shall be transferred to the Corporate Capital Reserve or respective Lifecycle Replacement Reserves for other separate funds.

This policy would be essential when completing multi-year operating budgets. As a municipality begins to forecast budgets for 2 to 4 years, the chances of the initial budget assumptions changing increases with each year. This policy allows the Treasurer the flexibility to draw on stabilization reserves if necessary.

Assessment Growth Policy

An Assessment Growth policy will outline the process for handling the annual assessment growth revenue that a municipality receives. The majority of municipalities do not have an assessment growth policy and instead use assessment growth during the budget process to reduce the tax levy impact for all residents. For instance, the Town of Georgina's budget shows a tax levy impact net of assessment growth. In the Town of Georgina's 2017 Budget, the tax levy impact is shown as 4.5%, which is net of assessment growth of 1.6%.[6] Creating an assessment growth policy will ensure that assessment growth is used for growth related projects. An assessment growth policy should include the following:

- Business cases: Service areas that incur costs to provide existing core services are required to submit business cases to the Treasurer.
- The first available assessment growth funds are applied to business cases approved by the Treasurer/CAO.
- If business cases exceed assessment growth funding, then approved cases are funded based on a priority order and unfunded cases are then resubmitted for consideration in the following year.
- If assessment growth funding exceeds the growth costs of service areas the balance available can be applied to other one time financial priorities, to reduce debt, or to reduce any capital infrastructure gap.

Debt Management Policy

The main objective of this policy is to minimize the long-term cost of financing which will limit the tax burden on current and future rate payers. Some strategies for this policy would be:

- Limiting and reducing authorized debt. An example would be setting an internal debit capacity that is lower than the provincially mandated annual repayment limit of 25%.

---

[6] Town of Georgina. "2017 Georgina's Annual Budget" Town of Georgina

- Minimizing risk associated with issuing debt: An example is to issue debt on projects that are substantially complete to avoid the over-issuance of debt.
- Minimizing debt servicing costs: Maintain a strong credit rating to assist in securing a favourable cost of borrowing.

Knowing what your Council's internal debt capacity tolerance is, will greatly assist in planning a multi-year capital budget.

Financial Control Policy

A Financial Control Policy will outline the delegated authorities between staff and Council. The Town of Richmond Hill includes the below items in their Financial Control Policy:[7]

- Budgets: This section would outline who is responsible for budget preparation, what delegated authority staff has in respect to minor budget adjustments or transfers, and reporting timelines.
- Delegated Authority: This section would outline the delegated authorities for the CAO, Department Heads, Treasurer, and Managers. The delegated authorities would be for procurement thresholds, contingencies, scope changes, funding commitments, budget overages, and payment approvals.
- Reporting: When and what items need to be reported to Council.

Giving delegated authority to staff is essential for the success of a multi-year operating budget. With changing Federal and Provincial legislation, economic conditions, and Council priorities, it is necessary for staff to have the delegated financial authority to make minor adjustments within the operating and capital budgets to ensure objectives can be met without administrative delays.

Development Charge Policy

A Development Charge (DC) policy highlights the process for how growth related capital projects are forecasted and approved. As per the Development Charges Act, "The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies."[8]

When development occurs in a municipality, it causes an increase in expenditures for operating and capital items. The increase in operating expenditures is partially offset by an increase in assessment growth revenues. Assessment growth revenue is the new property tax revenue that is created annually due to new assessments. The increase in

---

[7] Town of Richmond Hill. "Financial Control By-Law, By-law 114-16" Town of Richmond Hill

[8] Province of Ontario. "Development Charges Act, 1997, S.O. 1997, C.27" Province of Ontario

capital costs is partially offset by development charges. A municipality's multi-year operating and capital budgets should include provisions for growth related expenses. The amount of growth a municipality incurs is influenced by provincial legislation and the Town's Official Plan.

Reserve and Reserve Fund Policy

A Reserve and Reserve Fund Policy will outline the governing principles around the creation and use of reserves and reserve funds. Maintaining adequate reserve funds is essential to ensure the financial sustainability of a municipality. In simple terms, reserves are saving accounts. There are two types of reserves: discretionary and obligatory reserves.

Discretionary reserves are reserves that are set-up by Council. They may include a working capital reserve, rate stabilization reserves, corporate capital reserves, and asset replacement reserves. These reserves are primarily used for tax rate stabilization and to proactively plan for asset replacements. Reserves can mitigate tax levy fluctuations in regards to inflation risks, service level demands, emergency mitigation, collective agreement settlements, and changes to legislation, interest rate risks, and economic downturns.

Obligatory reserves are reserve funds that are mandatory due to provincial or federal legislation. Examples of obligatory reserves are the Federal Gas Tax, Development Charges, and Cash in Lieu of Parkland. Council has limited authority as to the type of projects that can be funded from these reserve funds.

Service Delivery Review Policy

A Service Delivery Review (SDR) Policy will outline the process for reviewing all internal and external services that the municipality provides. This process is necessary from a financial, organizational, and strategic perspective. Since it is not fiscally possible to review all services annually, this policy will highlight the process for reviewing services on a rotational basis.

- Organizational Reviews: Each year a division or department should be reviewed to ensure that from a corporate organization perspective, the structure in place is still the most effective.
- Financial Reviews: Each year a division or department should be reviewed on a line by line basis, using zero based budgeting techniques, to ensure that the services provided are being provided at the most cost effective rate of return.
- Strategic Reviews: During the organizational and financial reviews, all services reviewed should include an analysis to ensure the service and the level to which that service is offered ties into Council's current strategic objectives.

Investment Policy

An Investment Policy will outline the process and rules governing how a municipality can invest its excess funds and will ensure the prudent management of the Corporation's investment portfolio. Municipalities should strive to invest funds in a manner that will provide the highest rate of return while at the same time minimizing the degree of risk associated with the investment. The Town of Georgina lists the following as the primary objectives of its Investment Program:[9]

- Adherence to statutory requirements: Investments shall be governed by the *Municipal Act, 2001, S.O. 2001, c.25,* as amended. Investments will be limited to those eligible under Ontario Regulation 438/97.
- Preservation of capital: Safety of principal is an important aspect of an Investment Policy.
- Maintaining liquidity: Ensuring that the investment policy is liquid enough to meet the cash flow requirements of the municipality.
- Earning a competitive rate of return: The investment portfolio should be diversified between short and long term investments, as well as low to medium risk investments to ensure that a balance is obtained between earning a competitive rate of return while ensuring the preservation of capital.

An investment policy is necessary if a municipality plans to adopt multi-year operating budgets. The Treasurer will know the needs of the future operating and capital forecasts which is necessary to maximize the diversification of investments between short and long term needs.

Asset Management Policy

In December of 2017, the province passed an asset management planning regulation under the *Infrastructure for Jobs and Prosperity Act, 2015*. Asset management planning ties together long-term financial planning with strategic planning and the annual budget process. Prior to 2012, less than 40% of municipalities had asset management plans. As of today, almost all municipalities have an asset management plan. The next step is for 100% of municipalities to have an up-to-date, robust plans that inform investment decisions.[10] Below is a summary of the deadlines for the new Ontario regulation on asset management plans:

- July 1, 2019: Strategic Asset Management Policy
- July 1, 2021: Asset Management Plan: Phase 1 – Core Assets
- July 1, 2023: Asset Management Plan: Phase 2 – All Assets
- July 1, 2024: Asset Management Plan: Phase 3 – Buildings on Phase 1 and 2 by adding proposed levels of service, lifecycle management, and a financial strategy.

---

[9] Town of Georgina. "Corporate Investment Policy" Town of Georgina

[10] Province of Ontario. "Overview of Municipal Asset Management Planning Regulation (O. Reg. 588/17) Roma Conference 2018

Legislatively, municipalities will be required to comply with this regulation in the near future. The first step is to create an Asset Management Policy. An asset management plan will be an integral part of a multi-year operating budget. Knowing how much money is needed for maintenance and long term capital replacement will be a critical component to ensure the success of a service based multi-year budget.

Multi-Year Budgeting: Benefits & Difficulties

Multi-year budgeting is the process of preparing and having Council approve an operating or capital budget that exceeds one year. The majority of municipalities only prepare a one year operating budget, however, some of the larger municipalities will prepare a 2 to 4 year operating budget. Multi-year operating budgets do not exceed a four year time frame due to the Council term and strategic plans being limited to four years. The standard for capital budgets is usually 10 years, as capital requirements need to be planned further in advance.

Benefits

There are a number of benefits associated with implementing a multi-year budgeting process. Barry Blom and Salamon Guajardo list a number of benefits associated with implementing a multi-year operating budget:[11]

- Improve long-range and strategic planning: Policy makers will need to allocate fiscal resources for a longer time horizon, which would force them to be more strategic when allocating resources.
- Produce a more policy oriented budget process: Having a multi-year operating budget will force policy makers to move away from the line by line micromanaging of financial resources and have them focus more on policies, goals, and long term fiscal objectives.
- Reduce reliance on short term grants and one-time revenue sources: These types of revenue sources are not always known for the future, so it would force the municipality to exclude them from their forecasts, which is a benefit, since relying on one time grants is not a sustainable approach.
- Reduce staff hours dedicated to the budget process: There will be an upfront commitment of staff time in the initial year of creating a multi-year budget, but the following years will require less resources.
- Strengthen performance evaluation: Having business plans and operating budgets that span multiple years will allow department heads to allocate resources appropriately to achieve all results outlined in the strategic plan.

[11] Blom, Barry. Guajardo, Salamon. "Multi-year Budgeting: A Primer for Finance Officers" GFOA

Difficulties

There are a number of difficulties associated with implementing a multi-year budgeting process. One of the main difficulties according to Mike Jordan, Director of Government Relations is aligning the four year operating budget with Council's four year term. Mr. Jordan describes in his paper *Overview of Multi-Year Business Planning and Budgeting* that if a Council has a four year term from October of 2016 to October of 2020, then ideally, the four year operating budget cycle sold run from January 1, 2018 to December 31, 2021.[12] This would allow a newly elected Council the opportunity to create their own strategic plan and associated priorities which would play an integral role in the four year operating budget. The difficulty with this approach is that most newly elected Council may want to make budgetary changes immediately rather than waiting a year. Currently, the City of London uses this approach for their multi-year operating budgets.

According to research conducted by GFOA, Barry Blom and Salamon Guajardo list a number of difficulties associated with implementing a multi-year operating budget:[13]

- Lack of flexibility: Once the multi-year budget is set, it will be more difficult to make major changes for economic or political reasons, without having a major impact on the multi-year operating budget.
- Potential for increased workload and stress: The initial year of creating a multi-year operating budget will require more human resources than creating a single year budget.
- Software limitations: Not all enterprise resource planning systems have the functionality to manage multi-year operating budgets.
- Uncertainty: When economic conditions are unstable, it becomes difficult to forecast a multi-year operating budget accurately.

Service Based Budgeting: Benefits & Difficulties

Implementing service based budgeting has a number of benefits and difficulties associated with it. Glen Cowan, Director of Finance for the Town of Milton describes "Service based budgeting utilizes an alternate methodology for budget presentation that is intended to support strategic investment decisions with respect to the utilization of taxpayer funding."[14]

[12] Jordan, Mike. "Overview of Multi-Year Business Planning and Budgeting" City of Saskatoon

[13] Blom, Barry. Guajardo, Salamon. "Multi-year Budgeting: A Primer for Finance Officers" GFOA

[14] Town of Milton. "Program Based Budgeting" Town of Milton

The GFOA has outlined the guiding principles for priority driven budgeting. These priorities would apply to service based budgeting as well:[15]

- Prioritize services
- Do the important things well
- Question past patterns of spending
- Spend within the organization's means
- Know the true cost of doing business
- Provide transparency of community priorities
- Provide transparency of service impacts
- Demand accountability for results

Benefits

According to Alan Mitchel, Executive Director, Cities Centre of Excellence, service based budgeting will increase public accountability.[16] Members of the public will be able to see and understand the cost of every service within the municipality. This will allow for greater public engagement when it comes to deciding on whether or not to increase or decrease a current service level.

Alan Mitchel describes that having a service based budget will allow the municipality and members of the public to ask the following questions:[17]

- Is your municipality delivering the service to a regulated service level or better?
- What if I reduced the service level, what would be the cost reduction?
- Who set the service level that we are currently delivering our services at?
- What service level do our clients want?
- Are they prepared to pay for their desired service level?

Being able to answer these questions at budget time would be a tremendous improvement in municipal budgeting.

Difficulties

One of the major difficulties with implementing service based budgeting is the staff time required to go line by line through the budget and reallocate all costs and revenues from a departmental approach to a service based approach. There is also the ongoing staff commitment to reviewing services annually and determining if the service level is still in alignment with Council's strategic plan. For this reason, most small municipalities do not use service based budgeting for all services. There are many instances where a small municipality will use a service based approach when examining a new service that they

---

[15] Kavanagh, Johnson & Fabian. "Anatomy of a Priority-Driven Budget Process" Government Finance Officers Association

[16] Mitchell, Alan. "Service Based Budgeting" KPMG

[17] Mitchell, Alan. "Service Based Budgeting" KPMG

want to offer, however, they do not go back through all past services due to the administrative resource commitment required to do so.

Multi-Year Service Based Budgeting Implementation Plan

The following steps are an example of how a multi-year service based budget could be implemented:

- Council and senior management buy-in:
    - Prior to starting this budgeting process, it's important to have the support of Council and senior management. Without their support, the project will not be successful.
- Strategic Plan and Financial Policies:
    - All of the recommended policy and plans listed in this report should be completed and implemented.
- Review of human resources:
    - Implementing a multi-year service based budget will require significant staff resources. The senior management team should ensure that sufficient resources are available prior to beginning the process.
- Business planning and key performance indicators:
    - The senior management team should create a process for creating and evaluating business plans.
- Public education:
    - Whenever there is a significant change to the budget process a communications plan should be created to educate the public on the new improvements. Having residents that are educated on the process will ensure that those residents are engaged in the process.

Conclusion

Implementing multi-year service based budgeting will align financial planning with strategic objectives. This is demonstrated by showing that a multi-year budget will allow a municipality to outline financially how they plan to meet the objectives determined in the four year strategic plan. Adding service based budgeting to the multi-year budget will allow Council to determine the true cost of increasing or decreasing service levels in order to achieve their strategic objectives. In order to be successful in creating a multi-year service based budget that will align financial planning with strategic objectives, all of the financial and non-financial policies described in this report will need to be fully implemented. Moving to a multi-year budgeting process will force the municipality to be proactive in ensuring appropriate financial policies are in place and updated. These policies will then assist in aligning the budget process with Councils approved strategic plan.

Works Cited

1. Blom, Barry. Guajardo, Salamon. "Multi-year Budgeting: A Primer for Finance Officers" Government Finance Officers Association, February 2000
   Available from Government Finance Review
   https://rockmail.rockvillemd.gov/clerk/egenda.nsf/d5c6a20307650f4a852572f9004d38b8/8b550fa29dc798b085257a5b0068b406/$FILE/AttachA_Primer_Multi-YearBudgeting.pdf
   Accessed August 12, 2018

2. Collins, Ian. Dunbar, Alan. "Budgeting Approaches for Municipalities." Municipal Finance Officers Association of Ontario
   Available from Municipal Finance Officers' Association of Ontario
   http://www.mfoa.on.ca/mfoa/main/pdfs/AC17_Tues_Sept19_Budgeting_Approaches_Dunbar_Collins.pdf
   Accessed July 8, 2018

3. Jackson, Ted. "What Is A Strategic Plan? (For Your City, That Is.)" ClearPoint Strategy, 21 January 2016
   Available from ClearPoint Strategy
   https://www.clearpointstrategy.com/what-is-a-strategic-plan-for-your-city/
   Accessed August 12, 2018

4. Jordan, Mike. "Overview of Multi-Year Business Planning and Budgeting" City of Saskatoon, 16 May 2016
   Available from City Manager's Office – Governance and Priorities Committee, City of Saskatoon
   https://www.saskatoon.ca/sites/default/files/documents/asset-financial-management/multi-year_budgeting_gpc_may_2016.pdf
   Accessed August 12, 2018

5. Kavanagh, Johnson & Fabian. "Anatomy of a Priority-Driven Budget Process" Government Finance Officers Association, 2011
   Available from the Government Finance Officers Association
   http://www.gfoa.org/anatomy-priority-driven-budget-process
   Accessed August 12, 2018

6. Mitchell, Alan. "Service Based Budgeting" KPMG, April 2017
   Available from Association of Municipalities Ontario
   https://www.amo.on.ca/AMO-PDFs/Events/17AMS/AlanMitchell.aspx
   Accessed July 9, 2018

7. Province of Ontario. "Development Charges Act, 1997, S.O. 1997, C.27" Province of Ontario, 8 March 2018 e-Laws currency date
Available from the Province of Ontario
https://www.ontario.ca/laws/statute/97d27?search=e+laws#BK1
Accessed August 3, 2018

8. Province of Ontario. "Overview of Municipal Asset Management Planning Regulation (O. Reg. 588/17)" Province of Ontario, 23 January 2018
Available from Rural Ontario Municipal Association conference 2018
http://www.roma.on.ca/ROMA-Docs/Conference/2018/Presentations/OverviewofMunicipalAssetManagementPlanningRegulati.aspx
Accessed July 28, 2018

9. Tassonyi, Almos. "Municipal Budgeting." Canadian Tax Journal 2002 Vol.50, No 1
Available from Canadian Tax Journal
http://staging.ctf.ca/ctfweb/Documents/PDF/2002ctj/2002ctj1_tassonyi.pdf
Accessed June 25, 2018

10. Town of Georgina. "2017 Georgina's Annual Budget" Town of Georgina, 8 February 2017
Available from Town of Georgina
https://www.georgina.ca/sites/default/files/page_assets/2017_municipal_budget.pdf
Accessed June 3, 2018

11. Town of Georgina. "Corporate Investment Policy" Town of Georgina, 15 November 2017
Available from Town of Georgina https://www.georgina.ca/sites/default/files/agendas-and-minutes/2017/november_15_2017_continuous_agenda.pdf
Accessed May 31, 2018

12. Town of Georgina. "Surplus Deficit Policy" Town of Georgina, 6 December 2017
Available from Town of Georgina
https://www.georgina.ca/sites/default/files/agendas-and-minutes/2017/december_6_2017_continuous_agenda_2_0.pdf
Accessed May 31, 2018

13. Town of Milton. "Program Based Budgeting" Town of Milton, 13 November 2017
Available from the Town of Milton
https://www.milton.ca/MeetingDocuments/Council/agendas2017/rpts2017/CORS-068-17-%20Program%20Based%20Budgeting%20Report.pdf
Accessed July 28, 2018

14. Town of Richmond Hill. "Financial Control By-Law, By-law 114-16" Town of Richmond Hill, 12 December 2016
Available from Town of Richmond Hill
https://www.richmondhill.ca/en/shared-content/resources/Financial-Control-By-law-No.-114-16.pdf
Accessed July 16, 2018