



Association of Municipal Clerks
and Treasurers of Ontario

Zone 7 Fall Workshop

Budget Policies, Multi-Year Budgeting and Best Practices

October 20th, 2016



Agenda

- Introduction
- Why This Matters
- Our Thoughts
- Discussion

Why This Matters

- Municipalities are often criticized for not having a plan
- Taxpayers don't understand what they get for their tax dollars
- Taxpayers always think it's better elsewhere
- Municipal activities are prone to significant fluctuations

What the GFOA Says

- A budget process consists of activities that encompass the development, implementation and evaluation of a plan for the provision of services and capital assets
- A good budget process:
 - Incorporates a long-term perspective
 - Establishes linkages to broad organizational goals
 - Focuses decisions on results and outcomes
 - Involves and promotes effective communication with stakeholders
 - Provides incentives to government management and employees
- The overall purpose of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process

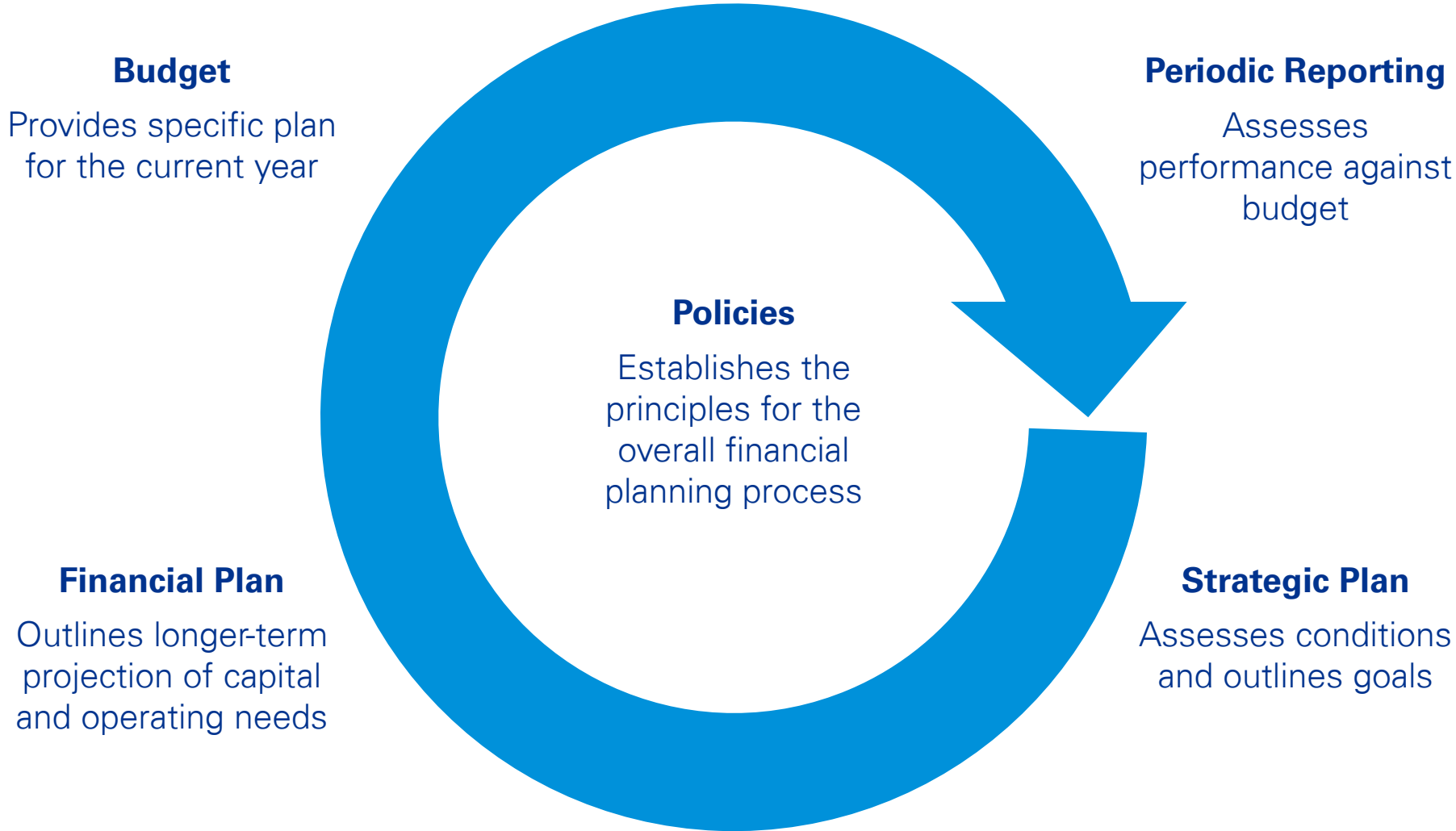
What the GFOA Says

Principles	Elements
A government should have broad goals that provide overall direction and serve as a basis for decision making	
A government should have specific policies, plans, programs and strategies to define how to approach its goals	
A financial plan and budget that moves forward towards the achievement of goals should be adopted	
Program and financial performance should be continually evaluated	

What the GFOA Says

Principles	Elements
<p>A government should have broad goals that provide overall direction and serve as a basis for decision making</p>	<ul style="list-style-type: none"> • Assess community needs, priorities, challenges and opportunities • Identify opportunities and challenges for government services • Develop and disseminate goals
<p>A government should have specific policies, plans, programs and strategies to define how to approach its goals</p>	<ul style="list-style-type: none"> • Adopt financial policies • Develop operating and capital policies and plans • Develop programs and services that are consistent with these plans • Develop management strategies
<p>A financial plan and budget that moves forward towards the achievement of goals should be adopted</p>	<ul style="list-style-type: none"> • Develop a formal budget process • Develop and evaluate financial options • Make choices necessary to adopt a budget
<p>Program and financial performance should be continually evaluated</p>	<ul style="list-style-type: none"> • Monitor, measure, and evaluate performance • Make adjustments as needed

How It All Fits Together



Budget Process

- Start it early enough to be finished by December of the current year
- Develop a formal schedule for Council involvement
 - Get direction early for acceptable tax and user fee increases
 - Establish a fixed number of Council meetings
 - Differentiate between operating and capital
- Involve department heads in the process
 - Individual vs. group discussion
- Provide opportunity for public input
 - On-line input
 - One public input session
 - Report on actual results

Recommended Financial Policies

Policy	Considerations
Reserve and reserve funds	<ul style="list-style-type: none"> • Stabilization reserves (tax, services, debt) • Operating reserves • Capital reserves • Establish maximum and minimum amounts • Specifically restrict usage • Reserve vs. reserve fund
Debt	<ul style="list-style-type: none"> • Define appropriate use and circumstances • Dictate disposition of debt servicing capacity when debt is repaid • Align to Provincial regulations
User fees	<ul style="list-style-type: none"> • Define how to determine annual increases • Separate rate setting from affordability
Budgeting	<ul style="list-style-type: none"> • Process • Timing • Option identification

Recommended Financial Policies

Policy	Considerations
Investments	<ul style="list-style-type: none">• Delineate between short-term and long-term investment needs• Specifically state appropriate investments• Include provision for reporting on performance
Capital	<ul style="list-style-type: none">• Establish capital financing formula• Determine approach to situations involving underspending or overspending• Include provision for reporting on capital projects

Multi-Year Budgeting

Multi-year budget

291. (1) Despite sections 289 and 290, a municipality may prepare and adopt a budget covering a period of two to five years in the first year to which the budget applies or in the year immediately preceding the first year to which the budget applies. 2006, c. 32, Sched. A, s. 121.

Restriction

(2) Despite subsection (1), if the first year of a multi-year budget immediately follows a year in which a regular election is held, the budget may only be adopted in the first year to which the budget applies. 2006, c. 32, Sched. A, s. 121.

First year

(3) Except as provided in subsection (1), the provisions of the budget for the first year to which the multi-year budget applies shall comply with the requirements of section 289 or 290, as the case may be. 2006, c. 32, Sched. A, s. 121.

Other years, mandatory review of annual budget

(4) For the second and each subsequent year to which a multi-year budget applies, the municipality shall, in the year or the immediately preceding year,

(a) review the budget for that year;

(b) make such changes as are required for the purpose of making the provisions of the budget for that year comply with the requirements of section 289, except clause 289 (4) (b), or section 290, except clause 290 (4) (b), as the case may be; and

(c) readopt the budget for that year and for subsequent years to which the budget applies. 2006, c. 32, Sched. A, s. 121; 2009, c. 18, Sched. 18, s. 3.

Budget As A Business Plan

- Staffing numbers
- Level of service and basis for delivery
- Key performance indicators
 - A key performance indicator is a measurable value that demonstrates how effectively an organization is achieving key business objectives
 - Can be financial or non-financial
 - Can be high level or departmental specific
 - Should link to overall goals and objectives
- Comparative benchmarking
 - FIR
 - OMBI
 - BMA

Potential Key Performance Indicators

Corporate	Departmental
<ul style="list-style-type: none"> • Taxes per household • Municipal burden per household • Municipal burden as a percentage of household income • Debt per household • Reserves and reserve funds per household • Increase in municipal levy • Debt servicing costs as a percentage of total operating costs • Percentage of employees with completed performance appraisals • Full-time staff per 1,000 households • Full-time staff per \$1,000,000 in operating spending 	<ul style="list-style-type: none"> • Departmental costs per household or other measure (e.g. lane kilometres) • Percentage of infrastructure rated as good or better • Target for performance outcomes (utilization, users, employee hours by activity)

If I Were You...

- Ten year capital forecast
- Four year approved budget, reducing over the term of Council
- Stabilization reserves for taxes, water, wastewater, winter roads maintenance and debt servicing at a minimum
- Defined maximum and minimum limits for reserves
- Transfer debt servicing to reserves upon repayment of debt
- Definitely borrow for capital
- Three Council meetings for budget (operating, capital, final)

If I Were You...

- Four year user fee policy
- Community engagement strategy that covers budget and year-end reporting
- Use the budget to tell a story
 - What you do
 - What people get for their tax dollars
- Scale my efforts accordingly
- Accept the fact that at the end of the day, I'm not really in charge



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