



Long-Term Budget Approaches – Asset Management Practices

AMCTO Zone 7 2024 Fall Workshop

October 24th, 2024

01 Introduction

- It is definitely a challenging time, with multiple competing pressures facing municipalities
- Long-term financial planning and budgeting can provide some measure of stability and planning horizon
- Today's session will focus on two topics:
 - Long-term budgeting practices (the theoretical)
 - What we've seen and what we suggest (the practical)

02 What the Municipal Act Says

- Section 291(1) of the Municipal Act allows multi-year budgeting for periods up to five years
- Under 291(8), the municipality can also request (by bylaw) multi-year budgets from boards, commissions or other bodies (other than school boards)
- Notwithstanding the adoption of a multi-year budget, municipalities are required to do three things on an annual basis:
 - Review the budget
 - Makes changes as required
 - Readopt the multi-year budget

02 Potential Benefits

1. Potential streamlining of the budget process (depending on Council involvement)
2. Supports multi-year strategies
 - Capital projects (spending and funding)
 - Taxation strategies
 - Reserve contributions
 - User fee increases
3. Provides consistency over the term of Council
4. Assists with performance management
 - This is what we said we would do, this is what we did

02 Suggested Implementation Considerations

1. Obtain Council buy-in for multi-year budgeting
2. Updated budget policy to reflect multi-year budgeting as an option for the municipality
 - Adopt a budget policy if you don't already have one
3. Identify key assumptions for the multi-year budget
 - Services and service levels, including new initiatives
 - Inflation
 - Capital projects (spending and funding)
 - Revenue strategies
 - Regulatory impacts

F. Multi-Year Budgeting

1. As permitted under Section 291(1) of the Municipal Act, the County can elect to adopt a multi-year budget. The Municipal Act also prescribes the process for preparing and adopting a multi-year budget.
2. At the recommendation of the Treasurer, Council can approve a multi-year budgeting that covers a maximum four year period, commencing no earlier the second year of Council's term and ending no later than the first year of a new Council term.
3. The preparation of the multi-year budget will be consistent with the provisions contained elsewhere in this policy.
4. Commencing in the second year of the multi-year budget, and for each subsequent year, Council is required to review and readopt an operating and capital budget for that year. As part of the review process, Council will have the opportunity to make amendments to the multi-year to reflect financial impacts resulting from:
 - New or changed regulation.
 - Changes in Council direction, including new direction from Council that has transpired after the approval of the multi-year budget or the revisions to Council direction originally considered in the multi-year budget.
 - Changes in economic conditions, including but not limited to changes in inflation rates, new funding sources, collective bargaining agreement settlements and changes in contractual arrangements.
5. Changes to future years' budgets should only be brought forward and approved once per year such that all changes are considered together.
6. The Treasurer or designate is authorized to make adjustments that are considered to be immaterial in nature, including interdepartmental transfers that do not change the County's levy requisition.
7. The Treasurer or designate is authorized to release budget funds prior to a new Multi-Year Budget or annual budget update approval, to a maximum of a pro-rated amount based on the previous fiscal year's approved budget.

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02 What This Could Look Like

2023 Budget Detail Template
Administration

Inflation Rate 2%

Account Number	Account Name	2022 Budget	2022 Actual	Adjustments							2023 Budget	2024 Budget
				Inflation	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6		
1-4-1200-1010	ADMIN - Wages	184,000	145,624	2,910	62,000						210,530	214,700
1-4-1200-1020	ADMIN - Overtime Wages	-	60	-							60	100
1-4-1200-1090	ADMIN - Vacation Pay	500	4,817	100							4,920	5,000
1-4-1200-1092	ADMIN - Statutory Holidays	-	8,348	170							8,520	8,700
1-4-1200-1094	ADMIN - Sick Leave	-	1,278	30							1,310	1,300
1-4-1200-1096	ADMIN - Other Leaves	-	3,820	80							3,900	4,000
1-4-1200-1110	ADMIN - Benefits	39,000	14,927	300	31,000						46,230	47,200
1-4-1200-1150	ADMIN - EI	5,710	3,703	70							3,770	3,800
1-4-1200-1160	ADMIN - CPP	7,000	7,275	150							7,430	7,600
1-4-1200-1170	ADMIN - OMERS	12,590	10,442	210							10,650	10,900
1-4-1200-1200	ADMIN - EHT	3,590	3,311	70							3,380	3,400
1-4-1200-1210	ADMIN - WSIB	2,730	3,641	70							3,710	3,800
1-4-1200-1250	ADMIN - Translation Fees	200	90	-							90	100
1-4-1200-1300	ADMIN - Seminars/Workshops	500	648	10					2,340		3,000	3,100
1-4-1200-1310	ADMIN - Conferences/Trade Shows	7,000	4,581	90		2,300					6,970	7,100
1-4-1200-1320	ADMIN - Memberships	1,600	1,375	30		1,400					2,810	2,900
1-4-1200-2000	ADMIN - Bad Debt Expense	-	-	-							-	-
1-4-1200-2010	ADMIN - Materials/Supplies	2,000	416	10							430	400
1-4-1200-2050	ADMIN - Telephone	8,200	6,747	130							6,880	7,000
1-4-1200-2052	ADMIN - Cell Phone	1,450	521	10							530	500
1-4-1200-2120	ADMIN - Office Supplies	-	1,777	40							1,820	1,900
1-4-1200-2130	ADMIN - Computer Expenses	100	80	-					920		1,000	1,000
1-4-1200-2210	ADMIN - Legal Fees	4,000	5,361	110						6,000	11,470	11,700
1-4-1200-2210	ADMIN - Legal Fees	100,000	32,915	660			(33,575)				-	-
1-4-1200-2300	ADMIN - Advertising	-	12,011	240			-				12,250	12,500
1-4-1200-4010	ADMIN - Contracts	3,600	3,286	70							3,360	3,400
1-4-1200-4020	ADMIN - Insurance	72,800	29,621	590				(1,387)			28,820	29,400
1-4-1200-5010	ADMIN - Miscellaneous	500	(59)	-					1,060		1,000	1,000
1-4-1200-5010	ADMIN - Miscellaneous	-	514	10					(520)		-	-
1-4-1200-7810	ADMIN - Professional Services	-	-	-			4,500				4,500	4,600
1-4-1200-7810	ADMIN - Professional Services	-	-	-			950				950	1,000
1-4-1200-7810	ADMIN - Professional Services	70,000	64,378	1,290			(65,670)				-	-
1-4-1200-7810	ADMIN - Professional Services	35,825	33,425	670			(34,095)				-	-
1-4-1200-7810	ADMIN - Professional Services	2,600	2,509	50			(2,560)				-	-
1-4-1200-7970	ADMIN - Future Benefit Adjustments	-	-	-							-	-
		565,495	407,442	8,170	93,000	3,700	(130,450)	(1,387)	3,800	6,000	390,290	398,100



03 What We're Seeing

1. Most, but not all, municipalities have some form of long-term financial planning
 - Primarily for capital but some municipalities are preparing operating forecasts
2. Long-term capital planning messages aren't always resonating with elected officials
 - Asset management plans
 - Water financial plans
3. There are different reasons why we believe elected officials think they way that they do
 - Affordability impacts
 - Disagreement with approach
 - Absence of service level impacts
 - Reluctance to use debt

03 Addressing Affordability

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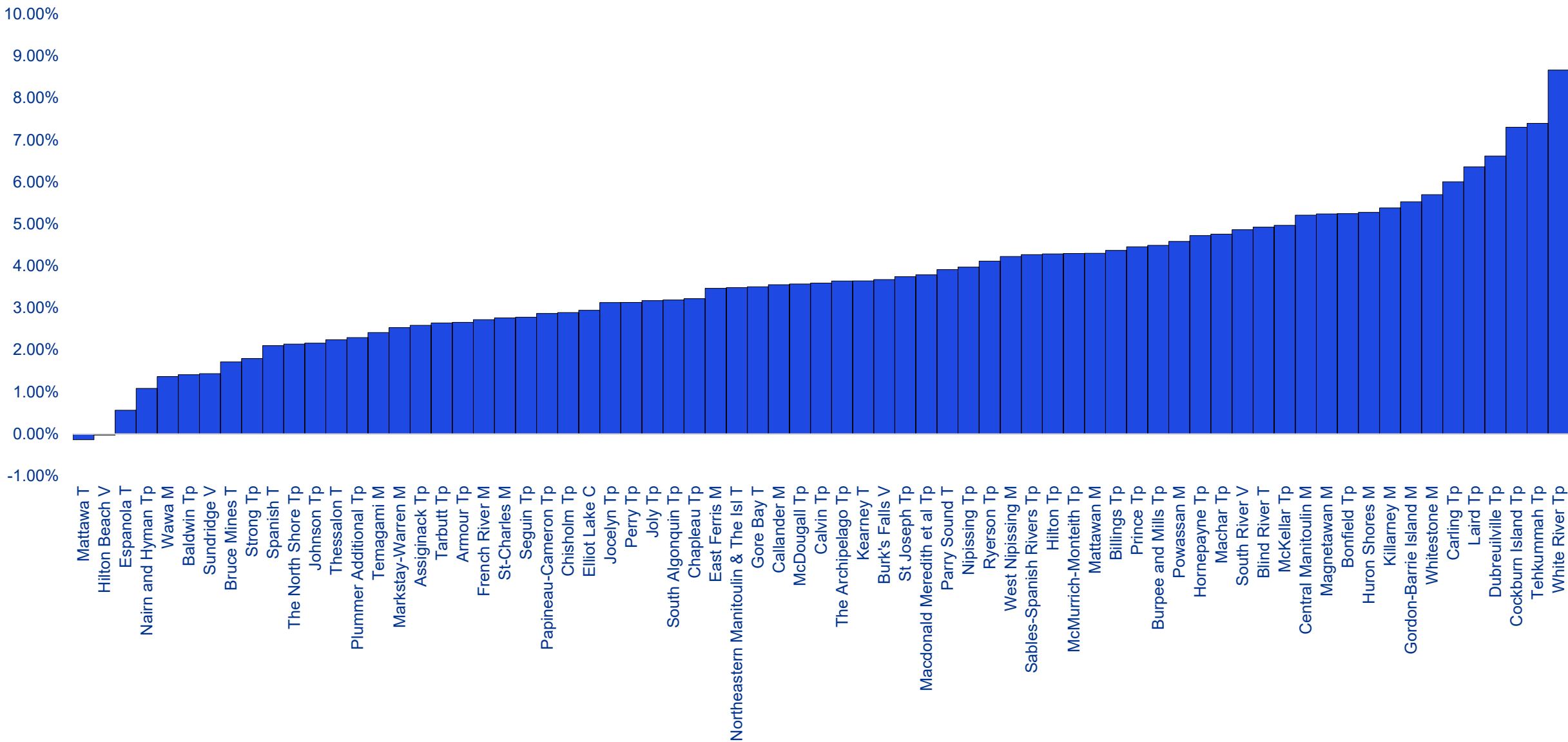
Change in residential taxes by household



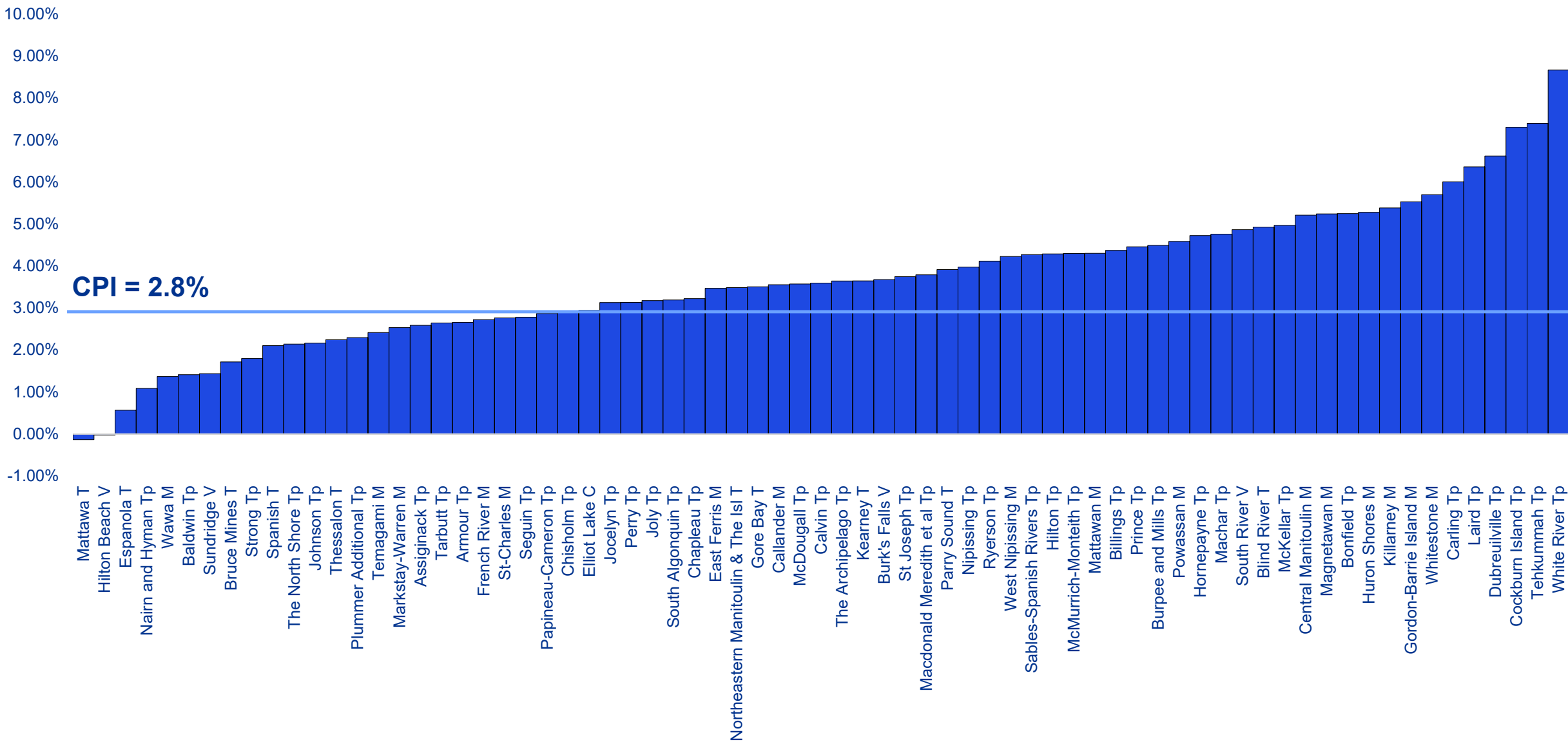
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2. Use OPTA data to show exactly what's happening to taxes
3. Benchmark
 - Cost indicators
 - Other municipalities

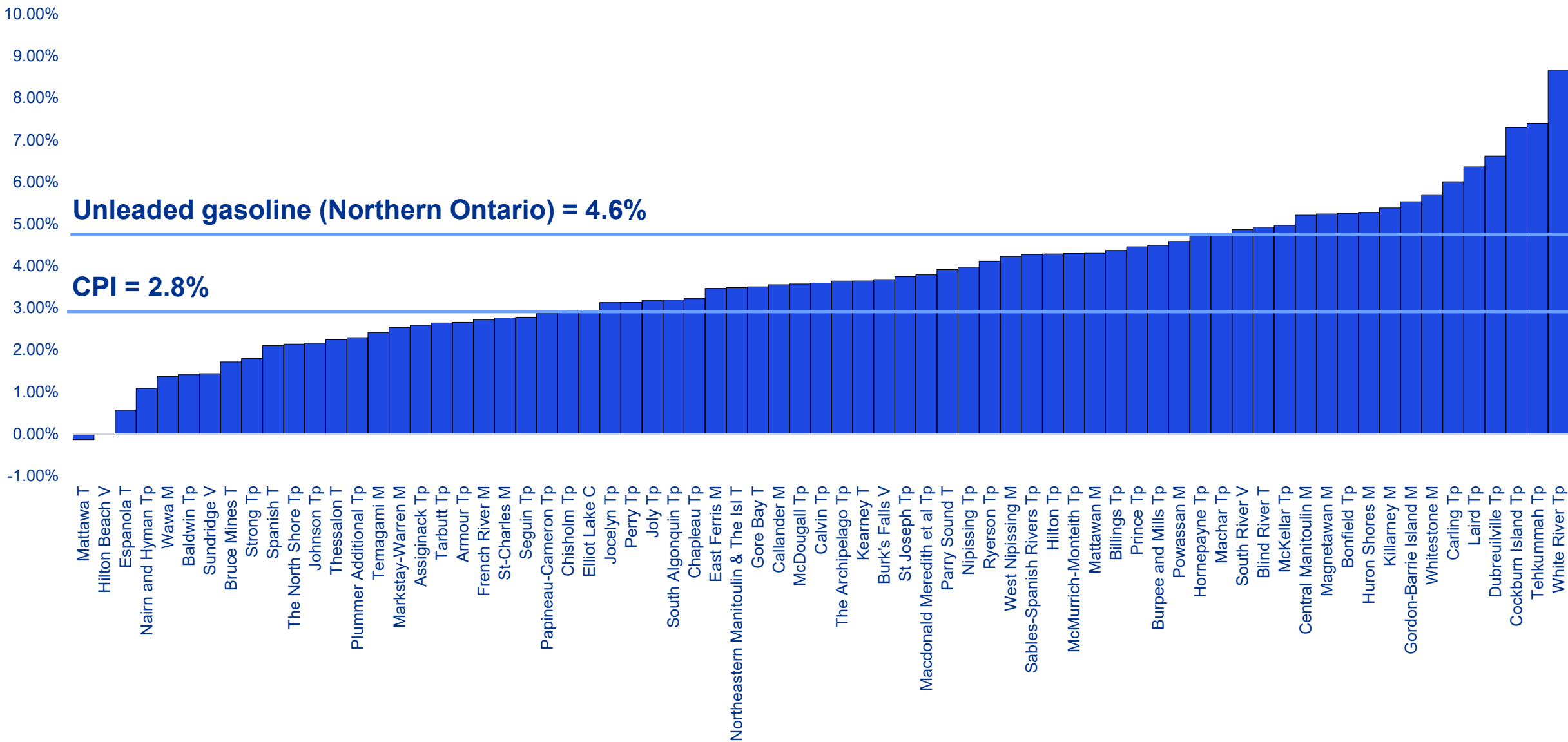
03 Average Annual Levy Increase (2017 to 2022)



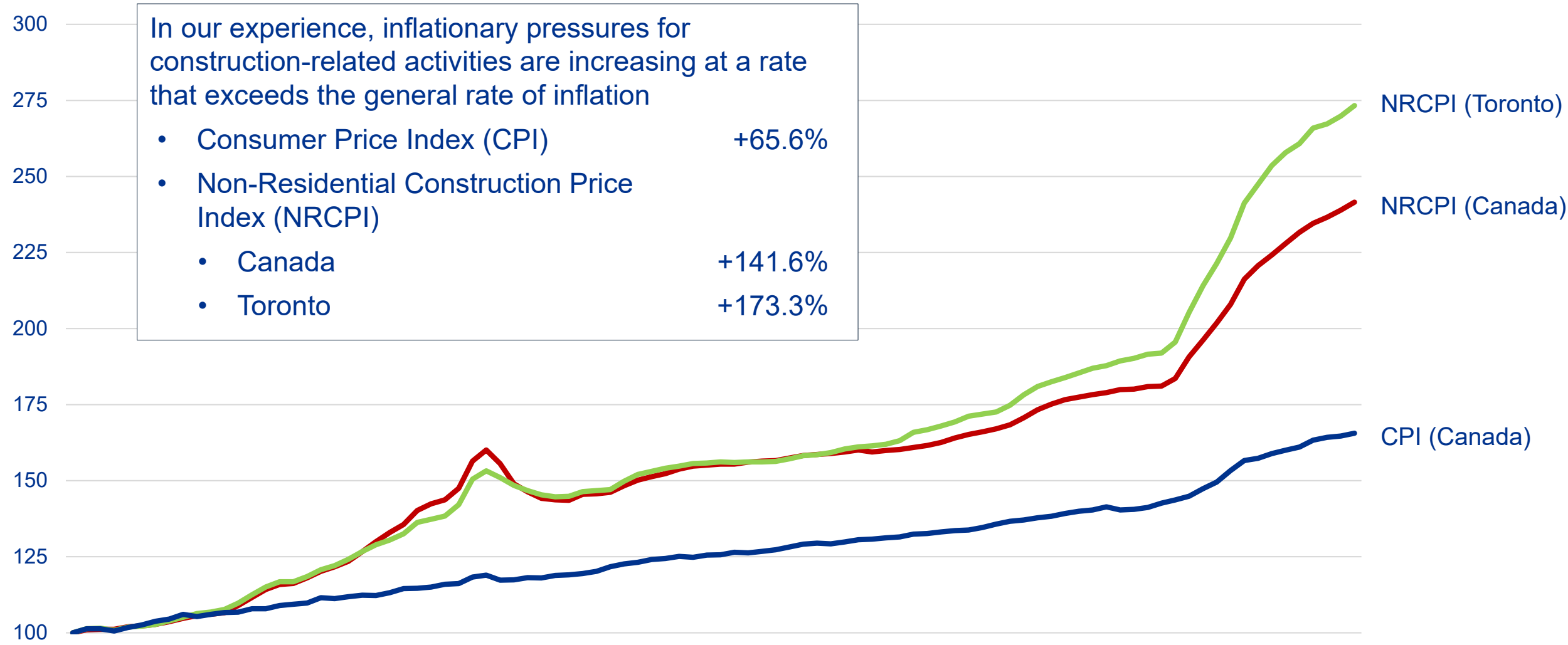
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03 What Is The Right Benchmark For Inflation



Price indices from 2001 Q1 (2001 = 100) to 2024 Q2.



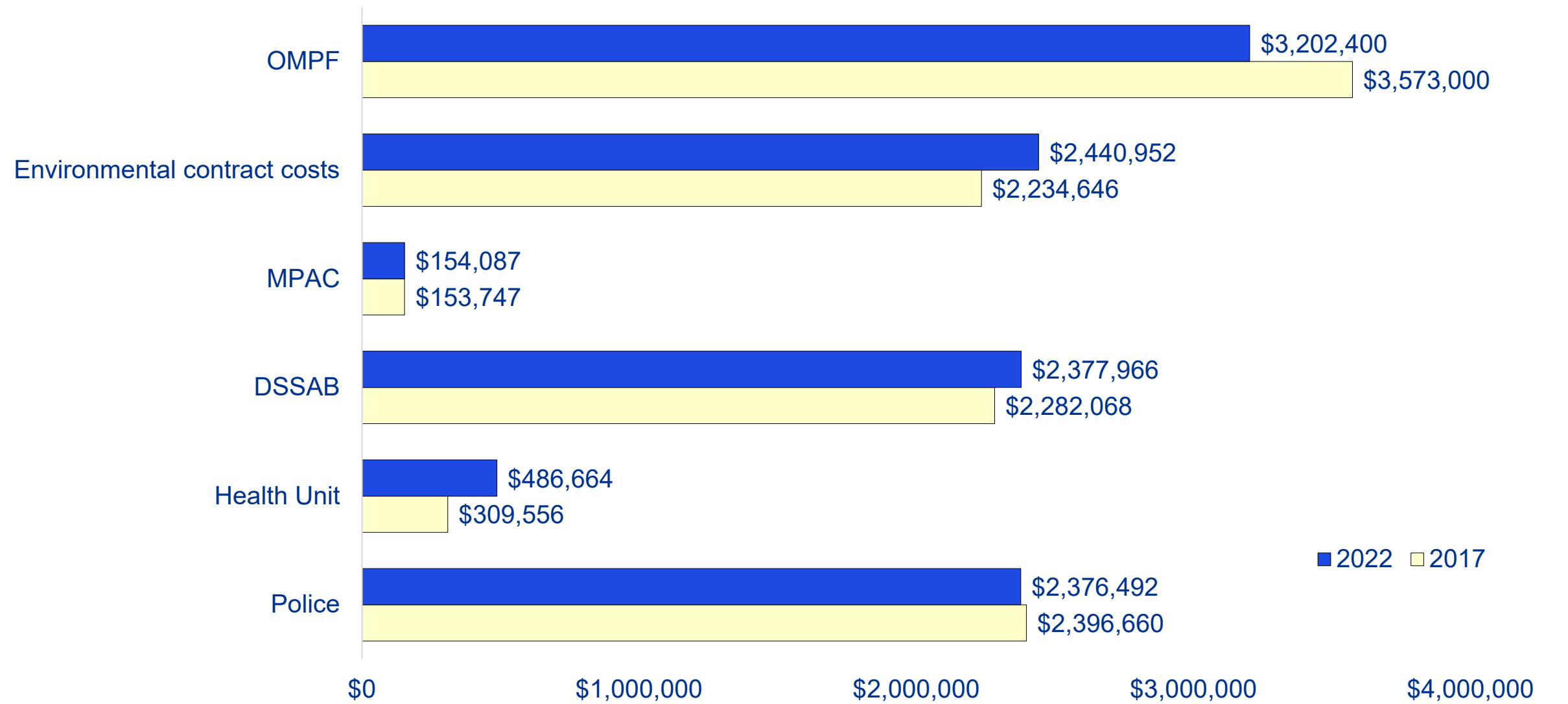
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4. Structure temporary increases
 - Infrastructure levy

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3. Benchmark
 - Cost indicators
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4. Structure temporary increases
 - Infrastructure levy
5. Identify increases to specific factors

03 Third Party Costs



03 Approach to Capital Projections

- A number of asset management plans reflect annual investment needs based on the total replacement value over the assets' useful lives
 - Provides a steady stream of revenues over the generations of taxpayers using the asset
 - Yields a very big number

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 - Provides a steady stream of revenues over the generations of taxpayers using the asset
 - Yields a very big number
- Contrary positions from Council reflect something like this:

*When my roof needs to be repaired, I find the money to fix it.
I don't start saving for my next roof replacement as soon as I fix my existing roof.*

03 Addressing Council's Concerns Over the Number

1. Be very specific in your projections

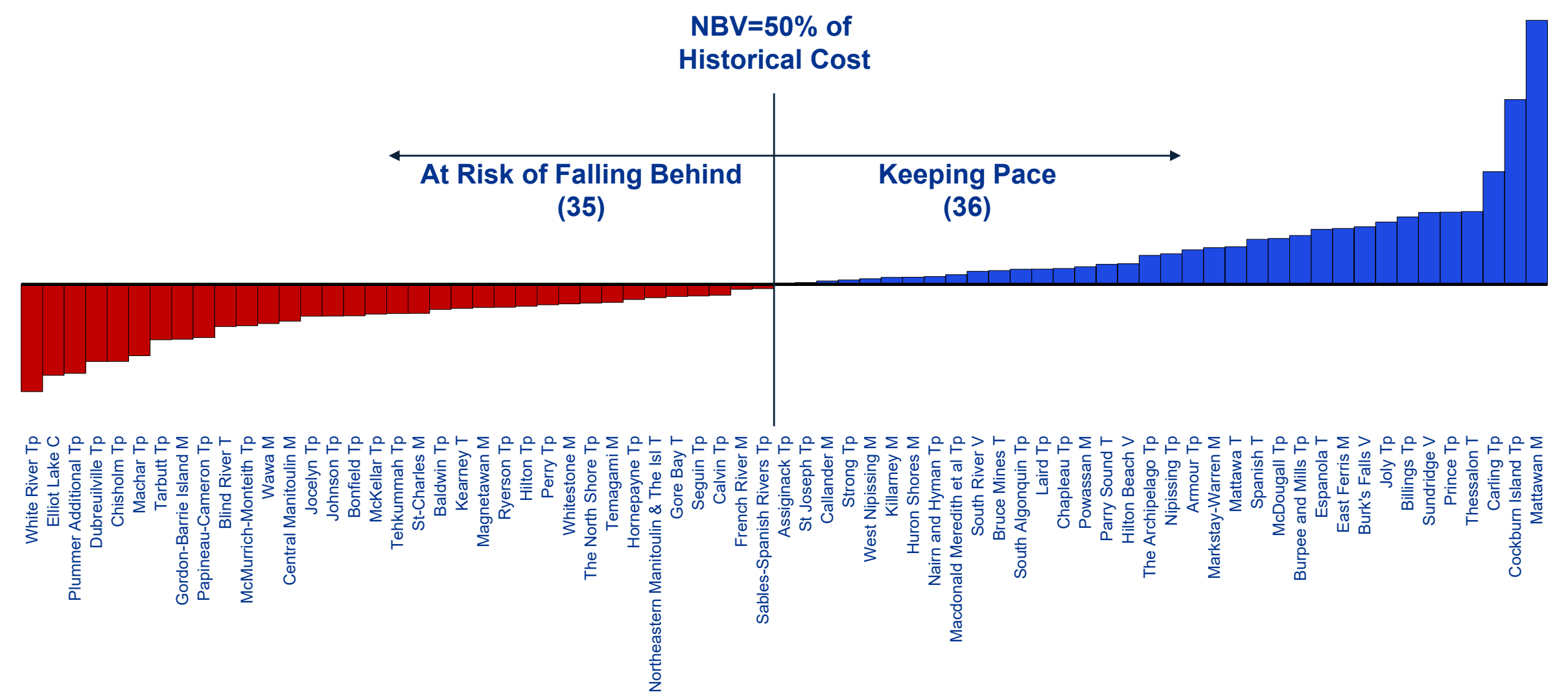
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3. Demonstrate your infrastructure deficit

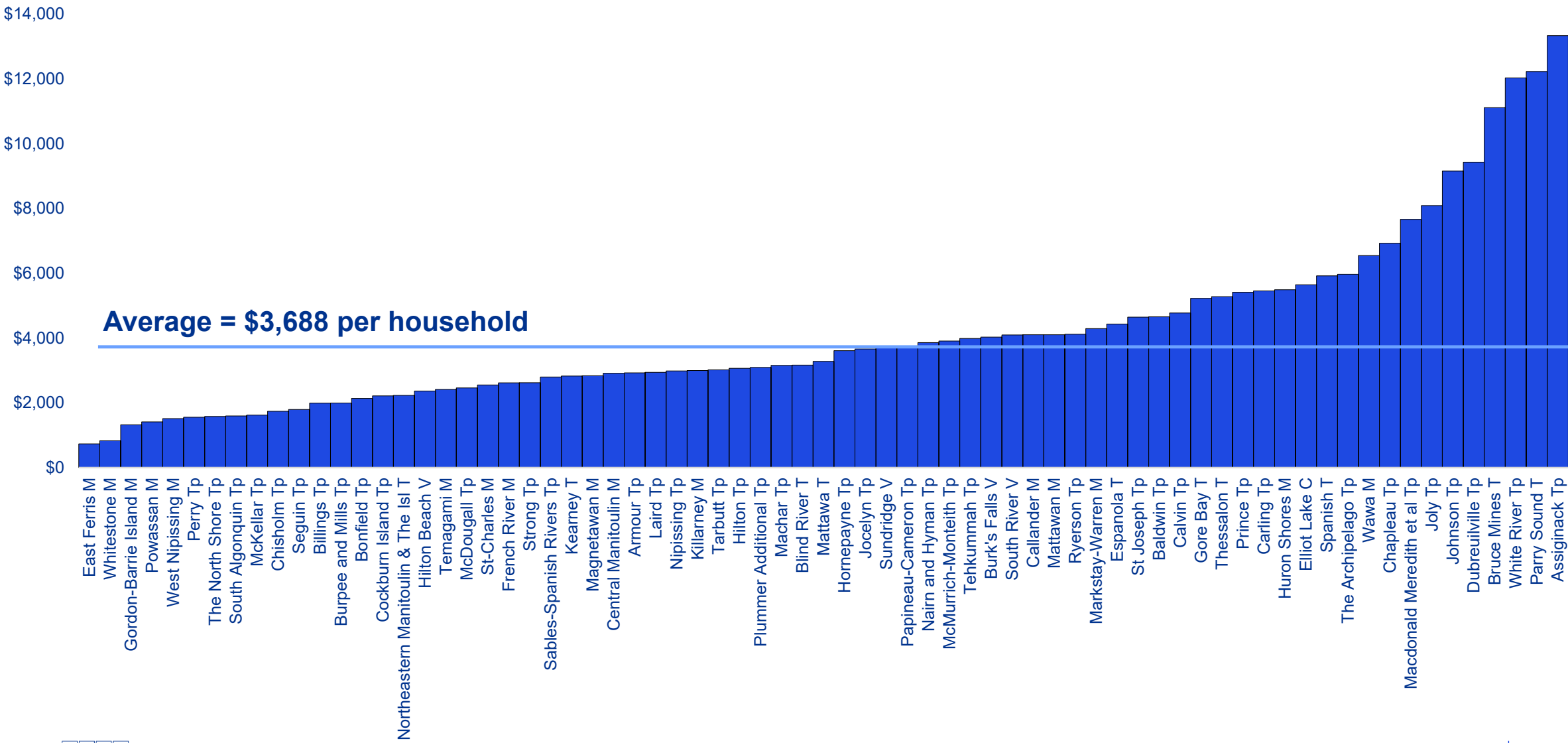
03 Net Book Value as a Percentage of Historical Cost



03 Addressing Council's Concerns Over the Number

1. Be very specific in your projections
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3. Demonstrate your infrastructure deficit
4. Tie this into a reasonable approach to reserves

03 Reserves per Household



03 Reserve Policy Wording

3. The determination of transfers to and from Reserve and Reserve Fund balances will consider the following targets for Reserve and Reserve Fund balances:

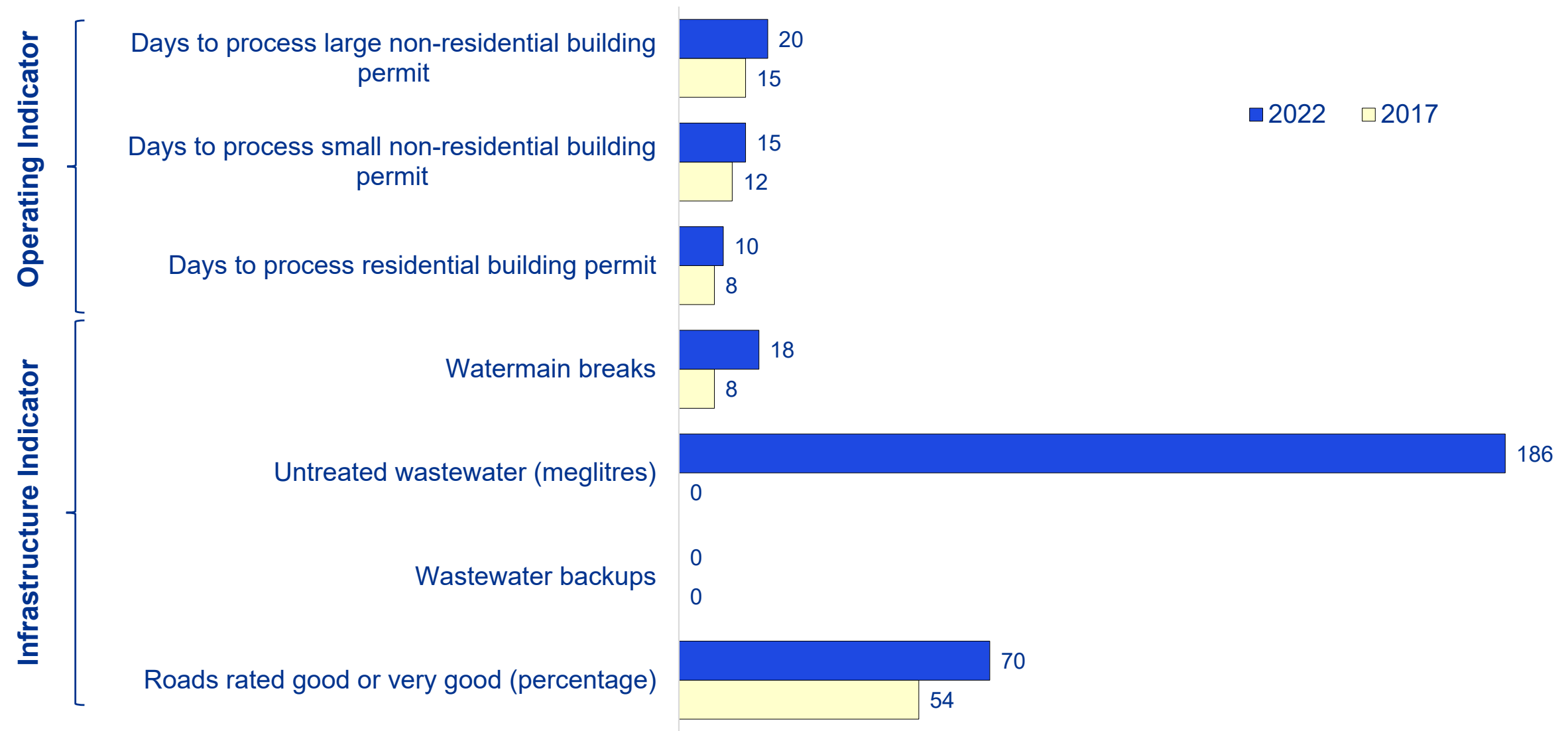
	Minimum	Maximum
Tax Stabilization Reserve	5% of budgeted tax levy	10% of budgeted tax levy
Debt Repayment Reserve Fund	10% of Budgeted Debt Servicing Costs	50% of Budgeted Debt Servicing Costs
Capital Investment Reserve	5% of the reported historical cost of the County's Tangible Capital Assets	15% of the reported historical cost the County's Tangible Capital Assets
Operating Reserves	2% of the budgeted expenditures	5% of budgeted expenditures
Stabilization Reserves	25% of the budgeted expenditures	100% of the budgeted expenditures

The performance targets identified within this policy are intended to contribute to the County's long-term financial stability as well as support to the attainment of its broader strategic objectives, recognizing that a number of years may be required for the County to achieve these targets.

03 Addressing Council's Concerns Over the Number

1. Be very specific in your projections
2. Maximize grants as much as possible
3. Demonstrate your infrastructure deficit
4. Tie this into a reasonable approach to reserves
5. Show the impact on services and service levels

03 Service Level Impacts



04 Other Things To Consider

1. Make sure you have the right policy environment
 - Capital financing
 - Reserve and reserve funds
 - Budgeting
 - Debt
2. Council input is key
3. Council orientation is key



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