

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON JULY 23, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	MULTI-YEAR BUDGET POLICY UPDATE

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting on July 24, 2018, to amend Council policy related to By-law No. CPOL.-45-241 being "Multi-Year Budget Policy" by deleting Appendix "C(34)" in its entirety and replacing it with a new Council Policy entitled "Multi-Year Budget Policy".

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Strategic Priorities and Policy Committee, May 7, 2018, Agenda Item 2, Strategic Plan: Semi Annual Progress Report

Strategic Priorities and Policy Committee, May 11, 2015, Agenda Item 6, 2016-2019 Multi-Year Budget

LINK TO THE 2015-2019 STRATEGIC PLAN

Council's 2015-2019 Strategic Plan for the City of London identifies 'Leading in Public Service' as a strategic area of focus. The City of London's Budget process supports this strategic area of focus through the 'Proactive Financial Management' strategic priority. This strategic priority involves, among other things, ensuring that the City's finances are well planned and support intergenerational equity. The implementation of the multi-year budget signifies that the City is looking beyond a short term focus when planning its finances. This results in improved accountability and transparency over spending changes and helps the City maintain positive operating results, stable debt levels, and strong liquidity, reflected in the recent affirmation of the City's Aaa credit rating.

BACKGROUND

On March 10, 2015, Council approved the 2015-2019 Strategic Plan for the City of London, establishing the vision, mission, areas of focus and numerous strategies for this term of Council. In December 2015, Council directed Civic Administration to prepare Progress Reports to monitor milestones. One such milestone is evaluating the multi-year budget process and offering recommendations to be included for the next multi-year budget covering the period from 2020-2023.

Council approved the first multi-year budget on March 10, 2016, the first annual budget update on December 6, 2016 and the second annual budget update on December 12, 2017. After going through the multi-year budget and annual budget update processes, Civic Administration took the opportunity to review the budget process as well as receive feedback from City Council, Civic Administration and the City's Agencies, Boards and Commissions. The recommended changes to the Multi-Year Budget Policy as a result of the review and the feedback received are the subject of this report.

The Multi-Year Budget Policy is included in the City Council Policy Manual. The City Council Policy Manual (the “Manual”) is a consolidation of policies that have been adopted by the Municipal Council of the City of London.

The recommended changes and the rationale for the changes to the Multi-Year Budget Policy are explained in **Section 2.0: Multi-Year Budget Policy Update** below.

The proposed by-law attached as Appendix “A” to this report is the proposed Multi-Year Budget Policy. The following is a table outlining the key recommended changes to the policy.

Proposed Multi-Year Budget Policy Update	Current Multi-Year Budget Policy Reference
Reformatted into the new corporate policy template.	Out-of-date corporate policy template.
This policy has been reviewed with a Gender Equity Lens and no issues have been identified.	Does not include a review with a Gender Equity Lens.
New section 2 added for definitions fundamental to the understanding of the policy.	No section for definition.
Section 4.1.4 - language updated to include specific timing of when corporate business plans will be prepared and also to include that business plans will be modified as a result of material annual update amendments.	Section 4.0(4) regarding corporate business plans.
Section 4.1.6, subsections (a), (b) and (c) - language updated to include the three budget amendment categories that were used in the approved 2017 and 2018 Annual Budget Updates: New Council Direction, New or Changed Regulation, and Cost or Revenue Driver.	Section 4.0, subsections (1), (2) and (3), regarding the scope of annual budget changes.
Incorporated under the subsection 4.1.7 authorizing “housekeeping” adjustments.	Section 4.0(6), subsection (d), regarding changes made to operating and capital budgets throughout the years of the multi-year budget.
Removed. <ul style="list-style-type: none"> • (f) is encompassed within the new Capital Budget and Financing Policy. • (g) falls under the definition of budget category Cost or Revenue Driver in section 4.1.6. • (h) is encompassed within the Assessment Growth Policy. 	Section 4.0(6): <ul style="list-style-type: none"> • (f) “Capital budget adjustments can be brought forward at any time during the year, with an identified source of financing, and are not limited to the annual update period. Capital budgeting, by its very nature, is more time sensitive to approvals in order to ensure projects are not delayed (ex. limited construction season).” • (g) “Changes to budgets resulting from the annual service review process that employs a zero-based budgeting approach.” • (h) “Changes to budgets resulting from the allocation of assessment growth funding.”
New subsection 4.1.8 added authorizing the release of budget funds prior to current budget approval.	Does not include a section authorizing the release of budget funds prior to current year budget approval.
New section 4.2 added stating the minimum timeframe for review of the Multi-Year Budget Policy.	Does not include a section referencing the minimum timeframe for policy review.

Appendix “B” attached is the current Multi-Year Budget Policy for reference.

Section 1.0: Multi-Year Budget Process and Annual Budget Update Process Feedback

As part of the policy review, a survey was distributed to stakeholders who were involved in the development of the 2016-2019 Multi-Year Budget and annual budget updates, including City Council, Civic Administration and the City’s Agencies, Boards and Commissions. The purpose of the survey was to affirm or provide feedback or recommendations for revisions to:

1. The structure of the multi-year budget and annual budget updates;
2. The process of developing the multi-year budget and annual budget updates; and,
3. The process of engaging the community to inform them of the multi-year budget and annual budget updates.

The survey was made up of 26 questions used to gauge how satisfied people were with the multi-year budget and annual budget update processes. The respondent group was comprised of 41 individuals which included City Council, Civic Administration and the City's Agencies, Boards and Commissions. A summary report entitled Strategic Plan & Multi-Year Budget Process Review Results based on the survey results was produced by the research and evaluation firm Kovacs Group Inc.

The feedback and recommendations from the survey will be used to enhance current processes, draft new processes and new practices to support the development of the next multi-year budget as well as future annual budget updates. The feedback collected was informative and useful in assisting the Senior Leadership Team, Council and Civic Administration to identify improvements that can be made to budget processes.

The following are survey highlights from the Multi-Year Budget Process Review Results report:

Topic	Percentage Satisfied¹	Survey Feedback from Respondent Groups²
Establishing a target average annual tax levy increase	85%	The process should be mindful of unexpected circumstances in following years. The process should not assume that standard increases are required as some costs are fixed.
Development of the strategic Multi-Year Budget Document	77%	Some suggested making the information less complicated.
Process for reviewing the base budget	85%	Review the capital and operating budgets together, and review the base budget and business cases together.
Process for reviewing the strategic investment business cases	79%	Use a priority ranking system and/or an assessment prepared by the Strategic Management Team. Link strategic investment business cases with the program budget to determine if it can be supported from within the program. Review should be done earlier in the process.
Budget amendment form	83%	Separate operating and capital budgets, focus on return on investment and include performance metrics.
Process for reviewing the Annual Budget Update	95%	Budget updates should only focus on changes. More public input.
Structure, amount of information, and level of detail of the Operating Monitoring Report and Capital Monitoring Report	87% and 84%, respectively	Review the process related to reporting on business cases. Remove housekeeping items from the reporting.
'Build A Budget' workshops	54%	Hold the workshops at different locations. Partner with different organizations.

Topic	Percentage Satisfied ¹	Survey Feedback from Respondent Groups ²
Budget Open Houses for the Multi-Year Budget and Annual Budget Updates	47% and 52%, respectively	Use alternative locations.
Public Participation Meetings for the Multi-Year Budget and Annual Budget Updates	72% and 74%, respectively	Change the timing to before deliberations. Concern around the value of these meetings due to low turnout.

1 – The term “satisfied” encompasses respondents who recommended keeping the process “the same” or “similar, but with some changes”.

2 – Note that survey feedback was summarized and provided by the research company without consideration of the fact that some of the recommended practices already exist in the multi-year budget and annual budget update processes.

Concluding Comments

Overall respondents were satisfied with the format and process of developing the multi-year budget and annual budget updates. Official documents produced by Civic Administration for the multi-year budget and annual budget updates were viewed as fair, effective and containing an appropriate level of detail.

The processes for monitoring the multi-year budget were viewed as good by the majority of respondents. For operating budget monitoring, suggestions included that the detail of the reporting be less and to review the process related to reporting on business cases that have changed in value. For capital budget monitoring, suggestions included removing housekeeping items, and that the process, although good, needs to engage staff more.

Community engagement for both the multi-year budget process and annual budget update processes was the most controversial topic throughout the survey results. All online engagement was well-supported and considered valuable. For most forms of “in-person” engagement, there was concern around the value of the sessions due to low turnout. Recommendations for “in-person” sessions included alternative locations with larger captive audiences, partnering with different organizations, engaging groups before the budget is developed and providing information and education sessions.

For a more comprehensive review of survey highlights from the Multi-Year Budget Process Review Results report, refer to the attached Appendix “C”.

Section 2.0: Multi-Year Budget Policy Update

Recommended Approach/Procedure Changes

This section of the report provides the rationale behind the approach/procedure change recommendations reflected in the proposed Multi-Year Budget Policy. The recommendations are the result of Civic Administration’s review and re-evaluation of the multi-year budget and annual budget update processes, and some of the feedback provided within the user survey. These changes better align with current corporate budget practices and Council’s Strategic Plan.

1) Corporate Business Plans

Recommended Changes: Adjust the timing of business plan preparation and direct that modifications to business plans be made throughout the multi-year budget process for material changes.

Rationale: To inform the budget process, business plans will be drafted/updated following the approval of Council’s strategic plan. Upon approval of the multi-year budget, business plans will be finalized. The strategies and priorities in the business plans will be aligned with Council’s current strategic plan and the funding approved through the multi-year budget. In annual budget update years, business plans will be modified or updated to reflect approved material changes that have a financial impact on the service area.

Corporate business plans align with the Council’s strategic priorities and the budget process to provide focus and answer the following key questions:

- What services are we providing?
- How are they being provided?
- What resources are required to deliver the service?
- What service expectations and performance targets are driving the service?
- What are the challenges and pressure points ahead?

Section 4.0(4) of the current Multi-Year Budget Policy states that “Civic Administration will prepare a business plan that clearly states the current state and future direction of the service.”

2) Annual Budget Updates

Recommended Changes:

1. Re-organize the existing language for annual budget updates into the three budget amendment categories that were used in the 2017 and 2018 Annual Budget Updates.
2. Remove (f) “Capital budget adjustments can be brought forward at any time during the year, with an identified source of financing, and are not limited to the annual update period. Capital budgeting, by its very nature, is more time sensitive to approvals in order to ensure projects are not delayed (ex. limited construction season).”
3. Remove (g) “Changes to budgets resulting from the annual service review process that employs a zero-based budgeting approach.”
4. Remove (h) “Changes to budgets resulting from the allocation of assessment growth funding.”
5. Incorporate (d) into the existing section of the policy referencing “housekeeping” adjustments.

Rationale:

1. This is a non-substantive change to reflect the current practice used in the multi-year budget process. As part of each annual budget update, it has become an established practice to categorize budget amendments into three categories. By limiting amendments to one of the three categories, service areas are more likely to work within the approved multi-year budget. By keeping the category criteria specific, Administration works to avoid unnecessary budget amendments that could have a negative impact on the multi-year budget.

The three budget amendment categories are as follows:

- a. **New or Changed Regulation** – A new or changed legislation or regulation with a financial impact to the municipality. For example, Federal/Provincial laws or policies that impact municipal costs, or changes imposed on pension plan contributions.
 - b. **New Council Direction** – A new Council direction that has transpired after the approval of the multi-year budget.
 - c. **Cost or Revenue Driver** – A corporate or service area budget adjustment as a result of changes in economic conditions. For example, significant changes to interest rates may result in higher costs of borrowing, or unanticipated changes in purchased services such as insurance premiums.
2. Language regarding capital budget adjustments is recommended to be removed due to the approval of a new Capital Budget and Financing Policy. The Capital Budget and Financing Policy was approved by Council in May 2017 and outlines the process for capital budget adjustments. The recommended removal will avoid repetitive and contradictory language in two separate policies.
 3. The City Manager has been directed by Council to undertake the service review program and report back to the Strategic Priorities and Policy Committee annually on the savings achieved through the program. Any budget adjustments that result from the service review program fall under the budget amendment category Cost or Revenue Driver and thus a separate policy item is no longer required.
 4. The Assessment Growth process is completed outside of the budget process in accordance with the Assessment Growth Policy. Assessment Growth is allocated and reported annually after the assessment roll is finalized and after the budget is approved.
 5. Adjustments for changes to operating and capital budgets that are considered “housekeeping” in nature should be under the section referencing them as such and

authorizing them accordingly. Housekeeping budget transfers can be made by a service area without Council approval as long as the housekeeping budget transfers do not change the net budget for each year (i.e. budget changes are immaterial).

3) Release of Budget Funds Prior to Current Budget Approval

Recommended Change: Add the authorization for the release of budget funds prior to current budget approval.

Rationale: The current Multi-Year Budget Policy does not include a procedure for the release of budget funds between the end of a fiscal year and the approval of a new multi-year budget or annual budget update. Service areas will be operating without an approved operating budget but still require operating dollars to continue providing services to Londoners. This circumstance will most likely occur when the Corporation enters a new multi-year budget cycle, requiring a longer budget development process and deliberation period. This could also occur during an annual budget update year if the budget development process is delayed due to a significant event like a municipal election. Administration is recommending that the City Treasurer or designate be authorized to release budget funds until a new multi-year budget or annual budget update is approved.

The City Treasurer or designate would be authorized to release budget funds prior to a new multi-year budget or annual budget update approval up to a prorated amount based on the previous fiscal year's approved budget. Such authorization will continue for a reasonable period of time until budget approval of a new multi-year budget or annual budget update.

4) Policy Review

Recommended Change: Add a minimum timeframe requirement for reviewing and updating the Multi-Year Budget Policy.

Rationale: The current policy does not include a section outlining when it should be reviewed. The amended Multi-Year Budget Policy will include a section on policy review and recommend that the policy be reviewed at a minimum every four years, after each multi-year budget period, by the City Treasurer and be updated as deemed appropriate or required.

CONCLUSION

The results of the multi-year budget and annual budget update process survey have and will be continuously evaluated by Civic Administration with the goal of making enhancements to the efficiency and effectiveness of the 2020-2023 multi-year budget process.

Civic Administration is recommending the above outlined amendments to the Multi-Year Budget Policy. The new policy will include procedures that incorporate a modified business plan process, modified language for annual budget updates, new language for releasing budget funds prior to budget approval and the addition of a new policy review process section.

PREPARED BY:	REVIEWED BY:
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Appendix "A"

Bill No.
2018

By-law No.

A by-law to amend Council policy related to By-law No. CPOL.-45-241 being "Multi-Year Budget Policy" by deleting Appendix "C(34)" in its entirety and replacing with a new Council Policy entitled "Multi-Year Budget Policy".

WHEREAS section 5(3) of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides a municipality with the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority;

AND WHEREAS the Council of The Corporation of the City of London wishes to amend By-law No. CPOL.45-241 being "Multi-Year Budget Policy" by deleting Appendix "C(34)" in its entirety and replacing it with a new Council Policy entitled "Multi-Year Budget Policy";

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. That By-law No. CPOL.-45-241 being "Multi-Year Budget Policy" is hereby amended by deleting Appendix "C(34)" in its entirety and replacing it with a new "Multi-Year Budget Policy" attached at Appendix "A" to this by-law.
2. This by-law shall come into force and effect on the date it is passed.

PASSED in Open Council on July 24, 2018.

Matt Brown
Mayor

Catharine Saunders
City Clerk

First Reading – July 24, 2018
Second Reading – July 24, 2018
Third Reading – July 24, 2018

Appendix “A”

Policy Name: Multi-Year Budget Policy

Legislative History: Enacted June 13, 2017 (By-law No. CPOL.-45-241)

Last Review Date: July 23, 2018

Service Area Lead: Manager III, Financial Planning & Policy

1. Policy Statement

Municipal Act, 2001, Section 291(1) authorizes a municipality to 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. The process for preparing and adopting a multi-year budget and the requirements for a municipality’s budget are prescribed in the *Municipal Act, 2001*.

If a municipality chooses to adopt a multi-year budget, establishing an annual review process is mandatory as outlined in section 291(4) of the *Municipal Act, 2001*. The annual review process requires Council to readopt the budget for that year and subsequent years that the budget applies in order to ensure the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds, and amounts required for boards, commissions or other bodies. Also, pursuant to section 290(6) of the *Municipal Act, 2001* the passing of a multi-year budget does not limit the power of a municipality to amend or revoke a budget adopted under section 290 nor does it remove the obligation of a municipality to levy taxes in each year.

Integration and alignment of Council’s Strategic Plan to the multi-year budget links the delivery of the Strategic Plan with the funding requirements. Benefits of multi-year budgeting include the following:

- Alignment of longer-term goals and objectives with longer-term funding plans;
- Greater certainty is provided to tax payers/residents about the future direction of taxes and the timing of implementation of the Strategic Plan;
- Improved accountability and transparency over spending plan changes; and
- Prioritization principles aligned with service delivery principles that include:
 - Risk profile
 - Degree and speed of implementation.
 - Balancing competing needs across various strategic areas of focus.
 - Impact to the community.

Purpose

The purpose of the multi-year budget policy is to define the approach to be used for multi-year budgeting and Council approvals.

2. Definitions

- 2.1. **Capital Budget** – A budget that funds new infrastructure projects as well as expands and maintains existing infrastructure. Some of the expenses could include: A new arena, widening roads, and roof replacement on an existing community centre.
- 2.2. **City Treasurer** – The individual appointed by the municipality as treasurer.
- 2.3. **Civic Service Areas** – Service areas that operate within the Corporation.
- 2.4. **Boards and Commissions** – Groups outside the Corporation, typically (although not always) funded by the municipal tax base, that provide specific and/or specialized services to the London community.
- 2.5. **Multi-Year Budget** – Approval of a four year operating and capital budget.
- 2.6. **Multi-Year Budget Policy** – Refers to this policy
- 2.7. **Municipal Act** – Refers to legislation that governs municipalities in Ontario.
- 2.8. **Operating Budget** – A budget that funds the day to day operations of the municipality. Some of the expenses could include personnel, utilities, and reserve fund contributions.

3. Applicability

The scope of multi-year budgeting, including both operating and capital, extends to all City of London Service Areas, boards, and commissions.

4. The Policy

4.1. Approvals / Adjustments to Multi-Year Budget:

- 4.1.1. A multi-year budget is developed covering a four year time period beginning in the second year of a new Council term. Annual updates for years two and three will be brought forward for Council consideration during the remaining Council term. The first year of a new Council term will reconfirm the fourth year of the multi-year budget.
- 4.1.2. Early in a new Council term, Council will develop its Strategic Plan.
- 4.1.3. Council will approve a four year average annual tax levy adjustment from rates that addresses municipal inflationary pressures and funding for new strategic initiatives that are aligned with Council's Strategic Plan.
- 2.1.4. After Council approves the Strategic Plan and the multi-year budget, Civic Administration will finalize corporate business plans that clearly outline the current state and future direction of each service. The business plans will identify the strategies and priorities that are driving the strategic direction of the service. All strategies and priorities must be aligned with the Council's Strategic Plan and the funding approved through the multi-year budget. Throughout the multi-year budget process, business plans will be modified for material changes that result from any material amendments through annual updates.
- 4.1.5. Civic Administration will present to Council a budget that is in compliance with the *Municipal Act, 2001*. The budget will contain adjustments to reflect inflationary pressures and strategic initiatives that would further adjust the budget requirement. Each strategic initiative submitted for Council consideration shall be supported with a comprehensive business case.
- 4.1.6. In the first year of a budget cycle, the Civic Administration will be seeking approval of a multi-year budget for a four year period. Commencing in the second year and in each subsequent year of the multi-year budget, Council is required by the *Municipal Act, 2001* to review and readopt the budget for that year. As part of the review process, Council is required to make changes that are required for the purpose of making the budget compliant with the provisions of the *Act* which include ensuring that the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds and amounts required for boards, commissions or other bodies. As such, Council will have the opportunity to make other amendments to the budget annually. In addition to the matters required to be addressed by the *Municipal Act, 2001*, the scope of annual budget changes may include, but are not limited to, the following:
 - a) **New or Changed Regulation** – A new or changed legislation or regulation with a financial impact to the municipality.
 - b) **New Council Direction** – A new Council direction that has transpired after the approval of the multi-year budget.
 - c) **Cost or Revenue Driver** – A corporate or service area budget adjustment as a result of changes in economic conditions.

Proposed changes to future years' operating budgets should only be brought forward and approved once per year. Adjustments are limited to once per year, during the annual update period, to ensure that all requests are considered together.

- 4.1.7. The Treasurer or designate is authorized to make adjustments considered "housekeeping" in nature including operating and capital budget transfers made by a service area that do not change the net budget for each year (i.e. budget changes are immaterial).
- 4.1.8. The City Treasurer or designate would be authorized to release budget funds prior to a new multi-year budget or annual budget update approval up to a prorated amount

based on the previous fiscal year's approved budget. Such authorization will continue for a reasonable period of time until budget approval of a new multi-year budget or annual budget update.

4.2. Policy Review

- 4.2.1. The Multi-Year Budget Policy shall be reviewed at a minimum every four years, after each multi-year budget period, by the City Treasurer and be updated as deemed appropriate or required.

Appendix “B”
Policy Enacted June 13, 2017

Multi-Year Budget Policy

1.0 BACKGROUND & AUTHORITY

Municipal Act, 2001, Section 291(1) authorizes a municipality to 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. The process for preparing and adopting a multi-year budget and the requirements for a municipality’s budget are prescribed in the *Municipal Act, 2001*.

If a municipality chooses to adopt a multi-year budget, establishing an annual review process is mandatory as outlined in section 291(4) of the *Municipal Act, 2001*. The annual review process requires Council to readopt the budget for that year and subsequent years that the budget applies in order to ensure the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds, and amounts required for boards, commissions or other body. Also, pursuant to section 290(6) of the *Municipal Act, 2001* the passing of a multi-year budget does not limit the power of a municipality to amend or revoke a budget adopted under section 290 nor does it remove the obligation of a municipality to levy taxes in each year.

Integration and alignment with Council’s Strategic Plan to the multi-year budget provides links to the delivery of the Strategic Plan with the funding requirements. Benefits of multi-year budgeting include the following:

- Alignment of longer-term goals and objectives with longer-term funding plans;
- Greater certainty is provided to tax payers/residents about the future direction of taxes and the timing of implementation of the Strategic Plan;
- Improved accountability and transparency over spending plan changes; and
- Prioritization principles aligned with service delivery principles that include:
 - Risk profile
 - Degree and speed of implementation.
 - Balancing competing needs across various strategic areas of focus.
 - Impact to the community.

2.0 PURPOSE

The purpose of the multi-year budget policy is to define the approach to be used for multi-year budget planning and Council approvals.

3.0 SCOPE

The scope of multi-year budgeting, including both operating and capital, extends to all City of London civic service areas, boards, and commissions.

4.0 APPROACH/PROCEDURE

Approvals / Adjustments To Multi-Year Budget:

- 1) A multi-year budget is developed covering a four year time period beginning in the second year of a new Council term. Annual updates will be brought forward for Council consideration during the remaining Council term. The first year of a new Council term will be to reconfirm the fourth year of the multi-year budget.
- 2) Early in a new Council term, the Council will develop its Strategic Plan.
- 3) Council will approve a four year average annual tax levy adjustment from rates that addresses municipal inflationary pressures and funding for new strategic initiatives that are aligned with Council’s Strategic Plan.
- 4) Civic Administration will prepare a business plan that clearly states the current state and future direction of the service. The business plan identifies the strategies and priorities that

are driving the strategic direction of the service. All strategies and priorities must be aligned with the Council's Strategic Plan.

- 5) Civic Administration will present to Council a budget that is in compliance with the *Municipal Act, 2001*. The budget will contain adjustments to reflect inflationary pressures and strategic initiatives that would further adjust the budget requirement. Each strategic initiative submitted for Council consideration shall be supported with a comprehensive business case.
- 6) In the first year, the Civic Administration will be seeking approval of a multi-year budget for a four year period. Commencing in the second year and in each subsequent year of the multi-year budget, the Council is required by the Municipal Act, 2001 to review and readopt the budget for that year. As part of the review process, the Council is required to make changes that are required for the purpose of making the budget compliant with the provisions of the Act which include ensuring that the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds and amounts required for boards, commissions or other bodies. As such, Council will have the opportunity to make other amendments or fine-tune the budget annually. In addition to the matters required to be addressed by the Municipal Act, 2001, the scope of annual budget changes may include, but are not limited to, the following:
 - a) Changes to Council priorities impacting municipal services that require amendments to business plans and budgets;
 - b) External factors such as changes to Federal/Provincial policies that impact municipal costs, unanticipated changes in purchased services such as insurance premiums, or changes imposed on pension plan contributions;
 - c) Unanticipated changes to economic forecasts that impacts municipal costs or revenues. For example, significant changes to interest rates may result in higher costs of borrowing;
 - d) Changes to financing contained in the operating and capital budget as a result of capital project adjustments;
 - e) Proposed changes to future year's operating budgets should only be brought forward and approved once per year. Adjustments are limited to once per year, during the annual update period, to ensure that all requests are considered together;
 - f) Capital budget adjustments can be brought forward at any time during the year, with an identified source of financing, and are not limited to the annual update period. Capital budgeting, by its very nature, is more time sensitive to approvals in order to ensure projects are not delayed (ex. limited construction season);
 - g) Changes to budgets resulting from the annual service review process that employs a zero-based budgeting approach; and
 - h) Changes to budgets resulting from the allocation of assessment growth funding.
- 7) The Treasurer or designate is authorized to make adjustments considered "housekeeping" in nature.

Appendix “C”

Further highlights from the Multi-Year Budget Process Review Results report:

Note: respondent recommendations within the survey report were summarized and provided by the research company without consideration of the fact that some of the practices already exist in the multi-year budget and annual budget update processes.

Establishing a Target Average Annual Tax Levy Increase

- 49% of respondents stated that the process for establishing a target average annual tax levy should be the same, 36% reported the process should be similar but with some changes, and 10% thought the process should be different. Respondents recommended that the process of setting targets should not be arbitrary, should be mindful of “unexpected things that come up” in following years, and should not generally assume that standard increases are required as some costs are fixed.

Multi-Year Budget Process and Document

- Just over half of respondents, 51%, reported that the Strategic Management Team engagement process, amount of information, and level of detail provided for the development of the multi-year budget should be the same, 28% thought it should be similar but with some changes and no respondents reported that the process should be different. Respondents suggested that the engagement of the Strategic Management Team was well done. Respondents recommended that more lead-time be given to review documents and engage in the process.
- 56% of respondents thought that the structure, amount of information, and level of detail in the strategic multi-year budget document should be the same. In comparison, 21% reported that it should be similar but with some changes, and 8% said it should be different. Respondents questioned whether both documents were necessary and suggested providing less detail, making the information less complicated. Recommendations also included providing one document with some of the content and providing more detailed information electronically.
- 61% of respondents reported that the structure, amount of information, and level of detail of the detailed multi-year budget document should be the same. 8% indicated that it should be similar but with some changes, and another 8% thought it should be different. Respondents questioned whether the level of detail is required. Recommendations included providing less detail and providing one document with some of the content and providing more detailed information electronically.

Review of the Base Budget

- 62% of respondents indicated that the process of reviewing the base budget should be the same, 23% thought it should be similar but with some changes and 8% thought it should be different. Some respondents suggested that the capital and operating budgets should be reviewed together and others suggested the base budget and business cases should be reviewed together.

Review of the Strategic Investment Business Cases

- For 61% of the respondents the process for reviewing the strategic investment business cases should be the same. In contrast, the process should be similar but with some changes for 18% and different according to 8% of respondents. Recommendations included a priority ranking system be used and/or an assessment be prepared by the Strategic Management Team, linking strategic business cases with the program budget to determine if it can be supported from within the program, and that the review of business cases should be done earlier in the process.
- A total of 58% of respondents thought that the structure, amount of information, and level of detail in the business cases should be the same, 32% reported it should be similar but with some changes, and 3% stated it should be different. Recommendations included that more rigour be put into the development of the business cases, specifically ensuring the total cost is presented and sufficient detail provided, and that there be a focus on the return on investment. In addition, respondents suggested that there be a focus on the return on investment and an articulation of metrics for success.

Tax Levy Model

- The tax levy model should remain the same according to 78% of respondents. 10% thought it should be different and 8% thought it should be similar but with some changes. Overall, respondent commentary indicated that the Tax Levy Model was an effective and useful tool.

Annual Budget Update Process and Document

- The engagement process, amount of information, and level of detail provided for the development of the Annual Budget Updates to the Strategic Management Team should be the same based on responses from 58% of respondents, similar but with changes according to 20% and different as reported by 3% of respondents. Overall, respondents reported the process was fair and effective.
- 80% of respondents said that the structure, amount of information, and level of detail of the annual budget update document should be the same. Another 10% thought it should be the same but with some changes and 5% reported it should be different. Respondents reported that the level of detail was appropriate.
- As stated by 65% of respondents, the structure, amount of information, and level of detail of the budget amendment form should be the same, while 18% said it should be similar but with some changes, and 5% indicated it should be different. Suggestions included that the budget amendment form separate operating and capital budgets, focus on return on investment and include performance metrics.
- 85% of respondents suggested that the process for reviewing the annual budget updates remain the same, while 10% thought it should be similar but with some changes, and 3% thought it should be different. Recommendations included that budget updates should only focus on changes, Council should only deliberate on a case if someone has questions, there should be more flexibility in years three and four, and more public input would be helpful.

Budget Monitoring Reports

- 77% of respondents reported that the structure, amount of information, and level of detail of the operating budget monitoring report should be the same, 10% thought it should be similar but with some changes and 8% thought it should be different.
- The structure, amount of information, and level of detail of the capital budget monitoring report should remain the same according to 74% of respondents. 10% believe it should be similar with some changes and 5% thought it should be different.

Public Engagement

- When asked about 'Build A Budget' workshops, responses were equally tied at 27% of respondents who said that the workshop should be the same, similar but with some changes, and different. Suggestions included that the workshops be held at different locations, partnering with organizations, such as the Urban League, and hosting sessions where individuals would already be gathered. Other respondents questioned the value of the workshops due to low engagement and the high amount of work required to implement the workshops.
- 58% of respondents suggested keeping the use, format, and information provided by future Interactive Budget Simulators the same, 21% reported it should be similar but with some changes, and 5% thought it should be different. Respondents stated that the tool was a good tool, but needed more use and wider distribution.
- According to 61% of respondents, the methods of electronic communication to provide input on the future multi-year budget should remain the same. In contrast, 24% of respondents said it should be similar but with some changes and 5% reported it should be different. Respondents indicated that electronic communication was important, valuable, and useful and should continue to be developed.
- 28% of respondents thought the format, amount, timing, and location of future Open Houses should be the same, while the same percentage of respondents thought it should be different, and 19% thought it should be similar but with some changes. Respondents questioned the value of the Open Houses and whether the number of Open Houses offered is necessary. Some respondents recommended alternative locations.

- 46% of respondents said that the format, amount, timing, and location of future “Time with the Treasurer” sessions should be the same, 13% thought the sessions should be similar but with some changes and 8% reported they should be different. Respondents stated that the sessions provided valuable information and insight. These sessions should be highly publicized to ensure the community is aware of the sessions.
- Public Participation Meetings should be the same according to 61% of respondents, different as reported by 18% and similar but with some changes as stated by 11% of respondents. Respondents were concerned about the value of these sessions, as they seemed to engage the same residents, made “the public uncomfortable” and did not add to the budget deliberations.
- 39% of respondents suggested keeping the format, amount, timing, and location of future Open Houses the same, 32% thought it should be different and 13% said it should be similar but with some changes. Overall, respondents wondered about the value and usefulness of the Open Houses due to the poor turnout and amount of time required to implement.
- 69% of respondents said that the amount and timing of future Public Participation Meetings should be the same, 10% indicated it should be different and 5% reported it should be similar but with some changes. Respondents questioned the value of these meetings.
- 70% of respondents reported that the methods of electronic communication to provide input on future Annual Budget Updates should remain the same. In comparison, 14% of respondents said it should be similar but with some changes and 8% indicated it should be different. Respondents stated that the value of the input from online communication tools should be explored further.