



## Finance Committee Report

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**Meeting Date:** February 13, 2023  
**Department:** Finance - Treasury  
**Report No.:** FIN-2023-03  
**Submitted by:** Bill Dakin – Director of Finance/IT - Treasurer  
**Approved by:** Fred Tranquilli –Chief Administrative Officer / Clerk  
**SUBJECT:** **Multi- Year Budget Proposal - Policy**

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**RECOMMENDATION: THAT:** The Multi-Year Budget Policy, attached as Appendix A, be recommended to Council for approval.

### **STRATEGIC PLAN ALIGNMENT:**

This matter is in accord with the following strategic priorities:

- Households and businesses in Strathroy-Caradoc are supported by reliable, financially responsible and well-maintained infrastructure networks;
- Allocate sufficient resources for capital and operating infrastructure needs;
- Develop long-term plans for municipal facilities and real estate; and
- Implement an evidence-based approach to repair, rehabilitation and replacement of local roads and bridges and the geographic distribution of capital funding

### **BACKGROUND**

In July 2020 the Municipal Council adopted its first Strategic Plan which paved the way for Multi-Year Budgeting. Like any other organization, a municipality's financial condition is a critical factor that must be understood in order for a municipality to operate in an effective and efficient manner. The financial condition of a municipality can be judged on the basis of the following criteria:

- The predictability and stability of the municipality's revenue sources to its operational needs and long-term obligations

- The municipality's capacity to respond to financial uncertainty over the short, medium and longer terms
- The effectiveness of the municipality's financial policies and procedures

To align the budget process with a multi-year budget, we need to establish a Budget Policy that reflects these criteria.

## **COMMENTS**

A multi-year budget is able to link Council's Strategic Plan with funding requirements outlined within the budget. Benefits of multi-year budgeting include:

- 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

Following the annual budget update process will assist in ensuring the multi-year budget process is a success. This includes following the scope of annual budget changes as outlined below:

- 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

## **CONSULTATION**

No departments were consulted on the content of this report.

## **FINANCIAL IMPLICATIONS**

Budget impacts will generally be long-term in nature and will be discussed in conjunction with the policies being brought forward, and the ramifications of the decisions will be incorporated into the annual budget review process.

**ATTACHMENTS:**

- Appendix A – Multi-Year Budget Policy

## **Appendix A - Multi-Year Budget Policy**

### **1.0 Policy Statement and 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.

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 retirement funds, and amounts required for boards 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

## 2.0 Scope

The scope of multi-year budgeting, including both operating and capital, extends to all Municipality of Strathroy-Caradoc departments and boards.

## 3.0 Objectives

- 3.1 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.
- 3.2 Early in a new Council term, Council will develop its Strategic Plan.
- 3.3 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.
- 3.4 After Council approves the Strategic Plan and the multi-year budget, Administration will prepare 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 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.
- 3.5 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.
- 3.6 In the first year of a budget cycle, 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, retirement funds and amounts required for boards 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.

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

#### **4.0 Responsibilities**

- 4.1 The Treasurer or designate is authorized to make adjustments considered "housekeeping" in nature including operating and capital budget transfers made by a service that do not change the net budget for each year (i.e. budget changes are immaterial).
- 4.2 The 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.

#### **5.0 Glossary of Terms**

##### **Boards**

Groups outside the Corporation, typically (although not always) funded by the municipal tax base, that provide specific and/or specialized services to the Strathroy-Caradoc community.

##### **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.

<b>Multi-Year Budget</b>	Approval of a four year operating and capital budget.
<b>Multi-Year Budget Policy</b>	Refers to this policy
<b>Municipal Act</b>	Refers to legislation that governs municipalities in Ontario
<b>Operating Budget</b>	A budget that funds day to day operations of the municipality. Some of the expenses could include personnel, utilities, and reserve and reserve fund contributions.
<b>Treasurer</b>	The individual appointed by the municipality as treasurer and/or deputy treasurer(s).