



COUNCIL REPORT

From: Frances Hale, Director of Finance/Treasurer
Date: Monday, December-10-18
Subject: 2019 Budget Process Policy

Background:

North Perth's budget process continues to evolve with legislative, Council and staff requirements and requests. The level of detail provided and the reporting requirements have changed from year to year but the structure has remained somewhat the same. Council annually establishes a Budget Policy that outlines the budget process for the municipality. A proposed Budget Policy for 2019 is attached for Council's reviewed and consideration. In conjunction with Mayor Kasenberg, the proposed policy attached has been updated and clarified from previous budget policies. The overall policy is provided for Council review and the proposed meeting dates have been included for Council discussion and direction.

Public engagement has been encouraged for the budget process. A public survey regarding the 2019 Budget was initiated November 1st, 2018. The information gathered from North Perth residents by this survey will be presented to members of Council as input during the budget visioning session. As well, a public information session was initiated in 2017 and it is being proposed again as part of the 2019 Budget Process. With increased advertising and awareness, it is hoped that the public will attend and participate in this process.

At this time, a Budget Chair and Vice-Chair, as per the proposed policy, may be appointed by Council to preside over the Budget Council Meetings. It is intended that the Chair and Vice –Chair are to review the proposed agendas with staff prior to the budget meeting for understanding and clarification. The Chair and Vice-Chair do not form a separate committee of Council but are appointed to preside over the 2019 Budget Committee of Council. If Council would like to create a 2019 Budget Committee that does not include all the members of Council, then this should be initiated by Council and the Committee would provide minutes, etc. for Council information.

Comments:

To encourage better contractor/vendor pricing for operational and project works, Department Heads find that circulating tender forms and quote requests early in the year result in better pricing. Therefore, staff are requesting Council approve the circulation of quotation, tenders, and other costing requests conditional on budget approval by Council. In discussion with Mayor Kasenberg, it is proposed to present the budget information in an electronic format only therefore no paper binders will be provided.

Financial Implications: *(Include amounts and funding source)*

The budget process is a significant financial planning tool, which gives direction to staff and provides budget information to the public.

Recommendation:

1. THAT:
The Council of the Municipality of North Perth approve the 2019 Budget Process Policy (as amended). A copy of the 2019 Budget Process Policy is attached for reference.
2. THAT:
The Council of the Municipality of North Perth establish the 2019 Budget Committee to include all the members of Council to implement the 2019 Budget Process as approve.
3. THAT:
The Council of the Municipality of North Perth appoint _____
_____ to be the Chair of the 2019 Budget Committee.
4. THAT:
The Council of the Municipality of North Perth appoint _____
_____ to be the Vice-Chair of the 2019 Budget Committee.
5. THAT:
The Council of the Municipality of North Perth approve the presentation of the public survey information with regard to the 2019 Budget at the Council visioning session.
6. THAT:
The Council of the Municipality of North Perth authorize Department Heads to circulate bid documents for 2019 operational and project works prior to budget approval to be conditional on Council approval of the 2019 Budget.

Reference Material Attached:

- Proposed - 2019 Budget Process Policy and flow chart

Corporate Strategic Plan:

The information and responses provided in this report are consistent with and in keeping with the Municipality's approved Vision, Mission, and Strategic Plan.

Report Prepared by: Frances Hale, Director of Finance/Treasurer

Reviewed by: Kriss Snell, CAO

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Frances Hale, Director of Finance/Treasurer

This document is available in alternate formats, upon request.



Budget Process for 2019 Municipality of North Perth

Overview

The 2019 Operating and Project Budgets will provide a guide for the operation of the overall organization and a financial plan for the municipality. The presentation of the budget documents enables the communication of municipal policy for the operation and financing of municipal services to Committees, Boards and staff and to the Taxpayers of the Municipality of North Perth.

To enable all members of Council to be actively involved in the process, the 2019 Budget Committee will be created and will be responsible for the budget review and recommendation to Council for approval. The 2019 Budget Committee will have special budget meetings that shall have a chair and vice-chair, as appointed by Council for the Budget Process. It is intended that the current year's vice-chair will be the next year's Chair to provide continuity to this process. The 2019 Budget Committee will lead and direct the budgeting process via this Budget Policy, reviewing and evaluating budget submissions from Boards, Committees and Departments and finalizing a Budget Document for recommendation and presentation to Council for approval.

The 2019 Budget Committee is to be established as a Committee of Council that will consist of all members of Council and will hold:

- a) special budget meetings; or
- b) budget deliberations and actions within regular Council meetings.

These meetings will focus on review and finalization of budget-related information. The Budget Committee will be provided a comprehensive budget package – some of it generated according to usual/historical process, and some by Councillor requests endorsed by Council - by support staff for both operating and capital budgets. Ongoing monitoring and control will be reviewed and addressed by Council at Council meetings throughout the year.

The initial consideration of the annual budget will be a visioning meeting with Council and senior management. From this meeting, the 2019 Budget Committee is to provide direction to staff for further budget considerations. To enhance this process, a brief public survey was circulated from November 1st, 2018 to December 5th, 2018, by social media and paper, prior to the visioning meeting to obtain residents' input into the process. The Executive Coordinator & Policy Assistant has circulated the survey and summarize the information for Council to be included as part of the visioning meeting discussion.

The Operating Budget

An operating budget is the annual budget of an activity stated in terms of functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of the operation including reimbursable work or services for others. It also includes estimates of workload in terms of total work units identified by cost accounts.

The budget process for North Perth unfolds, following Council's visioning meeting, with staff documenting:

1. performance data for Council; and
2. providing draft departmental budgets for 2019.

Current (and historical) performance data come to the 2019 Budget Committee in presentations by Department Heads or their designates, which include a review and analysis of last year's budget to actual, a written explanation of 2018's departmental program based activities and a detail financial review.

As part of this presentation stage, North Perth Department Heads are responsible to identify goals and objectives in consideration of Council's direction for 2019 and 2020, detailing any significant, approved or proposed, changes in service or level of service, regardless of the net variance from last year's budget. Any proposed changes should identify financial pitfalls and annualized impacts on the budget and the performance of the operation. If warranted, service fees and charges will be reviewed at this stage, and any changes are to be approved by amending the Rates and Fees By-law.

The Director of Finance/Treasurer will receive the proposed Committee, Department and Board operating budgets and conduct a technical review in conjunction with the CAO. The Department Heads/CEO will review the operating Budgets when they are compiled and summarized. Any amendments to the original submissions will be reviewed with the corresponding Department Head prior to presentation to the 2019 Budget Committee.

The Operating Budget documentation that is provided to the 2019 Budget Committee is to be program-based, and at a minimum includes last year's budget projections and actual spends (as known), and current year's estimated revenue and expenditure summarized:

Administration

Council
General Corporate Admin. /Economic Development
Clerk's Department/ Day Care /EarlyOn/ Building & Zoning/Planning
Finance Department /IT/BIA/ other

Protection to People and Property

North Perth Fire Services Department
Police Services Board
Conservation Authorities

Public Works Operations:

- Roads
- Equipment
- Stormwater Management
- Municipal Drainage
- Cemeteries

Public Works Environmental Services:

- Waste Collection and Landfill
- Wastewater and Wastewater Treatment Plant
- Waterworks Systems including DWQMS

Public Library Board**Recreation**

- Recreation Administration, Programs, Trails and Beautification
- Steve Kerr Memorial Complex/Spinrite Field
- Listowel Memorial Arena & Parks/Listowel Kinsmen Pool
- Elma Memorial Community Centre/Atwood Lions Pool
- Elma/Logan Arena & Parks
- Wallace Community Centre & Parks

It is emphasized to Department Heads that the comparative budget amounts are to be accompanied by an explanation of any changes in service and the resulting budgetary impacts, if any.

The 2019 Budget Committee will review a comprehensive program-based Operating Budget for 2019 with supporting documentation and explanations. Each Department Head, accompanied by Board/Committee Chairs, Supervisor Staff, etc. if appropriate, is to attend this meeting to answer any questions regarding their budget submission and operational concerns.

The Project (Capital) Budget

Project/Capital budgeting, is the planning process used to determine whether an organization's long term investments such as new or replacement infrastructure, new or replacement equipment and consulting work projects are worth the funding of cash through the organization's capitalization structure (debt, equity or retained earnings). It is the process of allocating resources for project/capital investment expenditures.

Accrual accounting has been implemented for the financial management of capital assets within the municipality. A project forecast will be presented, with further information provided for projects that are in the planning stages, based on timely information derived from the North Perth Asset Management Plan. The updated forecasts are to be submitted to the 2019 Budget Committee as part of the Project Budget presentation. Project Forecasts should include estimated expenditure and

timing, as well as, possible grant funding opportunities. Not all projects will be capitalized.

Capital expenditures are to be defined as:

Capital Improvements to replace or extend the life and/or increase capacity, such as:

- Land Acquisitions
- New Facilities
- New Equipment
- Major overhaul/maintenance or upgrade of any asset

The 2019 Budget Committee will review proposed departmental Project Budgets individually. Projects being proposed for initiation in the current year require a detailed explanation and rationale for each project. No longer are carried forward projects included unless there is a current year component or budget changes.

The Projects will be evaluated and prioritized by staff based on Asset Management data criteria:

1. Safety of the Public
2. Prior Commitment of Council
3. Existing Structural Condition
4. Lack of Physical Capacity
5. Environmental/Economic Impact – cost/payback
6. Monitored Complaints Received by Staff and Council

It is understood that the foregoing criteria are not refined and therefore are open to interpretation and degree. Priority will be identified by Department Heads on the project detail sheets for the 2019 Budget Committee review and comment. The Project information will be circulated to the 2019 Budget Committee as a prioritized listing for review. The 2019 Budget Committee, with Department Heads and other key staff in attendance to answer questions, will meet to consider and evaluate the departmental information provided. At the end of each meeting of the 2019 Budget Committee, direction is to be provided to staff as to any adjustments, amendments or financial limitations, in consideration of the Project Budgets presented.

Finalizing the Budget Document

In consideration of the parameters set out by the 2019 Budget Committee, the CAO, Director of Finance/Treasurer and Department Heads are to amend the Operating and Project Budgets accordingly. The amended budgets are to be re-circulated, as amended, to the 2019 Budget Committee. The Committee is to meet again with all Department Heads, to finalize the consolidated Budget Document for recommendation and presentation to Council. The Committee may recommend the Operating and Project Budgets to Council as separate documents for consideration and approval.

The Director of Finance/Treasurer will also provide an amended overall summary and analysis of the consolidated operating and capital budgets presented for consideration. The Director of Finance/Treasurer will provide an overview and analysis of possible property tax effect, debt charges, reserve funds and operating impacts. The analysis is to include comparative, budget to actual, for last year's projects. The finalization is subject to confirmation of grant funding availability and assessment base.

Presentation to Council and Public Engagement

The 2019 Budget Committee recommendation of the 2019 Budget Document is to be accompanied by a press release developed by the Executive Coordinator & Policy Assistant to communicate the economic and tax impacts anticipated by the approval and implementation of the annual budget.

It is anticipated that a communication and engagement plan to our public will be developed and implemented. This may include efforts during the process overseen by the 2019 Budget Committee, and prior to the final presentation to Council. Elements may include engagement by the Municipality's website and web-based public engagement platform, social media and in-person via one or more Public Information Sessions.

Monitoring and Control

2019 Budget Reports, comparing budget to actual, are to be provided to Department Heads, Committees and Boards quarterly or as requested, starting the first quarter following Council's approval of the Budget Document. As well, project updates from Department Heads will be provided for the last two quarters and as part of Envisio.

Once Council has approved the 2019 Budget Document(s), the purchase of goods and services, the payment of accounts and the reporting of financial matters are controlled by municipal policy under By-law 150-2017 and/or any amending or replacement by-law.

Summation

The Budget process provides the overall organization with a method of prioritizing and allocating resources, establishing service levels, accommodating growth and finding a balance between taxation, user fees, debt and cost recovery. It requires Council and staff to render a thorough examination of services and costs that should ultimately achieve an optimum service level for the taxes levied. A flowchart of the budget process is attached.

2019 Budget Committee Meeting Schedule – Flow Chart attached

Proposed Meeting Dates & Times

1. Wednesday December 12th, 2018 @ 7:00pm–Council Chambers
2. Wednesday February 6th, 2019 @ 7:00pm–Council Chambers
3. Wednesday February 20th, 2019 @ 7:00pm–Council Chambers
4. Wednesday March 6th, 2019 @ 7:00pm–Council Chambers
5. Wednesday March 20th, 2019 @ 7:00pm–Council Chambers
6. Wednesday March 27th 2019 5:00pm – 8:00pm – Council Chambers

Proposed Agendas

1st Meeting

1. A visioning meeting of the 2019 Budget Committee to provide members of Council with an opportunity to give senior staff suggestions and direction for the budgeting process.

2nd Meeting

1. Provide 2019 Budget Committee with a comprehensive 2018 Corporate Operating Budget with individual supporting documentation by Department.
2. Direction from Committee on changes and amendments to be made to 2018 Operating Budgets as presented.

3rd Meeting

1. Provide Budget Committee with Departmental Project Forecast and 2019/20 Project budget for consideration: Various Departments
2. Direction from Committee on changes and amendments to be made to Project Budgets as presented.

4th Meeting

1. Provide Budget Committee with Departmental Project Forecast and 2019/20 Project budget for consideration: Various Departments
2. Direction from Committee on changes and amendments to be made to Project Budgets as presented.

5th Meeting

1. Consideration of amendments to initial presentations and the resulting impacts. Surplus, Segregated Surplus and Reserve Funds impact analysis and current debt structure will also be available for review.
2. Finalization of the Operating and Project Budgets in principal for recommendation and presentation to Council.

6th Public Information Session

To provide the proposed 2019 Budget information to the public in consultation with Council and staff.

The Municipality of North Perth Budget Process

