

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Budget & Performance Services

To: Mayor and Members of Council

From: Steven Brown, CPA, CMA
Director, Budget & Performance Services

Date: August 27, 2020

Subject: Multi-Year Budget Policy

Recommendations

It is recommended that:

1. The Multi-Year Budget Policy, attached as Appendix A, be approved.
2. A by-law to establish multi-year budgeting in 2024 be approved.

Background

In October of 2015, Council was presented with the Long-Term Strategic Financial Plan. 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

At the August 10th, 2020 Council meeting, Council directed administration to review the Municipality's existing financial policies and bring forward, for Council's consideration, new or amended policies to ensure alignment with the multi-year budget process.

To align the budget process with a multi-year budget, the current budget policy needs to be replaced to reflect the significant change.

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

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

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.

Prepared by:

Reviewed by:

Steven Brown, CPA, CMA
Director, Budget & Performance Services

Gord Quinton, MBA, CPA, CGA
Chief Financial Officer, Treasurer

Attachment(s): Appendix A – Chatham-Kent Multi-Year Budget Policy
Multi-Year Budget Policy Bylaw

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Chatham-Kent Multi-Year Budget Policy

Multi-Year Budget Policy

Appendix A

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 Chatham-Kent 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.

Chatham-Kent Multi-Year Budget Policy

- 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.

Chatham-Kent Multi-Year Budget Policy

- 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 Chatham-Kent 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.
Multi-Year Budget	Approval of a four year operating and capital budget.
Multi-Year Budget Policy	Refers to this policy
Municipal Act	Refers to legislation that governs municipalities in Ontario
Operating Budget	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.
Treasurer	The individual appointed by the municipality as treasurer and/or deputy treasurer(s).

THE CORPORATION OF THE MUNICIPALITY OF CHATHAM-KENT

BY-LAW No. _____-2020

Being a By-law to establish a Multi-Year
Budget Policy

WHEREAS subsection 5(3) of the Municipal Act, 2001 provides that a municipal power shall be exercised by by-law;

WHEREAS the Municipal Council wishes to implement a policy with respect to the Multi-Year Budget;

NOW THEREFORE the Council of the Corporation of the Municipality of Chatham-Kent enacts as follows:

1. The attached Council Policy entitled “Multi-Year Budget Policy”, appended hereto as Schedule “A”, is hereby approved and adopted.

THIS By-law shall come into full force and effect upon the first day of January, 2024.

READ a **FIRST, SECOND** and **THIRD** time and finally **PASSED** this 14th day of September 2020.

Mayor – Darrin Canniff

Clerk – Judy Smith