

Report to/Rapport au :
Environment Committee
Comité de l'environnement
and Council / et au Conseil

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Submitted by/Soumis par : *Marian Simulik, City Treasurer/Trésorière municipale*

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2013-CMR-FIN-0001

SUBJECT: PROPOSED BUDGET POLICY FOR RATE SUPPORTED PROGRAMS

OBJET : PROPOSITION DE POLITIQUE BUDGÉTAIRE POUR LES PROGRAMMES SOUTENUS PAR LES REDEVANCES

REPORT RECOMMENDATION

That the Environment Committee recommend that Council approve the proposed Rate Budget multi-year policy as outlined in this report.

RECOMMANDATION DU RAPPORT

Que le Comité de l'environnement recommande au Conseil d'approuver la politique pluriannuelle relative au budget soutenu par les redevances, telle qu'elle est exposée dans le présent rapport.

BACKGROUND

On October 24, 2012 Council approved the Environment Committee report entitled “Multi Year Rate Budgets – Response to Committee Direction”. Included in the report recommendation, was a direction to staff ...”to develop a policy outlining the approach to multi-year budgeting and business planning”: **ACS2012-CMR-FIN-0043**

Attached as Document 2 to this report, is a proposed policy for Committee and Council consideration and approval.

DISCUSSION

As was discussed in the previous staff report on multi-year rate budgets, a number of municipalities have endorsed the development and adoption of multi-year budgets. Staff is recommending a budgeting policy that applies only to the City’s Rate Supported operating and capital budgets and to all departments which support the delivery of rate supported services. Rate-Supported services encompass the programs required to provide potable drinking water along with sanitary and storm water sewer services which are funded through revenues from water and sewer surcharge rates.

The benefits include:

- Providing a longer-term funding plan so that longer-term goals are identified and achievable;
- Providing citizens with more certainty about the direction of City services, finances, and tax or rate levels;
- Making more strategic use of Council’s time in reviewing budgets and the Administration’s time in preparing them; and
- Instilling discipline and adherence to established Council objectives including financial sustainability.

The City’s Long Range Financial Plan (LRFP) for the Rate Supported programs forms the basis for the development of multi-year budgets. This Plan identifies the operating and capital requirements along with the required rate increases over the ensuing 10 years in order to operate and maintain the City’s significant infrastructure investment and to meet all provincial legislative requirements. The LRFP also reflects the future investments required to meet the growth requirements of the system as identified and approved by Council in the Infrastructure Master Plan - the major water, wastewater and storm water expansion projects.

This Plan is revisited and revised at the beginning of each new term of Council. The additional investments to implement the strategic initiatives as established during the Corporate Planning process which identifies the term of Council priorities are also reflected in the LRFP. These revised plans would be considered when identifying any budget adjustments once the multi-year budget is set.

Authority to Develop and Adopt Multi-year Budgets

In developing the City's budget, staff must ensure compliance with applicable provincial legislation governing local governments. Section 290 of the *Municipal Act, 2001* (Act) provides direction to municipalities.

"For each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality..."

Although this section of the Act addresses the development and approval of an annual budget, under Subsection 291(1), the Act does allow municipalities to prepare and adopt a budget covering a period of up to 5 years. However, with multi-year budgets, Subsection 291(4) of the Act requires the municipality to undertake the following with respect to the second and each subsequent year to which a multi-year budget applies:

- a) review the budget for that year;
- b) make such changes as are required for the purpose of making the provisions of the budget for that year comply with the requirements of Section 290; and
- c) re-adopt the budget for that year and for subsequent years to which the budget applies.

Document 1 provides the detailed wording as contained in Sections 290 and 291 of the Act.

Recommended Policy Approach

In 2013, a 2 year Rate Supported Budget will be tabled for Committee and Council consideration in February covering 2013 and 2014 which reflects the remaining 2 years of this term of Council. In future, staff will prepare operating and capital Rate Supported Budgets covering the term of Council in the first quarter of the year immediately following Council's election.

Given the requirements imposed on municipalities by the Act regarding the adoption of multi-year budgets, staff propose the following approach.

The year following the adoption of the multi-year budgets, staff will prepare a report to Committee that meets the requirements of Section 291. Specifically, the report will recommend that Committee:

- a) review the budgets for the second year and each subsequent year to which the multi-year budget applies;
- b) adopt any changes to comply with Section 290 along with proposed staff recommended changes that meet the criteria as outlined below; and
- c) adopt the multi-year budgets for the remaining years in the term of Council

It is proposed that any changes to the multi-year Rate Supported operating and capital Budgets be brought forward for Committee and Council consideration and approval once per year as part of an annual adjustment review process in order that all changes be considered together. Finance staff would coordinate this review process and submit a report to Committee prior to the start of the budget year.

Proposed staff recommended changes or adjustments do not imply re-opening the multi-year budgets on a full scale basis. Rather, it is proposed that any changes be restricted to reflect any significant budgetary impacts resulting from the following situations:

- a) external factors such as provincial or federal budgets, or changes imposed by legislation or external boards (i.e. OMERS, *Clean Water Act*, *Source Water Protection Act*, *Water Opportunities Act*, etc.);
- b) adjustments to reflect operating impacts related to the implementation and completion of capital projects;
- c) adjustments to capital program to reflect changes in project requirements, financing or the project work plan;
- d) unforeseen changes to economic forecasts affecting costs, staffing requirements, service demand volumes, or revenue projections; and
- e) Council-directed changes to priorities, policies or programs.

The attached policy presented as Document 2, sets out the direction for staff and Council for the development, adoption and adjustment of multi-year rate supported budgets.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

LEGAL IMPLICATIONS

The *Municipal Act, 2001* authorizes multi-year budgets as described in the report. There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

The financial implications associated with this report are set out herein. In addition, the multi-year approach for the Rate Supported Budget is expected to provide for a more strategic budgeting process.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priorities, and in particular, GP1 (“Improve the public’s confidence in and satisfaction with the way Council works”), and FS2 (“Maintain and enhance the City’s financial position”).

SUPPORTING DOCUMENTATION

Document 1 – *Municipal Act, 2001* Sections 290 and 291

Document 2 – Proposed Policy

DISPOSITION

Staff will implement the report recommendation as outlined in the report.

Yearly budget, local municipalities

290. (1) For each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including,

- (a) amounts sufficient to pay all debts of the municipality falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds; and
- (c) amounts required for any board, commission or other body. 2001, c. 25, s. 290 (1); 2006, c. 32, Sched. A, s. 120 (1).

Exception

(1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies. 2006, c. 32, Sched. A, s. 120 (2).

Detail and form

(2) The budget shall, in such detail and form as the Minister may require, set out the following amounts:

1. The estimated revenues, including the amount the municipality intends to raise on all the rateable property in the municipality by its general local municipality levy and the amount it intends to raise on less than all the rateable property in the municipality by a special local municipality levy under section 312.
2. The estimated portion of the estimated revenues described in paragraph 1, if any, to be paid into the municipality's reserve, sinking and retirement funds.
3. The estimated expenses, subject to any regulation made under clause 292 (2) (a).
4. The estimated portion of the estimated expenses described in paragraph 3, if any, to be paid out of the municipality's reserve, sinking and retirement funds. 2009, c. 18, Sched. 18, s. 2.

Reserve fund adjustment

(3) The total calculated under paragraph 1 shall be at least equal to the total calculated under paragraph 2:

1. The amount described in paragraph 1 of subsection (2), added to the amount described in paragraph 4 of subsection (2).
2. The amount described in paragraph 2 of subsection (2), added to the amount described in paragraph 3 of subsection (2). 2009, c. 18, Sched. 18, s. 2.

Allowance

- (4) In preparing the budget for a year, the local municipality,
- (a) shall not include in the estimated revenues described in paragraph 1 of subsection (2) the estimated proceeds of any borrowing during the year;
 - (b) shall treat as estimated revenues any surplus of any previous year that resulted because,
 - (i) revenues for that year were greater than the amount described in paragraph 1 of subsection (2) for that year, or
 - (ii) expenses for that year were less than the amount described in paragraph 3 of subsection (2) for that year;
 - (c) shall provide for any deficit of any previous year that resulted because,
 - (i) revenues for that year were less than the amount calculated by deducting for that year the amount described in paragraph 2 of subsection (2) from the amount described in paragraph 1 of subsection (2), or
 - (ii) expenses were incurred by the municipality that were not in the budget for that year and were not paid for that year from a reserve, sinking or retirement fund;
 - (d) shall provide for the cost of the collection of taxes and any abatement or discount of taxes;
 - (e) shall provide for taxes and other revenues that in the opinion of the treasurer are uncollectible and for which provision has not been previously made;
 - (f) may provide for taxes and other revenues that it is estimated will not be collected during the year; and
 - (g) may provide for such reserve funds as the municipality considers necessary. 2009, c. 18, Sched. 18, s. 2.

Exception, 2009

- (5) In preparing the budget for 2009, the local municipality,
- (a) shall treat any operating surplus of any previous year as estimated revenues for the purpose of paragraph 1 of subsection (2); and
 - (b) despite clause (4) (c), shall provide for any operating deficit of any previous year. 2009, c. 18, Sched. 18, s. 2.

Yearly budget from boards, etc.

(6) Despite any other Act, for the purpose of preparing and adopting its budget for a year, the local municipality may by by-law require that the year's budget of every board, commission or other body, other than an upper-tier

municipality or school board, for which the municipality is required by law to levy a tax or provide money, be submitted to the municipality on or before a date specified by the local municipality, and that the budget shall be in such detail and form as the by-law provides. 2009, c. 18, Sched. 18, s. 2.

Legislation Act, 2006

(7) Part III (Regulations) of the *Legislation Act, 2006* does not apply to a requirement of the Minister under subsection (2). 2009, c. 18, Sched. 18, s. 2.

Definition

(8) In this section,

“reserve fund” includes a reserve. 2009, c. 18, Sched. 18, s. 2.

Multi-year budget

291. (1) Despite sections 289 and 290, a municipality may 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. 2006, c. 32, Sched. A, s. 121.

Restriction

(2) Despite subsection (1), if the first year of a multi-year budget immediately follows a year in which a regular election is held, the budget may only be adopted in the first year to which the budget applies. 2006, c. 32, Sched. A, s. 121.

First year

(3) Except as provided in subsection (1), the provisions of the budget for the first year to which the multi-year budget applies shall comply with the requirements of section 289 or 290, as the case may be. 2006, c. 32, Sched. A, s. 121.

Other years, mandatory review of annual budget

(4) For the second and each subsequent year to which a multi-year budget applies, the municipality shall, in the year or the immediately preceding year,

- (a) review the budget for that year;
- (b) make such changes as are required for the purpose of making the provisions of the budget for that year comply with the requirements of section 289, except clause 289 (4) (b), or section 290, except clause 290 (4) (b), as the case may be; and
- (c) readopt the budget for that year and for subsequent years to which the budget applies. 2006, c. 32, Sched. A, s. 121; 2009, c. 18, Sched. 18, s. 3.

Budget (Rate Supported) Policy

Approved By:
Category: Finance
Approval Date:
Effective Date:

POLICY STATEMENT

The City shall undertake a multi-year approach to budgeting for Rate Supported operating and capital programs unless otherwise direct by Committee and Council. Where possible, the multi-year period should mirror the Term of Council.

PURPOSE

The purpose of this Policy is to enable the City's approach to multi-year budgeting for rate supported operating and capital programs. The Policy provides direction in the development, approval and adjustment of multi-year budgets in order to recognize major changes in budgetary assumptions, legislation and Council priorities.

APPLICATION

This Policy applies to the Environmental Services department, which is responsible for the control, administration and management of the City's Rate Supported operating and capital budgets and to all departments which support the delivery of rate supported services.

POLICY REQUIREMENTS

Objectives of multi-year budgeting

The primary objectives are:

- To have a longer-term funding plan for the City in order for long-term goals to be identified and achieved;
- To provide residents with more certainty about the plans for City water and sewer services, finances, and rate levels;
- To support more efficient and strategic decision making.

Authority

The City shall adhere to all applicable legislation governing municipalities budgeting practices. Specifically, the *Municipal Act, 2001*, (the "Act") sets the direction for the City to prepare and adopt a balanced annual or multi-year budget. The City shall define the budget period to align with the Term of Council.

When adopting a multi-year budget, the Act requires that in the second year, and each subsequent year, to which the multi-year budget applies, the City shall:

- Review the budget in the year or the immediately preceding year;
- Make required changes to comply with the Act;

- Re-adopt the budget for that year and for subsequent years to which the budget applies.

10-Year Long Range Plan (LRFP) for water and sewer capital investment needs

The LRFP forms the basis from which the more detailed multi-year budgets shall be developed. Any updates to the LRFP, during the multi-year budget period, may result in recommended budget adjustments to the multi-year budget.

Budget Preparation and Adoption

Staff shall prepare draft multi-year rate supported budgets in accordance with the LRFP.

The governing Committee shall

- prescribe the process and timetable for the submission and adoption of the draft budgets to Committee,
- prescribe public consultation process, and
- recommend the budgets for submission to Council for final adoption.

In-year Operating and Capital Budgets Adjustments

Both the operating and capital budgets shall be monitored throughout each year of the multi-year budget period and quarterly status reports shall be presented to Committee and Council.

Pursuant to the Delegated Authority By-law 2012-109 as amended, the City Treasurer is authorized to process operating and capital budget adjustments within specified limits. Those that exceed these limits require Council approval. Budget adjustments processed under delegated authority and those that require Council approval shall be reported in the quarterly status reports.

Future Year Operating and Capital Budgets Adjustments

The Finance Department shall establish an adjustment review process to take place each year, immediately preceding the upcoming budget year. All proposed changes to future years' funding plans, operating and capital budgets shall be brought forward and approved by the governing Committee during the annual adjustment review.

The budgets shall not be opened up for a full scale review. The intent is to adhere to multi-year city plans and budgets that support them and only to adjust the budgets when circumstances warrant. Budget adjustments shall be limited to the following circumstances:

- i) External factors such as provincial or federal budgets, or changes imposed by legislation or external boards (i.e. OMERS, Clean Water Act, Source Water Protection Act, Water Opportunities Act);
- ii) Adjustments to reflect operating impacts related to the implementation and completion of capital projects;

- iii) Adjustments to capital program to reflect changes in project requirements, financing or the project work plan;
- iv) Unforeseen changes to economic forecasts affecting costs, staffing requirements, service demand volumes, or revenue projections; and
- v) Council-directed changes to priorities, policies or programs.

As a result of the annual adjustment review process, Environmental Services shall recommend to Committee and Council, necessary adjustments to the appropriate budgets for each year(s) in the multi-year period.

RESPONSIBILITIES

Environmental Services and other supporting departments shall identify needs aligned to Council plans and priorities and changes to operational and capital requirements.

Financial Services Unit shall assist client departments with developing the multi-year budget and the annual budget adjustment review process.

Financial Planning and Budgets shall facilitate and co-ordinate the multi-year budget development and the annual budget adjustment review process.

MONITORING/CONTRAVENTIONS

The City Treasurer and the General Manager of Environmental Services shall monitor current practices to ensure compliance with this Policy.

REFERENCES

The Corporate Planning Framework (Ref. No. ACS2011-COS-ODP-0007)

Fiscal Framework 2007 as amended

Long Range Financial Plan IV - Water and Sewer Rate Supported Programs ACS2012-CMR-FIN-0004

Report on: Proposed Rate Budget Multi-year Policy ACS2013-CMR-FIN-0043

LEGISLATIVE AND ADMINISTRATIVE AUTHORITIES

Municipal Act, 2001, as amended

Delegation Authority By-law 2012-109, as amended.

DEFINITIONS

Long Range Plan – outlines the projected operating and capital requirements in order to provide and maintain these services to City residents

Rate-Supported Services – the programs required to provide potable drinking water along with sanitary and storm water sewer services which are funded through revenues from water and sewer surcharge rates.

KEYWORD SEARCH

Adjustment Review
Budget adjustments
Environmental Services
Multi-year budget

ENQUIRIES

Enquiries regarding this Policy should be directed to:

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Corporate Finance
Finance Department
City Manager's Office
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