



County Council

Meeting Date: September 26, 2023

Submitted by: Bill Rayburn, CAO

Subject: Budget Process Review & 2024 Budget Schedule

BACKGROUND:

Following the 2023 Middlesex County Operating & Capital Budget process, senior staff committed to conduct a budget process review. The budget process review presents an opportunity to:

- identify areas in the current budget process that may be contributing to poor performance, ineffective allocation of resources, or other budgeting concerns.
- shed light on areas where the transparency and communication of financial information could be improved.
- find opportunities to streamline the budgeting process, making it more efficient.
- help ensure that the budgeting process aligns with the County's strategic goals.
- review and possibly revise the budgeting process, so Middlesex County can enhance accountability.

Section 289(1) of the Municipal Act, 2001 states that for each year, an upper-tier 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 upper-tier municipality, including:

- a) amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;
- b) amounts required to be raised for sinking funds or retirement funds;
- c) amounts in respect of debenture debt of lower-tier municipalities for the payment of which the upper-tier municipality is liable; and
- d) amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards.

Section 289(2) of the Municipal Act, 2001 states that 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 upper-tier levy and the

amount it intends to raise on less than all the rateable property in the municipality by a special upper-tier levy under section 311.

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.

Historically, in November or December of the year preceding the budget to be approved, a budget schedule report is presented to Council. From 2017-2023 the Middlesex County Budget Schedule Milestones have remained largely unchanged:

2017-2023 Budget Milestone Analysis						
Budget Year	Budget Milestone Dates					
	Draft Budgets to Treasury	Budget Committee Review	Budget Presentation	Budget Approval	Tax Rate Approval	TCA Budget Approval
2017	December 9, 2016	January 23, 2017 - February 10, 2017	March 7, 2017	March 28, 2017	April 25, 2017	August 22, 2017
2018	December 15, 2017	January 24, 2018 - February 9, 2018	March 6, 2018	March 27, 2018	April 24, 2018	August 14, 2018
2019	December 20, 2018	January 21, 2019 - February 15, 2019	March 12, 2019	March 26, 2019	April 23, 2019	August 13, 2019
2020	December 20, 2019	January 29, 2020 - February 14, 2020	March 10, 2020	March 24, 2020	April 28, 2020	August 11, 2020
2021	December 31, 2020	February 1, 2021 - February 19, 2021	March 9, 2021	March 23, 2021	April 27, 2021	August 17, 2021
2022	December 17, 2021	January 17, 2022 - February 18, 2022	March 8, 2022	March 22, 2022	April 26, 2022	August 23, 2022
2023	December 19, 2022	January 23, 2023 - February 24, 2023	March 14, 2023	March 28, 2023	April 11, 2023	August 15, 2023

During the same 2017-2023 time period, the Committee of the Whole was generally presented with budget variance reports in June, July, August, September, October, November and December. The variance reports highlight deviations from the approved budget and provide commentary on individual service area performance of budget versus actuals.

CONSIDERATIONS

The budget process review and landscape analysis resulted in the following recommendations for enhancements to the Middlesex County budget process:

1. Budget Schedule - To enhance the budgeting process and promote effective financial planning, it is recommended that Middlesex County advance the budget schedule in its entirety to have the budget finalized in December of the year preceding the budget year or in January of the budget year.

Budget Milestone Dates						
Budget Year	Draft Budgets to Treasury	Budget Committee Review	Budget Presentation	Budget Approval	Tax Rate Approval	TCA Budget Approval
2024	November 10, 2023	December 11, 2023-January 12, 2024	January 16, 2024	March 12, 2024	April 9, 2024	July 16, 2024
2025	October 11, 2024	November 11, 2024-December 9, 2024	December 17, 2024	February 25, 2025	March 11, 2025	May 6, 2025
2026	September 12, 2025	October 13, 2025-November 12, 2025	December 9, 2025	February 10, 2026	March 10, 2026	May 1, 2026

An early finalization of the budget promotes fiscal discipline and accountability. With a clearer understanding of the available financial resources well in advance, Council and staff can make more prudent spending decisions and align expenditures with strategic priorities.

Finalizing the budget earlier also allows for a smoother implementation process at the start of the budget year. It gives service areas the necessary lead time to plan and execute their programs, initiatives, and projects effectively, leading to improved service delivery and resource allocation.

2. Post all agenda content online, in advance of meetings, to make agenda content available to Budget Committee, Council and the public in accordance with the Procedural By-law. This allows all stakeholders to review the information and prepare questions or comments. The minutes to the meetings should also promptly be made available following the meeting. These documents may also incorporate aspects of financial literacy.
3. Staff will more fully utilize Questica and Open Book to establish more service level targets and performance metrics for major programs/services and track these over time. This data may subsequently be utilized to drive evidence-based decision-making during budgeting. To support this, create a financial transparency portal on the County website with financial data, budget documents, performance metrics, and financial reports for public scrutiny.
4. Variance Reports will be moved to quarterly reports as follows:

Variance Reports	
Quarter	Report Date
1 st Quarter	May
2 nd Quarter	August
3 rd Quarter	November
4 th Quarter	Financial Statements*
*Include variance report with budget documents	

The Variance Reports will also include a robust section on forecasting. This forecast, along with its assumptions and methodologies, will be clearly communicated to Council and the public. The forecasting process will involve defining assumptions and providing insights into future trends and budgets. Correlation to the strategic plan for the forecasts will also be incorporated into the Variance Reports. This will allow budget trends and statistics to build over time to be utilized to support objective communications on the budget.

5. Expense Classifications - Classifying expenses as discretionary or non-discretionary will further support a transparent and informed budgeting process, ensuring that Council is aware of the nature of each expense.

- Discretionary expenses are those that can be adjusted or controlled by decision-makers, such as funding for new initiatives, non-essential services and service enhancements.
- Non-discretionary expenses encompass fixed obligations and essential services that cannot be modified, like debt payments, personnel costs, and legislated programs.

By clearly distinguishing between these categories, Council gains a comprehensive understanding of where budgetary flexibility lies and where financial commitments are inflexible. This knowledge empowers Council to make well-informed decisions, prioritizing expenditures, and aligning them with the strategic goals of the County. Classifying expenses enables Council to optimize resource allocation, maintain fiscal responsibility, and ensure that critical services are adequately funded while also allowing room for targeted investments and potential cost-saving measures.

6. Strategic Plan Alignment - Overtly align the budget and service area expenses with the strategic plan. This will ensure financial decisions and resource allocations are directly driven by the County's vision and long-term goals. The budget is as a means to transform the strategic plan into action, with each budgetary decision contributing to the realization of strategic objectives. By overtly aligning the budget and service area expenses with the strategic plan, Middlesex County will ensure that financial decisions are rooted in a comprehensive understanding of goals and the external factors influencing change. This alignment strengthens fiscal responsibility and accountability, guiding the budgeting process towards achieving strategic objectives and maximizing the County's impact in serving its stakeholders.
7. To enhance the budget presentation process Middlesex County will enhance or implement the following best practices:
 - Utilize a standard layout for all service areas, including font size, type, margins, and consistent formatting.
 - Include visual elements like pictures, graphs and charts to enhance information presentation, placing them in relevant sections.
 - Utilize hyperlinks to provide access to additional information not included in the budget document that supports or informs budget information.
 - Maintain brevity, avoid excessive detail in PowerPoints, financial schedules and text.
 - Each service area will include a description of services or functional responsibilities, such as hours of operation, contact information, and departmental history.

- Quantify and discuss the operating impacts of capital projects on an individual basis, noting whether impacts result in increased revenues, expenditures, or cost savings.
- Create a statistical, supplemental section in the budget document that provides a community profile, demographic and economic data, and clear explanations for the information presented.

Middlesex County makes program and service decisions and allocates scarce resources to programs and services through the budget process. As a result, the budget process is one of the most important activities undertaken by the County. The quality of decisions resulting from the budget process and the level of their acceptance depends on the budget process that is used.

Continuous review and enhancement to the budget process develops core budget characteristics to:

- Incorporate a long-term perspective;
- Establish linkages to broad strategic goals;
- Focus budget decisions on results and outcomes; and
- Promote transparent and effective communication with stakeholders.





The Middlesex County Budget Process Review outlines the key opportunities and recommendations for enhancing Middlesex County's budget process. The primary focus is on aligning the budget with the strategic plan, classifying expenses as discretionary or non-discretionary, and advancing the budget schedule to ensure proactive financial planning. By considering these enhancements, Middlesex County can strengthen fiscal responsibility, improve transparency and communication, and optimize resource allocation to meet the needs of its stakeholders.

FINANCIAL IMPLICATIONS:

No direct immediate financial impacts. Over the long term, progressive budgeting practices may create additional opportunities for strategic planning and procurement.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
Cultivating Community Vitality 	Advance a diverse, healthy, and engaged community across Middlesex County	<ul style="list-style-type: none"> Promote and support community wellness Innovate social and community services
Connecting Through Infrastructure 	Ensure communities are built on a sustainable foundation that is connected and thriving	<ul style="list-style-type: none"> Commit to a sound asset management strategy to maintain and fund critical infrastructure Use County infrastructure in an innovative way to provide a seamless service experience for residents
Strengthening Our Economy 	Encourage a diverse and robust economic base throughout the county	<ul style="list-style-type: none"> Create an environment that enables the attraction and retention of businesses, talent, and investments
Promoting Service Excellence 	Innovate and transform municipal service delivery	<ul style="list-style-type: none"> Anticipate and align municipal service delivery to emerging needs and expectations Engage, educate and inform residents, businesses, and visitors of county services and community activities Strengthen our advocacy and lobbying efforts with other government bodies Collaborate with strategic partners to leverage available resources and opportunities Build organizational capacity and capabilities

RECOMMENDATION:

THAT the Budget Process Review & 2024 Budget Schedule Report be received for information;

AND THAT the 2024 Budget Schedule be approved;

AND THAT staff be directed to implement the budget process review recommendations contained within the Budget Process Review & 2024 Budget Schedule Report.