



Cobourg Taxpayers Association

Making Local Government Accountable

www.cobourgtaxpayers.ca
Email: info@cobourgtaxpayers.ca

Improving The Budget Process

Pre-Budget Submission

Remarks By
Dennis Nabieszko

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Check Against Delivery

Good afternoon Mayor Brocanier and members of Council.

I'm Dennis Nabieszko, Secretary of the Cobourg Taxpayers Association. .

Our presentation today will be focused on the municipal budget process.

I would like to begin by extending our appreciation to Deputy Mayor John Henderson for the improvements he has made starting last year.

John, thank you for opening up the process to include the Town's citizens starting with this opportunity today and for the commitment to provide both Council and the public with far greater detail than was available before.

The CTA believes the annual Operating and Capital Budget process is the single, most important responsibility that Council has. The Budget is, in fact, what Council must decide is the fiscal roadmap and control process for allocating limited tax dollars on a priority basis between essential and discretionary municipal services.

Our comments reflect input from several of our Advisory Committee members. One I wish to acknowledge is Bill Stuckey.

Bill has over 40 years of experience working in the corporate world as well as in the not-for-profit arena in the areas of financial analysis, accounting and budgeting. Much of his most recent experience was as a senior financial manager at a Fortune 500 company focused on business proposals, budgeting and forecasting working with all levels of the organization.

We agree with Deputy Mayor John Henderson when he says the Town's budget is a massive undertaking.

Reviewing the Operating and Capital Budget in detail and ensuring that it follows guidelines is a challenging and time consuming task, especially for those on Council whose business backgrounds did not require expertise with financial statements, corporate budgeting, and financial review.

That is why it is critical for Council, immediately after the November 10th Budget Scrum to decide on priorities and establish goals and guidelines for the coming year and to clearly communicate such to staff and the public on a timely basis. The goals must include a maximum across the board increase in municipal property taxes for general purposes.

We also recognize that the preparation of a detailed Budget is a massive exercise that involves a significant amount of time and energy by senior departmental staff.

Therefore, it's imperative that at the outset, expectations regarding timelines, operating and capital cost guidelines, information requirements and reporting formats be clearly mapped out and communicated.

I will now turn to some key processes and best practices that the CTA has identified to improve the budget process. These are designed to provide Council with the tools to exert greater control over the process and in determining that spending is effective and value added.

There are many facets, controls and requirements that meet budgeting best practices. The following are only a few of the key requirements we would like to highlight for the benefit of Council.

Adequate Review Time

Last year, Council and the public were given approximately one week between the time the 2015 draft Budget was released online on April 16th and the Committee of the Whole deliberations to review just over 375 pages of line item operating and capital documentation, as well as a summary presentation.

With Committee of the Whole deliberations on April 23rd starting at 1:00 p.m. and extending into the evening, Council simply didn't have the time that was necessary to adequately review, understand, analyze and debate this huge and complex document.

For example, it took Paul Pagnuelo, one of our Advisory Committee members, 40 hours to properly review and critique the budget. If it took someone who is very experienced at doing budget analysis and review this amount of time, there simply is no way Councillors had the uninterrupted time, to properly prepare for and debate the budget on an informed basis.

The Committee of the Whole is still being given only a half-day on March 1, 2016 to review and debate the 2016 Operating and Capital Budgets.

While the schedule provides a five week period for Co-ordinator Committee Review meetings in Round 1 and a further four weeks in Round 2, there is no indication that the attendance of all Councillors will be mandatory. It should be, in order for all of Council to be equally well informed of each Department's proposals and to be able to arrive at an independent assessment.

Furthermore, we see no reason why these meetings for the most part should not be held in open session where the public can attend.

We also recommend that Departmental Round 1 reviews be compressed into a maximum of two days per department and that they be completed in a two, rather than a five week period. Similarly, we would recommend that Round 2 commence on December 8th and be completed by the end of that week. By December 15th a roll-up budget should then be published.

This would allow a period of four weeks for review by both Councillors and the public based on the Special Council Budget Session being moved up to mid-January, which in itself should be conducted over a period of several days and include discussion of the public comment received.

Strict Percentage Increase Guidelines

In 2015, seniors' Canada Pension Plan payments increased by only 1.8%, which was the national Consumer Price Index or CPI increase for 2014. During that same period the Town's spending (Direct Control Net Expenditures) increased by 5.2% or almost \$773,000. If the Town's spending increase had been held to 1.8%, a savings of over half a million would have been realized.

A reasonable ceiling that Council should target as the overall tax increase is the Consumer Price Index or CPI. Council must be mindful of the affordability demographics of the local tax base and the Town's desire to attract new residential and commercial growth, which high taxes pose as a barrier.

The schedule does not provide an opportunity for Council to set policy direction upfront on what it wants as an end result. This should include guidelines on percentage increases in operating expenses, staffing limitations, capital spending priorities/limits and other policies that should be driven by Council. Also, it is silent on how or what parts of the Strategic Plan should be reflected in the Budget, which should form part of Council's initial policy direction discussions.

Reporting

It would greatly help Council and the public if budget information and reports were provided in formats that would allow Council to quickly and effectively review the budget. The following are two potentially valuable report enhancements for consideration:

1. Personnel

Because salaries, wages and benefits represent approximately 50% of the total of expenditures, staffing levels are the most important item for Council to understand and review.

The addition of full time staff is an expensive obligation not only for the current year but it also creates longer term financial obligations and liabilities.

Temporary and part-time workers are a vital part of Cobourg's municipal staff. To better understand what these two categories actually represent in number of workers employed, we would recommend reporting them in terms of Full Time Equivalents (FTEs). This would mean a part-time or seasonal worker who is employed for 3 months would be counted as $\frac{1}{4}$ of a full-time worker rather than as 1.

While we are aware that the Budget package Council receives includes staffing information, we are not aware what detail it includes or the format it is presented in.

If not currently provided, we would suggest a summary report should be included with the Operating Budget details that shows a breakdown of staffing levels for each department and the Town as a whole compared to the previous year. The breakdown should include full time management and non-management employees, part time and seasonal staff and include total employee costs for each position. It should include columns for transfers in and out between departments, new hires and deleted positions.

Cost allocations across functions, where a manager, director or other employee splits his/her time should also be clearly shown. This would give Council a meaningful overview of the single largest cost item.

Also, although not considered staff, contractors are an integral part of the expense budget. A list of all contracted work by department including related costs, it's purpose and the reason why it is preferable to using staff would be an important report for Council and the public.

Finally, in the interest of transparency in the budget process, reasonable staffing information needs to be published in a form that it can be made available to the public.

2. Summary of Consolidated Expenses by Expense Type

In this report, Councillors would be able to see the total of all departments spending for a specific expense type. In other words, it would be a consolidated roll-up at the Town level of all revenue and expense line items.

As an example, are Councillors aware that in the 2015 budget, total spending on conventions and conferences (excluding police and fire) was budgeted to go up by 60%?

Again, remember, that seniors who rely on the Canada Pension Plan only saw this source of their income go up by 1.8% in 2015.

When each item is viewed in the context of a sole department, the increase may not look like that much in absolute dollar terms, but when added together at the total Town level, the dollar increase of 60% for conventions/conferences becomes significant.

Capital and Reserve Funds

While we would like to make the extensive subject of capital and reserve funds the focus of a future delegation, the following aspects require brief discussion at this time.

Municipalities should have a Capital Investment Plan covering Reserve Funds for capital asset replacement and infrastructure requirements, whether it be road re-surfacing, roof replacement, upgrading of docks for the Marina, equipment or vehicle replacement. Professional reserve fund studies based on component lifespans need to be in place and updated on a regular basis. A detailed report on the status of reserve funds by department has not been included as part of past budget deliberations and should form an integral part of the 2016 budget process.

Maintaining adequate reserve funds is important in ensuring the Town's major assets are maintained on a long-term basis and to avoid large swings in tax requirements. In addition, an open and transparent policy on asset purchases and disposal of fixed assets (such as trucks, snowplows and Zambonis) as part of the capital budgeting process would improve Council's and the public's understanding of use of funds and future obligations.

In summary, our key recommendations are to modify the budget process by including:

- Guidelines to staff that limit any total spending increases to an agreed upon target, such as no increases or CPI percentage increases only. The current CPI as of September 2015 stands at 1 percent nationally.
- Improve the reporting of all staffing implications by department.
- It should be mandatory that all Councillors attend the Coordinator Committee Review meetings in order for all of Council to be equally well informed of each Department's proposals and to be able to arrive at an independent assessment. Furthermore, we see no reason why these meetings, for the most part, should not be held in open session where the public can attend.
- Give Councillors and the public sufficient time to do a proper due diligence review.
- Complete the budget process early in the new fiscal year.

We look forward to providing further comment on specific budget items as the 2016 budget is released. In the interim, we trust our recommendations this afternoon will be of benefit to both Council and staff.