

Town of Onoway

Request for Decision

Meeting:	Regular Council Meeting
Meeting Date:	February 23, 2023
Presented By:	Tim Duhamel, Bloom CME
Title:	Operating Budget Query

BACKGROUND / PROPOSAL

Councilor Coninx has raised concerns about the accuracy of the 2022 budget. This report will explain the process undertaken to finish the budget and answer questions related to the concern.

DISCUSSION / OPTIONS / BENEFITS / DISADVANTAGES

In May of 2022, Bloom Centre for Education was hired by the town as its Interim CAO under a management services contract. The budget had not been finalized and had an approximate 11% funding shortfall. The town's former finance officer shared that she had not been involved in the budget process previously and did not know how to fix the budget shortfall or how many of the numbers were calculated or what they represented.

The budget delay was a significant issue as the budget had to be finalized so tax rate notices could be completed allowing taxes to be collected in a timely fashion to avoid a financial shortfall. I contacted Municipal Affairs and asked for an extension on the tax notices. The extension was granted. To support the budget reconciliation an Excel tool was created to build the budget and enable solution development. Without a history on how the numbers had been calculated it was assumed the numbers created by the former CAO were materially accurate. To support this assumption, the budget numbers were compared to the prior year's actual results.

The following strategy was employed to build the budget without having the history or rationale behind many of numbers:

1. Make sure the taxation numbers are properly calculated due to the risk exposure of miscalculation.
2. Review the budget for large variances from actual and correct where possible.
3. Restructure the staffing complement to meet service needs and find possible savings.
4. Check the correctness in the methodology of past budgets.
5. Commit to a monthly review to manage spending to ensure a budget shortfall did not materialize.

The budget review outcome:

1. A review of actual to budget allowed for a few small adjustments.

2. Amortization had not been treated correctly in past budgets. Amortization must be budgeted for under PSAB, however, it is a noncash expense and must be backed out for tax calculation purposes. This had not been the town's practice and resulted in significant budget adjustment that supported eradication of the shortfall.
3. The change in CAO allowed for significant contract dollars to be utilized in a staffing strategy. The strategy allows for new positions to be created fostering permanent staff to be responsible for duties that were previously contracted. That strategy has been implemented with staff being hired and trained. In the long term, this will significantly increase the town's ability to serve residents as staff knowledge and skills develop.
4. Significant Bloom time and resources were utilized to develop the tax rate bylaw and calculations. A Bloom associate was brought in at no charge to the town to complete this task. The taxes have been proven to be materially accurate.
5. The combination of the actuals review, staffing strategy, and amortization correction allowed the budget to be reduced from an 11% increase to 3.56%.
6. The monthly actuals review proved to be effective for budget control. Though there are a number of variances, they are not material. The town is expected to be in a surplus position at year end. Through the reviews I noted areas that needed review and correction. I was told by the former finance officer that the town's common practice was to have the auditors make corrections and develop the journal entries for year end.
7. Anticipating budget reconciliation and year end challenges, Bloom had agreed to provide financial resources to support the new administration. This work was intended to review and complete a report for the quarter three results, GST reconciliations, explain variances, and support the preparation for year end. The support was also to include training for the new finance officer. The town decided to cancel the Bloom support, which unfortunately has now made it challenging to explain variances and answer questions.

The approach taken was effective in overcoming both the shortfall and the lack of internal knowledge. A high-level review of variances did not uncover anything that would be considered out of the ordinary. That said, there are numerous areas that need review and correction which would normally be completed before the audit began.

In summary, best practice municipal budgeting recognizes a budget is a forecast that can be impacted by numerous uncontrollable factors. Good financial stewardship requires periodic monitoring and decisions to compensate for uncontrollable circumstances that could lead to a shortfall position. The preliminary year end results are indicating the 2022 budget is in a surplus position and has met professional

standards for building responsible budgets. The 2022 budget has proven to be accurate and materially represents services delivered.

STRATEGIC ALIGNMENT

Long-term financial sustainability. Good Governance.

COSTS / SOURCE OF FUNDING

N/A

RECOMMENDED ACTIONS

That Council accept this report as information.