



Municipal Finance Resources from the Minister's Action Group

September 14, 2016

Background

- The Municipal Budgeting and Financial Planning Action Group is an **outcome of the Budget Matters regulation review**.
 - In 2012 and 2013, the Ministry reviewed the regulation with municipal stakeholders.
 - The review revealed that there are opportunities to strengthen municipal budgeting and long-term financial planning practices and that municipalities want to be part of the advancing these processes
- The Ministry was directed by the Minister to establish an Action Group to **engage with municipal stakeholders to develop new tools** to support municipal budgeting and long-term financial planning.

Mandate

- The purpose of the Action Group is to establish a forum where municipal stakeholders can collaborate on practical and actionable ideas that will assist municipalities **strengthen budgeting, asset management and long-term financial planning practices.**
- The Action Group seeks to promote:
 - Accountability
 - Flexibility
 - Streamlined reporting
 - Transparency
 - Fiscal sustainability

Governance Structure

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Executive Sponsor:

MMA – LGPPD ADM

Project Boundary

Directors Committee:

MFPB - Director, MSO – Director, MFOA – Executive Director

Chair:

MFPB - Manager

**Action Group
Members:**

Action Group Members

Action Group Membership

20 Action Group Members:

- 14 treasurers from across Ontario
 - **Eastern Ontario:** Township of Horton and the United Counties of Stormont, Dundas and Glengarry
- Representatives from the Ministry of Municipal Affairs
- Representatives from the Municipal Finance Officers Association

Small Municipalities Sub-Committee Membership

12 Sub-Committee Members:

- 6 treasurers from across Ontario
 - **Eastern Ontario:** Township of Horton
- Representatives from the Ministry of Municipal Affairs
- Representatives from the Municipal Finance Officers Association

Inter-Ministerial Sub-Committee Membership

- **Oversees the work** of the Action Group and the Small Municipalities Sub-Committee
- **Ensures consistent messaging** from the Province
- Representation from 4 Ministries:
 - Ministry of Municipal Affairs
 - Ministry of Finance
 - Treasury Board Secretariat
 - Ministry of Infrastructure

Action Group Resources

- **11 deliverables** focusing on **simplifying municipal finance**.
 - Topics include: surplus, unfunded liabilities, municipal infrastructure deficit, and long-term financial planning and public engagement.
- The intended audience for the deliverables is municipal staff, councillors and the general public.
- The Action Group and Sub-Committee's deliverables are currently in various stages of approval and will be posted on the MMA website as they are completed.

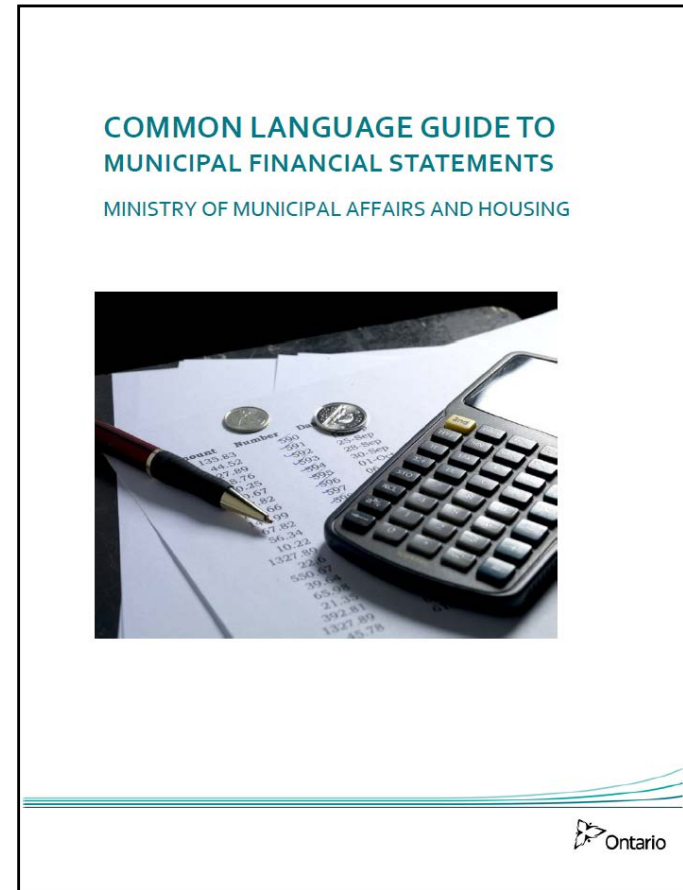
Action Group Work Plan

		2014			2015												2016											
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Action Group		Deliverable 1: Common Language Guide to Municipal Financial Statements																										
		Deliverable 2: Understanding Surplus and Deficit																										
		Deliverable 3: Understanding Unfunded Liabilities																										
												Deliverable 4: Investing Sustainably in Infrastructure																
												Deliverable 5: Engaging the Public in Long-Term Financial Planning																
												Deliverable 6: Fiscal Health Indicators																
Small Municipalities Sub-Committee												Deliverable 1: Understanding the FITs																
												Deliverable 2: List of Existing Resources by Topic																
												Deliverable 3: Communication of Existing Resources by Topic																
												Deliverable 4: Budget Matters best practices																
												Deliverable 5: Communication Material on Debt																
												Deliverable 6: Case Study on a small municipality using debt effectively																
												Deliverable 7: List of subject matter experts																

	Approved and posted on website
	In approvals
	In development

Common Language Guide to Municipal Financial Statements

- Provides examples of a municipality's annual audited financial statements
- Explains key concepts, including:
 - Legislative requirements and reporting standards for municipal budgets
 - The four main components of municipal financial statements
 - Supplementary schedules and notes to the financial statements



Municipal Budget Planning

Surplus and Deficit

Provides insight into the internal budget planning process for municipalities, including information on:

- Budget planning methods
- Types of budgets
- Financial statements vs. budgets
- Surplus and deficit and their relationship to budget planning and long-term financial planning

Unfunded Liabilities

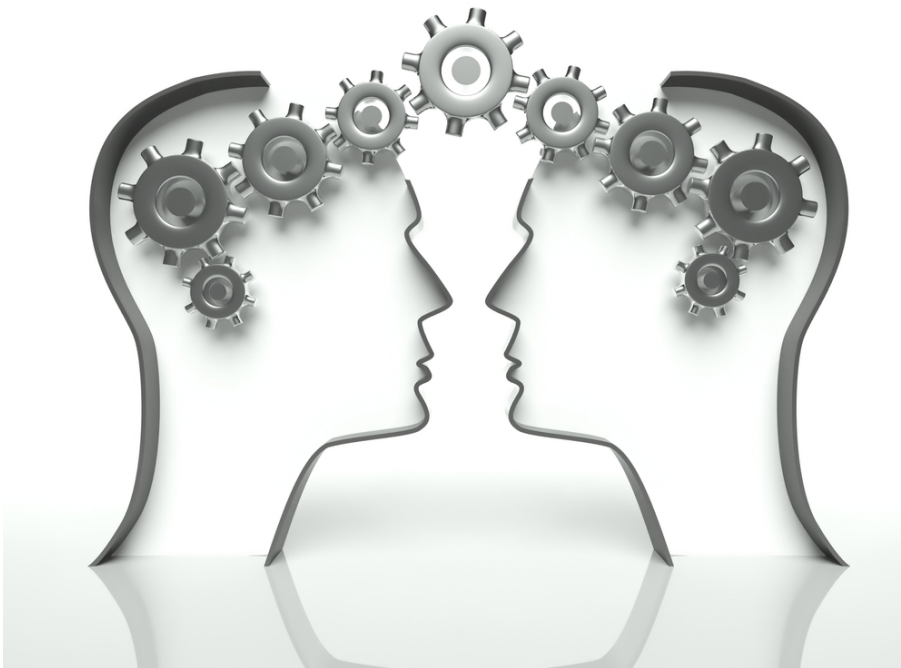
Explains how unfunded liabilities apply to municipal budgeting and why they are important to financial planning.

Investing Sustainably in Infrastructure

- Considers factors which have contributed to the current state of infrastructure (e.g. population patterns, climate change, service standards).
- Explains how asset management planning can help in making infrastructure investment decisions.
- Explores in greater depth the financing strategy component of asset management plans



Engaging the Public in Long-Term Financial Planning



- Outlines the benefits of public engagement.
- Explains why public engagement is an important part of the long-term financial planning process.
- Offers ideas and examples of strategies that municipalities can utilize to engage the public on financial matters, such as:
 - Online engagement tools
 - Participatory budgeting
 - Building trust with the public

Fiscal Health Indicators in Common Language

- Identifies some key indicators used to describe a municipality's operational and financial performance
- In total, there are 12 indicators which consider the elements of a municipality's sustainability, flexibility and vulnerability
- The intent is to offer municipalities an opportunity to focus on year over year trends, and allow for appropriate comparison with selected municipalities

Understanding the Financial Indicators Thresholds (FITs)

- Municipalities' fiscal pressures are assessed by the Ministry annually through the Financial Indicator Review.
- Using plain language, this guide provides clarification on what your municipality's results mean.

Example:

FITs Terminology	Common Language Terms
Net Financial Assets or Net Debt as % of Own Purpose Taxation Plus User Fees	Revenue Available (or Needed) to Pay for Future Transactions
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenditures/Expenses	Reserve Levels

Understanding Municipal Debt: What is it?

- Outlines Ontario's regulatory framework for municipal borrowing
- Considers when debt "makes sense"
- Offers a list of considerations for municipalities thinking about taking on debt
 - E.g. Interest rates, financial flexibility, etc.



Case Study: A Small Municipality Using Debt Effectively

- Uses a hypothetical case study of a small municipality to demonstrate how debt may be used as a financing option
- Considers debt as a capital financing option in comparison to increasing taxes or increasing reserves
- Demonstrates the impact of debt financing on the tax base and reserves annually

MFOA Resources

- **Tip Sheet #2: Meeting the Requirements of Ontario Regulation 284/09**
 - Examples of “Budget Matters” reports from Caledon, Hamilton, Cornwall, Oliver Paipooonge, Tarbutt, Parry Sound, Fort Frances, Horton
- **List of subject matter experts**



Where Can I Access these Resources?

www.mah.gov.on.ca

Local Government

Resources for
Municipalities

Municipal Budgeting
and Long-Term
Financial Planning

What's Next?



- The current Action Group mandate ends December 2016.
- There may be opportunities for you to get involved in future Action Group activities!
- Stay tuned to the MMA website for more information

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www.mah.gov.on.ca – Resources for Municipalities