

## Staff Report

**To:** Mayor Bazinet and Members of Council  
**Report From:** Deanna Hastie, Director of Corporate Services/Treasurer  
**Meeting Date:** March 17, 2025  
**Subject:** Budget Process  
**Attachment(s):** 1) Municipal Act – Section 290

**Recommendation:**

That Goderich Town Council refers this report to budget.

**Report Summary:**

This report is provided to outline potential options regarding the timing of budget discussions and approval. This information is provided to Council in response to enquiries regarding other process options.

**Background and Analysis:**

Section 290 of the Municipal Act requires every Ontario local municipality to prepare a balanced budget each year. The Section is provided as an attachment to this report for ease of reference. The section sets out the inclusion of annual revenue and expenses in budgets but also requires the provision of any surplus/deficit from the prior year.

To allow for earliest consideration and adoption of their budgets, other municipalities have passed a Surplus/Deficit Policy that provides guidance on the allocation of any surplus resulting in no prior year amount being carried forward to the next year's budget. Most of the guidelines use these funds to assist with asset management needs. Some policies provide the Treasurer with the authority to make the transfers with a report to Council for information. If Council decides to support this option, staff recommends still bringing the transfers to Council for approval. These transfers bring the prior year surplus to nil thereby eliminating the need to delay budget deliberations until the year end is completed.

One element of several of the policies that were reviewed is the creation of a Tax Stabilization Reserve with a portion of each year's surplus allocated to this reserve. This reserve can then be used in subsequent budgets to deal with significant budget variations. Essentially, rather than waiting for an unknown surplus amount, Council would know the value of the Tax Stabilization Reserve and could use it as needed.

Examples found that use this policy include London, Parry Sound, Kawartha Lakes and Guelph. Each policy has unique guidelines that reflect their municipal priorities.

Staff currently review the surplus and recommend transfers based on the source of any surplus funds as part of the year-end process. These recommendations do not currently utilize all the surplus, allowing some amount to be carried forward into the next year's budget. Many of the proposed transfers are used to finance future asset replacement needs or align with specific Council initiatives.

An added element for consideration of this item is the Town's Procurement By-Law (By-Law 58 of 2013). This policy provides guidance on allowable spending prior to passing of the annual budget as follows:

**Part II – paragraph 2.3: Authorization Prior to Budget Adoption**

Prior to the passage of the annual budget in any given year, each Department is authorized to make expenditures in accordance with the previous year's operating portion of the budget for routine operating and/or statutory purposes. Procurement for capital projects requires Council approval.

Adopting a Surplus/Deficit Policy has several benefits as well as some drawbacks:

**Benefits**

- The annual budget can be discussed and potentially adopted earlier, allowing new operating projects to begin, tenders to go out and capital projects to get underway.
- Early adoption would minimize the need for staff to ask for pre-approval of proposed projects.
- Staff currently begin the budget process in August with a consolidated package usually ready in late December. A budget session is held in January and then the process waits for the prior year end to be completed before the budget can be finalized. This means that Treasury staff are dealing with budget changes as well as performing the year-end review, T4's and completing annual reporting requirements at the same time. To be clear, Treasury can and has accomplished this annually for many years. This proposed change would help to spread out some of this work.

**Drawbacks**

- Potentially the timing of data needed to accurately complete the budget needs to be considered to establish that an earlier timeframe is feasible. Staff reviewed some of the information timing for larger expenditures and found:
  - OPP Costing – received October 4 – however this year there was an amendment in early December
  - OMPF Funding – October 30

- County Childcare Funding – has been later (early December) as the program has been in as state of flux.
- YMCA Budget – December
- Roadwork Cost Estimate – can fluctuate based on the workload of the Town's engineers and the complexity of the project – this can be mitigated by moving timelines ahead and clearly communicating deadlines.
- The Town would be setting its tax rate without knowing the County rate; currently early March – this does not allow for the consolidated tax bill to be considered/communicated at the same time as budget passage. (The Education Rate is usually provided by the Province in early November)
- Staff would need to work on the budget earlier (during the summer months) which is always a busy operational time.
- Transition to this process leaves a gap in taxation revenue as currently the Town is factoring in approximately \$358,269 for 2024. However, there are some strategies available to smooth the impact of a transition by using some level of reserves. The level of the gap in the 2025 Draft Budget will be provided as part of the March Budget session and may have a significant impact on Council's decision.

**Linkage:**

- Corporate Strategic Plan Priority #4: Good Government

**Financial Impacts and/or Source of Funding:**

There is a potential financial impact on taxation related to the options presented.

**Consulted With:**

Janice Hallahan, Chief Administrative Officer

**Approved By:**

Janice Hallahan, Chief Administrative Officer

Andrea Fisher, Director of Legislative Services/Clerk