

▶ FINANCE

AS APPROVED ON DECEMBER 10, 2019



FINANCE

Overview

The Finance department develops financial policy and manages the tax payers' purse for the Town of Aurora. The department works with both internal and external clients to support the Town in its financial goals. Internally, Finance provides strategic financial advice to help the Town achieve its goals in the short and the long-term. Finance also has a governance role to ensure regulatory requirements are met under the Municipal Act, Public Sector Accounting Board standards and the Procurement Bylaw.

Finance organization

The department has three main divisions, each headed by a manager which report to the Director/Treasurer. These divisions are:

Financial Management leads the strategic long-term planning, multi-year budget and in-year forecast reporting for the Town. They perform analysis and recommendations for the Town's fiscal policy. The team also manages the Town's cash flow and investments to align with the Town's investment strategy.

Financial Reporting and Revenues is responsible for financial accounting and external reporting, expenditure management, protecting the Town's assets through development of financial policies, procedures and controls, and billing and collecting of Town's revenue sources (water, taxes, development charges etc.)

Procurement Services manages the process for effective procurement of goods and services, promotes the principle of fair and open competition in the acquisition process, and adherence to Procurement By-law and Trade Treaties

The table on the following page shows the breakdown of the 2020 to 2022 budget for each Finance department division.

Finance budget by division

	2019	2020	2021	2022
Budget (\$000's)				
Treasurer's Office	342.2	326.8	341.5	358.1
Financial Management	469.7	578.8	623.5	665.3
Financial Reporting and Revenues	517.4	647.6	658.3	671.7
Procurement Services	508.2	520.4	536.9	639.6
Proposed Budget	1,837.5	2,073.6	2,160.3	2,334.7
Budget Change		236.1	86.6	174.5
Permanent Full-Time Staffing (FTE):				
Opening Staffing		19.0	20.0	21.0
New		1.0	1.0	1.0
Conversion		-	-	-
Proposed Staffing		20.0	21.0	22.0

2019 Accomplishments

Finance is focused on modernizing processes and meeting the requirements of changing legislation. In 2019, the department's accomplishments include:

- Development of the Town's first multi-year operating budget which will provide more certainty to tax increases during the term of Council and better fiscal management of the budget
- Met the provincial regulation for the new strategic asset management policy development
- Updated the development charge study and bylaw in the spring of 2019
- Continued to map existing processes to identify opportunities for improvement and modernization
- Adapted and developed processes to meet the new legislative requirements for the Construction Lien Act

2020 to 2022 operating budget overview

The operating budget for Finance was approved to increase by \$236.1 in 2020, \$86.6 in 2021 and \$174.5 in 2022. Most of the increase in each year is to support growth and modernization within the department through the increase of one additional staff member in each year. The rest of the year-over-year increases are to maintain the existing services and are for salaries, benefits and inflation.

Finance 2020 to 2022 financial summary

\$000's	Net Actual Results		2019	2019	Approved Budget		
	2017	2018	Net Fcst*	Budget	2020	2021	2022
Expenditures	1,574.2	2,374.8	2,187.1	2,293.8	2,503.6	2,688.3	2,849.7
Non-Tax Revenues	(271.3)	(254.9)	(456.2)	(456.3)	(430.0)	(528.0)	(514.9)
Net Tax Levy	1,302.9	2,119.9	1,730.9	1,837.5	2,073.6	2,160.3	2,334.7
% Tax Funded	83%	89%	79%	80%	83%	80%	82%
Net Budget Change	\$	817.0	(389.0)	106.6	236.1	86.6	174.5
	%	62.7%	(18.3%)	6.2%	12.9%	4.2%	8.1%

*Net forecast as of August 31, 2019

Key priorities

The 2020 to 2022 operating budget for Finance includes initiatives that will modernize the finance function and help procurement keep up with the pace of growth.

Procurement needs to keep pace with growth

In Procurement the number of bids (requests for tender and proposal), the complexity of the bids and outside influences including trade treaties drive the workload. As the Town continues to grow, the complexity of the work in procurement is also increasing. The Procurement team is seeking to add a Procurement Analyst to the team in 2022. This role will help the team perform analysis on the current procurements, predict and plan for future procurement needs and help the team ensure that they are effectively procuring the goods and services to support the Town of Aurora.

Modernizing finance will benefit the Town in the long term

The Finance department budget will modernize the finance function at the Town. The department plans to begin doing more advanced longer-term analysis and implement the systems to enable the department to spend less time on routine tasks and more time on analysis. To do this, Finance included a Senior Financial Management Advisor and a Financial Systems Advisor.

Finance budget changes

	2020		2021		2022	
	FTE	\$000's	FTE	\$000's	FTE	\$000's
Base						
Salaries & Benefits including COLA, step increases and other approved staffing actions	-	80.2	-	72.2	-	67.6
Revenue adjustments including lower tax & water certificate revenues	-	26.4	-	13.1	-	13.0
Other operating changes	-	9.7	-	1.3	-	3.0
	-	116.3	-	86.6	-	83.6
Maintaining Service Levels for Growth						
Developing financial modelling and long-term financial sustainability analysis - Senior Financial Management Analyst	1	119.8	-	-	-	-
Respond to growth in procurement needs and perform more analytics for an effective procurement process - Procurement Analyst	-	-	-	-	1	90.9
	1	119.8	-	-	1	90.9
Enhancements and Transformation						
Leverage technology to streamline processes and enable more advanced financial analysis and reporting - Financial & Systems Specialist	-	-	1	111.1	-	-
2 year capital recovery - Financial & Systems Specialist	-	-	-	(111.1)	-	-
	-	-	1	-	-	-
Total Net Budget Change	1	236.1	1	86.6	1	174.5

The Senior Financial Management Advisor will provide the skills to do complex financial modelling and long-term financial projections. This work will greatly contribute to determining the financial policy needed to ensure the Town is financially sustainable in the long term.

Finance will also be continuing to modernize the financial systems of the Town. In 2019, the department began the process of assessing its current needs and what the Town will need in the future. This work will continue into 2020. In 2021 Finance is planning to begin work on replacing the financial systems to enable staff to have better access to information. A Financial Systems Advisor will be key to effectively implementing and maintaining the new financial system. They will have the skills to manage the data in the systems to enable better and more effective reporting and assist with automation of many tasks.

Finance initiatives

Customer

- Implement a tax certificate web-based portal to automate the process for providing tax certificates and provide better customer service

Modernization

- Implement integrated financial systems which will automate the processes within Finance and create capacity within the department to do improved analysis and create better reporting tools
- Continue to review and adapt the procurement process and bylaw to adapt to changing legislation and provide a fair and competitive process for procuring goods and services
- Continuous improvement of the budget process including a new multi-year budget reaffirmation process for the operating budget and bringing together approved and proposed capital projects into the budget
- Developing enhanced financial models and policy to further develop the Town's fiscal strategy

People

- Develop a financial management policy and training program to ensure non-financial staff have the tools and the know-how to manage their budgets and financial transactions

Other—Legislated

- Develop and implement a new Community Benefit Charge and update the Development Charge Bylaw to adapt to the changes resulting from Bill 108, More Homes, More Choice Act, 2019



Of
Water
Accounts

17,601

45% Percentage
of water meters
with radio read
devices

Number
of water meters
with radio read
devices **6,000**

**150-
200** Tax and water
property
management
changes per
month



Total # of invoices
processed:

10,193

Average rate of return on
Town investments:

3.19%



\$20M in
procurement
contracts awarded
last 12 months



170
procurements
in the last 12
months



1,007 bid takers
in the last 12
months



Developing financial modelling and long-term financial sustainability analysis
Finance **Space Needs Confirmed**

Yes

Recommendation

Hire a senior financial management advisor with the necessary skills to develop financial models to support long-term financial sustainability.

Rationale/Benefits

Currently the financial management team has been focused on the immediate and near-term financial analysis needs of the Town. This position will provide the skills necessary which will enable the Town to undertake more advanced long-term financial modelling.

The Town is at a critical time as growth is still expected to continue into the future. This role will provide key analysis and financial models which will assist the Town in its development of a more sophisticated fiscal strategy. This fiscal strategy will then guide the development of budgets and provide better analysis on long-term fiscal health for Council.

The key elements of adding these advanced skills to the team will include:

- Development Charge and Community Benefit Charge revenue modelling – Develop a financial model for predicting future development charge and community benefit charge revenues and working with Planning in the development of future by-laws
- Long-term reserve projections – Develop models to determine long-term reserve requirements for both operating and capital reserves to ensure adequate long-term funding needs are met.
- Asset management – Develop models to determine the Town's long-term (up to 100-years) asset renewal needs to ensure residents today and in the future are paying their fair share for the assets they use.
- Fiscal impact analysis – Develop a cost driver-based financial model to determine the future requirements to help balance the requirements for operating and capital budgets now and over the long-term.
- Economic analysis – Provide economic advice that will assist in budget planning and support financial models.
- Investment strategy – Review and evaluate the Town's investment strategy for managing its cash and cash equivalents, including the development of any necessary policy and procedures.
- Water rate – Develop an enhanced financial model for the Town's water, wastewater, stormwater rates which considers both operational and long-term asset management needs.

Alignment with Council Priorities

This position supports the Town's modernization of its systems and processes goals through its ability to develop and enhance the Town's existing financial management processes; including its significant enhancements to its longer-term strategic analysis. It will enable the Town to better manage its assets, leverage the use of technology and ensure business processes support financial accountability. The position will also help the Town modernize its fiscal strategy to provide a long-term benefit to residents today and tomorrow.

Impact of Not Proceeding

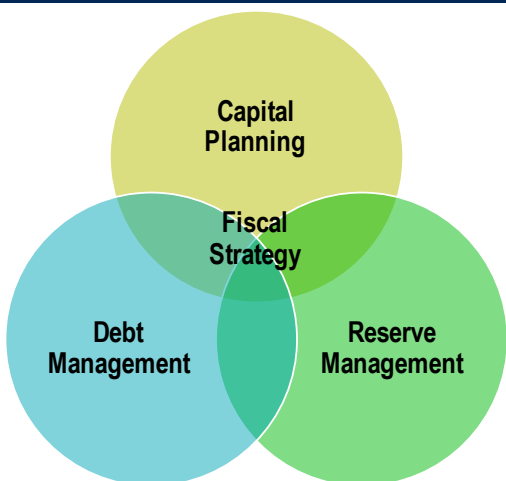
Finance will continue to perform all short to mid-term financial analysis in this regard to the best of its ability as per its currently available skill sets and capacity. Consequently, longer term analysis will continue to be a challenge and will be limited. Proceeding at a later time will delay the modernization of the Town's financial modelling which may prove more challenging to implement as future growth slows.

Incremental Operating Budget Impact

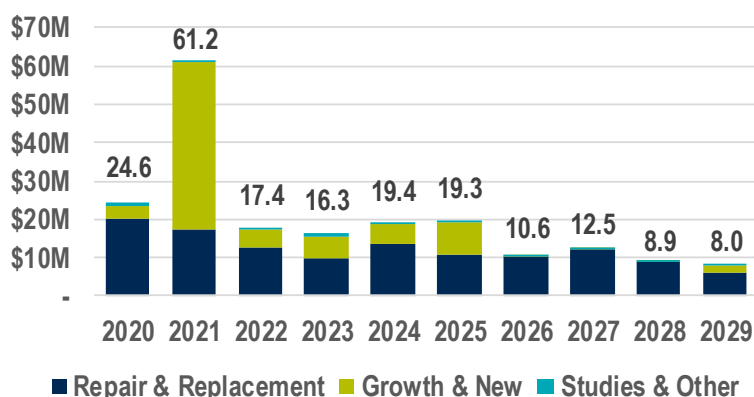
	2020	2021	2022
Staffing - # of FTEs	1.0		
Gross Expenditures (\$000s):			
Wages and Benefits	116.5		
Staffing Costs*	2.5	-	-
Offsetting Savings/Efficiencies			
Other - Memberships	0.8		
Total Gross Expenditures	119.8	-	-
Non-Tax Revenues (\$000s):			
User Fee/Other Revenues			
Water Rate/Building Recovery			
Other			
Total Revenue	-	-	-
Net Tax Impact	119.8	-	-
*Includes training, memberships, computer, space accommodation & other equipment			

Comparative Analysis / Performance Measure

Investing in a senior financial management advisor with financial modelling and strong analytics skills will help the Town further develop its fiscal strategy to achieve long-term financial sustainability



Ten-Year Capital Plan

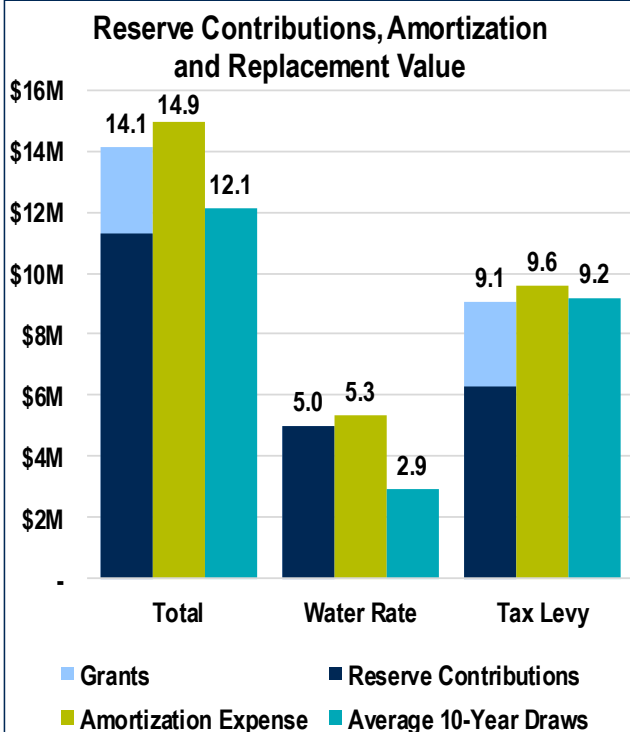


Continuous improvement of the capital budget and further developing the fiscal strategy will greatly benefit from the skills of a senior financial management advisor.

In 2020, Finance will be implementing a number of improvements to the capital budget process. These improvements will need more advanced modelling and financial analysis skills within the Financial Management team to balance the three elements of the fiscal strategy: Capital Planning, Reserve Management and Debt Management. Currently capital planning has focused on approvals as shown above, with this position and the gathering information on capital cash flows Financial Management will be able to develop long-term reserve management models and strategies.

They will also develop financial revenue models for the development charge and community benefit charge, perform longer term analysis on the growth and asset management capital needs and provide management with strategic advice to manage the capital plan and reserves appropriately.

The analytical and financial modelling skills of a senior financial management advisor will help the Town determine the appropriate level of asset management investment over the long-term



The senior financial management advisor will help the Town develop the long-term strategies for asset management. This analysis is greatly needed as currently the Town's contribution to asset management reserves is not keeping pace with amortization.

The advisor will be a member of the Town's Capital Asset Management Steering Committee (CAMSC). In working with other departments they will help develop models for long-term reserve investment strategies based upon varying service levels. They will also use economic analysis and models to predict the estimated replacement cost of assets and then make recommendations on reserve investment strategies. They will also be involved in reviewing and recommending investment strategies for the Town.



Leverage technology to streamline processes and enable more advanced financial analysis and reporting
Finance **Space Needs Confirmed** **Enhancement**
No

Recommendation

Hire a Finance and Systems Specialist with the necessary skills to provide a big picture approach of the Town's financial processes and reporting.

Rationale/Benefits

Finance is beginning the work to implement integrated financial systems and is seeking to add a Finance and Systems Specialist. The addition of the position will be a key resource in retaining the knowledge through the process of implementing a new financial system. This position in the longer term will assist in the automation of processes and provide capacity within Financial Services for enhanced analytics and reporting.

Specifically they will provide additional value to the Town by:

- Developing dashboards and better reports which will enable more responsive decision making
- Leveraging data to create and summarize the financial health over short, mid and long term by department
- Reviewing, optimizing and automating business processes using financial system tools
- Transforming processes to provide better information to help everyone better serve their customers
- Ensuring clients needs are met in the implementation of new financial systems
- Coordinating all financial system maintenance and report development including recommending best practices for general ledger structure and data structure within the financial system
- Considering customer/client impact as changes in the financial system are implemented
- Developing financial processes and reports which streamline financial reporting
- Ensuring all reporting meets regulatory compliance and supporting the external financial audit and Financial Information Reporting requirements
- Developing and maintaining financial policies as required

This position will be recovered from the capital budget for the implementation of the new integrated financial systems during 2021 and 2022. Once the new systems are implemented, it will then be funded through the operating budget.

Alignment with Council Priorities

This position would support the Town's Modernization Strategic Priority being to develop and enhance processes, leverage technology and engage people to align the work place for success by ensuring business processes support financial accountability, commitment to the digital office and workplace automation, providing easy to use tools for information sharing and developing corporate wide systems to better manage work capacity.

Impact of Not Proceeding

Finance will continue to migrate to new integrated financial systems with the assistance of an external consultant that will be retained as a subject matter expert. Once the migration is complete, the ongoing maintenance will need to be done by the existing team and the enhanced reporting and streamlining of processes will not be possible internally and would require the assistance of external consultants.

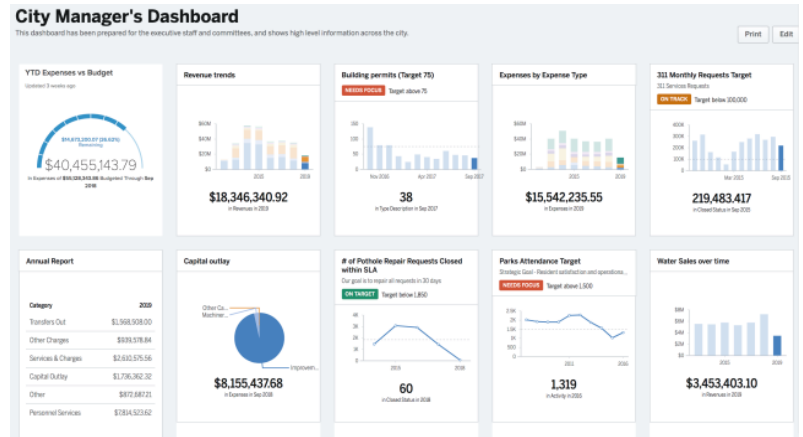
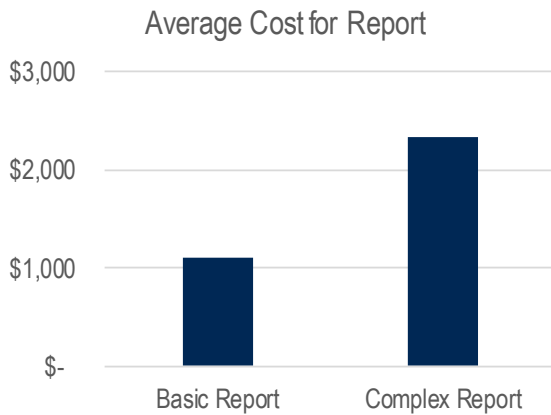
Incremental Operating Budget Impact

	2020	2021	2022
Staffing - # of FTEs	-	1.0	-
Gross Expenditures (\$000s):			
Wages and Benefits	-	107.8	-
Staffing Costs*	-	2.5	-
Offsetting Savings/Efficiencies	-	-	-
Other - Memberships	-	0.8	-
Total Gross Expenditures	-	111.1	-
Non-Tax Revenues (\$000s):			
User Fee/Other Revenues	-	-	-
Water Rate/Building Recovery	-	-	-
Other - Capital Recovery	-	111.1	-
Total Revenue	-	111.1	-
Net Tax Impact	-	-	-

*Includes training, memberships, computer, space accommodation & other equipment

Comparative Analysis / Performance Measure

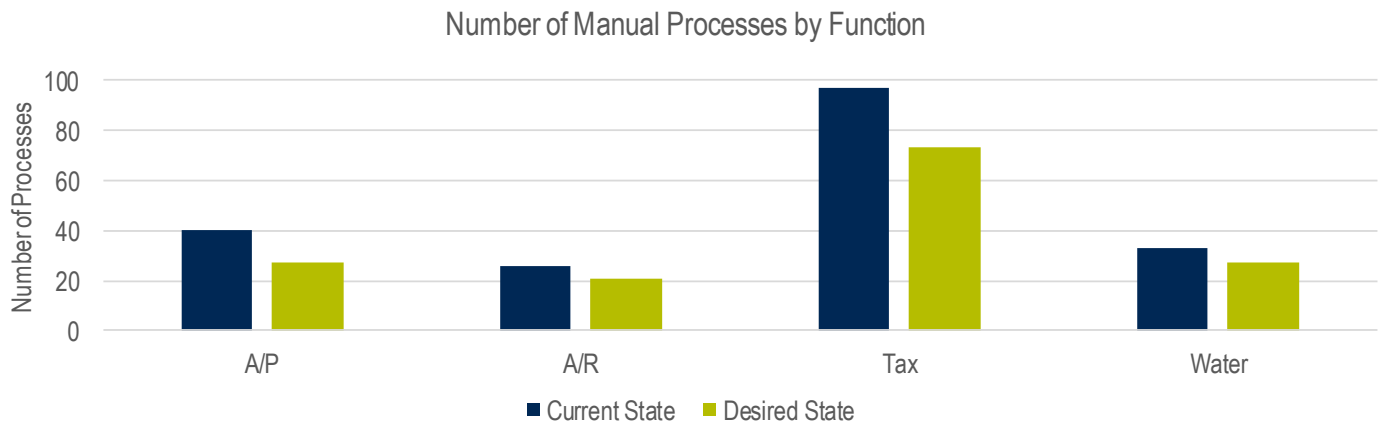
This position will be key to improving the financial reporting available for Town staff to help manage their business



With this position the Town will not need to pay an outside consultant to develop reports as they will be developed in-house. This expertise will provide more flexibility in the types of reports available to Town staff to manage their procurement contracts and their budget. Longer-term having these skills in-house will enable Finance to start providing more advanced tools such as dashboards and push notifications to staff on financial matters.

Currently Finance pays \$1100+ for a report to be developed and can take up to 6 months to complete. These costs escalate with the complexity of the report being developed. The complexity of reports is driven by how our underlying data is structured. The Finance and Systems Specialist will have the skills to structure the Town's general ledger data in a way which will make reporting simpler. This will provide a wider range of reporting options and management dashboards providing Town staff with better tools to manage their business.

The Finance and Systems Specialist will help Finance automate and streamline processes



Currently there are many manual processes in the Finance department. This position with their hybrid of finance and systems skills will greatly contribute to the continuous improvement of financial processes. Their active involvement in the implementation of a new financial system is a giant first step. There will still be opportunities for improvement to automate more processes and provide more options for online interaction with our clients.



Respond to growth in procurement needs and perform more analytics for an effective procurement process

Finance

Space Needs Confirmed

No

Recommendation

Hire a Procurement Analyst with the necessary skills to assist with the complexity of work that has become the norm for the Procurement Services.

Rationale/Benefits

Procurement Services continues to see a trend of increased high value related projects that are complex and requiring more staff resources to protect the Town from potential risks.

The current structure of the Procurement Services includes four (4) FTE, a Procurement Manager and three (3) Procurement Consultants. Procurement Services is the lead for all procurements over \$25,000 and conducts the full cycle procurement process. The Town's procurement requirements have evolved and there is a desired need to provide further support and advice to our clients. This stems from the growth in the number of procurements and the complexity of managing these procurements within the boundaries of trade treaties.

Procurement Services does not have the capacity to perform analytics and this position would enable that work. Procurement analytics are important to review the effectiveness of the procurement process and also ensure a fair and competitive process.

The Procurement Analyst will also be able to assist the team from initial client engagement to preparing the on-line procurement documentation and tables, conducting the evaluation to ensure compliance to the award process and issuance of POs, facilitating debriefs and conducting lessons learned.

Procurement Services would benefit from the addition of this position as the work volumes continues to grow and complexity of procurements increase.

Alignment with Council Priorities

This position would support the Town's Customer Strategic Priority being to "Deliver exceptional customer service" by developing easier/efficient ways for public to transact with us (Process improvement, reducing steps, etc.), increasing customer communication to stakeholders including our internal customers (each other) and establishing benchmarks for customer satisfaction and for continuous improvement when it comes to serving our community.

Impact of Not Proceeding

Procurement Services will manage with current staffing resources and will hire available contractors to assist with the level of increased number and complexity of procurement initiatives. The Town would incur potential risk with the contractor not being as well versed in the Town's Procurement By-law, loss of knowledge after the contractor completes the project and inability to foster relationships with clients. The Town will not have the time to perform the analytics to ensure an effective process.

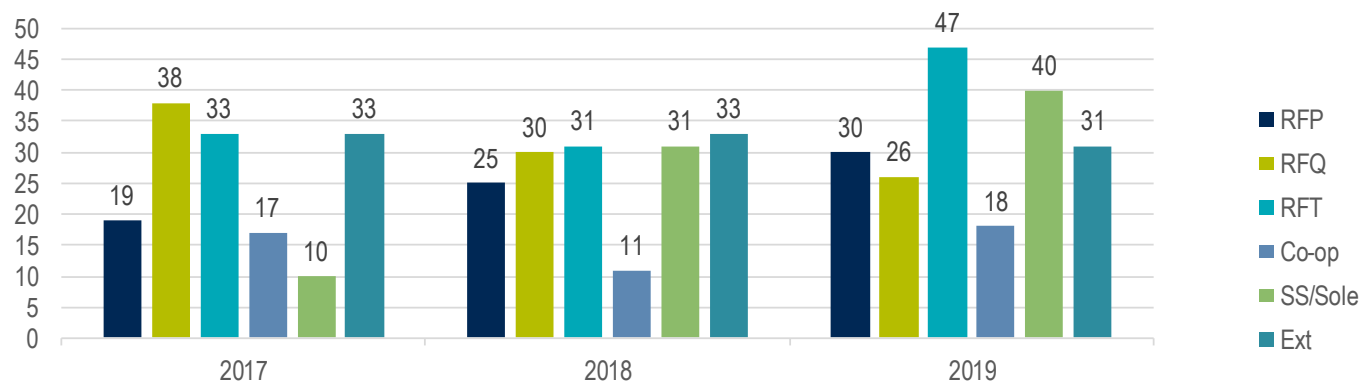
Incremental Operating Budget Impact

	2020	2021	2022
Staffing - # of FTEs	-	-	1.0
Gross Expenditures (\$000s):			
Wages and Benefits	-	-	87.6
Staffing Costs*	-	-	2.5
Offsetting Savings/Efficiencies	-	-	-
Other - Memberships	-	-	0.8
Total Gross Expenditures	-	-	90.9
Non-Tax Revenues (\$000s):			
User Fee/Other Revenues	-	-	-
Water Rate/Building Recovery	-	-	-
Other	-	-	-
Total Revenue	-	-	-
Net Tax Impact	-	-	90.9

*Includes training, memberships, computer, space accommodation & other equipment

Comparative Analysis / Performance Measure

The Procurement Analyst will help the team manage the growth in the number and complexity of procurements



Our procurement volume is steadily increasing as per the above tables. On a yearly basis, there were a total of 150 procurements for 2017, 161 in 2018 and 192 estimated for 2019. This represents a monthly average of 12.5 in 2017 increasing to 16 in 2019 and this trend is expected to continue in 2020 to 2022.

Request For Proposals (RFP) are much more complex and require more time to complete. The number of RFPs is growing and expected to continue. In the RFP process, Procurement Services work closely with their clients throughout the development of the RFP documentation, including evaluation criteria, scoring keys, negotiation of the contract prior to award and conducting debriefs after contract award.

Procurement Services is becoming more complex as the process must consider the impact of trade treaties

The following three (3) Trade Agreements are relevant to Municipalities:

1. Canada-European Union Comprehensive Economic and Trade Agreement (CETA)
2. Canadian Free Trade Agreement (CFTA)
3. Trade and Cooperation Agreement Between Ontario and Quebec (OQTCA)

Increased number of procurements and duration to assist with compliance with the trade treaties in the following areas:

- Procurements which exceed the thresholds (including possible extension years), must be procured through a competitive 'open' procurement
- Cannot divide a procurement into separate procurements to avoid application of trade treaties
- Less limited tendering opportunities impact more competitive purchases
- Enhanced debriefings and justification for decisions
- Stipulated posting time periods
- Impartiality requirements

Specifications must be set out in terms of performance and functional requirements, rather than design or descriptive characteristics. They must also be based on international standards, if they exist, otherwise, on national regulations, standards or building codes.

Procurement Services must also adapt their process as new trade treaties are ratified to ensure compliance.

Intentional Blank