



**FINANCE
ADVISORY COMMITTEE
MEETING AGENDA**

TUESDAY, APRIL 28, 2015

5 P.M.

**LEKSAND ROOM
AURORA TOWN HALL**


AURORA
TOWN OF AURORA
FINANCE ADVISORY COMMITTEE
MEETING AGENDA

DATE: Tuesday, April 28, 2015

TIME AND LOCATION: 5 p.m., Leksand Room, Aurora Town Hall

1. DECLARATION OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

2. APPROVAL OF THE AGENDA

RECOMMENDED:

THAT the agenda as circulated by Legal and Legislative Services be approved.

3. RECEIPT OF THE MINUTES

4. DELEGATIONS

- (a) **Paul Duggan, Director of Audit Services, York Region** pg. 1
Re: N6 Internal Audit Services

5. CONSIDERATION OF ITEMS

- 1. Memorandum from Town Clerk** pg. 2
Re: Finance Advisory Committee – Terms of Reference

RECOMMENDED:

THAT the memorandum regarding Finance Advisory Committee – Terms of Reference be received; and

THAT the Finance Advisory Committee Terms of Reference be amended to reflect the changes recommended by staff.

2. 2015 Budget Process Debrief – Discussion

RECOMMENDED:

THAT the comments of the Finance Advisory Committee regarding 2015 Budget Process Debrief be referred to staff for consideration.

3. CFS15-021 – Multi-Year Budget Approach

pg. 5

RECOMMENDED:

THAT Report No. CFS15-021 be received for information.

4. Memorandum from Director of Corporate & Financial Services/Treasurer

pg. 12

Re: Financial Information Systems – Pending Replacement Request

RECOMMENDED:

THAT the memorandum regarding Financial Information Systems – Pending Replacement Request be received for information.

5. Agenda Items for Future Meetings – Discussion

- **Citizen Budget**
- **Investment Income**
- **Other**

RECOMMENDED:

THAT the Agenda Items for Future Meetings as identified by the Finance Advisory Committee be referred to staff.

6. NEW BUSINESS

7. ADJOURNMENT



Legal and Legislative Services
905-727-3123
CSecretariat@aurora.ca
Town of Aurora
100 John West Way, Box 1000
Aurora, ON L4G 6J1

DELEGATION REQUEST

This Delegation Request form and any written submissions or background information for consideration by either Council or Committees of Council must be submitted to the Clerk's office by the following deadline:

4:30 P.M. ON THE BUSINESS DAY PRIOR TO THE REQUESTED MEETING DATE

COUNCIL/COMMITTEE/ADVISORY COMMITTEE DATE: Finance Advisory Committee April 28, 2015

SUBJECT: N6 Internal Audit Services

NAME OF SPOKESPERSON: Paul Duggan, Director of Audit Services

NAME OF GROUP OR PERSON(S) BEING REPRESENTED (if applicable):

York Region

BRIEF SUMMARY OF ISSUE OR PURPOSE OF DELEGATION:

To update the committee on the role and activities within the N6 Municipalities.

PLEASE COMPLETE THE FOLLOWING:

Have you been in contact with a Town staff or Council member regarding your matter of interest?

YES

NO

IF YES, WITH WHOM?

CAO

DATE: April 22, 2015

I acknowledge that the Procedural By-law permits five (5) minutes for Delegations.



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**Town of Aurora
Legal & Legislative Services**

MEMORANDUM

DATE: April 28, 2015
TO: Mayor and Members of Council
FROM: Stephen M. A. Huycke, Town Clerk
RE: Finance Advisory Committee – Terms of Reference

RECOMMENDATIONS

THAT the memorandum regarding Finance Advisory Committee – Terms of Reference be received; and

THAT the Finance Advisory Committee Terms of Reference be amended to reflect the changes recommended by staff.

COMMENTS

On December 16, 2014 Council established the Finance Advisory Committee (FAC) by adopting the following resolution:

NOW THEREFORE BE IT HEREBY RESOLVED THAT a Finance Advisory Committee be established for the current Term of Council and that the draft Terms of Reference, which were developed in consultation with the Director of Corporate and Financial Services/Treasurer to reflect the current needs of the Corporation and Council, be approved.

Staff recommend that section 6 of the approved FAC Terms of Reference, titled “Meetings Times and Locations,” be amended to read as follows:

The Committee shall normally meet four times per year. Meeting dates, times and locations shall be determined by the Chair. The Chair may call additional meetings of the Committee as required.

The recommended changes will ensure that the Committee has the flexibility to schedule its meetings to accommodate the attendance of all committee members

ATTACHMENTS

Attachment 1 - Revised Finance Advisory Committee Terms of Reference



FINANCE ADVISORY COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

The primary function of the Finance Advisory Committee is to assist Council and the Corporation in fulfilling its fiscal responsibilities by reviewing and recommending on the long range corporate financial planning process; capital planning initiatives and fiscal policy matters.

The Committee mandate shall include proactive advance input into the annual budgeting processes with a view to enhancing reporting and analysis mechanisms to ensure we are delivering values programs and services in the most effective and efficient manner.

2. MEMBERSHIP

The Committee shall be composed of three (3) Councillors.

As part of its mandate the Committee shall also cultivate a consultative advisory group comprised of community members who have financial qualifications and experience within the public/private sector (i.e., Chief Financial Officer or Vice President Finance) from which it will periodically obtain input with respect to specific projects or initiatives.

3. TERM

The Committee shall hold office for a term of four years concurrent with the term of Council.

4. REMUNERATION

None

5. DUTIES AND FUNCTIONS

The Committee shall review and make recommendations to Council in the following areas:

- long-range, corporate financial planning policy/process that would enhance the long-term financial health of the Corporation
- the annual capital and operating budget process and financial reporting process to enhance:

1. the higher level policy decision-making role of Council



2. the existing reporting/analysis tools to assist Council's decision-making process
 3. the timing and extent of public participation in the process
- the business practices of the organization, identifying opportunities that would increase effectiveness and efficiencies
 - fiscal policy matters
 - the annual performance measures report to the Province, noting the relative position of Aurora with comparator municipalities in the designated categories
 - undertake other assignments as may be requested by Council from time to time.

6. MEETING TIMES AND LOCATIONS

The Committee shall normally meet four times per year. Meeting dates, times and locations shall be determined by the Chair. The Chair may call additional meetings of the Committee as required.

7. STAFF SUPPORT

Technical support shall be provided by the CAO and the Director of Corporate & Financial Services - Treasurer. The Legal & Legislative Services Department shall provide administrative support services to the Committee.

8. AGENDAS

Agendas are set by the Director in consultation with the Chair.

 **TOWN OF AURORA
FINANCE ADVISORY COMMITTEE REPORT No.CFS15-021**

SUBJECT: *Multi-Year Budget Approach*

FROM: *Dan Elliott, Director, Corporate & Financial Services - Treasurer*

DATE: *April 28, 2015*

RECOMMENDATIONS

THAT Report No. CFS15-021 be received for information.

PURPOSE OF THE REPORT

To present information to the Finance Advisory Committee for discussion and consideration with respect to the implementation of multi-year budgets and approvals for the Town of Aurora.

BACKGROUND

At its budget meeting held January 26, 2015, General Committee considered and recommended for adoption staff report CFS15-004, "Proposed changes to annual budget approach and timing". That report outlined five changes to the budget approach to be used for 2015 and forward as follows:

- Introduction of the Asset Management Plan (AMP) document, merging it with the current annual Ten Year Capital Investment Plan
- Combining together the annual capital budget with the review of the combined Asset Management Plan and Ten Year Capital Investment Plan documents, and completing this review and approval of capital into late September of each year.
- Maintaining the review of the Annual Operating Budget in the late Fall
- **Introduction of multi-year operating budgets**
- Incorporation of a focus on budget changes, and service levels, and Key Performance Indicators (KPI's) rather than detailed departmental operational budget reviews.
- Transferring the detailed departmental budget reviews to the new Finance Advisory Committee, to be conducted on a periodic basis at the discretion of the Finance Advisory Committee outside of the operating budget review and approval process.

April 28, 2015

- 2 -

Report No. CFS15-021

COMMENTS

Multi-Year Budget Process

Section 291 of the *Municipal Act, 2001*, S.O. 2001, c. 25 as amended (the “Act”) makes provision for multi-year budgets to be used by municipalities. A council may approve a multi-year budget for a period of two to five years, in which each year’s details are shown separately. Annually thereafter, Council must review and “re-adopt” that year’s budget, reflecting any changes necessary to reflect the surplus or deficit actual results of the prior year’s budget (Section 290(4)(b) changes). Any multi-year budget which reaches beyond an election, the budget for the first year following the election must be reviewed and re-adopted by the newly elected Council.

A number of municipalities are beginning to utilize formal multi-year budgets. The Town of Aurora has been working for a couple of years to forecast key pressures facing the municipality in the following three years, and provide Council with this tax pressure forecast. Staff are now in the position to improve upon this and actually present Council with multi-year detailed future budgets beginning with the presentation of the 2016 to 2018 budget years in 2015.

It was proposed that the 2015 budget process include consideration and approval of the 3 year budget forecast as the targets for future years.

For the 2016 budget process, staff would then undertake to present a detailed multi-year budget which reflects the forecast target tax increases for review and approval by Committee. Such an approach would allow Council to consider the budget across a longer time horizon and plan for service level changes. Accordingly the annual budget would be a continually rolling four year multi-year budget.

The process would be as follows:

1. 2015 Operating budget reviewed and approved (spring 2015)
2. Three year operating forecast presented, reviewed and approved (spring 2015)
3. 2016-2019 four year rolling operating budget reviewed and approved (fall 2015)
4. 2017-2020 four year rolling operating budget reviewed and re-adopted (fall 2016)
5. 2018-2021 four year rolling operating budget reviewed and re-adopted (fall 2017)
6. 2019-2022 four year rolling operating budget reviewed and approved
(reconfirmed or recast by new Council, spring 2019)

All assumptions of growth, new staffing proposals, and key pressures included will be disclosed for each year of the outlook years. Any significant changes of regulations, requirements, major decisions of Council, or newly approved initiatives will result in a variance in the final budget from the previously approved budget and forecast.

April 28, 2015

- 3 -

Report No. CFS15-021

Moving to multi-year budgets will improve the operational efficiency of the municipalities through improved long range planning, and integration of Strategic Plan objectives, and discussion of service levels, rather than annually looking at each budget line item throughout the corporation.

York Region now uses multi-year budgeting in this manner, although their intent is to only seek formal forecast approvals for budgets within the term of the approving Council, which could be adopted for Aurora.

The basic premise of the multi-year budget approach is that a future budget which meets the approved tax rate target will be approved by Council. Any variations would need to be fully explained in the presentation of such. It is important to note that Committee or Council can still make amendments to those future approved forecasts based on new initiatives, new regulations, or changing circumstances.

By making informed decisions regarding forecast tax pressures in the annual budget, Committee can essentially preapprove future budgets based on the forecast, with the intent that approval is expected at such tax pressure, unless additional budget pressures are imposed by service level decisions of Council in the interim, new regulatory amendments or significant economic circumstances which affect the Town's budget. Using this presumed approval and multi-year approach to developing budgets will give several advantages:

- better coordination of budgeting and strategic priorities,
- greater certainty for departments in managing expenditures and service levels
- improved fiscal discipline of the organization
- streamline annual budget reviews to focus on key changes in assumptions and outlooks, and the reasons driving such changes
- allow staff to develop budgets with fixed targets in place, allowing early response to circumstances and budget constraints of such targets.

Discussion

Three existing tax rate pressures in addition to annual inflation

Currently, General Committee has approved a funding strategy for the expansion of fire services and the implementation of the updated Fire Master Plan to increase property taxes by 1.3% per year for 6 years, for the period 2015 to 2020.

April 28, 2015

- 4 -

Report No. CFS15-021

Council is also committed to increase property taxes in order to increase its contributions to reserves for funding needed infrastructure rehabilitation and renewal. The annual ten year capital plan outlines and updates the strategy each year. The driver for the need for current tax increases in this regard is a historical underfunding of contributions to infrastructure reserves, and the detailed planning and forecasting taking place for the management of infrastructure. This situation is being experienced in most municipalities across Canada, particularly by those municipalities such as Aurora who implemented long periods without increasing taxes. This actually made matters worse, as the core operations of the Town experiences inflationary pressures every year, as does the cost of rehabilitation and replacement of infrastructure.

Council is also pursuing a strategy to reduce its operating budget reliance on interest earned and transferred from the Hydro Sale Investment Reserve Fund, as well as its reliance on Supplementary Tax revenues.

These three noted key strategies must be implemented over and above normal operational inflationary pressures. Council and staff would need to recognize the need to increase base operating budgets, in expense allocations as well as fees & charges, by inflationary allowances each year. Not doing so may constrain the ability to continue to deliver services and programs year after year without dilution of the quality or quantity of such. Increasing expenses for inflation, but ignoring fees will add additional pressure to the tax rate in excess of inflation levels. Increased tax revenue from a growing municipality, or "growth revenue" needs to be used to fund the expansion and extension of operational services to these new residents and business through increased spending, and should not be considered a mitigating factor for inflation or tax increases.

Based on the above, it is recommended by staff that budget directions or approval of forecasts be in the form clearly worded directives. It may be possible that such directives are worded such that they remain effective for multiple years, allowing a consistent budget development approach and review process. Below are some statements that could be combined to compile such a Council Budget Direction.

Approach #1

- core services program net budget, excluding Fire & Emergency Services and fiscal strategies, be limited to inflationary increases of the 12 month July to June Toronto Area Consumer Price Index (CPI)
- all fees and charges be indexed by a minimum of the 12 month July to June Toronto Area CPI.
- a 1.3% tax increase be levied to fund the multi-year budget requirements of Central York Fire Services and their pending expansion of service

April 28, 2015

- 5 -

Report No. CFS15-021

- in addition to the above, an additional tax increase of x% be levied for purposes of increasing the contributions to infrastructure reserves for the ultimate rehabilitation and replacement of infrastructure, to reduce the operational budget reliance on interest from the hydro reserves and to reduce the budget reliance on temporarily high supplementary tax revenues; and
- in addition, staff bring forward a list of options to reduce administrative or operational net budgets by \$xxx,xxx, half by revenues, and half by expenditure reductions, together with a list of options to reduce program and service operational net budgets by \$xxx,xxx, also half by revenue increases, and half by expenditure reductions, together with the implications of such.

Approach #2

- the Town's core services program expenditure budget be targeted to a year over year Fiscal Sustainability Index value of between 0.85 and 1.0, excluding corporate expenditure items
- the Town's non-tax revenues budget be targeted to a similar year over year "revenue sustainability index" value of between 0.85 and 1.1, with minimum indexing of all fees and charge rates by the Toronto area CPI
- the Town's core services program net budget, excluding Fire & Emergency Services and fiscal strategies, be limited to inflationary increases of the 12 month July to June Toronto Area CPI
- in addition to the operational inflationary budget increase, a 1.3% tax increase be levied to fund the multi-year budget requirements of Central York Fire Services and their pending expansion of service; and
- an additional tax increase of x% be levied for purposes of increasing the contributions to infrastructure reserves for the ultimate rehabilitation and replacement of infrastructure, to reduce the operational budget reliance on interest from the hydro reserves and to reduce the budget reliance on temporarily high supplementary tax revenues

Approach #3

- the Town's core services program expenditure budget be targeted to a year over year Fiscal Sustainability Index value of between 0.85 and 1.0, excluding corporate expenditure items

April 28, 2015

- 6 -

Report No. CFS15-021

- the Town's non-tax revenues budget be targeted to a similar year over year "revenue sustainability index" value of between 0.85 and 1.1, with minimum indexing of all fees and charge rates by the Toronto area CPI
- the Town's core services program net budget, excluding Fire & Emergency Services and fiscal strategies, be limited to x% for fiscal 2016, x% for fiscal 2017 and x% for fiscal 2018
- in addition to the operational inflationary budget increase, a 1.3% tax increase be levied each year to fund the multi-year budget requirements of Central York Fire Services and their pending expansion of service; and
- an additional tax increase of x% for 2016, x% for 2017 and x% for 2018 be levied for purposes of increasing the contributions to infrastructure reserves for the ultimate rehabilitation and replacement of infrastructure, to reduce the operational budget reliance on interest from the hydro reserves and to reduce the budget reliance on temporarily high supplementary tax revenues

LINK TO STRATEGIC PLAN

Developing multi-year budgets supports improved coordination and achievement of strategic plan objectives and goals through improved departmental planning, coordination and alignment with such plans over a longer period of fiscal certainty.

ALTERNATIVE(S) TO THE RECOMMENDATIONS

Finance Advisory Committee could refer this matter back to staff for a report with a detailed outline of forecast pressures for the next three budget years, together with specific recommendations similar in nature to Approach #x set out in report CFS15-021 for consideration at the next meeting of the Finance Advisory Committee.

Finance Advisory Committee could refer this matter to General Committee – Budget for consideration.

FINANCIAL IMPLICATIONS

There are no direct financial implications of this report.

April 28, 2015

- 7 -

Report No. CFS15-021

CONCLUSIONS

Implementing multi-year budgets as outlined above will bring stability and predictability to delivery of services, predictability to tax rates in the future, and streamline annual budget development and review processes.

PREVIOUS REPORTS

January 26, 2015, General Committee – Budget Report CFS15-004 “Proposed changes to annual budget approach and timing”

ATTACHMENTS

None

PRE-SUBMISSION REVIEW

Executive Leadership Team - Thursday, April 16, 2015

Prepared by: Dan Elliott, Director of Corporate & Financial Services - Treasurer



**Dan Elliott, CPA, CA
Director of Corporate & Financial
Services - Treasurer**



**Neil Garbe
Chief Administrative Officer**



Town of Aurora
Corporate & Financial Services

MEMORANDUM

DATE: April 28, 2015
TO: Mayor and Members of Finance Advisory Committee
FROM: Dan Elliott, Director, Corporate & Financial Services - Treasurer
RE: **Financial Information Systems – Pending Replacement Request**

RECOMMENDATIONS

THAT the memorandum regarding Financial Information Systems – Pending Replacement Request be received for information.

Prior to 2015, staff had identified systemic constraints with the financial system in several areas including:

1. Human Resource system does not interface with the Payroll module
2. The Budget system is separate from the General Ledger system, creating many difficulties for recurring reporting and analysis needs. The budget binder materials are substantially produced off line from the systems.
3. Procurement system module is using manual work-arounds at year ends to meet the business needs.
4. The G/L system is not capable of handling the new PSAB accounting requirements for tangible capital assets.
5. The Financial Statements were being prepared off line, and now being prepared using a separate piece of software due to limitations with the GL system.
6. The current systems do not readily support project managers in managing the key financials of their projects, and these must be undertaken off line.
7. Current system is not designed to budget and track costs by service line.
8. Management dashboard reporting is unavailable with the current systems due to the variety of systems involved.
9. In general, the reporting capability of the financials has deficiencies in the user friendliness, report customization, and ease of outputs.

Staff have been working over the past number of years to optimize the existing systems in an attempt to bring internal resolution to the above issues. While some success has been seen, the solutions have not been addressing the root cause of systemic and integration issues. The end result is a continuation of work-around approaches, and does not effectively streamline the Town's business processes to an efficient level for use by staff and Council. The existing system took a long period of time to implement initially, with a go-live in 2005.

The Town previously had in its long range capital plan a replacement of the Financial System in its plans for the year 2013. At that time, staff were still hopeful changes could be made to extend the life of the current system. The Human Resources/Payroll issues have been addressed with the recent selection of a new cloud solution which is in late stages of pre-implementation testing, with an expected go-live date in the summer 2015.

Following the most recent budget process and the reporting expectations of the system, together with the ongoing work-arounds and difficulties in monthly reporting, staff have now concurred that the system should be replaced, with a core focus in the new system being a wholly integrated “procurement to payment” cycle, budget and GL, as well as contract management capabilities, being a spin-off from the procurement component.

In the coming weeks, staff will be preparing and presenting a detailed report outlining the need for a financial system replacement, and will seek mid-year budget amendment to add some consulting funding to the 2016 Capital Budget to begin the work of specification, tendering and selecting a new financial system for the Town.

At this time, it is unclear what the total cost of the project will be, particularly now with the advent of cloud based solutions where the software is not actually purchased but rather is annually licenced. Total costs for the system, licencing, and implementation costs including staff back fills could range from \$500,000 to \$1.5 million using rough estimates based on experience.

Replacement of a business financial system is a major interruption to the ongoing business activities of any organization. A critical key to the success of the implementation will be bringing in of third party project management expertise with the specific experience of financial systems replacement. In addition to project leadership skills, critical in-house staff familiar with various processes, needs, and systems currently in place, must be teamed together to ensure implementation addresses all concerns, required internal controls and that new processes are logical, efficient and effective.

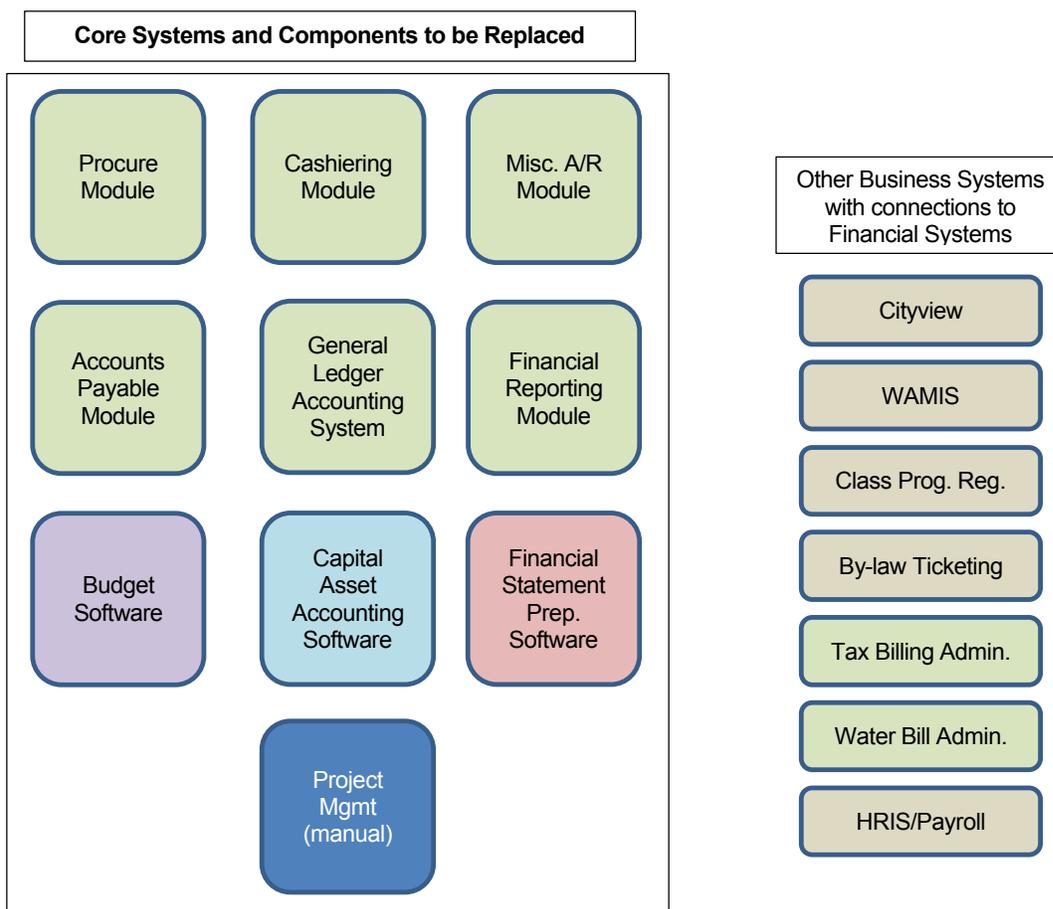
It is critical at the outset that Council recognize the magnitude of this undertaking, and that it will require dedicated staff resources similar in fashion to the electronic document management system project.

The following outlines a rudimentary project outline, with refinements to occur as the project proceeds:

- Heads-up report to Finance Advisory Committee (today)
- Mid-year budget request to GC (May 2015)
- Alert external auditors to project and engage as necessary for process controls
- Procure and engage consultant for development of business needs & specifications and tender preparation/evaluation
- Update to Capital Budget funding during 2016 Capital Budget process
- Tender award for system to Council
- Develop detailed implementation plan with vendor and project manager for implementation. Identify internal resources required and arrange backfill as necessary funded from project budget.
- Project status reports to Executive Information Technology Steering Committee
- Configure, test, train, and go-live
- Post implementation review/debrief

For reference, the following diagram illustrates the current components and modules of the core business systems of the Town, highlighting those which are targeted to be replaced with a new singular system.

Components of the Town’s Financial Business Systems



All green shaded boxes above are components of the same “core financial system” software. The other colours denote independent systems, which have been interlinked in different ways to the core financial system.