



## **Municipal Finance Introduction**

# Objectives

- What is a municipality
- Levels of government and services
- Private sector vs public sector
- The *Municipal Act* and finance
- Public accountability

# What is a Municipality



## ***The Municipal Act, 2001***

According to the Ministry of Municipal Affairs and Housing  
“The *Municipal Act, 2001* (the Act) recognizes municipalities as responsible local governments with a broad range of powers. The Act balances increased local autonomy and flexibility with requirements for improved accountability and transparency of municipal operations.”

### Section 1

“A municipality is a “geographic area whose inhabitants are incorporated”.



# **The Municipal Act, 2001**

## **Sections Dealing with Municipal Finance**

**Part V - Accountability and Transparency**

Outlines a municipality's accountability to the public.

**Part VI - Practices and Procedures**

Role of some municipal employees (Council, clerk, CAO, etc.).

**Part VII - Financial Administration**

Role of treasurer. Financial reports required, budget requirements and other financial administration rules.

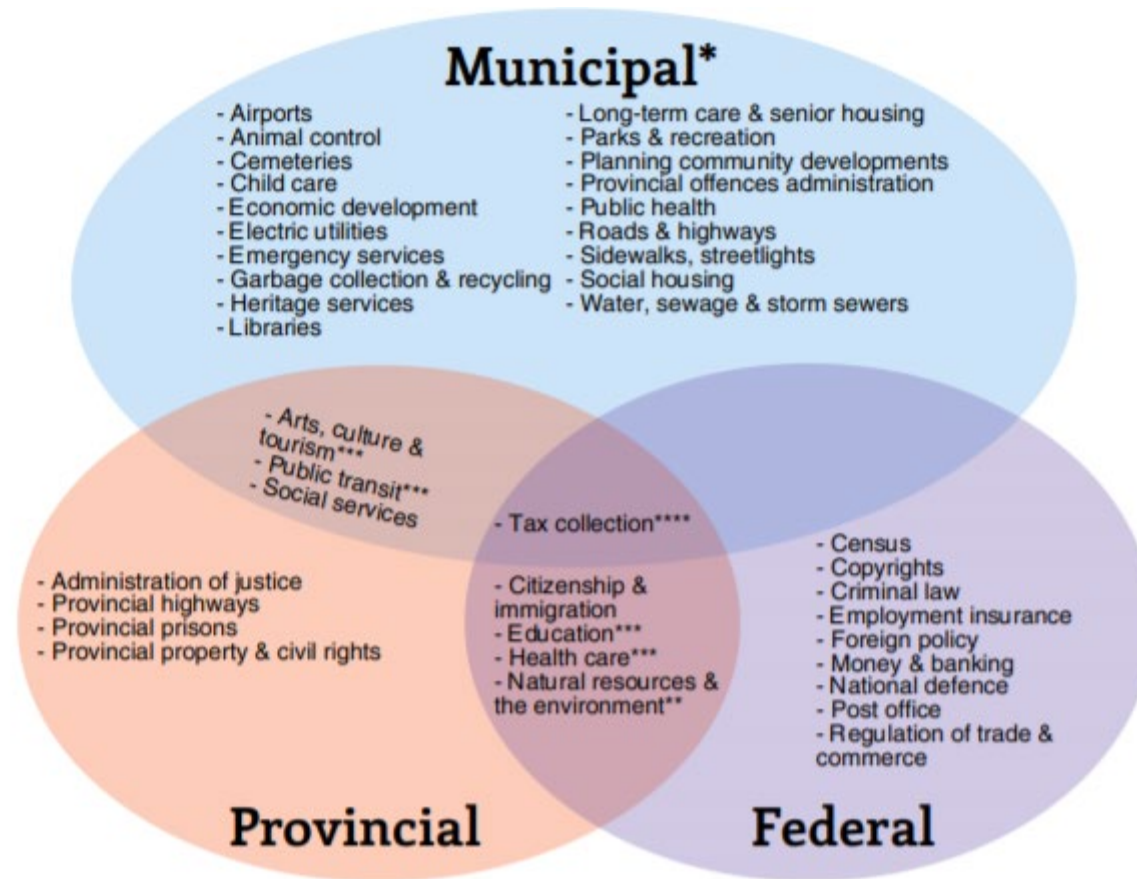
**Part VIII - Municipal Taxation**

Regulations for tax rates and levies.

**Part XIII - Debt and Investment**

Regulations for reserve funds, temporary borrowing and investments.

# Government Services



# **Public Sector vs. Private Sector**



# Motivation

## Public Sector

- **Public good maximization**
- **Not-for-profit though cost recuperation may occur**

## Private Sector

**Profit Maximization**

# Accountability

## Public Sector

- **Accountable to the public through mechanisms such as access to information requirements, public consultations, democratic elections**

## Private Sector

**Accountable to the owner, Board of Directors and shareholders**

# Due Process

## Public Sector

- **Includes multiple stakeholders in decision-making**
- **Can be time consuming**

## Private Sector

**Lower expectations for formal due process**

**Focus on expediency**

# Decision Making

## Public Sector

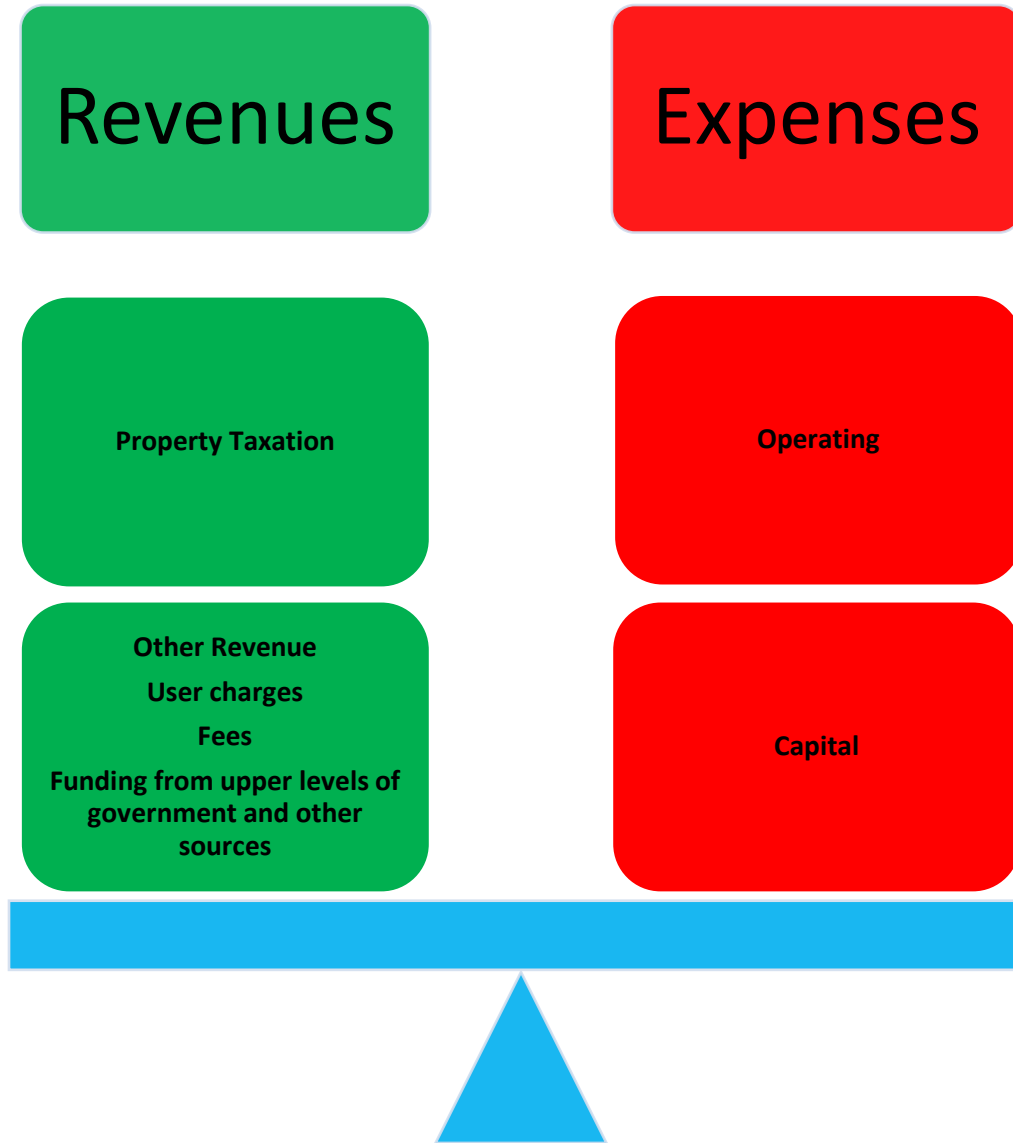
- **Politicians decide services provided, service levels and rates with input from stakeholders (citizens, businesses, etc.)**
- **Professional staff provide politicians with information they need to make long-term, financial sustainable decisions.**

## Private Sector

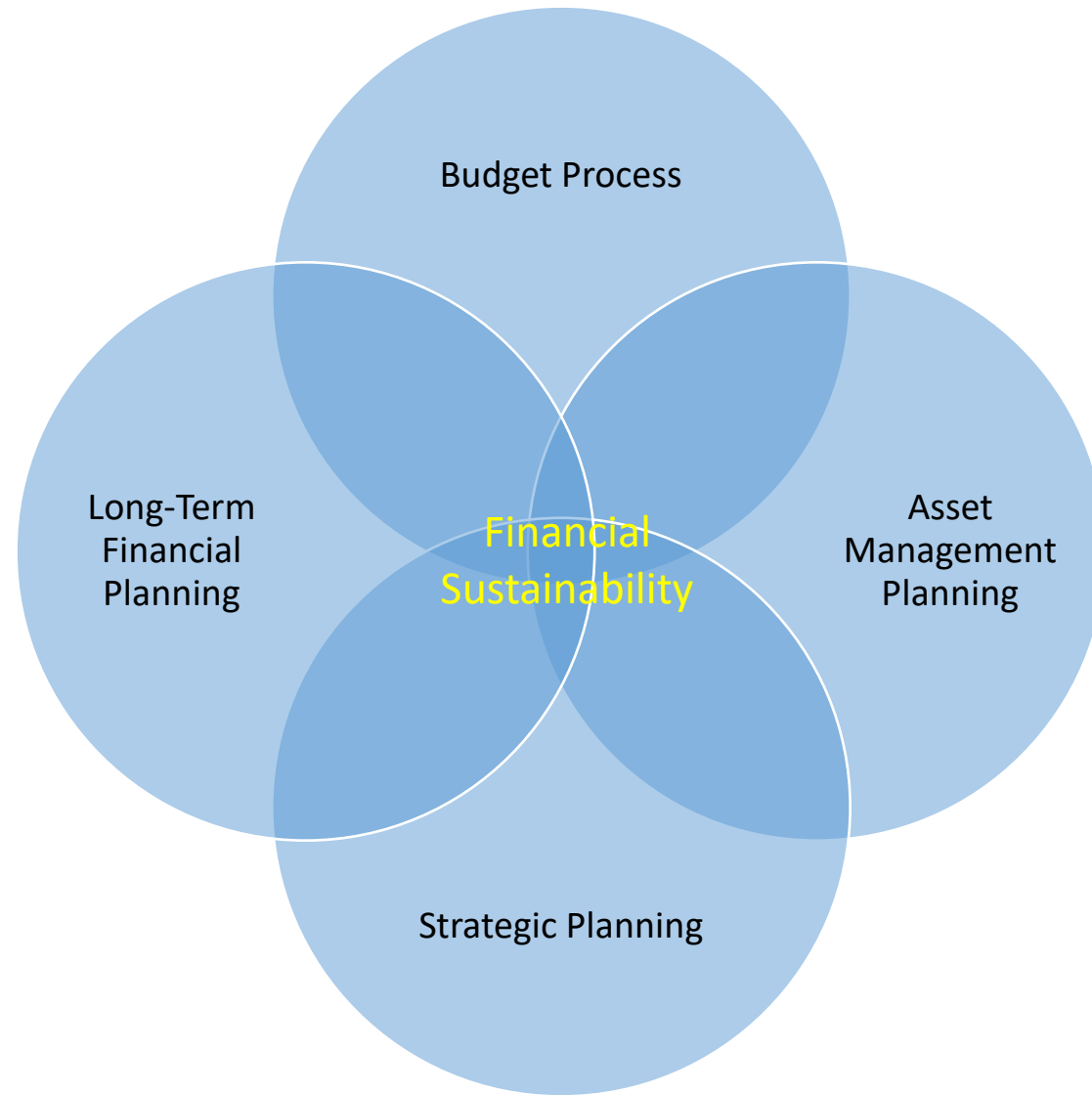
- **Owners and/or Board of Directors make decisions about products/services**
- **Stakeholders (employees, shareholders, etc.) are sometimes represented on the Board**

# Municipal Budgets

Sections 289, 290 and 291 of the Municipal Act outline the regulations for a municipality's yearly budget or multi-year budgeting process. Unlike federal and provincial budgets, municipal budgets must be balanced at the end of the year. Beyond the Municipal Act, municipalities must comply with the generally accepted accounting principles (GAAP) set by the Public Sector Accounting Board (PSAB).



# Building the Financial Framework





## **Strategic Planning**

A process of defining a mandate, strategy, and direction in order to make decisions on allocating resources and responding to change and challenges.



## Building the Financial Framework

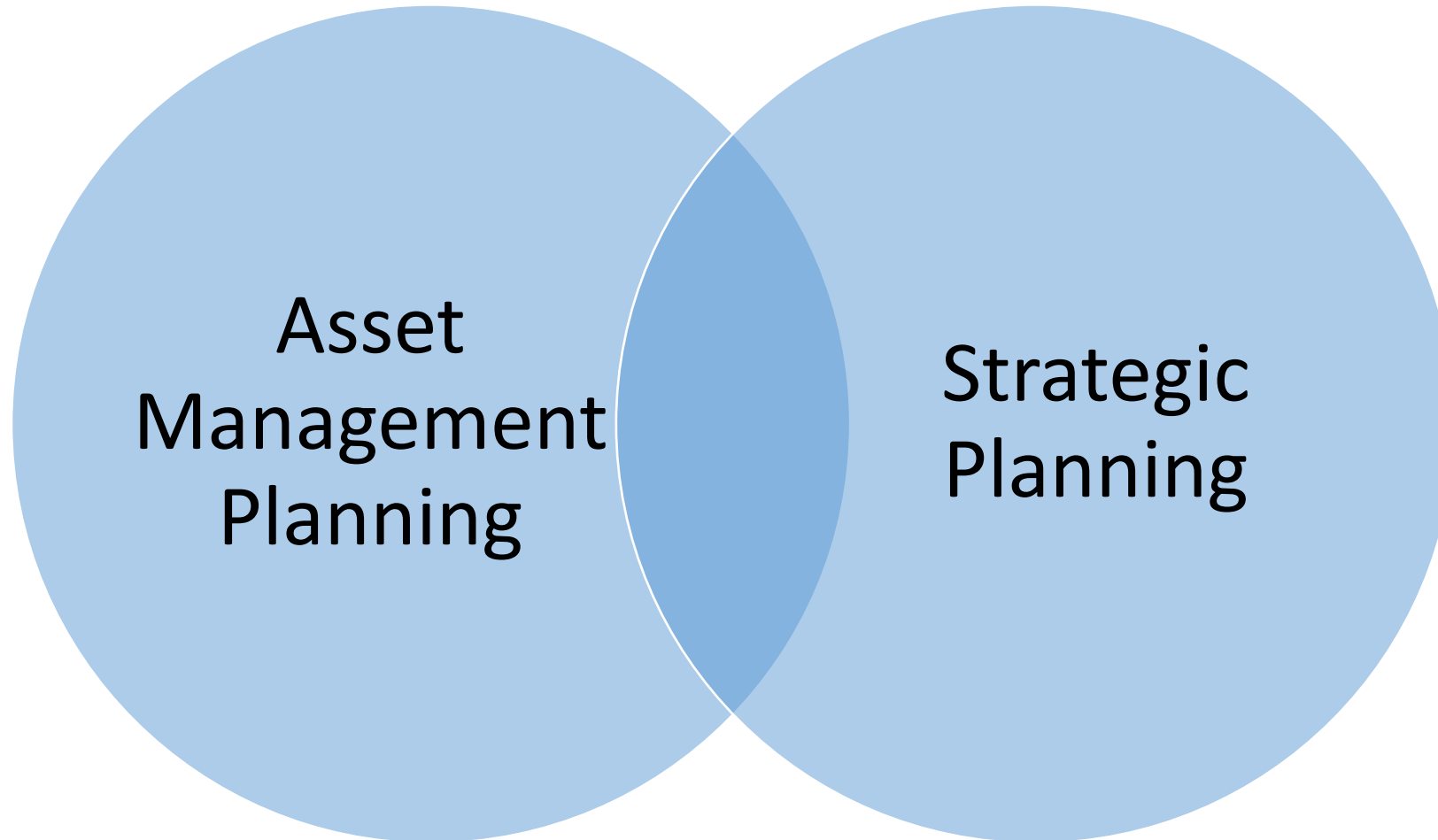
# Strategic Planning

# **Asset management**

A process of developing, operating, maintaining, upgrading, and disposing of assets in the most cost-effective and efficient manner.

A coordinated approach to the optimization of costs, risks, service, performance and sustainability.

## Building the Financial Framework



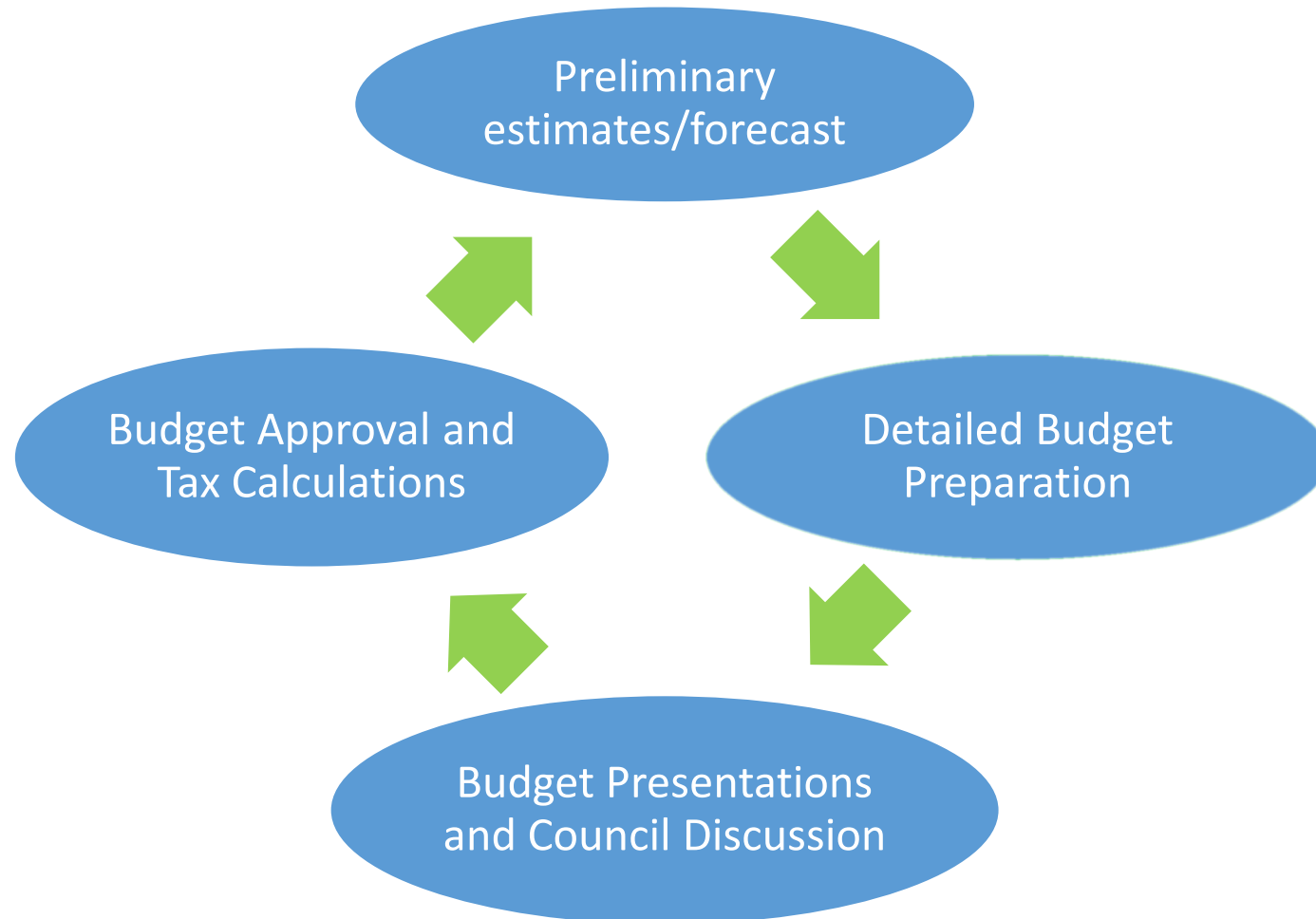
# **Long-Term Financial Planning**

A process that combines financial forecasting with strategizing by aligning financial capacity with long-term service objectives.

## Building the Financial Framework



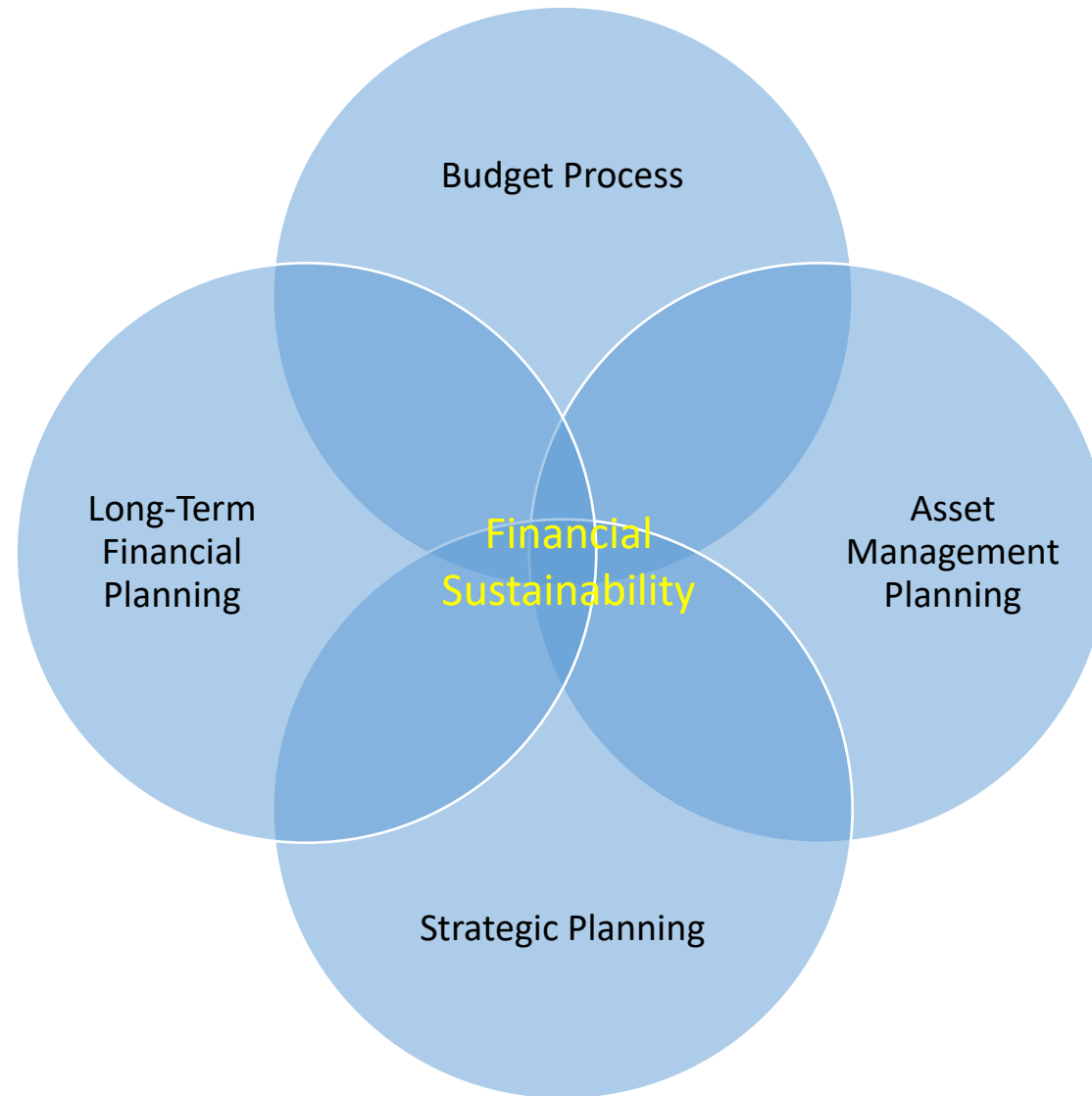
# The Budget Process



## Multi-Year Budgeting

As per legislation, Ontario municipalities are required to approve annual budgets. However, adopting multi-year budgets helps to ease the annual budget process. A multi-year budget cycle is typically three or four years and is beneficial for planning and allocating resources. Multi-year budgets can be cost effective as future approved funding can allow a municipality to give out multi-year contracts, and it ensures that "boring, but necessary" projects are prioritized appropriately alongside high-profile projects.

# Building the Financial Framework





## **Financial Sustainability**

A municipality's ability to meet financial and service obligations with consideration of the relationship between expenditure requirements and revenues, at a point in time and in the future.

## **Public Accountability and Engagement**

Public engagement brings citizens, community organizations, businesses and government together to ensure that municipal services and budgets reflect public needs. When municipalities are better connected to their communities, trust between citizens and government improves. All stakeholders better realize the challenges and rationale behind the allocation of limited resources within the community.