



Memorandum to Senior Management

Department: Finance and Business Services
Date: July 10, 2020
Prepared by: Jeffrey R. Morrison, CPA, CGA, Director, Corporate Services
Subject: 2021 Budget and Five-Year Financial Plan
Number of Pages: 6

Purpose

This memorandum is intended to formally commence the 2021 budget process, and to review and amend the forecast portion of the 5 year financial plan to include 2022 to 2025.

Deliverables

January 2021 Adoption in principal of the 2021 Budget.

February 2021 Approval of the 2022 to 2025 Forecast.

In order to achieve this deliverable, Departments will need to complete the following:

- Review and update the 2021 Budget and 2022 to 2024 Forecast for both operating and capital per the timelines prescribed; and
- Expand the forecast to include 2025 for both operating and capital.


Background

The 2020 Budget was adopted in principal on January 13, 2020 with formal adoption following the 21 day notice period on February 18, 2020.

The 2021 to 2024 portion of the forecast will not be updated for the 2020 Budget year due to timing and the COVID-19 pandemic. Administration will begin to work directly on the 2021 Budget and the 2022 to 2025 Forecast.

To ensure administration meets the deliverable for a January 2021 adoption of the budget and a February 2021 adoption of the forecast the following timetable has been set.

Timetable

Start	Date	Task
	July 10, 2020	Budget Initiation
	August 10 to 14, 2020	Finance to begin distributing budget templates
	August 4 to 28, 2020	Council Request submission window for 2021 Budget and 2022 to 2025 Forecast
	September 14 to 25, 2020	Departments submission window for both Operating and Capital budget templates for 2021 and Forecast 2022 to 2025
	October 5, 2020	Draft #1 – Distributed to Senior Management for Review
	October 7, 2020	Draft #1 - Review with Senior Management
	October 19, 2020	Draft #1 – Change Requests Returned to Finance
	October 30, 2020	Draft #2 – Distribute to Senior Management for Review
	November 2, 2020	Draft #2 – Review with Senior Management
	November 6, 2020	Draft #2 – Returned to Finance with Final Comments / Corrections
	November 24, 2020	2020 Budget and 2021 to 2024 Forecast - Distributed to Department Heads and Council
	November 30, 2020	2020 Budget Introduction and Walkthrough with Council
	December 28, 2020	Council Comments Returned to Finance (Any questions or comments submitted to Admin so that the appropriate information can be gathered for the January 11, 2021 Meeting)
	<u>Budget Deliberations</u>	
	January 11, 2021	Budget Meeting #1 – Council – Tentative
End	January 25, 2021	Budget Meeting #2 – Council – Tentative

All change requests and attachments should be sent to budgets@essex.ca to ensure that the flow of information is consistent.

2021 Budget, and 2022 to 2025 Forecast

Operating

Finance and Business Services has begun the process to:

- Create the 2021 Budget in Questica.
- Carryforward the forecast years of 2022 to 2025 into the 2021 Budget.
- Complete a high level variance analysis to ensure that 2021 budgeted amounts fall in line with prior year revenues and expenses unless noted and adjust the 2022 to 2025 forecast accordingly.
- Any fixed costs (insurance, utilities, etc.) will be updated by Finance based on a three year average and year over year CPI.
- Any contracts will be updated based on the identified increase.
- All budget increases/decreases to the 2020 Budget will be noted under the budget change request column to formulate your 2021 Budget.

Departments will need to:

- Review all budgets and any adjustments completed by Finance and Business Services to ensure under the budget change request column all descriptions and back-up documentation is attached prior to promoting.
- Ensure that all assumptions and budget amounts are reflective of historical and future estimated usage.

Capital

Departments will need to review their 2021 Capital Budget and 2022 to 2025 Forecast to ensure:

- The budgeted amounts are still valid.

- Add, remove, or adjust the timing of any projects due to changes in their condition or need.

2025 Forecast

Operating

Finance and Business Services will:

- Populate the forecast for 2025; taking into consideration inflationary factors, impacts due to changes in regulation, and all other known adjustments or changes.

Departments will need to review the 2025 forecast information to ensure that:

- Expenses that do not occur on an annual basis are properly captured.
- Increases or decreases in staffing levels, both full and part-time are captured correctly and the business case supporting this request as approved by the CAO are attached
- Any other additional expenses anticipated during 2025 that were not included in the 2021 to 2024 operating budget and forecast are captured.

Capital

Finance and Business Services will:

- Provide an updated listing of assets that are identified as being fully amortized in 2021 to 2031.

Departments will need to:

- Review the asset listing and identify assets/projects that should be included in the 2025 Capital Forecast.

Once the asset/project listings are provided back to Finance and Business Services through budgets@essex.ca , the projects will be added to Questica for review by the departments.

To facilitate the review of budgets by Finance and Business Services, departments are asked to submit, review and promote cost centers regularly, rather than waiting until all are

complete. This will allow Finance and Business Services to complete their review and compilation of the budget document in a timely fashion.

If you require any assistance during the budget process please do not hesitate to contact Kate Giurissevich (Manager, Finance and Business Services), Heather MacDonald (Assistant Manager, Finance) or myself.

Changes for 2021

COVID-19 Financial Impact

The extraordinary nature of the COVID-19 pandemic has and will continue to impact the Town's financial position for the foreseeable future, the degree to which is quite uncertain.

It is possible that collection rates on one of our largest revenue sources, taxation, will decrease leaving the potential for reduced cash flows in the upcoming year. Revenue sources that can be quantifiably impacted include; arenas, community programming, aquatics, etc.

The extent of the total impact is unknown however in reviewing future operating budgets;

Departments should:

- Consider ongoing expenses (additional/or a reduction of) required to address the pandemic and ensure these are captured in future budget years
- Anticipate and revise budgets accordingly for the potential of a decline in revenue (lower enrollment rates, fewer available offerings, etc.)

Assumptions

CPI Year-Over-Year

TBD

OMPF

\$4,008,100 (2021)

\$4,008,100 (2020)

Gas Tax

\$998,846 (2021)

\$1,997,692 (2020)

OCIF

\$TBD (2021)

\$890,405(2020)