

AUDREY ARMOUR



November 22, 2024

MEMORANDUM

TO: MAYOR AND MEMBERS OF COUNCIL
CC: ADAM GIDDINGS, DIRECTOR OF CORPORATE FINANCE
FROM: AUDREY ARMOUR
RE: **COMMENTS ON PROPOSED 2025 OPERATING BUDGET**

My aim is to offer Council a thorough, considered and, hopefully, helpful review of the proposed 2025 Operating Budget. I have not included comments on the other 4 budget documents due to time constraints. In any case, the kind of comments I provide on the operating budget likely apply to the other budget proposals and can be kept in mind as Council carries out its detailed review of each budget proposal document.

In advance of reviewing the proposed 2025 budget, I looked at past budgets (from 2024 and back to 2019) as well as audited financial statements available online. I also read the Minutes of Council Meetings where the budgets were discussed and the attached Agenda documents related to the budgets; the asset management plans prepared by Watson & Associates (stormwater, core assets, non-core assets); KPMG reports on Service Delivery and Organizational Review; the Strategic Plan; and the Operational Plan. Finally, I also reviewed information on the Town's Reserve Funds provided in the audited Financial Statement and through a Routine Disclosure request.

My comments on the proposed 2025 Operating Budget are organized into six topics: the budget setting procedures and practices, specific budget proposals, matters needing clarification, budget setting and Reserves, community engagement, and a needed additional budget setting element.

My overall conclusion and recommendation to Council is this:

The proposed 2025 Operating Budget should be referred back to Staff with the direction that specific proposed budget increases, including the new 1% infrastructure levy, must be fully substantiated, and where this cannot be done, removed from the proposed Budget.

Taxpayers expect and deserve sound stewardship of taxpayer dollars. The proposed 2025 Operating Budget should provide clear evidence of this. It fails to do so, for reasons discussed below. Delaying final approval of the proposed Budget, now scheduled to happen at the December 19th Council meeting, by a month or more is not all that significant in the scheme of things. After all the 2024 Budget proposal was not given final approval until January 31, 2024. What would be problematic is approving unsubstantiated budget proposals and risk losing the community's trust in Council's and Staff's avowed "commitment to the people we serve" and the promises made in the 2023-2027 Strategic Plan to "providing clear and transparent reporting" and to "go beyond residents' basic needs and to exceed their expectations on a regular basis."

1. THE BUDGET SETTING PROCESS AND PRACTICES – SHORTCOMINGS

1.1 Procedures and practices guiding budget setting and proposal preparation

In its 2021 Organizational Review KPMG noted that “the Town’s budgetary processes demonstrate a high level of detailed analysis and best practices in support of expense and revenue forecasting.” Unfortunately, none of that was made apparent in the 2025 budget documents.

I, like other taxpayers, want to be reassured the Town’s budget setting is a structured process guided by commonly accepted practices and the proposed budget increases and tax levy reflect careful consideration of spending priorities, budget performance and cost saving measures.

By “budget setting process” I do not mean the setting of a timetable for budget setting, review and decision. I mean how budget setting is organized or structured, at the department level and overall, to ensure fiscally responsible allocation of financial resources to achieve effective delivery of services and programs. By “practices” I mean the specific tasks done and types of information gathered to ensure proposed budgets are sound and well supported. More specifically, as a taxpayer what I expect to see in a proposed annual budget is:

- a. a highlighting of the Town’s financial health with reference to audited financial statements and reserve funds (savings)
- b. a statement of fiscal goals, priorities and a target levy
- c. the opportunities and challenges influencing the delivery of programs and services including broader public policy issues such as inflation, energy prices, climate change
- d. a performance assessment of the prior year’s budget allocations and spending to date
- e. substantiation of proposed budget increases, line by line
- f. linkages to other financial management tools like asset funding plans and reserve funds
- g. departmental budget proposals are integrated to align with overall financial planning and management goals and the Town’s strategic goals and objectives

These expectations were not met in the proposed 2025 Budget, as discussed below.

1.2 The procedures and practices guiding the Town’s budget setting process are not apparent

In reviewing past budgets as well as the proposed one, I had difficulty discerning the process and practices that guided budget setting. If there is a structured process and a set of practices, then these should be made explicit in the proposed budget document.

Of past budgets I reviewed, only the 2024 budget setting process had the appearance of an overall structured process at work. I’m referring to the November 6, 2023 Committee of the Whole meeting in which the Treasurer/Director of Corporate Services reported on factors that had influenced the 2021 and 2022 budgets (inflation and COVID) and recommended a levy target for the 2024 budget of a 5% net increase, based on 1% new assessment growth, which the Treasurer said was conservative. Council accepted this recommendation and directed staff to take the 5% target levy into account in setting their budgets. However, that appearance of structure was short lived and the 5% levy target quickly fell by the wayside. That happened for several reasons.

First, while budget setting was underway, Council made several spending decisions for the 2024 budget year and then directed staff to take these decisions into account in preparing their budgets. Second, Council's spending decisions were made without any explicit consideration of the 5% levy target. Third, when the Divisional/Departmental proposed budget presentations on December 12, 2023 revealed an average departmental budget increase of 12.01%, Council passed a motion directing staff to "come back with five or more options on the reduction of services and/or positions and the impacts on the Town's budget and service deliver for 2024..." Nonetheless, for whatever reasons, this direction had little effect. Fourth, while departments and divisions were refining their budget proposals, Council members made further 2024 spending decisions at the January 18, 2024 meeting of the Strategic Priorities and Policy Standing Committee. These included, among other things, staff hires, salary increases for Councillors, Mayor and Deputy Mayor, and an increase in advertising and promotions spending on printed materials.

The final 2024 budget was approved by Council on January 31, 2024, just short of 3 months from when the Treasurer/Director of Corporate Services had recommended at levy target of 5%. The Approved Budget had a 9.91% increase in the total Municipal Levy and the new Assessment Growth was set at 1.85%, resulting in a Net Levy increase of 8.06%.

Based on Council Minutes, it appears no effort was made to understand how the levy target recommended by the Town's Treasurer in November, a recommendation presumably based on an assessment of the budget needs of departments and divisions, got so far off track over the three-month period.

Notwithstanding KPMG's praise of the Town's budgetary processes in 2021, the 2024 budget outcome suggests a lack or insufficiency of overall budget setting management whereby someone is responsible for ensuring that budget setting is goal driven and all "team members" are pulling together to ensure expenditures for programs and services are carefully considered and funding is judiciously allocated.

Unfortunately, the same can be said for the 2025 budget setting process. How else to explain the deficiencies evident in the proposed Operating Budget?

1.3 The 2025 Operating Budget proposals lack needed information for assessing "reasonableness" of proposed increases and the proposed 3.94% Levy

My review of the Town's proposed 2025 Operating Budget left me feeling frustrated and, frankly, worried about the Town's fiscal management, especially considering the processes of growth and change now underway.

To start, I was taken aback by the omission of information on actual spending for the 2024 budget, (Item D in the list on page 2). I know that, following from KPMG's organizational review report, the Town has begun preparing quarterly budget analysis reports and two have been prepared and presented to Council. The "First Quarter 2024 – Budget Performance Statement" was presented to Council April 24, 2024 and the "Second Quarter 2024 Budget Performance Statement" was presented to Council on September 25, 2024. In both reports, in the section titled "Public Engagement", it is noted that "public engagement not considered necessary for the budget report."

As a taxpayer, I ask “why not?” Regardless, the more pertinent question now is “why is there no discussion and update of 2024 Budget Performance in the proposed 2025 Operating Budget?”

Another startling finding in reviewing the proposed 2025 budget is the almost complete lack of substantiation for proposed budget increases (Item E in the list on Page 2). I describe this omission as “startling” because it belies the whole intent of submitting the proposed budget for public review -- how can people judge the reasonableness of the “ask” when there is no documentation supporting it? To be clear, I’m not saying there’s absolutely no documentation. There could be. What I’m saying is it’s not provided in support of the 2025 proposed Operating Budget.

Instead of a careful considered assessment of budget needs, what the Operating Budget proposals conveyed to me was that last year’s budget allocation was used as the starting point and then simply adjusted up or down accordingly. Yes, there were instances where notes were provided offering a breakdown of costs or an indication of constraints and the like. But these were few and short, often to the point of being cryptic. Some of the expense information can be found in the proposed Capital Budget but no reference is made to that document, not even to just direct readers where to find the expense information in the Capital Budget document.

Municipal operations are primarily funded by property tax. One would hope that securing and maintaining taxpayer trust in the Town’s budget setting and management is regarded as very important. However, these two omissions, along with deficiencies in respect to other items in the page 2 list, implied to me a taking of taxpayers for granted, as if there is no need to explain and be accountable to taxpayers for proposed budget increases.

Because of these deficiencies, I’m not able to comment on the reasonableness of specific budget proposals or the proposed 3.94% levy. All I can do is ask for more information, which I have done in Section 2.

1.4 The New “Resolution” procedure in council’s budget review process is more impediment than aid

At the first 2025 budget meeting on October 21, 2024, Council discussed the budget and received presentations of budget proposals from the Police Services, the AGN and Cobourg Library. After each presentation, Council then went through a new procedure that involved passing a “Resolution”, a draft of which had been prepared, recommending approval of the proposed budget and budget increase. In response to a question from a councillor about whether the word “approve” in the Resolution should be “accept”, Council members were advised first, they were not making a final decision, just a recommendation, and second, they were free to do whatever they wanted at this point, such as send the budget proposal back and ask for proposed increases to be reconsidered. Though some questions were asked, Resolutions were passed, largely pro forma.

I found this procedure confusing and disconcerting as did, I noticed in watching the proceedings, some council members. Why was Council making an “approve” recommendations to itself? And why make recommendations so quickly? The only advantage I could see of this new procedure was that it would result in separating the budget proposals into two categories: agreed upon budget asks and not agreed upon budget asks. Presumably, the logic is that this would allow Council to the focus on the second category and thereby save time. However, this presumes at least two things. The first is

Councillors had enough information at that point to be able to make a recommendation to approve a proposed budget. But, as one Councillor pointed out in frustration, the agenda before them consisted of over 400 pages of budget presentation attachments which deserved careful reading before making any budget approval recommendation. And second, each “ask” could and should be dealt with on its own rather than together with all others. But the implications of dealing with each proposal on its own were made evident in Council’s discussion of proposed Police budget. It was noted that the proposed budget called for a 5.5% increase. One Councillor asked how that budget increase would affect the Operating Budget and was told the proposed 3.94% tax levy would increase to 5.26%. Nonetheless, a Resolution recommending approval of the proposed Police budget was passed. And that was just the first budget presentation!

This drawback of the Resolution approach to budget presentations can be minimized by saying that everything remains open until final decisions are made. Final approval of the proposed budget and tax levy will take place on December 18, 2024. However, on November 26, Council will review the draft budget in detail and it will be very difficult at that time to refer a budget proposal, such as the Police budget proposal, back for reconsideration. After all, the Police Chief and Police Board Chair watched Council pass a Resolution recommending the proposed Police budget and 5.5% increase be approved. Why would they expect that Resolution to be set aside on November 26 and find themselves having to revise their budget to reduce the increase?

This new Resolution procedure suggests that speed of decision making and small efficiencies trump careful, full and robust consideration of the 2025 budget and all its components. As a taxpayer, I was very disappointed that such an impediment to sound fiscal decision making would be accepted by Council members and personal feelings of unease about the procedure set aside in order to “get the job done.”

2. SPECIFIC BUDGET PROPOSALS -- DEFICIENCIES

2.1 The Proposed 1% Infrastructure Levy is arbitrary and an unaccounted Council flip flop

The 2023 and 2024 Engage Community surveys included a question about willingness to pay an additional levy for infrastructure. Survey respondents were asked: “Communities across Ontario, including the Town of Cobourg face the ongoing task of replacing aging infrastructure. Would you be willing to pay an additional, dedicated tax levy if you knew thee funds would only be drawn upon for infrastructure upgrades?” The results are shown below, along with the results for 2025 budget year:

BUDGET YEAR	YES	NO	NOT SURE	# OF “ENGAGED” RESPONDENTS
2023	28.6%	14.3%	57.1%	70
2024	41.1%	33.7%	25.2%	280
2025	27.6%	27.6%	35%	167

Despite the 2023 and 2024 surveys indicating a lack of support for an additional infrastructure levy, when Council was finalizing the 2024 budget Mayor Cleveland tried to get a separate infrastructure levy included in the budget. No study or other documentation in support of the proposed new levy was provided. The Mayor contended that the levy was needed because (a) one part of the Town's infrastructure – stormwater – was \$1.2m in deficit a year, and (b) these charges are coming down the pipe so it would be prudent to start saving. He stated a 1% levy would be only \$280,000. The Mayor's motion on the 1% levy was defeated 4-2.

Thus, it is surprising to see the proposed 2025 Operation Budget includes a 1% infrastructure levy, amounting to \$31964. What makes this even more surprising is that despite the passage of a year, once again there is no documentation supporting the need for such a levy and to set it at 1%. Nor is there information on when and why Council reversed its 2024 decision and voted in favour of including this additional levy in the 2025 budget proposal. I called the Finance Department and asked for documentation supporting the levy and the date of the Council Meeting when including such a levy was decided. I was told the 1% levy is "just a proposal." This raises the question on what basis was the levy proposal made? It also begs the question on what basis will Council approve the 1% levy proposal?

Perhaps it is assumed the Town's Asset Management Plans offer the support needed for the 1% infrastructure levy. If so, that assumption is mistaken. The Asset Management Plans do not constitute an Asset Management **Funding Plan**. This is a document that brings all assets together and summarizes key information for each – age, condition, expected lifespan, year of replacement and the projected replacement cost – and shows all this on a spreadsheet with a timeline extending out at least to the maximum life of the Town's infrastructure assets. The spreadsheet would provide the basis for determining the amount of funds that need to be set aside (saved) each year to ensure adequate funds are available when needed for infrastructure replacement(s). It would also reveal when financing infrastructure replacements is likely to be problematic, such as when several expensive replacements are shown for one year, and thus enable the development of Funding scenarios for making needed replacements more feasible financially. The scenarios could look at, for example, various options for extending the lifespan of certain infrastructure through increased maintenance and timely repairs, as well as options for staggering needed replacements over several years rather than doing them all in one year. As there is no Asset Management Funding Plan, there is no basis for approving a 1% infrastructure levy.

Rather than imposing an unjustified additional 1% infrastructure levy at this time, it would be more prudent for Council to wait until an Asset Management Funding Plan is put in place and then make a considered decision about whether and how much of an infrastructure levy to set. No one is doubting saving for infrastructure replacement is needed. It is long overdue. But to rush to do something simply for the sake of allaying the feeling of unease for not having attended to the matter sooner is inappropriate and a recipe for undermining taxpayer confidence in Council's ability to make sound financial decisions.

2.2 Departmental budget proposals are more akin to spending proposals

Departmental budget proposals for line items were difficult to assess due to the lack of information on strategic or operational priorities, actual spending in 2024, the extent to which the previous year's budget proposal was effective in meeting the Department's priorities, and the budget options considered. For these reasons, the proposed budgets came across as simply spending proposals based on approved budget allocations in the previous year and expected cost increases. Even when the line item is a new expense there is little information on the need for the new expense and the basis on which the proposed expense was determined.

Phase Two of the Community Engagement process for the 2025 budget, running concurrently with the Divisional budget presentations to Council, is advertised as an opportunity to provide Council with feedback on the proposed budget. That will be hard to do when so much information is missing in the budget proposals, not just the information noted above but also the information noted below in the discussion of specific line items.

COUNCIL

The budget proposal includes \$35000 for conferences and conventions, a substantial \$12500 increase of over last year's allocation of \$22500. It is noted that the \$35000 proposal amounts to \$5000 per council member.

Conferences and conventions are usually planned several years in advance. Are there specific conferences and conventions Council Member want to attend? How would the conferences and conventions support the work of Council? Are all council members intending to go to conferences and conventions in 2025?

What is the purpose of the "Election Reserve"? What is the basis for the transfer of \$20,000 amount? Why was this same amount transferred in 2024 and being proposed for 2026 and 2027?

CUSTOMER SERVICE

Why is \$5000 included for "professional development"? What is the professional development need? Why would there be a need for \$5000+ in each of the next two years? Is there a specific "professional development" activity planned or is the \$5000 a guestimate of what might be needed should an opportunity for professional development come up?

COMMUNICATIONS

A proposed budget of \$30,000 has been allocated to "Advertising and Promotion". The same amount was budgeted in 2024 and increased amounts are shown for 2026 and 2027. It is noted that the "Costs have been lower as a result of having no major paper in Cobourg. However, the reduction is used to offset the additional website costs?" What "lower cost" is there? It is not apparent.

What is the "special project – internal communications" and why is \$2500 needed in 2025? Why is it a recurring expense from 2024 through 2027 amounting to a total cost of \$10,000 for this "special project."

What is the “special project -- website” and why is \$5000 needed in 2025, on top of the \$27500 budget allocation for 2024? How much of the 2024 budget allocation has been spent and will the full amount be used? Why is the \$5000 shown as a recurring expense in each of 2026 and 2027?

HUMAN RESOURCES

The budget includes \$12500 for “professional development” as well as \$40000 for “staff and management team training and an additional \$7000 for “training and courses.” This amounts to a proposed expenditure of \$59500 for professional development and training in 2025, on top of the \$61500 provided in the 2024 budget, for a total of \$121000 over the two-year period. Why is this a reasonable expenditure?

I noted that the KPMG Organizational Report found a low level of staff positive response (36%) regarding opportunities for training, that the Town lacked several personnel management programs including formal training strategies (including protocols for identifying staff training needs), and that Human Resources was hampered in addressing these needs due to an overall inefficiency in its human resources systems. It is reasonable, therefore, to ask why no reference was made to this finding in the Budget Proposal? And why was there no discussion of a protocol for identifying staff training needs?

The HR budget also includes two lines for memberships and subscriptions, one for \$3000 and another for \$7000, which amounts to \$10000. Is this duplication an error? In any case, how much is for memberships and how much is for subscriptions? What is the supporting documentation for the 10,000 expense?

Similarly, the budget includes two lines for office supplies, one for \$2500 and another of \$200, for a total of \$2700. Is this duplication an error?

CLERKS

What is the “special project – accessibility plan”? What specific expenditures were included in the \$17000 allocation in 2024 and the \$25350 in 2025?

Similarly, what is the “special project – records management”? How was the proposed expenditure of \$20500 determined? What options were considered i.e., could the special projects be extended over two or more years to ease the budget requirement in 2025?

An allocation of \$7800 is shown for “postage and courier”. Could not some of the courier cost be eliminated using a secure, encrypted software application, such as that now used in real estate transactions, to “deliver” legal documents?

FINANCE

The proposed budget includes \$21840 for postage and courier. Postage and courier is shown as an expense in ten other budget categories and of those, seven have \$500 or less allocation to this expense, two have less than \$1300 and the remaining one (Clerks) has an allocation of \$7800.

Why is the Finance budget for postage and courier so high? Could not some of the courier cost be eliminated using a secure, encrypted software application to “deliver” documents?

VICTORIA HALL MAINTENANCE

The proposed budget includes \$70000 for building maintenance, the same as budgeted in 2024 and also projected for 2026 and 2027. This amounts to \$280000 over the four-year 2024-2027 period. What is included in these expenditures? What options were considered? How do these expenditures relate to the asset management plan?

The proposed budget includes a \$15000 elevator “system contracts/repairs” and the same projected for 2026 and 2027, and presumably the same as was budgeted in 2024. This seems a high yearly expense. What accounts for it? What options have been considered to try to lower this expense?

The proposed budget includes \$10,000 for garbage removal. Although this is \$500 less than in 2024, why is it so high? What options were considered to achieve more cost savings?

The budget also includes \$15000 for library maintenance, which is \$8000 more than in the 2024 budget. And the budget proposal is forecasting an ask of \$15600 in 2026 and \$16224 in 2027. What does library maintenance involve? What did the \$8000 2024 budget amount pay for? Why is a doubling of the 2024 budget allocation being proposed? Why is that allocation extending over each of the next two years? Where does “library maintenance” stand relative to other Town spending priorities? Could this cost be deferred or extended over a longer time frame?

PARKS MAINTENANCE

The proposed budget includes \$22900 for dog park rent, an increase of \$3900 over the 2024 budget. What options were considered before deciding to continue to rent the property now being used as a dog park? Was any consideration given to the potential to use parcels of land identified in the “Town of Cobourg Municipal Land Inventory” prepared as part of an assessment of options for affordable housing? There are properties in the inventory that are vacant and/or environmental resources that were unsuited for housing but might be suited to being used as a dog park. There are also properties identified as potential roadway extensions. Couldn’t such lands be designated as “dog park” until such time as roadway extensions are no longer “potential” but move forward towards implementation? Having more than one dog park would make accessing them easier for dog owners.

CEMETERY MAINTENANCE – HULL’S CORNER

No 2024 budget allocation is shown for any of the line items listed for Cemetery Maintenance. Was no cemetery maintenance done in 2024? Is that why \$52300 “special project” funds is now being proposed?

Is “Special Project” list of 5 items a maintenance/repair priority? Why?

Why is there a utility cost of \$1000 shown for 2025-2027?

COMMUNITY CENTRE

There are two lines for building maintenance, \$55000 for building maintenance and \$105000 for building maintenance contracts, expenses that are annual. How do these lines differ and what are the contracts? In addition, there’s a line for “system maintenance and repairs” with a proposed budget of \$56,000, down from \$62,300 in 2024 but shown to increase in both 2026 and 2027. How

much of the “System maintenance and repairs” is just repairs? And how likely are such repairs to occur annually?

SPECIAL EVENTS

Why is there a 30.57% increase in this budget? Why is there no explanation and justification for each of the specific budget increases? What is being added to the winter festival to result in a 275% increase? What is being added to the Santa Claus Parade to result in 400% budget increase? What are SPECIAL EVENTS A, B and C?

3. MATTERS NEEDING CLARIFICATION

The budget categories are not related to the Town’s organizational chart and the mandate of each organizational component. This would make clear where responsibility and accountability lies.

Some of the budget categories and budget lines seem odd. For example:

- What is the difference between “Finance” and “Financial”?
- Why is “Emergency Management” separate from “Fire” or “Police” or, in the case of emergency alert, separate from “Communications”?
- Under the Public Works proposed budget, road maintenance is divided into four separate budget categories each with their own spreadsheet chart – roadside grass and weeds, roadside debris and litter pickup and sweeping, pavement repairs, and winter maintenance. Why not just put these into one category titled “road maintenance”?
- How do the categories in the Public Works budget relate to the core and non-core asset management plans? For example, is the proposed 2025 budget allocation for “pavement repairs” and the budget projections for 2026 and 2027 separate and apart from the replacement cost shown for “surface treatment” for the Road Network in the Asset Management Plan for Core Assets?
- Why are there “utilities” costs (\$ 18,000) shown under “safety devices, information and traffic control”? and not included in the “Roads and Sewers – Administration” heat/utilities costs of \$28,000?
- Why is “Parks maintenance” separate from “Parks”? Are these functions housed in two separate buildings, as implied by separate utilities costs? Even so, why the separation?
- And why is the “bylaw enforcement” expense of \$36000 shown in “Parks Maintenance” and not in “Bylaw Services? Is control of bylaw enforcement shared by several departments? Why?

4. BUDGET SETTING AND RESERVES – TROUBLING LACK OF LINKAGE

Although many budget lines show the transfer of funds “to/from Reserves”, there is no discussion of the link between Reserve Funds and budgeting setting.

More significant, no information is provided on the Town’s Reserve Funds themselves, such what they are, how they are managed, balances by category, the implications of proposed transfers to/from on

Reserve balances, and relationship of Reserve funds to asset management plans and infrastructure repairs and replacements.

It is obvious that Reserve Funds are an important part of budget setting, given the prominence of transfers “to/from” Reserves in the proposed annual budgets. And they are an important component of asset management, in particular helping to ensure funds for infrastructure repairs and replacements are available when needed. For these reasons, this lack of information on the Town’s Reserve Funds and role in budget setting is a serious omission. Indeed, it can be seen as a lack of transparency regarding the Town’s finances and use of taxpayer dollars.

I first came across Reserve Funds in reading the Town’s audited financial statements. After reviewing the Town’s 2019-2024 budgets as well as the proposed 2025 budget and seeing so many “to/from Reserve” transfers, I decided to try to learn more about the Town’s Reserve Funds, especially the Discretionary Reserve Fund. More specifically, I wanted to know their purpose and how Discretionary Funds are managed. I submitted a Routine Disclosure request asking for information about the Reserves. I asked for a list of all discretionary Reserve Funds from 2020 -2024; memos, Minutes or other written materials stating the purpose of each Reserve Fund; and Memos or other written material concerning the financial status of each Discretionary Reserve Fund, including documentation of deposits and withdrawal activity, the source for each deposit and the reasons for withdrawals for each fund. I received 24 records in two broad categories -- spreadsheets showing fund balances and expenditures, and memos/letters relating to government Funds. The main spreadsheet showed Reserve Fund balances from 2019-2022 for both Obligatory and Discretionary Reserves as well as balances by specific types of Reserves (e.g., departmental benefits, roadside sweeping) over the same period. Other spreadsheets were focused on specific Reserve categories (such as Marina and Harbour) or specific expenditures for projects (such as roadway and roadway bridge improvements) and often for a specific year.

I appreciated the bookkeeping. But the 24 documents did not show how Reserve Funds are managed or what their role is in Budget setting and spending. The Town’s Reserves represent substantial “savings”. There are very specific procedures and guidelines governing the use and management of Obligatory Reserve Funds. The Discretionary Reserve Funds appear not to be bound by such financial management protocols. My question is WHY? If there are specific procedures and guideline for Discretionary Reserves, they should be mentioned in the budget and readily available to members of the public wanting to understand the Town’s Reserves. As a taxpayer I find this deficiency and resultant lack of transparency very troubling.

5. COMMUNITY ENGAGEMENT – QUESTIONABLE VALUE FOR MONEY

Taxpayer involvement in the budget setting process is essential both to provide Council and Staff with a sense of taxpayer concerns and priorities and to maintain confidence in Town administrators, department heads and Council. Effective citizen engagement in budget setting depends on two key things: the quality of the budget proposal document and the quality of the process of citizen engagement.

5.1 The quality of the budget proposal document

Since taxpayers are the key source of budget funds, they should be regarded as significant an audience as Council. The proposed budget should be seen as a request for the continued support of taxpayers and should be prepared with that in mind. In practical terms, the budget setting process and budget proposals should be explained in a straightforward way so that citizens/taxpayers can understand what is being proposed and why. This would involve ensuring that:

- The budget setting process and key principles are clearly stated
- Key budget aims, concerns and constraints are identified and explained
- Budget categories are related to the Town's organizational chart so that the accountability for specific budget categories is readily apparent.
- Each budget category has a statement of budget setting aims, operational objectives and an assessment of budget management performance in the previous year including funds remaining
- Each budget increase request is fully substantiated, along with the two-year projections.

As a taxpayer I found the proposed 2025 Operating Budget fell well short of meeting these comprehensibility requirements. Although there were instances within specific budget categories where short explanatory notes were attached, these were cryptic at best and too few.

Moreover, in addition to the Operational Budget document, there are separate proposed budget documents for Capital, Environmental Operating, Environmental Capital and Stormwater. There is no explanation of why these proposed budgets are separate documents, or how they relate to the Operational Budget and to each other as well as to other key budget and financial management tools such as asset management and reserve funding. If the aim of Community Engagement is to help taxpayers understand how their tax dollars are spent and why, then such information should be provided.

5.2 The quality of the Community Engagement process.

I took part in the Community Engagement survey. I first read all budget documents so that my responses to the survey would be informed ones. I was disappointed by the survey and came away thinking it would not provide much useful information. This had to do with the questions that were asked, as well as with questions that were not asked.

With regard to the questions asked, those relating to satisfaction with municipal services were too broad and poorly worded to yield meaningful results. For example, the survey asked, "Based on the programs and services provided by the Town of Cobourg, how satisfied are you with the overall value you receive for your tax dollars?" The question is very difficult to answer. First, 23 programs and services were listed in the survey. That's a lot to keep in mind and try to come up with a sense of overall satisfaction. Second, people are being asked to consider three things at once: their satisfaction with the Town's programs and services overall, the overall value they feel the Town's programs and services provide to them, and the tax dollars being paid for the Town to provide programs and services. And third, on what basis does one assess the overall value of the Town's programs and services, given the diverse nature and scale of the programs and services as well as the essential nature of some and the non-essential nature of others? In any case, what is to be made

of the responses to this question by Town Council and Staff, and how does this question aid budget setting? How does it help to know that 47.6% of survey respondents are satisfied or very satisfied with the overall value received for tax dollars and that 52.5% (sic) are dissatisfied or very dissatisfied?

Similarly, the survey asked, “Of the following programs and services, which do you believe need additional funding or staff attention?” To answer this question the respondents would have to have some sense of the adequacy of current funding. And what does “staff attention” mean? As well, identifying programs and services needing additional funding or staff attention, does not say anything about how much more is needed. So, how does this help budget setting?

With regard to questions not asked, there were some glaring omissions. I will limit my comments to key omissions and offer illustrative examples. First, missing were questions that would have helped with the interpretation of responses. These include questions on length of residence in Cobourg (would help to reveal if newcomers have different expectations than long-time residents), use of services including frequency (would have helped to reveal if users of services have different opinions of services provided than non-users), dependency on certain services (such as transit), and affordability of services. And second, missing were questions seeking feedback on the Town’s approach to budget setting and budget information, questions which would help the Town to improve its approach to meet the needs and expectations of the community. These include questions about the timing of the budget setting process (when should it start?), the length of time provided for community review of documents (sufficient?), the quality of the documents provided (easy to understand?), the helpfulness of meetings with Council Committees (timing, information provided, responses to questions, etc), budget omissions, and the survey and other community engagement methods being used by the Town as a means of obtaining citizen input on the budget (meeting needs of citizens? Preferences? Etc).

Returning to the Community Engagement process overall, I assume the budget survey is part of a tool kit that comes with the software application for “Engage Cobourg” purchased by the Town to facilitate citizen engagement. In my opinion, the \$16,300 annually for this application warrants critical review in terms of value for dollars spent. The online survey response rate has been consistently low: 70 survey respondents for the 2023 budget, 280 for the 2024 budget and 167 this year. I note that the Town’s Operational Plan includes a statement on Community Engagement and staff will be seeking to increase the number of “engaged respondents” to 380. The 380 figure was chosen because it “represents a 5% margin of error with a 95% confidence level for a sample of 21,000 people.” However, the 380 target does not take into account a sought response rate. What percentage of the 21,000 population is the “Engage Cobourg” effort intended to get involved in the survey? A 20% response rate would increase the chance of obtaining a representative sample, which would be very helpful, needless to say. But that means that the sample size would need to be 1890, which is nearly 5 times the 380 target.

A hard look should be taken at whether the money for community engagement software could be better spent on other citizen engagement methods and processes for budget review, such as town hall meetings and roundtable discussions. These forms and forums of citizen engagement offer much better opportunities for meaningful feedback, a two-way exchange of ideas, and resolution of concerns. And they are more in line with the preferences expressed by respondents to a survey on the matter carried out by the Town and referred to in KPMG’s Organizational Review report. When

asked “what is your preferred method of communication with the Town?” only 0.5% of the 279 respondents chose “social media” and only 8.6% chose “website.” The preferred communication modes were: in-person (16.3%), telephone (29%) and email (43.9%), all which indicate a preference for person-to-person interactions, a preference consistent with Cobourg being a small, rurally-based community.

The attraction of “Bang the Table” and other commercial community engagement software is that it makes producing reports, charts, surveys and presentations easier and glossy slick looking. And they are well marketed as “best practice” which provides a handy justification for subscribing to the service. But they have downsides, with cost and actual effectiveness in “engaging” community residents being the prime ones. Response rates have been low and if they remain low over the next few years, then the reasonableness of a \$16,330 or more annual budget requirement should be reassessed.

6. NEED FOR AN ADDITIONAL BUDGET SETTING AND CONTROL ELEMENT

Certain expenses are common across departments and offer an opportunity to explore cost savings in a way that cannot be done when they are looked at on a department basis. These expenses include: software, memberships and subscriptions, professional development and training, utilities, heating, building maintenance, custodial supplies, photocopying, and postage and courier services. It is easy to take such expenses for granted and routinely allocate the same budget as in the previous year, adjusted for inflation or cost of living increases. I would like to propose that in addition to showing these expenses by department or budget category, they should be gathered together and put into a separate section of the budget to facilitate an assessment of their overall cost, identify possible duplications and inefficiencies, and explore options to achieve savings.

Not having such summaries for common expenses risks not seeing the forest for the trees. By gathering these expenses together in one place one is better positioned to explore potential for cost savings as well as to weigh their reasonableness relative to other budget items and the budget overall. Moreover, if trade-offs must be made to meet a levy target, such common expenses offer a less painful means of achieving cost savings than cuts to operational programs and services.

Finally, this two-pronged approach to assessing budget items would help to convey an effort, on the part of Town administrators, to ensure the budgeting process is directed towards finding cost savings and achieving a fiscally responsible allocation of financial resources and taxpayer dollars.