

January 7, 2024

Delegation to Council Re. Budget Consultation Input by Tax Payers

Barry Wolfe, Baden

Decision-making is grounded on access to complete, accurate data about all the factors that have an influence on any particular decision.

In the case before us tonight, of a potential budget in Wilmot Township, I'm still looking for information, and I trust Councillors are also. Before I can offer valid suggestions, based on known fact, and any incremental steps can be taken about allocations in any particular area I'm looking for data.

This is no rational world, as I understand such a world to be, where a budget can be set without accurate, complete data. These still unanswered data points include:

1. The CFO, in a response to a question from Councillor Martin indicated that the total net levy, as shown as bar graphs in the draft budget report, is the total levy divided by the number of households. He also indicated that, *"There's other metrics that we can also be sharing and we'll be putting out there, sort of what is the absolute taxes per household on an average household within a municipality."* **Where is that report, please?**
2. The CFO, in his response to Councillor Martin said, *"...as well as that portion that reflects the region, the education and so that you can see the breakdown of that. So, we'll be sharing those this week as well, and getting that information in front of the public."* **Where is that report, please?**
3. A councillor asked to see a municipal generated comparator, *"last year we were given a municipal generated comparator and that we could go and search various municipalities and do the comparison"* and *"but it was a very interesting one to kind of bounce around and take a look at all the things you generated"*. The response was that it would be taken back, meaning someone would find and provide it for council and the public. **Where is that report, please?**
4. Councillor Sidhu said, *"Ultimately, it can't just be a one-way road of we just need to increase revenue, increase taxes, we need to look at potential service cuts. That being said, I would ask that **the***

departments have a report back for next time we meet of services that they provide and the operating costs for each service. This is two-fold because it gives us a holistic view of what the services are costing and we can have a document that we can kind of reference and see. Also, it gives us an opportunity that at the end of the day, we need to shine the light in every corner and crevice of the budget to see where we can uncover potential savings. So, my ask would just be instead of cherry-picking certain services, I would like to see the services provided and operating costs for those such."

The response from the CAO was that, "*Bigger, more sophisticated, more advanced municipalities than us can't do that. So, we will not be able to do that.*", and "*I want to be very cautionary to say that to have a service-based budget that breaks it down by every service is every municipality's dream. And I don't know of any that have actually achieved it.*"

For the information of the council and the CFO I supply this information. It does appear to be happening as standard practice nearby. A Wilmot resident, who is an employee of a neighbouring municipal government attended a recent townhall. He said he is one of 5 in a department, with a budget of either 12 or 20 million dollars (I can't remember which, but it was large). His department submits regular operating and budget reports up the line. They are able to provide such specific detail that they can account for how much they spent on paperclips going back as many years as you want. Every department does the same and the numbers get collated by the CFO Office.

I'm confident in the capabilities of our department heads' ability to manage their departments to a similar standard.

This corporation recently spent \$300,000 on specialized accounting software, and I and other citizens need to know why, what is standard practice elsewhere, in spite of the message I think we heard, is not being supplied to us before we make budget decisions?

The CFO/CAO said, "***We will do our best.***" **Where is it?**

Why will Wilmot's CFO not answer Councillor Sidhu's direction to supply the data with action, as is standard practice near-by?

5. On December 12th, the CAO reported that, "***So, good practice and best practice is to recover the cost of staff against the capital***

projects that they work on.” You DO NOT recover the cost of staffing, because not all staff are costed against capital projects.

*“So, whether it's an engineer that is overseeing a project, a technical person that's developing designs or specifications and inspector, those types of things **should be** recovered against the capital projects. [This is the basis of Harvir’s request for the cost of every project, and the recovery, if any, from every project. CFO said it couldn’t be done. Contradiction.]*

“And there's a couple of reasons for that. One, it reduces the impact on the operating budget directly. [Yes. It hides the cost elsewhere.]

*“But secondly, **if** there are things like development charges or specific types of grants or developer contributions, those are just the funding and then go pay for those, system paying for those staffing costs as well. [What does this mean? The biggest little word in this rationale appears to be the word “if”. I don’t budget my affairs based on **if** I win the lottery. The CFO needs to address why he is describing “best practice” to move an ongoing actual operating cost of staffing onto a debt financed capital budget. This does not align with successful nearby practices.*

*An external chartered accounting firm must do an audit of this budget, + review the **audited budgets** for the years 2022, 2023*

*+ review the **management letters** submitted for 2022 and 2023 by the auditors which hi-lite things they have observed during the course of their audit, which could include items such as ‘internal control weaknesses’ and/or ‘insufficient reserves’, and/or ‘non-standard practices of recognizing operating budget expenses as capital budget expenses instead’, etc.*

*+ review the **Financial Information Return (F.I.R.)** for each of 2022 and 2023 which must be submitted to the Ministry of Municipal Affairs and Housing.]*

The Willmot resident, who is employed in a nearby municipality also indicated that their staffing costs are budgeted in the operating budget. It is not accepted practice to artificially reduce the total operating cost of staffing by sliding it into capital. Staffing is not charged against any project in a capital budget. Staffing is separate. Lawyers get paid based

on a % of billable hours. That's not how Wilmot staff or it appears successful nearby municipalities' staff, get paid.

Some municipalities have used a deceptive strategy called **"gapping"** in which an employee is hired for a portion of a budget year, paid at that partial rate (6 months of a \$80,000 salary = \$40,000 in an approved budget). The employee's term should have ended at the end of that budget year.

However, some administrators have been known to maintain that staff person, and "roll-over" (gap) the entire year's salary (\$80,000) as an assumed base when submitting the next year's budget to council. What was an approved \$40,000 expense is no "deceptively" calculated in a new base as \$80,000 – but which was not approved. Some administrators were calculating this "gapping" as a per centage of their budgeting and presenting it bald-faced as an appropriate accounting measure.

Councils, that are now savvy to this deception are putting practices in place to prevent administration staff from using this employment ploy, and growing their domain at the expense of tax payers.

Wilmot Council must analyze this budget proposal and eliminate any potential use of "gapping" in a budget's calculation.

It would be reasonable to conclude that moving an operating cost - of staff - from the operating budget to the capital budget, is to artificially reduce the operating budget, and thus requiring an increase in the capital budget.

Using this new accounting system would absolutely prove (falsely) that we have a capital budget, revenue problem. Staffing represents between 7 and 9 million dollars (depending on the 2024 or 2025 ledger is used) of the total budget. This is taking Richard's expenses and telling Paul that he has to pay them.

This transfer of costs from one hand to the other, artificially lowers the operating budget so that it becomes "bare bones" – no staffing flesh costs on it – and increases, permanently, the base amount of the capital budget which results in an increase in the amount to be financed by debt transfers.

This newly suggested shift in accounting practices, does not appear so far, to be successful practice. This tax

payer is asking for a second opinion. The Township needs to get the professional advice of others, including an auditor which it needs to hire in any case.

6. The CFO has reported that Wilmot has about \$13 million in debt. He has reported that debt is primarily financed by transfers of funds originating in Development Charges. On September 13th, council voted to waive the development charges for a non-profit, private corporation in the amount of \$1.5 million. The CFO indicated that that loss of revenue, to normally be used to finance debt is now lost, but would be addressed during budget deliberations and it was now on council to address that loss of revenue.

The CFO opined that this would be, “**Good for the community.” And a majority of councillors voting agreed.**

Where does this loss of \$1.5 million in development charges revenue from the Nithview Mennonite Homes Corporation appear in this budget or projected in a 10-year forecast, or how is this loss being officially recognized and budget to account for in the capital budget forecasting?

The CFO has used Guelph a few times as a reference for practices in their experience. I checked out Guelph’s budget. It is a four-year rolling budget that accommodates transitioning of items over time to moderate effects on tax payers. Guelph has a 10-year capital forecast. Guelph does not need to have a council approved capital budget before Guelph can create a 10-year capital forecast. It just needs to be done as standard practice. There is easy access to municipal budgets and their 10-year capital forecasts.

Where is the 10-year capital budget forecast? It was not on the website as recently as 2 days ago. Tax payers and council needs to see it before making decisions.

7. On December 12th, the CAO reported that, “And so, **the actuals and the outcomes won’t align with the way that they’re budgeted.**

[Smoke > explain clearly, step-by-step how to align them.]

*So, you’re gonna end up with a variance either positive or negative, automatically at the end of the year. So, one of the things we addressed was **internal charges**.*

*We were recovering internally too much from our non-tax-funded base. So, building and water, wastewater primarily. And so, this **reflects a***

reduction in that recovery from them.” [What does this mean in tax payer English, please?]

8. On December 12th, the CAO addressed the cost of labour, and indicated that 2.5% COLA was being costed in. Council will have to deliberate whether that is an appropriate amount or not in these times.
9. The CFO answered a question from Councillor Cressman, by discussing asset management costs. The CFO commented that, *“asset management has to differ in degrees been adopted proactively from a funding perspective, which is the first step, addressing that you're going to need that funding and that annually you need to put that money aside, even if it's not for today's project, but for next year's project, you need to account for that cost.”* This future planning is described in detail in a 10-year capital forecast.
 - a. **Where in the 10-year capital forecast that indicates this known projected cost?**
 - b. Where in the 10-year capital forecast, under the budget year 2026 does the projected cost of renovations to Castle Kilbride to accommodate an additional, as yet unhired, 23 staff, costed in 2024 dollars, at \$1,042,000 appear? The report submitted to Council on November 4th, stated on page 4, *“Long term financial implications to be explored and documented for the 10-year capital forecast.”* **Where is the 10-year capital forecast?**
 - c. **Where is the standard corporation document for a 30-year risk assessment forecast?**

This budget lacks too many answers for residents and council to take action. Much more detailed information is needed.

This budget will not be approved in weeks – it will require months of hard work before decisions can be made.

There is no emergency here. Council has already approved the issuing of the interim 1st quarter tax bills, so we're no further behind now, than we will be in a few months.

We need information – answers to our questions.
No budget approval motions until all questions are completely addressed.

The answers need to be posted on the budget landing page of the website.

See questions' summary below:

SUMMARY OF QUESTIONS TO BE ANSWERED BEFORE BUDGET APPROVAL:

- 1 *“There's other metrics that we can also be sharing and we'll be putting out there, sort of what is the absolute taxes per household on an average household within a municipality.” **Where is that report, please?***
- 2 *“...as well as that portion that reflects the region, the education and so that you can see the breakdown of that. So, we'll be sharing those this week as well, and getting that information in front of the public.” **Where is that report, please?***
- 3 *“last year we were given a municipal generated comparator and that we could go and search various municipalities and do the comparison” and “but it was a very interesting one to kind of bounce around and take a look at all the things you generated”. The response was that it would be taken back, meaning someone would find and provide it for council and the public. **Where is that report, please?***
- 4 *That being said, I would ask that **the departments have a report back for next time we meet of services that they provide and the operating costs for each service.** This is two-fold because it gives us a holistic view of what the services are costing and we can have a document that we can kind of reference and see. Also, it gives us an opportunity that at the end of the day, we need to shine the light in every corner and crevice of the budget to see where we can uncover potential savings. **So, my ask would just be instead of cherry-picking certain services, I would like to see the services provided and operating costs for those such.**”*

- 5 “the CAO reported that, “**So, good practice and best practice is to recover the cost of staff against the capital projects that they work on.**” You DO NOT recover the cost of staffing, because not all staff are costed against capital projects. **“And there's a couple of reasons for that. One, it reduces the impact on the operating budget directly.** [Yes. It hides the cost elsewhere.]
Wilmot Council must analyze this budget proposal and eliminate any potential use of “gapping” in a budget’s calculation.
This newly suggested shift in accounting practices, does not appear so far, to be successful practice. This tax payer is asking for a second opinion. Will the Township get the professional advice of others, including an auditor which it needs to hire in any case?
- 6 **Where does this loss of \$1.5 million in development charges revenue from the Nithview Mennonite Homes Corporation appear in this budget or projected in a 10-year forecast, or how is this loss being officially recognized and budget to account for in the capital budget forecasting?**
- 7 On December 12th, the CAO reported that, “And so, **the actuals and the outcomes won’t align with the way that they’re budgeted.**
What does this mean in tax payer English, please?
- 8 “**asset management has to differ in degrees been adopted proactively from a funding perspective, which is the first step, addressing that you're going to need that funding and that annually you need to put that money aside, even if it's not for today's project, but for next year's project, you need to account for that cost.**” This future planning is described in detail in a 10-year capital forecast.
d. **Where is the 10-year capital forecast that indicates this known projected cost?**
e. Where in the 10-year capital forecast, under the budget year 2026 does the projected cost of **renovations to Castle Kilbride to accommodate an additional, as yet unhired, 23 staff, costed in 2024 dollars, at \$1,042,000 appear?** The report

submitted to Council on November 4th, stated on page 4, “Long term financial implications to be explored and documented for the 10-year capital forecast.” **Where is the 10-year capital forecast that includes the \$1,042,000 projected renovations cost?**

- f. ***Where is the standard corporation document for a 30-year risk assessment forecast?***

Respectfully submitted,

Barry Wolfe,
Baden