

**Municipal  
Finance  
Orientation  
Package**



**CONGRATULATIONS**  
on your new position!



We at the Municipal Finance Officers' Association (MFOA) have prepared this orientation package to help with the transition into your new position. Whether you are new from the private sector or new to the workforce in general, we hope that this orientation package will provide a brief overview of what to expect as an employee in the public sector.

In this package you will find a crash course on municipal government, which outlines what it means to work in the public sector and some basic roles and rules that apply to all Ontario municipalities. At the end is a list of useful resources that we recommend you visit to learn more about municipal finance and municipal government in general.

The YPN Communications Subcommittee (2015/2016) served as subject matter experts in the development of this orientation package. Their input and guidance shaped its content.



# Municipal Government 101

#1

## What is a municipality?

According to Section 1 of the Municipal Act, 2001, a municipality is a "geographic area whose inhabitants are incorporated." But this definition does not do the term justice, as municipalities represent the people, places and services that live within it. This means that municipalities are diverse across Ontario and no two municipalities are alike. Variation across municipalities is caused by a number of factors:



**Population**  
Total persons in a municipality



**Services**  
What the municipality provides



**Service Levels**  
Outcomes of services provided



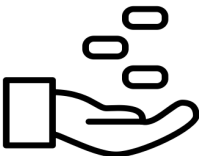
**Property Assessment**  
Assessment values impact property taxes



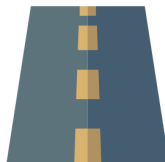
**Property Assessment Mix**  
Commercial vs. industrial vs. residential



**Revenue Sources**  
How a municipality raises funds



**Tax Levels**  
Municipalities set the property tax levy



**Infrastructure**  
Roads, bridges, buildings, water, wastewater, and transit

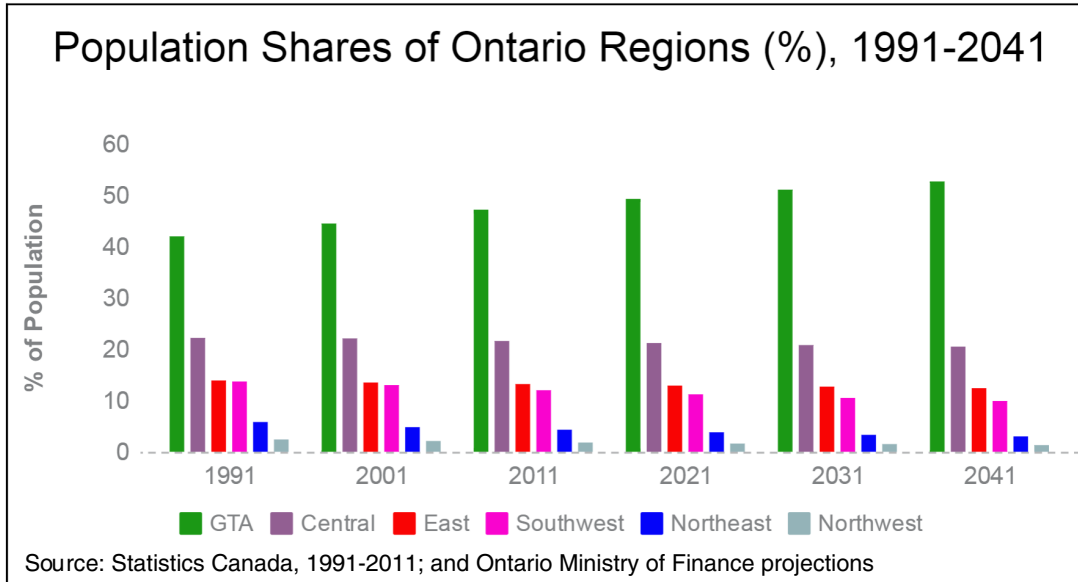


**Growth**  
Some municipalities are growing, others are declining

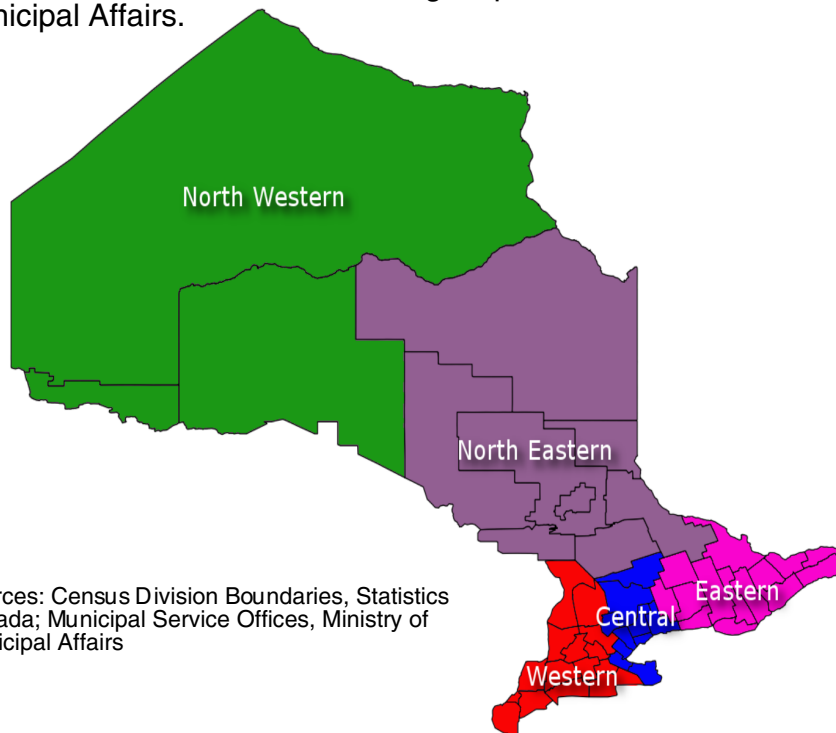
Municipal government structures also vary. Some services are provided to a number of lower-tier municipalities (City of Vaughan) by an upper-tier known as a region or county (Regional Municipality of York). When there is only one (independent) level of municipal government, it is called a single-tier municipality (City of Kenora).

Within Ontario, municipalities are experiencing both population growth and population decline. Areas of Northern and Central Ontario are facing population decline while most of Southern Ontario is experiencing growth. There are many reasons for population variation within Ontario such as aging population and migration.

Projections from the Ministry of Finance estimate that the Greater Toronto Area (GTA) will hold over 50 percent of Ontario's population by 2041.



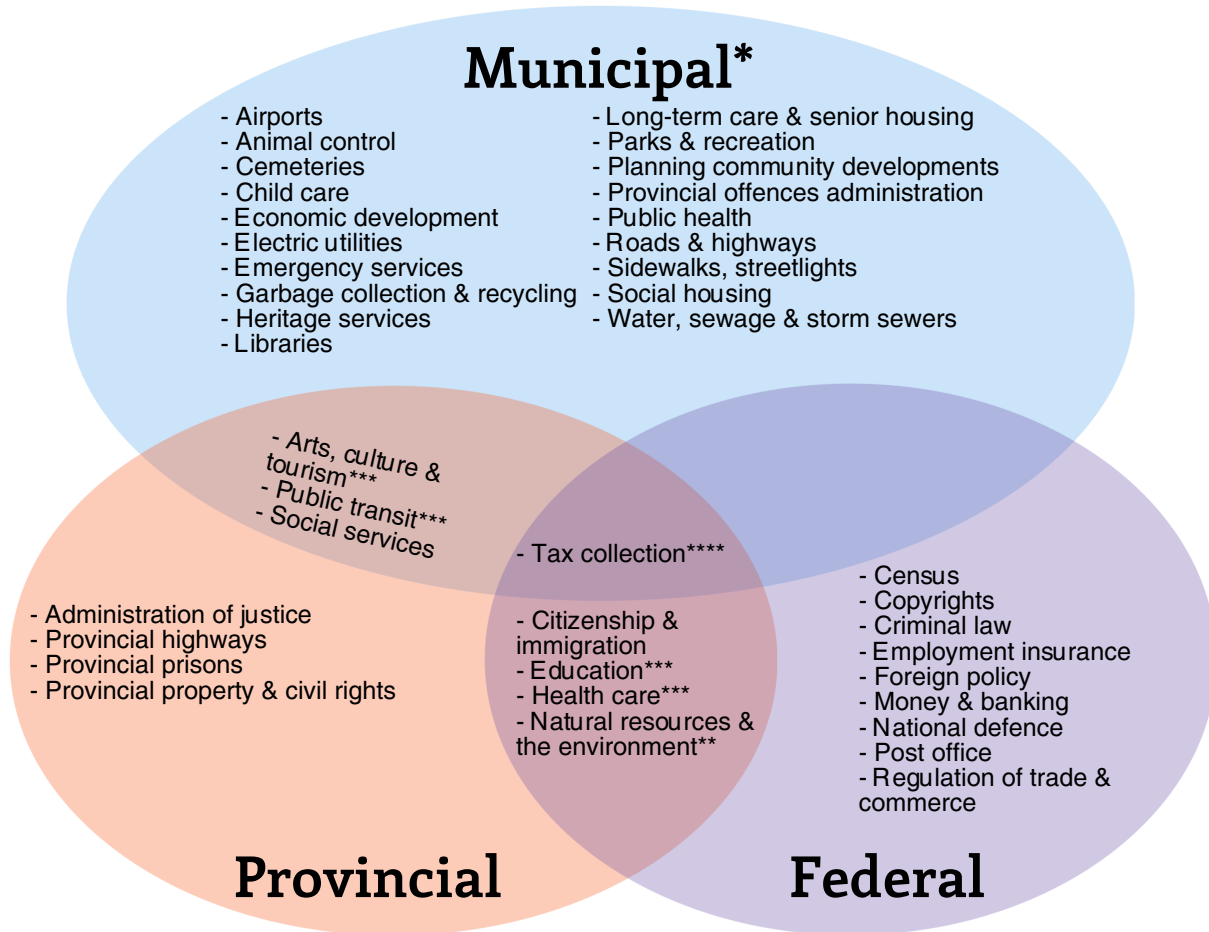
The GTA is the fastest growing region in Ontario, with its population very concentrated on a small portion of Central Ontario's landmass. On the other hand, Northeast and Northwest Ontario comprise of the majority of Ontario's landmass. The following map shows the five Ontario regions as defined by the Ministry of Municipal Affairs.



# #2

## What services do governments provide?

Services provided to citizens is split between the federal, provincial and municipal government with some overlap. The following diagram gives you an idea of the vast services provided by all levels of government.



### NOTES:

\* Where there are upper and lower-tier municipalities, responsibilities are divided between them

\*\* Federal government influence has jurisdiction for offshore and northern resources, interprovincial and international trade, taxation and treaty making. Municipalities also have an effect on environmental policy through their jurisdiction in water and sewage, public transit, garbage collection, etc.

\*\*\* Federal government influences these through funding transfers

\*\*\*\* Municipalities collect property taxes. Provincial and federal governments levy sales and income taxes

# #3

## Public sector vs. private sector

If you are new to the public sector the structure of a municipality may be confusing. Here is a quick table to summarise the main differences.

Public Sector		Private Sector
Public good maximization. Not-for-profit, though cost recuperation may occur	Motivation	Profit maximization
Accountable to the public through mechanisms such as access to information requirements, public consultations, democratic elections held every four years and more	Accountability	Accountable to the owner, Board of Directors and shareholders
Includes multiple stakeholders in decision-making, can be time-consuming	Due Process	Lower expectations for formalized due process, focus on expediency
Politicians decide services provided, service levels and rates with input from stakeholders (citizens, businesses, etc.) via public consultations and other channels. Professional staff provide politicians with information they need to make long-term, financially sustainable decisions	Decision Making	Owners and/or Board of Directors make decisions about products/services. Stakeholders (employees, shareholders, etc.) are sometimes represented on the Board.

# #4

## Basics that apply to all Ontario municipalities

With the exception of the City of Toronto, which is governed by the City of Toronto Act, all Ontario municipalities are formed under the Municipal Act. The Municipal Act is a legislative framework that outlines the broad range of powers that municipalities have as local governments but it is not the only legislation that governs municipalities. There are hundreds of provincial and federal legislation that can apply to municipalities, and within each municipality there are unique policies and by-laws. As you become more adjusted into your new position, take the time to explore the Municipal Act and some of the local policies that help to shape your municipality



WHERE SHOULD I START IN THE MUNICIPAL ACT?

**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.

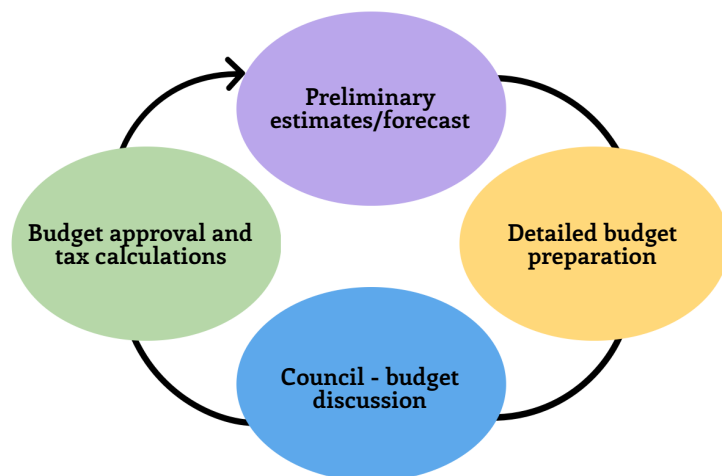
**Part XIII - Debt and Investment**

Regulations for reserve funds, temporary borrowing and investments.

## Budgets

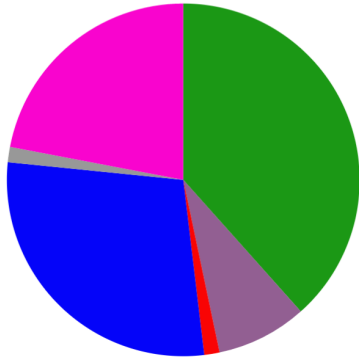
Sections 289, 290 and 291 of the Municipal Act outline the regulations for a municipality's yearly budget or multi-year budgeting process. Unlike federal and provincial budgets, municipal budgets must be balanced at the end of the year. Beyond the Municipal Act, municipalities must comply with the generally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

Although municipalities take different approaches to tackling the budget, the process generally follows a similar cycle.



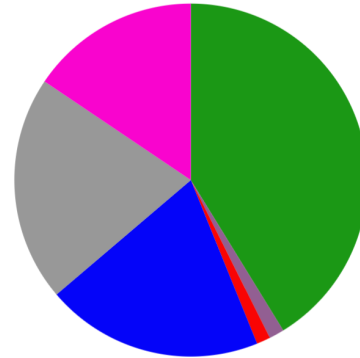
Municipal budgets contain both an operating budget and capital budget. Operating budgets are created annually, whereas capital budgets typically forecast for 10 years. It is important to note that under legislation, municipalities cannot finance operations with debt. The following visual shows an average operating budget, based on 2014 Financial Information Return (FIR) data of Ontario municipalities.

### Average Operating Expenses Less Amortization



- Salaries(38.40%)
- Financial Expenses(1.40%)
- Interest(1.40%)
- Transfers(8.30%)
- Materials(28.50%)
- Contracted Services(22%)

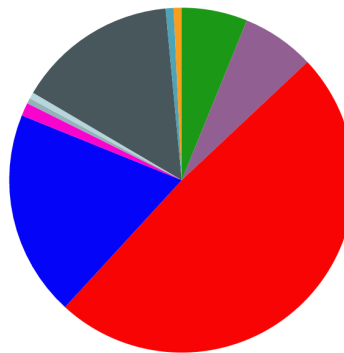
### Average Operating Revenue



- Own Purpose Tax(41.23%)
- ON Uncond. Grants(1.26%)
- User Fees & Service Charges(20.67%)
- PILs(1.38%)
- ON Cond. Grants(19.90%)
- Other Revenue(15.56%)

A capital budget provides a municipality with a view into the potential expenses and investments required in the future. The capital budget focuses on larger costs rather than smaller costs like an operating budget. The following visual shows an average capital expenditures by service, calculated by the cost of tangible capital asset additions and betterments in the 2014 FIR data of Ontario municipalities.

### Average Capital Expenditures by Service\*

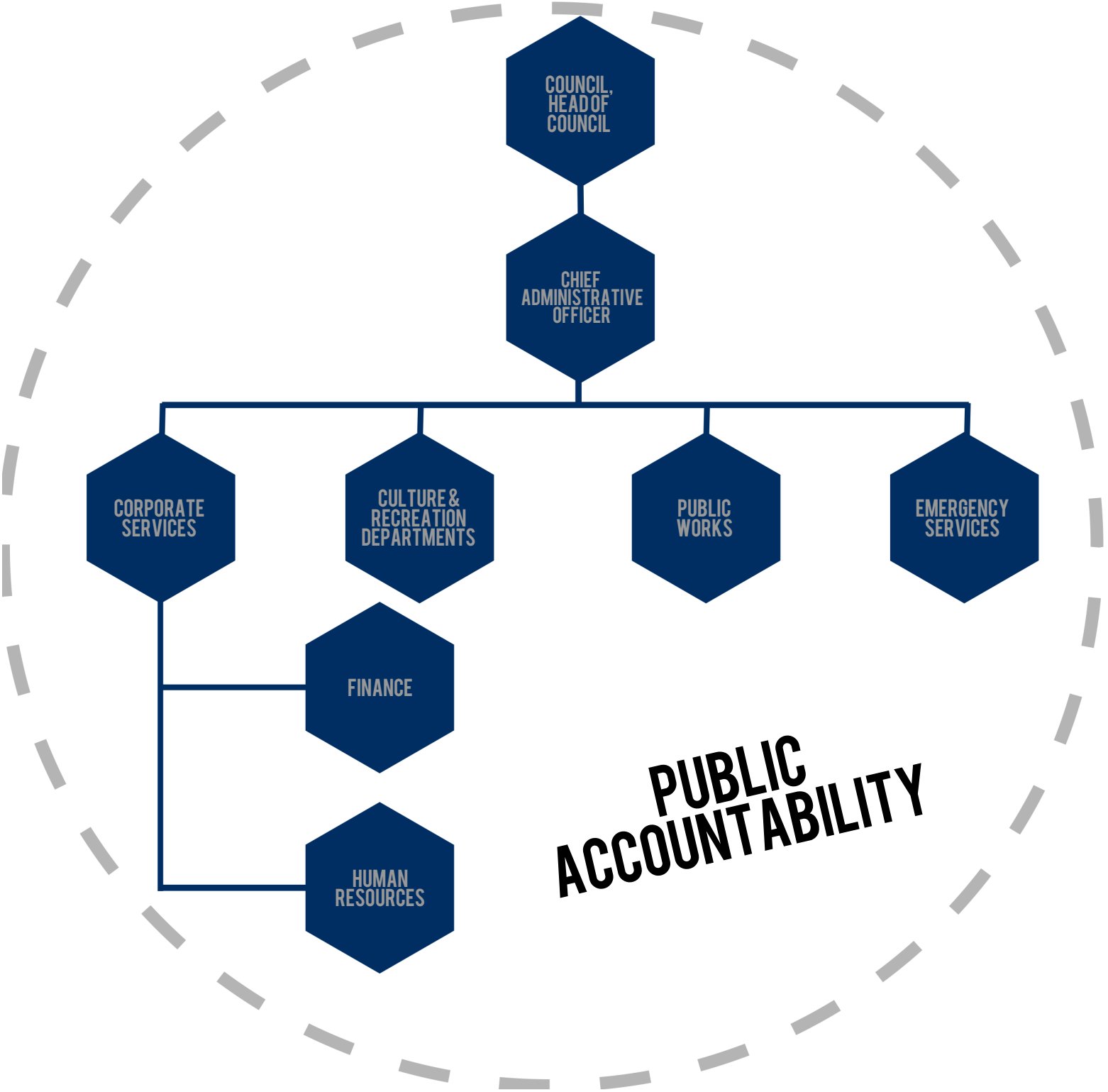


- General Government(6.16%)
- Environmental(19.30%)
- Recreation(15.04%)
- Protection(6.83%)
- Health(1.23%)
- Social Services(0.51%)
- Social Housing(0.60%)
- Planning and Dev.(0.75%)
- Other(0.75%)
- Transportation(48.84%)

\* Does not include capital expenses under threshold



Municipalities are organised in a hierarchical manner, but a municipality functions best when every department works cooperatively. In the hierarchy, the Council and Head of Council are at the top, however they must answer to the public through public inquiries, council meetings and public engagement exercises.



# #5

## Role of...

Position	Governed By	Role
<b>Head of Council.</b> Also known as warden, chair, reeve or mayor	The Municipal Act, 2001 s.225 & s.226	Act as the chief executive officer of the municipality; provide leadership to council; represent the municipality; uphold and promote the purposes of the municipality
<b>Council</b>	The Municipal Act, 2001 s.224	Represent the public and consider the well-being of the municipality; develop and evaluate policies and programs; determine which services the municipality provides; and ensure accountability and transparency of the municipality
<b>Chief Administrative Officer</b>	The Municipal Act, 2001 s.229	Responsible for managing the affairs of the municipality and ensuring efficient and effective operation of the municipality
<b>Chief Financial Officer or Treasurer</b>	The Municipal Act, 2001 s.286	Collects money payable to the municipality; deposits money received; pays all debts of the municipality and other expenditures; maintains accurate records and accounts of financial affairs; provides council with information on financial affairs; and ensures investments are compliant with regulations
<b>Clerk</b>	The Municipal Act, 2001 s.228	Records all resolutions, decisions and other proceedings of council; keeps originals and copies of all bylaws and minutes of the council; and any other duties assigned by the municipality
<b>Ontario Ombudsman</b>	Public Sector and MPP Accountability and Transparency Act, 2014	Independently investigate municipal matters. Cannot compel municipalities to take action but can make recommendations to council and the municipality

# #6

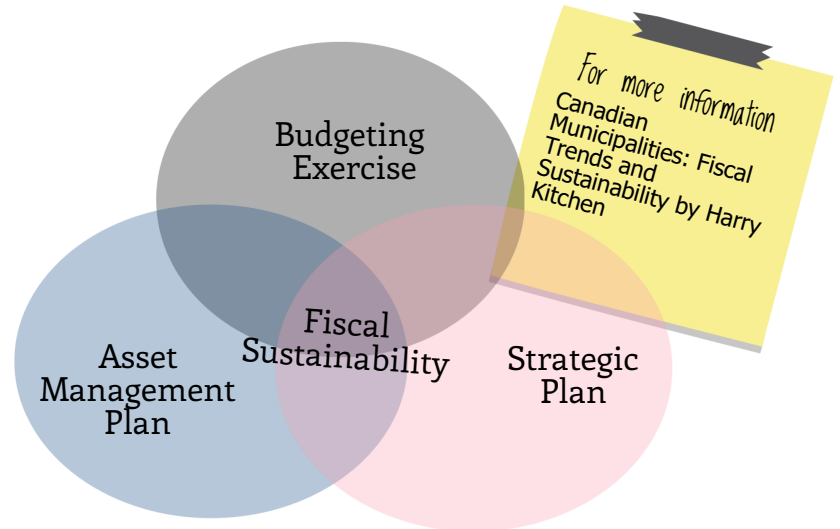
## Emerging concepts in municipal finance

If viewing online, click on sticky notes for more information.



### Fiscal Sustainability

Fiscal sustainability is a municipality's ability to meet financial and service obligations now and in the future. It looks at the relationship between levels of expenditure requirements and revenues at a point of time as well as the relationship between growth rates in expenditures and revenues. Fiscal sustainability is achieved when municipal budgets, asset management plans and strategic planning works holistically together.



### Canadian Infrastructure Gap

Municipalities own and maintain nearly 60 percent of Canada's core public infrastructure. Competing priorities in the 1970s and 1980s led to cuts in government spending on public infrastructure. This funding gap is still felt today, with one-third of all municipal infrastructure in fair, poor or very poor condition which increases the risk of service disruption.

Aging infrastructure and underinvestment will cause undue harm on public infrastructure in the near future. To alleviate this issue, municipalities must create adequate asset management plans to help identify critical repairs to infrastructure. Provincial and federal governments must also collaborate with municipal governments to help fund these projects.

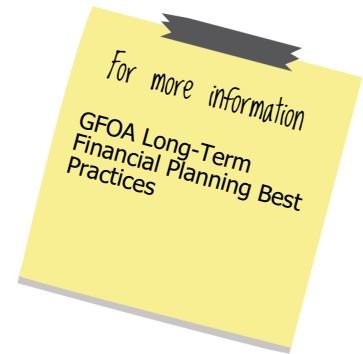




## Long-Term Financial Planning

Long-term financial planning combines financial forecasting with strategizing. It is the process of aligning financial capacity with long-term service objectives and is a highly collaborative process that considers future scenarios and helps governments navigate challenges.

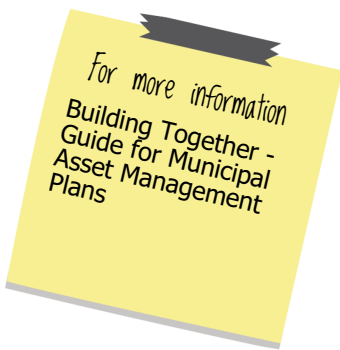
Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.



## Asset Management Planning

Municipalities deliver many of the services that are critical to Ontarians and these services rely on well-planned, well-built and well-maintained infrastructure. Resolving municipal infrastructure challenges begins with improved asset management.

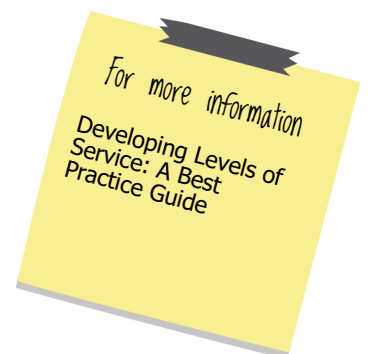
In the Province's "Building Together - Guide for Municipal Asset Management Plans", the province stated that any municipality seeking provincial infrastructure funding must demonstrate how its proposed project fits within a detailed asset management plan. This ensures that limited resources are directed to the most critical needs.



## Levels of Service

Municipal assets exist for the purpose of supporting the delivery of municipal services to its customers. Levels of service will reflect the outcomes that customers receive from services provided and can be expressed in terms of cost, quantity, quality, responsiveness and performance.

Levels of service are necessary in creating an asset management plan in order to control asset life cycle costs, forecast expected return on investment in infrastructure and state how success or failure will be measured. It is also useful in communicating with council and the public about the general state and trends of a municipality's infrastructure.





## Multi-Year Budgeting



Under legislation, Ontario municipalities are required to approve annual budgets, but some municipalities have begun to adopt multi-year budgets to help ease the annual budget process. A multi-year budget cycle is typically three or four years and is viewed as a better way for municipal governments to plan and allocate resources.

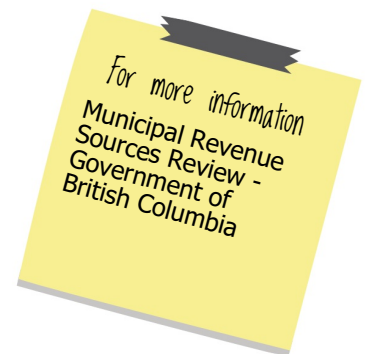
Multi-year budgets can be cost effective as future approved funding can allow a municipality to give out multi-year contracts, and it ensures that "boring, but necessary" projects prioritized appropriately alongside high-profile projects. However, multi-year budgeting can be an onerous task for a municipality without the resources to devote to planning.



## Revenue Tools

Municipalities rely on traditional municipal revenue tools that are regulated by the Municipal Act, 2001. These include property taxes, fees and charges, investment income, special services/area ratings, local improvement charges and development charges. However, compared to municipalities in the US and the UK, Ontario municipalities are limited in ways to raise revenue.

Ontario municipalities rely on property tax for approximately 41 percent of their revenue (on average). A fiscally sustainable municipality should have a diverse array of revenue tools to ensure that funding remains stable in the long-term. Currently, the City of Toronto, under the City of Toronto Act, is able to implement a land transfer tax and billboard tax, but these revenue tools are unavailable to other Ontario municipalities.



## Public Engagement



Municipal governments work to serve the public. Public engagement brings citizens, community organizations, businesses and government together to ensure that municipal services and budgets reflect public needs. With fewer households owning landlines, municipalities must find alternative approaches to public engagement such as online surveys.

When municipalities are better connected to the communities within it, trust between citizens and government improves.

# Useful Resources

If viewing online, click on the icons to be directed to the website.

#1

## Important Organizations



### Association française des municipalités de l'Ontario

AFMO represents the interests of Francophone municipal professionals in the province. The organization acts as a spokesperson in areas of common interest to its members and offers various professional development services.



### Association of Municipal Managers, Clerks and Treasurers of Ontario

AMCTO is Canada's largest association of local government professionals. It runs a number of education courses, and its Certified Municipal Officer (CMO) designation is a comprehensive accreditation program for municipal officials.



### Association of Municipalities of Ontario

AMO produces policy positions and advocates on behalf of Ontario municipalities and organizes inter-municipal conferences and workshops. AMO offers an online collection of research on a variety of topics.



### Assessment Review Board (ARB)

The ARB is an independent adjudicative tribunal that hears appeals from people who believe that properties are incorrectly assessed or classified. They provide resources to keep municipalities updated on assessment appeals in their area.



### Government Finance Officers Association

GFOA represents public finance officials throughout Canada and the US. They provide best practice guidance, consulting, publications, research and training opportunities.



### Local Authority Services

LAS assists municipalities in realizing lower costs, higher revenues and enhanced staff capacity through cooperative procurement efforts and innovative training, programs and services.



### Ministry of Municipal Affairs

MMA is a provincial ministry and is responsible for municipal issues in Ontario.



### Municipal Finance Officers' Association

MFOA represents the interests of municipal finance officers in the province, providing resources and training. MFOA initiates studies and sponsors seminars that help discuss and develop position on important policy and financial management issues.



### Municipal Property Assessment Corporation

MPAC administers property assessments and appeals of assessment in Ontario. MPAC's Municipal Connect tool provides information on preliminary values to municipalities.



### Ontario Good Roads Association

The OGRA represents the transportation and public works interests of municipalities through advocacy, consultation, training and the delivery of identified services.



### Ontario Municipal Tax and Revenue Association

OMTRA brings together municipal tax collectors in Ontario, undertaking advocacy and education related to the laws and practices around municipal tax billing and collection.

# #2

## Research & Libraries



### AMO Policy Backgrounders

Contains brief summaries of key municipal policy issues; can be filtered by year and issue.



### Financial Information Return

The main data collection tool used by the Ministry of Municipal Affairs to collect financial and statistical information on municipalities. Updated each year to comply with reporting requirements.



### Institute on Municipal Finance & Governance

Part of the Munk Centre at the University of Toronto, IMFG is dedicated to advancing concerns of municipal finance and governance. Research focus includes fiscal health and governance challenges.



### MIDAS

Website with schedule data for all Ontario municipalities from the Financial Information Return (FR), and the MPMP. Also provides access to Energy Management Tool.



### MFOA Virtual Library

Contains sample policies, reports, and RFPs on various topics including asset management; budgeting and financial planning; reserves and reserve funds; and much more.



### MMA Resources for Municipalities

Contains a wide variety of key municipal policy issues; can be filtered by year and issue.

# #3

## Key Legislation and Policies



### Assessment Act, 1990

Governs how Ontario properties (Crown, commercial, industrial and residential) are assessed. Gives MPAC the power to assess property values.



### Consultations Directory

Database of all current Ontario public consultations.



### Development Charges Act, 1997

Overarching legislation that sets out the process for municipalities to pass their own development charges bylaws and how revenue from charges can be used.



### E-Laws

Database of official copies of Ontario legislation.



### Local Services Realignment: A User's Guide

A guide to reforms in the division of responsibility of responsibility between the Government of Ontario and its municipalities.



### Municipal Act, 2001

The main piece of legislation that governs the creation and administration of Ontario municipalities.



### Planning Act, 1990

Sets out the regulations for land use planning in Ontario and describes how land uses can be controlled and who may control them.



### Regulatory Registry

Database of new and upcoming regulations that affect Ontario businesses.

## #4

## Extras



### List of Municipalities

List of all 444 Ontario municipalities, including contact numbers. Available on the Ministry of Municipal Affairs website.



### Municipal Government in Canada

Explains how municipal government relates to the other orders of government in Canada. Available on the Canadian federal government website.



### Municipal Government in Ontario

Explains the differences between the various types of municipality (single-tier, regional, county, etc.) and outlines how municipal government is structured across the Province. Available on the Ministry of Municipal Affairs website.



# #5

## Common Acronyms

Having trouble decoding the language of your colleagues? There is a good chance they are talking in acronyms. The following list should help with the translation.



### General Accounting Terms

<b>ARL</b>	Annual Repayment Limit	<b>CPA</b>	Chartered Professional Accountant
<b>NBV</b>	Net Book Value	<b>RFP</b>	Request for Proposal
<b>RFQ</b>	Request for Quotation	<b>RFT</b>	Request for Tender
<b>TCA</b>	Tangible Capital Assets		



### Municipal Finance Terms

<b>AGM</b>	Annual General Meeting	<b>AMP</b>	Asset Management Plan
<b>DC</b>	Development Charges	<b>DSSAB</b>	District Social Services Administration Board
<b>EMT</b>	Energy Management Tool	<b>FIR</b>	Financial Information Return
<b>MBNC</b>	Municipal Benchmarking Networking Canada	<b>OPTA</b>	Online Property Tax Analysis
<b>MDW</b>	Municipal DataWorks	<b>PMFSDR</b>	Provincial-Municipal Fiscal & Service Delivery Review
<b>OMPF</b>	Ontario Municipal Partnership Fund	<b>PSAB</b>	Public Sector Accounting Board
<b>OPP</b>	Ontario Provincial Police	<b>QMS</b>	Quality Management System (for drinking water)
<b>PSAS</b>	Public Sector Accounting Standards		

## About MFOA

MFOA is a non-profit association representing the specific interests of municipal finance officers in the province. We also provide research and education to municipal staff



Many Ontario municipalities are members of MFOA. All employees of a member municipality have the opportunity to join MFOA. As a member, you are entitled to a variety of services provided by MFOA. Please contact Julie Turcsanyi at [office@mfoa.on.ca](mailto:office@mfoa.on.ca) to get you started.

## Intergovernmental Relations

Through our advocacy work we have developed an extensive network at the municipal and provincial levels, acting as a collective voice for municipal finance officers.



## Policy Development & Advocacy

We conduct research and share best practices to promote municipal fiscal sustainability. We enhance your capacity by providing write-ups on a range of issues of interest and importance to our members.

Want to influence policy? Join an existing MFOA committee or join a new one. We believe that municipal engagement and consensus building are key to sound policy development.

## Information Sharing



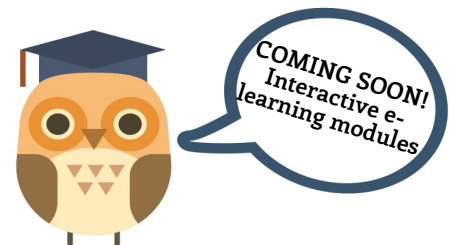
Our Virtual Library has hundreds of examples of policies that have been approved by municipal councils. If you can't find what you need, let us know and we will try to find it.

Subscribe to our monthly eNewsletter for updates on best practices and ongoing consultations.

## Professional Development & Education

We organize networking events and an annual conference to allow members to network and develop their professional connections.

We offer webinars and workshops on "core" and "new" topics such as Asset Management, Reserve and Reserve Funds, Government Funding Updates and more. Be sure to look out for Municipal Finance 101 sessions - a must attend 2-day workshop for new municipal employees.



## Job Opportunities

Positions in municipalities and ministries are advertised on our website and in our monthly eNewsletter.

## One Investment Program

This offers various products including Money Market, Bond Portfolio, Equity Portfolio, Universe Corporate Bond and High Interest Savings Account (HISA).

# Expand Your Network with YPN@MFOA

## MFOA's Young Professional Network!



### What is YPN@MFOA?

The Young Professionals Network (YPN) is a group of individuals who are under the age of 35 and/or have worked in municipal finance for less than five years. Young financial professionals working in any areas within a municipality are encouraged to join networking, training and annual conference events to build upon their professional capacity.

### What does YPN@MFOA Do?

YPN @MFOA allows young finance professionals become part of a growing network where you can interact with colleagues from other municipalities to learn best practices, ask questions or just chat and learn about the world of municipal finance!



### Are There Networking Opportunities?



YPN Talk sessions can be accessed online!

Join us for the YPN @MFOA networking event at the annual MFOA conference!



Standalone networking events!

### Ways to Get Involved

We encourage you to check if your municipality is an MFOA member. If yes, make sure your name, title and contact information are added to our database. You will get exclusive access to member pricing on training, new policy information and be connected to municipal finance professionals across the province.

To get involved, access the YPN @MFOA webpage on MFOA's website or join our group on LinkedIn (YPN @MFOA).

Want to do more? Join our YPN Committee consisting of 10-12 members representing all types of Ontario municipalities. Their purpose is to assist MFOA in identifying the evolving needs of young professionals and act as subject matter experts in a focus group when identifying professional development and networking opportunities.

MFOA