



## **City of Belleville Budget and Financial Controls Policy**

**Subject: Budget and Financial Controls Policy**

**Dated: July 11, 2023**

**Related Documents: Tangible Capital Asset Policy  
Purchasing Policy  
Asset Management Study**

### **Policy Statement**

Budget policies provide the framework for overall fiscal planning and management. The policies provide for both current and long-range planning activities and provide standards against which current budgetary performance can be measured and proposals for future programs or service reductions can be evaluated. Through implementation of this policy, the City of Belleville will endeavour to achieve its current and future goals in a fiscally responsible and sustainable manner.

### **Purpose**

The purpose of this policy is to:

- Define and improve the efficiency of the budget setting process;
- Ensure that the budget plans presented by staff are consistent with the goals contained in the Strategic Plan;
- Maintain the long-term financial stability of the City with affordable and sustainable taxation and user rates;
- Establish a foundation for monitoring actual expenditures against budgeted expenditures.

### **Scope**

The Municipal Act requires Council to review and adopt a balanced budget on an annual basis. This policy applies to all City departments, Boards, Committees, and other organizations falling within the reporting requirements of the City. Budget development shall comply with all relevant provisions of Ontario statutes, including, but not limited to the following:

- Municipal Act, including sections relating to Business Improvement Areas
- Police Services Act
- Public Libraries Act
- Safe Drinking Water Act
- Development Charges Act
- Building Code Act

## Definitions

The following definitions pertain throughout this policy:

**“Annualized Costs / Revenues”** - the conversion of any costs or revenues which were approved in the prior year's budget for a partial year to a twelve-month period for inclusion in the Base Budget. Annualized costs would normally include personnel and related costs and those costs related to municipal service contracts which began during the year or were subject to price escalations part way through the year. Annualized revenues would normally be associated with annualization of new operating revenues or increases in rates and utilization of services. These costs and revenues must be clearly identified in the Base Budget

**“Budget”** – a financial plan for a specified period of time (fiscal year) that matches all planned revenues and expenditures for the provision of various municipal programs and services, approved by Council

**“Base Budget”** - a base budget is the funding required to carry on existing programs at the same level of service as last year. This represents essentially a status quo starting point. The base budget is calculated as follows:

Current Year Base Budget = Prior Year Approved Budget  
+ Inflation  
- One-time charges/Revenue  
+/- Known uncontrollables  
+/- Annualized Costs or revenues  
+ Capital Impacts

**“Capital Budget”** – is a plan of proposed capital expenditures to be incurred in the current year and over a period of subsequent years (long-term), identifying each capital project and the method of financing. Capital budgets are approved on an annual basis.

**“Capital Impact”** - the additional operating costs that relate to operating or maintaining a capital project that has been completed and is now "in use". Capital impacts will be included as Base Budget adjustments in the operating budget.

**“Capital Project”** – a project, which results in the acquisition of construction of a capital asset as defined in the City's Tangible Capital Asset Policy.

**“Departmental Operating Plan”** – an annual plan for each department of the City that includes the responsibilities, goals and objectives, planned results and resources of the department for the particular year. The plan will be in line with the Corporate Strategic Plan and will provide reporting on the prior year's results.

**“Fiscal Year”** – is the twelve month accounting period for recording financial transactions. The City's fiscal year ends December 31.

**“Management Recommendations”** - result from the review of the operating budget accounts by departmental management and represent suggested adjustments required to maintain the existing level of service.

**“Operating Budget”** – the budget containing the revenues and expenditures including, but

not limited to, salaries and wages, materials and supplies, contracted services, external transfers, utilities and insurance required to provide government programs and services for the current fiscal year.

**“Operating Budget Area”** –the net individual business sections within corporate departments (e.g., Transportation and Operating Services; Winter Control) that can be identified in the City’s Operating budget under the net expenditures by funding source. These may be subject to change over time and will be presented accordingly.

**“Operating Issues”** - an issue is defined as a change in staff level, service level, policy changes, one-time charges/projects, and major external factors. Issues are meant to highlight new commitments of resources, so Council can see, approve or decline variations from the status quo. Issues are displayed as changes to the Budget to emphasize the impact. External agency budget requests are included as operating issues as well.

**“Reserve/Reserve Fund”** – A **“Reserve”** is an allocation of accumulated net revenue. It has no reference to any specific asset and does not require physical segregation of money or assets. A **“Reserve fund”** exists where assets are segregated and restricted to meet the purpose of the reserve fund. These funds are either discretionary (internally restricted) or obligatory (externally restricted) in nature and are established via by-law and/or requirement of statute or external agreement.

**“Treasurer”** - means The Director of Finance, or any person appointed by the Corporation to fulfill the statutory requirements of the Treasurer under the Municipal Act, 2001.

## **Budget Principles & Objectives**

### **Community Benefit**

Capital budgeting requires Staff and Council to allocate the financial resources of the City to meet the needs of the City in the present and future. The "best interests" of the community as a whole should be at the core of all budgeting decisions.

### **Strategic Plan**

The Strategic Plan serves as the guiding document under which all city initiatives are aligned. The City budgets will support the objectives of the Strategic Plan.

### **Accountability and Transparency**

The budget will demonstrate accountability to the community through an open and transparent decision-making process in addition to audited financial statements and other reporting.

### **Budget Amendments**

Council approval is required for all proposed Operating and Capital Budget changes.

### **Risk Management**

Priority-setting and decision-making will be informed by risk management principles with the aim to minimize the negative effects of risk while also minimizing the cost to accomplish mitigation.

**Innovative Approach to Funding**

The budget will incorporate innovative approaches to service delivery and will include funding to allow for the development and implementation of operational efficiencies and cost-saving measures. Cost-sharing and partnership strategies will be pursued, including the provision of matching funding where leveraging opportunities exist.

**Asset Management**

The budget will support existing infrastructure using a life-cycle strategy and asset management best practices. New infrastructure will be considered where it is in alignment with the current Strategic Plan.

**Balanced Budget**

The operating budget will be balanced as per the legislative requirements outlined in the Municipal Act. Any shortfall in budgeted revenues versus expenditures for a budget period will be offset equal to the shortfall thereby resulting in a balanced budget.

**Budgeting for Revenue**

The City shall not utilize one-time revenues for ongoing expenditures. However, one-time revenues may be used to fund non-recurring expenditures or services that can be completed within a specific amount of time without significant disruption to the City provided it is duly approved by Council. One-time revenues include, but are not limited to; grants or subsidies from other levels of government or municipalities that are not legislated to recur annually, transfers from Reserves and Reserve Funds, and proceeds on sale of property.

Certain municipal revenues can be termed "unpredictable" as they fluctuate year to year and are not under the direct control of the City. The budget amount for unpredictable revenues shall be conservative in nature and represents management's "best" estimate at the time of the budget.

**Addressing Unfunded Liabilities**

The budget will address identified unfunded liabilities such as sick leave, WSIB, etc. through reserve contributions and established policy.

## BUDGET ROLES AND RESPONSIBILITIES

Role	Budget Responsibilities
Municipal Council	<ul style="list-style-type: none"> <li>• Establish priorities through the Strategic Plan</li> <li>• Approve guidelines in advance of detailed budget preparation</li> <li>• Approve the proposed level of public communication and engagement</li> <li>• Review and debate the budget submissions</li> <li>• Adopt the budget by by-law</li> <li>• Approve the rates required for taxation and user fees by-law</li> </ul>
Finance Committee	<ul style="list-style-type: none"> <li>• Receive and review annual departmental operating plans</li> <li>• Review and recommend to Council, budget guidelines for Capital and Operating budgets.</li> <li>• Review tax and ratepayer feedback to assess and recommend priorities for upcoming budget.</li> <li>• Recommendations should include, but are not limited to;               <ul style="list-style-type: none"> <li>○ key strategic priorities of focus for the budget,</li> <li>○ projects or initiatives to assess in compiling the budget,</li> <li>○ levels of service adjustments to consider,</li> <li>○ residential tax rate increases range.</li> </ul> </li> </ul>
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"> <li>• Direct, in co-operation with the Treasurer and the Executive Management Team, the preparation and presentation of the annual operating and capital budgets</li> <li>• Direct, in co-operation with the Treasurer, the preparation of budget guidelines for approval by Council</li> <li>• Exercise financial control over all corporate operations, in conjunction with the Treasurer, to ensure compliance with the revenue and expenditure budgets approved by Council</li> <li>• Direct the Departmental Operating plans in alignment with the budget process</li> </ul>
Executive Management Team (EMT)	<ul style="list-style-type: none"> <li>• Lead the development of realistic and responsible departmental budgets in accordance with the established guidelines, timeline, and process as per Budget Policy</li> <li>• Submit budget requests based on supportable facts that can be well understood by the general public and other members of the organization</li> <li>• Ensure that the resources and assets under their authority are effectively managed on an ongoing basis</li> </ul>

Treasurer and Supporting Staff	<ul style="list-style-type: none"> <li>• Treasurer – lead and coordinate the overall preparation and administration of the City operating and capital budgets</li> <li>• Ensure adherence to budget policies and financial policies as approved by Council</li> <li>• Provide management and strategic direction to the financing of the City</li> <li>• Provide appropriate budget format and forms to be utilized in the budget preparation</li> <li>• Ensure reporting of actual operating and capital project results on a timely basis in accordance with the budget policy</li> </ul>
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## Municipal Policy – Operating Budget

### Operating Budget Process

1. Guidelines for budget preparation are set in advance of the budget year by Council. The Finance Committee will review and recommend guidelines to Council following consultation with the Chief Administrative Officer and Treasurer. Guidelines can include; areas of key strategic focus and priority, projects or initiatives of significance to be considered in budget preparation, specific level of service considerations, ranges of acceptable overall tax increases for the year.
2. Direction in terms of corporate wide assumptions and conditions will be communicated to the Executive Management Team in advance of the annual budget preparation.
3. Finance staff will provide the appropriate forms and format as well as detailed instructions to be followed in the preparation of the departmental operating budgets.
4. Each Departmental Director shall prepare and submit annually their departmental operating plan to the CAO in the format prescribed by the CAO. These documents will support the budget process and be presented to Finance Committee and Council in line with the approved operating budget timeline.
5. Each Departmental Director shall prepare and submit annually to the Treasurer their Operating Budget Requests on the forms and format prescribed by the Treasurer. Information to be provided includes, but is not limited to the following:
  - Base Budget adjustments for service revenue items approved by Council prior to Budget submission to Council. Finance will prepare and provide the base adjustments required for the following common items:
    - Payroll Salary, Benefit and Pension annualizations
    - Insurance
    - Prior year issue eliminations and annualizations
    - Debt repayments
    - Other contractual payments
    - Changes resulting from fluctuations in commodity or utility costs.

The above adjustments will be reviewed with departmental staff as part of the operating

budget process.

- Management Recommendations - Adjustments to operating accounts required to maintain existing service levels. Revenues/Expenditures lines are to be calculated and adjusted based on known commodity trends, approved studies/reports including user fee reports/by-laws and master plan reports.
  - Operating Issues
    - New programs and/or service levels and provide costs and justifications for the changes;
    - Costs and justification for any increase to full-time equivalent staffing levels from the Base Budget;
    - Prior to submission, issues should be categorized as follows:
      - Category 1 – City Boards
      - Category 2 – Special Purpose Bodies
      - Category 3 – Provincially Mandated Services
      - Category 4 – Legislated, Committed, Health and Safety Issues
      - Category 5 – Maintain Service Levels/Capital (Maintenance)
      - Category 6 – Enhance Service Levels  
*Consider Cost savings or inherent efficiencies;  
Identified need with self-sustaining revenues available; and  
Identified need with no corresponding revenue possibilities.*
6. The CAO, Treasurer and supporting staff will meet with each department to review their departmental budget submission. The meeting will include:
- The review of program and or service levels
  - The verification of timing and cost estimates and
  - Identification of external funding sources where applicable
7. Finance staff will compile and summarize the appropriate departmental operating budgets to create the draft City Operating Budget
8. The Executive Management Team will review the Draft City Operating budget and supplementary information for accuracy and completeness prior to submission to the Finance Committee and Council
9. The Finance Committee will participate in the final budget review process as part of the Executive Management Team workgroup meetings. The Committee will review and be able to provide input with the goal of ensuring to meet the Council guidelines provided for the budget.
10. The proposed City Operating budgets will be presented to Council for approval along with supporting reports and other documentation as necessary.

## **Operating Budget Spending Before Budget Approval**

1. Where the current year Operating Budget is not approved prior to the commencement of the year, Departments are authorized to expend funds at the previous year's levels, unless specifically directed otherwise by Council, until the current year's operating budget has been approved.
2. No new programs or service enhancements are to be initiated before the operating budget is established without the prior approval of Council.

## **Operating Budget Reporting**

1. An Operating Budget detailed monthly Financial Statement will be provided to all Departments, no later than the second Friday of the following month.
2. The Treasurer and supporting staff will review financial statements quarterly with all Departments and provide assistance in analysis of accounts.
3. A financial statement will be provided to the Finance Committee at each Committee meeting, and shall include a variance analysis for accounts in a format prescribed by the Treasurer.

## **Over Expenditure on Operating Budget**

- Where actual Net expenditures of an approved Operating Budget Area is exceeded by the greater of 10% or less of the operating budget area and \$50,000, approval of the Chief Administrative Officer and City Treasurer is required.
- Where actual Net expenditures of an approved Operating Budget Area is exceeded by more than 10% (subject to a minimum of \$50,000), approval of the Chief Administrative Officer and City Treasurer is required and will be reported to the Finance Committee with the associated funding strategy.
- In all cases, the funding source to be used for the over expenditure must be identified.



## **Municipal Policy - Capital Budget**

### **Capital Expenditures**

A capital expenditure is defined as a significant expenditure incurred for the improvement, acquisition or major rehabilitation of buildings, equipment, rolling stock and infrastructure used to provide municipal services.

A capital expenditure will have benefits lasting beyond one year and have a minimum threshold of \$3,000 or as otherwise stipulated in the City's Tangible Capital Asset Policy.

A repair or maintenance expenditure designed to maintain an asset in its original state is not a capital expenditure, unless it will extend the useful life of the asset. Such repairs or maintenance expenditures shall be included in the Operating Budget.

### **Capital Budget Process**

1. Each Department shall prepare and submit annually to the Treasurer their Capital Budget requests and forecasts on the forms and in the format prescribed by the Treasurer.
2. Each Capital Budget Issue shall be prepared on the Issue Template provided by Finance and should include:
  - The responsible department and the service or division within the department to which the project applies;
  - A project Category. Staff will assign one of the following to each project:
    - Asset Maintenance & Replacement – Capital Project affects existing capital assets
    - New Asset Acquisition & Development – Capital Project results in new capital assets
  - A project name which shall be consistent throughout all studies and City documents;
  - A brief description of the project which should identify the objectives of the project and describe how the objectives are achieved, including the need for the project;
  - The Strategic Plan objective(s) that the project is related to;
  - The year of initiation of the project;
  - The flexibility in the timing of the project (e.g. if there is a reason that it must go forward in a certain year due to legislated requirements, development or safety);
  - An indication of whether the project is growth related and will have growth funding;
  - A detailed estimate of each project's costs net of HST rebates, including a breakdown by year for multi-year projects;
  - The financing of each project, including any known information regarding grants/subsidies, direct developer contributions, or external contributions. The

Finance Department will complete the remaining financing breakdown;

- An identification of operating impacts/expenditures that result from the capital project, including any additional transfers to reserves required due to increased need for replacement of new equipment and/or new facility components that will be required in the future. At least one full year of operating costs/revenues will need to be estimated. Any savings due to upgrades should be identified.
- In developing budget estimates for capital projects which include more than one type of infrastructure (Asset Class) which is funded from different sources (i.e. Water, Wastewater, Taxation);
  - All estimated costs which are directly attributable to a specific infrastructure type shall only be funded by a funding source applicable to that infrastructure. (i.e. In developing the budget for the combined project, cost estimates for the water main pipe will be funded from a water funding source. Asphalt cost estimates will be funded through a tax funded source)
  - For project costs that are not directly attributable to an infrastructure type ( i.e. contract administration, bonding, mobilization, contract layout, Traffic control, etc.)the total cost estimate for this good/service shall be allocated to the infrastructure category estimate based on the percentage of the directly attributable costs of that infrastructure type over the total directly attributable project costs. (i.e. directly attributable costs for Water infrastructure total \$1,000, directly attributable costs to all other infrastructure type total \$2,000;  $\$1,000 / \$3,000 = 30\%$  of indirect costs (costs not directly attributable to an infrastructure type) will be allocate to Water infrastructure)
  - Finance will provide assistance with any fund/cost allocation issues.

### 3. Project Management Surcharge/Allocation

Certain capital projects will include an appropriate amount for wages and benefits where a significant amount of staff time will be spent on the project management duties related to the project. Staff working on capital projects will estimate the amount of time that will be required for the management of the project and provide that information to the Finance Department.

Staff wages will be paid from their departmental operating budget, with a cost recovery charged to the capital project.

4. The CAO, Treasurer and supporting staff will meet with each department to review their capital project submissions. The meeting will include:
- The verification of timing and cost estimates
  - Evaluation of the project's alignment with the Asset Management Plan
  - Evaluation of the project's alignment with the Strategic Plan
  - Identification of external funding sources where applicable
  - Verification of the project's priority ranking

5. Finance staff will further evaluate and assign appropriate funding sources for each project including reserves/reserve funds, development charges, conditional grants, and long term debt;
6. Finance staff will assign reference numbers, compile and summarize the departmental capital projects to create the draft City Capital Budget.
7. The Executive Management Team will review the Draft City Capital Budget and supplementary information for accuracy and completeness prior to submission to Council.
8. The Finance Committee will participate in the final budget review process as part of the Executive Management Team workgroup meetings. The Committee will review and be able to provide input with the goal of ensuring to meet the Council guidelines provided for the budget.
9. The proposed City Capital Budget will be presented to Council for approval along with supporting reports and other documentation as necessary.

## **Capital Budget Priority Ranking Process**

In discussion with the Departmental Directors, CAO and Finance staff, projects will be prioritized for further consideration using the template provided in Appendix A. The total score for each project will be recorded on the Capital Justification sheet provided to Council in the Capital Budget Package.

## **Capital Spending Before Budget Approval**

Until the Capital Budget has been approved by Council, no department will begin any capital project that was not authorized in prior years unless:

- Approval was granted by council through a report outside of the budget process prepared by the Director requiring the expenditure or the CAO;
- An emergency occurs requiring capital repairs and the purchase was approved through the processes outlined in the City's Purchasing Policy and Procedures (Section 13 a,b,c)

## **Over Expenditure on Capital Projects**

Council approved Capital Projects with a total Budget of \$500,000 or less:

- Where actual costs exceed the approved Budget by less than 10% (subject to a maximum of \$50,000) approval of the Chief Administrative Officer and City Treasurer is required.
- Where actual costs exceed the approved budget by more than 10% or \$50,000 Council approval is required
- In all cases, the funding source to be used for the over expenditure must be identified.

Council approved Capital Projects with a total Budget over \$500,000:

- Where actual costs exceed the approved budget by less than 5% (subject to a maximum of \$50,000) approval of the Chief Administrative Officer and City Treasurer is required.
- Where actual costs exceed the approved Budget by more than 5% and/or \$50,000, Council approval is required.

## Capital Budget Reporting

- No later than 60 days after the completion of the project, the Director, or designate, is to advise Finance that the project is complete.
- A quarterly financial report of Capital Project Spending to date will be provided to the Finance Committee and Council, no later than the second Friday after the end of each quarter.
- On a monthly basis, a summary listing of Capital Project Spending to date will be provided to Directors, no later than the second Friday of the following month. Directors are responsible to provide comment, no later than the second Friday following receipt of the report.
- Capital projects that have been open for greater than three (3) years will require written justification and approval by the CAO and Treasurer to be carried over.

### **Projects at or over 90% of Budget**

- Directors shall indicate any potential risk of exceeding budgets and mitigation plans to be undertaken to avoid budget overages. Both the CAO and Treasurer shall be informed directly if it is clear the project is going to exceed the budget.
- The CAO, at their discretion, may require the Director to report to Council on the project, and request additional funding (if applicable)

### **Projects – Over Budget, requiring CAO and Treasurer approval** (see Over Expenditure on Capital projects for thresholds)

- Directors will provide a report to the CAO and Treasurer on the nature and cause of the over expenditure and indicate if further charges are expected.
- The CAO, at their discretion, may require the Director to report to Council on the project, and request additional funding (if applicable)
- The Treasurer will identify the appropriate funding source and direct finance staff to close the capital project.

### **Projects – Over Budget, requiring Council approval** (see Over Expenditure on Capital projects for thresholds)

- A report will be prepared by the Director for the next Council meeting to request approval for the total expected over budget amount. The Treasurer will identify the appropriate funding source and direct finance staff to close the capital project.

## Policy Review

This policy shall be reviewed prior to the initiation of the budget process of the first year of each term of Council, or if deemed necessary by Council.

**Appendix A**  
**City of Belleville**  
**Capital Project Prioritization**  
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<b>Public Safety</b>	Health & Safety	Extent to which project eliminates, prevents, or reduces an immediate hazard to health and safety	15
	Legislated, Mandated, or Required by Law	Extent to which the project is required for regulatory reasons, or satisfies Federal/Provincial/County/Municipal recommendations or pending regulations. (i.e. - AODA)	10
			<b>25</b>
<b>Service Levels</b>	Maintain Current Level of Service	Extent to which project is necessary for the City to continue to provide one or more services at current standards, and extent to which affects all customers	10
	Improving Access	Extent to which project improves citizen access to current services	5
	Service Improvement	Extent to which project improves the quality of exiting services	5
Extent to which project increases the quantity of exiting services			
			<b>20</b>
<b>Strategic Initiatives</b>	Goals/Objectives	Extent to which project meets strategic planning goals & objectives of Council	10
	Mandates	Extent to which project helps council meet existing or new mandates. (i.e. Energy Savings initiative, Green initiative, etc.)	5
			<b>15</b>
<b>Financial</b>	Budget Impact	Projects that lower future operating expenses, increase own source revenues, or avoid future capital cost receive a positive score, ranging from 0 to 12. Projects that have no effect on operating expenses, own source revenues, or future capital cost receive a score of 0. Projects that increase operating expenses, decrease own source revenues, or increase future capital cost score anywhere from 0 to -12. Ranking of budget impact should be base on the relative return on investment.	12
	Financing	Extent to which project can be financed with non-general fund revenue sources	3
			<b>15</b>
<b>Economic</b>	Economic Impact	Extent to which project enhances economic development in City or directly/indirectly adds to tax base	5
	Growth	Extent to which the project increase infrastructure capacity; a) to service existing population, b) to meet future growth needs	5
			<b>10</b>
<b>Other</b>	Timing/Linkages	Extent to which is project is timely, a continuation of project currently underway, related to other high priority projects etc.	5
	Timeliness of Submission	Extent to which project request is submitted in a timely way	5
			<b>10</b>
<b>Community Support</b>	Community Support	Extent to which project has broad and/or strong support from the community	5
			<b>5</b>
<b>TOTAL</b>			<b>100</b>