

Appendix C

CORPORATE POLICY



Policy Title: **Financial Requests Outside of the Budget Process**
Policy Category: **Financial Control**
Policy No.: FC-002
Department: Corporate Services
Approval Date: February 17, 2007
Revision Date: December 9, 2024
Author: Kim Reger
Attachments: Appendix A - Capital – Exceeding Budget Funding
Appendix B - Capital – Allocation of Credit Balances to Resolve Funding Shortfalls
Appendix C - Exceeding Operating Funding
Appendix D – Staffing Approvals
Related Documents/Legislation: **2019–026 Purchasing By-Law**
Key Word(s):

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for requesting one-time and ongoing operating or capital funding that is outside of the budget process.

PURPOSE:

During any given year, requests are made for operating or capital funding outside of the budget process because of new information or a re-alignment of priorities. It is important that the long-term impact, the impact beyond the current fiscal year, be understood and addressed prior to funding being approved and expended.

Should acquisitions and/or spending be contemplated that exceed the approved budget at any time during the fiscal year, approval must be requested and obtained as identified in Table 1 at the next available Council meeting. This does not include emergency acquisitions (see the **Purchasing By-Law** for emergency acquisitions).

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: Oct. 18, 2024

Corporate Management Team, Review Date: Oct. 16, 2024

DEFINITIONS:

Capital Item: A “capital item” is a project”. In the case where a number of projects are grouped together (e.g. Roads Rehabilitation Program), a “capital item” is considered to be the individual projects within the larger project/program.

City: The Corporation of the City of Waterloo

CMT: Corporate Management Team

Operating Item: The definition of an “operating item” requires judgement and discretion on the part of the Commissioner and/or Director and could be considered a line item, or a program within a Department (e.g. Community Services) or Division (e.g. Parks, Forestry and Cemetery Services) level.

Outside of Budget/Unbudgeted: An item for which there is no budget.

Over Budget: An item that has been budgeted for but which is anticipated to exceed the approved budget. For capital, the budget is approved via the capital budget process or revised in accordance with policy. For operating, approved as part of the budget process.

Related Project: A project that is similar in nature to the donor project. Typically, the projects are in the same Division as the donor project and ideally are for the same purpose. At a minimum, funding sources need to be the same. For example, non-rehabilitation projects are generally funded from the Capital Reserve Fund (CRF) and rehabilitation projects use the Capital Infrastructure Reinvestment Reserve Fund (CIRRF).

Staff: An individual who is hired to provide services for the City of Waterloo on a regular basis (part-time, casual contract or full-time capacity) in exchange for compensation and who does not provide these services as part of an independent business.

YTD: Year to Date

SCOPE:

This policy applies to all members of the City’s organization including members of Council, full-time, part-time, casual and contract staff.

POLICY COMMUNICATION:

Audit Committee and Council will receive this policy for approval. If approved, the policy will be posted on the city’s intranet. Staff will be advised of the policy via distribution to the leadership teams.

POLICY:

Identification of Capital Budget Funding Requirements:

Commissioners / Directors are encouraged to work with their staff to monitor active budgeted and unbudgeted capital projects to identify projects that have unanticipated costs that will cause the project to exceed the approved budget.

Identification of Operating Budget Funding Requirements:

Commissioners / Directors are responsible for managing their operating budget and working within their Department / Division budget allocation. Salaries, wages and benefits and the related full-time equivalent (FTE) count is approved by Council during the budget process. As a result, these items are included in the Department / Division budgets that Commissioners/ Directors are responsible for managing.

Funding Sources for Capital and Operating Overages:

Commissioners / Directors are to work with their respective Financial Analyst to identify possible funding sources based on the funding process below. Where possible, alternate funding identification and approval is to be obtained *prior* to financial commitments being made that exceed the budget.

Funding Process:

The Department will inform the assigned Financial Analyst (FA) of any proposed strategy that will alter the budget. Up to CMT level approval thresholds, strategies can be resolved within the program or divisional area directly with the assistance of the FA. Anything higher will require a memorandum to CMT and/or a Council report which is submitted to and reviewed by the Finance Review Team (FRT), comprised of the Manager of Financial Planning, the Director of Financial Planning & Asset Management and the City Treasurer / CFO before the solution is proposed to approval authority. **Please note:** Capital and operating transfers are handled differently so carefully refer to the correct section.

Approvals are cumulative over the lifetime of the project. If Council approval is obtained, any further budget changes are calculated from the Council approved revised amount rather than the original budget

Working with the assigned FA, steps taken to review budgets for funding solutions is as follows:

IN YEAR CAPITAL BUDGET ADJUSTMENT PROCESS

1. For capital, a scan of projects that have a projected surplus after taking all current and forecasted expenses into account. Projects which are determined to have a projected surplus, need to have the same funding sources (reserve source) as the proposed recipient project and are required to be somewhat related in nature.
2. In some instances, no capital surpluses can be found within the same division or department with compatible funding sources. This problem is typically escalated to the Director of Financial Planning & Asset Management who may suggest reserve funding as a solution. **Please note:** any item funded by Reserve or Reserve Funds must receive Council Approval regardless of the dollar amount.

Policy Exemptions on Capital Transfers:

Within the City’s capital budget, there may be projects which are approved for a specific service delivery objective, e.g. accessibility enhancements. Since accessibility enhancements tend to be part of other projects, budget transfers are required from the source capital project to another capital project so all expenses can be reflected and tracked in the receiving project. These types of transfers are considered “housekeeping” or administrative entries in nature and do not require the same level of approval as other capital budget transfers. Funding is being utilized for the same purpose as approved in the originating project, just moved to the receiving project for tracking purposes. Another example of this would be a transfer within a grouping of projects such as the Road Rehabilitation program. Transfers between “capital items” within this group of projects would be considered administrative. Directors, along with their assigned FA have the authority to approve these transfers. This exemption allows for oversight while not compromising the efficient administration of these necessary budget adjustments.

Thresholds Limits and Associated Approvals for Capital Transfers:

- Please refer to Appendix A: Exceeding Budget Funding for Approval Thresholds
- Please refer to Appendix B: Allocation of Capital Credit Balances to Resolve Funding Shortfalls

IN YEAR OPERATING BUDGET ADJUSTMENT PROCESS

Staffing:

Approval for additional contract staffing requires CMT approval up to \$150,000 via a CMT memorandum. The program area must self-fund contracts from within (surplus City-wide expense/capital) and provide sources in the memorandum. Threshold amounts are calculated on a cumulative basis meaning the value of the entire contract over the term required. Permanent staffing requests require Council approval, as per current practice. Permanent staffing requests are typically included in a formal operating

budget, but exceptions are made in certain circumstances and approved by Council via a standalone report.

Budget Overages:

Surplus/Deficit Reporting Process

Directors are responsible for monitoring their monthly revenue and expense reports (R&E'S). Any overage >\$150,000 per operating line is required to be flagged in the corporate Surplus/Deficit reporting process with the assistance of their respective FA. This Surplus/Deficit report is based on YTD actuals plus a forecast for the remainder of the year so the program area can proactively identify overages and as a result, senior management can take steps to reduce the risk of being over budget on a City-wide level. The results of this projection process are aggregated in a staff report which is taken to Council twice per year (Spring and Fall) by Finance. If the City does project and realize a City-wide shortfall the offset would be pulled from the Tax Rate Stabilization Reserve. Enterprises, where possible, would draw on their reserves in case of an operating shortfall.

Thresholds Limits and Associated Approvals for Operating Transfers:

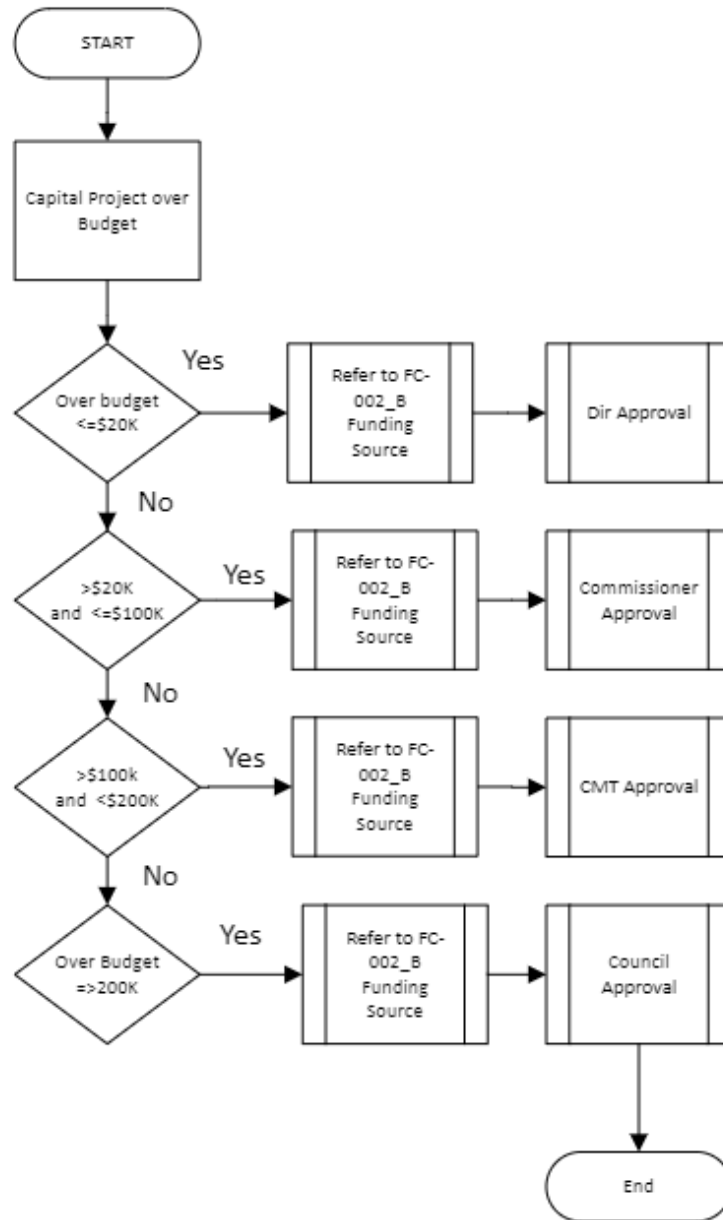
- Please refer to Appendix C: Exceeding Operating Budget Funding
- Please refer to Appendix D: Staffing Approvals

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.

Appendix A

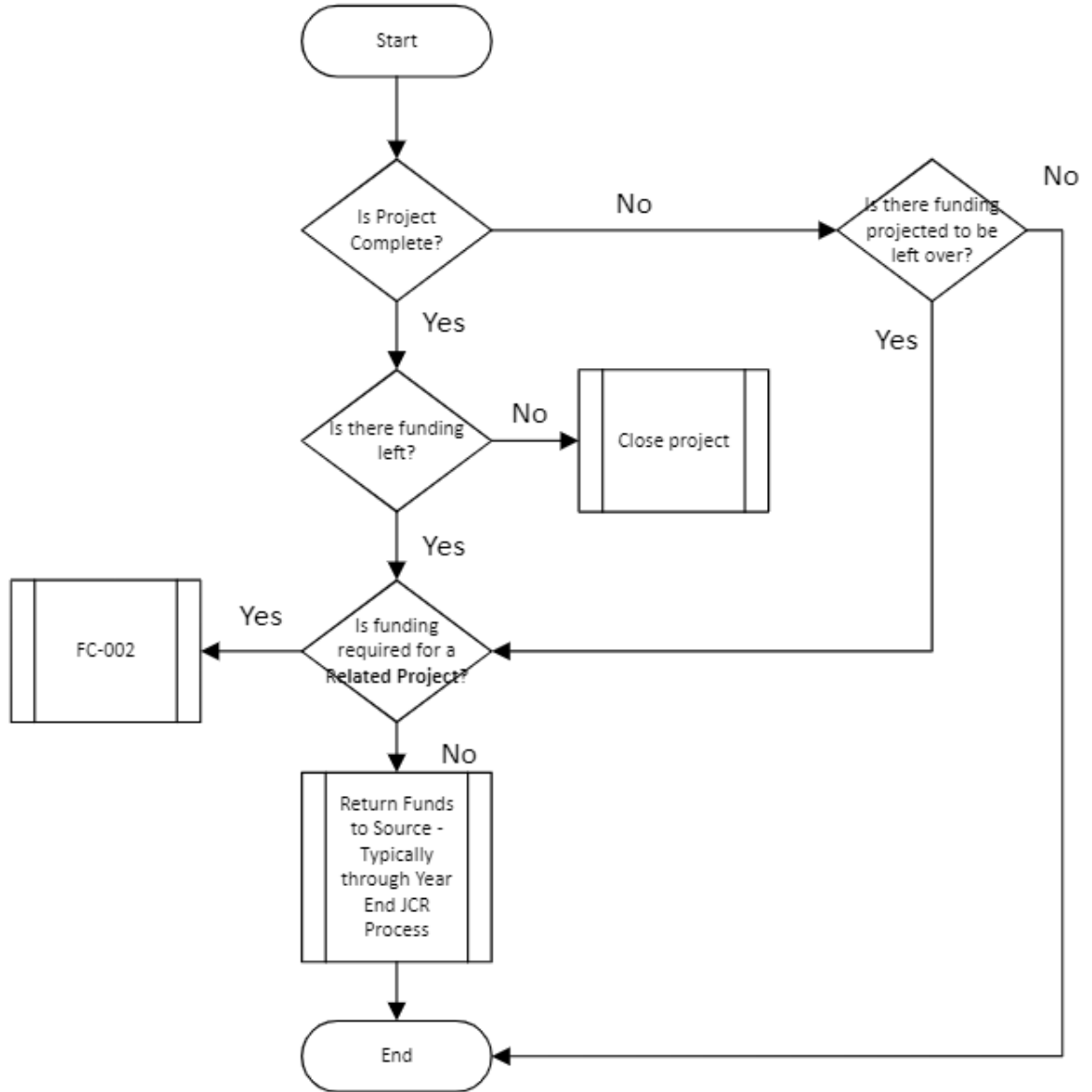
Capital – Exceeding Budget Funding for Approval Thresholds FC-002



Exception: Capital projects that are approved for funding a specific service delivery objective can be transferred to another capital project, regardless of amount, with Director approval if the service delivery objective(s) are the same. For example, funding for *Accessibility for Ontarians with Disabilities Act (AODA)* is aggregated into one capital project to be used City-wide. Transfers are required from this parent project to other projects that have AODA needs that require funding.

Appendix B

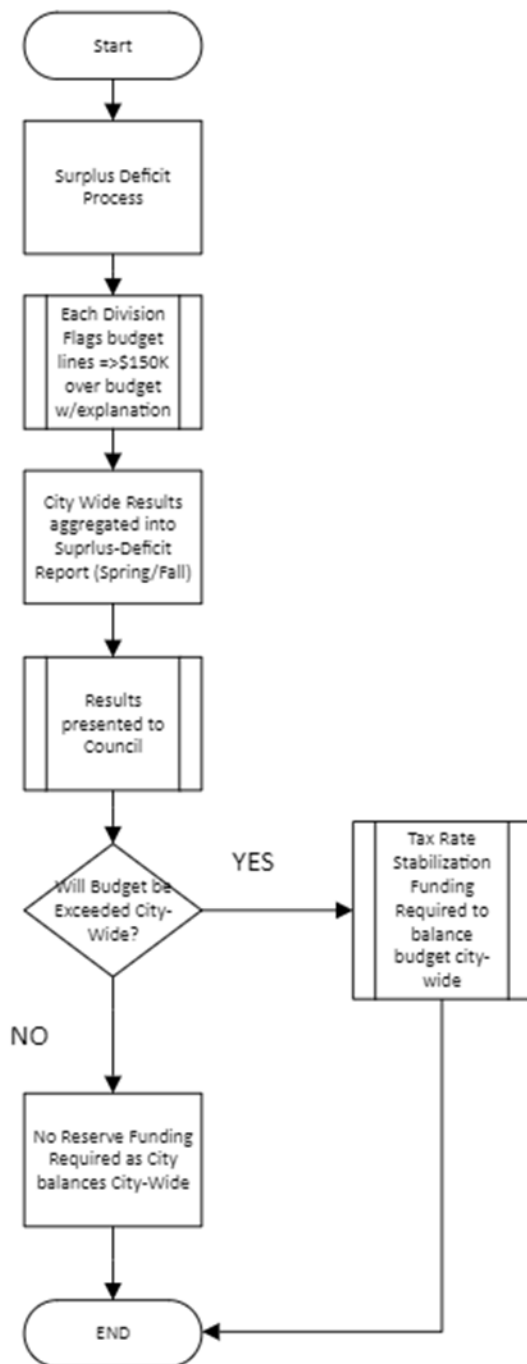
Allocation of Capital Credit Balances to Resolve Funding Shortfalls (FC-002_B)



Related Projects – A project that is similar in nature to the donor project. Typically, the projects are in the same Division as the donor project and ideally are for the same purpose. At a minimum, funding sources need to be the same. For example, non-rehabilitation projects are generally funded from the Capital Reserve Fund (CRF) and rehabilitation projects use the Capital Infrastructure Reinvestment Reserve Fund (CIRRF). Returning funds to source should occur no later than two years after completion of the original project.

Appendix C

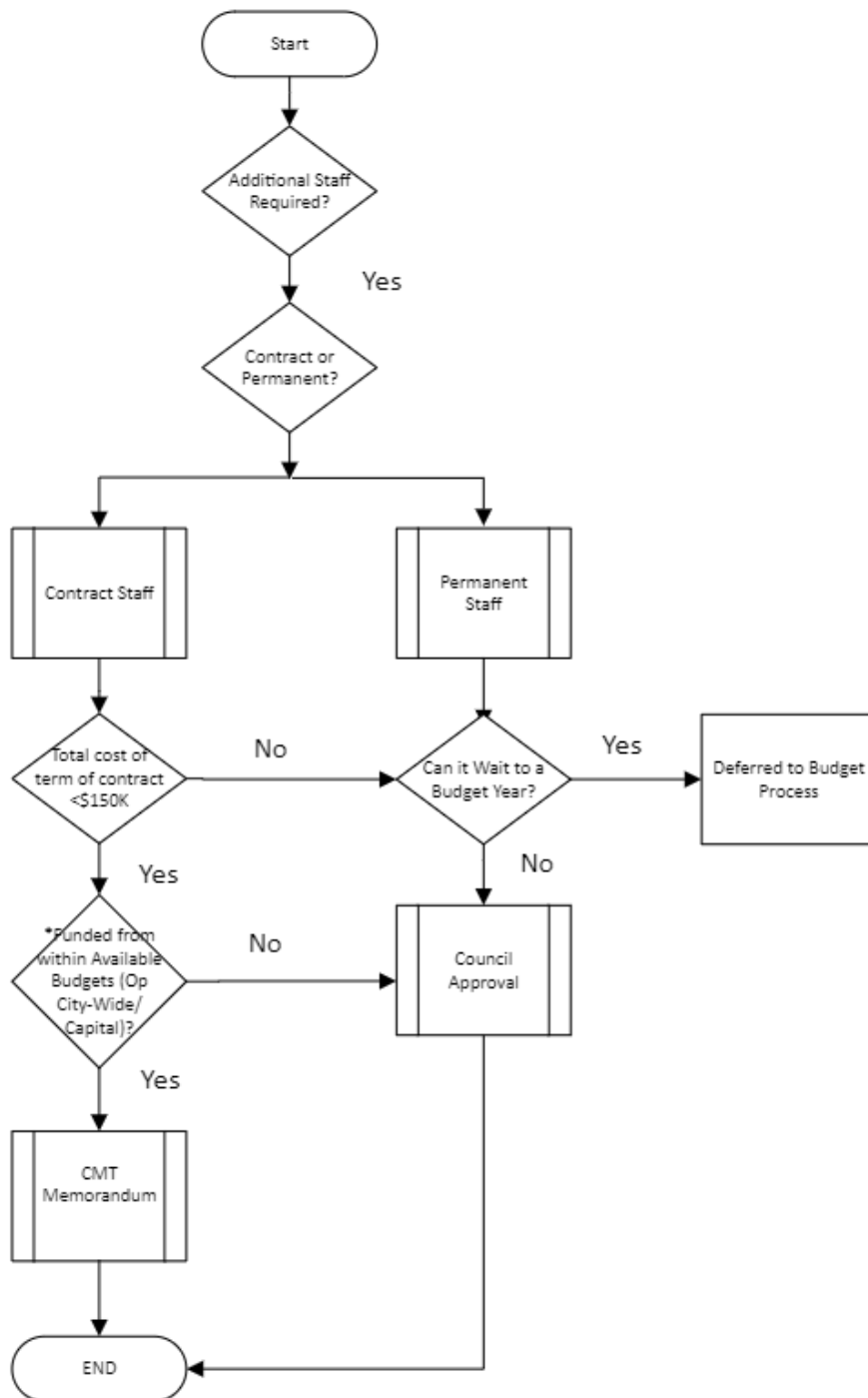
Exceeding Operating Budget Funding



Note: For Enterprises, if an annual operating shortfall is realized will draw from its own reserve, where possible.

Appendix D

Staffing Approvals



*Note – Operating must be funded with an *expense* operating surplus or capital for CMT approval.