

CORPORATE POLICY



Policy Title: **Multiple Year Budget Approval**
Policy Category: **Financial Control**
Policy No.: FC-011
Department: Corporate Services
Approval Date: December 17, 2007
Revision Date: August 10, 2015
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation: Ontario Municipal Act Regulation 291.(1)

Key Word(s): Budget

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined, transparent and flexible process for budgeting.

PURPOSE:

Changes made to the Ontario Municipal Act in 2006 provide Council with greater flexibility. The additional flexibility is created due to the ability to approve a one year budget for the first year of a Council term and the remaining three years in one, three year approval if Council wishes. The purpose of this policy is to define the procedures for multiple year budget approvals.

DEFINITIONS:

Municipal Act

The *Municipal Act* is the statute governing the powers, duties, internal organization, and structure of Ontario municipalities.

CMT

Corporate Management Team

Net Zero

Adjustments categorized as "housekeeping" items whereby budget funds can be reallocated within departments to realign the existing budget.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: July 10, 2015

Corporate Management Team, Review Date July 15, 2015

SCOPE:

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

POLICY COMMUNICATION:

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 Operational Leadership Team and Corporate Management Team.

POLICY:**Budget and Business Plans**

1. Departments will prepare three year budgets & business plans that will establish three years of service levels and three years of revenue requirements.
2. Departments are expected to operate within their approved budget in each of the three years.
3. Annually, if a surplus exists, it will be allocated to reserve funds based on existing surplus allocation policies.

User Fees

1. City of Waterloo User Fees will be reviewed as part of the budget process. User Fees will be adjusted to reflect market influences and operation needs.
2. The Fee & Charges By-Law will be approved by Council as a single year in the first year of a Council Term.
3. Subsequent to the first year, a three year approval of the Fee & Charges By-Law will be sought.
4. That the powers of a Commissioner to increase, decrease or waive a fee outlined in section 3.1.8 in the Fees & Charges By-Law
5. Significant changes may be brought to CMT and subsequently to Council for review and approval.
6. User Fees that are legislated to be set for a specific date or time period will be adhered to and brought to Council for approval.

Adjustment Process

1. The three year budget approval will allow for an annual adjustment process so that Council has some flexibility to adjust plans and budgets as economic and political circumstances change.

Adjustments may include, but are not limited to;

- a) Material changes to the projected Core Consumer Price Index (CPIX)
- b) Material changes to Labour Agreements
- c) Material changes to Economic assumptions
- d) Changes to Assessment Growth Projections*

Material changes are defined as individual items that will have an impact of 1% property tax budget (or approximately \$600,000).

***Assessment Growth**

Budget will be adjusted annually for changes to Assessment Growth Revenue within the three year budget cycle. The changes will be reflected in the annual budget confirmation that goes to Council for approval. This is to ensure the tax levy is adjusted appropriately.

Scenario	Recommended Action
Actual Assessment Growth is greater than budget up to a maximum of 1% property tax budget (or approximately \$600,000)	Allocate excess funds to Budget Contingency to minimize the impact of unforeseen expenses or shortfalls in assessment growth in future years.
Actual Assessment Growth is less than budget up to a maximum of 1% property tax budget (or approximately \$600,000)	Fund the shortfall through the Tax Rate Stabilization Reserve as a one-time infusion of funds. Sustainable funding to be referred to the following year's budget process.
Differential between Actual Assessment Growth and Budgeted Assessment Growth greater than 1% property tax (or approximately \$600,000)	Open the budget per materiality threshold.

Operating Net Zero Procedure:

1. There is an opportunity for Managers/Directors/CMT to make "Net Zero Adjustments" between budget cycles.
2. It is not an opportunity to create new programs or receive additional funding as by definition the changes must net to zero.
3. Any changes must be a reallocation of one expense to another expense, or from one revenue source to another revenue source, thereby having no overall financial impact but rather to more accurately align the budget.

For instance, if actual expenses for a certain budget line are historically below budget provision, funding may be reallocated to another desired expense account, as shown below:

	Amount	Account	Account Description	Org	Org Name	Program	Project
Increase Budget to: + sign in front	\$5,000	200511	Mtc Contracts	13511	Building Stds	00000	00000
Decrease Budget from: - sign in front	-\$5,000	200106	Legal Prosecution	13511	Building Stds	00000	00000
Net Zero check	0						

Capital Net Zero Procedure:

1. Projects of equal or lesser value may be traded off within the three year period adhering to the following thresholds;

Threshold^	Approval Level^
< \$10,000	Directors
> \$10,000 and < \$50,000	Commissioner
> \$50,000 and < \$200,000	CMT
≥ \$200,000	Council

Note:

^The projects have been approved during the capital budget process. The alignment of the projects may be adjusted based on the identified thresholds to be efficient and cost effective.

COMPLIANCE:

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