

Financial Control Budget Policies

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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: August 10, 2015
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation:

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 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 as a result of new information or re-alignment of priorities. It is imperative that the long term impact, the impact beyond the current year, of these requests be understood and addressed prior to funds being expended when possible.

Should acquisitions/spending be contemplated that exceed the approved budget proposed at any time during the year, approval must be requested and obtained (as identified in Table 1) in advance and in order for additional funds to be expended when possible, over and above those originally approved within the budgets. This does not include emergency acquisitions (please see the Purchasing By-Law for Emergency acquisitions).

DEFINITIONS:

Over Budget:

An item that has been budgeted for, but which is anticipated to exceed the approved budget.

Outside of Budget:

An item that has not been budgeted for.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: July 10, 2015

Corporate Management Team, Review Date July 15, 2015 _____

Capital Item:

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

Operating Item:

The definition of an “operating item” requires judgment and discretion on the part of the Commissioner/Director and could be considered to be a line item, or a program within a division or department level.

Staff:

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

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:**Identification of Capital Budget Funding Requirements:**

Directors / Commissioners are encouraged to work with

- their staff to monitor capital project in progress in order to identify projects that have unanticipated costs that will cause the project to exceed the approved budget.
- their staff to identify capital projects that are outside the budget process as a result of new information or re-alignment of priorities.

Identification of Operating Budget Funding Requirements:

Directors / Commissioners are responsible for managing their operating budget and working within their division / department’s budget allocation. Salaries, wages, benefits and the related FTE count is approved by Council during the budget process. As a result, these items are included in the divisional / department budgets that Directors / Commissioners are responsible for managing.

If it not possible to remain within budget, Directors / Commissioners are responsible for adhering to the process identified below:

Funding Sources for Capital and Operating Overages*:

Directors / Commissioners are encouraged to work with

- Their respective Financial Analyst and/or Accounting Technician to identify possible funding sources based on the process identified below. Where possible, alternate funding identification and approval is to be obtained prior to financial commitments being made that exceed budget.

Funding Process:

The Department will inform the Director of Financial Planning & Purchasing and the appropriate Financial Analyst/Accounting Technician if a strategy is undertaken that will alter the budget.

1. The Divisional budgets are to be reviewed by the Director of the respective Division or the Commissioner of the respective department to identify sources of funding or expenditures that the overage could be substituted for. For Capital, this would include reviewing related capital projects that have a credit balance. See Credit Balance Policy for detailed information regarding eligibility of project to project transfers.
2. If no acceptable alternative is found at the Divisional level, then the Commissioner shall review the Departmental budget for alternative strategies.
3. If no alternative strategy is found, the Commissioner will contact the Chief Financial Officer or Director of Financial Planning & Purchasing so that Finance may assist in recommending a funding strategy.

***Note:**

Any item funded by Reserve or Reserve Funds must receive Council Approval regardless of dollar amount.

Table 1
Overage Scenarios

1. Capital Budget
 - a. Over Budget – The Item has been budgeted, but is exceeding the approved budget
 - i. Approval Thresholds
 1. ≤ \$10,000 Directors
 2. > \$10,000 and ≤ \$50,000 Commissioners
 3. > \$50,000 and < \$100,000 CMT
 4. ≥ \$100,000 Council
 5. Items that accumulate to ≥ \$100,000 Council
 - b. Outside of Budget – The item has not been budgeted for
 - i. Approval Thresholds
 1. ≤ \$10,000 Directors
 2. > \$10,000 and ≤ \$25,000 Commissioners
 3. > \$25,000 and < \$50,000 CMT
 4. ≥ \$50,000 Council
 5. Items that accumulate to ≥ \$50,000 Council
 6. Item related to the purchase or sale of land (e.g. survey, environmental assessment) ≤ \$100,000 CMT
 7. Items related to the purchase or sale of land (e.g. survey, environmental assessment) ≥ \$100,000 Council
 2. Operating Budget
 - a. Staffing
 - i. New staffing requests are to be approved by Council
 - b. Overages
 - i. Directors are responsible for monitoring their R&E's on a monthly basis and managing their operating budgets accordingly. Areas of concern should be flagged to the GM & Finance.
 - ii. A purchase order (PO) made where budget is exceeded at the divisional level, will require budget confirmation by Finance before the PO can be dispatched.
 - iii. The annual Surplus/(Deficit) process will identify budget overages in excess of \$100,000 by division and report them to Council
 - iv. Approval Thresholds
 1. ≤ \$10,000 Directors
 2. > \$10,000 and ≤ \$50,000 Commissioners
 3. > \$50,000 and < \$100,000 CMT
 4. ≥ \$100,000 Council
 5. Items that accumulate to ≥ \$100,000 Council

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **Debt Management Policy**
Policy Category: **Financial Control**
Policy No.: FC-009
Department: Corporate Services
Approval Date: April 20, 2009
Revision Date: January 21, 2019
Author: Brad Witzel
Attachments:
Related Documents/Legislation: Ontario *Municipal Act* Regulation 403/02

Key Word(s): Debt

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 managing debt.

PURPOSE:

The purpose of this policy is to outline the procedures and steps undertaken to ensure the City of Waterloo plans for and uses debt appropriately.

DEFINITIONS:

Municipal Act

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

Capital Reserve Fund (CRF)

The capital reserve fund is the primary source of funding for the purchase, construction, or development of new capital assets and studies.

Capital Infrastructure Reinvestment Reserve Fund (CIRRF)

The capital infrastructure reinvestment reserve fund is the primary source of funding for expenditures associated with the rehabilitation or replacement of all existing tax-based capital infrastructure.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: November 6, 2018

Corporate Management Team, Review Date November 14, 2018

Net Debt Charges (NDC)

Net Debt Charges are calculated as existing debt charges, less recoveries from user rates.

Annual Repayment Limit (ARL)

Is the legislated limit that caps principal and interest payments for municipalities based on net operating revenues.

Total Capital Charges

Is the relationship between the financial support required from the capital reserve fund and the capital infrastructure reinvestment reserve fund compared to the total payments from Net Debt Charges. The calculation used to determine Total Capital Charges is

Annual Net Debt Charges + The annual budgeted contribution to CRF and CIRRF = Total Capital Charges

User Rates

Fees charges for services that can be measures and costs recovered.

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:

Debt Limits

1. ARL is limited to 25% of net operating revenues based on regulations established within the Municipal Act.
2. Annual NDC will not exceed the annual budgeted contribution to CRF and CIRRF.
3. Capital projects will have ≤ 30% of total funding, from debenture funding.

Debenture Terms

1. Amortization periods of debentures may not exceed 10 years.

Policy Exemptions

1. Projects included in the most recent approved Development Charges By-Law that have anticipated debenture financing that will be recoverable through Development Charges.
2. Projects included in the Council Approved Capital Budget that have anticipated debenture financing that will be recoverable from Enterprise Funding (examples include but are not limited to; City Utilities and Cemetery Services).

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **Definition of Capital**
Policy Category: **Financial Control**
Policy No.: FC-010
Department: Corporate Services
Approval Date: February 17, 2007
Revision Date: August 10, 2015
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation:

Key Word(s): Budget, Capital

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 defining capital projects.

PURPOSE:

The purpose of this policy is to define capital projects and minimum threshold to be included in the capital budget.

DEFINITIONS:

Capital Asset:

A capital asset is an item with physical substance (the exception being software) with a useful economic life extending beyond one fiscal year.

Ongoing Maintenance:

Ongoing maintenance includes but is not limited to painting, mechanical maintenance, and replacement of existing parts.

Betterment:

Betterment is a cost incurred to enhance the service potential of a tangible capital asset by either increasing productivity or service capacity and results the extension of the asset life.

SCOPE:

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

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: July 10, 2015

Corporate Management Team, Review Date July 15, 2015 _____

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:

Minimum Capital Budget Threshold:

The minimum annual dollar amount to be included within the Capital Budget is \$10,000.

Examples of acceptable capital budget items:

There are many projects that may be considered eligible for the capital budget beyond those that fit the definition of an asset.

Examples of acceptable items to be included in the capital budget are as follows:

- Maintenance projects requiring significant funding or will be completed in stages over multiple years.
- Soft projects such as studies and consultant work that are usually the precursor to changes in operations or the implementation of capital projects.
- Projects that are a result of an agreement for services or funding between Municipalities, the Region or other Government body.
- An obligation to make capital expenditures or major maintenance expenditures as part of an agreement to sell or lease a property.
- A project that improves operational effectiveness.

COMPLIANCE:

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

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: January 21, 2019
Author: Brad Witzel
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 Municipal Act will permit up to a 5 year multi-year budget approval; however City Administration has chosen to align multi-year budget approval with Council terms*). 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: November 6, 2018

Corporate Management Team, Review Date: November 14, 2018

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 operational 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 are 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% of the property tax budget.

***Assessment Growth**

Budget will be adjusted annually for changes to Assessment Growth Revenue. 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.

Actual Assessment Growth is greater than budget up to a maximum of 1% of the property tax budget	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% of the property tax budget	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% of the property tax budget	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 Budgetto: + 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;

< \$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.

CORPORATE POLICY



Policy Title: **Capital Budget**
Policy Category: **Financial Control**
Policy No.: FC-012
Department: Corporate Services
Approval Date: Feb. 17, 2007
Revision Date: May 13, 2019
Author: Julie Koppeser
Attachments:
Related Documents/Legislation:

Key Word(s): Budget, Capital

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 the development and funding of capital projects.

PURPOSE:

The purpose of this policy is to govern the items that will assist in creating the capital budget.

DEFINITIONS:

Capital Project:

A capital project is an item identified and funded through the Council Approved Capital Budget or an item funded through the Financial Requests Outside the Budget Process.

Overhead:

A fee applied via a percentage to reimburse the operating budget for internal resource support. Costs include but are not limited to: staff related expenses to manage projects, process & release of payments, design etc...

Internal Resource Support:

Internal Resource Support can include but is not limited to: design services, project management, contract administration, and review of reports.

POLICY NUMBER: FC-012

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Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: April 12, 2019

Corporate Management Team, Review Date: April 24, 2019

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:

1. That projects appearing in the Capital Budget adhere to the minimum balance threshold identified in the Council approved policy, Definition of Capital (FC-010).
2. Projects will be reviewed and use the criteria below to assist in the decision making of identifying which projects would be automatically funded post Budget Approval (Routine projects) and which projects would need to return to Council with a report before funding is released (Non-Routine projects):
 - a. **Financial Materiality**
 - i. Projects receiving funding greater than \$2.5M over the 1 year period (one year budget approval)
 - ii. Projects receiving funding greater than \$5M over the 3 year period (multiple year budget approval)
 - b. **High Public/Council Interest**
 - c. **Request by Council**
3. That all reserve funds financing capital expenditures must, at a minimum, have a positive balance, with the exception of Development Charges reserve funds which are permitted to carry a negative balance to be recouped over the course of Background Study projection.
4. That all expenditures within the current capital budget be inflated according to the five year rolling average third quarter, Toronto construction price index updated with each budget process and that expenditures within the capital budget forecast be inflated by 2%.
5. That reserves and reserve funds that provide funding for the capital budget will receive annual transfer allocations as approved within the base Operating Budget or as approved by Council.
6. All proposed capital expenditures accessing Industrial Land Account (ILA) funding are subject to a staff report request to Council and Council approval, prior to commencement of the project, unless approved as Routine.
7. For Capital Project Overhead charges related to projects, refer to the Capital Overhead policy (FC-018).

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **Use of Budgeted Assessment Growth Revenue**
Policy Category: **Financial Control**
Policy No.: FC-013
Department: Corporate Services
Approval Date: April 20, 2009
Revision Date: April 16, 2018
Author: Julie Koppeser
Attachments:
Related Documents/Legislation: Ontario Municipal Act Regulation 403/02

Key Word(s): Assessment Growth

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 providing sustainable funding.

PURPOSE:

The purpose of this policy is to outline the procedures and steps undertaken to ensure the City of Waterloo plans allocates assessment growth appropriately.

DEFINITIONS:

Assessment

The dollar value assigned to a property by MPAC for purposes of measuring applicable taxes. It is the price placed on a home by the corresponding government municipality to calculate property taxes.

Assessment Growth

The increased assessed property value as determined by MPAC. MPAC is the organization that provides province-wide property assessment system using current value assessment.

Capital Reserve Fund (CRF)

Mandatory Policy, *Municipal Act*: No
Policy Administration Team, Review Date:
Corporate Management Team, Review Date: _____

The capital reserve fund is the primary source of funding for capital projects.

Capital Infrastructure Reinvestment Reserve Fund (CIRRF)

The Capital Infrastructure Reinvestment Reserve Fund funds rehabilitation or replacement of capital infrastructure.

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:

Assessment Growth Allocation

- 10% of Assessment Growth is allocated to CRF
- 30% of Assessment Growth is allocated to CIRRF.
- 60% of Assessment Growth is allocated to the operating budget.

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **New Revenue Policy**
Policy Category: **Financial Control**
Policy No.: FC-014
Department: Corporate Services
Approval Date: April 14, 2008
Revision Date: Dec. 10, 2018
Author: Brad Witzel
Attachments:
Related Documents/Legislation:

Key Word(s): Revenue

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 allocating “new revenue.”

PURPOSE:

During any year, opportunities may arise for “new revenue.” The purpose of this policy is to define “new revenue” and recommend an allocation methodology. This policy was created in 2008 in response to the following Notice of Motion.

1. Develop a policy to define “new revenue.”
2. Recommend a process for allocation of any such revenue, providing for discussion by Council prior to any discussion occurring at the staff level.

DEFINITIONS:

Revenue

Based on the Canadian Institute of Chartered Accountants (CICA) Handbook (HB), revenue is defined as the following:

The inflow of cash, receivables, or other consideration arising in the course of the ordinary activities of an enterprise, normally from the sale of goods, the rendering of services, and the use by others of enterprise resources yielding interest, royalties, and dividends. Revenue is net of items such as trade or volume discounts, returns and allowances, claims for damaged goods, and certain excise and sales taxes.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: November 6, 2018

Corporate Management Team, Review Date: November 14, 2018

Excise and sales taxes to be netted against revenue would normally include those imposed at the time of sale and would normally exclude those imposed prior to the time of sale on either the goods or their constituents.

In the municipal setting, our typical sources of revenue are Property taxes, User Fees, and Other Revenues such as Government Grants and Investment Income.

Revenue Recognition

Based on the CICA HB, revenue recognition is defined as the following:

Revenue from sales and service transactions should be recognized when the requirements as to performance....are satisfied, provided that at the time of performance ultimate collection is reasonably assured.

New Revenue

Based on the definitions above, "New Revenue" can be considered those revenues which are over and above the base revenue currently budgeted to be received, which can be reasonably assured of being received.

New Revenue would **include** new "types" of revenue, such as:

1. Additional revenue from Government Grants or Grant Programs
2. Additional revenue from new sources of revenue such as new user fees

In the City of Waterloo, new revenue under this policy would **exclude**:

1. Property tax increases
2. Additional revenue from Assessment Growth
3. Additional revenue from existing User Fees
4. Additional revenue from Investment Income

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:**Allocation of New Revenue**

Currently, there are some Council-approved policies and procedures which allocate new revenue, those being:

1. Excess Assessment Growth
 - a. In general, any amount received in excess of budgeted Assessment Growth will be put in the Budget Contingency to be used for unforeseen expenditures or shortfalls in assessment growth in future years.
 - b. See actual policy for details
2. Assessment Growth
 - a. 10% of assessment growth revenue will be dedicated to the Capital Reserve Fund.
 - b. 30% of assessment growth revenue will be dedicated to the Capital Infrastructure Reinvestment Reserve Fund.
 - c. See actual policy FC-013 Use of Budgeted Assessment Growth Revenue for details.
3. Core Consumer Price Index (CPIX)
 - a. In general, new property tax revenue generated from CPIX is to be used for municipal inflationary increases in the base budget, or other priorities as deemed necessary by Council and/or staff.
4. Government Grants or other funding from other levels of government
 - a. Funding linked to a specific program or service, whether operating or capital, then the funding will be used for that program or service.
 - b. Funding that does not have a specific link to a program or service (all or in part), will be discussed at Council with direction provided to staff.
5. Other revenue
 - a. Any significant increases in other sources of new revenue (\$100,000 or more), direction to staff will be sought from Council.
 - b. For any linked sources of new revenue, such as sponsorship or fundraising revenue, funding will be used as per the linkage to the program.

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **Capital Overhead**
Policy Category: **Financial Control**
Policy No.: FC-018
Department: Corporate Services
Approval Date: February 17, 2007
Revision Date: May 13, 2019
Author: Brad Witzel
Attachments:
Related Documents/Legislation:

Key Word(s): Budget, Capital

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 capital projects.

PURPOSE:

The purpose of this policy is to define overhead, the corresponding overhead rate charged to capital projects and where the overhead will be recovered in the operating budget.

DEFINITIONS:

Overhead:

A fee applied via a percentage to reimburse the operating budget for internal resource support. Costs include and not limited to: staff related expenses to manage projects, process & release of payments, design etc...

Service Delivery Division:

Division that identifies the need and subsequently budgets a capital project.

Project Implementation Division:

Division that implements and manages the capital projects on behalf of other divisions.

Grant:

A gift in monetary or in kind terms by another government, agency or organization for specified purposes which are usually defined by specified qualification of terms.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: April 12, 2019

Corporate Management Team, Review Date: April 24, 2019

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:

Projects

That capital projects with a Project Implementation Division from Integrated Planning and Public Works (IPPW), Facility Design Management Services (FDM) or Environment & Parks Services (EPS) will have a 4% overhead fee charged to them.

Grant Funding

Overhead will not be charged on grant funding where overhead is considered an ineligible expense. Examples include however are not limited to Federal Gas Tax Fund, Ontario Community Infrastructure Fund.

Overhead Fees

Overhead fees will be charged when the project is approved and the funding is released. The corresponding revenue in the operating budget will be assigned to Corporate Transactions. Any annual Capital Project Overhead Revenue (Acct #610101) surplus will be allocated 100% to the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) at year-end.

COMPLIANCE:

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

CORPORATE POLICY



Policy Title: **Core Consumer Price Index (CPIX)**
Policy Category: **Financial Control**
Policy No.: FC-019
Department: Corporate Services
Approval Date: June 15, 2015
Revision Date: April 10, 2017
Author: Kim Reger
Attachments:
Related Documents/Legislation:

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, transparent and flexible process for budgeting.

PURPOSE:

This policy assists in formalizing a defined and transparent process for providing guidance in setting tax increases.

DEFINITIONS:

Consumer Price Index (CPI):

The Consumer Price Index (CPI) provides a broad measure of the cost of living in Canada. While there are other ways to measure price changes, the CPI is the most important indicator because of its widespread use. Through the CPI, Statistics Canada tracks on a monthly basis, the retail price of a representative shopping basket of about 600 goods and services from an average household's expenditure on food, housing, transportation, furniture, clothing, and recreation.

Core Consumer Price Index (CPIX):

Core CPI: The CPI excluding eight of the most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products) as well as the effect of changes in indirect taxes on the remaining components.

User Fees:

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date TBD

Corporate Management Team, Review Date March 22, 2017

Fees or charge for a product, regulatory process, permit, license or for a service that is provided by the City of Waterloo.

Enterprises:

Divisions with the City of Waterloo that are governed by legislation, including City of Waterloo By-Laws, with respect to their user fees. Enterprises include but not limited to Water, Sewer, Stormwater, Rental Housing, Cemeteries and Building Standards.

Lease Revenue:

Revenue earned through a landlord-tenant relationship.

Staff:

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

SCOPE:

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

POLICY COMMUNICATION:

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:

1. CPIX will act as a guideline for property tax increases.
2. Staff will strive to keep increases as close to inflation as possible for the base budget (net efficiencies).
3. That CPIX is calculated using a yearly rolling average from the Bank of Canada and reported to Council in September for approval on an annual basis.
4. That base revenue will be reviewed at the department level and increased by the recommended CPIX when possible. Departments have the responsibility to review the revenues to determine market responsiveness, customer affordability and cost recovery for all fees.

Exemptions:

- A. Business Enterprises
 - a. Enterprises will review and adjust their user fees according to their respective legislation.
 - b. Enterprises have the responsibility to review revenues to determine market responsiveness, customer affordability and cost recovery.
- B. Lease Revenue

- a. Lease and other leasing revenue rates will be based on items such as market conditions and legislation, and will otherwise be subject to negotiations. CPIX will be a factor in considering these types of rates.

COMPLIANCE:

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