

# Corporate Policy and Procedure



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Policy	<b>Budget Policy</b>
Category	Corporate
Authority	Finance
Related Policies	Reserve and Reserve Fund Policy, Budget Monitoring Policy, Long-term Financial Framework, Debt Management Policy, Purchasing Policy
Approved By	Council
Effective Date	Monday, June-28-2021
Revision Date	As required

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## Policy Statement

The Council of the City of Guelph is committed to budget strategy that furthers the Long-term Financial Framework principles of demonstrating financial sustainability, maximizing financial flexibility, and minimizing financial vulnerability.

## Purpose

The purpose of this policy is to:

- Define the budget as the financial resourcing plan to implement the goals set out by Council in its Strategic Plan;
- Ensure budget development is based in strong, long-term financial principles;
- Define the budget planning horizon as a minimum four-year outlook to support stable and efficient financial management, and predictable taxation and user rates for the community;
- Ensure consistency in presentation of financial impacts of service level decisions;
- Articulate the importance of integrated Local Board and Service Agency relationships in meeting long-term financial objectives;
- Elevate transparency, communication and education about budget process and financial priorities;
- Integrate the expectation of continuous improvement in in the budget process.

## **Definitions**

### **Administrative Changes**

Adjustments categorized as “housekeeping” items whereby budget funds can be reallocated within Services to realign the existing Operating Budget and have a net zero impact to the tax or user rates levied. Capital budget “housekeeping” items are defined as items less than \$100,000 having a net zero impact, are similar projects with similar funding and can be realigned within the approved Multi-year Budget (MYB) period.

### **Budget**

A multiple-year financial plan that details the required net expenditures for the provision of various municipal programs and services, both operating and capital in nature, which then derives annual taxation and user fee rate requirements. It includes the combination of budget period for approval and forecast periods that at minimum must be four years for operating and ten years for capital.

### **Budget Confirmation**

The annual process of validating and confirming the Budget in subsequent (second, third or fourth) years of a MYB.

### **Capital Budget**

Capital expenditures and associated financing that is being recommended to Council for approval; these expenditures relate to the City’s inventory of assets, either through studies, plans, purchases or construction. Each project is funded separate from the annual operating budget via a number of unique funding sources.

### **Capital Forecast**

A multi-year plan of capital expenditures, to be updated annually, identifying each capital project and the method of financing.

### **Local Boards and Shared Service Agency**

An external entity which is either under the authority of Council and/or legislatively required to provide services which are funded by the City.

### **Material Changes**

An individual item or summation of Operating Budget items that would have an annual impact of 0.50% to the property tax and payment in lieu of taxes to be levied. Material changes may result in a change to the approved levy or user rates.

A capital project or summation of Capital Budget projects that would have an annual impact greater than \$500,000.

## Operating Budget

The budget containing annual expenditure and revenue estimates required to deliver programs and services including the annual reserve contribution requirements to fund long-term financial strategies.

## Operating Forecast

A multiple-year operating plan that is updated annually to estimate future year expenditures and revenues, including property tax and user fee requirements.

## Reportable Changes

An individual Operating Budget item that would have an annual impact of between 0.05% and 0.49% to the property tax and payment in lieu of taxes to be levied and is managed within the existing approved budget, with no change to the approved levy increase or user rate increase. A capital project adjustment with a net 0 impact and less than \$500,000.

## Service

An organizational unit of the City, possibly a department or division, which is functionally unique in its delivery of services.

## Budget Roles and Responsibilities

The following roles have budget responsibilities as listed:

Accountability Role	Role Responsibilities
Municipal Council	<ul style="list-style-type: none"><li>• Establish priorities through the Strategic Plan</li><li>• Establish budget guidelines by way of Budget Policy and other financial policy documents</li><li>• Review, deliberate and approve the Budget</li><li>• Approve the rates required for taxation and user fees by by-law</li></ul>
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"><li>• Direct, in co-operation with the Treasurer and the Executive Team, the preparation and presentation of the Budget to Council</li><li>• Exercise financial control over all corporate operations in conjunction with the Treasurer and the Executive Team to ensure compliance with the Council-approved Budget</li></ul>
Executive Team (ET)	<ul style="list-style-type: none"><li>• Review and approve annual budget strategy</li><li>• Review and recommend a Budget that is aligned to the Strategic Plan to Council</li><li>• Each Deputy Chief Administrative Officer and CAO has individual accountability of their respective Service Area budgets</li><li>• Recognize the priorities of the corporation as a whole, separate from specific departmental priorities, during the decision-making process</li></ul>

Accountability Role	Role Responsibilities
	<ul style="list-style-type: none"> <li>• To maintain a culture of data driven decision making that is a result of appropriate internal collaboration, alignment to the Strategic Plan, business case option assessment, and risk management</li> <li>• To support transparent and open communication of budget performance and financial risks to Council</li> </ul>
General Manager	<ul style="list-style-type: none"> <li>• Individual accountability for the development and recommendation of itemized multiple-year Service Budgets and Forecasts to the Executive Team in accordance with established guidelines, timeline, and process</li> <li>• Development of Service business plans that identify operating and capital resource requirements to address changing service delivery needs and implementation of Strategic Plan initiatives</li> <li>• Ensure that the resources and assets under their authority are effectively managed on an ongoing basis</li> </ul>
Chief Financial Officer/Treasurer	<ul style="list-style-type: none"> <li>• Plan, lead and coordinate the overall preparation, engagement, communication and administration of the Budget, both internally and externally</li> <li>• Ensure adherence to budget policies and financial policies as approved by Council</li> <li>• Develop funding strategies for to the financing of the Budget</li> <li>• Coordinate with Local Boards and Shared Service Agencies to incorporate their budget requirements into the Budget and forecasts</li> </ul>

**Scope**

The Budget Policy applies to all City-managed Services. It is expected that Local Board and Shared Service Agencies would provide Budget requirements consistent with the City’s approved Budget Policy.

**Financial Pillars**

The budget policy has been developed in accordance with the foundational pillars outlined in the long term financial framework.

**Sustainability**

The ability to maintain services over an extended period of time, providing continuous service at the expected level to all intended customers.

The Budget will incorporate a long-term planning horizon for financing service delivery objectives of the Strategic Plan, through integrated financial strategies that provide stable and predictable user and taxation rates for the community.

## **Vulnerability**

The level of resiliency within the organization to mitigate unexpected negative factors while maintaining financial and service commitments.

Priority-setting and decision-making will be informed by risk management principles with the goal to minimize the negative financial effects of risk while minimizing the cost to accomplish this mitigation. The City will utilize reserve strategies to minimize annual Budget impact of revenues and expenditures subject to significant variability.

## **Flexibility**

The ability of the organization to adapt to changing environments to both capitalize on opportunities and avoid threats.

Fiscal flexibility will be built to respond to emerging community needs and unexpected events through debt management and reserve and reserve fund strategies.

## **Budget and Forecast Guidelines**

### **General**

1. Council will be presented a Budget aligned with the Strategic Plan that includes an Operating Budget and Forecast spanning four years, and a Capital Budget and Forecast spanning ten years.
2. Budget Policy will enable the approval of a multiple-year Budget that encompasses up to four years.
3. In each of years two, three and four of a multiple-year Budget, Council will review and approve a Budget Confirmation to validate or amend the Budget as approved in the first year. Adjustments to the Budget in each confirmation year will be considered if they total a Material Change.
4. Services are expected to operate within their approved annual Budget in each of the four years, respectively. For greater clarity, approved Budget in a future year cannot be expended in an earlier year.
5. City of Guelph user fees will be reviewed and approved through By-law as part of the Budget and Budget Confirmation and will be adjusted to reflect market influences and operation needs.

### **Budget Adjustments**

1. The Budget Confirmation will allow for an annual validation of the approved multiple-year Budget so that Council has flexibility to adjust the Budget to respond to change. Adjustments may include, but are not limited to;
  - new or changed legislation or regulation
  - new or changed council direction
  - economic or political conditions

2. There are three categories of changes; Material Changes, Reportable Changes, Administrative Changes. See Attachment 1 for a table summarizing these changes and Attachment 2 for an example of the process.

- Material Changes will open the Budget and may result in Council approving a Budget Adjustment from the already-approved non-tax rates or the total property taxes to be levied in the current and future years.
- Reportable Changes will be managed within the already approved Budget through realignment of Service budgets or reserve and reserve funds, and will be approved by Council during the annual Budget Confirmation.
- Administrative Changes at the Service Area level will have no impact on the net amount to be levied either through property taxes or rates and will not be reported individually to Council. See Administrative Change Process below for additional clarity.

3. Any revision to the budget in budget confirmation years be as a simple majority only and not a 2/3 "super majority".

### **Administrative Change Process**

1. There is an opportunity for Services to realign budget so long it has a net zero impact and is administrative in nature.
2. It is not permissible to create new programs or implement new fees, as by definition, the changes must administrative and have no impact to service level.
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 more accurately aligns the budget.
4. Changes affecting both revenue and expense accounts with a net zero impact will be approved by a member of ET and the Treasurer.
5. Capital projects that are similar in nature and have a similar or interchangeable funding source.

### **Reportable Change Process**

1. There is an opportunity for Services to make budget adjustments providing the net amount is between 0.05 per cent and 0.49 per cent of the property tax levy or a capital project between \$100,001 and \$499,999.
2. Any changes will not have an impact on the property tax levy or the user fees rates and charges or service levels.
3. Any net increase or decrease in the budget will be managed through efficiencies with offsetting expense reductions or through reserve transfers or grant funding. All changes are accommodated within the approved budget.
4. Changes will be approved by Council through the annual confirmation process.

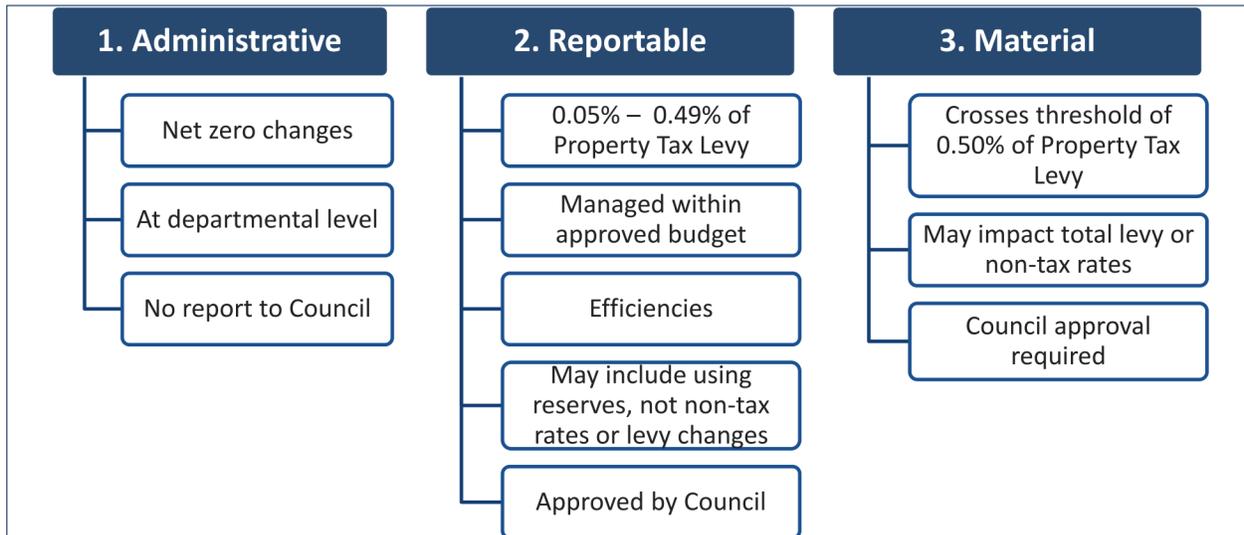
### **Material Change Process**

1. A material change crosses the threshold of 0.50 per cent of the property tax levy or a capital project \$500,000 or greater.

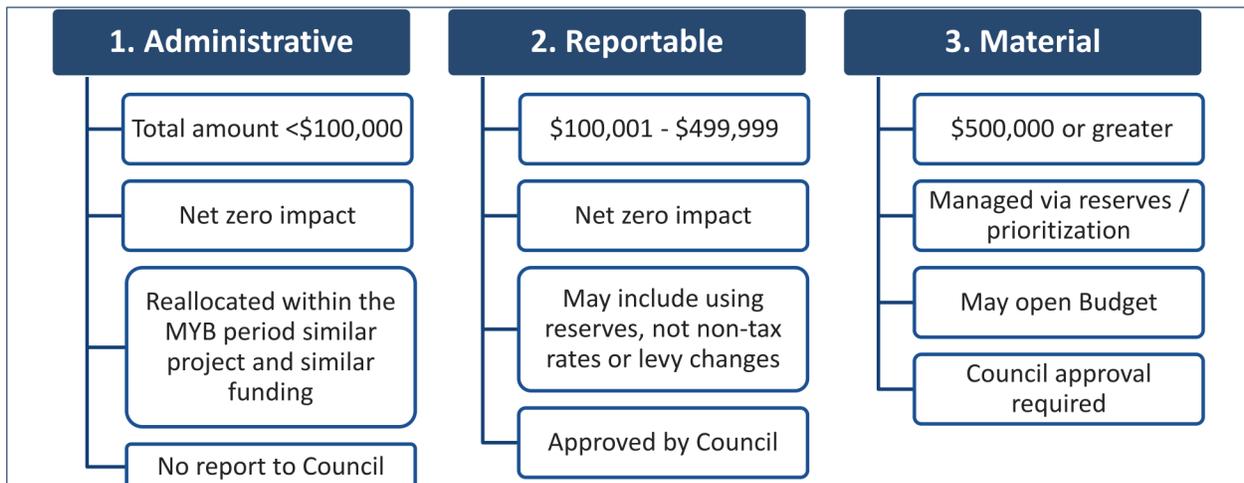
2. Budget Requests and Capital Projects will be reviewed and possible re-prioritization may occur to accommodate the material change within the existing approved budget.
3. Changes may have an impact on the property tax levy or the user fees, rates and charges or service levels.
4. All material changes will be presented to Council through the annual confirmation process and will require Council approval.

# Attachment 1 – Thresholds for managing budget changes in MYB

## Operating



## Capital



## Attachment 2 –Budget Adjustment Examples

Example of potential operating budget changes

Budget for property assessment growth will be adjusted annually for changes related to the actual assessment growth revenue within the Multiple-year budget cycle. The changes will be reflected in the annual Budget Confirmation that goes to Council for approval. This chart summarizes the various approaches to assessment growth change annually.

Scenario	Recommended Action
Actual assessment growth is greater/less than budget and falls within the Reportable change threshold	Allocate excess/shortfall funds to/from the general operating contingency business unit or the Tax Rate Operating Contingency Reserve to minimize the impact of unforeseen expenses or shortfalls in assessment growth in future years.
Actual assessment growth is greater/less than budget but greater the Material Change threshold	Open the budget per materiality threshold and adjust the current and future Budget accordingly.

Examples of potential capital budget changes

Scenario	Recommended Action
Cost of construction on a road reconstruction project increased by \$250,000 due to completion of detailed design	Reallocate between similar projects DCAO and CFO approve the change and report to Council with the annual budget confirmation process No requirement to open the capital budget
Bridge work is required due to requirements of Metrolinx, timeline requires work to be started prior to next MYB. Impact is expected to be \$650,000	Open the capital budget per definition of material and insert the required project and manage within the overall capital reserve funds