

Category: Finance

**Title:** Budget Policy

Policy Number: FIN-140

Approved by: CW264-2018

Administered by: Financial Planning and Analytics, Finance Division

Effective: June 27, 2018

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## 1. Background

Budget development, management and control is in accordance with the *Municipal Act, 2001*, Section 290 (1), which states that budgets must be approved annually, in the current or immediately preceding year, and include amounts sufficient to pay all debts for the year. In the case of multi-year budgeting, future years are approved in principle only, and must be reviewed and formally approved in the current or immediately preceding year.

Budget development, management and control is a primary management responsibility. Department heads are accountable to the Chief Administrative Officer (CAO) who is accountable to Council for financial planning, spending, revenue generating and service delivery performance against their approved budgets.

The Treasurer is accountable for ensuring adherence to statutory and policy requirements governing use of funds and for budgetary reporting, as provided for in the *Municipal Act, 2001*, Section 286

This Policy operates in conjunction with related City by-laws, policies and procedures.

## 2. Purpose

The purpose of this Policy is to outline the principles and framework that the City of Brampton will utilize to develop and manage its operating and capital budgets.

## 3. Application and Scope

This Policy applies to all staff, boards and agencies responsible for budget management or spending decisions that impact City resources.

## **4. Outcomes**

- 4.1 The budget management process complies with the *Municipal Act, 2001*.
- 4.2 Budgets are developed, implemented and managed in accordance with established Council priorities and direction.
- 4.3 The budget development, management and controls processes provide the framework to ensure consistency in the use of financial resources throughout the corporation.
- 4.4 The budget management process responds to evolving circumstances while keeping Council informed.
- 4.5 The process provides transparency and accountability to the public.

## **5. Principles**

The following principles govern the management of the City's financial obligations, which help to protect the City's long-standing financial reputation:

- 5.1 **Accountability:** The City is accountable to all stakeholders while adhering to legislative and policy requirements.
- 5.2 **Transparency:** The City is responsible for conducting business in a manner that provides public transparency.
- 5.3 **Fiscally prudent:** The City is responsible for accurately and appropriately managing funds to ensure no undue burden is placed on the taxpayer.

## **6. Policy Statements**

- 6.1 Operating and capital budgets are developed in support of the City's approved strategic plan, Council-approved priorities, Long-Term Financial Master Plan, Corporate Asset Management Plan and other approved master plans and studies.
- 6.2 Submissions to Committee and Council must first be endorsed by the Treasurer and CAO.
- 6.3 Sustainability of services will be ensured through matching of planned expenditures and funding sources.
- 6.4 Operating and capital spending is to be carried out within the approved net expenditure operating and capital budgets. Variances shall be reported to the CAO and Council.
- 6.5 Decisions involving amendment of approved overall operating and capital budgets, except as outlined in sections 6.9 and 6.10, require approval of

Council, following public notice as outlined in the *Municipal Act, 2001* and the City's Procedure By-law.

- 6.6 An Infrastructure Levy will be maintained at a minimum 2% increase per year as a basis for budget development. This levy will be used to fund capital asset repair and replacement.
- 6.7 The General Rate Stabilization Reserve (GRS) acts as the primary contingency fund to ensure that the City has the ability to meet its legislative requirement for a balanced operating budget at year end. The fund can be drawn upon to finance unforeseen or non-recurring projects and other requirements, essentially protecting taxpayers from any major volatility in tax rates from year to year. The target balance of the GRS is set at 10% of budgeted gross annual operating expenditures.
- 6.8 Finance shall provide regular and timely budget status updates to Council, highlighting variances and including recommendations when appropriate.

#### 6.9 **OPERATING BUDGETS**

- a) Management of budgets may include periodic transfers, as appropriate, subject to the approval of the department head(s) and Treasurer or delegate. The overall approved City budget will not change.
- b) Annual operating surpluses shall be directed to the GRS Reserve, up to the target balance of the GRS Reserve. Any excess surplus shall be directed to the Asset Repair and Replacement Reserve Fund.
- c) Annual operating deficits shall be offset by one-time draws from the GRS Reserve.
- d) No expenditures shall be incurred until the budget for the current year has been approved by Council, unless a budget for a similar item existed in the prior year's operating budget and the expenditure does not exceed 50% of the amount appropriated in the previous year's operating budget.

#### 6.10 **CAPITAL BUDGETS**

- a) Staff shall not commit expenditures to capital projects exceeding approved budget allocations.
- b) Certain capital programs may, with the endorsement of the Treasurer and CAO, be budgeted as an annual allocation, with individual projects or locations being determined by staff subsequent to budget approval. Examples include new vehicles, vehicle replacement, road resurfacing, bridge repairs, indoor and outdoor asset repair programs.
- c) The completion status of capital projects will be assessed and project closeout procedures effected at minimum on an annual basis.

- d) When projects are completed under budget, excess funds shall be returned to the originating funding source.
- e) In the event a capital project has been open for a minimum of 2 years and is not progressing in a reasonable and timely manner (as determined by CLT) and as directed by Council, the Treasurer has the discretion to close the capital project or activity and return the funds to source.
- f) Proceeds from the sale of assets, excluding land and buildings, shall be directed to the Asset Repair and Replacement Reserve Fund.
- g) Budgetary changes below the lesser of \$250,000 or 10% of a previously approved project require the approval of the Treasurer and either the CAO or department head. Such changes will be reported to Council on the next regularly scheduled capital budget report.
- h) In cases of Emergency, the Treasurer and either the CAO or department head may amend the capital budget program to fund additional projects as required. Such requests shall be limited to \$500,000 per project. Such emergencies will be reported to Council at the next available opportunity.
- i) New capital projects, or amendments to previously approved projects, not otherwise covered under section 6, constitute budget amendments that are subject to the requirements of the *Municipal Act, 2001*, Section 291 and the Procedure By-law. Funding sources are subject to approval of Council on recommendation of the Treasurer and the CAO.

## **7. Roles and Responsibilities**

7.1 The Chief Administrative Officer is responsible for:

- a) ensuring accountability and effective management of budgets by department heads, directors, cost centre managers and capital project managers.

7.2 Department Heads and Directors are responsible for:

- a) ensuring accountability and effective management of budgets by cost centre managers and capital project managers.

7.3 The Treasurer is responsible for:

- a) ensuring adherence to statutory and policy requirements governing use of funds and for budgetary reporting, as provided for in the *Municipal Act, 2001*, Section 286; and

- b) administering all necessary transfers between reserves and reserve funds and the operating fund in accordance with Council direction.

7.4 Cost Centre Managers are responsible for:

- a) spending, revenue generating and service delivery performance against their approved operating budgets.

7.5 Capital Project Managers are responsible for:

- a) spending on scope and on-time delivery performance against their approved capital project budgets.

## **8. Monitoring and Compliance**

Compliance will be monitored through regular and timely reporting to Council.

## **9. Definitions**

9.1 “Annual operating deficit” occurs when actual costs exceed actual revenues.

9.2 “Annual operating surplus” occurs when actual revenues exceed actual costs.

9.3 “Capital budgets” are a summary of annual forecasted funding and expenditure requirements categorized by capital projects. Capital budgets reflect a long-term investment in the future of the City.

9.4 “Capital project manager” means the individual accountable for budget accounts and delegated authority in accordance with established Financial Spending Authority, and includes an acting capital project manager.

9.5 “Capital projects” are annual forecasted funding and expenditure requirements for specific initiatives that include the purchase, construction, major repair, replacement and renewal of assets. Capital projects are generally delivered over a multi-year period and have a specific end date. Capital projects may be further refined by an activity.

9.6 “Chief Administrative Officer (CAO)” or equivalent means the administrative head of the City who is accountable to Council for spending, revenue generating and service delivery performance, and includes an acting CAO.

9.7 “Cost centre manager” means the individual accountable for budget accounts and delegated authority in accordance with established Financial Spending Authority, and includes an acting cost centre manager;

9.8 “Department head” means the individual accountable for departmental operations and delegated authority in accordance with established Financial Spending Authority, and includes an acting department head.

- 9.9 “Director” means the individual accountable for divisional operations and delegated authority in accordance with established Financial Spending Authority, and includes an acting director.
- 9.10 “Emergency” means an unforeseeable, serious emergency situation where the immediate purchase of goods, services or construction is essential in order to maintain a required service or to prevent danger to life, health or property within the City.
- 9.11 “Operating budgets” are forecasted revenues and costs to run the city for a one-year period. They are for day-to-day expenses to keep the city’s operations running. Operating budgets must be balanced (revenues must equal costs).
- 9.12 “Treasurer” means Treasurer as defined under the *Municipal Act, 2001*.

**10. References and Resources**

**External references**

- *Municipal Act, 2001*

**References to related by-laws, Council policies, and administrative directives**

- Administrative Authority Policy 14.16.0
- Financing Policy FIN-150
- Financial Spending Authority Administrative Directive
- Administrative Procedure By-law
- Purchasing By-law

**References to related corporate-wide procedures, forms, and resources**

- Strategic Plan
- Long-Term Financial Master Plan
- Corporate Asset Management Plan

**Revision History**

Date	Description
2018/06/27	Approved – Replaces the following policy rescinded by resolution CW264-2018 on 2018/06/27 Policy 13.2.0 Budget Control
2021/06/27	Next Scheduled Review