

The Corporation of the Township of Hornepayne
68 Front Street, PO Box 370
Hornepayne, Ontario
P0M 1Z0



COUNCIL RESOLUTION

MOVED BY: DRAGO S.
signature

NO. 2018-101

SECONDED BY: W. LIEBIGT
signature

DATE: FEB 21 2018

Be it resolved that By-Law No. 1634 being a By-Law to establish and adopt a Budget and Financial Controls Policy for the Township of Hornepayne be hereby read a first and second time and be considered read a third time and finally passed.

Carried Defeated Deferred

[Signature]
signature of presiding officer

RECORDED VOTE:

| | YES | NO |
|---------------------------|-----|----|
| Councillor Cheryl Fort | — | — |
| Councillor Willy Liebigt | — | — |
| Councillor Drago Stefanic | — | — |
| Councillor Paul Stewart | — | — |
| Mayor Morley Forster | — | — |

Disclosure of pecuniary interest and the general nature thereof.

(Name) _____ (Name) _____

Disclosed the pecuniary interest and the general nature thereof and abstained from the discussion, vote and influence.

(Clerk)

THE CORPORATION OF THE TOWNSHIP OF HORNEPAYNE
BY-LAW NO. 1634

Being a By-Law to adopt a Budget and
Financial Controls Policy for all
Municipal Departments, Boards,
Committees, and other Organizations
falling within the reporting requirements
of the Township of Hornepayne.

WHEREAS the Council of the Corporation of the Township of Hornepayne recognizes the importance of the budget process and financial controls as essential tools for internal financial control; and

WHEREAS Council strives to achieve high levels of accountability and transparency;

NOW THEREFORE the Council of the Corporation of the Township of Hornepayne enacts as follows:

1. The attached "Budget and Financial Controls Policy" forms an integral part of this By-Law as Schedule "A".
2. This By-Law comes into force and takes effect upon passage.

Read a first and second time this 21st day of February 2018.

Read a third time and finally passed this 21st day of February 2018.



Presiding Officer



Clerk

**Schedule "A" of BY-LAW NO.1634
Budget and Financial Controls Policy**

1. Scope

1.1. This Policy applies to all Municipal Departments, Boards, Committees, and other Organizations falling within the reporting requirements of the Corporation of the Township of Hornepayne.

2. Definitions

2.1. The following definitions pertain throughout this Policy:

"Annualized Costs" means any costs approved in the prior year's budget that were included for only part of the year and have been or will be converted to a twelve month period and included in the Base Level Budget. Annualized costs would normally apply to personnel and related costs and those costs related to Municipal service contracts that had price escalations part way through the year or any that began part way through the year. These costs must be clearly identified in the Base Level Budget.

"Base Level Budget" means that the base level for the budget for the current year shall be the prior year's cost of providing all of the services approved in the prior year budget except for one-time projects. The base level is set by taking the inputs approved in the prior year's budget, adjusting them for annualized costs, capital impacts on operations (growth), and inflation where inflation increases.

"CAO" means any person appointed by the Corporation of the Township of Hornepayne to fulfill the statutory requirements of the Chief Administrative Officer under the *Municipal Act, 2001*.

"Capital Impacts" means the additional operating costs that relate to operating or maintaining a capital project that has been completed and is now "in use". This term is used synonymously with Growth Adjustment.

"Capital Project" shall refer to a project that has been budgeted for within the annual Capital Budget or if not budgeted for, shall refer to projects that would normally appear within the capital expenditures of the Municipality.

"Clerk" means any person appointed by the Corporation of the Township of Hornepayne to fulfill the statutory requirements of the Clerk under the *Municipal Act, 2001*.

"Department Head(s)" shall refer to anyone who has responsibility for an annual budget or accountable for the department and service assigned to each section thereof.

"Emergency" shall mean any situation where the immediate acquisition of goods or services is essential to prevent serious delays, injury, damage, or risk thereof, or to restore or maintain a required service.

"Growth Adjustment" allows for growth that shall occur in the Municipality in the current year. For example, new roads completed in the prior year shall require upkeep in the current year and shall form part of the growth adjustment.

"Inflation" shall refer to the rate at which the general level of prices for goods and services are rising.

"Inflation Rate" shall be the annual C.P.I. (Consumer Price Index) for the Province of Ontario as established by Statistics Canada.

"Multi-Year Budget" refers to a budget that covers more than one fiscal year.

"Municipality" shall mean the Corporation of the Township of Hornepayne.

"Treasurer" means any person appointed by the Corporation of the Township of Hornepayne to fulfill the statutory requirements of the Treasurer under the *Municipal Act, 2001*.

3. Municipal Policy - Operating Budget

3.1. Operating Budget and Report Preparation

- 3.1.1. Each Department Head shall prepare and submit, annually, to the Treasurer, their Operating Budget Requests on the forms and format prescribed by the Treasurer.
- 3.1.2. Direction in terms of Municipal wide assumptions and conditions shall be defined in the "Budget Guidelines Report" prepared by the Treasurer.

3.2. Operating Budget Process

- 3.2.1. All Operating Budget estimates shall be reviewed and approved for presentation to Council as follows:
 - i. Guidelines are set by Council based on staff recommendations in a report prepared by the CAO/Clerk and the Treasurer;
 - ii. The Treasurer shall prepare detailed instructions for the staff to follow in the preparation of all operating estimates;
 - iii. Departments Heads shall prepare budget estimates to identify the base level budget requirements at existing service levels;

- iv. Departments Heads shall identify new programs and/or service levels and provide costs and justifications for the changes;
- v. Departments Heads shall provide estimates of the number of full-time equivalent requirements and provide costs and justification for any increases from the base level;
- vi. Department Heads shall identify goals and objectives for the upcoming year that integrate the operating and Capital Budget request with the Asset Management Plan, Strategic Plan and other studies/reports adopted by Council;
- vii. Revenues/Expenditures are to be calculated based on known commodity trends, and for approved studies/reports including user fee reports/By-Laws and master plan reports, etc;
- viii. The CAO/Clerk and the Treasurer shall meet with each Department Head to validate projected costs (including review of the source documents that formed the basis for the cost estimates), and identify any external funding sources: grants and subsidies, fundraising, and donations;
- ix. The CAO/Clerk and the Treasurer shall evaluate each new program and/or service enhancement on the basis of immediacy and need in the following order:
 - a. Legislative requirement;
 - b. Capital impacts;
 - c. Growth adjustments;
 - d. Cost savings or inherent efficiencies;
 - e. Identified need with self-sustaining revenues available; and
 - f. Identified need with no corresponding revenue possibilities.
- x. The CAO/Clerk and the Treasurer shall review all program and or service levels for potential savings or rationalization;
- xi. The Treasurer shall compile appropriate Operating Budgets and summaries to be incorporated into the budget document;
- xii. The CAO/Clerk and the Treasurer shall review the compiled Operating Budget and supplementary information for accuracy, completeness, and adherence to Budget Guidelines; and,

- xiii. Operating Budgets shall be presented to Council for approval with their associated capital estimates and reports.

3.3. Operating Budget Spending Before Budget Approval

- 3.3.1. Department Heads are authorized to expend funds at the previous years' service levels, unless specifically directed otherwise by Council until the current year's Operating Budget has been approved.
- 3.3.2. No new programs or service enhancements are to be initiated before the Operating Budget is established without the prior approval of Council.

3.4. Emergency/Unplanned Spending

- 3.4.1. In accordance with the Procurement By-Law, where authority has not been granted in the Operating Budget for a particular expenditure or line item, no Department Head shall expend funds unless:
 - i. Approval was granted by Council through a Resolution outside the budget process; or,
 - ii. An emergency occurs requiring immediate spending and the CAO/Clerk approved such emergency spending in accordance with the Municipality's Procurement By-Law.

3.5. Operating Budget Reporting

- 3.5.1. A quarterly financial report of the Operating Budget shall be provided to Council beginning in the first quarter (March 31) which shall include a variance analysis for accounts in a format prescribed by the Treasurer.
 - i. Should a Budget Variance be unavailable, the Treasurer shall provide Council with a Revenue & Expense Report.
- 3.5.2. A detailed current monthly financial statement for the Operating Budget shall be provided to all Department Heads, no later than the second Friday of the following month, for their respective departments.
- 3.5.3. The Treasurer shall review financial statements quarterly with all Department Heads and provide assistance in analysis of accounts and preparing forecasted changes to the budget as required.

3.6. Authority for Budget Changes

3.6.1. Where authority has been given in the Operating Budget and an increase to the approved amount is required, the approval amount shall be authorized as detailed below:

- i. Any such increase is to be offset by a corresponding decrease(s) in other line items or through enhanced revenues to be realized from the additional expenditure;
- ii. The Treasurer may approve, including the source of financing:
 - a. Up to \$1,000 for line items budgeted under \$10,000;
 - b. Up to \$1,500 for line items budgeted \$10,000 to \$19,999;
 - c. Up to \$2,500 for line items budgeted \$20,000 to \$29,999; or,
 - d. Greater of 5% or \$2,500 for line items over \$30,000;
- iii. The CAO/Clerk may approve, including the source of financing, up to \$50,000 for any line items budgeted.

3.6.2. A summary of budget changes to the approved amount, in accordance with section 3.6.1 above, shall be provided to Council with the quarterly variance report.

3.6.3. Exceptions to the above approvals shall occur when Section 275 of the *Municipal Act, 2001* regarding Restricted Acts after nomination day is in effect. The upper limit for any approvals shall be as stated in the Act.

3.7. Operating Budget Principals

3.7.1. The principles for operating, planning and funding are:

- i. The Operating Budget shall be balanced as per the legislative requirements outlined in the *Municipal Act, 2001*. Any shortfall in budgeted revenues versus expenditures for a budget period shall be offset by tax levies equal to the shortfall thereby resulting in a balanced budget.
- ii. The Municipality shall not utilize one-time revenues for ongoing expenditures. However, one-time revenues may be used to fund non-recurring expenditures or services that can be completed within a specific amount of time without significant disruption to the Municipality provided it is duly approved by Council. At year-end, unallocated one-time revenues shall form part of the Municipality's surplus and be allocated per the Section 289 (4) of the *Municipal Act, 2001*.

- iii. One-time revenues include, but are not limited to: grants or subsidies from other levels of government or Municipalities that are not legislated to recur annually, transfers from Reserves and Reserve Funds, and proceeds on sale of property.
- iv. Certain Municipal revenues can be termed "unpredictable" as they fluctuate year to year and are not under the direct control of the Municipality. The budget amount for unpredictable revenues shall be conservative in nature and represents management's "best" estimate at the time of the budget.

4. Municipal Policy - Capital Budget

4.1. Capital Expenditure

- 4.1.1. A Capital Expenditure is defined as a significant expenditure incurred for the improvement, acquisition or major rehabilitation of buildings, equipment, rolling stock and infrastructure used in providing Municipal services (including studies undertaken related to such expenditure).
- 4.1.2. A Capital Expenditure includes Capital Assets as defined and detailed in the Municipality's Asset Management Plan.
- 4.1.3. A Capital Expenditure shall have benefits lasting beyond 5 - 10 years and have a minimum threshold of \$5,000 or as otherwise stipulated in the Municipality's Asset Management Plan.
- 4.1.4. A repair or maintenance expenditure designed to maintain an asset in its original state is not a Capital Expenditure, unless it shall extend the useful life of the asset. Such repairs or maintenance expenditures shall be included in the Operating Budget.

4.2. Project Management Surcharge

- 4.2.1. Certain Capital Projects may include an appropriate amount for wages and benefits where a significant amount of staff time shall be spent on the project management duties related to the project.
- 4.2.2. Such wages and benefits shall be on a cost recovery basis, or with a small Municipal profit, where possible. Staff working on capital projects shall estimate the amount of time that shall be required for the management of the project and provide that information to the Treasurer.
- 4.2.3. Staff wages and benefits shall be paid from their Departmental Operating Budget, with a cost recovery from the Capital Project. The Treasurer (or delegate) shall reallocate such wages and benefits on a quarterly basis.

4.3. Capital Budget Preparation

4.3.1. Each Department Head shall prepare and submit, annually, to the Treasurer, their Capital Budget requests and 5-year forecasts on the forms and in the format prescribed by the Treasurer.

4.3.2. Each Capital Budget and Forecast shall include:

- i. The project ID number (to be set by Treasurer);
- ii. The responsible department;
- iii. The service or program within the department to which the project applies;
- iv. The year of initiation of the project;
- v. Timeline(s) for completion;
- vi. The flexibility in the timing of the project (e.g. if there is a reason that it must go forward in a certain year due to legislated requirements, development or safety);
- vii. An indication of whether the project is growth related and shall have growth funding;
- viii. A project name which shall be consistent throughout all studies and Municipal documents;
- ix. A brief description of the project which should identify the objectives of the project and a describe how the objectives are achieved, including the need for the project;
- x. The Asset Management Plan and Strategic Plan objectives that the project is related to;
- xi. A detailed estimate of each project's costs. net of HST rebates, including a breakdown by year for multi-year projects;
- xii. The financing of each project, including any known information regarding grants/subsidies, direct-developer contributions, external contributions or other. The Treasurer shall complete the remaining financing breakdown; and,

- xiii. An identification of operating impacts/expenditures that result from the capital project, including any additional transfers to reserves required due to increased need for replacement of new equipment and/or new facility components that shall be required in the future. At least one full year of operating costs/revenues shall need to be estimated. Any savings due to upgrades should be identified.

4.4. Capital Budget Process

4.4.1. Capital Budget Project requests shall be reviewed and approved for presentation to Council as follows:

- i. Department Heads shall identify the projects and submit their Capital Project sheets to the Treasurer;
- ii. The CAO/Clerk & the Treasurer shall meet with each Department Head to validate projected costs and identify external funding sources (grants, subsidies, fundraising, donations);
- iii. The Treasurer shall review for internal funding sources such as transfer from operating and reserves, development charges, reserve funds and debentures;
- iv. All projects submitted shall be included in the Capital Budget document;
- v. The Treasurer shall compile the appropriate continuity and cash flow schedules and annual Capital Budget summaries to be incorporated into the budget document;
- vi. The CAO/Clerk & the Treasurer shall review the compiled Capital Budget and schedules for accuracy and completeness; and,
- vii. Capital Budgets shall be presented to Council for approval with the associated operating estimates and reports.

4.5. Capital Spending Before the Budget Approval

4.5.1. Until the Capital Budget has been approved by Council, no Department Head shall begin any Capital Project(s) that was not authorized in prior years unless:

- i. Approval was granted by Council through a Resolution outside of the budget process; or,

- ii. An emergency occurs requiring capital repair(s) and or/ replacement(s) and the purchase was approved through the processes outlined in the Municipality's Procurement By-Law.

4.6. Capital Budget Reporting

- 4.6.1. A quarterly financial report of the Capital Budget shall be provided to Council beginning in the first quarter (March 31).
 - ii. Should a Budget Variance be unavailable, the Treasurer shall provide Council with a Revenue & Expense Report.
- 4.6.2. A summary listing of Capital Budgets shall be provided to the Department Heads with the monthly operating statements, for their respective departments.
- 4.6.3. Any Capital Project that has a variance in excess of 5% or \$10,000 (whichever is more) shall have an explanation as part of the quarterly reporting to Council.

4.7. Authority for Budget Changes

- 4.7.1. Where authority has been given in the Capital Budget for a particular project, and an increase to the approved amount is required, authority to reallocate funds from one project to another is as detailed below:
 - i. The Treasurer may approve, including the source of financing:
 - a. Up to \$5,000 for projects budgeted under \$100,000;
 - b. Lesser of 5% or \$25,000 for projects budgeted at \$100,000 and over; or,
 - c. If no other Capital Projects for the affected department have been approved, the amount may be transferred from the Operating Budget of that department.
 - ii. The CAO/Clerk may approve, including source of financing:
 - a. Up to \$100,000 for all projects;
 - b. If no other Capital Projects for the affected department have been approved, the amount may be transferred from the Operating Budget of that department; or,

- c. If an operating transfer is required and the department does not have sufficient Operating Budget available, the CAO/Clerk may request other departments to review their Capital and Operating Budgets to determine if there are any amounts that could be transferred.

4.7.2. Council approval is required, including the source of financing for:

- i. Project expenditures in excess of \$100,000 of budget.
- ii. Any capital project to be added or cancelled.

4.7.3. A summary of budget changes to the amount, in accordance with sections 4.7.1 above, shall be provided to Council with the quarterly financial report.

4.8. Project Completion

4.8.1. No later than 30 days after the completion of the project, the Department Head, or designate, is to advise the Treasurer that the project is complete.

5. Municipal Policy – Municipal Levy

5.1. "Municipal Levy" shall mean the amount of money raised through taxation by the Municipality for the purposes of funding Operating Expenses and includes the Capital Levy.

5.2. The Municipality faces fiscal pressures from increasing costs of operating while relatively limited revenue sources are available legislatively. The primary source of sustainable revenue is through the collection of property taxes.

5.3. The Municipality shall budget to ensure that tax increases are reasonable and affordable, while still maintaining the level of service that Council and residents expect.

5.4. Municipal Levy – Operating Expenses

5.4.1. Staff shall prepare and present an Operating Budget for Council's consideration, on an annual basis. Staff shall demonstrate an increase to the Municipal Levy (excluding growth) within a range of:

- i. At the low end, 100% of The Consumer Price Index year over year change for the Province of Ontario as at November 30 for the year prior to the budget year (e.g. November 30, 2017 for the taxation year 2018); and

- ii. At the high end, 200% of The Consumer Price Index year over year change for the Province of Ontario as at November 30 for the year prior to the budget year.
- iii. Salaries, wages and benefits annual increase shall be as stipulated under the Collective Agreement, applicable By-Laws and/or Federal & Provincial Legislation.

5.4.2. Staff shall also prepare a list of all items considered and "cut" in order to reach the Municipal Levy identified at section 5.4.1 above. This list shall be presented to Council for consideration.

5.5. Municipal Levy - Capital Levy

5.5.1. "Capital Levy" shall mean the amount of funds raised through the taxation that is transferred to the Capital Fund or Reserves to be used to pay for the cost of Capital Projects.

5.5.2. Staff shall prepare and present a Capital Budget for Council's consideration on an annual basis. The Capital Levy shall be in accordance with the Township of Hornepayne's Asset Management Plan.

5.5.3. The increase in the Capital Levy shall only be used for the following purposes:

- i. to fund Capital Expenditures;
- ii. to increase Reserve balances in order to finance future Capital Expenditure; or,
- iii. to finance the annual costs associated with Long-term debt issued in connection with Capital Projects.

Policy Review

5.6. This Policy shall be reviewed prior to the initiation of the budget process of the first year of each term of Council, or if deemed necessary.

