



CITY POLICY

SECTION: FINANCE

NO: FI-BU-01

REFERENCE: BUDGET POLICY

Date:
October 2024

Review Date:
September 2026

TITLE: BUDGET POLICY

1.0 POLICY STATEMENT

- 1.1 The City of Dryden is committed to budget practices that demonstrate long-term financial sustainability, provide financial flexibility, and minimize financial vulnerabilities.
- 1.2 The City's budget will:
- Adhere to statutory requirements.
 - Adhere to and uphold the guiding principles and strategic goals and priorities laid out in the City's Strategic Plan.
 - Consider the City's Asset Management Plan.
 - Align with the City's Reserve Policy, Debt Policy, Operating Surplus and Deficit Policy, and Asset Management Policy.
 - Ensure that the budget will maintain the long-term financial viability of the City.

2.0 SCOPE

- 2.1 This policy applies to all City departments, boards, committees, and other organizations falling within the reporting requirements of the City of Dryden.

3.0 PURPOSE

3.1 The Purpose of this policy is to:

- Ensure sound financial planning and budgeting practices.
- Detail the roles and responsibilities of Council, the Chief Administrative Officer, Senior Management, Department Managers, and the Treasurer.
- Outline the principles which the City will follow in preparing each annual budget.
- Outline the process in developing the operating and capital budget.
- Identify how the budget will be monitored and reported on.
- Outline how unavoidable and unforeseen expenditures will be managed.

4.0 ROLES AND RESPONSIBILITIES

4.1 Council

- Establish priorities through the Strategic Plan.
- Establish budget guidelines by way of Budget Policy and other financial policy documents.
- Review, deliberate and approve the Budget.
- Approve the rates required for taxation and user fees by By-law.

4.2 Chief Administrative Officer (CAO)

- Direct, with the support of the Treasurer and the Senior Management Team, the preparation and presentation of the Budget to Council.
- Exercise financial control over all corporate operations.
- Ensure compliance with this policy.
- Manage all municipal operations within the Council-approved Budget.

4.3 Senior Management Team

- Review and approve annual budget strategy.
- Review and recommend a Budget that is aligned to the Strategic Plan to Council.

- Recognize the priorities of the corporation, separate from specific departmental priorities, during the decision-making process.
- Maintain a culture of decision making that is a result of appropriate internal collaboration and alignment to the City's Strategic Plan.
- Support transparent and open communication of budget performance and financial risks to Council.

4.4 Department Managers

- Accountable for the development and recommendation of itemized Budgets and Forecasts to the Treasurer in accordance with established guidelines, timeline, and process.
- Identify operating and capital resource requirements to address changing service delivery needs and implementation of Strategic Plan initiatives.
- Ensure that the resources and assets under their authority are effectively managed on an ongoing basis.

4.5 Treasurer

- Plan, lead and coordinate the overall preparation, engagement, communication, and administration of the Budget, both internally and externally, with oversight from the CAO.
- Ensure adherence to budget policies and financial policies as approved by Council.
- Develop funding strategies for the financing of the Budget.
- Coordinate with Local Boards and Social Service Agencies to incorporate their budget requirements into the Budget and forecasts.

5.0 BUDGET PRINCIPLES

5.1 The budget principles are:

- The operating budget will be balanced as per the legislative requirements outlined in the Municipal Act. Any shortfall in budgeted revenues versus expenditures for a budget period will be offset by tax levies equal to the shortfall thereby resulting in a balanced budget.
- The fiscal year for the City is January 1 to December 31.
- Budget approval shall be targeted for the December leading into the new fiscal year for non-election years and January of the new fiscal year for election years. It is beneficial to pass the budget prior to the

new fiscal year or early in the new fiscal year to allow staff sufficient time to address operating priorities and complete the capital plan.

- The City will utilize a zero-based budgeting approach, whereby all revenues and expenses must be justified for the new year starting from zero. Prior year's actuals and budgets will be used as a reference point for comparative purposes.
- When preparing the budget, management will try to be as accurate as possible. When estimates are required, management will be conservative, meaning budgeting on the high side for expenses and low side for revenue.
- The City will leverage and maximize the use of grants and external funding sources.

6.0 OPERATING BUDGET DEVELOPMENT

- 6.1 The Treasurer will develop annual Budget Calendars to ensure that budgetary timelines are met.
- The Budget Calendar will set out a sequence of events leading up to the adoption of the Capital and Operating Budgets.
 - The timelines outlined in the budget calendar will guide staff's coordination in compiling the budgets by naming the dates to which deadlines are to be met.
- 6.2 Direction/instructions, in terms of corporate wide assumptions and conditions, will be approved by the CAO and provided to Department Managers by the Treasurer.
- 6.3 Each Department Manager shall prepare and submit annually to the Treasurer their Operating Budget Requirements on the forms and format prescribed by the Treasurer.
- 6.4 Departments Managers shall prepare budget estimates to identify the Zero-Base budget requirements for the new fiscal year, with an initial assumption of no service level changes.
- 6.5 If applicable, Departments Managers shall identify new programs and/or service levels and provide costs and justifications for the recommended changes.
- 6.6 Departments Managers shall provide justification and cost estimates for any increases in staffing levels from the base (current year's) level.

- 6.7 All Operating budget requirements will be reviewed and approved for presentation to Council as follows:
- The CAO shall evaluate each new program and/or service enhancement, and each staffing level increase based on immediacy, need, and alignment with the strategic direction of the City.
 - The Senior Management Team shall review all programs and or service levels for potential savings or rationalization.
 - The CAO and Treasurer will meet with each department, as required, to verify budget requirements expressed by the Department Managers.
 - Finance staff will compile appropriate operating budgets and summaries to be incorporated into the budget document.
 - The Senior Management Team will review the compiled operating budget and supplementary information for accuracy and completeness.

7.0 CAPITAL BUDGET DEVELOPMENT

- 7.1 Capital budgeting requires staff and Council to allocate the available financial resources of the City to meet the needs of the City in the present and future.
- 7.2 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).
- 7.3 A capital expenditure includes Capital Assets as defined and detailed in the City's Tangible Capital Asset Policy.
- 7.4 A capital expenditure will have benefits lasting beyond one year and have a minimum threshold of \$5,000 or as otherwise stipulated in the City's Tangible Capital Asset Policy.
- 7.5 A repair or maintenance expenditure designed to maintain an asset in its original state is not a capital expenditure, unless it will extend the useful life of the asset. Such repairs or maintenance expenditures shall be included in the Operating Budget.
- 7.6 Each Department shall prepare and submit annually to the Treasurer their Capital Budget requests on the forms and in the format prescribed by the Treasurer.

7.7 Each Capital Budget Request shall include:

- The responsible department.
- The service or program within the department to which the project applies (if applicable).
- A project name which easily describes the project.
- The estimated completion date, noting if this is a multi-year project.
- A detailed cost estimate of the project, identifying external sources of funding (grants, donations, etc.) and operating budget impacts (if applicable).
- The consequences of not proceeding in the next fiscal year.
- A brief description of the project which should identify the objectives of the project, including the need/justification for the project.

7.8 The Senior Management Team will rank projects to assist in the determination of which projects should be recommended to be included in the Capital Budget/Plan presented to Council for approval.

- The following criteria will be used in ranking and prioritizing capital projects:
 - Prior year commitments by Council
 - Legislative requirements (mandated accessibility requirements, minimum maintenance standard requirements, etc.)
 - Public and employee Health and Safety
 - Critical lifecycle maintenance/renewal/replacement projects (risk of asset failure)
 - Availability of offsetting external sources of funds (grants, donations, etc.)
 - Alignment with Strategic Plan objectives.
 - Accommodating pressures for development and growth
 - Promoting/facilitating economic growth and diversification
 - Revenue generation
 - Operating cost reduction or efficiency (reduce net current and future operating or maintenance costs)
 - Maintaining or enhancing the quality of life for City residents
 - Aesthetic enhancements

7.9 The Treasurer will review all Capital budget requests, identifying funding sources such as transfer from operating, reserve funds, known external funding, and debentures.

- 7.10 All projects submitted will be included in the capital budget/plan document.

8.0 MUNICIPAL LEVY INCREASES

- 8.1 The City's budget must take into account economic factors impacting the City and local region, as well as the broader economic factors impacting all of Ontario and Canada.
- 8.2 The City will budget to ensure that tax rate increases are reasonable and affordable, while striving to maintain the level of service that Council and residents expect.
- 8.3 The annual tax levy increase shall be within a range set by:
- At the low end, 75% of The Consumer Price Index year over year change for the Census metropolitan area of Thunder Bay (Statistics Canada) as of July 31 for the year prior to the budget year (e.g. July 31, 2024, for the taxation year 2025)
 - At the high end, by the higher of:
 - 125% of The Consumer Price Index year over year change for the Census metropolitan area of Thunder Bay (Statistics Canada) as of July 31 for the year prior to the budget year; and
 - The percent increase as stipulated under collective bargaining for wage increases for the year, the higher of the union increase and the non-union increase as approved in the applicable by-law.
- 8.4 Notwithstanding Section 8.3, extenuating circumstances may cause the inflationary indicators used to determine a reasonable and affordable levy increase range to be too low or too high for the cost impacts the City anticipates incurring in the following year. A below or above the range levy increase may be required based on an extraordinary event.

9.0 BUDGET SPENDING BEFORE BUDGET APPROVAL

- 9.1 Departments are authorized to expend funds at the previous year's service levels, unless specifically directed otherwise by Council until the current year's operating budget has been approved.
- 9.2 No new programs or service enhancements are to be initiated before the operating budget is established without the prior approval of Council.
- 9.3 Until the Capital Budget has been approved by Council, no department will begin any capital project that was not authorized in prior years unless approval was granted by council through a report outside of the budget process prepared by the CAO, or the Treasurer, or the Senior Manager requiring the expenditure.

10.0 EMERGENCY SPENDING

- 10.1 In accordance with the City's Procurement Policy, where authority has not been given in the Operating Budget for a particular expenditure or line item, no department shall expend funds unless:
- Approval was granted by Council through a report outside the budget process prepared by the Senior Manager requiring the expenditure.
 - An emergency occurs requiring immediate spending and the CAO approved such emergency spending in accordance with the City's Procurement Policy.

11.0 BUDGET REPORTING

- 11.1 Quarterly financial reports will be provided to Council beginning after the second quarter is completed.
- Quarterly financial reports will include actual to budget variance analysis.
 - Quarterly financial reports will include details on the Capital budget/plan.
 - The third quarter report will include a forecast of expenditures compared to budget analysis.

- 11.2 Monthly financial statements for operating and capital accounts will be provided to all Departments, no later than the fifteenth of the following month.

12.0 POLICY REVIEW

- 12.1 At minimum, this Policy shall be reviewed and evaluated for effectiveness every two years.
- 12.2 Any changes or revisions to legislation which affect the policy will apply when they come into force. The Budget Policy will be updated to reflect such changes at the time of formal review.

History			
Approval Date:	Oct. 28, 2024	Approved by:	By-law 2024-60
Amendment Date:		Approved by:	
Amendment Date:		Approved by:	
Amendment Date:		Approved by:	
Amendment Date:		Approved by:	
Amendment Date:		Approved by:	

**This policy is subject to any specific provisions of the Municipal Act,
or other relevant legislation or Union agreement.**