

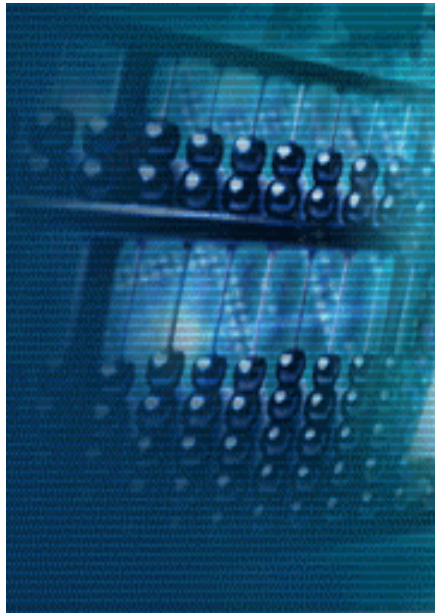


Appendices

2004 Approved Current and Capital Budgets

APPENDIX A

2004 Financial Policies



2004 FINANCIAL POLICIES

The City of Burlington Finance Policies & Procedures manual includes several policies that are well established in this organization, and some that are still in development. The following table of contents denotes with an asterisk (*) policies that are included in more detail in *Appendix A – Finance Policies*, at the back of this book.

Overview

Finance Vision 2006

1.0	1.0	<u>Financial Planning Services</u>
	1.1	Insurance Procedures
	1.1.1	Administering the Insurance Policy and Responding to Claims
	1.1.2	Insurance Information and Education Program for Staff (to be developed Fall 2002)
	1.1.3	Certificates of Insurance (to be written)
	1.2	Development & Related Policies
	1.2.1	Joint Ventures (under review by Parks & Recreation)
	1.3	Development & Related Procedures (in progress – due Fall 2002)
	1.4	Capital Budget Policies
	1.4.1	Debt Free By 2023 *
	1.4.2	Tax Supported Debt Financing *
	1.4.3	Special Circumstances Debt *
	1.4.4	Non-Tax Supported Debt *
	1.4.5	Capital from Current *
	1.4.6	Infrastructure Renewal Reserve Fund & Capital Leasing *
	1.4.7	Vehicle and Equipment Deprecation Reserve Fund *
	1.4.8	Park Dedication *
	1.4.9	GO Transit Tax Room *
	1.4.10	Development Charges Borrowing *
	1.4.11	Internal Borrowing Policy (to be written)
	1.4.12	Capital Budget Variance Reporting *
	1.5	Capital Budget Procedures
	1.5.1	Budget Development Process *
	1.6	Current Budget Policies
	1.6.1	Tax Rate Changes *
	1.6.2	Performance Measures *
	1.6.3	Quality Services Survey *
	1.6.4	Current Budget Variance Reporting *
	1.6.5	Long Term Staffing Plan (to be written)
	1.6.6	Budget control By-Law & Performance Reporting (to be written)
	1.6.7	Surplus Disposition *
	1.6.8	One-Time Funding *
	1.6.9	Budget Review Task Force and Executive Budget Committee (to be written)

1.0 **Financial Planning Services (continued)**

- 1.1 1.7 Current Budget Procedures
 - 1.1.1 1.7.1 [Budget Process](#) *
 - 1.1.2 1.7.2 [Budget Directions](#) (includes Multi-Year Forecast and Economic Assumptions) *
 - 1.1.3 1.7.3 [Personnel Services Worksheet](#)(to be written)
 - 1.1.4 1.7.4 [Tax Levy By-Law](#)(to be written)
- 1.2 1.8 Purchasing Policies
 - 1.2.1 1.8.1 [Purchasing By-law \(By-law 48-2000 as amended\)](#)
 - 1.2.2 1.8.2 Purchasing Card
 - 1.2.3 1.8.3 [Signing Authority](#)
 - 1.2.4 1.8.4 [Delegated Authority](#)
 - 1.2.5 1.8.5 [Lease Agreements](#)(to be written)
 - 1.2.6 1.8.6 Souvenirs
 - 1.2.7 1.8.7 Employees' Computer Purchasing
 - 1.2.8 1.8.8 [Business Forms and Other Documents](#)(to be written)
- 1.3 1.9 Purchasing Procedures (to be written)
 - 1.3.1 1.9.1 [Disposal of Surplus Property](#)
 - 1.3.2 1.9.2 [Requests for Proposals](#)
 - 1.3.3 1.9.3 [Tender Opening](#)
 - 1.3.4 1.9.4 [Staff Reference Guide](#)

2.0 **Accounting**

- 2.1 2.1 Accounting Policies
 - 2.1.1 2.1.1 [Internal Auditing](#)(requires guidelines & procedures)
 - 2.1.2 2.1.2 [Credit Card Payments](#)(to be written)
 - 2.1.3 2.1.3 [Daily Bank Deposits](#)(to be revised)
 - 2.1.4 2.1.4 [Petty Cash](#)(to be revised)
- 2.2 2.2 Accounts Payable
 - 2.2.1 2.2.1 [Documentation Required for Payment](#)(to be written)
 - 2.2.2 2.2.2 [Form of Payment](#)(to be written)
 - 2.2.3 2.2.3 [Replacement of Lost Cheques](#)(to be written)
 - 2.2.4 2.2.4 [Cheque Production Deadlines](#)(to be written)
 - 2.2.5 2.2.5 Employee Expenses (HR Policy) – Finance role to begin confirming advances before processing claims
 - 2.2.6 2.2.6 [Professional Memberships](#)(to be written – original invoices to be submitted for payment/reimbursement)
 - 2.2.7 2.2.7 [Purchasing Card Statements](#)(to be written re suspension of privilege if statements not returned in 2 months)
 - 2.2.8 2.2.8 [Minimum Cheque Value](#)(to be written - \$25)
- 2.3 2.3 Accounts Receivable Policies
 - 2.3.1 2.3.1 [Travel Expenses and Advances](#)(policy review re elimination of advances)
 - 2.3.2 2.3.2 [Cancelling vs. Writing Off Invoices](#) (to be written)

Finance Department Policy

**1.4.1
Debt**

Section: Capital & Development
Title: Debt Policy
Administered By: A. Coulson
Last Revised: June 2001
Nature of Policy: **Corporate (approved by Council)**

References:
Future Focus V,
Financial Management,
Infrastructure and Other
Capital Financing

**Infrastructure and
other Capital
Financing**

Long Term – 25 years

Burlington will be free of tax-supported debt before its 150th birthday celebration (in 2023).

Short Term – 3 Years

Burlington will strive to fund tax-supported capital projects on a “pay as you go” basis.

Finance Department Policy

**1.4.2
Tax Supported Debt**

Section: Capital & Development
Title: Tax Supported Debt Financing
Administered By: A. Coulson
Last Revised: September 2001
Nature of Policy: **Corporate (approved by Council)**

References:
€# Council Resolution
BP-43-01-2, Sep.
24/01
€# Finance Report F-
45/01

**Ratio of Debt to
Assessment**

The ratio of the City's total external debt (both issued and unissued debt) to assessment level shall not exceed \$1.50 per \$1,000 of Current Value Assessment for each year in the ten year Capital Budget and Forecast period, and over the next ten years reducing this level by 50%.

**Use of Debenture
Financing**

Debenture financing will be utilized only for capital projects where the expected life of the asset exceeds the term of the debenture with a minimum debenture amount of \$100,000.

**Limits for Debt
Charges**

All City debt charges as a percentage of net current revenue fund revenues shall not exceed 12.5%, representing 50% of the Provincial maximum limit for municipalities (all debt financing incl.).

**No Further Tax-
Supported Debt**

The Capital Budget and Forecast shall be prepared with no further tax-supported debt issued after 2011.

Finance Department Policy**1.4.3
Special Circumstances Debt**

Section: Capital & Development
 Title: Special Circumstances Debt
 Administered By: A. Coulson
 Last Revised: September 2001
 Nature of Policy: **Corporate (approved by Council)**

References:
 €# Council Resolution
 BP-43-01-2, Sep.
 24/01
 €# Finance Report F-
 45/01

Exclusion from Tax-Supported Debt Guideline Any special circumstances debt shall be excluded from the overall city tax-supported debt guideline.

Flexibility Feature of Special Circumstance Debt A gradual reduction in tax-supported debt is necessary to achieve the City's Future Focus goal of being free of tax-supported debt by 2023. However, incurring some debt gives the municipality flexibility, as opposed to a no debt policy, which restricts its ability to make large capital purchases in any given year. Consequently, the City will maintain this flexibility of issuing debt for special circumstances.

Criteria for Special Circumstances Debt Special Circumstance Debt be permitted based on all of the following criteria:
 i. A Future Focus Initiative; and,
 ii. Facilitates or develops landmark features in the community; and,
 iii. A community need exists for the capital project and the project is supported by a feasibility study/business plan

5 Year Issuance Special circumstance debt may be issued once every 5 years to a maximum amount of \$10 million.

Debt Charges All special circumstance debt charges will be repaid annually from the Hydro Reserve Fund.

Terms for Debenture Financing Debenture financing shall be utilized only for capital projects where the expected life of the asset exceeds the term of the debenture with a minimum debenture amount of \$2,500,000.

Limit for Debt All City debt charges as a percentage of net current revenue fund revenues shall not exceed 12.5%, representing 50% of the Provincial maximum limit for municipalities (all debt financing incl.).

Finance Department Policy**1.4.4
Non-Tax Supported Debt**

Section: Capital & Development
 Title: Non-Tax Supported Debt
 Administered By: A. Coulson
 Last Revised: September 2001
 Nature of Policy: **Corporate (approved by Council)**

References:
 €# Council Resolution
 BP-43-01-2, Sep.
 24/01
 €# Finance Report
 F-45/01

Definition The City will issue debt on behalf of itself or community groups/stakeholders when the debt and any associated charges are to be repaid by non-tax revenues such as user fees or charges. Examples of such financing are the Appleby Ice Arena and the Downtown Parking Garage.

Criteria for Debt Non-tax supported debt shall be permitted based on the following criteria, and the approval of the City Treasurer:
 1. A 5 year viable business plan, incorporating an acceptable infrastructure capital renewal/replacement provision, be submitted; and
 2. The user group(s) must demonstrate a revenue stream sufficient to support the debt repayment; and,
 3. That all debt charges be repaid by user fees, surcharges or other non-tax supported means; and,
 4. Includes debt for local improvements, which are repaid by benefiting landowners (no business plan required).
 5.

Exclusion from Debt Guideline All non-tax supported debt shall be excluded from the overall City debt financing guideline. Non-tax supported debt financing requests shall be reviewed as part of the annual capital budget process.

Debt Charges All debt charges shall be fully repaid to the City from operating revenues and associated fees from the user groups.

Terms for Debt Financing Non-tax supported debt financing shall be utilized only for capital projects where the expected life of the asset exceeds the term of the debenture with a minimum debenture amount of \$100,000 (excluding local improvements).

Debt Limit All City debt charges as a percentage of net current revenue fund revenues not exceed 12.5%, representing 50% of the Provincial maximum limit for municipalities (all debt financing incl.).

Finance Department Policy

**1.4.5
Capital from Current**

Section: Capital & Development
Title: Capital from Current Financing
Administered By: A. Coulson
Last Revised: September 2001
Nature of Policy: **Corporate (approved by Council)**

References:
⚡ Infrastructure Phase II Project Report, July 5/00
⚡ Council Resolution AF-100-00, Sep. 18/00
⚡ Finance Report F-35/00
⚡ Council Resolution BP-43-01-2, Sep. 24/01
⚡ Finance Report F-45/01

Target for Capital from Current The Infrastructure Project Phase II report, approved by Council confirms the City’s commitment to Capital from Current Financing by increasing tax-supported Capital from Current financing to \$500,000 per annum, up to a maximum of \$15.0 million in total Tax Supported Capital Financing, subject to annual budget deliberations.

Pay as You Go Capital from Current Financing allows the City to reduce its reliance on debentures while at the same time provide more capital from current funding reflecting a “pay as you go” approach to financing. The \$15.0 million cap on tax-supported capital ensures that any savings in debt charges are reallocated to capital from current funding.

Allocation to Local Boards 10% of the overall Corporate Capital from Current guidelines shall be allocated to the boards in a fashion acceptable to both the boards and Council for the short term (2002 - 2004).

Finance Department Policy

**1.4.6
Infrastructure Renewal Reserve Fund & Capital Leasing**

Section: Capital & Development
Title: Infrastructure Renewal Reserve Fund & Capital Leasing
Administered By: A. Coulson
Last Revised: September 2001
Nature of Policy: **Corporate (approved by Council)**

References:
⚡ Burlington Hydro Inc. Business Plans
⚡ Council Resolution CC-150-01, July/01
⚡ Council Resolution BP-43-01-2, Sep. 24/01
⚡ Finance Report F-45/01

Hydro Dividends to Be Source of Infrastructure Reserve The City Treasurer is authorized to transfer annually all the dividends from Burlington Hydro Electric Inc. (BHEI) to the Hydro Reserve Fund. The Hydro Reserve Fund shall be the funding source for the Infrastructure Renewal Reserve Fund to be established on an annual basis.

Allowed Contributions Subject to annual budget deliberations, the following may be funded from the Hydro Reserve Fund:
Current Budget
Tax rate Stabilization Reserve Fund
Vehicle Depreciation Reserve Fund
Railroad Crossing Reserve Fund

Separate Capital Financing Guideline A new Capital Financing Guideline for Infrastructure Renewal Reserve Fund shall be established commencing in 2002 Capital Budget and Forecast cycle to be utilized for the financing of capital reconstruction and repair, renewal and replacement.

Capital Leasing The Hydro Reserve Fund shall be the mechanism to internally finance all capital leases as they expire. By implementing an internal financing vehicle to fund capital leases, the City will be able to reduce the amount of lease payments (lower interest costs) while at the same time obtain a higher rate of return on the reserve fund (interest earned). The capital lease program will be able to utilize up to a maximum of \$5,000,000 of the available balance in the Hydro Reserve Fund.

Funding for Cast Iron Watermain Program Funds available within the Infrastructure Renewal Reserve Fund annual guideline for the Asset Category - Roadways, shall be utilized to finance the City’s capital works in conjunction with the Region’s Cast Iron Watermain Program over the term of the program.

Finance Department Policy **1.4.7**
Vehicle and Equipment Depreciation Reserve Fund

Section: Capital and Development
 Title: Vehicle and Equipment Depreciation Reserve Fund
 Administered By: A. Coulson
 Last Revised: July 2002
 Nature of Policy: **Corporate (approved by Council)**

References:
 €# Council Resolution BP-13-02, July 8/02
 €# Finance Report F-39/02

Vehicle and Equipment Depreciation Reserve Funds The following definitions and policies serve as guidelines for all areas to adhere to vehicle and equipment calculations and spending to ensure a consistent and effective plan.

Definitions **Vehicle** – A motor vehicle licensed with the Ministry of Transportation. (Maintenance, repair or replacement for vehicles or equipment and replacement of vehicle or equipment sub-components are not eligible for VDRF funding.)

Equipment – An asset that has a predictable service life of two years or greater, requires regular maintenance or repair, and is used exclusively for field use as part of the corporate fleet. (Protective clothing and apparel, consumable items, hand tools, shop tools, facility assets, fleet repair equipment and hoists, are not to be considered equipment funded through VDRF).

Purpose of Reserve Funds Funds are for the **replacement of City fleet vehicles and equipment that are currently** owned and maintained by the Corporation.

Capital Budget Requirements Replacement items funded through the VDRFs must be included in the Departmental 10 Year Capital Budget and Forecast.

The capital budget year must accurately reflect the true cost to purchase the vehicle or equipment (net of GST rebate) less the salvage value of the vehicle/equipment being replaced.

Finance Department Policy **1.4.7**
Vehicle and Equipment Depreciation Reserve Fund

Asset Identification From the date these policies come into effect, all assets eligible for VDRF funding, must be identified as an individual asset within the Corporate Fleet System and have a unique ID number.

Accessories or components that are permanently fixed to vehicles or equipment are considered part of the asset unless the life cycle differs, thus requiring a separate ID number.

Replacement Assets may differ from the original configuration providing that the purchase cost of the replacement(s) avoids placing the fund in an unfavourable position.

The replacement cost of vehicle or equipment must be determined as follows:

Purchase price plus corporate inflationary factor (Consumer Price Index – Ontario) compounded annually until replacement year (it is reasonable to anticipate that the purchase cost will be adjusted to reflect the actual costs at some point during the life of the asset).

Reserve Fund Contributions In order to determine the VDRF contribution, vehicles and equipment must be depreciated using a straight-line method: (Replacement Cost less Salvage Value) divided by the useful life of asset.

Financial Plan for Future Replacements Prior to inclusion in the Capital Budget and Forecast, Departments must prepare a financial plan to substantiate operational changes that impact future replacements of assets from the VDRF.

Sale of Assets Revenues from sale of assets must be deposited to the respective VDRF account.

New Vehicle and Equipment Purchases New vehicle and equipment purchases are to be funded from sources other than VDRF based on operational changes and growth related needs. These purchases must be presented through the budget process and also address the impact and need for future year replacement funding.

Finance Department Policy**1.4.8
Park Dedication**

Section: Capital & Development
 Title: Park Dedication
 Administered By: A. Coulson
 Last Revised: July 1995
 Nature of Policy: **Corporate (approved by Council)**

References:
 # Council Resolution
 BP-60-95, July 10/95
 # Finance Report F-
 27/95

**Limits on Spending
from Reserve Fund**

Spending from the Park Dedication Reserve Fund in any one year cannot exceed the uncommitted balance in the reserve fund at the end of the preceding year.

Spending Guideline

A maximum of 50% of the prior year uncommitted reserve fund balance will be available for existing infrastructure repair needs with a minimum of 50% to be used towards growth related and major parks/facility redevelopment costs.

Finance Department Policy**1.4.9
GO Transit Tax Room**

Section: Capital & Development
 Title: GO Transit Tax Room
 Administered By: R. Huisman, A. Coulson
 Last Revised: July 2002
 Nature of Policy: **Corporate (approved by Council)**

References:
 # Finance Report
 F-11/02

History

On September 27, 2001 the Provincial Government would take back the responsibility for GO Transit and invest \$3 billion for a total \$9 billion partnership with the Federal and municipal governments to improve public transit in Ontario over the past years.

In 2002, Halton Region has included \$10.9 million in their operating budget pending resolution of how the GO Transit Tax Room could be distributed between the Upper and Lower Tier governments.

**Application of
Tax Room in
Current and
Capital Budgets**

In a letter dated January 18, 2002, addressed to the Regional Chairman, the Province confirmed that the Regions were responsible for matching the Provincial funding commitments to the GO Transit 10 year capital plan. The letter specified Halton's Regional funding commitment as follows:

2002	\$1.44 million
2003	\$4.13 million
2004	\$4.92 million

Burlington's share of the 2002 Go Transit Tax Room will be calculated utilizing the 2002 weighted assessment used to apportion the regional general levy, or approximately 37%, which is estimated to be between \$2,600,000 - \$3,300,000. Burlington will allocate its share of the GO Transit Tax Room as follows:

- a) 1/3 to be transferred to a "new" Transit Capital Renewal/Expansion Reserve Fund. This fund will be utilized to fund the purchases of new/replacement transit capital needs of the municipality;
- b) 1/3 to be transferred to a "new" GTIP (Golden Horseshoe Transit Investment Partnerships) Reserve Fund which Burlington can access to fund these initiatives;
- c) 1/3 to be transferred to the operating budget to offset the current transit operating deficit.

These policies support the principles of utilizing the GO Transit Tax Room for funding local transit initiatives.

Finance Department Policy

**1.4.10
Development Charges Borrowing**

Section: Capital & Development
 Title: Development Charges Borrowing
 Administered By: A. Coulson
 Last Revised: February 2002
 Nature of Policy: **Corporate (approved by Council)**

References:
 # Council Resolution
 BP-2-02-2, Feb. 25/02
 # Finance Report
 F-11/02

Enabling Legislation The governing legislation that permits a municipality to borrow for capital projects is the Municipal Act. Specific restriction with respect to inter-fund borrowing for growth related capital projects is set out in section 36 of the Development Charges Act, 1997. Section 36 states that a municipality may borrow money from a reserve fund, but if it does so, the municipality shall repay the amount used plus interest at a rate not less than the prescribed minimum interest rate (the Bank of Canada rate on the day the by-law came into force updated quarterly). As such borrowing from reserve funds or through debt is permitted under existing legislation.

When Borrowing To Occur When the City is required to borrow funds today to pay for growth related capital works, the repayment of such liability relies on funds to be received from future estimated receipts, projected density counts and the timing of other capital requirements. It is the City's preference that borrowing for the development of growth related services are administered only when alternative advanced funding arrangements with developers has been completely exhausted. In incidences where borrowing occurs, the City should ensure that all risk associated with implementing capital projects for growth related services are on the onus of the developer not the taxpayer.

Guidelines and Criteria for Borrowing It is however, prudent to establish general guidelines for which short term borrowing for growth related projects are permitted. All of the following criteria shall be met before borrowing can be considered.

- J All developer related advanced financing arrangements that are in accordance with the development charges legislation have been exhausted (i.e. front ending

Finance Department Policy

**1.4.10
Development Charges Borrowing**

Guidelines and Criteria for Borrowing (continued)

- agreements); and,
- J All growth related financing is consistent with the Development Charges By-law in effect at that time; and,
- J Growth is required to pay for all costs associated with the borrowing in accordance with the current Development Charges Act and associated legislation; and,
- J For special projects that are substantive in cost whereby future development charge recoveries will be received and the service to which the cost relates is an eligible service; and,
- J The City will be custodial in nature to the development industry, consequently only when there is a demand from developers to build the services or when the City deems it necessary to consider borrowing to fund growth related works; and,
- J Maximum term for borrowing would not exceed the life of the asset to a maximum of 10 years; and,
- J The long term capital budget and forecast will not be adversely impacted by utilizing a reserve fund to accommodate inter fund borrowing; and,
- J A total of all debt charges for Development Charges borrowing as a percentage of net current revenue fund revenue will be less than 1% with a maximum repayment level in each year not to exceed 10% of the reserve funds deposits; and,
- J A total of all debt charges as a percentage of net current revenue fund revenue will not exceed 12.5%, representing 50% of the Provincial maximum limit for municipalities (all debt financing incl.)

The requirements identified above have been provided to serve as a guideline for borrowing for growth related eligible capital services that would not be able to be developed within the approved guidelines.

Ineligible Development Charges Reserve Funds

Under the *Development Charges Act, 1997*, (DCA) municipalities are no longer able to impose development charges for general administration. The DCA allows municipalities to use funds collected for these purposes for their intended use for up to five years from the date of passing the new Development

Finance Department Policy

1.4.10

Development Charges Borrowing

**Ineligible
Development
Charges Reserve
Funds
(continued)**

Charges By-law (2004). The total projected balance at December 31, 2001 for the General Administration Development Charges Reserve Fund (GADCRF) is \$195,000. The total spending from these ineligible reserve funds in the proposed 2002 – 2011 Capital Budget and Forecast is \$195,000. Consequently, there will be no funds left in this reserve fund after 2002 based on the proposed submission of the 2002 capital budget.

Section: FINANCE

Subject: Budgeting

Topic: Capital Budget Variance Reporting

INTRODUCTION

This policy identifies the requirements for the reporting of variances between actual costs incurred and financing and estimates approved by Council for capital projects. It also identifies the methodology to be used to establish estimates or Capital Work in Progress accounts and the timing of the transfer of funds to the Capital Work in Progress account, to finance the project.

Included in the category of capital projects is all construction, reconstruction or improvements of hard services, land acquisitions, facility construction, park development costs, and other related projects, as included in the City's Capital Budget. Capital projects are accounted for through a series of Capital Work in Progress (WIP) accounts which disclose the cost of the project, related subsidies and recoveries if applicable, and the source(s) of financing the City's net cost. The Work in Progress account is, therefore, a control account for each project which provides details on all transactions related to the project, along with the comparison to the Council approved estimate.

The City's net costs of these projects are generally financed from one or more of the following sources:

- €# Current Funds (taxes)
- €# Debentures (tax-supported or local improvement)
- €# Reserves or Reserve Funds

The time lapse from identifying the need for a project to a final completion, which enables the closing of the Work in Progress Account, can span a number of years for a major project. Briefly, the process (assuming necessary approvals are obtained) involves:

- €# The need for project is identified.
- €# Project is disclosed in appropriate years of capital forecast with cost and financing estimates.
- €# Project advances to Capital Budget for the coming year with updated cost and financing estimates.
- €# An engineering, architect or consultant study is undertaken resulting in a report to Council where a by-law is required or cost estimates require updating, requesting approval to proceed.
- €# Tenders are reviewed and recommendation made to accept the tender accompanied by a revision in cost and financing estimates, if necessary.

Section: FINANCE
Subject: Budgeting
Topic: Capital Budget Variance Reporting (Continued)

- €# Project proceeds through construction phase with reporting as required, in the event of over-expenditures.
- €# When the construction is satisfactorily completed, the finalization of financing is undertaken, enabling the closing of the account.

Unlike expenditures reflected through the Current Fund, the Capital Projects do not close off on an annual basis. The accounts are closed following the completion of all work and when all costs and financing have been finalized.

PURPOSE OF POLICY

- €# To provide a system (with Council approval) for reporting of variances between approved estimates and actual results, (Favourable and Unfavourable). This involves delegation of authority for approval to the City Manager, General Managers, and the Directors concerned.
- €# To delineate the procedures for establishing estimates ("budgets") in the computer reporting (accounting) system and for the transferring of funds from Reserves/Reserve Funds and the Current Budget, and for adjusting Current Budget Work in Progress Accounts, etc.
- €# To provide detailed guidance on the timing and content of the reports required.

REPORTING ON VARIANCES

The authorization limits for approval of capital expenditure variances and transfers of necessary capital financing including those required to close out capital projects are as follows:

- €# Director - Authorized to approve Capital Expenditure or Funding Variances up to \$20,000.00.
- €# General Managers - Authorized to approve Capital Expenditure or Funding Variances up to \$30,000.00.
- €# City Manager - Authorized to approve Capital Expenditure or Funding Variances up to \$50,000.00.
- €# City Council - Authorized to approve Capital Expenditure or Funding Variances in excess of \$50,000.00.

Section: FINANCE
Subject: Budgeting
Topic: Capital Budget Variance Reporting (Continued)

A separate report entitled *Capital Project Variance/Closure Report* to be provided to the Administration and Finance Committee on a semi-annual basis for the year-to-date periods ending March 31st and September 30th, to seek approval for variances as required by the above as well as closing of Capital Project Accounts.

The Director of Finance is authorized to make the appropriate accounting entries to transfer surpluses or fund deficits in Capital Project accounts up to \$50,000.00, subject to obtaining the approvals required above or the approval of the Ontario Municipal Board as necessary.

The City Manager is authorized to approve Year End transfers to the *Reserve For Future Expense* up to \$50,000.00.

In emergency situations where timing does not allow for prior Council approval of the occurrence of a Capital Project unfavourable variance, staff to report back for retroactive authorization of actions undertaken in accordance with the approvals required above.

(May 13, 1991)
(October 14, 1997)

Finance Department Procedure**1.5.1****Capital Budget Development Process**

Section: Capital & Development
 Title: Budget Development Process
 Administered By: A. Coulson
 Last Revised: N/A

References:
 # Annual Capital Budget Guidelines Report
 # CFAB Manual
 # Annual Budget Schedule

Capital Financing Guidelines Each year, in late Spring or early summer, Finance staff submit Capital Financing Guidelines to Council for approval. The following components make up the recommended guidelines (refer to related policies for details):

Non-Growth

- # Debt schedule (projected debt, both issued and unissued for each year of the forecast)
- # Capital from Current allowed
- # Infrastructure Renewal
- # Park Dedication

Growth

- # Development charges reserve funds (departments are consulted re projected units and revenues to determine year end balances in funds)

Asset Categories The Financing Guidelines Report also allocates the guidelines to Asset Categories based on:

- # The priorities of the Corporation
- # Prior approved capital forecast
- # Financing gaps

Budget Development Process The capital budget development process includes:

- # City staff training on the CFAB application
- # City staff orientation with respect to Asset Categories
- # Council Workshop to determine prioritization of issues and projects
- # Meetings with staff concerning the asset categories (includes department management and divisional meetings)
- # Draft budget distribution
- # Executive Budget Review (senior staff)
- # Distribution of proposed budget to Council
- # Council review and approval.

Finance Department Policy**1.6.1****Tax Rate Changes**

Section: Current Budget & Policies
 Title: Tax Rate Changes
 Administered By: R. Huisman
 Last Revised: June 2001
 Nature of Policy: **Corporate (approved by Council)**

References:
 Financial Management Focus Area, FFV

Property Taxation**Long Term – 25 years**

Municipal tax rates (excluding Education) are reasonable and reflect value for municipal services provided.

Short Term – 3 Years

Tax Rate changes will be at or below the level of inflation for City services excluding the demands of growth, infrastructure requirements and service changes.

Finance Department Policy

1.6.2 Performance Measures

Section: Current Budget & Policies
Title: Performance Measures
Administered By: R. Huisman
Last Revised: August 1998
Nature of Policy: **Corporate (approved by Council)**

References:
Future Focus Millennium Edition, 1998
Financial Management Systems Report FMS-2A/98
Council Resolution AF-110-98, Aug.10/98
Annual Budget Book

Strategic Plan The City acknowledged the importance of aligning municipal service performance measures with the corporate goals and strategies outlined in the Corporation's strategic plan.

Annual Performance Measures Review As part of the annual budget process, performance measures and indicators shall be developed and reviewed for key City services. Performance in relation to goals established in previous years is to be included in budget reports to Council.

Performance Measurement Criteria The following criteria shall be used to assist in the development of the best possible municipal service performance measures:

1. Valid
2. Understandable
3. Resistant to perverse behaviour
4. Comprehensive
5. Non redundant
6. Sensitive to data collection costs
7. Focused on controllable facets of performance
8. Directly relevant to the City's stakeholders/customers
9. Relevant to the Corporation's important decision-making process
10. Focused.

(Refer to Report FMS 2A/98 for description of criteria.)

Performance Indicators Performance Indicators have been developed for many municipal services. The definition of Performance Indicators is:

Performance Indicators include all of the characteristics of Performance measures with one exception: City Council and/or staff cannot be held accountable for the results of Performance Indicators due to the existence of "externalities", or facets of performance beyond the control of the actions of Council and/or staff.

Finance Department Policy

1.6.3 Quality Services Survey

Section: Administration
Title: Quality Services Survey
Administered By: S. Zorbas
Last Revision: April 2002
Nature of Policy: **Corporate (approved by Council)**

References:
Council Resolution BP-8-02, Apr. 8/02
Finance Report F-08/02

Surveys as Part of Strategic Planning Process Comprehensive surveys shall be considered on a three year cycle as part of the City's strategic planning process to be conducted and completed (including a staff review) prior to the commencement of the strategic plan process.

The staff review shall include an overview of the survey findings, service implications related to the Gap Analysis and other issues identified in the survey results.

Finance Department as Lead The Finance Department shall be the lead in developing Quality Services Surveys with assistance from Corporate Communications and involvement by the City Manager's Office.

Section: FINANCE
Subject: Budgeting
Topic: Current Budget Variance Reporting

The Administration and Finance Committee is given responsibility for overall control of the City's current budgets throughout the year as well as the overall review of the current budget for the coming year.

All variances on City programs greater than \$50,000.00 are to be reported to the appropriate Standing Committee as they occur or, alternatively, to the next scheduled meeting of the Administration and Finance Committee.

Staff level variance approval limits are increased as follows:

# City Manager	- less than or equal to \$50,000.00.
# General Managers	- less than or equal to \$30,000.00.
# Directors	- less than or equal to \$20,000.00.

The City Manager's approval limit for year-end transfers to the *Reserve for Future Expense* are increased to less than or equal to \$50,000.00.

The City Manager is responsible for the approval of variances below this amount through the development and monitoring of a system of regular reporting and of assigning specific variance approval limits to the General Managers and Directors.

Overall summaries of Current Budget Performance and Variances to be reported to the Administration and Finance Committee as of June 30th and August 31st, as well as after the year-end. These reports will come forward in June, October, and March of the following year.

The August 31st report will also contain a projection of the estimated results of current budget operations to the end of the year.

Requests for approval of over-expenditures must indicate sources of funding from other budget accounts or other revenues.

Prior approval of over-expenditures is to be obtained except in emergencies. In the latter case, staff actions must be confirmed by Council unless the variance is within their authority for approval.

Section: FINANCE
Subject: Budgeting
Topic: Current Budget (Continued)

The Director of Finance is to continue to report quarterly on the City's financial position. This reporting, to satisfy the fiduciary requirements of the *Municipal Act*, will cover the position of reserves, investments, and tax collection and will be directed to the Community and Corporate Services Committee.

To provide a context for the discussion of budgetary performance, the report of the Office of Business Development is to be included on the agenda of the Administration and Finance Committee meetings referred to in paragraph six above.

(April 22, 1996)
(October 14, 1997)

Finance Department Policy

**1.6.7
Surplus Disposition**

Section: Current Budget & Policies
Title: Surplus Disposition
Administered By: R. Huisman
Last Revised: N/A
Nature of Policy: Departmental (Finance practice)

References:
€# Annual surplus disposition reports.

Monitoring Surplus Finance staff monitor budget performance throughout the year to gauge amount of surplus to be accumulated by year end.

Report to Council As part of the presentation of the proposed current budget Finance staff report to Council on the status of the surplus as well as a strategy for disposing the surplus.

General Disposition Strategy Any surplus is generally recommended to be applied to:
€# Budget priorities from previous years (i.e. Prior Years' Tax Write Offs)
€# Contingency Reserve
€# Tax Stabilization Reserve (to Finance one-time proposed budget requirements)
€# General Corporate Revenues

Finance Department Policy

**1.6.8
One-Time Funding**

Section: Current Budget & Policies
Title: One-Time Funding
Administered By: R. Huisman
Last Revised: April 2002
Nature of Policy: **Corporate (approved by Council)**

References:
€# Council Resolution BP-5-02-14

Use of One-Time Revenues One-time revenues shall not be used to fund permanent staff positions.

Finance Department Procedure

**1.7.1
Current Budget Process**

Section: Current Budget & Policies
Title: Budget Process
Administered By: R. Huisman
Last Revised: N/A
Nature of Policy: **Corporate (approved by Council)**

References:
Annual Current Budget Directions Report
Annual Budget Schedule

Council Approves Process Schedule Each year Council is asked to approve the proposed budget process timetable presented with the current budget directions report.

Budget Development Process The current budget process includes:
Presentation of the proposed current budget simulation and budget directions to the executive budget committee (meeting usually held off site for a half day)
Presentation of current budget directions to Council for approval
Budget development in accordance with directions by City staff
Budget Review Task Force (BRTF) examination of proposed base budget
Draft budget distribution
BRTF recommendations to Executive Budget Committee (EBC)
Executive Budget Review (senior staff)
Distribution of proposed budget to Council
Council review and approval.

Finance Department Procedure

**1.7.2
Budget Directions**

Section: Current Budget & Policies
Title: Budget Directions
Administered By: R. Huisman
Last Revised: N/A

References:
Annual Current Budget Directions report

Purpose To obtain direction from City Council in the preparation of the current budget.

Multi-Year Forecast (budget simulation) The Current Budget simulation model is a tool that helps to predict net operating requirements for the City. It is based on a long list of assumptions about conditions that may or may not materialize as the budget is developed. Some assumptions such as estimated inflation and assessment growth affect the budget in a very general way. Other estimates are specific and more precise like the projections for debt charges. At best, the simulation model as a whole gives only an order of magnitude indication of what the proposed current budget may look like. While the degree of precision achieved by the model is limited, the simulation is still a very useful tool for helping to establish future budget directions.

Economic Assumptions In preparing the current budget directions, the following categories of assumptions are used:

- General
 - Inflation
 - Consumer Price Index
 - Weighted Assessment Growth
 - Prior Year's Actual Growth
 - Reassessment and Related Tax Policies

- Expenditures
 - Costs related to infrastructure Maintenance
 - Commodity Costs
 - Utility Costs

- Revenues
 - POA (growth and collection)
 - Investment Income
 - Building Permits
 - Contributions from Reserves

Finance Department Procedure

1.7.2

Budget Directions

Budget Drivers The following categories of budget drivers are reviewed and referred to in the budget directions report:

- Human Resources
- Infrastructure
- GO Transit Tax Room
- Provisions for Corporate Expenditures
- Future Focus (strategic Plan)
- Environmental Management Plan

Budget Strategies Budget directions also include strategies for achieving any previous directions provided for Council. Refer to previous budget directions report for specific strategies in each year. General strategies might include but not be limited to:

Maximizing Revenues through increased assessment, adjustments to rates and fees and provisions for non-tax revenues.

Minimizing Expenditures through BRTF and EBC review processes.

Continuing to validate the assumptions used to develop the multi-year forecast.

Developing decision packages to accommodate corporate priorities.

GLOSSARY OF TERMS

Accounting Principles Generally Accepted Accounting Principles that apply specifically to the process of developing estimates and budgets and comparing them to the actual results.

Accrual Basis Accounting A method of accounting that recognizes revenue when it is earned and expenditures when they are incurred, as opposed to waiting until cash is actually received or spent.

Activity Based Costing Assembling and recording all elements of an activity that incur costs in order to determine the unit cost of the activity.

Activities An organizational process or system that converts inputs (money, staffing, technology, and other resources) into outputs (services and other things of value to customers, stakeholders, and citizens); the work performed by an organization to carry out a program for which it is responsible.

Appropriation A legal authorization granted by the Council to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended. General Operating fund appropriations lapse (expire) at the end of each fiscal year.

Approved Budget The final budget passed by the Council with detail adjusted by departments to show how they will operate within the fund-wide and department-wide numbers approved in that budget.

Actual Actual (as opposed to budgeted) revenues and expenditures for the fiscal year indicated.

Assessment Nominal value assigned by the Municipal Property Assessment Corporation (MPAC) to real property for use as a basis for property taxation.

Base Budget In simple terms, a reflection of the budget resources (financial, human and other) that are required to maintain service levels at the level provided in the previous year's Current Budget.

Benchmarking Determining the quality of one's products, services and practices by measuring critical factors (e.g., how fast, how reliable a product or service is) and comparing the results to those of highly regarded competitors.

Benefits Payments to which participants may be entitled under a pension plan, including pension benefits, death benefits and benefits due on termination of employment.

Budget A plan of financial operation containing an estimate of proposed expenditures for a given period (usually a fiscal year) and the proposed means of financing them. Since the budget process includes many "budgets", it is necessary to specify whether the budget being discussed is projected, recommended, final (approved by the Council), or current.

Budget Calendar A schedule of key dates which the City follows in the preparation, adoption and administration of the budget.

Budgetary Basis This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual.

Budgetary Control The control or management of an organization in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenue.

Building Permit Revenue Fees imposed on construction related activities and for the acquisition of other non-business permits.

Budget Principles Elementary propositions held to be basic in the capital and current budget processes.

Capital Budget A plan of proposed capital expenditures to be incurred both in the current year and (long-term) over several years in the future. The budgeted costs provide needed infrastructure, park development, building construction or rehabilitation and other related items. Funding is received from various sources.

Capital Equipment Physical plant and equipment with an expected life of five years or more.

Capital Expenditure Monies spent for the renovation, maintenance or replacement of fixed assets, resulting in an extension of the assets' useful life.

Capital Program A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

City The Corporation of the City of Burlington.

Contingency An appropriation of funds available to cover unforeseen events that occur during the fiscal year. These funds, if unused, lapse at year-end.

Cost The amount of resources required for a business program, product, activity or service to produce an output, regardless of where the resources are accounted for. **Direct costs** can be identified specifically with a particular final cost objective (e.g. direct service, program or product), and usually appear in the budget of the program that provides the product or service. **Indirect costs** are incurred for a common or joint purpose benefiting more than one cost objective (e.g. direct service, program or product), but are not readily assignable to the cost objectives specifically benefited; they may be found elsewhere in the budget of the department that provides the product or service, or in the budgets of other departments that support that department.

Cost Centre An organizational unit with a specific strategic focus and the authority to expend corporate resources in order to deliver an internal or external service.

Cost Centre Group/Program A program consisting of one or more cost centres with related objectives. The City of Burlington has defined its budget in terms of about 150 programs.

Cost Element Tool used to classify the organization's service delivery costs within a cost centre. A cost element corresponds to a cost-relevant item in the City's chart of accounts.

Cost Element Group A combination of cost elements of the same type (for example, salaries and wages is a cost element group containing a number of cost elements including: a) full time salaries, b) part time salaries, c) overtime, d) standby pay, e) acting pay, f) etc). Cost element groups can serve various purposes. For example, they can be used to create reports or to process several cost elements in one business transaction. In the City's chart of accounts there is a hierarchy of cost element groups.

CUPE Canadian Union of Public Employees – an association formed as a means by which to protect the rights of public sector employees such as those who work for municipalities, like the City of Burlington.

Current Budget / Operating Budget A budget for general revenues and expenditures such as salaries, utilities, and supplies.

Current Value Assessment Property value set upon real estate under direction of the Province as a basis for levying property taxes.

Debt Charges Principal and interest payments necessary to retire debentures issued for City purposes.

Debt Payment The payment of principal and interest on borrowed funds such as bonds or debentures.

Decision Units Tools used to Identify budget changes that are linked to the achievement of Council's fiscal targets. Decision Units consist of budget reductions or increases with related budget, service, and staffing impacts. Decision Units therefore allow members of Council to assess difficult budget decisions (e.g. cut services, increase fees vs. raise taxes) based on the value of services provided.

Debentures A form of unsecured debt financing utilized by the municipality.

Deficit The excess of liabilities over assets, or expenditures over revenues, in a fund over an accounting period.

Encumbrances The commitment of appropriated funds to an unperformed contract for goods or services. It is an estimate of the expenditures that will result when the contracts are completed.

Expenditure The disbursement of appropriated funds to purchase goods and/or service. Expenditures include current operating expenses that require the current or future use of net current assets, debt service, and capital outlays. This term designates the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlays.

Fiscal Year Any period of 12 consecutive months designated as the budget year. The City's budget year begins January 1st and ends December 31st.

Fleet The vehicles owned and operated by the City.

Forecast The projection of revenues and expenditures for future years.

Full-Time Equivalent Position A measure of effective authorized positions, indicating the percentage of time a position or group of positions is funded. For an individual position, 1.00 FTE is usually equal to 2,080 hours of work per year. FTE takes into account the number of hours per week and portion of the year the position is funded. $FTE = (\text{hours worked per week} / 40) \times (\text{months funded} / 12)$. A year-around full-time position has an FTE of 1.00. A full-time position funded for 6 months (1/2 year) has an FTE of 0.5, as does a 20-hour-per-week year-around position.

Fund A set of interrelated accounts to record revenues and expenditures associated with a specific purpose. A fund has its own revenues, expenditures, assets, liabilities, and equity (fund balance).

Fund Balance A term used to express the equity (assets minus liabilities) of governmental fund types and trust funds. A fund balance is the excess of cumulative revenues and other sources of funds over cumulative expenditures and other uses of funds.

GAAP (Generally Accepted Accounting Principles) Nationally-recognized uniform principles, standards, and guidelines for financial accounting and reporting, governing the form and content of many financial statements of an entity. GAAP encompasses the conventions, rules, and procedures that define accepted accounting principles at a particular time, including both broad guidelines and detailed practices and procedures.

General Fund The general operating fund is used to account for all resources except those required to be accounted for in another fund.

Goal A statement of broad purpose, intent, or direction toward achievement of desired social or organizational outcomes, usually general and timeless (not concerned with a specific achievement in a specific time period).

Grant A monetary contribution, typically from one level of government to another, as a means to lend support to a specific service, program or function.

GST Goods and Services Tax – a Federal Government Levy valued at 7% on purchased goods and services.

Inflation A rise in price levels caused by general economic activity and growth.

Infrastructure The basic installations and facilities necessary for the continuance and growth of the city, such as roads, schools, transportation, utility, and similar systems.

Interest Income Revenue associated with the City's cash management activities of investing cash balances.

Liability A financial obligation of the City to others.

Long-Term Debt Debt that matures more than one year after it is issued.

Measurement A variety of methods used to assess the results achieved, and improvements still required in a process or system.

Modified Accrual Basis The basis of accounting in which revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are recognized when incurred, i.e., when the related fund liability is incurred except for: inventories of materials and supplies which may be considered expenditures either when purchased or used; prepaid insurance and similar items which need not be reported; accumulated unpaid vacation, sick pay, and other employee benefit amounts which need not be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and principal and interest on long-term debt which are generally recognized when due. All governmental funds and expendable trust funds are accounted for using modified accrual accounting.

Non-Departmental Refers to activities, revenues and expenditures that are not assigned to a specific department.

Objective A desired specific output-oriented accomplishment that can be achieved within a given time frame. Its achievement advances both the activity and organization toward a corresponding goal.

One-Time Item An item to be funded from prior years' surplus and only approved for the current budget year.

OMB Ontario Municipal Board – a provincial board that provides a forum to appeal planning and assessment decisions made by the City.

OMERS Ontario Municipal Employees Retirement System - local government pension plan co-ordinated by the Province of Ontario, and funded by contributions made by both employers and employees. Since August of 1998, municipal employers across the province had enjoyed a five-year contribution 'holiday', but resumed payments are now being made.

Operating Budget / Current Budget A budget that provides funding to departments for their recurring operating costs; namely, general revenues and expenditures such as salaries, utilities, and supplies.

Per Capita A measurement of the proportion of some statistic to an individual resident determined by dividing the statistic by the current population.

Performance Measure Data collected to determine how effective and/or efficient a program is in achieving its objectives. Specific service levels are established for all major services, and then monitored to determine the level of success achieved.

Performance Indicators Specific quantitative measures of a division's, program's, or activity's work performed or results obtained toward meeting an objective. They measure demand, workload, efficiency, effectiveness, quality, achievement, or outcomes.

Program Group of activities, operations or organizational units directed to attaining specific objectives and achievements and budgeted as a sub-unit of a department.

Program Changes Represents any proposed variation/reduction in the budgeted expenditures or revenues which are not provided for in the Base Budget, and for which separate budget disclosure for purposes of senior staff and/or political review is warranted.

Property Tax An ad valorem (value-based) tax levied on real and personal property according to the property's assessed valuation and the tax rate.

PST Provincial Sales Tax - a Provincial Government Levy valued at 8% on purchased goods and services.

Reserve A portion of the fund balance legally segregated for specific purposes, which has no reference to any particular assets, and thus does not require the physical segregation of money or assets.

Reserve Fund An allocation of accumulated net revenue similar to a reserve except that assets are distinguishable and monies set aside are accounted for separately. Investment income must be accumulated in the reserve fund, and accounted for as part of it.

Results-based Business Planning A method of planning and budgeting based on the derived relationship between performance targets and the financial resources required to meet those targets. Existing budget levels are adjusted upwards or downwards based on desired levels of performance.

Revenue Monies received from all sources (with exception of fund balances) that will be used to fund expenditures in a fiscal year.

Strategic Plan A document outlining long-term goals, critical issues and action plans which will increase the organization's effectiveness in attaining its mission, priorities, goals and objectives. Strategic planning starts with examining the present, envisioning the future, choosing how to get there, and making it happen.

Surplus The excess that exists when expenditures at fiscal year end are lower than had been budgeted for, or revenues are higher. Surpluses are required to be applied fully in the following year's operating budget to reduce amounts raised through taxation, unless otherwise allocated to a reserve by a Council bylaw.

Tax Levy The total tax dollars assessed on property, calculated by multiplying the tax rate by the tax base. The term can also refer to the tax rate itself.

Tax Rate The actual rate of tax applied to the Current Value Assessment to determine taxes payable. Tax rates are established by a Council bylaw.

Trust Funds Funds used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

User Fees The amount of revenue generated from the imposition of charges for the use of municipal facilities or services by an individual or group and not the community at large.