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Tracey Neifer, CA
Manager of Financial Services

REPORT RE: COW January 4th, 2011
REPORT NO: FS 8 - 2011

SUBJECT: Budget Process – Policy Manual Amendment

RECOMMENDATION:

THAT the necessary by-law regarding amendment to the Municipal Policy Manual to amend policy TR.5.1 Budget Process be placed on the upcoming Council meeting agenda for consideration.

BACKGROUND:

Upon review of Policy TR.5.1 Budget Process, we have deemed it necessary to make changes to the policy in order to clarify and simplify the process in an effort to streamline business. The original policy is attached to this report along with the proposed policy and necessary amending by-law.

The change of most importance falls under Item 3 Timetable. The statement giving the Treasurer the authority to change the timetable is imperative in order to accommodate municipal elections **(the lame duck Council cannot make binding decisions of values exceeding \$50,000)** and other unforeseen circumstances. This authority would also allow the Treasurer to work expeditiously to prepare the budget in a timely fashion.

Respectfully Submitted,

Tracey Neifer
Tracey Neifer, CA

Manager of Financial Services

Date: December 22nd, 2010

Approved by,

Rhonda Cook
Rhonda Cook, CAO

Date: Dec. 22, 2010

THE CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

BY-LAW NUMBER -2011

**Being a By-Law to Amend By-Law Number 44-2009 Being a
By-Law to Adopt the Manual Governing the Policies and
Procedures for the Corporation of the Town of South Bruce
Peninsula**

WHEREAS Section 8 of the Municipal Act, 2001, c.25, as amended, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 11 of the Municipal Act, 2001, c.25, as amended authorizes municipalities to pass by-laws regarding the accountability and transparency of the municipality and its operations;

AND WHEREAS Section 270 (1) 5 of the Municipal Act, 2001, c.25, as amended authorizes the municipality to adopt and maintain policies with respect to the manner in which the municipality will try to ensure that it is accountable to the public for its actions, and the manner in which the municipality will try to ensure that its actions are transparent to the public;

AND WHEREAS Section 23 of the Municipal Act, 2001 c.25, as amended authorizes a municipality to delegate its powers and duties including administrative powers to a person subject to restrictions as set forth in the Act;

AND WHEREAS the Council of the Corporation of the Town of South Bruce Peninsula adopted a Municipal Policy Manual and desires to amend said by-law by amending the policy regarding the budget process.

**NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE TOWN OF
SOUTH BRUCE PENINSULA ENACT AS FOLLOWS:**

1. **THAT** policy TR.5.1 of the Municipal Policy Manual regarding the Budget Process be replaced by the amended policy attached hereto.
2. **THAT** all by-laws and policies inconsistent with this by-law are hereby repealed and replaced with this by-law.
3. **THAT** this by-law shall come into full force and effect upon the final passing thereof.

READ a FIRST and SECOND time this 11th day of January, 2011.

_____ **MAYOR**

_____ **ACTING
CLERK**

READ a THIRD time and FINALLY PASSED this 11th day of January, 2011.

_____ **MAYOR**

_____ **ACTING
CLERK**

Section: Treasury	Policy Number: TR.5.1
Sub-section: Budget	Effective Date: September 22, 2009
Subject: Budget Process	Revision Date: January 11, 2011
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BUDGET PROCESS

PURPOSE:

The purpose of this policy is to outline a formal and consistent approach to the preparation and approval of the annual Municipal Work Plan and Budget.

POLICY:

1. DEFINITION AND PURPOSE OF A MUNICIPAL BUDGET

Every Council shall in each year prepare and adopt an operating budget for the year which shall show the anticipated operating expenditures and revenues of the Town for the year and the operating deficit or available operating surplus as of the 31st day of December of the preceding year.

The anticipated operating expenditures shown in the operating budget shall consist of all the expenditures of an operating nature that are required for the purposes of the Town in the year.

2. GUIDELINES

As part of the original timetable, the Treasurer and Council will formulate specific guidelines to departments to develop their budget estimates. The guidelines can be in the form of service levels related to previously established goals and objectives, general service levels, tax rate increases, expenditure increases or tax increases.

Once the individual departmental budgets are prepared, the Treasurer will assemble the municipal budget. A suitable package of information will be presented for review, evaluation and decision.

During the budget review, adjustments may be made to the estimates, and approval may be given of specific parts of the total estimates. A formal written record shall be made of these decisions.

Once final decisions are made on revenues and expenditures, tax rate calculations need to be completed using current assessment data, and a formal by-law will be considered for adoption by Council.

In order to ensure understanding of the final budget allocations, a summary from the Treasurer to Council, departments and outside agencies with detailed departmental budget allocations will be provided.

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BUDGET PROCESS

The Treasurer will establish a monitoring system which shall provide budgetary control and variance reporting. Regular reports will be presented to Council and individual departments.

Council requires all Department Heads to prepare a five year capital forecast for major capital purchases. These forecasts will be reviewed on an annual basis during budget deliberations; it is the responsibility of each Department Head to update the forecasts and to provide these updates to the Treasurer.

3. TIMETABLE

The development, implementation, and follow-up of specific timetables for preparing and reviewing the budget estimates is critical to an effective budget process. The table below provides a timetable which shall be used as a guide in the preparation of the annual budget. **It should be noted that the Treasurer has the authority to alter or change the timetable to suit the business needs and requirements of the Town in any given year.**

August 1 st	Delivery of Capital Budget Call to all Department Heads from Treasurer
October 1 st	Deadline for Capital Budget submission to Treasurer
October 15 th	Treasurer presents submissions by Department to Council
October 15 th – Nov. 15 th	Council to meet with Department heads to review submissions and determine possible projects for the following year (one day meeting)
November 15 th	Delivery of Operating Budget Call to all departments from the Treasurer
December 15 th	Deadline for submission of Operating Budgets to Treasurer
January 15 th	Treasurer presents Operating Budget submissions to Council
January 15 th – March 15 th	Council reviews Operating Budget submissions with Department Heads plus implications of Capital requests from Department Heads and consider implications of Capital Fund to date approvals (meetings to take place in January until process is completed).
March 1 st	Treasurer to submit preliminary final document for approval
March 1 st	Council formally approves Operating and Capital Budget by by-law

" ORIGINAL "

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BUDGET PROCESS

PURPOSE:

The purpose of this policy is to outline a formal and consistent approach to the preparation and approval of the annual Municipal Work and Budget.

POLICY:

The following policy outlines the purpose of the Municipal Budget, the timelines in creating the Budget, evaluation of the Budget, and the review/approval process. It is imperative that the Budget be prepared in conjunction with the preparation of the Annual Municipal Work Plan which outlines the activities to be undertaken by the Municipality in the current year.

1. DEFINITION AND PURPOSE OF A MUNICIPAL BUDGET

The budget is the translation of council policy into financial terms. The main difficulty lies in allocating the resources available to the Town to programs and services that will best serve the needs and wishes of our inhabitants and ratepayers.

The operating budget is the primary management tool to put in place all the programs and activities planned for the year and ensure that they complement the long-range goals and objectives of the Town. In preparing annual operating budgets each Department Head will include among other things a listing of all conferences to be attended by department staff by the budget year.

The purpose of a budget can be to establish or reinforce sound management practices, and improve procedures of operational planning, budgeting and decision making.

Ontario Municipal Act

Every Council shall in each year prepare and adopt an operating budget for the year which shall show:

The anticipated operating expenditures and revenues of the Town for the year and;

The operating deficit or available operating surplus as of the 31st day of December of the preceding year.

Treasury

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The anticipated operating expenditures shown in the operating budget shall consist of all the expenditures of an operating nature that are required for the purposes of the Town in the year.

Politician's Definition

“A mechanism for managing the needs of the Town with resources available. A method of controlling expenses.

“A plan of short term objectives of the Town. A review of existing programs. A guideline to Departments for spending limits.”

2. TIMETABLE AND SCHEDULE

The development, implementation, and follow-up of specific timetables for preparing and reviewing the budget estimates is critical to an effective budget process. Without a plan, staff and council are not aware of their responsibilities in the process or the deadlines that must be met. These responsibilities and schedules must be clearly and precisely set down in writing, agreed to by Council, and explained to the key budget participants.

The actual time of the year when the budget is commenced and finalized varies greatly in Ontario municipalities. It is entirely dependent on specific circumstances in the individual organizations. Many municipalities do not start the preparation of their current years operating budget until the actual figures for the previous year are known. i.e. March or April of the current year. Other municipalities start preparation in August or September of the previous year and finalize the budget in December (City of Cambridge). The City of Toronto has Council reviews in February or March of the current year. All of these timetables work effectively and are different because of different philosophies and priorities in the municipalities.

In other words, there is no best time to start the budget process.

However, in all effective budget processes the responsibilities are clearly defined and a timetable of requirements is set out and monitored closely.

3. GUIDELINES

As part of the original timetable, it is frequently found that the Treasurer and Council will formulate specific guidelines to departments to develop their budget estimates. The guidelines

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can be in the form of service levels related to previously established goals and objectives, general service levels, tax rate increases, expenditure increases or tax increases. They should be approved by Council as directions for the process.

3. GUIDELINES

If guidelines are given, they must be realistic and related to community resources and needs.

4. REVIEW, EVALUATION AND PRESENTATION

Once the individual departmental budgets are prepared they need to be put together into the total municipal budget. At this stage, the entire budget and the individual parts should be reviewed and evaluated from several points of view.

The overall estimates need to be assessed in light of general economic trends, in line with the new services that may be included, and in light of the assessment or revenue increases to the Town. Major fluctuations or differences must be explained. A suitable package of information then needs to be prepared by the municipal treasurer for final review, evaluation and decision.

Since the entire process involves accumulating and communicating a great number of details and figures, the method and format of presentation becomes critical.

In order to avoid confusion and assist the budget review people in examining key issues, it is mandatory that the material be presented in a clear, concise and accurate manner. The process by its nature involves a great deal of paper.

5. APPROVAL

During the budget review, adjustments may be made to the estimates, and approval may be given of specific parts of the total estimates. A formal written record should be made of these decisions.

Once final decisions are made on revenues and expenditures, tax rate calculations need to be completed using current assessment data, and a formal Council by-law should be approved.

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The final budget allocations need to be communicated to Departments, and outside Agencies. A copy of the final budget document may suffice. In order to ensure understanding, a final letter from the Treasurer to Council and Departments with detailed Departmental budget allocations is very useful.

6. IMPLEMENTATION AND MONITORING OF APPROVED BUDGET ALLOCATIONS

When the budget plan and estimates have been approved, it is necessary to implement basic procedures to ensure that money is being received and spent during the year, in line with the budget plan.

The Treasurer needs to establish a monitoring system (budgetary control system, variance reporting). This is the method to make all key personnel accountable and responsible for their budget commitment. Regular reports should go to them, and direct personal contact by the Treasurer should be initiated to ensure that everyone understands how to review the reports and what action should be taken.

The results of the monitoring during the year can also be helpful in preparing the budget for the following year. Early identification of plus or minor variances will help to estimate specific budget needs for future years.

7. CAPITAL BUDGET DECISIONS

Capital decisions are especially vulnerable. Capital items are usually very visible and have far-ranging impact. They bring recurring costs, in the form of operating and maintenance responsibilities, and may entail debt servicing costs as well. They may also be used to generate revenue, which can help to offset these costs. Sometimes the capital budget raises long-range questions that touch on the planning and staffing of an entire operation. For example, a capital lease directly affects a municipality's debt capacity since it forms part of the municipality's capital formation. Thus, the decision to acquire one large capital asset can limit future choices of assets and programs.

Council requires all Department Heads to prepare a five year capital forecast for major capital purchases. These forecasts will be reviewed on an annual basis during budget deliberations. It is a responsibility of each Department Head to update the forecasts and to provide these updates to the Treasurer.

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8. FACTORS TO CONSIDER

TECHNOLOGICAL

- Obsolescence – Will purchasing of the item mean less flexibility for change?
- Choice- opportunity to try out different items before purchasing?
- Supplier Potential – vendors in area to supply and service?
- Servicing Facilities – can new equipment be easily and economically serviced?
- Renovations – may be required to install, operate and maintain new equipment
- Existing Capacity – will existing facilities accommodate the new asset?
- Effect on existing Inventory – will the new item be compatible with existing inventory?

9. POLICY

- Public Opinion – community acceptance of the need and demand for the item
- Employee attitude – will staff morale suffer or improve?
- Employee Safety – new equipment may be safer; conversely, adopting new equipment may be less safe
- Effect on long-range planning – is flexibility important? Purchasing commits to a certain mix of equipment. Is the asset to meet immediate or long-range needs?
- Control – flexibility with lease or rental arrangement whereas ownership accrues with outright purchase.
- Accountability – is clear in a rental or lease arrangement, since the contract spells who pays, when and how much. Purchasing may result in less certainty
- Decision-making process – benefit of applying some analytic tools may not justify the cost and effort involved.
- Staffing – How will the new asset affect the staffing complement, in both the short and long term?

10. ADMINISTRATIVE

- Training – do you have adequately trained staff for the new acquisition?
- Tendering procedures – Is this practical? Has significant benefits when attempting to get best fixed costs.
- Insurance – are existing policies on equipment and buildings adequate.

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11. LEGAL

Effect on existing contracts – does the municipality have a union?
 Jurisdiction – does the municipality have the power to make the final decision?
 What is the enabling legislation?
 Contract terms – Determine exactly the terms and conditions of the contract: Are the terms negotiable?
 Warranty – What guarantees?

12. FINANCIAL

Financing – What are the sources of financing and how certain are they?
 Capital costs – What are the costs of installation, renovations, purchase price, start-up costs, design costs and other front-end payments?
 Operating costs – repair and maintenance costs
 Revenues – can revenues be forecasted accurately and how stable are they?
 Marginal operating costs and benefits – operating costs for a labour intensive project may escalate quickly. Greater usage may bring greater maintenance costs.
 Financial indicators – shortest payback period, best rate of return, least present value of costs or highest present value of benefits.

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13. BUDGET TIME-TABLE (Proposed)

August 1 st Annually	Delivery of Capital Budget Call to all Department Heads from Treasurer
October 1 st	Deadline for Capital Budget submission to Treasurer
October 15 th	Treasurer presents submissions by Department to Council
October 15 th – Nov. 15 th	Council to meeting with Department heads to review submissions and determine possible projects for the following year (one day meeting)
November 15 th	Delivery of Revenue Fund Budget Call to all departments from the Treasurer
December 15 th	Deadline for submission of Revenue Fund Budgets to Treasurer
January 15 th	Treasurer presents Revenue Fund submissions to Council
January 15 th – March 15 th	Council reviews Revenue Fund submissions with Department Heads plus implications of Capital requests from Department Heads and consider implications of Capital Fund to date approvals (meetings to take place in January until process is completed.
March 1 st	Treasurer to submit preliminary final document for approval
March 1 st	Council formally approves Revenue Fund and Capital Budget by by-law

Treasury