Committee of the Whole (2) Report

DATE: Wednesday, October 13, 2021 **WARD(S):** ALL

TITLE: CAPITAL BUDGET POLICY

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To seek approval of the City of Vaughan's Capital Budget Policy No. 12.C.12.

Report Highlights

- The purpose of the capital budget policy is to provide guiding principles and direction for the development and form of the capital budget.
- The policy allows for managing adverse and unanticipated situations through a transparent and accountable process that provides flexibility to respond to changes and risk while keeping Council and the public informed.
- The policy reflects the City's Financial Sustainability Guiding Principles and legislative requirements of the Municipal Act, 2001.

Recommendations

1. That the Capital Budget Policy, as included in Attachment 1, be approved; and
2. That Policy No. FPDF-005 Capital Project Financial Administration and Reporting Policy be repealed and replaced with Policy No. 12.C.12 Capital Budget Policy.

Background

Financial policies are a key element of sound fiscal administration.

Section 290 of The Municipal Act, 2001 sets out provisions for local municipalities and sets minimum requirements for budgeting.

i. Local municipalities must adopt a budget annually that includes estimates of all sums required during the year for the purposes of the municipality. Council may adopt a budget in the year, or the immediately preceding year provided it is not an election year.

ii. The budget must be balanced and set out the estimated revenues, including tax levy; estimated expenses for the year; and amounts to be paid into and out of reserves, sinking and retirement funds.

Section 291 of the Municipal Act, 2001 allows for a municipality to prepare and adopt a multi-year budget of two to five years; however, Council must readopt the budget annually for the subsequent years.

The Government Finance Officers Association ("GFOA") recommends adopting capital budget policies aimed at achieving and maintaining a structurally balanced budget that is transparent and supports financial sustainability for multiple years into the future.

Previous Reports/Authority

Not applicable.

Analysis and Options

The Capital Project Financial Administration and Reporting Policy was mainly procedural in nature and as a result was previously identified to be repealed. The proposed Capital Budget Policy ("Policy") to replace the Capital Project Financial Administration and Reporting Policy, reflects best practices recommended by the Government Finance Officers Association ("GFOA"), supports the City's capital budget process, and aligns with the City's Financial Sustainability Guiding Principles.

The Policy provides guiding principles and direction to support the development of the capital budget. The Policy helps to guide informed and fiscally responsible decisions regarding the City's capital plan, ensuring that budget development, management and controls are consistent and compliant with other City policies. This Policy also allows for a transparent and accountable process to respond to unanticipated situations, the necessary flexibility to manage capital project budgets and ensures Council remains informed.

When developing this Policy, staff considered current legislation and City policies; as well as conducted a jurisdictional scan of other municipalities. It was important to

structure this Policy to be consistent with current practices, while not restricting the ability to implement continuous improvements or enhancements to the capital budgeting process as the City's capital plan and budgeting process continues to mature.

Highlights of the Policy

- The budget must be approved by Council each year to provide the authority to spend.
- The Policy formalizes the budget development process to ensure that the City's budget is aligned with Council's priorities, goals, and commitment to transparent and fiscally responsible government.
- Budget guidelines are reviewed and updated annually to assist staff with developing and preparing budget submissions. The guidelines set the schedule, key assumptions, and directions for the upcoming budget.
- Amendments to the approved budget must be approved by Council unless the amendment is of an administrative nature.
- A budget control framework for authority to approve/authorize budget amendments provides flexibility and puts in place effective controls to ensure clarity of authorities, consistency, and flexibility needed to manage the capital budget responsibly.
- To maintain transparency, accountability, and fiscal responsibility, staff will report bi-annually on budget performance to Council.

Financial Impact

There is no financial impact directly associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

Financial policies are central to a strategic, long-term approach to financial management. The capital budget policy is one of several basic financial policies recommended by the GFOA municipalities should consider adopting. Policies will continue to be reviewed and updated regularly as part of long-range financial planning and the annual budget process.

For more information, please contact:
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Kenneth Quan, Manager, Corporate Financial Planning & Analysis, ext. 8029.

Attachments

1. City of Vaughan Capital Budget Policy No. 12.C.12.

Prepared by

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Approved by



Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

Reviewed by



Nick Spensieri, City Manager