

| | |
|--|---|
| Title: Operating and Capital Budget Policy | |
| Policy Group: Your Government and People | Policy Administrator: Finance |
| Resolution No.: Motion 2022-46 | Policy Number: FIN-01 |
| Approval Date: 2022-02-02 | Revision Date: 2027-02-02 |

1. Policy Statement

- 1.1 The Council of the Corporation of the County of Prince Edward (hereafter the "County") is committed to a budget strategy that furthers the strategic planning principles of delivering cost effective services, ensures the financial wellbeing of the County in accordance with Council, corporate policies, Provincial and Federal Legislation and Regulations, the development of sustainable infrastructure, and promotes a healthy, livable and vibrant community.

2. Purpose

- 2.1 The purpose of this Budget Policy (hereafter the "Policy") is to improve the transparency of the budget process. This Policy will address roles and responsibilities, timelines, budget controls, reserves and surplus/deficits. This will play an important part in a strategic and long-term financial planning for the fiscal wellbeing of the County.

3. Scope

- 3.1 This Policy applies to the operations of the County in implementing the budgets set by Council.

4. Legislative Authority

Municipal Act, 2001

5. Definitions

- 5.1 "**Capital Budget**" means the budget which is used for long term investments like infrastructure and facilities, that are paid off over time. Road reconstruction and the purchase of machinery, equipment, and fleet vehicles are examples of capital expenses.

- 5.2 "**Director of Finance**" any person appointed by Council to fulfill the statutory requirements of the Treasurer under the *Municipal Act, 2001, S.O. 2001, c. 25*.
- 5.3 "**One-time Revenues**" means revenue arising from non-operating activities, that is those outside the County's usual revenue generating services which include, but are not limited to grants or subsidies from other levels of government or municipalities that are not legislated to recur annually, transfers from Reserves and Reserve Funds, donations and proceeds on sale of property.
- 5.4 "**Operating Budget**" means budget which covers the day-to-day expenses required to deliver services to residents. These costs return year after year and include items like staff wages and benefits, office supplies, maintenance of buildings and utilities.

6. General

- 6.1 **Operating Budget Principles** - The principles for the operating budget include:
- 6.1.1 The Operating Budget will be balanced as per the legislative requirements outlined in the *Municipal Act*, this means all expenditures must be funded either through user fees, fines and penalties, grants, donations or the tax levy.
- 6.1.2 The Operating Budget may only be adopted for the current year and any forecasted years are for information (e.g. the yearly Budget must be adopted but future years are for information purposes).
- 6.1.3 No unspent programming funds may be automatically carried forward to the next Budget year without consent. Consent will occur in two stages:
1. The Chief Administrative Officer (CAO) will provide consent to move unspent programming dollars to the Reserve for Year-End Carry Forwards Operating at year-end. If the CAO denies this request, the funds will fall to the general surplus/deficit.
 2. Any funds placed in the Reserve for Year-End Carry Forwards Operating must be used in the following year's budget and approved by Council.
- 6.1.4 The Budget shall identify where revenues span more than a single year (e.g. where grant agreements indicate that the funding is for operational support and can span multiple years.)
- 6.1.5 At year-end, unallocated one-time revenues will form part of the County's surplus and be allocated per the County's Operating Surplus/Deficit Policy, except where grant agreements indicate that unspent funds are to be returned.
- 6.1.6 Certain municipal revenues can be termed "unpredictable" as they fluctuate year to year and are not under the direct control of the County (e.g.

recreation related revenues). The budget amount for unpredictable revenues shall be conservative in nature and represents management's "best" estimate at the time of the budget.

6.1.7 Capital Reserves that are tied to capital plans and that are funded through the operating budget shall be reviewed annually to ensure that the amount being raised is sufficient for capital planning. Recommendations will be brought forward for Council's decision for any of these capital reserves where a deficit in the reserve may result if the levels of funding are not increased.

6.2 **Capital Budget Principles** - Capital budgeting requires staff and Council to allocate the scarce financial resources of the County to meet the needs of the County in the present and future. As a principle, the "best interests" of the community as a whole should be at the core of all capital budgeting decisions.

6.2.1 The capital budget and capital forecast will be presented to Council annually. Only the current year is adopted by Council, the 4 years of forecasted data are for information purposes.

6.2.2 The County's annual capital budget shall consider the following:

- a) The Asset Management Plan and Policy will be utilized to prioritize capital projects.
- b) Projects that have a design and construction component can take more than one budget cycle to complete, these are referred to as a "multi-year" project. Multi-year projects will be presented to Council in whole (design and construction) for approval and will be financed (cash flowed) over the life of the project.
- c) Any projects from a prior year that were not started will not automatically roll forward. These projects must be taken back to Council as part of the following year's budget (e.g. approved project was not started in the year it was funded for, it must be brought back for consideration during the next year's Budget process for approval).

6.3 Overall Tax Rate

6.3.1 The County will budget to ensure tax increases are reasonable and affordable, while still maintaining the level of service that Council and residents expect.

6.3.2 Staff will prepare and present a budget to Council, for consideration, on an annual basis.

6.3.3 Where external agency budgets are unknown at the time of the County's budget preparations, the increase will be estimated at 2%.

7. Responsibility and Implementation

7.1 Council is responsible for approving and supporting this Policy.

7.2 The CAO is responsible for:

- a) Supporting this Policy.
- b) Approving procedures to this Policy related to matters such as monitoring compliance, establishing internal processes and training staff.

7.3 The Director of Finance is responsible for:

- a) Maintaining proper financial controls and procedure guidelines to ensure accountability in the matters of finance, budgets, and related administration.
- b) Providing final interpretations and rulings in regard to the understanding and application of this Policy.
- c) Preparing and maintaining administrative procedures required to implement the provisions of this Policy for approval by the CAO.

8. Documentation and Forms

Not Applicable.