



Council Policy

Policy Title: Budget Reporting Policies
Policy Number: CFO006
Report Number: FCS2006-08
Adopted by/Date: Council/2006 February 27
Effective Date: 2016 November 01
Last Amended: 2019 April 2
Policy Owner: Chief Financial Officer's Department

1. POLICY STATEMENT

- 1.1. This Council policy sets forth procedures on reporting of budget variances, adjustments and spending.
- 1.2. This Council policy is being reviewed, clarified and updated in light of changes to The City's organizational structure and related process changes, and in an effort to improve accountability and transparency in budget reporting.

2. PURPOSE

- 2.1. This Council policy provides criteria specifying:
 - 2.1.1. limits within which Administration can authorize expenditures that exceed the adopted capital and operating budgets, budget transfers and changes to the organizational structure with net zero budget impact. Any changes beyond these limits will require Council approval;
 - 2.1.2. procedures for Council to verify expenditures authorized by Administration; and
 - 2.1.3. reporting requirements for projected year-end unfavourable variances and emergency expenditures.
- 2.2. This Council policy supports the following goals:
 - 2.2.1. Council being appropriately informed of budget adjustments and transfers which may entail service level changes.
 - 2.2.2. Clearly reflecting the difference in budget reporting requirements and processes between operating and capital budgets; and

2.2.3. Consistency with organizational and policy changes implemented since the previous versions of Budget Reporting Policies (CFO006) were approved so as to clearly outline Administration's authority and reporting responsibilities.

3. **APPLICABILITY**

3.1. This Council policy applies to all departments, business units and services.

4. **LEGISLATIVE AUTHORITY**

4.1. Pursuant to Section 248 (1) of the MGA, a municipality may only make an expenditure that is:

4.1.1. included in an operating budget, interim operating budget or capital budget or otherwise authorized by the council;

4.1.2. for an emergency; or

4.1.3. legally required to be paid.

4.2. Pursuant to Section 248 (2) of the MGA, Council must establish procedures to authorize and verify expenditures that are not included in a budget.

4.3. Pursuant to Section 235 of the MGA:

4.3.1. money obtained by a municipality under a borrowing must be used for the purpose for which it is borrowed.

4.3.2. money obtained by a municipality under a borrowing for the purpose of financing a capital property may be used for an operating purpose if the amount spent is available when it is needed for the capital property.

4.4. Pursuant to Section 254 of the MCA, no municipality may acquire, remove or start the construction or improvement of a capital property that is to be financed in whole or in part through a borrowing unless the borrowing bylaw that authorizes the borrowing is passed.

5. **PROCEDURE**

5.1. Operating Budget

5.1.1. Authorization to make over-expenditures - The City Manager and General Managers can each authorize net annual over-expenditures up to \$400,000 per department (total for services fully contained within that department and departmental contribution to cross department joint services) if a funding source is available.

- 5.1.2. Authorization to make Budget Adjustments - The City Manager and General Managers can each authorize net budget adjustments totaling up to \$400,000 per department (total for services fully contained within that department and departmental contribution to cross department joint services) if a funding source is available, there is minimal service impact and the gross adjustment amount does not exceed \$2 million per service per calendar year (refer to Schedule A: Process Chart for Operating Budget Adjustments).
- 5.1.3. Projected Year-end Unfavourable Variances - Projected year-end net departmental unfavourable variances exceeding \$400,000 (total for services contained within that department and departmental contribution to cross department joint services) that have not been previously approved will be reported to Council for approval within one month of identification.
- 5.1.4. Budget Transfers - For situations where there would be net zero corporate operating budget impact, Administration can:
- a. in relation to reorganization, transfer approved operating budgets from one segment of the organization (including its related service plan actions and performance measures) to another, provided the corporate budget impact is zero and there is no change in the service provided; and
 - b. transfer funds from corporate contingencies to program budgets where the net corporate budget impact is zero, based on finalized cost agreements.
- Such transfers will be reported to Council for information as part of the mid-year or year-end budget revision reports.
- 5.1.5. Unbudgeted Emergency
- a. The City Manager and General Managers can each authorize unbudgeted expenditures relating to emergencies. A report will be presented to Council for information on the unbudgeted expenditure as part of the mid-year or year-end budget revision reports.
 - b. Unfavourable budget variances due to significant, unforeseeable, uncontrollable events with impacts that are independent from future years' budgets will be reported to Council annually with funding recommendations for approval, but any related net departmental unfavourable variance will not be carried over to the next year. (see Multi Year Business Planning and Budgeting Policy CFO004 for the Council policy on carry forwards of unfavourable variances under normal circumstances)

5.2. Capital Budget.

- 5.2.1. Authorization to make expenditures – Administration is authorized to make expenditures that exceed the adopted capital budget for a budget identifier (i.e. the level approved by Council) provided:
- a. scope of the capital investment has not changed as approved within the multi-year business plan and budget;
 - b. the amount will not cause the investment to exceed the total budget contained in the Council approved multi-year business plan and budget; and
 - c. the authority is exercised in the accordance with the following limitations:
 - i. the Director of Finance or Corporate Budget Office Manager can each authorize expenditures exceeding the adopted budget by up to \$100,000 per approved budget identifier per calendar year;
 - ii. the Director of a business unit can authorize expenditures exceeding the adopted budget by up to \$1 million per approved budget identifier per calendar year;
 - iii. the General Manager of a department can authorize expenditures exceeding the adopted budget by up to the greater of \$5 million or 10% of the total amount remaining in the approved budget identifier, up to a maximum of \$15 million; and
 - iv. The City Manager, Chief Financial Officer, and Deputy City Manager can together authorize expenditures exceeding the adopted budget up to the total amount remaining in the approved budget identifier.
- 5.2.2. Budget Transfers - In situations where there would be net zero corporate capital budget impact, The City Manager and General Managers can each:
- a. in relation to reorganization, transfer approved capital budgets from one segment of the organization to another where there is no net corporate capital budget impact and there is no change in the investment provided;
 - b. transfer funds from approved capital budgets to capital budget savings where the net corporate capital budget impact is zero;



- c. transfer funds from capital budget savings to previously approved capital budgets where the capital budget impact is up to \$400,000. Transfers to a new capital budget or where the capital budget impact is greater than \$400,000, will require Council’s approval

Transfers of debt financing cannot occur unless the existing borrowing bylaw includes the capital to which the funding is transferred.

- 5.2.3. Relinquishments – In situations where the capital budget can’t be transferred to capital budget savings, the Director of Finance or Corporate Budget Office Manager can each authorize capital budget relinquishments of up to \$100,000 and The City Manager and General Managers can each authorize relinquishments of up to \$400,000 if an investment is ongoing or the remaining capital budget if the investment is complete.
- 5.2.4. Authorization to make over-expenditures – The City Manager and General Managers can each authorize up to \$400,000 in capital expenditures that exceed the total estimated budget contained in the Council approved multi-year business plan and budget, for an approved budget identifier, due to either scope changes or revised cost estimates, if they determine a funding source is available.
- 5.2.5. Unbudgeted Emergency - The City Manager and General Managers can each authorize unbudgeted expenditures relating to emergencies. A report will be presented to Council for information on the unbudgeted expenditure as part of the mid-year or year-end budget revision reports, and such unbudgeted expenditures will not impact the future year capital budget.

5.3. Any amounts greater than the Administration authorization limits requires Council’s approval through the mid-year or year-end budget revision reports or through a separate Council report.

5.4. Administrative procedures will be updated to implement and document the authorizations and processes set forth in this policy made.

6. SCHEDULE

6.1. Schedule A: Process Chart for Operating Budget Adjustments

7. AMENDMENT(S)

Date of Council Decision	Report/By-Law	Description
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2010	-	Policy number change from FCS008 to CFO006 due to department reorganization.
2016 September 26	PFC2016-0714	Council policy amended to reflect new levels of approval for capital budget cash flow timing changes.
2019 April		Council policy amended to align with Service Plans and Budgets, revise approval thresholds and create separate sections on operating and capital budgets

8. **REVIEWS(S)**

Date of Policy Owner's Review	Description
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Schedule A

Process Chart for Operating Budget Adjustments

For services fully contained within a department and cross departmental joint services

STEP 1.
Is the budget adjustment more than \$2 million (gross expenditures) per service per calendar year?

STEP 2.
Does the budget adjustment result in a net departmental impact greater than \$400,000 per calendar year?

STEP 3.
Authorization

STEP 4.
Reporting

