



Town of Whitby Policy

Policy Title:	Annual Capital Budget and Capital Forecast Policy
Policy Number:	F 150
Reference:	Council Resolution #259-08, #198-12 and #298-19
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Point of Contact:	Financial Services Department

Policy Statement

The Corporation of the Town of Whitby (Town) is committed to accountable and fiscally responsible financial management. Decisions made with regards to the Capital Budget and Capital Forecast are consistent with the goals set out by Council, the Corporate Strategic Plan and the Corporate Business Plan and ensure that budget plans respond to changing needs and are fiscally responsible.

Purpose

The purpose of this policy is to:

- Enable staff and Council to make informed choices about the capital related provisions towards programs and services the Town offers.
- Ensure that evidence based decisions are used to determine how the corporate resources are allocated to programs and services.
- Ensure that the Capital Budget and Capital Forecast are aligned with the Corporate Business Plan, annual Department Work Plans, MAMP, Growth Plan, and other approved master plans and consistent with the Corporate Strategic Plan in order to facilitate good long term financial planning.
- Ensure existing infrastructure is maintained in an efficient and effective manner and that new assets are well planned for in accordance with the MAMP and governing legislation.
- Promote community input and stakeholder participation in the budget process.

Scope

This policy applies to all Town programs, services, boards and agencies.

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1. Definitions

- 1.1. **Annual Budget / Current Budget** mean the Operating Budget and the Capital Budget for a single fiscal year.
- 1.2. **Asset Management Related Project** means a Capital Project for lifecycle replacement or repair that extends the life of a fixed asset for PSAB purposes and or a Capital Expenditure that supports the infrastructure but does not directly impact the lifecycle of a specific fixed asset (i.e. inspection).
- 1.3. **Balance / Balanced Budget** means a) for all reserve and reserve funds, the projected uncommitted balances are within the minimum threshold limits as defined by the reserve and reserve fund policies (if applicable), and/or, b) including recommended financing strategies i.e. the issuance of long term debt, projected future revenue and Expenditures and recommended annual tax based increases to the reserve / reserve fund (if applicable), the projected uncommitted reserve and reserve fund balances remain positive.
- 1.4. **Capital Budget** means the plan for Expenditures and financing sources to complete Capital Projects or Capital Expenditures, approved in either an Annual Budget, in a report to Council or under the Capital Budget Monitoring and Control policy.
- 1.5. **Capital Expenditure** is determined by the nature of the work that is undertaken; it usually is in excess of \$5,000 and does not specifically impact a single fixed asset. It includes (but is not limited to) studies, roads crack sealing program etc. It can occasionally be one-time in nature, but usually the expenditure has a benefit lasting more than one year.
- 1.6. **Capital Forecast** means the forecasted plan for Expenditures and financing sources to complete Capital Projects or Capital Expenditures presented in the Annual Budget. Typically this forecast is nine years (Capital Budget and nine years Capital Forecast).
- 1.7. **Capital Project** means any expenditure incurred to acquire or improve land, buildings, engineering structures, and to purchase machinery and equipment. It includes vehicles, office furniture and software applications. Normally, it has a benefit lasting more than one year, and results in the acquisition or extension of the life of a fixed asset or the betterment of an existing asset.
- 1.8. **Council** means the Mayor and members of Council for the Town of Whitby.
- 1.9. **Expenditures / Gross Expenditures** means the total costs paid / incurred for a project and does not net off external recoveries
- 1.10. **GAAP** means Generally Accepted Accounting Principles.
- 1.11. **Growth Plan** means all growth related studies undertaken by the municipality including but not limited to the Development Charge Background Study as

identified in the Development Charges Act and the Community Benefits Strategy as identified in the Planning Act.

- 1.12. **Growth Related Project** means a Capital Project or Capital Expenditure required to plan for future growth in the Town of Whitby and / or maintain existing service levels as the Town's population grows.
- 1.13. **MAMP** means the Municipal Asset Management Plan for the Town of Whitby that is updated annually.
- 1.14. **Operating Budget** means the annual Council approved plan for Expenditures, revenues, staffing levels and service levels for operations of the Town taking place from January 1st to December 31st in a given year.
- 1.15. **PSAB** means Public Sector Accounting Board.
- 1.16. **Program** means a service area of the Town (i.e. Arena, Parking, etc.).
- 1.17. **Strategic Initiatives / Community Enhancement Related Projects** include projects not included in the Asset Management or Growth Related definitions. It could include service level changes and strategic initiatives of Council.
- 1.18. **Treasurer** means the employee designated as such by Council for the position. The Treasurer shall exercise all powers and duties of the Treasurer as set out in the Municipal Act.

2. Responsibilities

- 2.1. Council has the responsibility as provided under the Municipal Act to approve funding Capital Projects and Capital Expenditures in the Annual Budget.
- 2.2. The Treasurer has the responsibility of:
 - Bringing forward each year a budget calendar that defines the timeline for the Annual Budget preparation and approval, including major milestone deliverables for all parties involved.
 - Providing authorization or recommendation under section 8 of this policy during the capital decision process.
 - Providing authorization or recommendation under section 9 of this policy during the Capital Budget and Capital Forecast review.
- 2.3. The Senior Leadership Team has the responsibility of:
 - Providing recommendations under section 8 of this policy during the capital decision process.
 - Presenting their annual work plan and recommended Annual Budget under section 11 of this policy during the public presentations of the budget and approval.

2.4. Commissioners, Directors and Managers have the responsibility of:

- Ensuring the staff submitted Capital Budget and Capital Forecast projects / Expenditures reflects the corporate needs identified in the Corporate Business Plan, Corporate Strategic Plan, MAMP and Growth Plan.
- Ensuring that all budgetary requests are priced based on best known information and in current year dollars (including all years in the Capital Forecast)
- Completing all processes outlined in the Annual Budget calendar (section 5) of this policy in a timely fashion.
- Providing the required / recommended information for the program detail sheet(s) as outlined in Budget Form (section 7) of this policy.

3. Budget Principles and Strategies

3.1. The success of the Town's budget process rests on a solid foundation of budget principles. The Town will maximize program efficiencies while maintaining program effectiveness by focussing on results and outcomes. The principles and strategies that the Town utilizes in making decisions related to short and long term capital budgeting/forecasting include:

- 3.1.1. **Strategic Plans** – the Corporate Strategic Plan, Official Plan, MAMP, Growth Plan and various master plans serve as the guiding documents under which all Town initiatives are aligned. The Capital Budget and Capital Forecast will align and support these plans.
- 3.1.2. **Sustainability** – the Town's Capital Budget and Capital Forecast incorporates a long-term perspective and should be affordable today and in the future. Annual Budgets ensure that programs and services valued by Whitby residents continue to be offered in an efficient and sustainable manner. The use of one-time revenues shall not be incorporated into the Town's base budget and revenue diversification should be maximized. Budget plans will ensure existing infrastructure is maintained and that growth is well planned for.
- 3.1.3. **Affordability** – innovative service delivery strategies and available financing tools will be explored when balancing the Capital Budget and Capital Forecast to minimize the financial impact of rising costs, growth and expanding services to ensure that current and future tax rates are maintained at manageable levels.
- 3.1.4. **Interdependency** – the Capital Budget and Capital Forecast must be reviewed with a coordinated corporate effort as Expenditures and financing decisions will impact future Operating Budgets for the organization. Debt repayment levels must be managed in accordance with the Debt Management Policy and reserve and reserve fund

requirements need to be well planned to maintain adequate fiscal capacity.

- 3.1.5. **Multi-Year Budgets** – a ten year Capital Budget and Capital Forecast will developed for Capital Projects and Capital Expenditures according to an approved procedure/guideline, Corporate Business Plan, Corporate Strategic Plan, MAMP and Growth Plan.
- 3.1.6. **Fiscal Capacity** – fiscal capacity will be built into budget plans through long range financial planning, the debt management policy and reserve / reserve fund polices with the goal of maintaining a strong financial position by considering long term flexibility, reduced financial risk exposure and compliance with statutory requirements. Debt financing will be utilized as outlined in the Debt Management Policy for Capital Projects and Capital Expenditures that benefit new and existing residents over an extended period of time.
- 3.1.7. **Community Engagement** – the budget process will provide opportunity for community input consistent with Council goals for public involvement and statutory requirements.

4. Budget Timing and Approval

- 4.1. Except as otherwise provided in the Capital Budget Monitoring and Control Policy, Council has the sole authority for approving the Capital Budget.
- 4.2. The Annual Budget will be approved on or before the 1st day of March in the current fiscal year

5. Annual Budget Calendar

- 5.1. The Treasurer or their designate shall bring forward each year a budget calendar which will be developed and approved by Council. It will define the timeline for the Annual Budget preparation and approval, including major milestone deliverables for all parties involved.
- 5.2. Commissioners, Directors and Managers have the responsibility for completing all component processes in accordance with the dates set out in the calendar.

6. Balanced Budget and Forecast

- 6.1. The Capital Budget for the current year will be balanced and fully funded in accordance with all legislated requirements, Town policies, PSAB requirements and GAAP principles.
- 6.2. The first five years of the Capital Forecast will be balanced and fully funded and the Town will strive to balance and fully fund the remaining years of the Capital Forecast, in accordance with all legislated requirements, Town policies, PSAB requirements and GAAP principles.

7. Budget Form

- 7.1. The Capital Budget and Capital Forecast will be prepared annually and will serve as the resource allocation process for items of a capital nature.
- 7.2. Budgets shall be prepared and approved on the basis of Asset Management Related Projects, Growth Related Projects and Strategic Initiatives / Community Enhancements Projects.
- 7.3. The Capital Budget and Capital Forecast shall be a corporate budget and budget sections shall be divided into like assets (i.e. Parks, Roads, Fleet, etc.)
- 7.4. The Capital Budget and Capital Forecast should identify future Operating Budget impacts related to the Capital Programs as a whole.
- 7.5. The Capital Budget and Capital Forecast sections shall be further divided into Capital Programs, major projects etc. (parent projects) with a number of individual Capital Projects and Capital Expenditures included under the parent.
- 7.6. Each parent project shall include a program detail sheet which includes:
 - Detailed program description (type of project, rationale, timing) and
 - Gross Expenditures and sources of financing, and
 - Project / program classification (asset management, growth related, strategic initiative, combination).
- 7.7. Each program detail sheet may also be required to include (but is not limited to):
 - Asset management information,
 - The relationship to the Council Goals, Corporate Strategic Plan, Corporate Business Plan or the Annual Work Plan(s).
 - Any dependencies on other Capital Projects, Capital Expenditures or Capital Programs.
 - The duration of the project.

8. Capital Decision Process

- 8.1. The Treasurer upon consultation with the CAO and the Senior Leadership Team may approve to include in the Capital Budget and Capital Forecast as part of the whole capital program for Council's consideration.
 - Asset Management Related Projects with a significant scope change, Gross Expenditure increase or timing advancement.

- Growth Related Projects that a) have not been included in the most recent Growth Plan or b) have had a significant scope change, Gross Expenditure increase or timing advancement.
 - Council approved Strategic Initiatives / Community Enhancements with additional Capital Budget requests.
- 8.2. The Treasurer upon consultation with the CAO and the Senior Leadership Team may include in the decision section of the Annual Budget for Council's individual consideration and approval.
- New Strategic Initiatives / Community Enhancements not previously approved in a prior year's Annual Budget.

9. Capital Budget and Capital Forecast Review

- 9.1. To ensure the submitted budget is in line with Council Goals, the Corporate Strategic Plan, the Corporate Business Plan, governing legislation and corporate policy, the following internal reviews shall occur.
- The Capital Budget and Capital Forecast shall first be reviewed by the Treasurer or their designate to determine the initial funding requirements.
 - Each budget section will then be reviewed by a multi-department review committee to strive to bring the Capital Budget and Capital Forecast into balance.
 - The CAO and Senior Management Team will then review the Capital Budget and Capital Forecast to ensure it is in line with all the budgetary principles and strategies, and if necessary, bring the Capital Budget and Capital Forecast into balance.
 - Prior to the publishing of the recommended Annual Budget, the Treasurer or their designate will provide a final review to ensure all funding recommendations follow Town policy and legislative requirements.
 - The recommended Annual Budget is then reviewed by the public and Council prior to approval.

10. Recommended Capital Budget and Capital Forecast

- 10.1. The recommended budget shall be provided to Council and made publically available at least one week prior to the public meeting.

11. Public Presentations of the Budget and Approval

- 11.1. The Senior Leadership Team or their designate(s) will present their annual work plan and recommended Annual Budget at a public meeting and at a Committee of the Whole meeting prior to Council approval.

12. Related Policies / Procedures

- 12.1. Debt Management Policy (F 290)
- 12.2. Capital Budget Management and Control Policy (F 170)
- 12.3. Reserve and Reserve Fund Policy (F 390)

This Policy is hereby approved by Council Resolution #298-19 on this 28th day of October, 2019.