

Corporate Policy & Procedure



Draft Only – May 19, 2022

Policy Title: Operating Budget

Policy Number: [Policy No.]

Section: **Finance and Accounting**

Effective Date: **[Effective Date]**

Approved by:

Click here to enter text.

Subsection: **Budgets**

Last Review Date: **[Last Review]**

Owner Division/Contact:

**Finance Division, Corporate Services
Department**

Policy Statement

The Operating Budget fulfils statutory and discretionary requirements and is a primary tool in the financial management of the City and in the City's business planning and budgeting process.

Purpose

The purpose of this Policy is to outline the principles and framework that the City will utilize to develop, report and manage its Operating Budget.

Scope

This Policy applies to all staff responsible for Operating Budget management or spending decisions that impact City resources.

Legislative Authority

The City's Operating Budget policy is written in compliance with:

- The Municipal Act, 2001, related Ontario Regulations made under the Act, as amended and all other applicable legislation
- Public Sector Accounting Standards, and
- Corporate policies, procedures and City by-laws

Related Policies

- Debt Management
- Asset Management Policy
- Corporate Reports

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Definitions

For the purposes of this policy:

“Budget Committee” means a standing committee of Council comprised of the Mayor and all Members of Council.

“City” means The Corporation of the City of Mississauga.

“City Manager” means the Chief Administrative Officer and head of the City Manager’s Department or the staff designated in writing as such to act in the absence of the City Manager.

“Council” means the Mayor and Members of Council for The Corporation of the City of Mississauga.

“Department” means the major operation groups within the City, namely the City Manager’s Office, Community Services, Corporate Services, Planning & Building and Transportation & Works.

“Department Head” means the employee heading any Department or the staff designated in writing to act in the absence of a Department Head.

“Director” means the employee heading any City Division or the staff designated in writing as such to act in the absence of a Director.

“In-year Budget Adjustment” (“IBA”) means any budget re-allocation subsequent to approval of the budget by Council or any new initiatives, including transfer of an amount initially recorded within one budget line item to a different budget line item.

“Leadership Team (LT)” means the team comprised of the City Manager and Department Heads.

“Net Budget” means total budgeted expenses, less total budgeted revenues and is the amount required to be raised through City taxes.

“Operating Budget” means the annual Council approved plan for expenditures, revenues, staffing levels and service levels for operations of the City from January 1st to December 31st of a given year.

“Service Area” means a unit of one or more municipal services that may be grouped together administratively for the purposes of preparing business plans and budgets.

“Treasurer” means the Director of Finance or the staff designated in writing as such to act in the absence of the Treasurer.

“Variance” means the difference between the approved budget and the actual amounts.

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Background

The Operating Budget, as approved by Council, establishes the operating spending authority and identifies the amount to be financed through property taxes for the year to which the Operating Budget applies.

The City's Business Plan & Budget is consistent with the goals and objectives set by Council in the Strategic Plan and ensures that the Operating Budget decisions support delivery of the right services, maintenance of City infrastructure and advancement of the Strategic Plan, while remaining fiscally responsible.

Operating Budget Principles

The following principles will be used by City staff in the development of the Operating Budget:

Affordability to Taxpayers

Consideration of the impact of tax increases on the taxpayer.

Asset Management

Consideration of Corporate Asset Management findings when determining the priorities for maintenance of existing infrastructure.

Community Input

Provision of an opportunity for community input through a budget engagement process.

Financial Sustainability

Consideration of the community's need to be financially sustainable in the long term.

Strategic Planning

Alignment with the Strategic Plan, the City's Official Plan and various master plans, all as amended, which serve as the guiding documents under which all City initiatives are aligned.

Administration

Operating Budget Guidelines are developed by Finance and approved by LT, based on their direction and priorities. Minor revisions to the Operating Budget Guidelines that support this Policy are approved by the Treasurer.

Annual Submission of Operating Budget

The annual Operating Budget is presented to Council for approval in accordance with the *Municipal Act, 2001*.

Development of Operating Budget Submission

The initial phase of the budget cycle involves Finance liaising with LT for the development of the Operating Budget Guidelines for the next year's Operating Budget.

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To direct staff in Operating Budget preparation, Finance distributes Operating Budget Guidelines to Service Areas at the beginning of the Operating Budget cycle. The Guidelines provide details regarding the process and high level timelines. Service Areas are required to prepare and submit their proposed Operating Budget, with assistance from Finance, as per the Operating Budget Guidelines.

The final proposed Operating Budget for all Service Areas must be endorsed by the respective Department Head prior to submission to Finance.

Review of Operating Budget Submissions by Finance

Finance reviews the Service Areas’ proposed Operating Budget submissions for completion and accuracy and ensures that the Operating Budget follows LT direction, as reflected in the Operating Budget Guidelines.

Review of Proposed Operating Budget

The Treasurer is responsible for presenting the proposed Operating Budget for LT’s review and, once endorsed, to Budget Committee.

Recommendation of Operating Budget by Budget Committee

The proposed Operating Budget is presented through the annual Business Plan & Budget documents to the Budget Committee for consideration.

Approval of Operating Budget by Council

The Operating Budget is presented to Council for approval.

In-year Budget Adjustments

Any adjustment after Council approval of the Operating Budget for the active budget year is to be done through In-year Budget Adjustment (IBA). Any IBA is subject to Finance review and must be approved by the respective Department Head. IBAs must have no impact on the Net Budget.

Roles and Responsibilities

	Pre Budget Approval	Post Budget Approval
Council	Authority for approving funding to operating programs, except as otherwise provided in this policy	Authority for the amendment of approved budgets
Leadership Team (LT)	Determines budget strategy and sets direction for budget preparation	Regularly reviews Financial position reports

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	Recommends Operating Budget to Budget Committee for approval	Responsible for taking corrective action for significant corporate Variances, as determined by LT
Department Heads	Endorse the Operating Budgets prepared by their Service Areas	Responsible for taking corrective action for Variances in their department Management of Operating Budgets within their department Approval of IBA(s)
Directors	Prepare the Operating Budget for their Division	Management of Operating Budgets by cost centre managers
Finance	Reviews Operating Budget documents for consistency between Service Areas Manages the Operating Budget development process. Complies with all applicable policies Provides documents to Budget Committee Recommends funding strategies to LT Review of the IBA(s)	Monitors and reports Variances to Directors, Department Heads and LT Forecasts year-end Variances and Operating Budget position for LT Presents Operating Budget monitoring reports to Council

Expenditure Prior to Approval of Current Budget

No expenditures shall be incurred until the budget for the current year has been approved by Council unless the following two conditions are satisfied:

- Budget for a similar item existed in the prior year’s Operating Budget, and
- The expenditure does not exceed 50% of the amount budgeted for that item in the prior year’s Operating Budget

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Operating Budget Monitoring and Reporting

Finance shall present Operating Budget monitoring reports to Council at least twice a year.

Forecasted Variances as per the Operating Budget Guidelines shall be explained by the Service Areas to the Treasurer for inclusion in the Council reports.

All IBAs are reported to Council.

Directors are responsible for ensuring that the net spending of their respective Division does not exceed the approved Operating Budget. Any spending over Net Budget must be approved by the respective Department Head.

Revision History

Reference	Description
Enter previous review - e.g. GC-1234-2015	Click here to enter text.