



The Municipal Corporation of the Town of Fort Erie

By-law No. 124-2022

Being a By-law to Amend By-law No. 127-09, as amended To Adopt A Budget Policy For The Town Of Fort Erie (Amend Dollar Value Limits of Sections 8.1, 9.1 and 9.2)

Whereas By-law No. 127-09, as amended, was passed by the Municipal Council of the Town of Fort Erie on the 28th day of September, 2009 to adopt a Budget Policy for the Town of Fort Erie, and

Whereas By-law No. 123-2022 was passed by the Municipal Council of the Town of Fort Erie on the 19th day of September, 2022 to adopt a new Procurement Policy for the Town of Fort Erie, and

Whereas at the Council-in-Committee Meeting held on September 12, 2022 Report No. CS-12-2022 was approved authorizing an amendment to the Budget Policy to adjust the dollar value limits of sections 8.1, 9.1 and 9.2 from \$25,000 to \$100,000 to align with the new Procurement Policy, and

Whereas it is deemed necessary to further amend By-law No. 127-09 accordingly;

Now Therefore the Council of The Corporation of the Town of Fort Erie enacts as follows:

1. **That** Schedule "A" to By-law No. 127-09 is repealed and replaced with Schedule "A" attached hereto, and forming part of this by-law.
2. **That** the Clerk of the Town is authorized to effect any minor modifications corrections or omissions solely of an administrative, numerical, grammatical, semantical or descriptive nature to this by-law or its schedules after the passage of this by-law.

Read a first, second and third time and finally passed this 19th day of September, 2022.

Mayor

Clerk

I, Carol Schofield, the Clerk, of The Corporation of the Town of Fort Erie certifies the foregoing to be a true copy of By-law No. 124-2022 of the said Town. Given under my hand and the seal of the said Corporation, this _____ day of _____, 20____.

Schedule “A” to By-law No. 124-09

Budget Policy



The Corporation of
The Town of Fort Erie

Adopted under By-law No. 127-09

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Article 1.0 - Application and Administration

The Municipal Act, 2001, section 290 requires that municipalities prepare and adopt a budget each year.

The purpose of the Municipal Budget is to allocate financial and organizational resources to goals and initiative as identified in Council's Strategic Plan.

The purpose of the budget policy is:

- to improve the efficiency of the budget setting process;
- to ensure that the budget plans presented by staff are consistent with the immediate goals set out by Council in its Strategic Plan;
- to maintain the long term financial stability of the Town with stable taxation and water/sewer rates; and
- to assist senior staff and boards in streamlining administrative tasks associated with budget production by providing guidelines and standard forms, in advance of budget production.

This policy shall apply to all departments, agencies, boards, and committees expending financial or other resources to carry out services and municipal programs for the Town of Fort Erie. Organizations whose financial records are not maintained by the Town shall submit to the Director of Financial Services a copy of their most recent financial statements and audit report if applicable with their budget submission.

This policy shall be read and applied fairly with such variations, as circumstances or the nature of the subject matter require, provided the general purpose, intent, meaning and spirit of the policy are maintained.

Article 2.0 - Roles and Responsibilities

2.1 Municipal Council

Municipal Council:

- Establishes the Town's current priorities through its Strategic Plan
- Approves guidelines to staff in advance of detailed budget preparation.
- Reviews the detailed budget submissions as Council in Budget Committee.
- Adopts the budget through a by-law.
- Approves the rates required for taxation and user fees by by-law.

2.2 Corporate Services Committee

The Corporate Services Committee:

- Reviews the budget guidelines before submission to the Council in Budget Committee.
- The committee reviews the budget and assists in the presentation to Council in Budget Committee.

2.3 Chief Administrative Officer

The Chief Administrative Officer:

- Exercises financial control over all corporate operations in terms of appropriations approved by Council
- Approves all capital expenditure requests before presentation to Council,
- Approves all new program requests before presentation to Council
- Approves additions to the staff complement before presentation to Council.

2.4 Department Directors

The Department Directors:

- Prepare budget estimates for services they oversee, in accordance with the Council Budget Policy and the approved budget guidelines.
- Provide needs analysis for capital projects and ensure conformity with master servicing plans, official plan and/or other documents as applicable.
- Ensure that capital projects are co-ordinated with works planned by other government agencies to achieve cost savings in administration and tendering of joint works, as well as cost sharing of related works.
- Informally review departmental budgets with their respective Committee Chair and Vice Chair to familiarize them with issues in the upcoming budget.
- Provide detailed explanations for programs and expenditures during budget deliberations, as required by the Municipal Council.
- Ensure that expenditures incurred throughout the year are in conformity with the approved Budget and the Purchasing and Tendering By-Law

2.5 The Director of Financial Services

The Director of Financial Services

- Recommends to Council the guidelines to be used by Departments, Boards and Committees in preparing budgets. Such guidelines shall take into account the priorities identified by Council in its Strategic Plan, the current economic climate, Provincially mandated requirements, changes in collective agreements and other legislated commitments and include a schedule of meetings.
- Reviews all budget submissions for compliance with Council's approved guidelines, and compiles the package for review by the Council in Budget Committee.
- Monitors existing and future debt levels and allocations to and from reserves
- Prepares Council package, provide public notice of meetings and make copies of all non-confidential budget information available to the local media.
- Assembles the annual budget

2.6 The Town Clerk

The Town Clerk:

- Prepares agendas for budget meetings and distributes with supporting documentation to members of Council
- Prepares minutes of budget meetings.
- Ensures that all agencies, boards and committees are informed of their responsibility to comply with this policy.

Article 3.0 - Annual Budget

3.1 Budget Guidelines

Prior to commencement of the budget the Director of Financial Services will prepare the budget guidelines for Council approval. The guidelines will include a timetable for budget completion and guidance on increases and decreases related to existing contractual obligations and inflationary adjustments for utility costs.

3.2 Budget Components

The annual budget document shall contain the following information:

- Mission Statement;
- Strategic Plan. A description of the goals and objectives contained in the current Strategic Plan that will drive the actions to be taken during the year.
- Listing of Council members, senior staff and a corporate organization chart.
- Municipal statistics and performance measurements for the preceding year.
- Summary of tax and water and sanitary sewer rates.
- General Levy Operating Budget for the current year and two year forecast. The operating budget provides for day-to-day revenues and expenditures of the municipality, such as taxation and user fee revenues, grants, personnel, costs, utilities, maintenance and repairs expenditures.
- Water and Sewer budgets for the current year and five year forecast. The operating budget provides for day-to-day revenues and expenditures of the municipality's utility operations, such as user fee revenues, grants, personnel, costs, utilities, maintenance and repairs expenditures.
- Capital Budget for current year and five year forecast. The capital budget provides the financing sources and expenditures for the acquisition, rehabilitation or replacement of the capital assets of the municipality in compliance with the Capital Asset Policy By-law No. 89-09.
- Reserve summary for the current year and two year forecast. The detailed continuity schedule will provide a listing of financial resources that have been established in reserve funds for specific purposes and the projected activities for each for the current year and the two-year forecast.
- Debenture and related principle and interest payment forecast and an update of the annual repayment limit.

Article 4.0 General Levy Budget

4.1 General Levy Budget Framework

General levy budget identifies expenditures sufficient to meet desired service levels and user fees, grants, donations and other revenues available to pay for the services. It will include transfers to capital reserves and financing cost of servicing infrastructure related debt costs and it may also include transfers to and from reserve funds to assist with financing current or future operations. The shortfall is then covered by the general levy.

The Town's levy shall include sufficient transfers to reserves in order to maintain the Town's road and storm infrastructure and general assets such as facilities and fleet. In determining what is a sufficient level of funding from the levy, regard shall be given to the recommendations contained in the master servicing plans, with respect to sustainable funding, including inflation adjustments.

4.2 Budget Form

The General Levy Budget will include the estimates for the current budget year and a two-year forecast. Municipal department submissions will be prepared in the format as supplied in the Town's budgeting software. Agency, board and committee submissions will be prepared in the format as supplied in Appendix B or a reasonable approximation thereof so that the estimates maybe be entered and consolidated into the Town's budgeting software.

4.3 The Base Budget

The base budget for the year is established at the end of the prior year's budget process. The base budget incorporates ongoing revenues and expenditures, including provisions for capital replacement, necessary to maintain the base level of service, which Council has established during the current budget deliberations. Any requests for funding a permanent increase in the level of service should be clearly identified as being part of the base budget. An example of this type of request may be a new planning clerk to handle an increased volume of building activity. Inclusion of a service in the base budget does not necessarily imply that funding will not be reduced in a future year, should there be a decrease in demand for that service, or should Council determine a reduction in the base service level to be appropriate.

The base budget revenues and expenditures shall be indexed by contractual commitments, such as the collective agreement as well as inflationary adjustments for fuel, utilities and other costs.

4.4 The Supplementary Budget

The supplementary budget is a discretionary budget for enhanced services beyond the base level of services. It includes one-time projects and new services. Approval of expenditures in the supplementary budget is on a year-by-year basis, and financial support may be discontinued or redirected to other priorities in a subsequent year. Therefore, Departments and Boards should not assume that approval of a supplementary budget item implies a permanent increase to the level of service. The delivery of these enhanced

services should anticipate the potential that they may be reduced or discontinued if funding declines or priorities change. The primary funding sources for the supplementary budget are gaming revenues, donations and special grants from other levels of government.

4.5 User Fees

The municipality uses a variety of user fees and service charges to assist in funding various services. Some user fees, such as those in the building and planning department are based on the principle of full cost recovery, whereas others, such as recreation and youth programs are only partially cost recovery with subsidies from the property tax base.

To ensure a regular annual review of user fees by Council, as part of the budget process, a summary of all Town user fees shall be prepared by the Financial Services Department and included with the budget package. Adoption of the consolidated user fee schedule shall be by-law.

Department Directors anticipating required increases in user fees for the upcoming budget year should advise the Director of Financial Services of the change, so that it may be incorporated into the budget guidelines. Upon Council approval of the guidelines, and in advance of budget presentation to Council, the Director shall consult with stakeholder groups, such as builders and sports associations regarding the proposed increases.

4.6 Gaming Revenues

The Town is the beneficiary of gaming and licensing revenues however the amount of revenues receivable is not controllable by Council. The municipality's entitlement to these revenues is subject to Provincial determination and market forces.

Gaming revenues will not be budgeted as a revenue source to reduce the net general levy. Therefore, the annual operating budget shall be prepared such that gaming revenues are budgeted as part of the supplementary budget.

4.7 Wages and Benefit Costs

All departments, boards and committees requesting funding from the Town must supply details as to the number of employees included in the budget for the budget and prior year. Such details shall include permanent, casual, contract, part-time, student and any other category of employee. Any increases to the staff complement, whether temporary or permanent, funded by grants, donations or otherwise, must be clearly identified in the budget submission, using the form contained in Appendix A and approved by Council in the budget. Related costs for staffing requests such as supervision, office furniture, vehicles and computers must be identified on the staff request form.

The Financial Services Department will provide departments with anticipated benefit costs for the budget year, based on information supplied by Revenue Canada, WSIB and the Town's benefit carrier.

4.8 Debt Charges

The Town issues debt through the Regional Municipality of Niagara. Capital projects funded by debenture do not normally impact on the current year's tax or water/sewer rates, because interest and principal payments do not start until the following fiscal year. However, excessive use of debt can reduce the Town's ability to take on new infrastructure renewal projects in future years without rate increases, thereby making commitments and restricting financial flexibility for future Councils.

4.9 Professional Development

The Town of Fort Erie supports ongoing education and training of its staff. Departments are permitted to include training and conference expenditures in their budgets to a maximum allowance of 2% of permanent full-time wages, excluding benefits. All registration, travel, per diem, accommodation and other associated costs are included in the 2% cap.

The Director of Financial Services will include in the budget material presented to Council, a summary document detailing the totals by department, including the prior year actual expenditures, the capped amount and the department recommended budget for the current year. Council approval is required for expenditures exceeding the cap.

The determination of specific courses to be attended is at the discretion of the Department Director. Department Directors are responsible for ensuring expenditures do not exceed the cap.

Details regarding recommended attendance by members of Council at conferences such as AMO, OGRA (Ontario Good Roads), etc shall be included in the budget documents.

Article 5.0 Water and Sewer Operating Budget

5.1 Water and Sewer Operating Budget Framework

Water and Sewer budget identifies expenditures sufficient to meet desired service levels, user fees, grants, donations and other revenues available to pay for the various services. It will include transfers to capital reserves and financing cost of servicing infrastructure related debt costs and it might also include transfers to and from reserve funds to assist with financing current or future operations. The shortfall is then covered by user rates.

The Town's water and sewer rates shall include sufficient transfers to capital reserves to maintain the Town's sanitary and water infrastructure. In determining what is a sufficient level of funding from rates regard shall be given to the recommendations contained in the master servicing plans, with respect to sustainable funding, including inflation adjustments

5.2 Budget Form

The Water and Sewer Operating Budget will include the estimates for the current budget year and a five-year forecast in order to accommodate the licensing requirement of the Safe Drinking Water Act, 2002. Municipal department submissions will be prepared in the format as supplied in the Town's budgeting software.

5.3 Water and Sewer Rates

The Town of Fort Erie has established a full user pay philosophy for water and sanitary sewer services, such that the costs to provide these services are not included in the general tax levy. The following principles have been established for water and sewer rates:

- The system should be cost effective operating on a full cost recovery basis with costs being distributed fairly and equitably to all users;
- The water bill should include a base service charge and a consumption charge;
- Changes in the Regional Municipality of Niagara rates for treatment costs should be reflected in the consumption rate;
- Rates, fees and charges should promote new development; and
- Rates, fees and charges should encourage water conservation.

Article 6.0 Capital Budget

6.1 Capital Budget Framework

The current year capital budget and five-year forecast incorporates all expenditures and financing sources for tangible capital asset acquisition, rehabilitation and replacement in excess of the thresholds as defined in the Capital Asset policy. Financing sources may include transfers from reserves, debenture, grants, donations, cost-sharing and lease financing. Every effort will be made to estimate all financial contributions to the acquisition of municipal assets.

6.2 Capital Budget Form

The Capital Budget will include the estimates for the current budget year and a five-year forecast. Municipal department submissions will be prepared in the format as supplied in the Town's budgeting software. Agencies, boards and committee submissions will be prepared in the format as supplied in Appendix C or a reasonable approximation thereof so that the estimates maybe be entered and consolidated into the Town's budgeting software.

6.3 Sources of Capital Funding

Department Directors are to include all internal and external sources of financing in project worksheets. Sources of financing are not to be netted against project expenditures in order to reflect the true asset cost in compliance with the Capital Asset

Policy. The Director of Finance will ensure reserve fund balances are sufficient to support the recommended capital program and that debenture levels are within the Towns debt annual repayment limit.

As a lower-tier municipality does not have the power to issue debentures, the Regional Municipality of Niagara (Region) may issue debentures or enter into debenture agreements for the purposes of the Town. When requested to do so by the Region, the Director of Finance is delegated the authority to execute Indemnity Agreements on behalf of the Town with the Region provided the form and content are approved by the Town Solicitor.

6.4 Resource Documents

In determining capital priorities, Department Directors shall consider the following sources:

- Council's Strategic Plan
- Town's Official Plan
- Master Plans
- Service enhancement objectives
- Council requests prior to budget process
- Asset life cycle information
- Development servicing needs
- Provincial and Federal initiatives
- Input from Community Committees
- Emergency issues
- Joint initiatives with other municipalities and agencies
- Legislated responsibilities

6.5 Preliminary Capital Budget

Staff and/or Council may initiate early approval of a portion of the year's capital budget in order to give the Town an advantage in being ready to tender projects early in the year to obtain lower tender pricing and provide the necessary lead time for purchases in order to ensure availability to meet operational needs.

Article 7.0 Allocation of Surpluses and Deficits

Municipal surpluses from the revenue fund are normally carried forward to the next fiscal year to reduce taxation or water/sewer rates. However, because surpluses and deficits can vary significantly from year to year, using them as a source of revenue to balance the budget can create difficulties in maintaining stable tax, water and sewer rates.

Accordingly, surpluses and deficits from the general revenue fund shall be allocated to the General Levy Rate Stabilization Reserve. Surpluses and deficits from water and sewer operations shall be allocated to their respective refurbishing reserves. Surpluses and Deficits from capital jobs will be allocated back to the reserve that originally allocated the fund.

Article 8.0 Donations

It is important that Council is advised of the intention of organizations to make contributions to the Town for specific purposes. While the donation may be to cover up front purchase costs for a property, building or piece of equipment which an organization would like the Town to have, there may be ongoing maintenance costs which cannot be accommodated within the Town's budget for that service area.

8.1 Donation Approval

Where Department Directors are approached by community groups wishing to donate to the municipality, the Department Director shall meet with the group to discuss:

- The purpose or nature of the project;
- Identify the end result and agree upon the time frame;
- Determine what materials, reports, services, financial resources etc that the group will be providing to the municipality;
- The ongoing maintenance costs to the municipality;
- Determine whether a building permit or work order is required, as well as WSIB clearance certificates and insurance certificates;
- Determine what services the Town will be providing such as tendering, building permits, insurance certificates, contract administration etc.

Projects to be funded by donations in the upcoming year shall be incorporated into the Department or Board's budget presentation for Council approval. Where community groups approach the Town following the budget process, an administrative report to Council is required before acceptance of the project. For administrative ease, the requirements of this section don't apply to donations less than \$5,000.

Donations of up to \$25,000 to projects previously approved by Council or to expand the scope of projects previously approved by Council will be accepted with the authorization of the CAO. Donations in excess of \$100,000 require an administrative report to Council for acceptance of the project, as they are deemed significant enough to represent a potential increase in scope.

Projects funded by donations, will require collection of donations in advance of making a financial commitment to purchase goods or services, unless otherwise approved by Council.

8.2 Donation Receipts

The Director of Financial Services shall issue a donation receipt, in accordance with the provisions of the income Tax Act. The Director of Financial Services shall advise Council by memorandum upon receipt of all donations of \$5,000 or greater, so that the donation can be acknowledged publicly at a Council meeting.

Article 9.0 Budget Adjustments

All adjustments to allocate funds to operating activities or capital projects not previously approved by Council shall be reported to Council for approval.

9.1 Budget Variances

With the approval of the CAO, mid year operating or capital variances may be accommodated by a transfer within a previously approved departmental operating budget or a transfer between previously approved departmental capital projects up to the lesser of:

- i) 10% of the departmental budget or capital project budget and
- ii) \$100,000

Requests are to be submitted to the Director of Financial Services using the format in Appendix D detailing the reason for the transfer and including the signature of the department head. These adjustments do not affect the tax supported net levy or property tax rates and are deemed to not require public notice per By-Law No. 24-04.

Budget expenditures exceeding these limits shall be reported to Council for approval before being incurred with an explanation of the expected impact on service levels. Approval by Council of budget amendments shall be by resolution and an amendment to the by-law adopting the budget is not required.

9.2 External Contributions

The operating and capital budgets will make every attempt to include all revenues including those to be received from external sources such as grants, donations (as per article 8.1) and cost sharing with other partners, however on many occasions these opportunities are unknown at the time of the budget preparation. In order to leverage such opportunities that may develop throughout the year the CAO may approve adjustments to the budgeted expenditures up to \$100,000 to expand the scope of a previously approved operating activity or capital project where it is fully funded by unanticipated external contributions.

Article 10.0 Variance Reporting

10.1 Operating Variance Reporting

Second and third quarter Operating Fund variance reports will be submitted to Council with appropriate variance explanations. The Director of Financial Services will request variance explanations from Department Directors in order to report the same to the Chief Administrative Officer and subsequently to Council.

10.2 Capital Variance Reporting

Department Directors shall advise the Director of Financial Services as various capital projects are completed during the year, and ready to be closed. The Financial Services Department shall review the final accounting for the project(s) with the respective directors. Resulting surpluses will be returned to the respective reserve funds immediately.

The Financial Services Department will prepare for Council an annual Capital Surplus/Deficit report, which will include the following:

- listing all capital projects completed and to be closed and a summary of funding surplus or deficits
- the impact on reserves.
- capital projects for which no expenditures have been incurred in the past two years, and for which no financial commitments are in place. These projects will be closed in order to ensure that scarce municipal resources are not tied up in projects that are no longer a priority. This closure may be avoided if the Department Director provides a rationale satisfactory to Council as to why the inactive project should remain open, and not redirected to current priorities. A capital project will be considered to have commenced if the municipality has created a legal obligation for expenditures prior to December 31 of the year in which the budgetary estimate was approved.

Article 11.0 Evaluation

11.1 Financial Audit

A financial audit is conducted for the year ended by the Financial Services Department and external auditors to determine whether expenditures have been incurred consistent with budget estimates. The Town's audited financial report shall include a comparison of actual results to approved budget.

11.2 Performance Measurements

The Province of Ontario has made it mandatory for municipalities to gather and report publicly certain standard performance measurements. Provincial officials have established indicators to measure efficiency and effectiveness in core service areas. Performance measures will be included in the budget document and Department are also encouraged to incorporate these mandatory measures into their budget presentation.