
The Corporation of the City of Stratford Policy Manual

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Policy Section: Financial and Fiscal
Department: Corporate Services

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MULTI-YEAR BUDGET POLICY

Policy Statement:

The Council of the City of Stratford is committed to budget strategy that integrates business planning, capital and operating requirements, and demonstrates a commitment to prudent financial leadership and sustainability.

Purpose:

The purpose of the Multi-Year Budget Policy is to define the approach to be used for multi-year budgeting and associated Council approvals.

Definitions:

Capital Program – A multi-year program (typically 10 or more years) that funds new infrastructure projects as well as expands and maintains existing infrastructure. Some of the project types could include a new arena, widening roads, and roof replacement on an existing community centre.

City of Stratford – The Corporation of the City of Stratford.

City Treasurer – The individual appointed by the municipality as Treasurer.

Departments – Service Areas that operate within the Corporation.

Boards and Commissions – Groups outside the Corporation, typically (although not always) funded by the municipal tax base, that provide specific and/or specialized services to the Stratford community.

Budget – An estimated financial plan of revenue and expenditure for a set period.

Multi-Year Budget – Approval of a 4-year operating and 10-year capital forecast.

Multi-Year Budget Policy – Refers to this policy.

Municipal Act – Refers to legislation that governs municipalities in Ontario.

Net Budget – The net budget is the cost to deliver the City of Stratford's programs and services, after accounting for all non-tax/non-rate revenues and subsidies received. This is the portion of the budget that is paid for through property taxes or utility/user rates/fees. This is also sometimes referred to as Tax Levy Revenue/Rate Revenue where applicable.

Operating Budget – A budget that funds the day-to-day operations of the municipality. Some of the expense types could include personnel, utilities, and reserve fund contributions.

Scope:

The scope of multi-year budgeting, including both the operating and capital program, extends to all City of Stratford departments, boards, and commissions and applies to both the property tax-supported as well as water and wastewater rate-supported budgets.

Procedure:

Approvals / Adjustments to Multi-Year Budget:

1. A Multi-Year Budget is developed covering a four- year period. Annual updates will be brought forward for Council consideration every budget year. The first year of a new Council term will reconfirm the fourth year of the Multi-Year Budget.
2. Early in a new Council term, Council will develop its Strategic Plan. Following that, Council will approve a Multi-Year Budget that includes a four-year average annual tax levy adjustment from rates and four-year water and wastewater rates that address municipal inflationary pressures and funding for additional investments that are aligned with Council's Strategic Plan.

3. After Council approves the Strategic Plan and the Multi-Year Budget, Corporate Leadership Team will continually work with the fluid business plans that clearly outline the current state and future direction of each service. The business plans are intended to identify the strategies and priorities that are driving the strategic direction of the service. All strategies and priorities must be aligned with the Council's Strategic Plan and the funding approved through the Multi-Year Budget. Throughout the Multi-Year Budget process, business plans will be modified for material changes that result from any material amendments through annual updates.
4. The Treasurer, with the support of the Corporate Leadership Team will present to Council a budget that complies with the *Municipal Act, 2001*. The budget will contain adjustments to reflect inflationary pressures and additional investments or disinvestments that would further adjust the budget requirement. Each additional investment or disinvestment submitted for Council consideration shall be supported with a comprehensive business case.
5. In the first year of a budget cycle, the Corporate Leadership Team will be seeking approval of a Multi-Year Budget for a four-year period. Commencing in the second year and in each subsequent year of the multi-year budget, Council is required by the *Municipal Act, 2001* to review and readopt the budget for that year. As part of the review process, Council is required to make changes that are required for the purpose of making the budget compliant with the provisions of the *Act* which include ensuring that the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds and amounts required for boards, commissions, or other bodies. As such, Council will have the opportunity to make other amendments to the budget annually.

In addition to the matters required to be addressed by the *Municipal Act, 2001*, the scope of annual budget changes may include, but are not limited to, the following:

- a) **New or Changed Regulation** – A new or changed legislation or regulation with a financial impact to the municipality.
- b) **New Council Direction** – A new Council direction that has transpired after the approval of the Multi-Year Budget.
- c) **Cost or Revenue Driver** – A corporate or service area budget adjustment because of changes in economic conditions.

Proposed changes to future years' operating budgets should only be brought forward and approved once per year. Adjustments are limited to once per year, during the annual update period, to ensure that all requests are considered together.

6. The City Treasurer or designate is authorized to make adjustments considered “housekeeping” in nature including operating and capital budget transfers made by a service that do not change the net budget.
7. The City Treasurer or designate would be authorized to release budget funds prior to a new Multi-Year Budget or annual budget update approval up to a prorated amount based on the previous fiscal year’s approved budget. Such authorization will continue for a reasonable period until budget approval of a new Multi-Year Budget or Annual Budget Update.

Legislative Authority:

Municipal Act, 2001, Section 291(1) authorizes a municipality to prepare and adopt a budget covering a period of two to five years in the first year to which the budget applies or in the year immediately preceding the first year to which the budget applies. The process for preparing and adopting a multi-year budget and the requirements for a municipality’s budget are prescribed in the *Municipal Act, 2001*.

If a municipality chooses to adopt a multi-year budget, establishing an annual review process is mandatory as outlined in section 291(4) of the *Municipal Act, 2001*. The annual review process requires Council to readopt the budget for that year and subsequent years that the budget applies to ensure the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds, and amounts required for boards, commissions, or other bodies.

Also, pursuant to section 290(6) of the *Municipal Act, 2001* the passing of a multi-year budget does not limit the power of a municipality to amend or revoke a budget adopted under section 290 nor does it remove the obligation of a municipality to levy taxes/rates in each year.

Related Documents:

- Not applicable.